

Andhra Pradesh Community Based Tank Management Project

OPERATIONAL MANUAL

Volume – III of VI

Financial Manual



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Irrigation & CAD Department
Government of Andhra Pradesh

OPERATIONAL MANUALS

VOLUME	I	WUA OPERATIONAL MANUAL
	II	SUPPORT ORGANIZATION MANUAL
	III	FINANCIAL MANUAL
	IV	PROCUREMENT MANUAL
	V	TECHNICAL MANUAL
	VI	QUALITY CONTROL MANUAL

Foreword

The Government of Andhra Pradesh has initiated the process of providing substantive and enabling role to farmers benefiting from irrigation projects for management, operation and maintenance of the irrigation infrastructure by enacting the APFMIS Act, 1997. Following this, I&CAD Department has carried out minimum rehabilitation of the M.I tanks through Water User Associations. Performance evaluation of the WUAs highlighted the need for investment in institution building to enable WUAs to take up irrigation system management responsibilities. This has now been initiated in the I&CAD Department as part of the ongoing sector reforms process under the flagship of “Jalayagnam” programme of Government of Andhra Pradesh in tune with the Mid-Term Appraisal of the X Plan and observation of the Sub-Group on Agriculture and Irrigation of the National Development Council.

I&CAD Department is already implementing a project on “Repair, Renovation and Restoration of water bodies directly linked to Agriculture” with assistance from Government of India in the districts of Ananthapur and Mahaboobnagar. I&CAD Department has developed a step-by-step process guideline towards scaling up of the above programme to benefit 2.5 lakh ha under 3000 tanks at an estimated cost of Rs. 1000 crores with financial assistance from the World Bank and the Government of India under the **AP Community Based Tank Management Project**. This restoration work is proposed to be undertaken in three batches over a period of next five years.

The Project Implementation Plan has been prepared to act as a guiding document, describing the activities of the project on spatial and temporal scale. In addition, a set of six Operational Manuals on various components have also been prepared to steer the project stakeholders in effective implementation of the project. Present volume is one of the series of these six manuals. Though sufficient care is taken to avoid any contradiction with the existing provisions, however in cases of any ambiguity or contradiction, the existing statutes and government orders would prevail. We welcome any suggestions for further modifications and improvement.

Commissioner,
Irrigation & CAD Department
Government of Andhra Pradesh

ACRONYMS

1	APCBTMP	Andhra Pradesh Community Based Tank Management Project
2	APFMIS	Andhra Pradesh Farmers Management of Irrigation System
3	AE	Assistant Engineer
4	AEE	Assistant Executive Engineer
5	API & CAD	Andhra Pradesh, Irrigation and Command Area Development
6	AC	Advance Contingent
7	CBTMP	Community Based Tank Management
8	CE	Chief Engineer
9	DCA	Development Credit Agreement
10	DLIC	District Level Implementation Committee
11	DPU	District Project Unit
12	EE	Executive Engineer
13	GB	General Body
14	GOI	Government Of India
15	GOAP	Government of Andhra Pradesh
16	IPA	International Development Agency
17	LOC	Letter Of Credit
18	MI	Minor Irrigation
19	PD	Project Director
20	PMU	Project Management Unit
21	TIMP	Tank Improvement and Management Plan
22	WUA	Water User Association

DEFINITIONS

1. **District Project Unit (DPU):** A unit set up by the State for all project related administrative, financial and technical approvals at the District level.
2. **“Accounting Year” or “Year” or “ Financial Year” :** the year commencing from 1st April of the ensuing year and ending on 31st of March succeeding year.
3. **“Auditor”** means a qualified Chartered Accountant or Government Auditor appointed by the PMU for auditing the accounts of project at the state and district level.
4. **“Bank “** means a nationalized bank in which a separate account is opened to operate the project funds
5. **Capital Expenditure”** is an expenditure incurred for the purpose acquiring, extending or improving assets of permanent nature.
6. **Project:** Andhra Pradesh Community Based Tank Management Project,.
7. **Project Management Unit (PMU):** special purpose vehicle set up by State for implementation of Project at State level.
8. **Water Users Association (WUA):** Body established under the APFIMS Act, 1997 as applicable to the State of A.P., consisting of persons owning land in the command area of a given tank- in a village or villages as the case may be.

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CHAPTER 1

INTRODUCTION

1.1 General

Andhra Pradesh is known for its immense potential of minor irrigation that has been “LIFE LINE” for millions of rural communities over centuries. There are about 12,000 MI sources having individual area more than 40 ha. in the state and few of them still stand firm as sentinels of history. Institutions and traditional practices responsible for managing the tanks are still in vogue in good number of cases. GO AP realizing the importance of community involvement in water resource management has passed APFMIS Act in 1997 forming WUAs for the MI sources also along with major and medium irrigation projects. The present status of tanks varies widely depending on the rainfall, inflows, water utilization/ distribution and operation and maintenance across the state. An increasing gap between area irrigated and potential created of the M.I. sources has been recorded over the past few decades due to various reasons and has become a major concern. It is felt necessary to restore the storage capacity of the water bodies and develop capacities of the local institutions for recovering their lost irrigation potential. Government of Andhra Pradesh envisages to rehabilitate minor irrigation sources in a big way using successful efforts of government and non- government agencies in the state as well as out side the state in effectively rehabilitating the tanks for improvement of livelihood of rural communities dependent on the tanks. The government of Andhra Pradesh in partnership with GOI proposed to repair , rehabilitate and restore 3000 M I tanks having command area of more than 40 ha, with funding from World Bank, by and through the local level institutions. In the process, due importance will be given to the institutional reforms required at different levels for enhancing the efficiency of the tank systems and production systems and efficacy of the community based institutions to takeover operation and maintenance of the system.

