

**PUNJAB RURAL WATER SUPPLY
AND
SANITATION SECTOR IMPROVEMENT
PROJECT**

**FINANCIAL
MANAGEMENT MANUAL**

DEPARTMENT OF WATER SUPPLY AND SANITATION

GOVERNMENT OF PUNJAB

APRIL, 2015

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LIST OF ABBREVIATIONS

AWP	Annual Work Plan
AA	Assistant Accountant of GPWSC
COA	Chart of Accounts
CAG	Comptroller and Auditor General of India
DO	Divisional Office of DWSS
DSR	Detailed Survey Report
DWSS	Department of Water Supply and Sanitation
EE	Executive Engineer
FRC	Financial Review Consultants
FMR	Financial Management Reports
GOI	Government of India
GOP	Government of Punjab
GP	Gram Panchayat
GPWSC	Gram Panchayat Water and Sanitation Committee
IEC	Information Education and Communication
JE	Junior Engineer
MoU	Memorandum of Understanding
MTP	Medium Term Plan
MIS	Management Information System
MV	Multi village
NGO	Non-Government Organisation
NGI	Non-Government Individual
O&M	Operation and Maintenance
OWP	Overall work plan
PMU	Project Management Unit
PMC	Programme Management Consultants
RWSS	Rural Water Supply Scheme
SDE	Sub-Divisional Engineers
SO	Support Organisation
SV	Single village
SWAp	Sector wide approach
SWSM	State water Supply and Sanitation Mission
TOR	Terms of Reference
VST	Village Support Team
ZP	Zila Parishad

1 CHAPTER 1: INTRODUCTION

INTRODUCTION

- 1.1 In 2006, the First Punjab Rural Water Supply and Sanitation Program (PRWSSP-I) was implemented by the GOP with support from the World bank and GOI. PRWSSP-I played a crucial role in institutional strengthening, building capacity of various stakeholders at all levels to understand the sector and appreciate aspects of monitoring and evaluation especially financial management.
- 1.2 Based on surveys conducted in 2014, still a large number of villages in Punjab are facing challenges with respect to poor service delivery, service coverage, water logging, insufficient quantity, water quality, etc.
- 1.3 has prioritized Rural Water Supply and Sanitation (RWSS) as a key area of its development agenda. The State of Punjab has adopted a new Rural Water and Sanitation Policy in 2013-14 setting out an ambitious roadmap for improved access, higher service levels and quality both in water supply and sanitation, targeting sustainable operations and maintenance through community management. In particular, the Policy will help the poor and women, as all households will get a household connection at no cost (both for water and sewerage). A five year action program for both water supply and sanitation has been prepared to initiate implementation of the above policy. This calls for substantial technical and financial resources, given the scale of demand for improved infrastructural services.
- 1.4 In the above context, GOP is keen to reform the sector to address the challenges, improve the sustainability and the standards of rural water service delivery in Punjab. GOP has vision to implement SWAp mode in the entire state.
- 1.5 The World Bank is assisting the GOP in implementing its 6 year medium term Rural Water Supply and Sanitation (RWSS) program. Punjab Rural Water Supply and Sanitation Sector Improvement Project aims to address these challenges and also strengthen the decentralization processes initiated in the first project. It will be implemented over a course of 6 years beginning 2015 to 2021.
- 1.6 The Program will be implemented in the rural areas of 22 districts in Punjab. Villages will be included in the Program by adopting a self-selection process, a pre-requisite of demand-responsive approach.
- 1.7 The Project will have four components (Components included in SWAp basket)
 - Component-1: Transformation - Improved Livability of Villages,
 - Component-2: Inclusive Water and Sanitation Services delivered at household level,
 - Component-3: Improved Water Quality,
 - Component-4: Institutional Development and Project Management

Details on each of the above components and its corresponding sources of financing can be referred to in the Project Implementation Plan.

OBJECTIVES AND STRUCTURE OF FINANCIAL MANAGEMENT MANUAL

- 1.8 The Financial Management Manual (FMM) has been designed with a view to build on and modernize the current accounting system to meet the requirements/expectations of the Program as also to meet the new challenges of handling the sector program. The main objectives of FMM shall primarily be:
- To achieve better Program management by providing timely information on financial aspects and on key performance indicators to the Program management
 - To meet the financial reporting requirements of various stakeholders
 - To keep track of funds utilization for each program separately.
 - To provide reasonable assurance that the resources/funds are being used effectively and efficiently for their intended purpose.
 - To ensure that all program related activities are reflected in the Program Financial Statements and the same be closely aligned with the Program components as per the Medium Term Program.
 - To improve creditability and control over data integrity through effective internal control arrangement.
 - To enhance transparency and promote accountability at the GP level and to promote social audit.
 - To have proper accounting & reporting requirement at the GP Level.
 - To have proper Internal Control on utilization of funds by conducting Concurrent Audit of at the GP level
 - To ensure that Divisions have complete knowledge of the funds utilization of the GP level & that there is no misappropriation.
- 1.9 To achieve this objective as stated above in 1.8 regarding accounting, reporting and utilization of funds at GP level, the Financial Management Manual has a detailed section on GPWSC /SLC. This section provides for the Accounting Policies and the Formats of Accounting Books to be followed at that level. It also details the responsibility of accounting staff, the Payment mechanisms, method of Book keeping, banking, auditing and reporting requirement.
- 1.10 The manual also provides for the accounting policies to be followed by the department. Since the departmental implementing agencies will follow the government system of accounting, additional requirement may be prescribed in specific cases. It also provides for a detailed chart of accounts for both the GPWSC / SLC& the Department which would assist in monitoring of Expenses with those given in the Medium Term Plan. The manual is intended to meet the requirements of efficient accounting and financial management system of the program within the overall framework of the government accounting system.

ADMINISTRATION OF THE MANUAL

1.11 This Manual shall be administered in the manner given below:

- Principal Secretary, Department of Rural Water Supply and Sanitation will authorize the manual.
- The manual is a living document and may be amended by the Principal Secretary, Department of Rural Water Supply and Sanitation as and when required and as learning accumulates with in the project. All participants in the Program are encouraged to share their learning and experiences of the program implementation so as to improve the proposed arrangements made to attain the program objectives.
- All amendments made to the Manual shall –
 - Be circulated to all the Divisions by the Head Office. The circular/notification shall clearly state the paragraph(s) and line(s) to be replaced. All such circulars/notifications shall be serially numbered.
 - Mention the date from which the change shall be effective
 - Be annexed to the manual with a cross reference at the appropriate places in the manual
 - This manual shall apply to all the implementing agencies of the SWAp Program i.e. Head Office, Divisional offices & GPWSCs / SLCs.

APPLICABILITY OF THE FINANCIAL MANAGEMENT MANUAL

1.12 This Manual lays down the Financial Management System to be followed by all the Implementing Agencies for all the schemes covered under SWAp. GOP has the vision for implementing the SWAp program following uniform guidelines and once this vision is articulated through relevant Govt. order then the scope of this Manual will be expanded to cover the entire programme of Rural Water Supply and Sanitation of the State.

1.13 This manual will be followed by Head office, Divisional offices, the Gram Panchayat Water and Sanitation Committee (GPWSC) or Scheme Level Committee (SLC) for implementing any scheme under this Project.

INSTITUTIONAL ARRANGEMENTS

1.14 As adopted in the first program (PRWSS-I), the second project will adopt a similar sector wide approach where irrespective of funding sources, the GOP will adopt uniform principles and guidelines for implementing all activities in the rural water supply and sanitation sector statewide.

1.15 The project will be implemented through a unified structure within the DWSS unlike a PMU oriented structure adopted in the Punjab Rural Water Supply and Sanitation Project. The DWSS therefore will be reoriented and restructured to focus on sector transformation and excellence in service delivery to the citizens of rural Punjab.

1.16 Going ahead, DWSS and its Divisional offices will strengthen their role as a facilitators and service providers in the decentralized RWSS regime. DWSS will have a multi-disciplinary

approach at all levels and will have a shared responsibility with the GPWSC / SLC for service delivery. The implementation arrangements will be aligned with the objectives of the Punjab Rural Water and Sanitation Policy 2014.

- 1.17 For existing WS schemes, DWSS role would be: (i) transfer of SV schemes to GPs; (ii) transfer of intra village works of all MV schemes to GPs in a phased manner; (iii) O&M of common infrastructure of MV schemes, but with improved operational and financial performance; and (iv) providing O&M back-up support to GPs/ GPWSCs / SLCs in schemes managed by the latter.
- 1.18 Detailed institutional arrangements can be referred to in the Project Implementation Plan.

2 CHAPTER 2: PLANNING, BUDGETING & ANNUAL WORK PLAN

OBJECTIVES

- 2.1 This chapter contains the framework for the proposed planning & budgeting system including the various aspects of the budgeting process. The main objective of an efficient Planning and Budgeting system is to facilitate monitoring of performance at regular intervals and the accountability for variance. The main objectives of the proposed budgeting system are as follows:
- a. To ensure participation at all levels in the budgeting process
 - b. To provide a basis for periodical monitoring of the performance of Program implementing and that of all the executing agencies under the implementing agency.
 - c. To meet external reporting and monitoring requirements of the Program funds.
 - d. To facilitate fixation of accountability for budget variances.

PREPARATION AND APPROVAL OF ANNUAL WORK PLAN

- 2.2 Preparation and approval of annual work plan. It shall be done at the following budget centers—
- **At State Level:** Head Office will be responsible for overall Planning and Budgeting under SWAP and consolidating budget received from all Divisions on annual basis to be summarized in format enclosed vide **Appendix 1 form B-1**. This budget consolidated at Head Office level shall be approved by the SWSM. AWP shall be sent to the World Bank and GOI by January 31 of each year for the following financial year. The overview of the budget process is provided in Exhibit-FM-3.1
 - **At Divisional Level:** The DOs will be responsible for preparing the annual budgets broken down on quarterly basis for ongoing and new Schemes to be assigned to GPWSCs/SLC DOs will also be responsible for preparing budget for other activities like establishment expenses, payment to support staff, consultancies etc. The format in which the DO will prepare the Work Plan is enclosed vide **Appendix 1 form B-2**.
 - **At Nodal Divisions:** Nodal Division at district level will be responsible for consolidating Annual Work Plan from all DOs. The format in which the Nodal Divisions will prepare the Work Plan is enclosed vide **Appendix 1 form B-3**. It will be forwarded to DWSC for approval.
- 2.3 The annual targets will be finalized by Head Office based on budgets received from each Division and shall be communicated to each Divisions thereafter.

BUDGET PERIOD AND REVISION OF BUDGETS

- 2.4 Budget period shall be the same as the financial year followed by Project Implementing Agencies i.e. from 1st April to 31st March.

- 2.5 Any significant variations from the original budget shall be revised by Head Office after approval from Department of Planning/Finance Department.

BUDGET CALENDAR

- 2.6 In order that the exhaustive budgeting exercise gets completed within the specified time frame, the budget preparation process should start at DO level by 31st October, of the previous year. Head Office should consolidate the overall annual budget and submit it to the World Bank and GOI by 31st January of each year.

BUDGET & ACCOUNTING IN GOP (STATE BUDGET)

- 2.7 Presently this program is budgeted under Budget line 4215-01-102.

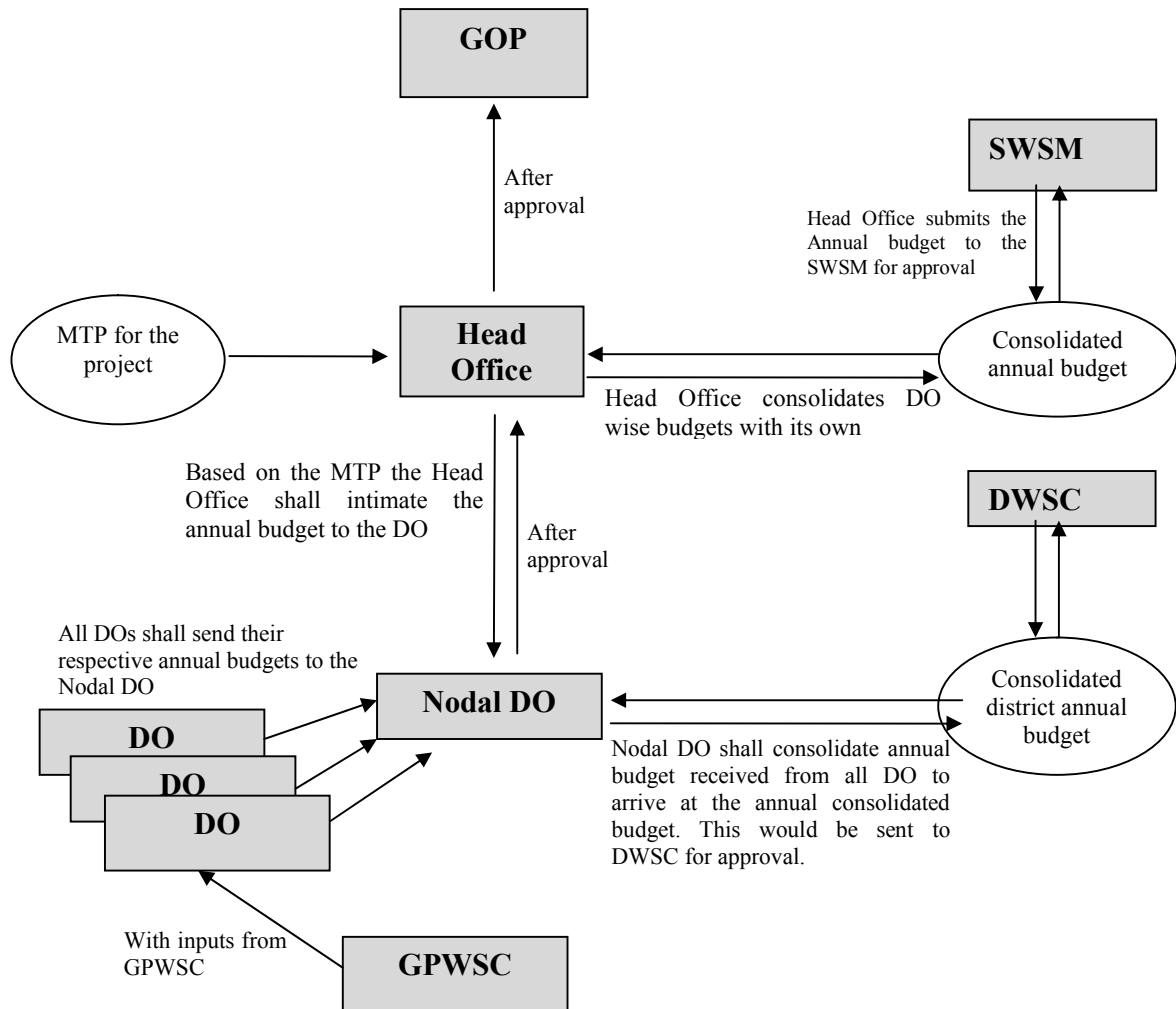
Demand No.	: 21	Public Works
Major Head	: 4215	Capital Outlay on Water Supply & Sanitation
Sub Major Head	: 01	Water Supply
Minor Head	: 102	Rural Water Supply
Sub Head	: 13	Integrated Rural Water Supply and Sanitation with World Bank
Detailed Head	: 54/51	EAP Share/State Share
SOE	: 53	Major Works
Plan/ Non Plan	: P	Plan
Voted/ Charged	: V	Voted

