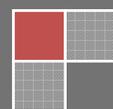


2011

FINANCIAL
MANAGEMENT
MANUAL
BIODIVERSITY
CONSERVATION &
RURAL LIVELIHOOD
PROJECT

PREPARED BY
GOVERNMENT OF INDIA
MINISTRY OF ENVIRONMENT
& FOREST



PREAMBLE

TITLE

This document is the “Financial Management Manual” for the Biodiversity Conservation and Rural Livelihood Improvement Project. A separate manual exists for Procurement procedure and hence the same is not reproduced in this manual.

OBJECTIVE

The success of the project to a great extent depends on the Financial Discipline apart from technical feasibility and its administrative capability. The responsibility of the Project is to ensure effective use of the funds for the intended purpose and reporting of the same to the institutions and the stakeholders.

The purpose of the manual is to provide assistance and guidance to the users and stake holders on the relevant accounting policies, budgeting, accounting and reporting requirements.

VERSION

This is the first version of the manual. It would be revised from time to time as per the project needs in consultation and concurrence with World Bank and Ministry of Environment and Forests.

ACCOUNTING SOFTWARE

The project would maintain accounts using TALLY accounting software

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ACRONYM

AL	Agasthiyarmalai
APO	Annual Plan of Operation
Adl. Dir/EAP	Additional Director (Externally Aided Project)
A/S	Accounts Superintendent
AWP	Annual Work Plan
BCRLIP	Biodiversity Conservation and Rural Livelihood Improvement Project
CFT	Cluster Facilitating Team
CFAO	Chief Finance Accounts Officer
CEO	Chief Executive Officer
C&AG	Comptroller and Auditor General
CS	Conservation & Survey
CWLW	Chief Wildlife Warden
DEA	Department of Economic Affairs
DFO	Divisional Forest Officer
DPU	District Project Unit
DPC	District Project Co-ordination
DDO	Drawing And Disbursing Officer
DoPR	Department of Panchayathi Raj
FD	Forest Division
FDA	Forest Development Authority
FMR	Financial Monitoring Report
FMM	Financial Management Manual

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GoI	Government of India
GM	Gram Mitra
GP	Gram Panchayat
HH	House Holds
IFD	Integrated Finance Division
LRK	Little Rann of Kachchh
MoEF	Ministry of Environment and Forest
MoU	Memorandum of Understanding
MoF	Ministry of Finance
JS (CS)	Joint Secretary (Conservation & Survey)
NGO	Non Governmental Organization
NUP	National Project Unit
NPO	National Project Office
OBC	Other Backward Classes
PA	Protected Area
PCCF	Principle Chief Conservator of Forests
PFU	Project Facilitating Unit
PMC	Project Management Cell
PMU	Project Monitoring Unit
RLI	Rural Livelihood Improvement
SGF	Small Grants Fund
SPU	State Project Unit
SAS	State Accounts Service
SoE	Statement of Expenditure
UK	Uttarakhand

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UC	Utilisation Certificate
VU	Village Unit
VLO	Village Level Organization
VPC	Van Panchayat Committee
WB	World Bank
WLW	Wildlife Warden

1 PROJECT BACKGROUND

India, with a geographical area of 3.28 million sq km is the seventh largest and the second most populous country in the world. India is a mega diverse country and is one of the twelve countries that collectively accounts for 60-70% of the worlds biodiversity.

The richness of India's biodiversity owes it to three unparalleled attributes. The first is her amazing spectrum of ecosystems actuated by the diverse agglomeration of landforms spaced out in a wide range of latitudes and longitudes. Together with a wide array of climatic regimes these present an impressive range of physical environment. Secondly, India lies in the confluence zone of three major 'centres of origin of life on earth or 'Bio-geographic Realms' viz. Indo-Malayan, Eurasian and Afro-tropical. The third attribute is India's rich cultural heritage of compassion for all life forms and the longstanding tradition of conservation.

It is no surprise therefore that India with its 2.4% of world's landmass supports 8.1% of world's biodiversity. There are an estimated 45000-47000 species of plants and some 90,000 species of fauna that constitute respectively 11% and 7% of those recorded in the world. At least 166 species of crops that account for about 6.7% of the total crop species in the world and an estimated 320 species of wild relatives of cultivated crops are believed to have originated in India.

The Biodiversity Conservation and Rural Livelihood Improvement Project (BCRLIP) visualizes a multi sector and, seemingly antagonistic, multi theme project on a landscape. A key requirement here would be appropriate configuration of the landscape that takes an integrated view of conservation and livelihoods realized through rational management zoning. The process should indeed lead to a net gain for biodiversity and ecological services also in two ways. One, it will help PA management by reducing pressures and also lead to amelioration of forests and pastures restoring the degraded 'dispersal' habitats in the areas outside PAs. Two with livelihood facilitation for the needy it will foster and forge their stake in the PA and non-PA segments of the landscape in the interest of long term security of conservation and livelihood values.

1.1 PROJECT ORGANIZATION

CS Division of the Ministry of Environment & Forests as the national manager of BCRLIP would look after its financial management and disbursement of funds using the BCRLI societies duly registered under 'Societies Act 1860' which has been proposed for project facilitation to each state.

1.2 PROJECT COMPONENT

The Project has four components:

*Component One: **Demonstration of Landscape Conservation Approaches in selected pilot sites:***

This component will focus on developing and testing tools and techniques and enhancing knowledge and skills for improving biodiversity conservation and rural livelihood outcomes in two demonstration landscapes (Little Rann of Kachch in Gujarat and Askote in Uttarakhand). These landscapes include protected areas, biological corridors and high value conservation sites in production landscapes. As a part of the demonstration and learning effort, this component will support (i) Participatory ecological and social mapping to identify areas of high biodiversity value and resource dependencies and threats in order to define targeted interventions for improving conservation outcomes and community livelihoods in the landscapes; (ii) Improved management of biodiversity rich areas within and outside the protected areas in the landscape; (iii) Mainstreaming of biodiversity considerations in production areas within the landscapes; and (iv) Development and implementation of livelihood strategies to enhance local community benefits from sustainable management of natural resources linked to conservation.

*Component Two: **Strengthening Knowledge Management and National Capacity for Landscape Conservation:***

This component will support improved knowledge and capacity development building on learning and experience from the two demonstration landscapes (Component 1) and other local conservation models (including the previously funded GEF/IDA Ecodevelopment project). This component will support: (i) Field Learning Centres at Periyar (Kerala), Kalakad (Tamil Nadu) and Gir (Gujarat) to provide hands-on training through cross visits, exchange assignments, work experience and training sessions and distillation of conservation best practice; and (ii) National capacity building program through the Wildlife Institute of India (WII) to facilitate the promotion of landscape conservation approaches nationwide.

*Component Three: **Scaling Up and Replication of Successful Models of Conservation in Additional Landscape Sites:***

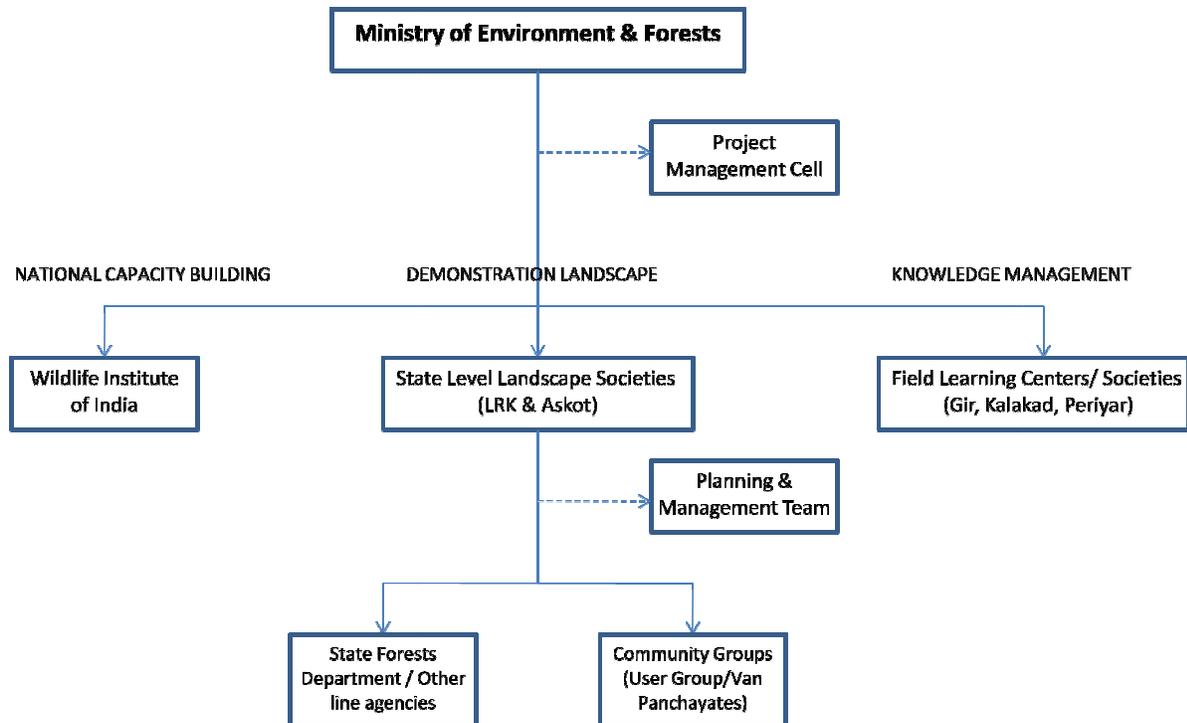
This component would support the further testing and replication of landscape conservation approaches to two additional high biodiversity landscapes from the third year onwards with project financing. The extension of the landscape approach to these two additional landscapes will build on, and expand experiences derived from the two demonstration landscapes (Component 1). The two additional sites will be selected to demonstrate specific aspects of landscape conservation. It is also envisaged that the training and skills development in Component 2 could likely encourage the uptake of landscape level planning and management at additional capacitated sites with GoI or other non-project sources of funding.