1.2 Project Objectives

Selected tank based producers improve agricultural productivity and water user associations manage tank system effectively.

The four components of the project are:

- 1. Strengthening community based institutions to assume responsibility for tank system improvement and management* – including development of human resources, formation and / or strengthening of local institutions for tank improvement and management and development of mechanisms whereby the needs of traditionally vulnerable stakeholders can be addressed.
- 2. Tank systems improvement* – including physical investments in tank systems with command area of 40 ha and above. The actual rehabilitation work required would be determined for each system individually with an upfront Tank Improvement and Management Plan (TIMP) prepared in consultation with tank users prior to undertaking any investments. In general, investments are likely to address deficiencies in feeder channels, tank bed and structures and the water distribution and drainage systems.
- 3. Agricultural livelihoods support services* – including promotion of farmer interest groups, agricultural research and extension, support through public agencies and private service providers as appropriate and facilitation of credit and market linkages for agricultural producers / growers (including fisheries and livestock products).
- 4. Project Management* – activities under this component would help ensure effective project management at the state and district levels, information and logistic support, communications, project related consultancies and concurrent monitoring and evaluation.

1.3 Implementation Arrangements

1.3.1 State Level Arrangement

The project at the state level will be reviewed by a project steering committee with Chief Secretary as the Chairperson. The Project Coordinator (Commissioner CAD and Principal Secretary, I&CAD Department) will be the Convener of the Project Steering Committee. The committee will provide strategic guidance to the project; ensure coordination of the participating departments. The committee would also review the efficacy and adequacy of the implementation, fund flow arrangements and would also make necessary changes if required for achieving the project objectives. The state level agency responsible for implementation of the project will be the Command Area Development (CAD) in the I&CAD Department, Government of Andhra Pradesh.