Demand No.	: 21	Public Works
Major Head	: 4215	Capital Outlay on Water Supply & Sanitation
Sub Major Head	: 01	Water Supply
Minor Head	: 789	Special Component Plan for Schedule Cast
Sub Head	: 05	Integrated Rural Water Supply and Sanitation with World Bank
Detailed Head	: 54/51	EAP/State Share
SOE	: 53	Major Works
Plan/ Non Plan	: P	Plan
Voted/ Charged	: V	Voted

- 2.8 Based on agreement and after approval of budget by SWSM, Head Office will send compiled annual work plan to Finance Department for budgeting the same in the State Budget together with expected inflows from the World Bank and GOI. This will facilitate the accounting system maintained by AG (A&E) to capture the Govt. expenditure as above.
- 2.9 Based on this the program would be budgeted under the three program components with the funds to be transferred to the GPWSC / SLC being budgeted as grant in aid. The program would be budgeted under the Major Head 4215 for all the components and the Head Office will have the flexibility to re-allocate budgets within the components within the overall ceiling of the approved budget.

Exhibit- FM -3.1

BUDGETING PROCESS UNDER THE PROGRAM



3 CHAPTER 3: FLOW OF FUNDS

- 3.1 This chapter contains the process of flow of funds from the funding agencies to the program offices.

INSTITUTIONS PROVIDING FUNDS

- 3.2 The Program is proposed to be funded by the following agencies—
- State Government
 - Central Government.
 - World Bank
 - Community Contribution

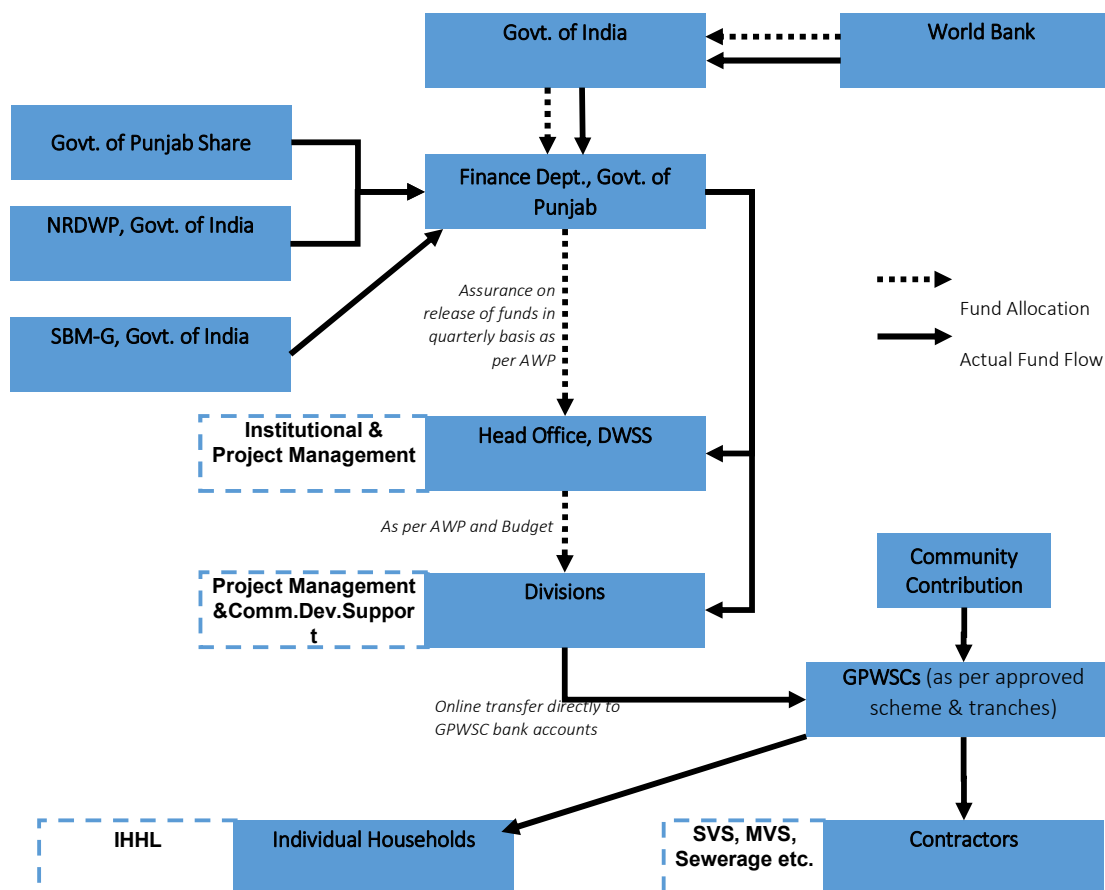
PRESENT FUND FLOW ARRANGEMENTS

- 3.3 The major programs which are being currently funded by the GOI are NRDWP, SBM, World Bank, NABARD etc. In the earlier program, the funds for all these programs except for Swajaldhara were being routed to DWSS through State Treasury (Finance Department), GOP via Letter of Credit (LOC) system. These funds were further allocated to DPMC / DOs via LOC system, which are the implementation agencies for these programs. Funds were allocated to DPMC for implementing SWAp components(SVS) and to DOs for implementing non-SWAp components and MVS / sewerage components under SWAp.

PROPOSED FUND FLOW ARRANGEMENTS UNDER SWAp

- 3.4 The flow of funds of the SWAp programs is depicted in **Exhibit – FM3.1**. Pooling of funds between Bank and GOI is not envisaged and each will have differences in the timing, frequency and conditions for fund release to GOP.

Exhibit – FM 3.1
Punjab RWSS Project, Funds Flow Arrangements [SWAp]



FUNDING BY THE CENTRAL GOVERNMENT

3.5 All funds under the program (NRDWP) from Dept of Drinking Water Govt. of India will flow to the Finance Department GOP. These funds will be released by GOI based on the existing conditions for fund release under the NRDWP scheme.

FUNDING BY WORLD BANK

3.6 Funds from the World Bank will be made available to GOP (through the GOI) under the Back to Back arrangements between GOI and the GOP. The Bank will provide an initial advance which will be transferred by GOI to the GOP. The advance can be enhanced subsequently proportionate to the increased level of expenditure. Subsequent releases will be on re-imbursement basis, based on Bank's share of eligible project expenditure that is contributed by the GOP (i.e other than GOI and Community Contribution). This would be determined on the basis of the Interim Financial Statements (Component wise) from the AG's accounting system adjusted for movement in security deposit relating to the project (as

it is accounted division wise and not project wise by the AG) and confirmed by annual audited financial statements.

- 3.7 A special account would be opened by GoI with the Reserve Bank of India, to receive funds under the project. Unutilized balance if any, at completion of the project would be repaid to the Bank.

FUNDING BY THE STATE GOVERNMENT TO THE PROGRAM

- 3.8 The State Government shall provide initial funds to the Principal Secretary, DWSS for the execution of the Program as under.

- Based on the approved budget and annual work plan (broken down quarterly), sanctions for the first quarter's fund requirement will be issued by the FD. This will be on a lump sum basis and not broken down by components thereby giving the flexibility to the Line Dept (DWSS) to allocate the funds as required. Such a request will be processed by FD within 14 days (two weeks) of the request by the DWSS.
- Allocation of funds for subsequent quarters would be based on the projected requirement adjusted for actual expenditure in the previous quarter.
- Informal controls exercised by Treasury (such as requesting for approved pending bills) will not be exercised.
- No implementing agency under the Project shall open any Bank account for the purpose of routing of funds (Head Office and Divisions).

DELEGATED POWERS FOR APPROVAL AND SANCTION OF SCHEMES.

- 3.9 The Technical Sanction of the DSR is given vide **table 3.1** as under:-

Table 3.1

Description	Approving authority
Technical sanction of Detailed Scheme Report and DNIT (bid) approval	<ul style="list-style-type: none"> • Executive Engineer up to Rs. 10 Lakhs • Superintending Engineer above Rs. 10 Lakhs and up to Rs. 30 Lakhs • Chief Engineers above Rs. 30 Lakhs up to Rs. 50 Lakhs • Head, DWSS above Rs. 50 Lakhs full powers

- 3.10 The acceptance of the tenders will be done on a committee basis as elaborated in **table 3.2**

Table 3.2 – Powers of Tender Acceptance

Sl. No.	Description	Approving authority
1.	Schemes costing up to Rs. 30 Lakhs and without premium	The Committee consisting of <ul style="list-style-type: none"> • GPWSC president – Chairman • Executive Engineer, Division – Member • Junior Engineer, Division – Convenor

Sl. No.	Description	Approving authority
2.	Schemes costing above Rs. 30 Lakhs without premium	The committee consisting of: <ul style="list-style-type: none"> • Superintending Engineer – Chairman • Executive Engineer, Division – Member • Junior Engineer, Division – Convenor • GPWSC representatives – Member

Wherever tender need to be accepted with a premium, the tender will be send to the next higher level committee with justification

FUND FLOW WITHIN DEPARTMENT

- 3.11 Funds for the programs under the Project will flow to Principal Secretary, DWSS from Finance Department, Punjab.
- 3.12 All funds under SWAp program meant for water supply and sanitation schemes will be allocated by Principal Secretary, DWSS to Divisions as per the amount allocated in the State Plan Budget.
- 3.13 Releases to GPWSC / SLC will be made by Divisions through online system of State government as per tripartite MOU.
- 3.14 The condition for the release of funds to GPWSC / SLC is given based on amount of approved DSR. These conditions are irrespective of type of scheme – water supply or sewerage or performance improvement.

Table.3.3 - Conditions for Release of Program Funds – if approved DSR value is less than INR 10 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
2 Stage Installment – If value of approved DSR is less than INR 10 lakhs		
Installment – I	75% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution (only if the value of approved of approved DSR is above INR 5 lakhs) • Signing of MoU • Calling of tenders for the packages.
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditors .

- All the above payment , are a % to the total cost net of community contribution

Table 3.4- Conditions for Release of Program Funds – if approved DSR value is between INR 10 lakhs and INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
3 Stage Installment – If value of approved DSR is between INR 10 lakhs to INR 100 lakhs		
Installment – I	60% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution • Signing of MoU • Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 90% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first and the second installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditors .

- All the above payment , are a % to the total cost net of community contribution

Table-3.5 Conditions for Release of Program Funds – if approved DSR value is more than INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
4 Stage Installment – If value of approved DSR is more than INR 100 lakhs		
Installment – I	30% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution • Signing of MoU • Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 60% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment – III	Disbursement of Balance to make a total disbursement of 90% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first and the second installments. and verified by third party (Chartered Accountant)
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.-	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first, the second and the third installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditors .

- All the above payment , are a % to the total cost net of community contribution
- 3.15 Besides these payments for works, payment for accounts assistant will also be made for a period of 18months at pre established rates.
- 3.16 The GPWSC / SLC shall open a bank account (for capital works) preferably in a nationalized bank having core banking services.
- 3.17 This Bank account shall be used for making all receipt and payments by GPWSC/SLC. All payments shall be made as per the contract terms after making necessary statutory deductions
- 3.18 MV Water Supply Scheme will have two components i.e. Intra- Village & Common Facility Works. Community Contribution collected by respective GPWSCs will be first utilized towards intra-village works and any savings after payments will be transferred to SLC for Common Facility Works.
- 3.19 Further, the Head Office can reallocate the funds among the DOs during the year, on the basis of the actual utilization and estimated fund requirements of the DOs.
- 3.20 Funds which are outside SWAp will flow directly to Divisional offices from DWSS as per the existing arrangements i.e. Funds for the committed schemes and funds for the staff and establishment costs will flow through the online system of FD).

COMMUNITY CONTRIBUTION

- 3.21 The community contribution under the program would be received directly by the GPWSC / SLC before undertaking the implementation of the program activities. The beneficiary contribution shall be collected in cash in the following stages of the scheme cycle
- 50% at the planning stage after agree to do meeting
 - 50% during the start of the implementing phase just before signing the agreement with the contractor.
- 3.22 Community Contribution shall be collected as per following norms:
- Upper ceiling of house hold share of capital cost is Rs.800/- for general category and is Rs.400/- for house hold in the difficult area villages i.e. notified villages along International Border, Kandi area, Bet area and water logged area.
 - SC population will contribute only 50% of the prescribed amount for General category and difficult area villages.