*Component Four: **National Coordination for Landscape Conservation:*** This component will support coordination for landscape conservation at the Ministry of Environment and Forests (MoEF). Activities to be financed include: establishment of Management Information System (MIS) for project and landscape monitoring, impact evaluation, and limited operational and technical support to enable MoEF to coordinate and administer the implementation of project activities and facilitate replication elsewhere in India.

1.3 OVERALL IMPLEMENTATION ARRANGEMENT

The overall Implementation Arrangement set-up for the project is developed from the perspective of implementation and monitoring of the project from the national, state, landscape, and community level. The Implementation Arrangement at all levels will focus on implementation of planned project activities, financial management and procurement functions and project monitoring, learning and reporting.

Figure 1 - Implementation Arrangement Framework at the Project and Community Level:



Ministry of Environment and Forests

The Ministry of Environment and Forests through its CS Division will be the entity at the national level for overseeing project implementation, monitoring and providing policy guidance to the project implementation entities at the state level and ensuring the replication of participatory landscape concepts to other sites in the country during and after the project period

The Project Director appointed at the MEF level will be supported by a Project Management Team to support intensive learning, supervision and monitoring, communication, financial management and procurement. Specialized technical support, including communication and monitoring expertise would be provided through this contract. An Assistant Project Director deployed under the Project Director, MEF on a full-time basis will oversee and supervise the implementation of the project, provide technical and monitoring oversight and coordinate directly with the respective entities at landscape level (society) to ensure smooth and effective implementation of the project.

Implementation arrangements at the State Level

State Societies or Foundations

At the state level each of the two States have established a Landscape Society (registered under the Societies Act) for implementation and monitoring of project activities. This Society or Foundation will facilitate the implementation of the project at the landscape level; help resolve financial and procurement bottlenecks; ensure timely release of funds, accounting, auditing and reporting. The Landscape Societies would act as the receiver, depository and disbursing of funds. It would provide assistance to field level agencies, help facilitate channeling of non-project funds to project communities, establish Monitoring & Evaluation structures and facilitate the smooth implementation of activities at the ground level. The Landscape societies will have an Executive Body and Governing Body. A very important role of state level implementation agency will be also to facilitate the coordination of planning activities across the different sector agencies that operate in the landscape. The Chief Executive Officer (CEO) of the landscape society will play an important role to facilitate the implementation of the project. An Empowered Committee will be established at each landscape to take administrative and financial decisions in support of smooth project implementation, review implementation progress and facilitate coordination between the various line agencies that operate within the project sites.

Implementation arrangements at the Landscape Level

The CEO of the Society, as relevant, at the landscape level will be the key executive for the coordination and implementation of the project. The respective CEO will be assisted by a planning and management team consisting of contract ecologist, sociologist and other specialists to help facilitate protected area management, participatory conservation, training and monitoring. The planning and management team would draw professional and specialized training support from competent non-governmental organizations and institutions. The implementation of participatory conservation activities and mainstreaming of conservation objectives in regional planning and production areas will be facilitated and coordinated through the existing district coordinating committees. While the planning and implementation of activities within the protected areas and participatory conservation activities in the immediate impact zone surrounding it would be undertaken by the PA Directors or respective Conservator of Forests, the mainstreaming of biodiversity conservation in the non-PA Areas (e.g. Forest Production Areas, Wetlands/Fishery areas, grasslands, etc) would be implemented through the relevant line agencies, with technical support from the planning and management team and financial support that is channeled through the landscape society.

Implementation arrangements at the Community Level

At the community level the project will operate, depending on the local situation, through VSSs, EDSs, VFDCs, JFMCs, etc., and for certain project specific inputs there would be community groups such as User Groups, SHGs, CIG and their federations such as cooperatives and producer companies. In the case of Askote, Van Panchayats would be the field level implementing units. In the case of LRK landscape, communities will be organized into sub-district or taluka level user societies who would be the field level implementing entities. Households at each village will be organized into user groups; such groups will be collectively responsible for formulation of community-level micro-plans, prioritizations of investments, ensuring community reciprocal commitments and participatory monitoring of biodiversity and socio-economic impacts. Specific eligibility criteria would help prioritize community level investments and ensure their direct linkage with conservation objectives and reciprocal commitments to conservation.

Planning at the village level will be facilitated through the planning and management teams (consisting of a contract ecologist, sociologist and social mobilizers) that would be available at the disposal of the CEO of the Society. Local and national NGOs with appropriate expertise would be contracted to assist with micro - planning, livelihood and micro-enterprise development, as well as independent monitoring of social and economic impacts of the project interventions.

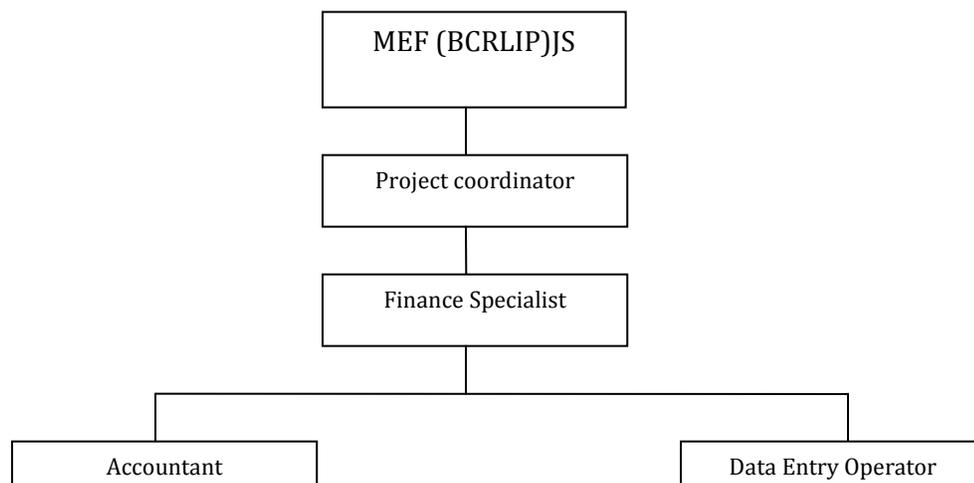
2 ORGANISATION STRUCTURE AND DOP

Authority in respect of administrative, financial and technical aspects related to implementation of the project may vest with the MEF (BCRLIP)¹. Joint Secretary (CS)MEF with the concurrence of Finance Division of Ministry of Environment and Forests will release requisite funds for the project.

2.1 ORGANIZATIONAL STRUCTURE – F & A SECTION

The organizational structure of Finance and Accounts Section BCRLIP.

Figure 2 – MEF organization structure:



Number of Finance Manager and other staff at national level would depend on the necessity and size of implementation at a given time.