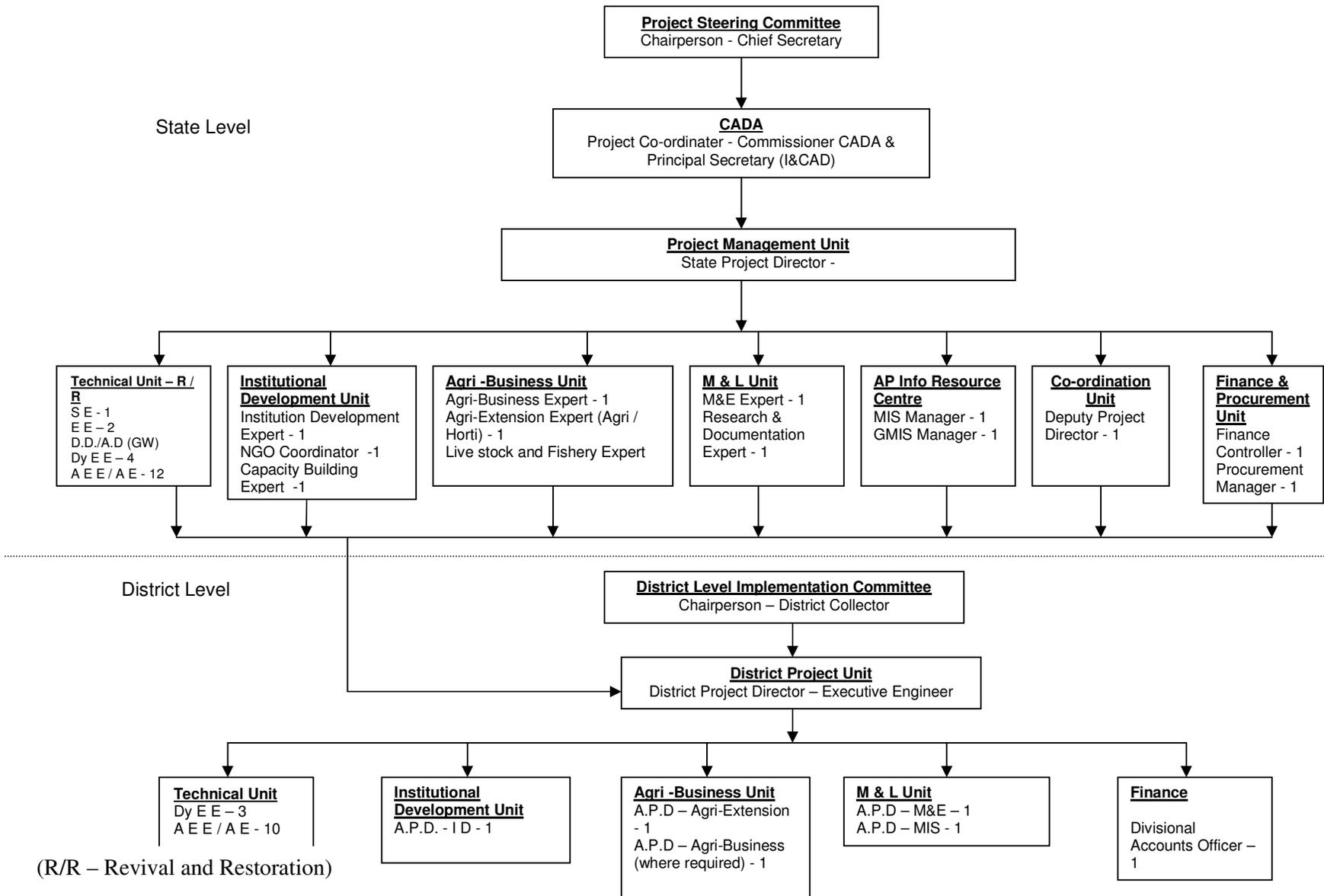
1.3.2 Project Management Unit

The Project is implemented using a multi layered organizational structure. The Project Management Unit (PMU) will be the administrative unit of the project at the state level and the District Project Unit (DPU) will be the administrative unit at the district level as per organogram enclosed. One of the existing operational divisions of the minor irrigation department would be designated as DPU. The finance unit at the PMU level will be headed by a serving gazetted official on deputation from the state government, and will preferably be from Director of Works and Accounts. At the DPU level the finance unit would be handled by the Divisional Account Officer of the division. These officials would be supported by adequate finance and accounts staff as existing in the divisions. At the WUA level the financial arrangements will be governed by the APFMIS Act.

1.4 Finance Manual

The expenditure and accounting of the Project would be as per Codal provisions and rules in force. The manual reflects the duties and responsibilities of the finance and accounts department with respect to the maintenance of books of accounts, internal controls and financial discipline to be adhered at various levels. This is to establish uniformity in accounting policies, procedures, maintenance of books of accounts, preparation of financial reports, project monitoring, auditing etc as required by the government of A.P. and acceptable to World Bank. The manual therefore, acts as a guide for the accounting policies, budgeting, reporting and disbursement procedures, meeting the requirements of the State Government, World Bank, WUA, auditors etc in managing and accounting financial resources during implementation of the Project for achieving the desired targets.

The financial rules and procedures are primarily guided by the AP State Financial Code and PWD departmental code and accounts code, as well as instructions and circulars issued by the GoAP from time to time. The project financial arrangements will conform to these documents and the finance manual is to be used only as a guiding and supporting document.



Organizational Structure for implementing A.P.C.B.T.M.P

CHAPTER II

FUND FLOW AND AUDIT ARRANGEMENT

2.1 Fund Flow Arrangement

Funds from the World Bank will be made available to GoAP (through the GOI) under the back-to-back arrangements between GOI and the States. However, part of the expenditure incurred on the project would also be financed by the GoI (to the extent of 25% of project cost) and these would be transferred, from IDA resources borrowed under the project, as grant by GoI to GoAP. The Bank will provide an initial advance in the Special Account to be opened in the Reserve Bank of India, and the GoAP will make a budget allocation for the project against which the project divisions will receive authority to incur expenditure in the form of Letters of Credit (LoCs). Subsequent disbursements to the Special Account will be on the basis of Interim Un-audited Financial Reports (IUFRR) basis, based on Bank's share of eligible project expenditure. These reports will be based on the expenditure reflected in the monthly compiled accounts received from the divisional Pay and Accounts Officers (PAOs). Disbursements could be on a monthly or quarterly basis depending on the pace of expenditure and requirements of the project.

2.1.1 Fund Flow (State, District and WUAs)

The project will be implemented through existing state government systems and regular works' department procedures and controls will be applicable to the overall project financial arrangements. The GoAP has issued a Government Order in reference GO No 231 dt 23.12.06 outlining the Implementation and Fund flow arrangements for the project.

The project envisages departmental implementation coordinated by PMU in I&CAD, GoAP. The flow of funds from the state government to the project is through a budgetary allocation for the project as a line item, in the demand for grants from the I&CAD department. All the components and sub-components of the project (including those which pertain to other line departments like agriculture, animal husbandry, fisheries etc) will be funded through the PMU and the DPUs, and no funds would flow directly to the individual line departments through their budget. The DPUs will be responsible for monitoring, accounting and reporting on the expenditure incurred under the sub-components, and the PMU will consolidate all the DPU/divisional level reports and prepare quarterly interim un-audited financial reports.

WUAs will receive project funds from the DPU for undertaking non-technical works and will receive an advance of up to 40% of the cost of such works and will be responsible for the payments in respect of these. The DPUs will be responsible for monitoring the usage of these funds by the WUAs, complying with the requirements of the APFMIS Act. All other works will be implemented through tendering by the DPU (technical unit). The detailed WUA level financial arrangements are outlined in the WUA manual.