4 CHAPTER 4: ACCOUNTING POLICIES / FRAMEWORK

CORE SYSTEM OF ACCOUNTING

- 4.1 This chapter describes the accounting and financial procedures that should be followed by various accounting centres for accounting of Program transactions. These procedures shall supplement the State Financial and Accounting rules.
- 4.2 The accounts at various offices of the Program shall be maintained manually as per the Government system of accounting and through MIS System of DWSS. Since Program activities will be undertaken by different accounting entities including Head Office, Divisions of DWSS and the GPWSCs/ SLCs, this will involve recording and consolidation of accounting information from a large number of accounting locations.
- 4.3 The principles of accounting in the proposed program will follow the State Government accounting systems. As such the overall accounting system in the project is based on the State Financial Rules on Accounting.
- 4.4 At GP level manual accounting would be followed which is detailed in GPWSC / SLC section of this manual.

ACCOUNTING CENTRES

- 4.5 The accounting for the program will be done at:
- GPWSC / SLC
 - Divisional Office of DWSS(DO)
 - Head Office, DWSS

ACCOUNTING POLICIES AT Head Office /DO

- 4.6 The Accounting policies followed at Head Office /DO for the purpose of recording program Expenditure would be as follows:
- **Method of Accounting**
 - (a) Accounts shall be maintained on single entry book keeping system and accounting shall be done on cash basis i.e., all receipts and payments in respect of the Program shall be accounted for on the basis of work executed and payments made or received.
 - (b) All payments should be charged to the relevant expenditure head of account at the time of making payment.
 - (c) All payments will be made after statutory deductions like TDS, Sales Tax, labour cess etc.
 - **Fixed Assets and Depreciation**

- (a) Assets acquired under the Program shall be valued at cost including all direct costs i.e., purchase price, transportation expenses, installation charges and other expenditure incurred for bringing the fixed assets in working condition, incurred prior to its first use.
 - (b) Assets created/constructed as a part of Program activity should be valued at the direct cost incurred in creating/constructing the assets.
 - (c) Assets - both acquired and constructed- should be valued at its full cost inclusive of beneficiary contribution.
 - (d) No depreciation shall be charged on the fixed assets in the financial statements
- **Valuation of Stocks:** Materials and supplies purchased for the Program should be charged as expenditure at the time of its payment.
 - **Expenditure incurred by Technical Service Agencies and Support Organizations:** MOU's shall also be entered with the Technical Service Agencies and Support Organizations. Any payments made to these shall be treated as expenditure since these payments are to be made on completion of predetermined miles stone.
 - **Payments to GPWSCs / SLCs:** Payment to the GPWSCs /SLCs to be treated as grant in aid (in line with the mainstream accounting) and considered eligible for reimbursement. The project will however maintain systems and processes to track the utilization of the grant (by way of periodic financial and physical progress reports, audit reports and UCs).

CONSOLIDATION PROCESS FOR REPORTING PURPOSE

- 4.7 For the purpose of reporting to the bank following process is going to be adopted :-
- The expenditure incurred under SWAp at division level would be consolidated at DO level for each scheme separately on quarterly basis. Expenditure under Component 1, 2 and 3 will be taken by Divisional Offices from GPWSC / SLC through Technical member (i.e. J.E. of DWSS).
 - The consolidation may be done using computers.
 - The DOs will report to the Head Office for each component separately.
 - The Head Office shall consolidate the expenditure as reported by DOs with its own Expenditure for each component separately.
 - The Head Office shall thereafter consolidate the expenditure of all the components & report to the Bank.
 - Expenditure incurred by GPWSCs / SLCs during the various phases of the Program shall be adjusted and taken to expenditure on the basis of the report submitted at the time of filing the request for release of payments with the DO as per the stipulations in the underlying agreement and will be recorded in the memorandum register for control purposes.
 - However the element of Community Contribution will be included only while reporting to the World Bank, based on reports received from GPWSC/ SLC. This would be done at the time of making first tranche payment..

The accounting note of each of the Implementing agency is briefly described in **Table 4.1**

TABLE –4.1-Accounting note on each accounting centre

Institution	Accounting and reporting responsibilities
GPWSC / SLC	<ul style="list-style-type: none"> • <i>An accounting centre of the Program.</i> • <i>Receive funds as advance from DOs for implementation of the Program.</i> • <i>Maintains ManualBook of Accounts on single entry system and follows cash system of accounting.</i> • <i>Reports to DO at the time of release of next tranche.</i>
Divisional Offices	<ul style="list-style-type: none"> • <i>An accounting centre of the Program.</i> • <i>Incurs expenditure for schemes under this project as well as outside this Project</i> • <i>Prepares its own books of accounts as per the Government AccountingRules. Also maintain additional Books of Accounts as detailed in this manual.</i> • <i>Consolidates the expenditure reports received from GPWSCs / SLCs with it's own expenditure. The consolidation for each Program is done separately.Expenditure will also be entered in the MIS System of DWSS.</i> • <i>Book payment made to GPWSC / SLCs as expenditure at the time of disbursement.</i> • <i>Reports to Head Office on quarterly basis as per the formats prescribed in this manual.</i>
Head Office	<ul style="list-style-type: none"> • <i>An accounting centre of the Program.</i> • <i>Incurs expenditure for schemes under this project as well as outside this Project</i> • <i>Consolidates the expenditure reports received from DOs with it's own expenditure. The consolidation for each Program is done separately.</i> • <i>Reports to World Bank on quarterly and annual basis as per the formats prescribed in this manual.</i>

The roles of each can be briefly summarised in the **Table-4.2**

TABLE-4.2

Institution	Accounting Tasks		
	Accounting centre	Consolidation	Reporting
GPWSC / SLC	✓		✓
Divisional Office	✓	✓	✓
Head Office	✓	✓	✓

5 CHAPTER 5: BOOK KEEPING AND ACCOUNTING

INTRODUCTION

- 5.1 DWSS being a Government department, the accounting system followed is of Single entry, Cash basis, i.e. receipts and payments are recognized in the cash book only on actual receipt or payment of cash.
- 5.2 Detailed accounting rules have been prescribed by Government of Punjab. The same are prescribed in the following:
- Department Financial Rules – Financial Handbook No.3
 - The Punjab Financial Rules – Volume I – Financial Handbook No. 2
 - Punjab Financial Rules – Volume II – Appendices and Forms – Financial Handbook No.2
 - Account Code Manual – Volume III
- 5.3 **Books of accounts:** Books of accounts will be maintained in the Division Offices as per GOP/ PWD Codal Provisions.

ADDITIONAL BOOKS OF ACCOUNTS

- 5.4 In addition to the books of accounts of accounts currently being maintained under the State Financial Rules, following additional books/ records shall be maintained to improve monitoring and control.
- **‘GP Advance Control Register’** will be maintained by DOs for recording the amount disbursed to GPWSC / SLC and the balance lying unutilized with the GPWSC / SLC. The Format of the Control Register is given **vide Appendix-2 (Format 2.01)** enclosed. Separate folio will be opened for each GPWSC / SLC to whom the advances are made. The advances disbursed to a GPWSC / SLC will be adjusted in the Control register only on receipt of certified statement from the Chartered accountants (Concurrent financial auditor) before the release for the next tranche to the GPWSC / SLC. This register shall be maintained at the DO level since all payments to GPWSC / SLC will be made by them. Community contribution collected at GPWSC / SLC will also be reflected in this register.
 - **Sub Component/Activity Register** will be maintained in addition to the cash book to facilitate tracking of expenditure by project sub- components and activities. The format of the same is given **vide Appendix-2 (Format – 2.02)**. All payments for expenditure, under SWAp will be recorded in Activity Register. Activity register is like a ledger have a separately folio for each activity as per the Chart of accounts. All entries in cash book pertaining to the SWAp expenditure will be recorded in this register. Since the expenditure is to be reported Program wise, the expenditure will be recorded under the Program for which it pertains to. This register shall be maintained at all accounting centre i.e. Head Office /DO.
 - **Claim Register** – Format of claim register is enclosed **vide Appendix-2 (Format – 2.03)**. The purpose of the claim register is to keep track of all claims lodged with the

bank. This register shall be maintained at the Head Office level since all claims to the bank will be lodged by them.

CHART OF ACCOUNTS

- 5.5 For the purpose of maintaining the activity register and to facilitate the reporting requirements of the project a detailed Chart of Accounts has been developed and is enclosed vide **Appendix-3**. The chart of accounts shows relationship between component, sub-component and the activities.
- 5.6 All expenses recorded in Cash Book must detail the activity for which it has been incurred, so as to facilitate the recording in the Activity register.

ACCOUNTING FOR COMMUNITY CONTRIBUTION

- 5.7 Community contribution received by GPWSC / SLC will not be recorded in books of Accounts of the Project.
- 5.8 No Community Contribution shall be received by the Project.
- 5.9 All payments made by DOs to GPWSC / SLC will be net of Community contribution.
- 5.10 However the element of Community Contribution will be included only for the purposes of financial reporting (to the GOI and the Bank), based on reports received from GPWSC / SLC. This would be done at the time of making first tranche payment. An equivalent expenditure will also be shown at this time. This will not be considered for reimbursement.

INTERNAL CONTROL:

- 5.11 Internal control will be exercised in accordance with the Department and GOP Financial Rules. Special attention needs to be given to the following aspects:
- 5.12 **Control over Funds given to GPWSC / SLC:** This segment deals with the working of internal control system in GPWSC / SLC required to be observed by the Divisional Offices while monitoring the execution of the Project. As the Project is being executed through GPWSC / SLC, the Divisional Offices will require complete details of expenditure incurred by GPWSC / SLC. Following are the key areas where the attention of the Divisional Offices is required in order to monitor the GPWSC / SLC effectively.
- a. Amount disbursed to GPWSC/ SLC is being utilized for the execution of the Project activities. The amount is not blocked in the Bank Accounts of the GPWSC / SLC.
 - b. The activities once initiated have been completed well as per time schedule and there is no time over run.
 - c. Community Contribution is collected as per norms and is deposited in the Capital Account of the GPWSC/SLC.
 - d. Actual amount expended against the activity is not more than the amount sanctioned, in DSR and as such there is no cost over-run.
- 5.13 **Physical verification of stock:** The stocks in hand, if any, at Head Office / DO shall be physically verified at least at the close of every year.

Verification shall be carried out by a responsible officer deputed for the purpose. A report shall be sent to Head Office /DOs for discrepancies observed

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

5.15 **Authorization Of Payments & Expenditure:**

- For effective control over disbursements, it is essential to determine the number and status of persons authorized to approve expenditures and approve online fund transfers, the limitation of their authority, and the minimum number of signatories required for operation of bank accounts. This would be governed by the financial rules of the state.
- All payment must be supported by documents such as bills, receipts and cash memos.
- All Payments must always be made through online System of State Govt.. Accountant should obtain details of Bank Account No., IFSC Code No., PAN NO. etc. for disbursement of payment through online system.
- Accountant should also ensure before passing the payment of any supply of materials/assets that those items have been entered in store ledger/stock register and folio no. of such register should be mentioned in the goods receipt note. The measurement and quality of those items should be approved on goods receipt note.
- Prior to payment for services, a copy of the order authorizing the engagement of the person concerned for a particular job or assignment, details of the person like address, work background, etc., and a statement of the completion of the job or assignment should be obtained. When a cheque payment is made to any firm an official receipt should be obtained.
- Accountant should keep a record of duplicate copy for the bills submitted to the Treasuries for making online payment.
- Payment must be posted to cash book daily.

5.16 Ensure that no Bank accounts are opened into which projects funds are deposited at either of the Divisions of DWSS

5.17 The accounts of the Head Office and the Divisions of DWSS are rendered on a timely basis (i.e by the 10th of every month) to the AG (A & E) and reconciled with the AG on a quarterly basis.

5.18 Financial & Administrative delegations for scheme approval, approval of tender, approval of running bills and online transfers / cheques are adhered to.

6 CHAPTER 6: FINANCIAL REPORTING

INTRODUCTION

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

- (1) Objectives of the financial MIS
- (2) Type of reports – Their periodicity & objective.
- (3) Preparation of MIS reports.
- (4) Reporting Chart.

OBJECTIVES

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

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

TYPES OF REPORTS

6.3 Two kinds of reports, internal reports and external reports will be generated.

(1) **Internal Reports:** Reports that are generated by the Project, which will assist in preparation of the External Reports, are Internal Reports. Following are the Internal Reports that shall be generated by the Project. The formats of these reports are enclosed vide **Appendix-4 and Appendix-D**.

S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN	PREPARED BY	SUBMITTED TO
1	Statement of Receipt & Payment Account	GR-1	-do-	Before release of 2, 3 & 4 th tranche	GPWSC / SLC	DO
2	Source and application of funds	DR-1	Quarterly	7 th of the following month	DO	Nodal DO
3	Scheme wise statement of Expenditure	DR-2	Quarterly	7 th of the following month	DO	Nodal DO
4	Source & application of	DP-1	Quarterly	15 th of following	Nodal DO	Head Office

S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN	PREPARED BY	SUBMITTED TO
	funds			month		
5	Activity wise statement of Expenditure	DP-2	Quarterly	15 th of following month	Nodal DO	Head Office

Note ; - The formats of the reports generated by the GPWSC / SLC are detailed in the GPWSC / SLC section of the manual

(2) **External Reports:** Reports that are generated for the purpose of submission to the GOI and World Bank are the External Reports. They are further classified into quarterly and annual financial reports. The formats of Financial Managements Reports (FMRs) are detailed in **Appendix-4**.