MEF - Ministry of Environment & Forests

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JS (CS)	-	Joint Secretary (Conservation & Survey)
Addl. Dir/EAP	-	Additional Director (Externally Aided Project)
WB	-	World Bank

The key staffing and the key areas of work are given below:

FINANCE SPECIALIST 1(ONE)

- Assess the capacity of the implementing agencies of the project States (separately for each) including financial staffing. Working with each State to bridge the identified gaps and building their capacity to manage the prescribed financial management system for the Bank project.
- Develop a training strategy for training the finance staff of the project at all levels including the States on finance, accounting and record keeping procedures.
- Building capacity to manage the project at MEF including review of accounting software as applicable, and ensuring internal controls in consultation with the World Bank.
- Ensure that all matters pertaining to accounts, financial and budgetary management and auditing of the BCRLI project expenditure/accounts, preparation of reimbursement claims of expenditure incurred by project States as well as activities at National level are done as per project agreements.
- Will be responsible for preparation of financial management reports relating to the project and submission of disbursement claims.
- Ensure that audit (auditing of accounts at National level and State), and reporting requirement for the project are complied with.
- Should possess good working knowledge of computers, and have expert knowledge in working in Tally
- Updating of financial manual. This manual inter-alia would cover the flow of funds, budgeting procedures, financial and accounting policies, finance staffing, accounting systems including internal controls, financial reporting systems & audit arrangements.
- Work relating to budget provisions for the BCRLI Project and keeping tab over releases and expenditure
- Reporting to government on the budget and accounts as and when required
- Any other work as assigned by the Joint Secretary (MEF)/Additional Director of the concerned project.
- The candidate should possess sufficient experience of finance and accounts relating to government departments.
- The candidate should be a qualified chartered accountant, with at least five years of suitable financial management work experience preferably in the development sector.
- The candidate should have a proven ability and good track record in the field of accounting, financial/budgetary management and procurement system.
- He/she should have strong accounting skills in computerized as well as manual accounting.
- Prior experience in development of financial manual and working on bank projects will be an asset.
- The candidate should be proficient in English and Hindi.

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ACCOUNTANT – 1(ONE)

- Establish and maintain accounts
- Prepare and review budget, expenses and invoices and other accounting documents
- Develop and maintain financial data bases, computer software systems
- Assist FS in accounts, income tax matters, sanction letters, release of grants, utilisation certificates and SOE and correspondence in this regard
- Interact with internal and external auditors in completing audits
- Other duties as assigned
- Should possess good working knowledge of computers, and have expert knowledge in working in Tally.
- CA (Inter)/M.Com/B.Com with at least five years of experience
- Working with Government departments and in the field related to the terms of reference will be desirable;
- He/she should have good accounting skills in computerized as well as manual accounting.
- Prior experience in development of financial manual and working on bank projects will be an asset.
- The candidate should be proficient in English and Hindi.
- The Financial staff would be appointed within three months from project effectiveness. Even though Financial Management consultancy option was discussed, the Bank and MEF agreed to evaluate the performance of Financial Management function in the first six months and then agree on a way forward.

2.2 STAFFING AT SOCIETIES

2.2.1 Staffing At Landscape Societies

Each landscape society would appoint two commerce graduates one as the FM manager and one person as the accountant for carrying out the project accounting. The key work areas and profile is given below:

FM MANAGER – 1(ONE)

- Establish and maintain accounts
- Prepare and review budget, expenses and invoices and other accounting documents
- Develop and maintain financial data bases, computer software systems
- Interact with internal and external auditors in completing audits
- Other duties as assigned
- Should possess good working knowledge of computers, and have expert knowledge in working in Tally.
- Help the society prepare accounts for filing to statutory bodies

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- CA/CA (Inter) with at least five years of experience
- Working with Government departments and in the field related to the terms of reference will be desirable;
- He/she should have good accounting skills in computerized as well as manual accounting.
- Prior experience in development of financial manual and working on bank projects will be an asset.
- The candidate should be proficient in English and Hindi.

ACCOUNTANT - 1(ONE)

- Establish and maintain accounts
- Prepare and review budget, expenses and invoices and other accounting documents
- Develop and maintain financial data bases, computer software systems
- Assist FS in accounts, income tax matters, sanction letters, release of grants, utilisation certificates and SOE and correspondence in this regard
- Interact with internal and external auditors in completing audits
- Other duties as assigned
- Should possess good working knowledge of computers, and have expert knowledge in working in Tally.
- M.Com/B.Com with at least five years of experience
- Working with Government departments and in the field related to the terms of reference will be desirable;
- He/she should have good accounting skills in computerized as well as manual accounting.
- Prior experience in development of financial manual and working on bank projects will be an asset.
- The candidate should be proficient in English and local language
- The Financial staff would be appointed within three months from project effectiveness.

2.2.2 Staffing At Learning Centres

Each learning centres would appoint one commerce graduates as the accountant for carrying out the project accounting. The key work areas and profile is given below:

ACCOUNTANT - 1(ONE)

- Establish and maintain accounts
- Prepare and review budget, expenses and invoices and other accounting documents
- Develop and maintain financial data bases, computer software systems
- Assist FS in accounts, income tax matters, sanction letters, release of grants, utilisation certificates and SOE and correspondence in this regard
- Interact with internal and external auditors in completing audits
- Other duties as assigned

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- Should possess good working knowledge of computers, and have expert knowledge in working in Tally.
- M.Com/B.Com with at least five years of experience
- Working with Government departments and in the field related to the terms of reference will be desirable;
- He/she should have good accounting skills in computerized as well as manual accounting.
- Prior experience in development of financial manual and working on bank projects will be an asset.
- The candidate should be proficient in English and local language
- The Financial staff would be appointed within three months from project effectiveness.

2.2.3 Staffing At Communities

In case of field agencies, any graduate within the village can be employed as book writer of the books of account. Training on accounting arrangements at the village level will be provided to the book writers by the state agencies. The state agencies would appoint a firm to provide training to these village level entities.

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3 BUDGETING AND FUND FLOW

3.1 BUDGETING

MEF (BCRLIP) is the main body meant to provide technical, administrative and financial assistance to the respective BCRLI Societies/Foundations for restoration of the identified project works. Therefore, the Budget of the MEF(BCRLIP) comprises of parts.

1. Funds required by MEF (BCRLIP) at national level for its administrative expenses and project expenses such as for studies, training. Consultancy services apart from procurement of goods and equipments etc.
2. Funds required by respective BCRLIP Societies/Foundations at State Level its administrative expenses and project expenses such as for studies, training. Consultancy services apart from procurement of goods and equipments etc.
3. Funds required by DPU/VPC (Van Panchayat Committees) for operational expenses, execution of work for its offices by contractors, procurement of goods and services from vendors, consultants Non Governmental Organizations etc.
4. Funds required by the learning centres for carrying out project activities

The budget estimate will include the consolidated estimates of various BCRLIP societies and District Project units inclusive of their VLOs will form the Annual Action Plan, based on which the Government Budgetary grants will be sought. Budget Estimates figures are required to be sent to Ministry of Environment and Forests by MEF (BCRLIP) by 30th November. Therefore BCRLIP societies Budget Estimates after outlay figures of DPUS & VLOS for ensuing year should reach to MEF (BCRLIP) by 31st October of the year.

Budget/Action plan request to be provided by	Budget to be allocated by	Time frame for original budget	Time frame for revised budget
Learning centers	MEF	By mid November	By mid September
Landscape societies	MEF	By mid November	By mid September
VP/Communities	Landscape societies	By October end	By August end
MEF	MOF	December	September end

3.2 FUND FLOW MECHANISM

Funds flow mechanism plays an important role in smooth implementation of the project. The funds flow recommended here under would enable speedy and timely payments to BCRLIP Societies/Foundations/DFO/VLO/VPC, Suppliers and Contractors, etc. which will motivate them to accomplish the given task in time.

3.2.1 Source of Funds

The main sources of fund for the project are:

- IDA/GEF of the World Bank Group
- Government of India/State Government (Staff cost and facilities)
- Beneficiary Contribution (from the Community if any)

Obtaining the finance from the World Bank is referred to as “Disbursement”. The Bank follows the established disbursement process for the project.

3.2.2 Implementing Offices:

The following are major implementing agencies

- MEF (BCRLIP).
- Askote foundation
- LRK foundation
- WII
- KMTR
- PTR
- GIR LCS
- DFO /Forest Office/Range Facilitation Unit.
- Village Level Organizations (Village Panchayat /Gram Panchayat/VPC/Ecodevelopment Committees).

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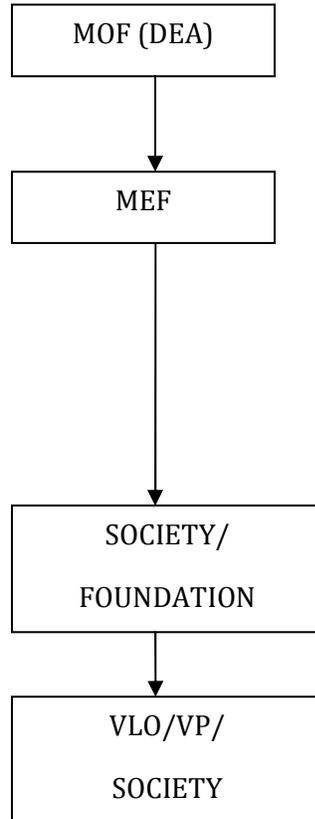
3.2.3 Fund Flow Procedures for the Project at Central Level

Following steps define the standard budgeting and fund flow procedures followed by the Government of India.