2.1.2 Fund Flow Process

The PMU/DPU will operate the budget and the State Project Director/ District Project Director (Divisional Engineer) will raise bills on the basis of actual expenditure incurred by the project divisions. The bills are received by the Pay and Accounts Officers who are with the Directorate of Works and Accounts under the Finance Department. In summary, the fund flow process at the state level is as follows:

- The state government makes a departmental budgetary allocation for the I&CAD under the relevant Demand for Grant and a sub-allocation to the CADA, which is authorized to incur overall expenditure limited to the allocations.
- The state government (Finance Department) would then issue a Letter of Credit (LoC) authorizing State Project Director to draw the funds.
- After receiving the LoC the State Project Director releases the funds to the Divisional

- Engineers (Executive Engineers) in the state as per the demand/requirement by way of the LoC.
- After receiving the LoC, the Executive Engineers (Project Directors (DPU)) are authorized to incur expenditure (commitments) to the limits of the LoC and draw the amount by raising claims on the concerned Pay and Accounts Officers, based on the bills prepared by them.
- The Pay and Accounts Officers admit the claims and issue cheques for the amounts by debiting the expenditure claimed, to the relevant head of account.

2.1.3 Cash Advances and AC bills

The district units are allowed to draw up-to Rs. Three Lakhs and the PMU can draw up-to Rs Ten Lakhs in one instance through AC Bills for incurring expenditure in respect of various components. AC bills should be strictly drawn as per the latest instructions of the GoAP on the subject, in particular that after drawal of an AC bill, a subsequent AC bill shall be drawn only after adjustment of the current AC bill.

The PMU and the individual DPUs will monitor these AC bill advances through the AC bill register and any other means, and ensure adjustment within the prescribed one month, and in addition submit monthly certificates of utilization of such advances. The PMU will be regularly informed about the position of AC bills, and this will be reviewed during the supervision missions of the Bank. If at any point of time the amount of such unadjusted AC advances becomes substantial, or the number of outstanding bills is beyond that permitted under the relevant rules for withdrawal of AC bills, the PMU shall undertake appropriate measures to limit them and ensure that no fresh AC bills are drawn till the existing ones are settled. Also AC bills will be used only for specific one-time expenditures (including contingencies), and not for recurrent commitments like staff salaries or consultant remunerations.

2.2 Audit

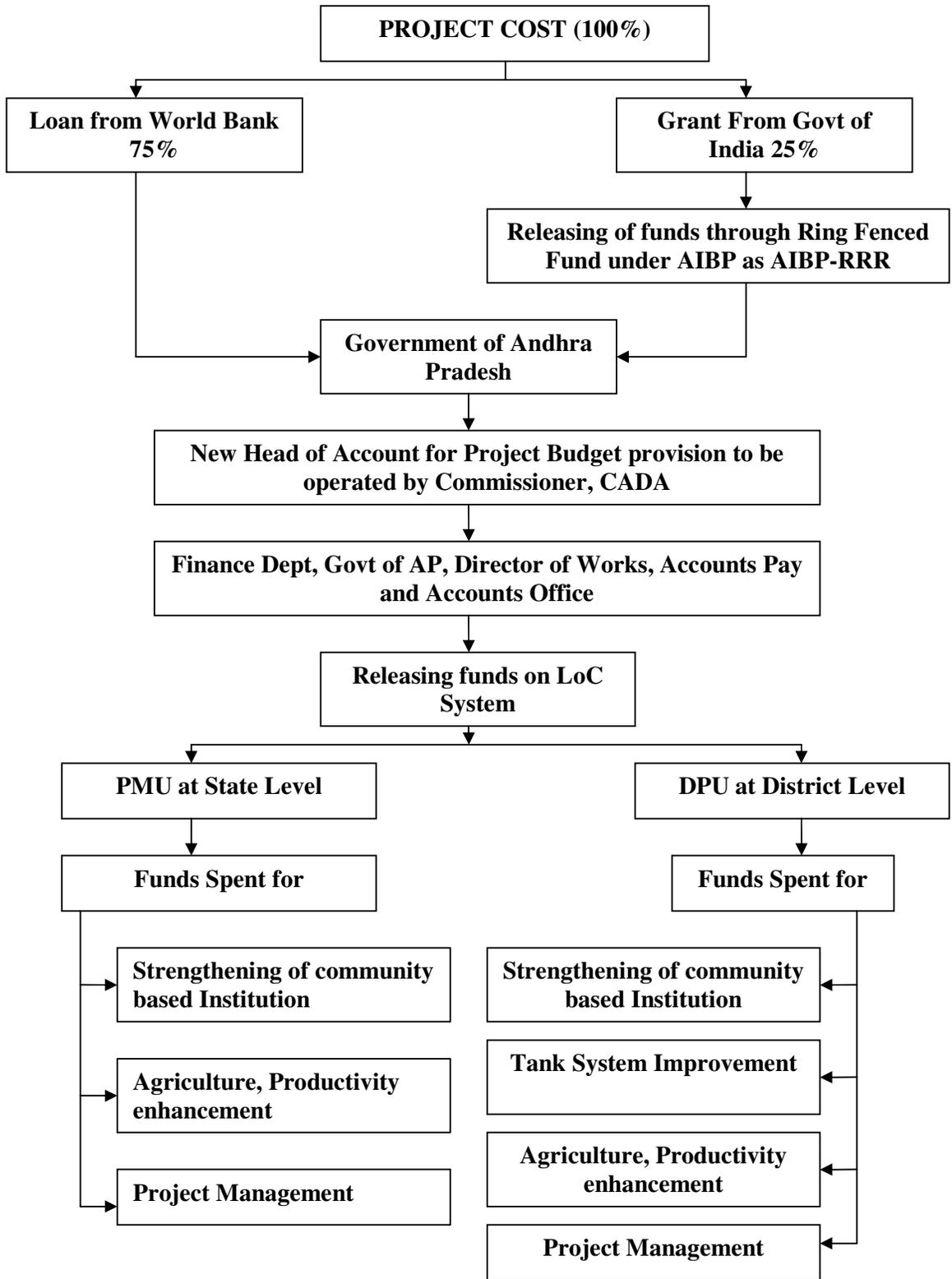
2.2.1 Statutory Audit.