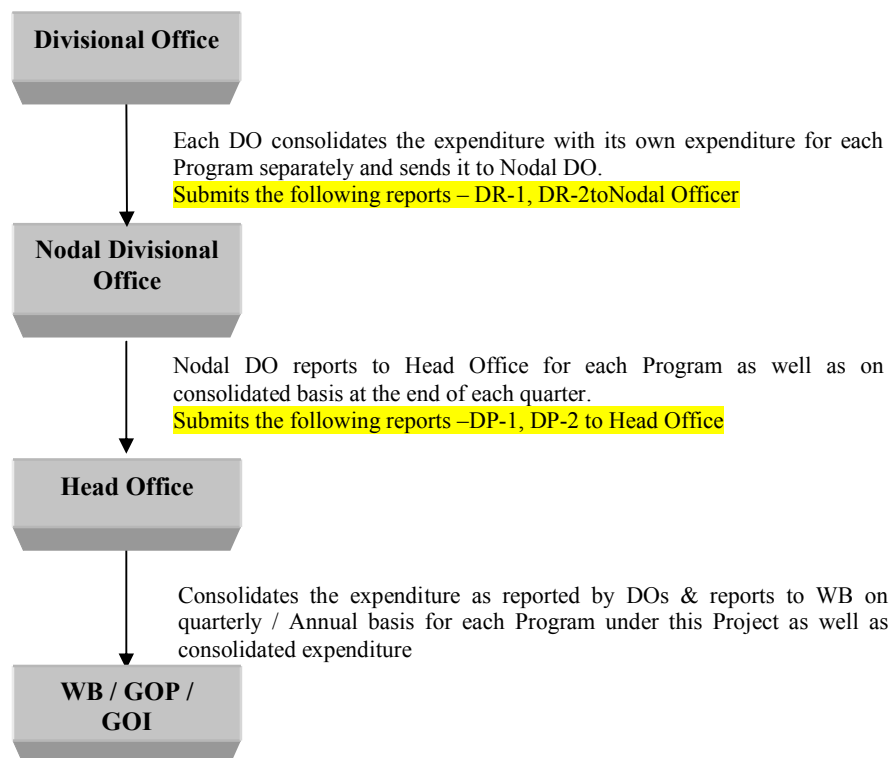
S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN
Quarterly Reports				
1.	Report On Expenditure Incurred For The Period	IUFR-1 IUFR-2	Quarterly	30 th of Following Month
2	Payments Against Prior Review Contracts	IUFR-3	Quarterly	30 th of Following Month
3	Summary Quarterly	IUFR-4 IUFR-5	Quarterly	30 th of Following Month
Annual Reports				
1	Consolidated –Audited Annual financial Statement	Draft Financial Statements	Annual	30 th August of following Year
2	Statement of Reconciliation with SOE	Reconciliation with SOE	Annual	30 th August of following Year

PREPARATION OF MIS REPORTS

6.4 The proposed Financial MIS would be generated manually. These would be based on the reports generated at each level MIS reports shall be prepared by the respective implementing agencies in respect of activities directly carried out by them. In addition, Head Office shall consolidate the MIS reports generated by each DOs. In order to ensure accuracy of the financial information (MIS) the aggregate expenditure by the project components must be reconciled with the expenditure accounted and reported by the AG (A&E).

6.5 **Additional Financial Reporting of GOI:** In addition to the financial and physical progress report given in this manual there will be some additional reporting requirements to the GOI which will need to be complied with by the Project. The reporting procedure can be better understood with the help of the Chart given vide **Exhibit-7.1**

Exhibit-7.1
REPORTING CHART



Note: Expenditure reported by the GPWSC / SLC will not be consolidated at DO since the payments made to GPWSC / SLC are reflected as expenditure at the time of making the payment and are included in the expenditure report of DO.

TRANSPARENCY AND DISCLOSURES

6.6 **Transparency and Disclosures:** The intent of the disclosure policy is in total agreement with the RTI Act both for on demand disclosure and suo moto disclosure. This will enhance disclosure of information to the citizens. Following Financial Management Information can be seen at website www.wbprwss.org at Project level:-

Sr. No.	Documents to be disclosed	Frequency
i)	Project Financing Plan	Before start of the project
ii)	Budgetary allocation for the project	Yearly
iii)	Progress report (Financial)	Quarterly
iv)	Progress report (Financial)	Annually
v)	Financial Management Guidelines	Before the start of the project

6.7 **Details of Contract Awarded:** Details of contracts awarded under SWAp to be available in public domain in the project website by Divisional Offices.

7 CHAPTER 7: AUDITING

- 7.1 Audit of accounts, statements and reports provides means to ensure accuracy and check in financial system of an organization. To ensure proper functioning of the financial system on prescribed norms in the Manual, the Project requires an exhaustive auditing arrangement. In this chapter, essential elements involved in the mechanism of conducting financial audit have been highlighted. Threetypes of audits would be carried out as follows:
- a) Internal Audit by Financial Review Consultants (FRC) on yearlybasis.
 - b) Statutory Audit by CAG on annual basis.
 - c) Concurrent audit of GPWSC / SLC (detailed in the GP handbook for Procurement & Financial Management)

The TOR FRC and external audit by the CAG has been annexed by **Appendix-5 and Appendix-6.**

STATUTORY AUDIT (ANNUAL)

- 7.2 The Comptroller and Auditor General of India (CAG) through its offices in Punjab will be the statutory auditor for the project. The CAG's office will conduct an annual audit of the operations of the Project covering the entire project including all sources of funding as per approved TOR. The audit report will be submitted to the Bank within Nine months of the close of each financial year.

FINANCIAL REVIEW CONSULTANTS

- 7.3 **Objective:** The objective of the 'Financial and Systems Review' audit would be to provide comfort to the Project management and to various stakeholders (Government of India, State governments and World Bank) on the accuracy of the Project financial statements, compliance with loan covenants and satisfactory working of the financial management systems.
- 7.4 **System of Audit:** An audit for review of the adequacy and adherence to the internal control measures will be conducted on quarterly basis by an independent firm of Chartered Accountants, appointed for the purpose by the Project with well-defined terms of reference (TOR).
- 7.5 **Coverage:**
- The audit will cover all offices of the Program i.e. Head Office & DO.
 - The audit includes the verification of expenditure incurred directly by these offices, for the purpose of the Program.
 - The audit will include checking of prescribed financial and management Reports generated at various levels periodically.

- The audit would also include cost based consultancy / training / research or other contracts / agreements where payment is made to the contractor / consultant / institute on the basis of actual expenditure incurred and no documentation in support of the expenses is provided to the Project agencies.
- The audit would be carried out at each of the implementation agencies of the Project except GPWSC / SLC. The audit of GPWSC / SLC will be conducted by concurrent auditors and has been separately elaborated in the section on GPWSC / SLC in this Financial Manual .The Financial Review consultants will take into account the reports received from the Concurrent auditors while reporting to the bank.

**GPWSC / SLC
HANDBOOK ON
PROCUREMENT &
FINANCIAL
MANAGEMENT**

1 CHAPTER 1: INTRODUCTION

INTRODUCTION

- 1.1 In 2006, the First Punjab Rural Water Supply and Sanitation Program (PRWSSP-I) was implemented by the GOP with support from the World bank and GOI. PRWSSP-I played a crucial role in institutional strengthening, building capacity of various stakeholders at all levels to understand the sector and appreciate aspects of monitoring and evaluation especially financial management.
- 1.2 Based on surveys conducted in 2014, still a large number of villages in Punjab are facing challenges with respect to poor service delivery, service coverage, water logging, insufficient quantity, water quality, etc.
- 1.3 Government of Punjab (GOP) has prioritized Rural Water Supply and Sanitation (RWSS) as a key area of its development agenda. The State of Punjab has adopted a new Rural Water and Sanitation Policy in 2013-14 setting out an ambitious roadmap for improved access, higher service levels and quality both in water supply and sanitation, targeting sustainable operations and maintenance through community management. In particular, the Policy will help the poor and women, as all households will get a household connection at no cost (both for water and sewerage). A five year action program for both water supply and sanitation is being prepared to initiate implementation of the above policy. This has called for substantial technical and financial resources, given the scale of demand for improved infrastructural services.
- 1.4 In the above context, GOP is keen to reform the sector to address the challenges, improve the sustainability and the standards of rural water service delivery in Punjab. GOP has vision to implement SWAp mode in the entire state.
- 1.5 In this context, the World Bank is assisting the GOP in implementing its 6 year medium term Rural Water Supply and Sanitation (RWSS) program. The Second Punjab Rural Water Supply and Sanitation Program (PRWSSP-II) aims to address these challenges and also strengthen the decentralization processes initiated in the first project. It will be implemented over a course of 6 years beginning 2015 to 2021.
- 1.6 The Program will be implemented in the rural areas of all the 22 districts of Punjab. Villages will be included in the Program by adopting a self-selection process, a pre-requisite of demand-responsive development.
- 1.7 The institutional entity at the village level for Program implementation will be **Gram Panchayat Water Sanitation Committee (GPWSC)** selected by the **Gram Sabha** working in partnership with the **Gram Panchayat**. The GPWSC will be constituted as a recognized body under section 25 of the Punjab Panchayati Raj Act, 1994. The Sarpanch will be the ex-officio chairperson of the GPWSC, the Gram Sabha will directly select the remaining members of the

GPWSC. The GPWSC members will select a Secretary and Treasurer. The Junior Engineer of the DWSS in-charge of the village will be the technical member cum convener of the GPWSC.

- 1.8 GPs / GPWSCs will be responsible for planning, technology selection (type of scheme), procurement (bid invitation, award), construction and O&M management of all new SV water schemes and for all intra-village water supply works of MV water supply schemes and sewerage schemes with support from DWSS / NGOs/ Private sector in social, technical and management aspects.
- 1.9 SLCs will be responsible for planning, technology selection (type of scheme), procurement (bid invitation, award), construction and O&M management of all inter-village water supply works (common works) of MV water supply schemes.

KEY FINANCIAL RESPONSIBILITIES OF GPWSC / SLC

1.10 The Key financial responsibilities of the GPWSC / SLC would be:

- Planning for the water supply and sanitation related investments in the village
- Selecting cost effective and feasible technology and schemes
- Approval of tenders up to Rs. 30 Lakhs in respect of Single Village schemes.
- Mobilizing community contribution
- GPWSC is responsible for construction and operation and maintenance of Single Village schemes, small Multi Village schemes and intra-village components of Multi Village schemes and sewerage schemes including inviting bids, awarding contracts, contract management etc.
- SLC is responsible for construction and operation and maintenance of inter village component of Multi Village schemes including inviting bids, awarding contracts, contract management etc.
- Management of Program funds for Program execution
- Maintaining books of accounts
- Deciding on the O&M arrangements either through engaging own staff or contracting out to private contractors.
- Levying user charges and full financing of O&M expenditure
- Maintaining transparency and cost effectiveness in all transactions
- Ensuring inclusion of all sections of the village community in Program activities and equitable distribution of benefits.

PLANNING AND BUDGETING

1.11 **Program Cycle:** The program would follow a scheme cycle consisting of four distinct phases namely **pre-planning** (institutionalization, sensitization and identification phase); **planning phase and implementation (including commissioning) phase** in addition to **apost project completion phase** thereafter. The program cycle will comprise the following four phases:

- **Pre Planning Phase:** In the preplanning phase, applications would be invited from the GPs. These applications would be prioritized, approved and selected. The selected GPs would be subsequently intimated. The major out puts of the Pre Planning Phase shall be

the prioritization of the GPs and the selection of the Support Organizations and Technical service provider.

- **Planning Phase:** In the planning phase the selection of the technology option shall be done by the GPWSC. After the selection of the technology option DSR would be prepared with the help of the technical service provider and discussed with the GPWSC. The DSR would be approved by the GPWSC passing a resolution to this effect in the meeting. Administration and the technical sanction would then be obtained before initiating the works. The major outcomes of the Planning Phase shall be the formation of the GPWSC, the preparation of Detailed Survey Report (DSR) and Community Action Plans (CAP) for each of the GPWSCs.
- **Implementation Phase:** The implementation of the planned water and sanitation activities shall be carried out in this phase. The Implementation Phase Completion Reports (IPCRs) shall be prepared. The implementation phase would involve:-
 - a. Procurement of the works
 - b. Execution of the works
 - c. Commissioning of the schemes
- **Operation and Maintenance Phase:** The O & M phase would involve operation and the maintenance of the schemes commissioned. Users charges would be fixed for the housed hold, collected and used for the maintenance of the schemes.

MEMORANDUM OF UNDERSTANDING

1.12 In order to achieve orchestrated functioning of the GP, GPWSC, SLC and the DWSS in close coordination and partnership, the roles and responsibilities and obligations of each of the party need to be formalized and agreed upon. A draft copy of the MoU is enclosed vide **Appendix A** enclosed with the manual.

DELEGATED POWERS FOR APPROVAL AND SANCTION OF SCHEMES

1.13 The Technical Sanction of the DSR is given vide **table 1.1** as under:-

Table 1.1

Description	Approving authority
Technical sanction of Detailed Scheme Report and DNIT (bid) approval	<ul style="list-style-type: none"> • Executive Engineer up to Rs. 10 Lakhs • Superintending Engineer above Rs. 10 Lakhs and up to Rs. 30 Lakhs • Chief Engineers above Rs. 30 Lakhs up to Rs. 50 Lakhs • Head, DWSS above Rs. 50 Lakhs full powers

1.14 The acceptance of the tenders will be done on a committee basis as elaborated in **table 1.2**

Table 1.2 – Powers of Tender Acceptance

Sl. No.	Description	Approving authority
1.	Schemes costing up to Rs. 30 Lakhs and without premium	The Committee consisting of <ul style="list-style-type: none"> • GPWSC president – Chairman • Executive Engineer, Division – Member

Sl. No.	Description	Approving authority
2.	Schemes costing above Rs. 30 Lakhs without premium	<ul style="list-style-type: none">• Junior Engineer, Division – Convenor The committee consisting of: <ul style="list-style-type: none">• Superintending Engineer – Chairman• Executive Engineer, Division – Member• Junior Engineer, Division – Convenor• GPWSC representatives – Member

Wherever tender need to be accepted with a premium, the tender will be send to the next higher level committee with justification.