- I. Planning Commission – The Planning Commission approves any new plan as proposed by a Ministry of the Union and allocates agreed financial resources for the same.
- II. Ministry of Finance (Department of Economic Affairs) – The DEA in the MoF acts as the governing body in respect of all fund flows originating under an externally aided project (EAP) like the BCRLIP.
- III. Ministry of Environment and Forests – The MoEF is the nodal union Ministry for planning and implementation of a project like the BCRLIP. It is responsible for submission of timely budgetary demands for disbursement to the DEA in MoF.
- IV. Conservation and Survey division of the Ministry would manage BCRLIP. Accordingly the Project Management Cell (PMC) at the MEF shall submit timely budgetary requests (original and revised) to the IFD (Integrated Finance Division) in the MEF following standard procedures for sanction of budget and allocation of funds.
- V. The PMC at the MEF shall on receipt and review of respective States BCRLIP Registered Societies Annual Plan of Operation (APO), progress report/s if any due and the Utilisation Certificate (UC/Audit Reports) for funds if any released in the preceding financial year would send the allocation request to the IFD . On receipt of due sanctions from the IFD, MEF(BCRLIP) would issue the sanction order authorizing the concerned Drawing and Disbursing Officer (DDO) for the release of funds due through a crossed demand draft/EFC made in the name of the respective BCRLI Society/Foundations. The said sanction order shall specify the terms and conditions under which the funds shall be utilized by the BCRLI Society/Foundations including standard norms of accounting and auditing as contained in Delegation of Financial Powers Rules (DFPR) and General Financial Rules (GFR).
- VI. As per the existing system in MoEF, once the sanction is issued , the requisite funds should be disbursed to the respective BCRIP Societies within a period of fortnight.
- VII. Any other agency/officer authorized by the MEF (BCRLIP) /World Bank shall have the right of access to the books and accounts of the State Society/Village Level Organizations (VLO)/Van Panchayat (VP) Societies for the funds received under the project.

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SCHEMATIC FUND FLOW DIAGRAM



APO – Annual Plan of Operations; DFO – Div Forest Officer; PA – Protected Area; UC – Utilisation Certificate; DEA – Department of Economic affairs; MEF – Ministry of Environment and Forests; MOF – Ministry of Finance;

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3.2.4 PAO System Payment-Central Level

MEF is the primary coordination and oversight agency at the central level. The ministry (through its CS Division) would provide overall policy guidance and supervision for the project.

The funds would be processed through the central government budget and the funds would pass through MEF Pay and Accounts Officer (PAO) to the societies. GOI would allocate the budget to MEF (BCRLIP) as per the fund release procedure of GOI. MEF would act as a technical and financial oversight for the project. MEF would be using the PAO for handling the funds transfer.

The project funds would directly flow from MEF-PAO to state societies in case of landscape components and also direct transfers would be done in case of the learning societies. The budget approved by GOI for the project would be indicated in the government's budget separately under "01.07 – BCLRIP (EAP)" budget head with detailed heads under the MEF department, which can be used by the project for drawing the budget for the project. Also there is a specific head "01.07.31 Grants- in-aid-General" which can be used for transferring funds to societies directly.

MEF, PAO would be maintaining the funds through budget and would be using the Treasury for drawing the amount. The PAO would be responsible for transfer of funds as per sanctions from MEF(BCRLIP). So no separate bank account is envisaged at the central level. PAO will maintain accounts as per the government accounting system. In case of component 1 & 3 the funds would flow from the MEF-PAO to the state societies and subsequently to the communities and van panchayats. In case of component 2 the amount would be directly transferred to the learning centers and WII who would be the end user of the funds. The PAO would be maintaining the records of transfers while MEF(BCRLIP) would maintain detailed accounts for the transfers and expenditure. MEF(BCRLIP) would be required to carry out monthly reconciliation with the PAO.

For, the Drawing & Disbursing Officer, the payment of grant, Ministry of Environment & Forests would prepare and submit bill to Pay and Account Officer, Ministry of Environment and Forests, New Delhi, who will direct Union Bank of India Sunder Nagar, New Delhi to make the payment electronically i.e. through CBS/RTGs to BCRLIP Societies/Foundations.

3.2.5 Bank Account System - Societies

The societies both at the landscape level and learning centers are required to open separate bank accounts for the project. The funds received by the State Society/Foundations from MEF (BCRLIP) shall be deposited in their exclusive and separate current account in a Nationalized Bank, which would be operated jointly by persons authorized by the governing body. Bank accounts shall be opened only with the nationalized bank, which is near to the project office. Prior approval of the in writing is required for opening bank account, through minutes of the Executive Committee. The approval shall state the Authorized signatories to operate the bank account. Immediately Instruction shall be given to Bank on transfer of the officers or on resignation of the Officer with the new authorized signatory. Such bank account should be open within three months of negotiation and inform to the MoEF.

4 OPERATIONAL MECHANISM FOR THE PROJECT:

4.1 OVERALL OPERATION MECHANISM

1. After receiving Annual Plan Operation (APO) and duly issued (MOU) (prescribed format) by competent authority for BCRLIP Societies/Foundations, MEF (BCRLIP) will appraise the documents and give the technical sanction
2. After the technical sanction with approval of Finance Division of MoEF will release funds to BCRLIP Societies/Foundations.
3. These funds would be transferred by PAO as per the sanction of MEF.
4. The funds received by the State Society/Foundations from MEF (BCRLIP) shall be deposited in their exclusive and separate current account in a Nationalised Bank, which would be operated jointly **by two joint signatories as outlined in the bye laws.**
5. The State Society/Foundations would release funds to (VLO)/ Van Panchayat (VP) Societies by demand draft within 15 days after receipt of implementation and utilisation of earlier releases. This will be as per the MOU and guidelines issued by States from time to time after getting ratified by MEF (BCRLIP).
6. The respective Village Level Organizations (VLO)/ Van Panchayat (VP)/ Societies shall deposit the funds thus received from the State Society in their exclusive and separate account in a Nationalised Bank/ a Cooperative Bank or a Post Office, which would be **operated by the Panchayat President and Secretary.**
7. Each Village Level Organizations (VLO)/Van Panchayat (VP)/ Societies shall submit a quarterly statement of accounts and progress of works carried out by them to the State Society/Foundations. The format of reports would be same as outlined in MOU.
8. The State shall submit a comprehensive annual report on the progress of works and utilisation of funds in respect of all village level organization (VLO)/Van Panchayat (VP) Societies to the respective State Forest Department and the MEF (BCRLIP), MoEF. These details have also to be furnished by the State Society each time they seek for release of the next installment of funds under the project.
9. The project shall be implemented only in those areas as indicated in the project proposal and approved by the MEF (BCRLIP). The Project will be implemented by the implementing agency in the identified area only strictly as per the guidelines of Biodiversity Conservation and Rural Livelihood Improvement Project including the conditions as given in Annexure-I.
10. The interest amount accrued on the deposits of these funds shall be treated as part of the State Society additional resources and would be adjusted towards further installments of the grant.
11. The funds released under the project shall be subject to audit by CAG/CA firm appointed by MEF. Any other agency/officer authorized by the MEF (BCRLIP)/World Bank shall have the right of access for scrutiny to the books and accounts of the State Society/Village Level Organizations (VLO)/Van Panchayat (VP) Societies for the funds received under the project.

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12. The State Society/Foundations shall be responsible for guidance, coordination, supervision periodical reporting and monitoring the implementation of the project by their constituent VLOs/VPs/EDCs.
13. The project shall be monitored periodically by the respective State Forest Department and the officials of MEF (BCRLIP) and all assistance for this purpose will be rendered by the State Society.
14. The Project should be completed within the approved project period. The State Society shall furnish 2 copies of detailed report through the PCCF/CWLW to MEF (BCRLIP), MoEF as per the format prescribed by MEF(BCRLIP) within two months of completion of the project as indicated in MoU.
15. MEF (BCRLIP) reserve the right to terminate the grant at any stage if it is convinced that the grant has not been properly utilized or appropriate progress has not been made.
16. In case the State Society fails to execute the project within the stipulated time, including such extension as may be granted by MEF (BCRLIP). MEF may, in its discretion, require the State Society to refund the grant in Whole or in such part along with interest thereon as MEF (BCRLIP) may specify.
17. There will be no diversion of funds from one VLOs/VPs/ Societies to another save in exceptional circumstances and with the prior approval of MEF (BCRLIP).
18. The state Society will submit non-diversion and non-embezzlement certificate each time a request for release of grant is made to MEF (BCRLIP).
19. The auditing of accounts of the State Society for the project purpose will be carried out by CA firm appointed by MEF(BCRLIP).
20. The State Society also submit a certificate to the effect that all conditions laid down in the guidelines and the sanction order are being followed each time a request for release of grant is made to MEF (BCRLIP).
21. State Society/MEF (BCRLIP) will maintain a record of all assets created under the project as per GFR 151(Annexure .VIII).
22. Except for supervening impossibilities, the Chairperson and the Member Secretary of the state Society shall be solely responsible and accountable for successful implementation of the project.
23. The Project will be implemented by the implementing agency in the identified area only strictly as per the guidelines of Biodiversity Conservation and Rural Livelihood Improvement Project including the conditions as given in Annexure-I.