The annual statutory audit for the project will be conducted by the state Accountant General (AG), AP as per agreed Terms of Reference (TORs) for World Bank projects. The audit will cover the project financial statements, the Statements of Expenditure and will include an audit opinion and a management letter.

2.2.2 Internal (concurrent) Audit:

The project will have a regular internal audit (of a concurrent nature) of the project at the PMU/DPU level. The internal audit of the project will be conducted by an independent firm of Chartered Accountants, whose responsibilities will include project audit of the PMU and the DPUs, a sample review of financial reports received from the WUAs, and the timeliness and adequacy of the monitoring mechanisms for them. A firm(s) of Chartered Accountants empanelled by the CAG will be engaged by the project for internal audit as per Terms of Reference to be agreed with the Bank.

FUND FLOW CHART



CHAPTER III

BUDGET

3.1 Budget Process

It involves identifying specific tasks to achieve the objectives of the project within a time frame, and allocating funds needed for accomplishing the same from the available or anticipated resources. The draft budgets are to be prepared based on defined activities that can be completed in a given fiscal year and their cost estimates depending on actual quantities and schedule of rates. The budget process needs to be uniform across the districts incorporating the known contingencies. The budget for goods and services need to be prepared considering the time for the completion of procurement process – from the initial survey, specification finalization, bidding process, evaluation, approval, contract, Award, and delivery schedule. The budget estimates should include administrative expenditures such as Salary, Telephone, Conveyance, Traveling expenses etc., and spill over works from the previous budget or financial year and contracts executed in the previous financial year/budget period but payments due in the current financial year or during the Budget period, apart from payments to Contractors/vendors/Consultants to be made in stages in line with progress achieved.

Similarly, ensure that overall expenditure under each of the expenditure category does not exceed the total cost specified in the project appraisal document (PAD). If the cost cannot be curtailed, efforts should be made to seek the approval from the Bank for its revision, either by reallocation of cost or seek additional financing from Bank and identify the source.

The Budget prepared by the Project Management Unit should take into account the technical, administrative and financial aspects of implementing the project. Further to facilitate proper monitoring, the annual budget requires to be broken into monthly and / or quarterly basis. The budget prepared should not include the beneficiary contribution and will include only the contribution of GOI (25%) and World Bank assistance (75%). Once in six months thorough review should be undertaken with the actual progress against the budget provision under each head and so as to revise, and reallocate for effective implementation of the project.

3.2 Two Layers of Budget

DPU is the main body meant to provide technical, administrative and financial assistance to WUAs for restoration of the identified irrigation tanks. Therefore, the Budget comprises of:-

1. Funds required by DPU for operational expenses, execution of works by contractors, procurement of goods and services from vendors, consultants, support Organizations etc., across the district, including releases to the WUAs.
2. Funds required by PMU at State Level for its administrative expenses and project expenses such as for studies, training, Consultancy services apart from procurement of goods, equipments etc,

3.3 Budgeting.

The project would be budgeted component-wise and by sub-components for all the items as indicated in Annexure. Detailed budgeting aspects have been finalized with the Finance Dept. during appraisal, and budget for project activities has been aligned by components and sub-components within the existing budgetary system of the state government. The PMU will be responsible for review and approval of the component-wise annual work plans and preparing the budget proposals and sending them to the Finance Department by September of each year, in order to feed into GoAP budget cycle. Similarly on the receipt side the GoAP will reflect the funds to be received from GoAP, Bank and GoI.

3.4 Budget Preparation

The DPU along with requirements of establishment and administration will consolidate the financial requirement of each WUA for works, goods and services required at the district level as per TIMPs prepared and cleared by DPU and submit to the State Project Director, normally in the month of October in the format as per the requirement under each head.

The PMU will then prepare an Action plan for the year after carefully scrutinizing the estimates received from the districts. The departmental estimates should be in the same form as in the budget estimates and should give sufficient information to enable the Government to examine their accuracy. The consolidated budget estimate for the project as a whole considering all the components will be submitted to the Administration Department of the Secretariat concerned. The Administrative Department sends the estimates with their comments to the Finance Department. The Finance Department will then correct the estimates with reference to the Government decisions and prepare the Annual Financial Statement/ Budget. Finally the Budget is presented to the Legislative Assembly and after discussion in the Assembly, Appropriation Act is passed and the Scheme is sanctioned by the Government.