1.15 Invitation of bids: Bids for all single village Scheme, intra village component of multi-village scheme and sewerage schemes will be invited by GPWSC in the Office of GPWSC or at any other place as decided by the GPWSC. In case of multi Village Schemes, SLC will invite bids for common facility.

1.16 Opening of Bids: The bids will be opened by ‘Bid Opening Committee’ comprising of three persons.

1. Division staff/s
2. SLC Member/s (in case of common component under multi-village schemes)
3. GPWSC Member/s

For all bids for SVS / sewerage / intra-village component will be opened at the place defined by GPWSC. For inter-village component (common components) under the MVS scheme, the bids shall be opened at the place defined by SLC.

1.17 Evaluation of Bids: Bids will be evaluated by Executive Engineer, Division and evaluation sheet shall be signed by Chairman GPWSC or Chairman SLC.

Note: The procurement procedures for community procurement are documented in the approved Procurement Manual and the same will be incorporated in the GP handbook on Procurement and FM after negotiation for the purposes of translation into local language.

2 CHAPTER 2: FUND FLOW

COMMUNITY CONTRIBUTION

2.1 The community contribution under the program would be received directly by the GPWSC / SLC before undertaking the implementation of the program activities. The beneficiary contribution shall be collected in cash in the following stages of the scheme cycle

- 50% at the planning stage after agree to do meeting
- 50% during the start of the implementing phase just before signing the agreement with the contractor.

2.2 Community Contribution shall be collected as per following norms:

- Upper ceiling of house hold share of capital cost is Rs.800/- for general category and is Rs.400/- for house hold in the difficult area villages i.e. notified villages along International Border, Kandi area, Bet area and water logged area.
- SC population will contribute only 50% of the prescribed amount for General category and difficult area villages.

FUND FLOW

2.3 Since the execution of SV schemes & intra village works of MV and sewerage schemes is to be undertaken by the GPWSC whereas execution of inter-village component of MV schemes is to be undertaken by SLC, payments to GPWSC / SLC will be made by Divisions through online system of State government as per tripartite MOU.

2.4 The condition for the release of funds to GPWSC / SLC is given based on amount of approved DSR. These conditions are irrespective of type of scheme – water supply or sewerage or performance improvement.

Table - Conditions for Release of Program Funds – if approved DSR value is less than INR 10 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
2 Stage Installment – If value of approved DSR is less than INR 10 lakhs		
Installment – I	75% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution (only if the value of approved of approved DSR is above INR 5 lakhs) • Signing of MoU • Calling of tenders for the packages.
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered

Installment No	Amount of Installment	Condition for Release of Installment
	income and other income viz. sale of tenders etc.	Accountant) <ul style="list-style-type: none"> Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

All the above payment , are a % to the total cost net of community contribution

Table - Conditions for Release of Program Funds – if approved DSR value is between INR 10 lakhs and INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
3 Stage Installment – If value of approved DSR is between INR 10 lakhs to INR 100 lakhs		
Installment – I	60% of the approved DSR*	<ul style="list-style-type: none"> Mobilization of 100% of the community capital contribution Signing of MoU Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 90%of the total contract allotted	<ul style="list-style-type: none"> Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment –Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> Submission of utilization certificate utilizing at least 75% of the first and the second installment and verified by third party (Chartered Accountant) Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

- All the above payment , are a % to the total cost net of community contribution

Table - Conditions for Release of Program Funds – if approved DSR value is more than INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
4 Stage Installment – If value of approved DSR is more than INR 100 lakhs		
Installment – I	30% of the approved DSR*	<ul style="list-style-type: none"> Mobilization of 100% of the community capital contribution Signing of MoU Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 60%of the total contract allotted	<ul style="list-style-type: none"> Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment – III	Disbursement of Balance to make a total disbursement of 90%of the total contract allotted	<ul style="list-style-type: none"> Submission of utilization certificate utilizing at least 75% of the first and the second installments. and verified by third party

Installment No	Amount of Installment	Condition for Release of Installment
		(Chartered Accountant)
Installment –Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first, the second and the third installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

- All the above payment , are a % to the total cost net of community contribution

2.5 Besides these payments for works, payment for account assistant will also be made for a period of 18months at pre established rates.

2.6 MV Water Supply Scheme will have two components i.e. Intra- Village & Common Facility Works. Community Contribution collected by respective GPWSCs will be first utilized towards intra-village works and any savings after payments will be transferred to SLC for Common Facility Works.

BANK ACCOUNT, ITS OPERATION AND RECONCILLATION

2.7 **Opening and Operation of Bank Account at GPWSC:**The GPWSC/ SLC shall open two separate Bank Accounts titled

1. 'Capital Cost – Name of the GPWSC / SLC'
2. 'O & M – Name of the GPWSC / SLC '

2.8 **Capital Bank Account:**All funds received from Treasury will be deposited in this bank account. Also all beneficiary contribution received in cash by the GPWSC/ SLC for implementation of the capital works shall also be deposited in this bank Account.

2.9 **O & M Bank Account:**Full responsibility for the operation and maintenance of the schemes shall be devolved on the GPWSCs / SLCs. All funds received for the purposes of O&M during the Implementation Phase or thereafter shall be deposited in this Bank Account.

2.10 **Operation of the Bank Account:**The operation of these bank accounts shall be as per under mentioned rules / Guidelines.

- The GPWSC / SLC shall open a bank account (for capital works) preferably in a nationalized bank having core banking services. .
- The accounts shall be opened after passing resolution to this affect in the meeting of GPWSC.
- The Account shall be jointly operated by the following three persons:
 1. Chairman, GPWSC.
 2. Secretary, GPWSC.
 3. Technical Member of GPWSC i.e. Junior Engineer of DWSS.

- All payments shall be made through ‘Crossed A/c payee’ cheques only.
- Uncrossed cheque shall be made only in case where the labour component is engaged by the GPWSC / SLC. Such payments shall be approved in the monthly meeting of GPWSC / SLC.
- All payments to the following shall be made through crossed cheques:
 - Contractors
 - Account Assistants
 - Payments for the purchases made by the GPWSC / SLC
- Withdrawal of cheque via self cheque is not permitted under any circumstances.
- Counterfoils of cheques issued should bear the payee’s name, amount, date of issue, voucher number and initials of the signatories.
- The cheque books shall always be kept under lock & key in the safe custody of the Treasurer.
- Cancelled cheques should be retained with the Cheque books. The corners of the cheque should be torn off as a measure of safeguarding against future misuse. The word VOID should be written over the cancelled cheques.
- All cash collected shall be deposited in the bank accounts within 2 working days.
- No funds will be transferred from one bank to another.

2.11 Monthly Bank Reconciliation: The monthly Bank Reconciliation Statement shall be prepared in form GP-5 (format enclosed in, next chapter). The general rules / guidelines for the preparation of the Reconciliation are enumerated below:

- Within ten days following the end of every month the Bank statement of the accounts should be obtained from the Bank.
- The balance in hand as at the end of the month as per the Bank statement should be reconciled with the balance as per the Bank column of the Cash book.
- All debits charged by the Bank in the form of Bank charges / Commissions etc. and all credits by way of Bank interest earned as appearing in the Bank statement should be scrutinized carefully before accepting them as correct and before recording these Debits / Credits in the Cash Book.
- The Cheques which are older than threemonths from the date of issue should be written back in the cash book noting the reference number and date of Payment Voucher after obtaining the due approval of the Chairman and the Treasurer.

3 CHAPTER 3: ACCOUNTING POLICIES AND FRAMEWORK

ACCOUNTING POLICIES

3.1 Following are the Significant Financial and Accounting Policies proposed under the Program for accounting at the GPWSC / SLC.

1. **Accounting Convention:** The Accounts shall be prepared on the historical cost convention in accordance with generally accepted accounting principles under Monitoring, Training and Guidance of Finance Officer of Division and GPWSC Accounts Assistant.
2. **Method of Accounting:**
 - a. Accounts shall be maintained on single entry book keeping system and accounting shall be done on cash basis i.e., all receipts and payments in respect of the Program shall be accounted for on the basis of work executed and payments made or received.
 - b. All payments should be charged to the relevant expenditure head of account at the time of making payment.
 - c. All payments will be made after statutory deductions like TDS, Sales Tax, Labour Cess etc. levied by the Govt. from time to time etc. GPWSC / SLC will be required to make payments to contractors for the works and therefore are responsible for deduction and deposit of Tax (Tax Deducted at Source or TDS) on the payment made to contractors. The following aspects of this transaction need careful consideration:
 - i. At the time of passing the bill it will be the responsibility of the Division to advise the GPWSC / SLC on the amount of the bill to be approved and the various retentions/deductions. Divisions have the required skills and will provide the GPWSCs / SLCs with the required accounting entry;
 - ii. GPWSCs / SLCs will apply for the necessary registration with the Income Tax Authorities (application for provision of TAN Number). Further, they will be immediately responsible for deduction and deposit of the TDS on any contractor payments;
 - iii. If similar formalities are required, under any other local laws, the Division will ensure that GPWSCs / SLCs are provided adequate support to enable compliance with all the required laws.
3. **Stocks:** Materials and supplies purchased by GPWSCs/ SLCs during the various phases of the Program should be charged to relevant Expense Account /Activity Account to which it pertains on payment and will be considered as utilized but memorandum records and physical controls will be maintained. Any stocks lying unutilized at the end of the program may be utilized for O&M purposes on approval of executive engineer.
4. **Community Contribution:** Community contribution in cash should be accounted for as and when the cash is received from the beneficiaries. No Community Contribution will be received in kind.

5. **Interest received from bank on program funds, community contribution and other incomes:** Receipts on account of other incomes, interest earned on bank funds shall be utilized for capital works and the payment to be received from DWSS will accordingly adjusted.
6. **Basis of Payment to Contractor:** All payments to the contractor will be made as per terms and conditions of the contract..
7. **Fixed Assets and Depreciation**
 - All assets created shall be the property of the Gram Panchayat.
 - Assets should be valued at the direct cost incurred in creating/constructing the asset.
 - No depreciation should be charged.

SAVING AND EXCESS

- 3.2 The total payment to be reimbursed to GPWSC / SLC by Divisions shall be on the basis of the actual amount spent by it. Hence there will not be any saving and excess. The final adjustment will be made at the time of the release of the last installment.

STAFFING

- 3.3 GPWSC / SLC Accounts Assistants will be appointed by the GPWSC / SLC to take care of all the accounting requirements at the GPWSC / SLC. To optimize resources, one person can serve 3-4 GPWSCs / SLCs in the area. Primarily they shall be responsible for maintenance of GPWSC / SLC books of account and get them audited. Job Description of the GPWSC / SLC Accounts Assistant is given vide **Appendix-B**.

CAPACITY BUILDING

- 3.4 Adequate capacity building initiatives will be put in place, to ensure familiarization of participants on the project FM requirements. These initiatives will focus on Accounts Assistants, Secretaries, Treasure and Chairperson but will also cover GPWSC / SLC members to some extent. Capacity building will include training on book-keeping, procurement procedures, reporting, banking, reconciliations, records retention, audit certification and social audit.

4 CHAPTER 4: ACCOUNTING AT GPWSC / SLC DURING IMPLEMENTATION PHASE

INTRODUCTION

- 4.1 This chapter deals with the records to be maintained and reports to be prepared by each GPWSC / SLC. Keeping in view the design of Fund flows the extent of activities proposed to be implemented and the level of experience and expertise of the GPWSCs / SLCs, minimal books have been prescribed at this level.
- 4.2 Expenditure during the Implementation Phase shall primarily be incurred by the GPWSCs / SLC while the role of the Divisions shall be restricted to that of a monitoring and consolidation of Project Expenditure incurred by all the GPWSCs / SLCs within its jurisdiction and for financial reporting to the Project authorities. The GPWSCs / SLCs has therefore been considered as an Accounting Centre under the Project thereby entailing maintenance of books of accounts essential for effective Project accounting and Financial Reporting.
- 4.3 Accounting at GPWSC / SLC has been discussed under the following broad heads;
- 1) Book keeping and formats of Books of accounts
 - 2) Financial Payment Mechanisms
 - 3) Reporting and Disclosure
 - 4) Auditing

BOOK KEEPING AND FORMATS OF BOOKS OF ACCOUNTS

- 4.4 **Books of accounts:** GPWSC / SLC will maintain the under mentioned books of accounts for the Program to record all transactions of Receipts and Payments in the **Forms GP-1 to GP-8**. These formats are enclosed vide **Appendix C**.
- | | | |
|----|---------------------------------|--------|
| a. | Payment Voucher | GP - 1 |
| b. | Receipt Voucher | GP - 2 |
| c. | Correction Voucher | GP - 3 |
| d. | GPWSC Cash Book | GP - 4 |
| e. | Monthly Bank Reconciliation | GP -5 |
| f. | Stock & Asset Register | GP - 6 |
| g. | Cash Contribution Receipt | GP -7 |
| h. | Community Contribution Register | GP - 8 |
| i. | Contractor Register | GP - 9 |
- 4.5 **Accounting books to be provided by Head Office:** The books of accounts to be maintained by the GPWSC / SLC shall be provided by the Head Office. These books of

accounts and forms shall be got printed by the Department and distributed to the GPWSC/ SLC at the time of formation of GPWSC / SLC.

- 4.6 Preparation of Books of Accounts:** All books of accounts shall be prepared by the Account Assistant to be provided by the Program authorities at each GPWSC / SLC. The books shall remain in the custody of the treasurer of GPWSC / SLC. The treasurers shall be overall responsible for maintaining Books of accounts. He shall be assisted by Account Assistant.