4.2 PREREQUISITES FOR MEF

1. The CS Division, MEF and the Project Management Cell (PMC) at the MEF (BCRLIP) shall submit timely budgetary requests (original and revised) to the IFD (Internal Finance Division) in the MoEF following standard procedures for sanction of budget and allocation of funds.
2. The PMC at the MEF(BCRLIP) shall on receipt and review of respective States BCRLIP Registered Societies Annual Plan of Operation (APO), progress report/s if any due and the

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Utilisation Certificate (UC/Audit Reports) for funds if any released in the preceding financial year would send the allocation request to the IFD of MoEF.

3. On receipt of due sanctions from the IFD, MEF(BCRLIP) would issue the sanction order authorizing the concerned Drawing and Disbursing Officer (DDO) for the release of funds due through a crossed demand draft/EFT made in the name of the respective BCRLI Society/Foundations.
4. The said sanction order shall specify the terms and conditions under which the funds shall be utilized by the BCRLI Society/Foundations including standard norms of accounting and auditing as contained in Delegation of Financial Powers Rules (DFPR) and General Financial Rules (GFR).

4.3 TRANSFER TO SOCIETIES

The following are the key prerequisites for transfer of money to the landscape and learning centre societies

1. Submission of AWP to MEF(BCRLIP) and approval of AWP by MEF.
2. Signing of MOU for the project.
3. Opening of separate bank account for the project
4. Appointment of required FM staff
5. Setting up and maintaining the computerized accounting system
6. Providing timely utilisation certificates, reports and audit reports as per the MOU.

4.3.1 Terms And Conditions For Transfer

- a. The funds received by the 'Society' shall be deposited in their exclusive and separate current account in a Nationalised Bank, which would be operated by two joint signatories as outlines in the bye laws.
- b. Society will receive funds at the ratio of 40:40:20 from MEF (BCRLIP The Society shall release the amount earmarked for the concerned line agency or the village level agency ratio of 40:40:20 based on the fund requirement, progress of implementation utilisation and utilisation of earlier releases.

utilisation

Installment	Eligibility criteria	Amount to be given	UC to be received
First installment	Approval of annual work plan by MEF(BCRLIP)	40% of the AWP	Submission of UC for the previous year

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Second installment	Submission of UC Quarterly reports	40% of the AWP	UC for the first installment – Expenditure of 60% of the first installment
Third installment	Submission of UC Quarterly reports	20% of the AWP	UC for the first installment – Expenditure of 100% of the first installment UC for the second installment – Expenditure of 60% of the second installment

- c. Each line agency (name) or the village level agency (name) shall submit a monthly statement of accounts and progress of works carried out by them to the Society.
- d. The Society shall submit a quarterly report and an annual report to the MEF (BCRLIP).
- e. The auditing of accounts of the State Society for the project purpose will be carried out by CA firm appointed by MEF. Any other agency / officer/s authorized by the MEF (BCRLIP) shall have access for scrutiny to the records, books and accounts of the Society and the concerned line agency and the village level agency for the funds received under the project.
- f. The Society shall be responsible for the guidance, coordination, and supervision, periodical reporting and monitoring the implementation of the project by the relevant implementing agencies.
- g. The Society shall submit a non-diversion and non –embezzlement certificate each time a request for release of funds is made to MEF (BCRLIP).
- h. The audit of accounts of the Society and the relevant implementing agencies shall be carried out on an annual basis by CA firm appointed by the Governing Body.
- i. The BCRLIP Societies/Foundations shall furnish Utilisation Certificate along with its request for release of Grants-in- Aid certifying that fund released to them for which Utilisation Certificates has not been issued has been utilized exclusively in pursuance of object envisaged in the Rules/Memorandum of BCRLIP Societies/Foundations and that the Gant shall be spent with the extent instruction/rules and with the approval of competent authority in each case.

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- j. Performance cum achievement report of BCRLIP Societies/Foundations shall be furnished within prescribed time limit.
- k. BCRLIP Societies/Foundations will spend Grants-in-Aid exclusively in pursuance of the objectives envisaged in rules/Memorandum of BCRLIP Societies/Foundations, for the purpose it is being sanctioned.
- l. Grants-in-Aid to BCRLIP Societies/Foundations are subject to the Economy Instruction issued from time to time from the Ministry of Finance or by Competent Authority.
- m. Grants-in-Aid shall be utilized before the end of the current financial year and unspent balance, if any, will be adjusted in the grant of next financial year.

4.4 PREREQUISITES FOR TRANSFER OF FUNDS SOCIETIES TO COMMUNITIES

The following are the key prerequisites for transfer of money to the communities:

1. An AWP for the VP/CIG has been prepared and agreed by the state society
2. An MOU detailing the activities to be carried out by the VP/CIG and other terms are agreed
3. A bank account for the project has been opened by the VP/CIG which would be operated jointly by Panchayat President and Secretary.
4. The VP/CIG has given an undertaking that the community contribution would be provided by them as per the project rules.
5. A list of good, works and services to be financed
6. An accounting system with simple book keeping and reporting is being followed by the VP/CIG .
7. Agreeing on reporting formats to be provided by the VP/CIG on regular basis to the society.
8. The VP has been given training on the accounting and reporting requirements
9. VP/CIG submits to the societies on timely basis UC, other reports and audit reports as prescribed in the MOU.

4.4.1 Terms And Conditions For Transfer

- a. The funds received by the 'VP/CIG' shall be deposited in their exclusive and separate current account in a Nationalized Bank, which would be operated by Panchayat President and Secretary.
- b. VP/CIG will receive funds at the ratio of 40:40:20 from landscape society. The Society shall release the amount earmarked for the concerned line agency or the village level agency ratio of 40: 40:20 based on the fund requirement, progress of implementation, utilisation of earlier releases and satisfactory compliance with Audit observations.

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Installment	Eligibility criteria	Amount to be given	UC to be received
First installment	Approval of annual work plan by MEF(BCRLIP)	40% of the AWP	Submission of UC for the previous year
Second installment	Submission of UC Quarterly reports	40% of the AWP	UC for the first installment – Expenditure of 60% of the first installment
Third installment	Submission of UC Quarterly reports	20% of the AWP	UC for the first installment – Expenditure of 100% of the first installment UC for the second installment – Expenditure of 60% of the second installment

- c. Each village level agency (name) shall submit a monthly statement of accounts and progress of works carried out by them to the Society.
- d. The village level agency would maintain books as prescribed by the society.
- e. The Society shall submit a quarterly report and an annual report to the MEF (BCRLIP).
- f. Any agency / officer/s authorized by the MEF (BCRLIP) shall have access for scrutiny to the records, books and accounts of the village level agency for the funds received under the project.

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5 ACCOUNTING SYSTEM

The accounting systems are designed in such a way to:

- i. Provide for full accountability for all funds provided by the Bank and other lenders.
- ii. Result in adequate Financial Statement disclosures including a clear statement of the accounting policies adopted;
- iii. Ensure fair presentation of Financial position.
- iv. Be acceptable to the approved auditor.
- v. Be amenable to preparation of FMR and other Bank related reports.

The key components of the accounting system are discussed in the following pages.

5.1 ACCOUNTING CENTERS

Accounting Centers are the offices/locations where the accounting of the transactions takes place. The accounting centers are responsible for accounting preparation and compilation of reports.