CHAPTER IV

FINANCIAL MANAGEMENT SYSTEM/INTERNAL CONTROLS

4.1 Responsibilities of PMU

In addition to the above the duties and responsibilities of the Finance and Monitoring wings of the PMU are as follows:

- Preparation of Master plan and annual action plan and budget estimates for the project as whole, by consolidating budget estimates received from the District Project Units.
- Compiling project management reports with respect to accounts including all district reports and its submission to PAO, after proper verification as regard to arithmetical accuracy and classification.
- Ensuring proper maintenance of records and book keeping of finance and Accounts of the project with respect to allotment and expenditure.
- To seek financial allocation from State Government with necessary documentation.
- Verification of requisitions and arrangement for timely and speedy transfer of funds to various district units.
- Preparation and scrutiny of bills.
- Maintenance of proper books of accounts, registers, records files and related documents in respect of expenses incurred by it.
- Classify and group the expenditure accounting to the approved chart of accounts covering, State Budget Heads, capital expenditure, Disbursement category of World Bank, Procurement method and category, prior and post review contract.
- Obtain and verify the Monthly financial returns from project implementing districts.
- Reconcile the project expenditure with eligible expenditure for Finance form World Bank.
- Set financial targets say quarterly for the implementing offices and monitor the progress and to report on any adverse variation
- Preparation and submission of claim applications with necessary documentation to the Controller of Aid Accounts and Audit New Delhi.
- Follow-up and obtain the Reimbursement form the World Bank and Government of India.
- Reconcile the claims submitted with admittance and disbursement.
- Arrange for statutory audit by AG and submission of audit report to the World Bank.
- Consolidate and submit periodical financial returns (FMRs)to various departments finance department, GOAP, GOI and World Bank
- Facilitate the PMU with necessary financial progress statements for monitoring the progress and to take necessary corrective action.

4.2 Responsibilities of DPU staff:

The Finance unit of District Project Unit shall be headed by a Divisional Accounts Officer (Gazetted). He shall have sound experience in Finance and Accounts, and shall be in over all control of accounts and administration at district level and shall be supported by adequate accounting staff.

- Preparation of Master plan, annual action plan, budget estimates for the District project Unit.
- The accounting and Financial Management of Project at the district.
- Maintaining a financial reporting system providing information on expenditure by project components and sub-components and prepare timely Financial Management Reports (FMRs) based on these.
- Verification as regard to arithmetical accuracy, correct classification and proper accounting of the accounts of the Project in the district and compilation of consolidated periodical financial statement. Further, he shall authenticate the consolidated financial statements of the district based on the PAO reports before sending the same to the PMU.
- Monitoring the issue of AC bills and their adjustment, ensuring compliance with all government instructions and guidelines of the GO No 231 dt 23.12.06.
- Ensuring financial reporting and periodical audits of WUA accounts and maintenance of proper, accurate and reliable finance and accounts information at WUA level.
- Assisting the Project Director, District Project Implementation Committee in respect of accounts and financial matters.
- Such other duties and responsibilities as may be assigned by Project Director.
- Prepare Monthly Financial Statements
- Preparation of Bank Reconciliation Statement.
- Reconcile the Payments with Project Expenditure
- Observe all statutory rules and regulations such as filing of returns, deduction and payment of taxes, etc
- Maintenance of fixed assets registers
- Renewal of Insurance
- Safe keeping of Bank Guarantees, other important documents and its timely renewal
- Monitor the progress of the contracts and impose penalty or liquidated damages etc, as per the terms
- Arrange for audit of accounts and obtain audit certificates, submit Audit Certificate to PMU and comply with the Audit observations

4.3 Internal Control

Internal controls need to be exercised at various levels to ensure accuracy and reliability of the financial transactions. The internal control system proposed 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. As the FM system is expected to be computerized it may be possible to exercise greater internal controls.

The internal controls will 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 will be followed as a financial discipline to achieve the objectives of the FMS:

1. Preparation of Bank reconciliation statement on a monthly basis to ensure that transactions are made timely.
2. Preparation of monthly Receipts and Payments statements to ensure accuracy and correctness of the books of accounts and fund utilization analysis.

3. Submission of “Requisition Form” for seeking grant so as to check the requisition for funds after considering the balance available and the projected expenditure.
4. Monthly Reconciliation of Payments with Expenditures so as 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 for initiating corrective measures.
6. Monthly monitoring of major works/ contracts with respect to time and cost over-runs
7. Monthly analysis of advances – schedule with aging analysis, to ensure financial discipline and to avoid any blockage of project funds for a longer duration.
8. Monthly analysis of statutory payments – deductions and remittances such as sales tax and income tax etc,
9. Monthly monitoring of the Bank guarantees and obtaining bank confirmations, its renewals etc,
10. Monthly review of the various insurance policies etc, such as vehicle insurance, cash insurance etc, and its periodic renewal
11. Monthly review of the payments / purchase of asset, its procurement procedure, sanction order etc,
12. Monthly Monitoring of the arrears of water charges, membership fee, lease rent from fishing etc,
13. Quarterly review and reconciliation of the status of disbursement in terms of SDR and US \$.
14. Quarterly / Periodic monitoring of all contracts as to its financial progress and time.
15. Obtaining monthly confirmation of cash and bank balances / statement of accounts from all the implementing offices.
16. Monthly monitoring of the procurement limits especially the local shopping, etc,
17. Steps to avoid or minimize cash transactions by issuing cheques wherever possible.
18. Movement of Cash and Cash holdings to be adequately insured.