BOOK KEEPING

4.7 Payment / Receipt/Correction Voucher

- At the time of making payment, a payment voucher will be prepared in **Form GP-1** while a receipt voucher in **Form GP-2** shall be prepared for all receipts – Funds, Bank interest earned, other incomes etc.
- When disbursing the Payments the Account Assistant should obtain the signature of the Payee or his authorized representative acknowledging receipt of the Cheque or Cash as the case may be. This signature must be affixed in the appropriate space in the voucher.
- Bills / Supporting documents for expenditure incurred shall be attached with the Payment voucher.
- Payment voucher shall provide details regarding:
 - Name of recipient.
 - The purpose of the Payment.
 - The mode of payment i.e. cash or cheque.
 - Details of the documentary evidences
- The Formats of the Correction voucher is enclosed vide **Form G-3**. The correction voucher shall be used in case where there are some correction are to be made in the books of accounts for the mistakes made earlier in writing the books.

4.8 GPWSC / SLC Cash Book

- The GPWSC / SLC Cash Book in **Form GP-4** shall be columnar Cash Book having column for Cash, Bank and Adjustments if any
- Community Contributions received during the various phases shall also be recorded in this Book.
- All payments for purchase of material shall be booked in respective Activities for which it is purchased. This holds true even in case the purchase is for multiple activities.
- The Cash Book should be printed on both pages and bound in a book for durability and for serving the purpose of a permanent record. This book is intended to record all Receipts/Payments made through cash (in the columns designated for recording of Cash transaction) or through the Capital Bank account (in the columns designated for recording of Bank transaction) or through the correction vouchers (in the columns designated for recording of journal entry).

- Recording in the Cash Book shall only be made on the basis of the vouchers – Payment, Receipt or Journal.
- Community Contributions, received in cash during all phases shall be recorded in this Book.
- The general principles to be observed in recording of transactions in the Cash Book are given here under:
 - The Books must be kept in the prescribed form and the same must be serially machine numbered.
 - The entries in the books should be made on a day-to-day basis..
 - Wherever applicable, corrections of entries in the books should be got initialed by the Account Assistant.
 - All columns in the books should be filled up without leaving any blank column.
 - Balancing in the Cash Book should be done daily and the balance extracted should be tallied with the Physical Cash in Hand.
 - The officer of the DWSS duly authorized can make surprise checks of the Cash Balance and review the Project Cash Book.
- The Cash Book should be closed at the end of each accounting month and should contain the following certificate to be recorded at an appropriate place in the book duly signed by the Account Assistant, Treasurer and the Chairman of GPWSC / SLC.

Certified that

- a. The Cash in hand on (date) is Rs (in figures)
 Rupees (in words)
- b. The Balance with Bank on (date) is Rs (in figures)
 Rupees (in words)
- c. All receipts and payments during the month have been duly entered in the GPWSC / SLC Cash Book.

Signature of

Signature of the Treasurer and Chairman _____

4.9 Stock Ledger

- The Format of the stock Ledger is enclosed vide **Form GP-5**.
- All stocks purchased are entered in stock register in respective folio of the material purchased.
- All issues of shall be recorded under 'Issue' column in Stock Register.
- The Stock Register maintains only the quantities of the stock purchased and issued.
- It is recommended that Physical verification of the stores should take place at least once during the life cycle of the project. The verification should be undertaken by a team comprising of Chairman of GPWSC / SLC and 2 members of GPWSC / SLC duly authorized.

4.10 Community Cash Contribution Receipt

- When a member puts in Cash as his community contribution, cash receipt will be prepared in duplicate. The Original Copy will be of the member while the duplicate copy shall be kept as a record.
- The Community Cash Contribution Receipt book must be serially pre-numbered and the original and duplicate receipts must differ in colour.
- The format for the Community Cash Contribution Receipt is enclosed vide **Form GP-6**.
- All Community Cash Contribution Receipt will be issued & entered in the GPWSC / SLC Cashbook and also in the Community Contribution Register.

4.11 Community Contribution Register

- Community Contribution register shall be prepared in the format enclosed vide **Form GP-7 and Form GP-8**.
- The register will detail house hold wise contribution required and contribution paid.
- All entries regarding the community contribution shall be entered in this register.

4.12 Contractor Register

- There shall be a separate folio for each contractor in this register (format in **Form GP-9**).
- All bills received by the contractor will first be entered here before they are sent for verification in the EE office.
- This register will against each bill record the deductions made the head to which it pertains to and the amount payable.

PAYMENT MECHANISMS

4.13 Payment Mechanisms: GPWSCs are the employers of the contractors for the SVS & the intra-village component of MVS and sewerage schemes. SLC are the employer of the contractors for the inter-village component (common component) of MVS schemes. All bills will be first submitted to the GPWSC / SLC. On receipt of the bills, the same shall be recorded in the Contractor register before submitting to the JE for verification.

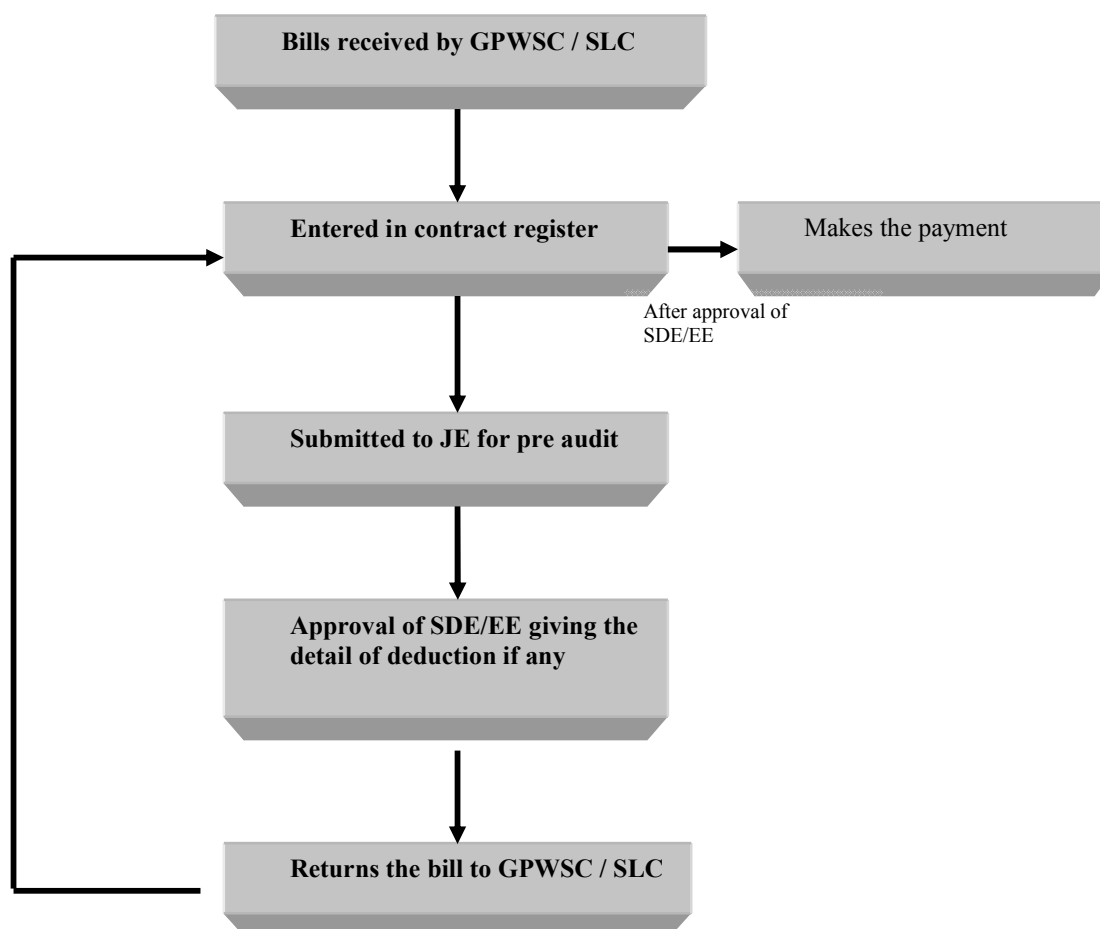
4.14 After verification and comparing it with the MB maintained by him, he will submit the bill to the SDE/EE for final approval who in turn will give approval to the net amount to be paid to the contractor after deducting all statutory dues. The same shall also be recorded in the approval.

4.15 After the approval the bill be sent back to the GPWSC / SLC for the payment. The GPWSC / SLC will record the details in the contract register before the payment.

4.16 All payments will be released by GPWSC / SLC after the pre-audit of bill by SDE/EE and the banks may be accordingly instructed not to honor any cheque without the technical sanction (Clearance Certificate) of SDE/EE. The flow chart of the payment process is detailed in Exhibit 4.1

- The monthly expenditure statement and the monthly physical progress reports shall be placed, considered, reviewed and approved in the monthly meeting of the GPWSC / SLC.
- The expenditure incurred during the Implementation Phase shall also be placed, considered, reviewed and approved in the meeting of the GPWSC/ SLC every month. The GPWSC / SLC should also review the Physical Progress reports submitted by the NGO / SO and establish linkages with the financial statements before approval of such expenditure.
- All financial Reports approved by GPWSC/ SLC shall be placed in the meetings of the Gram Sabha held during the tenure of the contract and also on completion of the Implementation Phase activities as stipulated in the contract.

EXHIBIT 4.1



4.17 Inter activity Adjustment Mechanism

- During the course of Accounting, situations/circumstances viz. Compliance to audit observations etc. may arise which demand transfer of Expenditure from one activity to another in cash book.
- The recording of such inter activity adjustments shall be done through a correction voucher

- Such Adjustments shall only be made after the approval of the Chairman, GPWSC/ SLC who shall initial such voucher as also verify, confirm and also ensure maintenance of appropriate documentary evidence in support of the reasons for passing such adjustments, with the Account Assistant.

4.18 Financial Reporting: The financial reports to be prepared by the GPWSC in the Implementation Phase is detailed hereunder and are enclosed vide **Appendix-D Form GR-1 Statement of Receipt & Payment GR-1**

This report shall be prepared before the release of next installment. It shall be signed by the Treasurer & Chairman of the GPWSC / SLC. These reports should be certified by the concurrent auditor.

These Financial reports shall be prepared in triplicate – one copy whereof shall be kept by GPWSC / SLC and the rest of the copies shall be submitted to the concerned Division.

4.19 Concurrent Audit Arrangements: Before the release of installment of funds an audit by Chartered Accountant is to be conducted by deploying 3 concurrent auditors (one for each zone). The report GR1 shall be got audited by the GPWSC / SLC. These reports shall be accompanied by the audit report given by the Chartered Accountant.

4.20 These Firms of Chartered Accountants, who will be appointed by the Head Office, for ‘Concurrent Financial Audit’ of the GPWSC / SLC expenditure. Subsequent tranches of funds will be released to the GPWSC / SLC by the Divisions only on receipt of ‘Statement of Receipt and Payment duly certified by the concurrent auditors.

4.21 The detailed terms of reference of the concurrent auditor’s is enclosed vide **Appendix-E** enclosed with the manual.

5 CHAPTER 5: ACCOUNTING FRAMEWORK AT GPWSC / SLC DURING O&M PHASE

INTRODUCTION

- 5.1 After the Capital Works are completed, the responsibility of maintaining the water supply and the sanitation schemes is with GPWSC's. For maintenance of the water supply and the sanitation schemes the GPWSC / SLC will be collecting the user charges and pending it for maintenance of the Schemes.
- 5.2 The GPWSC / SLC shall develop a detailed Operation and Maintenance plan including fixing tariffs, roles and responsibilities of DWSS, Divisions, GP and GPWSC / SLC in operation and maintenance activities. This may include contracting out the O&M services.
- 5.3 It shall collect water charges from users and meet the operation and maintenance expenses of water supply facilities in the village.
- 5.4 **Books of accounts:** GPWSCs/ SLCs will maintain following additional books of accounts during the O&M Phase. These formats are enclosed vide **Appendix-F**.
- a. GPWSC / SLC Cash Book
GP - 10
 - b. Register of Demand from members
GP -11
- 5.5 Beside these mentioned books of accounts the GPWSC / SLC shall also maintain books of accounts as per **Form GP-1 to GP-8**. The **Form GP-1 to GP-8** have already been explained in the earlier chapter. In addition to these books, **Form GP-11**, Register of demand from members has to be maintained which will be in the form of ledger and will have a dedicated folio for month. Each row of the register for each month shall record the tariff to be deposited and actually collected for each house hold on monthly basis. This will assist the GPWSC in determining the pending dues from each house hold. The rules and procedure for writing the cash book will remain the same as explained in para 5.7.2. The revised form of the cash book and register of demand from the members are enclosed in **Appendix-F**
- 5.6 The GPWSC / SLC shall maintain regularly accounts and records of operation and maintenance expenditure as done in the implementation phase.
- 5.7 The GPWSC / SLC shall prepare the Income and Expenditure statement of Operation and Maintenance to be publicized in the community through hand bills/display in public places to ensure transparency and accountability. A copy of same shall also be forwarded to the Divisional Office. The format of the same is enclosed vide **Appendix F-Form GP-10**

6 CHAPTER 6: TRANSPARENCY AND DISCLOSURE AT GP LEVEL

INTRODUCTION

6.1 Community oversight of the works done by GPWSC / SLC will bring about transparency and social audit and is hence a very important for successful implementation of the project and to the entire satisfaction of the Villagers. Community oversight can be brought about by involving them in all the major decisions and also by pasting important financial and physical progress on the Notice Board or at any such place, which is easily accessible, by the members of the community.

DISCLOSURE BY GPWSC

6.2 **Scheme Approval:** Once the Scheme approval is granted, it shall be prominently displayed in the village at all time. It shall clearly mention the estimated costs of each Water Supply/Sewerage Schemes.

6.3 **Procurement of the components:** The documentation in form of Register of entire process of the procurement beginning from the calling of tenders to allotment of Contract should be kept for public viewing with GPWSC/SLC.