Accounting Centre	Accounting	Consolidation	Reporting	Report to	Time Level
MEF (BCRLIP)	✓	✓	✓	Govt. of India DEA	Quarterly upto 45 days
Askote Society	✓	✓	✓	MEF(BCRLIP)	Quarterly upto 30 days
LRK Society	✓	✓	✓	MEF(BCRLIP)	Quarterly upto 30

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Accounting Centre	Accounting	Consolidation	Reporting	Report to	Time Level
					days
WII	✓		✓	MEF(BCRLIP)	Quarterly upto 30 days
PTR	✓		✓	MEF(BCRLIP)	Quarterly upto 30 days
KMTR	✓		✓	MEF(BCRLIP)	Quarterly upto 30 days
GLCS	✓		✓	MEF(BCRLIP)	Quarterly upto 30 days
Village Level Organization (VLOs)	✓		✓	BCRLIP/ Foundations	Quarterly upto 15 days

All BCRLIP Societies/Foundations will report to MEF (BCRLIP), National Project Unit (NPU)

5.2 TALLY – COMPUTERISED ACCOUNTING SYSTEM

Computerized accounting system is followed to ensure greater accountability through the TALLY accounting package. The DPU shall maintain the accounting of funds and expenditure village unit wise. The consolidated summary in the format, generated by the software shall be submitted to the BCRLIP within the time period specified which shall in turn be consolidated DPU- wise and submitted to the MEF (BCRLIP)/National Project Unit.

The project would implement such system at all implementing agencies within three months from project effectiveness.

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5.3 ACCOUNTING POLICIES

- Cash basis of accounting has been adopted as the basis for preparing the claim statements to be submitted to the World Bank.
- Accounting will be done based on Double-entry accounting system.
- Expenditure is recognized only when the amount is actually spent for the activity. Expenditures are booked against UC and other activities against the respective bills and vouchers.
- Any advances given should be as per MOU and should be treated as advances in the accounting system. The same should be set off as by when expenditure happens.
- No payments exceeding Rs.5,000 would be made in cash by the implementing agencies
- All payments would be made by account payee cheque and self/bearer cheques should be avoided.

5.4 PAYMENTS IN INSTALLMENTS

- Payments would be made in installments based on the work plan, physical and financial progress. The installment payment so sanctioned would be provisional. The final adjustment will be made after receipt of the item wise physical and financial Progress Report, utilisation certificate and Audited Expenditure figures from the implementing agency. The Progress Report of each quarter is to be sent regularly.
- The implementing agency has to ensure that the Central assistance being released will be gainfully utilized in furtherance of the approved work programme without any time overrun under the project/scheme. The proposed area coverage under the work programme should not be over-lapping with any other Central/State scheme and there should be no duplication of central/external assistance in any case.
- After the project period is over the implementation of the project and maintenance of works raised there under that spill over to the next year shall be responsibility of the BCRLIP Societies/Foundations if the scheme is continued .
- The details of the work to be taken up under Entry Point Activities along with the costing of the same may be provided to the sanctioning authority before taking up the

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works. No diversion of fund under this head will be allowed to other heads. Separate account of approved Annual Plan of Operations (APO) should be maintained.

5.5 ACCOUNTING MECHANISM

MEF(BCRLIP) would maintain the project accounts separately using computerized accounting software⁶ and follow double entry accrual based system. The authority would maintain BCRLIP society wise accounts so that the advance given and work done can be reported properly. The books of account to be maintained are cash book, BCRLIP ledger, general ledger and other relevant works ledger. Formats of the books/registers for the project would be as per TALLY. The project will prepare and submit quarterly Interim Unaudited Financial Reports (IUFs) from the start of the project. The agreed formats of the IUFs would be included in the Financial Management Manual. IUF for every quarter is to be submitted within 45 days from the quarter end. MEF(BCRLIP) would reconcile their accounts with PAO on a monthly basis. It would also reconcile the accounts with state societies on a quarterly basis. BCRLIP societies would reconcile their accounts with the balances released/unutilized by communities on a monthly basis. Only amounts that are actually expended⁷ are eligible for bank financing.

BCRLIP Society/Learning centres will be a separate legal entity at the state level and would be reporting to the MEF(BCRLIP). These societies would maintain their accounts using the same computerized accounting software as MEF and follow double entry accrual based system. BCRLIP society would maintain a separate bank account for this project. The accounting software would be used as the source for preparing financial reports and reporting to MEF (BCRLIP). The BCRLIP Society/Foundations would submit audited annual accounts to the MEF(BCRLIP) for every financial year. The society would carry out bank reconciliation on a monthly basis. The society would maintain agency wise accounts so that the advance given and work can be reported properly. The accounting software would be used as the source for preparing financial reports and reporting to MEF(BCRLIP). The books of account to be maintained are cash book, agencies ledger, general ledger, asset register and other relevant works ledger. This society would submit quarterly reports on the receipts and expenditure from the project to the MEF(BCRLIP). The society would carry out bank reconciliation on a monthly basis . All BCRLI Societies/Foundations under the Societies Registration Act, have to prepare their annual Balance Sheet, Income and expenditure statement and Receipt and payments account. For the purposes of the project, the financial statements will comprise of the Statement of Sources & Uses of Funds, Expenditure Statement (by component/sub

⁶ Tally accounting software would be used at both MEF and BCLRIP societies. The option of using Tally at field agencies level can also be explored but is not envisaged at this juncture.

⁷ Expenditure means actual payment made by them to contractors/laborers against works done and does not include advances/transfers made. Any advances/transfers made should be treated as advances and not as expenditure eligible for claims. The same can be claimed once the amount is paid against actual expenditure.

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component), and reconciliation of claims to total application of funds. Irrespective of the system of accounting adopted, the main objective of the project Management is to ensure that the project is completed within the acceptable time and cost constraints and work performance is acceptable.

Community groups would maintain, a simple cash book, to exhibit the amount received and expenditure incurred. These communities would maintain a separate bank account for this project so that the funds can be traced. Any contribution from societies would also be deposited in the project bank account. The communities will submit monthly statements of accounts and work progress to the VP/CIG society. Two office bearers shall be the authorized signatories and operate the bank account. The bank account will be managed by the designated office bearers and subject to audit requirements of the project. Communities would carry out bank reconciliation on a monthly basis. In addition, the books/registers, vouchers and bank pass books of such communities would be open for perusal by own members, BCRLIP society, MEF and the World Bank. Apart from the above, periodic social audits would be conducted by the members of the executing agencies as well as staff from the BCLRIP society staff. Also independent third party monitoring would be done on a periodical basis by an M&E firm appointed by MEF(BCRLIP). As a part of the transparency initiative, information of the project related funds and assets would be displayed at the community level offices.

In case of forest offices, the corresponding officers would maintain, a simple cash book, general ledger for the works carried out, stocks, and works (including contractor's receivables/payables position and a register for recording people's contributions will be maintained. Formats of the books/registers would be as presented in GFR & DFPR fund (advance) and core fund (own money). The account will be managed by the DFO and subject to audit requirements of the project. The books/registers, vouchers/ of DFO would be open for perusal by officials of BCRLIP Society/Foundations, MEF(BCRLIP) at World Bank.

Community groups which are not legal entities but are registered with Van panchayats and CIG society would maintain, a simple cash book, to exhibit the amount received and expenditure incurred. These communities would maintain a separate bank account for this project so that the funds can be traced. Any contribution from societies would also be deposited in the project bank account. The communities will submit monthly statements of accounts and work progress to the VP/CIG society. Two office bearers shall be the authorized signatories and operate the bank account. The bank account will be managed by the designated office bearers and subject to audit requirements of the project. Communities would carry out bank reconciliation on a monthly basis. In addition, the books/registers, vouchers and bank pass books of such communities would be open for perusal by own members, BCRLIP Society, MEF and the bank.

5.6 OTHER ACCOUNTING PROCEDURE

- Under assets all fixed and project assets are to be physically verified and tallied with asset register at least once a year.
- Bank reconciliation has to be carried out on a monthly basis and year end the statement should be finalized by April 30th and same should be accounted. As a practice, bank statement and BRS will be submitted.
- Further, both respective BCRLI Societies and DPU should endeavor to settle or recover all advances made to contractors by the year end.
- BCRLI Societies/Foundations should prepare a **contract monitoring statement** and identify the committed value of contract for works, goods and equipments and services on a quarterly basis. This will facilitate the project to prepare budget, better monitoring of progress of work/activities undertaken by the societies apart from proper disclosure and early preparation of Annual Accounts.

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5.7 ACCOUNTING ENTRIES AND BOOKS TO BE MAINTAINED

5.7.1 Project Accounting Entries – MEF Level

The entries are made in the Tally and hence the software generated basic format shall be format used for the books and records maintained.