CHAPTER V

ACCOUNTING SYSTEM

5.1 Importance of Accounts

The success of any project depends on its financial discipline to a great extent and its accountability for the funds provided. Therefore accounting plays a crucial role in directing and guiding the project to its goals for achieving the objectives. A sound accounting system reflects variations or any deviations from the approved or planned goals so that corrective action is taken and the system should be able to alarm the organization of any major changes or adverse situation.

5.1.1 Accounting Centers

It is proposed for decentralized accounting system to ensure greater accountability and speedy implementation of the project. The following two Accounting Centers (Units) are required to keep books of accounts and records for all receipts and payments:

- PMU at State Level
- District project unit (DPU)

In addition to the above WUA of given tank command area requires to maintain certain records pertaining to revenue collected and expenditure incurred towards maintenance works apart from works undertaken by WUA in rehabilitating the tank. These records and their formats have been indicated in the APFMIS Act.

5.2. Financial Reporting

To meet the specific financial reporting needs of the stakeholders mentioned above, specific reporting formats have been designed and these are indicated in the annexures.

5.3 Records to be Maintained

At the State level, PMU and at the District Level DPU shall maintain the following Records using the formats indicated against each of them.

- Cash Book - Format 1a and 1b
- LoC Register - Format 2
- Expenditure Register - Format 3
- Reconciliation Register - Format 4
- Fixed Assets Register - Format 5

5.3.1 Cash Book

The Amount received from Govt. of A.P , the payments made in respect of administrative expenditure, contract works, consultancy charges will be written in the Cash Book.

5.3.2 LOC Register

It is a Daily Balancing Book showing the opening balance of LOC, the LOC released and the closing balance of LOC on daily basis.

5.3.3 Expenditure Register

The total expenditure incurred for the project will be written in this Register.

5.3.4 Reconciliation Register

The Balances as per the Expenditure Register will be reconciled with the Balances as shown in the A.G. Books on monthly basis.

5.3.5 Fixed Assets Register

The Furniture & fixtures, office equipment purchased and the closing balances will be written in this Register.

For maintaining the above Registers, the following Vouchers and Formats will be used:

1. LOC Realization letter: To receive Funds from Govt. of A.P on LOC system.
2. Standard Form-57 (Abstract Contingent Bill) : For claiming Advances for contingent expenditure from PAO
3. Standard Form-58 (Fully Voucher Contingent Bill): For claiming the Balance amount for the expenditure incurred, all the Bills will be attached to this Form-58 and sent to PAO

CHAPTER-VI

DISBURSEMENT

6.1 Disbursement

Obtaining the finance from the World Bank is referred to as Disbursement. Process of disbursement will be indicated in the Development Credit Agreement to be executed by the Bank with the GoI and GOAP (the project implementing authority). Bank reimburses the cost at the agreed rate, provided such expenditure has been incurred adhering to the procurement guidelines or norms of the bank. The project will utilize the existing machinery of Finance (PMU Dept) for filing claims to CAA&A.

6.2 Method of Disbursement

The disbursement from the World Bank can be grouped as under:-

- Replenishment to Special Account
- Reimbursement of actual expenditure (SOE method)
- Report based disbursements (Interim Un-audited Financial Reports)

6.3 Ineligible Items for Financing by Bank

Disbursement handbook of the World Bank specifies the ineligible items for financing by the Bank. There may be project specific items not eligible for financing or eligible over a limited period or at a reduced scale, which will be specified in the DCA and project agreement. The general list of ineligible items for financing from bank are:- Land cost, Retention money, Custom Duties, Local freight charges in case of imported goods, Self Insurance, Income tax and service charges in case of consultancies, Goods and services procured from non-member countries, Items not within the project and category description defined in the DCA / project agreement, Items procured not following the World Bank procurement guidelines, Payment after the closing date, Late payments and penalties, Excessive advance payments, and Recovery of S.D and recovery of mobilization advance. However this list will be updated based on latest Bank guidelines.

6.4 Special Account

The DCA of the project normally specifies the opening of a Special Account by the borrower (Government of India) with the Reserve Bank of India in US Dollars on the terms and conditions satisfactory to the Bank. Normally, Special Account limit is also specified in the DCA. As per the agreed terms (Authorized Allocation) Bank will deposit such sums into the Special Account.

6.5 Operation of Special Account

The power to operate the Special Account vests with the Controller of Aid, Accounts and Audit Division, Ministry of Finance, (Department of Economic Affairs) Government of India. Based on the request for replenishment received from the Project office, CAA&A withdraws the money from the Special Account. Periodically, the World Bank replenishes the Special Account of the project.

ANNEXURE

HOD : Commissioner, CAD.