6.4 **Financial disclosure:** Following disclosure should be done by the treasurer of the GPWSC / SLC every month in order to bring about community oversight.

- i. The Expenditure incurred during a month along with physical progress achieved, activity wise, should be pasted on the notice board.
- ii. Funds received, payments made and balances, shall also be prominently displayed in the village at all time and updated regularly every month.

6.5 **Financial disclosure of O&M:** The GPWSC / SLC shall prepare the Income and Expenditure statement of Operation and Maintenance to be publicized in the community through hand bills/display in public places to ensure transparency and accountability.

DISCLOSURE BY GRAM SABHA

6.6 Besides displaying on the notice board, community oversight will also be brought by initiation the following steps:

- Books of account as well as expenditure statements shall be available to all members for viewing
- Financial and Physical progress achieved in terms of the underlying agreements of various phases under the Program should be put up for consideration before the Gram Sabha every month.
- The observations and audit report of the Auditor's shall be presented to the Gram Sabha and dealt with properly and the same to be recorded in the minutes of the meeting

- 6.7 All the above aspects will also be monitored during the Concurrent Financial Audit and reported by them. The responsibility of all the disclosure requirement will rest with the Treasurer and the chairman.

APPENDIX

Appendix 1: Form B-1 – Annual Work Plan- State Level

FORM B-1
ANNUAL WORK PLAN & BUDGET (FINANCIAL INFORMATION)

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Budget Year:

	Description	Budget for the Financial Year				
		Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
Comp-1	Transformation-Livability of Villages					
Comp-1A	Strengthening - upgradation of service delivery:					
i	Canal Schemes (SV/MV)					
ii	Tubewell Schemes (SV/MV)					
	Sub Total 1A					
Comp-1B	Sewerage Schemes with treatment systems.					
i	Sewerage Schemes with treatment systems.					
	Sub Total 1B					
	Total 1A + 1B					
Comp-2A	Improved accesss to water through households connections					
i	Improved accesss to water through households connections (No. of Households)					
	Sub Total 2A					
Comp-2B	Operational improvement for improved water supply service levels					
i	Operational improvement for improved water supply service levels					
	Sub Total 2B					
Comp-2C	Household sanitation (toilets)					
i	Household sanitation (toilets) (No. of Households)					
	Sub Total 2C					
	Total 2A + 2B + 2C					
Comp-3A	Water Quality Monitoring					
i	Water Quality Monitoring and mitigation					

		Budget for the Financial Year				
	Description	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
	Sub Total 3A					
Comp-3B	Safe and treated water for water quality affected villages					
i	Installation of water treatment plants for retrofitting					
ii	Safe and treated water for water quality affected villages					
	Sub Total 3B					
	Total 3A + 3B					
Comp-4A	Institutional Cost					
1	One time expenses					
2	Staffing Costs					
3	Operational costs of Head Office and Divisions					
4	Capacity Building of Department staff					
5	Training Institute					
6	Contingency					
	Sub Total 4(A)					
Comp-4B	Project Management Costs					
1	Monitoring and Evaluation Costs					
2	Program IEC Activities					
3	Engineering and Consulting Support					
4	Community Development Costs / GP Strengthening Program					
	Sub Total 4B					
	Component 4A+4B					
	Grand Total (1+2+3+4)					

Sources of Financing		Budget for the Financial Year				
	Description	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
	World Bank					
	GOP					
	TOTAL FINANCING					
* Excludes expected Community Contribution of Rs						
Note:	The total budget between GOP/ bank financed schemes will be provided to Finance Dept for provisioning in State Budget					

Appendix 1: Form B-2 – Divisional Budget Formats

FORM B-2
ANNUAL BUDGET AT DIVISIONAL OFFICES TO BE SUBMITTED TO NODAL DIVISION

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Name of Water Supply and Sanitation Division:

Budget Year:

	Description	Estimated Costs	Already expended till the end of year	Total requirement for next year	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
Comp-1	Transformation-Livability of Villages								
Comp-1A	Strengthening - upgradation of service delivery:								
i	Canal Schemes (SV/MV)								
ii	Tubewell Schemes (SV/MV)								
	Sub Total 1A								
Comp-1B	Sewerage Schemes with treatment systems.								
i	Sewerage Schemes with treatment systems.								
	Sub Total 1B								
	Total 1A + 1B								
Comp-2A	Improved access to water through households connections								
i	Improved access to water through households connections (No. of Households)								
	Sub Total 2A								
Comp-2B	Operational improvement for improved water supply service levels								
i	Operational improvement for improved water supply service levels								

	Description	Estimated Costs	Already expended till the end of year	Total requirement for next year	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
	Sub Total 2B								
Comp-2C	Household sanitation (toilets)								
i	Household sanitation (toilets) (No. of Households)								
	Sub Total 2C								
	Total 2A + 2B + 2C								
Comp-3A	Water Quality Monitoring								
i	Water Quality Monitoring and mitigation								
	Sub Total 3A								
Comp-3B	Safe and treated water for water quality affected villages								
i	Installation of water treatment plants for retrofitting								
ii	Safe and treated water for water quality affected villages								
	Sub Total 3B								
	Total 3A + 3B								
Comp-4A	Institutional Cost								
1	One time expenses								
2	Staffing Costs								
3	Operational costs of Head Office and Divisions								
4	Capacity Building of Department staff								
5	Training Institute								
6	Contingency								
	Sub Total 4(A)								
Comp-4B	Project Management Costs								
1	Monitoring and Evaluation Costs								
2	Program IEC Activities								
3	Engineering and Consulting Support								
4	Community Development Costs / GP Strengthening Program								
	Sub Total 4B								

	Description	Estimated Costs	Already expended till the end of year	Total requirement for next year	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
	Component 4A+4B								
	Grand Total (1+2+3+4)								

Prepared by:

Date:

Place:

1. Quarter wise segregation has been worked out on the basis of funds requirement of the DO for the schemes
2. The budgeted amounts exclude the beneficiary contribution received
3. Name of each scheme under water supply and sanitation to be attached separately

Appendix 1: Form B-3 – Consolidated Budget Formats- Nodal Division Level

FORM B-3
ANNUAL BUDGET TO BE CONSOLIDATED BY NODAL DIVISION AND HEAD OFFICE

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Head Office / Nodal Division:

Budget Year:

	Description	Unit	Unit Costs	Estimated Costs	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
Comp-1	Transformation-Livability of Villages								
Comp-1A	Strengthening - upgradation of service delivery:								
i	Canal Schemes (SV/MV)								
ii	Tubewell Schemes (SV/MV)								
	Sub Total 1A								
Comp-1B	Sewerage Schemes with treatment systems.								
i	Sewerage Schemes with treatment systems.								
	Sub Total 1B								
	Total 1A + 1B								
Comp-2A	Improved accesss to water through households connections								
i	Improved accesss to water through households connections (No. of Households)								
	Sub Total 2A								
Comp-2B	Operational improvement for improved water supply service levels								
i	Operational improvement for improved water supply service levels								
	Sub Total 2B								
Comp-2C	Household sanitation (toilets)								
i	Household sanitation (toilets) (No. of								

	Description	Unit	Unit Costs	Estimated Costs	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
	Households)								
	Sub Total 2C								
	Total 2A + 2B + 2C								
Comp-3A	Water Quality Monitoring								
i	Water Quality Monitoring and mitigation								
	Sub Total 3A								
Comp-3B	Safe and treated water for water quality affected villages								
i	Installation of water treatment plants for retrofitting								
ii	Safe and treated water for water quality affected villages								
	Sub Total 3B								
	Total 3A + 3B								
Comp-4A	Institutional Cost								
1	One time expenses								
2	Staffing Costs								
3	Operational costs of Head Office and Divisions								
4	Capacity Building of Department staff								
5	Training Institute								
6	Contingency								
	Sub Total 4(A)								
Comp-4B	Project Management Costs								
1	Monitoring and Evaluation Costs								
2	Program IEC Activities								
3	Engineering and Consulting Support								
4	Community Development Costs / GP Strengthening Program								
	Sub Total 4B								
	Component 4A+4B								
	Grand Total (1+2+3+4)								
	Prepared by:								
	Date:								
	Place:								

	Description	Unit	Unit Costs	Estimated Costs	Qrt 1	Qrt 2	Qrt 3	Qrt 4	Total
<p>1. Quarter wise segregation is done based on the funds requirement of the Head Office/Division. 2. The budgeted amounts exclude the beneficiary contribution to be received 3. The activities would be as per the chart of account detailed in appendix III</p>									

Appendix 2: Format2.01

**FORMAT 2.01
GP ADVANCE CONTROL REGISTER**

**Punjab Rural Water Supply and Sanitation Sector Improvement Project
(To be maintained at Divisional Level)**

Folio no.:
GPWSC _____

Receipts				Payments				
Funds with GPWSC				Utilizations				
Date	Particulars (Tranches/Comm. Contribution)	Cash Book Folio No.	Amount Disbursed (in Rs.)	Date	Activity	Amount	Balance (In Rs.)	Remarks

Appendix 2: Format2.02

FORMAT 2.02 SUB-COMPONENT ACTIVITY REGISTER

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Folio no.:

Name of the Activity: _____

Date	Particulars of payments of Activity	Treasury bill No. and Date	Cash Book folio	Program -1	Program -2	Program -3	Program -4	Total
				PRWSS Project	NRDWP	Other Programme under SWAp		
1	2							
	Monthly Sub Total							
	Monthly Sub Total							
	Monthly Sub Total							
	Quarterly Total							
	Total							

Notes: The expenditure as per the activity report must be reconciled at an aggregate level with the monthly expenditure reported to the AG (A & E)

Appendix 2: Format2.03

FORMAT 2.03
CLAIM REGISTER (TO BE MAINTAINED AT HEAD OFFICE)
Punjab Rural Water Supply and Sanitation Sector Improvement Project

Sr.No	Application Date	Application No.	Disbursement Category	Amounts In Rs	Received on	Other Details	Amounts Received In Rs	Remarks

Appendix 3: Activity Chart

FORM-3 ACTIVITY CHART

Punjab Rural Water Supply and Sanitation Sector Improvement Project Chart of Accounts

	Activity
Comp-1	Transformation-Livability of Villages
Comp-1A	Strengthening - upgradation of service delivery:
i	Canal Schemes (SV/MV)
ii	Tubewell Schemes (SV/MV)
	Sub Total 1A
Comp-1B	Sewerage Schemes with treatment systems.
i	Sewerage Schemes with treatment systems.
	Sub Total 1B
	Total 1A + 1B
Comp-2A	Improved access to water through households connections
i	Improved access to water through households connections (No. of Households)
	Sub Total 2A
Comp-2B	Operational improvement for improved water supply service levels
i	Operational improvement for improved water supply service levels
	Sub Total 2B
Comp-2C	Household sanitation (toilets)
i	Household sanitation (toilets) (No. of Households)
	Sub Total 2C
	Total 2A + 2B + 2C
Comp-3A	Water Quality Monitoring
i	Water Quality Monitoring and mitigation
	Sub Total 3A
Comp-3B	Safe and treated water for water quality affected villages
i	Installation of water treatment plants for retrofitting
ii	Safe and treated water for water quality affected villages
	Sub Total 3B
	Total 3A + 3B
Comp-4A	Institutional Cost
1	One time expenses
2	Staffing Costs
3	Operational costs of Head Office and Divisions
4	Capacity Building of Department staff
5	Training Institute
6	Contingency
	Sub Total 4(A)
Comp-4B	Project Management Costs
1	Monitoring and Evaluation Costs
2	Program IEC Activities
3	Engineering and Consulting Support
4	Community Development Costs / GP Strengthening Program
	Sub Total 4B
	Component 4A+4B

Appendix 4: Report DR-1

REPORT DR-1

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Name of WSS Division: _____
(to be submitted by Nodal Division)

Sources and application of funds for the programme _____ for the Qtr ending _____

Particulars	Opening Balance	For the Qtr	Cumulative till date	Budget for the Qtr.
A. Funds Received				
GOP				
GoI				
World Bank				
Others				
B. Expenditure Incurred (Activity Wise as per annexure attached)				
Component – 1				
Component – 2				
Component – 3				
Component – 4				
C. Funds Utilised elsewhere(give details)				
D. Unutilised Funds (A-B-C=D)				
<p>ACCOUNTANTXEN</p>				
Notes:				
1. Divisional Office shall prepare this statement for each programme separately & one consolidated statement.				
2. This statement should be prepared for each quarter by each Divisional office.				