S. No.	Activity	Accounting Entry	When entry is passed
1.	Transfer of money from MEF to society	Dr. Society Cr. MEF - GIA	When amount is transferred to the society by MEF as per the sanction by the project. For each society separate account would be maintained
2.	Recording of UC received from society for expenditure incurred	Dr. Expenses Cr. Society	When UC is received from Society certifying the expenditure incurred by them. For each major type of expenditure, separate account would be maintained.
3.	Expenditure incurred by MEF(BCRLIP)	Dr. Expenses Cr. MEF- GIA	When expenditure is passed and the payment is being made by PAO. For each major type of expenditure, separate account would be maintained.
4.	Statutory deductions	Dr. Stat Deductions Cr. MEF - GIA	When such deductions are paid by PAO
5.	Reimbursement of expenditure by World Bank and accounting for World Bank share	Dr. MEF – GIA Cr. World Bank – GIA	When information regarding reimbursement of expenditure by World Bank is received by MEF(BCRLIP).

5.7.2 Books Of Account– MEF Level

The following table gives a broad list of computerized books of accounts maintained for the project

Books of account and records	MEF(BCRLIP)
Cash Book	✓
Bank Book	✓

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Books of account and records	MEF(BCRLIP)
Cheque issue Register	✓
General Ledger	✓
Advance Register	✓
Fixed Assets Register	✓
Salary (Payroll) Register	✓
Transfer Entry Register (Journal)	✓
Project Ledger	✓
Components and Sub-components Register	✓
Bank Guarantee register	✓
Society wise advance register	✓
PAO reconciliation statement	✓

The list of books and Registers mentioned above is only indicative. Tally accounting software is used and hence the software format shall be used.

5.7.3 Project Accounting Entries – Landscape Society Level

The following shall be norms observed for authorizing payments and receipts. The entries are made in the Tally and hence the software generated basic format shall be format used for the books and records maintained.

S. No.	Activity	Accounting Entry	When entry is passed
1.	Receipt of money from MEF by society	Dr. Bank Cr. MEF-GIA	When amount is received by the society as per the sanction by the project
2.	Expenditure incurred by Society	Dr. Expenses Dr. Assets Cr. Contractor/Supplier	When expenditure is passed and approved for payment For each major type of expenditure account would be maintained.
3.	Payment of advances	Dr. Advances Cr. Bank	Payment of advances as per the contract.
4.	Expenditure incurred/ Payment made to the	Dr. Contractor/SupplierCr.	When expenditure has been passed and Payment is made.

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	contractor	Bank	Payments shall be made by crossed cheque. Also contractor wise details would be maintained
5.	Transfer of amounts to VP/CIG	Dr. VP/CIG (name wise) Cr. Bank	When money is transferred to the communities as per action plan. Record the advance in VP/CIG wise account in the Advance Register.
6.	Recording of expenditure from VP/CIG based on UC	Dr. Sub project expense Cr. VP/CIG (name wise)	When UCs are recorded in the accounting system. Record the adjustment in VP/CIG wise account in the Advance Register.
7.	Submission of UC to MEF	Dr. MEF-GIA Cr. GIA	Recognizing GIA to the tune of expenditure incurred for the period and the balance is kept as liability.

Societies should ensure that all cash, cheque, demand drafts collected during the day is promptly deposited on the same day or the next day after recording the same in the cashbook and subsidiary books. Bank Receipt Voucher shall be prepared on a daily basis and entered in the Bank Book in the tally accounting package. Regularly Bank Book shall be printed and bound. Cashier shall maintain the counter foils of the Paying-in-Cash, and Demand draft being deposited into the bank account. Finance Manager shall verify the reconciliation statements with the bank statement monthly. He shall review the returned cheque and take suitable action by consulting the consulting the concerned heads of the department and Executive Director.

Cheques shall be prepared for making payment to suppliers' contractors, etc. only under the specific instructions of the MS. !

Advances are the amounts paid to a person before that person has provided any services under this contract. The services can include consultancy, training or receipt of goods like computers. Advance can be paid only against a specific activity of the project. The contract between the department and the person should clearly lay down the terms and conditions on which the advance will be sanctioned. Any advance paid will be treated separately, and accounted separately. The advance will be adjusted against the services obtained or goods received. The rules for adjusting the advance will also be laid down at the time of sanctioning of the advance. At the time of reporting advance will be shown separately. The approval from the MS would be required to pay advances.

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5.7.4 Books Of Account – Landscape Society Level

These Societies/Foundations are registered under Society Registration Act, 1860. Thus as per the Act. Societies are required to maintain Cash Book for recording both cash and Bank transactions, General Ledger leading to Trial Balance and Balance Sheet and Income and Expenditure Statement together with subsidiary registers such as Fixed Assets register etc. which at present maintained in TALLY accounting package.

The following table gives a broad list of computerized books of accounts maintained for the project

Books of account and records	Landscape societies
Cash Book	✓
Bank Book	✓
Cheque issue Register	✓
General Ledger	✓
Advance Register	✓
Fixed Assets Register	✓
Salary (Payroll) Register	✓
Transfer Entry Register (Journal)	✓
Components and Sub-components Register	✓
Bank Guarantee register	✓
Contractor/ Supplier Register	✓
Bank Account Statements	✓
Bank reconciliation statement	✓
Proejct legder account	✓
Society wise advance account	✓

The list of books and Registers mentioned above is only indicative. Tally accounting software is used and hence the software format shall be used.

5.7.5 Accounting- Forest Department

There are some activities which are expected to be carried out by the forest department. The society would enter into an MOU with the forest office and provide payments for the same. The forest officer would open separate Forest Deposit or PL account for the project. The forest department must maintain separate cash book for the same and report to the society on the expenditure as well as provide copy of the expenditure vouchers to the society for future audit.

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5.7.6 Project Accounting Entries – Learning Centres

The entries are made in the Tally and hence the software generated basic format shall be format used for the books and records maintained.

S. No.	Activity	Accounting Entry	When entry is passed
1.	Receipt of money from MEF by the Learning center	Dr. Bank Cr.MEF-GIA	When amount is received by the society as per the sanction by the project
	Expenditure incurred	Dr. Expenses Dr. Assets Cr. Contractor/Supplier	When expenditure is passed and approved for payment For each major type of expenditure account would be maintained.
2.	Payment of advances	Dr. Advances Cr. Bank	Payment of advances as per the contract.
3.	Payment made to the contractor	Dr. Contractor/supplier Cr. Bank Cr. Advances	When expenditure has been passed and Payments is made. Payments shall be made by crossed cheque. Also contractor wise details would be maintained
4.	Submission of UC to MEF	Dr. MEF-GIA Cr. GIA	Recognizing GIA only to the tune of expenditure incurred for the period and the balance is kept as liability.

5.7.7 Books Of Account – Learning Centres

The following table gives a broad list of computerized books of accounts maintained for the project

Books of accounts and records	Learning Centres
Cash Book	✓
Bank Book	✓
Cheque issue Register	✓
General Ledger	✓
Advance Register	✓

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Fixed Assets Register	✓
Salary (Payroll) Register	✓
Transfer Entry Register (Journal)	✓
Contractor/Supplier Register	✓
Components and Sub-components Register	✓
Bank Guarantee register	✓
Bank Account Statements	✓
Bank reconciliation statement	✓
Project ledger account	✓

The list of books and Registers mentioned above is only indicative. Tally accounting software is used and hence the software format shall be used.

5.7.8 Accounting Entries –Community Level

The entries are made in the Cash Book, Bank book and Cheque Issue Register.

S. No.	Activity	Accounting Entry	When entry is passed
1.	Receipt of money from society	Dr. Bank Cr. GIA	When amount is received as per the sanction by the project
2.	Expenditure incurred by community	Dr. Expenses Dr. Assets Cr. Bank	When expenditure is passed and the payment is being made. The details of contractor would be maintained in the cash/bank book itself.

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5.7.9 BOOKS OF ACCOUNT – COMMUNITIES

The following table gives a broad list of books of account maintained for the project

Books of account and records	Communities
Cash Book	✓
Bank Book	✓
Cheque issue Register	✓
Fixed Assets Register	✓
Bank Account Statements	✓
Bank reconciliation statement	✓

5.8 CLOSING OF ACCOUNT BOOKS:

The BCRLIP's accounts (which will be a separate company in Tally) which are being maintained at MEF (BCRLIP) and other societies needs to be closed on a monthly basis. The monthly cutoff date is 5 days from the end of the month. In the case of year end, the old company shall be carried forward into new books of account (company) opened in tally for the following year. All the expenditure statements from the societies have to be received by the 31st March so that the same can be included in the accounts. The books should be closed by 10th April of the next FY.

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5.9 THREE PILLARS OF FINANCIAL DISCIPLINE

While dealing with money matters of the field sites, three important regulations are required to be observed by the VLOs/DFOs/Field Directors. These form three pillars on which financial discipline is built upon.