(WUA Programme under AP Community Based Tank Management Project)

Component-A

MAJOR HEAD	2702	MINOR IRRIGATION SCHEMES INCLUDE IN THE PLAN
SECTOR/SUB SECTOR	`01	SURFACE WATER
GROUP HEAD	`03	EXTERNALLY AIDED PROJECT
MINOR HEAD	101	WATER TANKS
SUB HEAD	`06	WUA PROGRAMME UNDER APCBTMP
DETAILED HEAD	160	PUBLICATIONS
	200	OTHER ADMN. EXPENSES
	280	PROFESSIONAL SERVICES
	300	OTHER CONTRACTUAL SERVICES
	500	OTHER CHARGES
OBJECT HEAD	284	OTHER PAYMENTS
	503	OTHER EXPENDITURE

HOD : Commissioner, CAD

(Tank System Improvement under AP Community Based Tank Management Project)

Component-B

MAJOR HEAD	2702	MINOR IRRIGATION SCHEMES INCLUDE IN THE PLAN
SECTOR/SUB SECTOR	`01	SURFACE WATER
GROUP HEAD	`03	EXTERNALLY AIDED PROJECT
MINOR HEAD	101	WATER TANKS
SUB HEAD	07	TANK SYSTEM IMPROVEMENT UNDER APCBTMP
DETAILED HEAD	200	OTHER ADMN. EXPENSES (TRAININGS)
	270	MINOR WORKS (CIVIL)
	280	PROFESSIONAL SERVICES
	500	OTHER CHARGES
	520	MACHINERY
OBJECT HEAD	271	OTHER EXPENDITURE (under 270)
	284	OTHER PAYMENTS
	503	OTHER EXPENDITURE
	521	PURCHASES

HOD : Commissioner, CAD

(Agriculture Productivity Enhancement Programme under AP Community Based Tank Management Project)

Component-C

MAJOR HEAD	2702	MINOR IRRIGATION SCHEMES INCLUDE IN THE PLAN
SECTOR/SUB SECTOR	`01	SURFACE WATER
GROUP HEAD	`03	EXTERNALLY AIDED PROJECT
MINOR HEAD	101	WATER TANKS
SUB HEAD	08	AGRICULTURE PRODUCTIVITY ENHANCEMENT PROGRAMME UNDER APCBTMP
DETAILED HEAD		
	200	OTHER ADMN. EXPENSES
	280	PROFESSIONAL SERVICES
	500	OTHER CHARGES
	520	MACHINERY & EQUIPMENT
OBJECT HEAD	284	OTHER PAYMENTS
	503	OTHER EXPENDITURE
	521	PURCHASES

HOD : Commissioner, CAD

(Project Management (Administration) under AP Community Based Tank Management Project)

Component-D

MAJOR HEAD	2702	MINOR IRRIGATION SCHEMES INCLUDE IN THE PLAN
SECTOR/SUB SECTOR	`01	SURFACE WATER
GROUP HEAD	`03	EXTERNALLY AIDED PROJECT
MINOR HEAD	101	WATER TANKS
SUB HEAD	09	ADMINISTRATION UNDER APCBTMP
DETAILED HEAD	160	PUBLICATIONS
	130	OTHER EXPENDITURE
	134	HIRING OF PRIVATE VEHICLES
	200	OTHER ADMN. EXPENSES
	280	PROFESSIONAL SERVICES
	300	OTHER CONTRACTUAL SERVICES
	340	SCHOLARSHIPS, STYPHEND & INTENSIVES
	500	OTHER CHARGES
	510	MOTOR VEHICLES
	520	MACHINERY EQUIPMENT
OBJECT HEAD	132	OTHER OFFICE EXPENDITURE
	284	OTHER PAYMENTS
	503	OTHER EXPENDITURE
	521	PURCHASES

FORMATS

FORMAT 1 (a)

CASH BOOK

RECEIPT SIDE

Date of Receipt	No. of Voucher of Receipt	From whom Received etc.	Account (Cash)	Classification of Receipt
1	2	3	4	5

FORMAT 1(b)

CASH BOOK

Cash Book of Sri. _____ Executive Engineer ___ for the month of ___ 200 ___

PAYMENT SIDE

Date of payment	No. of Voucher	To whom paid etc.	Cash	PAYMENT BANK OF TREASURY		Classification of Charges
				10	11	
6	7	8	9	No. of Cheque (with no. of Cheque book)	Amount	12

FORMAT 2

LOC REGISTER

DATE	PROC.NO.	PARTICULARS	OPENING BALANCE	LOC ISSUED	CLOSING BALANCE	SIGNATURE

FORMAT 3

EXPENDITURE REGISTER

Date	Voucher No.	Description	Expenditure	Remarks

FORMAT - 4

**OFFICE OF THE COMMISSIONER CAD
I&CAD DEPARTMENT, JALASOUDHA BUILDING
ERRUMMANZIL, HYDERABAD
REDONCILIATION CERTIFICATE**

**CERTIFICED THAT THE EXPENDITURE BOOKED IN THE A.G''S OFFICE FOR THE YEAR
2005-06 ARE RECONCILED AS FOLLOWS.**

S.No	Head of Account	Departmental figures	A.G''s.	Remarks
1	2	3	4	5

FORMAT - 5

FIXED ASSET REGISTER

Name of the Unit :

Asset Group:

Sl. No	Date of Purchase	Bill No	Supplier's Name	Details of Asset	Type and Make	Quantity	Amount Rs.	Location	Identification No.	Date of Physical verification	Signature	Remarks