- Transparency
- Accountability
- Prudence

Transparency:

- All financial transactions related to the projects are made with full knowledge of the BCRLIP, leaving no room for confusion or disputes.
- There is well placed social and financial audit system, the outcome of which is accessible by interested members of the field.
- Systems of sanctioning expenditure has inbuilt regulations and is thus fairly regimented.
- All financial transactions are clearly recorded with supporting details and subjected to audit & scrutiny of members at large.

Accountability:

VLO (Van Panchayat, Local Registered Bodies/societies) will play a pivotal role in the implementations of projects and hence to exercise its financial process with utmost care and remain full answerable to BCRLIP society. All vital financial transactions are required to be properly reported to BCRLIP Societies/Foundations.

Apart from the above, periodic social audits would be conducted by the members of the executing agencies as well as staff from the BCLRIP society staff. Also independent third party monitoring would be done on a periodical basis by an M&E firm appointed by MEF(BCRLIP). As a part of the

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transparency initiative, information of the project related funds and assets would be displayed at the community level offices.

Prudence:

- Financial prudence must be exercised with utmost care while execution of works to protect interests of village community and property.

No relatives or allies of officers/office bearers involved in project work should directly or indirectly get undue benefit from financial transactions in the Project. All such transactions are to be documented carefully with proper supports providing evidence while using sound accounting principles.

6 AUDIT

It is the responsibility of the project to maintain the required books of accounts, records, documents etc. hence, every step has to be taken by the project authorities to maintain the books of accounts update and reconcile the accounts on a regular basis. The Audit report has to be submitted within the prescribed time limit (say six months after the yearend) every year.

6.1 STATUTORY AUDIT

The Accounts of the Project would be audited by both CAG and CA firm. AG will continue to audit for MEF(BCRLIP), WII, whereas the downstream entities like the landscape societies and learning centers would be audited by CA firm.

The Project Accounts would be audited by CAG for certain components executed by MoEF, WII and UK forests department through their field audit officers, while for other components a CA firm would be hired to carry out the audit as per the agreed Terms of Reference. The CAG has agreed to issue a consolidated audit report for the project provided the Ministry provides them with the consolidated audit report for the audit reports of the other agencies, which they may accept based on sample test check audit. The project audit report is to be submitted to the Bank within 6 months from the end of the financial year. The format of the project financial statements is outlined in FMM. The annual audit report submitted by auditor should consist of (i) annual financial statements (ii) audit opinion (iii) reconciliation of claims sent and (iv) management letter highlighting weaknesses, if any, and identifying areas for improvement.

The Accounts of the Project would be audited by AG at MEF level. The AG would audit the Project financial statements based the books and records maintained at MEF(BCRLIP). The AG Audit report would provide details of the amount drawn from the budget and transfers made and expenditure at MEF(BCRLIP) level.

MEF(BCRLIP) will appoint a CA firm to prepare a consolidated audit report for the Societies not audited by the AG. The annual audit report submitted by MEF should consist of (i) consolidated annual financial statements as well as society wise annual financial statements; (ii) audit opinion and (iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. The auditors should also provide reconciliation of expenditures reported in the FMRs with the figures of project financial statements and withdrawal claims submitted during the year and certify the claims. Certification of the Project Financial Statements would also include sample audit of field agencies which are funded by the Project. This would be applicable in case of the LRK society and

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the Askote society. The auditor⁸ would be selected from the panel of empanelled CA firms with the CAG. The auditors will be appointed based on selection criteria agreed with the Bank. TOR for the audit is given in Annexure II and the selection criteria are given at the end of the chapter. The CA firm will prepare implementing agency - wise Audit Reports for the mentioned entities and would be required to audit the IUFRR's made at each level. The audit will be carried out in accordance with the Auditing Standards promulgated by ICAI.

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

Apart from the project auditor appointed by MEF, these societies could be audited by the AG as per his prerogative. Also these societies would be required to carry out entity audit as per the societies act which would be done by them by appointing CA firms. The Accounts of such Societies/Foundations shall be open for inspection by the sanctioning authority and audit, both by the Controller and Auditor General of India under the provision of C&AG (DPC) Act 1971 and Internal Audit Party by the Principal Accounts Office of the Ministry of Department whenever it is called upon to do so.

The annual project financial statements audited by the AG for MEF, WII and the firm of Chartered accountants for other entities for the project would be submitted within 6 months of the close of financial year the Bank.

CA firm would be appointed within six months from effectiveness.

6.2 INTERNAL AUDIT

MEF would appoint a CA firm to carry out the internal audit. The auditors would audit the entire project, including MEF(BCRLIP) PMU, BCRLIP society, and sample field agencies which are being funded by this project on a quarterly basis. This is a part of the inherent project design. The auditor would be selected from the panel of empanelled CA firms with the CAG. The auditors will be appointed based on selection criteria agreed with the Bank. The ToR is given in Annexure 3 and the selection criteria are given at the end of the chapter.

CA firm would be appointed within six months from effectiveness.

⁸ The auditor will be normally appointed for a minimum period of two years and maximum period of 3 years.

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6.3 AUDIT COMMITTEE

MEF and societies would constitute an audit committee for reviewing the internal and external audit reports and taking up special audits of field agencies where there are indicative problems of financial issues.

JS (MEF)/Project Director/Financial Specialist will be the members of the audit committee for reviewing the internal and external audit reports of MEF(BCRLIP). In respect of Societies/ Foundations, Member Secretary / Project Coordinator and Finance Representative will be the Member of the respective Audit Committee.

6.4 Criteria For Selection Of Auditors -EOI

The Evaluation Criteria for selecting the auditor is mentioned below:

<i>S.No.</i>	<i>Evaluation Criteria</i>	<i>Maximum Marks</i>
1	Number of Partners(2 marks upto 3 partners,1 for each additional partner)	10
2	Presence of the Firm in Project State (2 marks for Delhi Based Firm + 2 marks for presence in each state)	10
3	Number of Professionally Qualified Staff Between 10-25 staff-(5 marks) More than 25 Staff-(10 marks)	10
4	Turnover for the last five years More than 50 lacs and upto 75 Lacs-2 marks for each year More than 75 Lacs-4 marks for each year	20
5	Number of Audit** assignments undertaken during last 5 years (2 marks for each assignment)	10
6	Number of Audit** assignments undertaken in Public Sector Organization During the last 5 years (2 marks for each assignment)	10
7	Number of World Bank Project Audits*** undertaken during the last 5 years (5 marks for each assignment, maximum six assignments)	30
		100

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* The audit firms must be empanelled with the AG and must in the AG list of firms eligible for major audits

** In case of internal audit the audit assignments in col.5 and 6 refer to internal audit and in case of external audit the audit assignments in col.5 & 6 refer to external audit.

*** World Bank audits means any audit conducted by the firm for World Bank clients which include both external audit and internal audit.

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6.4 CRITERIA FOR SELECTION OF AUDITORS -RFP

The Evaluation Criteria for selecting the auditor is mentioned below:

S.No.	Evaluation Criteria	Maximum Marks
1	Number of Audit **assignments undertaken during last 5 years (1 mark for each assignment)	10
2	Technical approach and methodology	10
3	Work plan	10
4	Organization and staffing	10
5	Based On Team proposed	
	> Partner	20
	> Audit Manager	20
	> Audit Staff	20
		100
	The individuals shall be rated in the following sub criteria, as relevant to the task:	
	General qualifications: general education and training, length of experience, positions held, time with the firm as staff, experience in developing countries, and so forth;	30%
	Adequacy for the assignment: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and	50%
	Experience in region and language	20%

* The audit firms must be empanelled with AG and must in the AG list of firms eligible for major audits

7 DISBURSEMENT ARRANGEMENTS

A designated account would be maintained in the RBI and would be operated by the DEA of GOI. The Designated Account would be operated in accordance with the Bank's operational policies. The project will submit withdrawal applications to CAA & A in DEA for onward disbursement of funds by bank in designated account.

Funds from the World Bank will be made available to MEF(BCRLIP) through the GOI. Disbursements from bank will be made based on reports (Quarterly Interim unaudited financial reports) submitted by the project. These IUFRRs would reflect the actual expenditure for the project components. Any advances to BCRLIP society/filed agencies or others given by the project would be separately shown in the IUFRRs and would not be eligible to be claimed.

The bank will finance actual expenditure that are made on project components as reported in the IUFRRs. All expenditures reported in the IUFRRS will be subject to confirmation/certification by the annual audit reports. Any discrepancies between the expenditure reported by the annual audited IUFRRs and those reported in the annual audit reports will be adjusted in subsequent disbursements. The format of IUFRR would be outlined in the Financial Management Manual.