Appendix 4: Report DR-2

REPORT DR-1

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Scheme wise statement of expenditure for the Qtr ending _____ for the Programme

S.No	Particulars	Amount in lacs
A	Opening balance of the expenditure incurred till date	
	Component – 1	
	Component – 2	
	Component – 3	
	Component –4	
	Total	
B	Expenditure for the Qtr	
	Component – 1	
	Component – 2	
	Component – 3	
	Component –4	
	Total	
ACCOUNTANT		

Appendix 4: Report DP-1

REPORT DP-1

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Sources & Application Of Funds for the qtr ending _____ for the programme _____

Particulars	Opening Balance	For the Qtr	Cumulative till date
A. Funds Received			
GOP			
GoI			
Others			
B. Expenditure Incurred (Activity Wise as per annexure attached)			
Component – 1			
Component – 2			
Component – 3			
Component – 4			
C. Funds Utilised elsewhere (give details)			
D. Unutilised Funds (A-B-C)			
<p>ACCOUNTANT</p>			
<p>Notes:</p> <p>1. Divisional Office shall prepare this statement for each programme separately & one consolidated statement.</p> <p>2. This statement should be prepared for each quarter by each Divisional office.</p>			

Appendix 4: Report DP-2

REPORT DP-2

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Activity wise statement of expenditure for the Qtr ending _____ for the programme

S.No	Particulars	Opening Balance	For the Qtr	Cumulative till date
ACCOUNTANTSE				
1.Divisional Office shall prepare this statement for each programme separately & one consolidated statement.				
2. This statement should be prepared for each quarter by each Divisional Office				

Appendix 4: Form IUFR-1

FORM IUFR-1

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Financial Report on Expenditure Incurred For the Quarter _____

Component	Activity	Category	For the Quarter (QTD)*					For the Year (YTD)*					For the Project (CTD)				
			Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount	Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount	Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount
		a	B	c	d=b-c	e	f=d*e	g	h	i=g-h	j	k=i*j	l	m	n=l-m	o	p=n*o
1A	Strengthening - upgradation of service delivery:																
1B	Sewerage Schemes with treatment systems.																
2A	Improved access to water through households connections																
2B	Operational improvement for improved water supply service levels																
2C	Household sanitation (toilets)																
3A	Water Quality Monitoring																
3B	Safe and treated water for water quality affected villages - Installation of WTPs for technology retrofitting - Safe and treated water for quality affected villages																
4	Institutional Development and Project Management																

Component	Activity	Category	For the Quarter (QTD)*					For the Year (YTD)*					For the Project (CTD)				
			Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount	Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount	Expenditure (As per Books of Account)	Ineligible expenditure (if any)	Eligible Expenditure	Reimbursement %	Reimbursable Amount
	Total Project Expenditure																
	<p>Note:</p> <ol style="list-style-type: none"> 1. Expenditure figures in column 'b' to be reconciled to the monthly accounts rendered to the AG(A&E) 2. Security Deposit deducted from the running bills of the contractors & subsequently paid to them may be treated on cash basis i.e. claimed as reimbursement only once, at time of payment. (Applicable only in case of departmental execution) 3. Information provided relates only to the World Bank funded component. <p>QTD: Quarter to Date YTD: Year to Date CTD: Cumulative To Date</p>																

Appendix 4: Form IUFR-2

FORM IUFR-2

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Summary of Funds Released & Expended by GPWSCs
Report as on _____

S. No.	Name of Nodal Division	For the Quarter (QTD)*					For the Year (YTD)*					Project till date (CTD)*				
		No. of GPWS Cs to whom funds released	Amount released by the Project	Community Contribution	Amount for which Audit Report Received	Balance Outstanding	No. of GPWS Cs to whom funds released	Amount released by the Project	Community Contribution	Amount for which Audit Report Received	Balance Outstanding	No. of GPWS Cs to whom funds released	Amount released by the Project	Community Contribution	Amount for which Audit Report Received	Balance Outstanding
		1	2	3	4	5=2+3-4	6	7	8	9	10=7+8-9	11	12	13	14	15=12+13-14
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
		<p>Note: One row each for each Nodal Division summarized information to be provided. However Nodal Division required to maintain details for each GPWSC of Divisions under their control separately.</p> <p>QTD: Quarter to Date YTD: Year to Date CTD: Cumulative To Date</p>														

Appendix 4: Form IUFR-3

FORM IUFR-3

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Report on Expenditure Incurred for the Quarter Ended _____ Payments against Prior Review Contracts

S.No.	WBR#	Contractor	Contract Value	Payment Details		
				Date of Payment	During the Period	Cumulative
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Appendix 4: Form IUFR-4

FORM IUFR-4

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Summary Sheet as on _____

Component	Activity	For the Year (YTD)	Project till Date (CTD)	Reimbursable Amount (CTD)
1	Transformation-Livability of Villages			
2	Inclusive Water and Sanitation Services delivered at household level			
3	Improved Water Quality			
4	Institutional Development and Project Management			
	Total Project Expenditure			
QTD: Quarter to Date YTD: Year to Date CTD: Cumulative To Date				

Appendix 4: Form IUFR-5

FORM IUFR-5

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Summary of Funds Expended by GPWSCs Report for the Year Ended _____

S. No.	Name of Nodal Division	For the Year (YTD)*		Project till date (CTD)*	
		No. of GPWSCs to whom funds released	Amount Expended by GPWSCs	No. of GPWSCs to whom funds released	Amount Expended by GPWSCs
1	2	3	4	5	6
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
	TOTAL				

Notes:
 1. Amount expended by GPWSC signifies all payments made by GPWSCs on the project including payment to contractors. This information is obtained from GP Advance Control Register
 2. One row each for each Nodal Division summarized information to be provided. However Nodal Division required to maintain details for each GPWSC of Divisions under their control separately.

YTD: Year to Date
 CTD: Cumulative To Date

Appendix 4: Draft Financial Statements

DRAFT FINANCIAL STATEMENTS

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Financial Statements for the Year Ended March 31 _____

	Year ended March 31 2XXX	Cumulative
Sources of Funds		
GOP/GOI		
World bank		
Total Sources of Funds		
Utilization of Funds		
Comp-1: Transformation-Livability of Villages		
Comp-2: Inclusive Water and Sanitation Services delivered at household level		
Comp-3: Improved Water Quality		
Comp-4: Institutional Development and Project Management		
Funded by GOI (NRDWP)		
- Single Village Schemes (Grant in Aid to GPs)		
- Multi Village Schemes		
Funded by World Bank/ GOP		
Comp-1: Transformation-Livability of Villages		
Comp-2: Inclusive Water and Sanitation Services delivered at household level		
Comp-3: Improved Water Quality		
Comp-4: Institutional Development and Project Management		
Total Utilization of Funds		

Accounting Policies & Notes to Accounts:

- 1 Funds released to the GPWSCs pursuant to MOU signed with them are treated as 'Grant in Aid' and treated as expenditure
- 2 The community contribution collected by the GPWSC as capital cost sharing during the year is Rs.....lacs (upto previous year Rs Lacs)
- 3 Balance of Security Deposit deducted from the running bills of the contractors amounts to Rslacs as of March 31, 2XXX. (Previous year Rs Lacs)
- 4 Funds for the program are made available through the State plan budget and released by Treasuries through online system of the State Government and no funds have been parked in Bank accounts (other than those with GPWSCs)
- 5 The expenditures are reconciled with the records of the AG (A & E)

Appendix 4: Reconciliation with SOE Claims

RECONCILIATION WITH SOE CLAIMS

Punjab Rural Water Supply and Sanitation Sector Improvement Project

	Program Components			
	Component -1 Transformation-Livability of Villages	Component - 2 Inclusive Water and Sanitation Services delivered at household level	Component - 3 Improved Water Quality	Component - 4 Institutional Development and Project Management
Expenditure as per the financial Statements				
Less: Expenditure financed by GOI funded NRDWP				
Less/ Add: Increase/ Decrease in Security Deposits recovered from contractors				
Expenditure Eligible for reimbursement by the Bank				
Reimbursement %				
Net expenditure eligible for reimbursement				
Claimed vide Claim No and Date				
1				
2				
3				
4				
5				
Total				

Appendix 5: Terms of References for Internal Audit

Terms of Reference (TOR) for Internal Audit

BACKGROUND

Government of Punjab (GOP) has prioritized Rural Water Supply and Sanitation (RWSS) as a key area of its development agenda. Government of India supports the RWSS sector reforms and provides significant financial assistance to Punjab through its centrally sponsored programs such as NRDWP, and Swachh Bharat Mission (SBM). In addition, GOP also implemented the First Punjab Rural Water Supply and Sanitation Program (PRWSS-I) during 2006-14 with assistance from The World Bank. PRWSSP-I established & implemented a Sector Wide Approach (SWAp) for demand driven and community lead RWSS models. As a result, about 89% of habitations are fully covered (FC), 10% habitations are partially covered and less than 1% habitations are not covered (as on December 2014).

Despite these efforts, several issues are on hand. While the water coverage seems to be high, a large number of water supply schemes are serving only to a limited population with individual household connections. Remaining population continue to use public standpost. The coverage in terms of percentage of total population may further declining due to growing rural population. Punjab ranks 25 out of 28 in terms of villages winning the Nirmal Gram Purashkar (NGP) (the GOI award for achieving ODF status). Hence, GOP intends to move towards the target of universal ODF (open defecation free) status in all villages. Rapidly deteriorating water quality is leading to serious health problems. About 29 percent of water supply schemes face water quality issues.

In the above context, GOP intends to scale up statewide the demand responsive and decentralized service delivery approach followed in the PRWSS-I. In this context, GOP has taken World Bank assistance in implementing its 6 year Medium Term Rural Water Supply and Sanitation (RWSS) Program with adopting a Sector Wide Approach (SWAp) to RWSS improvements in the state of Punjab. Department of Water Supply and Sanitation (GOP) will implement the Second Punjab Rural Water Supply and Sanitation Project (PRWSSP-II) in partnership with the World Bank.

The Project will support the rural water supply and sanitation sector in 22 districts of Punjab and is expected to directly benefit about 5 million rural people, including about 2.4 million female beneficiaries and around 1.9 million Scheduled Caste beneficiaries. The project will also support the water quality affected districts in the state. The rural population is expected to benefit from targeted IEC which will promote the adoption of improved sanitation and hygiene practices, including use of latrines. Rural women will be empowered to have voice and choice through membership in the Gram Panchayat Water and Sanitation Committees (GPWSCs).

The project will have four components:

- **Component 1. Improved Livability of Villages:** Villages with poor water services and/or partially covered status will be upgraded to 10 hours per day and 100 percent household connections. Additionally, those villages with a strong interest to enhance community sanitation services will be allowed to compete for sewerage schemes under this component.
- **Component 2. Inclusive Household Water and Sanitation Services:** Villages with low household connection rates despite having the system capacity to deliver higher levels of services will be targeted under this component. In these villages, providing individual house connections or undertaking minor network extensions will be undertaken. Additionally, this component will also focus on schemes which are underperforming due to lack of operational capacity in the GPWSCs/GPs and the project will finance diagnosis and implementation of the required intervention, and building capacities before handing over to the GPWSC. This component will also provide a subsidy to every toilet-less household to construct a toilet to achieve ODF

status at the village level. This component will coordinate and complement the evolving GOI program (Swachh Bharat Mission-Gramin [SBM-G]) aimed at eliminating open defecation by 2019.

- **Component 3. Improved Water Quality:** This component will begin to address the water quality problems that are now becoming more apparent and making Punjab one of the most quality affected states in India. It will strengthen water quality monitoring and develop mitigation measures. This component will finance retrofitting of water schemes with engineering solutions to treat arsenic, fluoride, iron and also support construction of surface water supply schemes to supply safe drinking water in water quality affected districts.
- **Component 4. Strengthening Institutions and Project Management:** This component will support non-infrastructure project costs. This component will finance strengthening institutions, designing and implementation of an MIS system, capacity building activities, and various project management activities like IEC, community development, environmental management, technical and engineering consultancies, internal and external audits etc.

Institutional Arrangements

Key players involved in planning and executing the project will be DWSS (Head Office and the Divisional Offices) and the GP Water and Sanitation Committee (GPWSC) at village level. While components 4 will be largely to be implemented by DWSS, Component 1,2 & 3 will be implemented by the GPWSC and the Divisional Offices. The project will be budgeted within the State budget under four program components with further break up into object heads. Funds to be transferred to GPWSC are budgeted as grant in aid. Funds will be released directly (in tranches) to the GPWSC against an approved scheme and on signing of an MOU with DWSS. These tranche releases will be accounted as grant in aid and be recognized as expenditure in line with normal government accounting system. The project will have systems to monitor utilization and implementation by GPWSC. Audit of expenditures at the GPWSC level will be done by firms appointed by DWSS against a specific TOR.

Scope of Work

The overall objectives of the internal audit are to:

- review the operation of the overall financial management arrangements including the adequacy and adherence to the internal controls as per the Departmental Financial Rules, Punjab Financial Rules and Account Code manual, and compliance with financing agreements of the Bank and scheme guidelines of GOI ; and
- to provide Program management with timely information on financial management aspects of the Program to enable appropriate follow up action.

COVERAGE OF THE INTERNAL AUDIT

The Internal audit would cover the entire Program activities in the state i.e., covering all sources and application of funds for the Program. The auditor would audit Water Supply and Sanitation Divisions Offices of the programme and Head Office in a manner that each Division is covered once a year and Head Office at twice a year. The audit will include such tests and controls, as the consultant considers necessary under the circumstances to perform the following tasks.

OUTLINE OF THE TASKS TO BE CARRIED OUT

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

- An assessment of the adequacy of and adherence to the Program financial management systems, including internal controls This would include aspects such as adequacy and timeliness of accounting, financial and operational controls and the need for any revision; level of compliance with established policies, plans and procedures (i.e., those indicated in as per the Departmental Financial Rules, Punjab Financial Rules and Account Code manual supplemented by the Financial Management Manual of the Program and MoU between implementing agencies with GPWSC) reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; sample verification of assets and liabilities;

- The books of account required to be maintained as per the Departmental Financial Rules have been maintained and are upto date.
- That all transactions as recorded in the books of accounts are supported by adequate documentation and that monthly accounts are rendered to the AG in a timely manner and are reconciled on a quarterly basis with the AG.
- Clear linkages exist between different accounting records including account books and the FMRs and the activities are appropriately classified into sub-components in the monthly abstracts and the figures are reconciled with the monthly accounts rendered to the AG.
- An assessment of compliance with provisions of financing agreements ,especially those relating to accounting and financial matters
- That all funds received under the Program have been used in accordance with the financing agreements, with due attention to economy and efficiency and only for the purposes for which the financing was provided.
- That expenditures charged to the Program are eligible expenditures and have been classified correctly.
- That the funds flow process is working effectively and the time lines as defined in the financial manual are being met.
- Goods, works and services are procured in line with the procurement manual for the program approved by the Govt. of Punjab
- That the system for monitoring security deposit deducted from contractors is adequate and all statutory deductions have been made from the running bills
- That the Funds are utilized for the program in which it was intended for and are not being utilized for activities outside the Program.
- That funds are not parked in the bank accounts outside the treasury especially at year end.
- Adequacy and adherence of the internal control systems on tranche release and monitoring of funds released to the GPWSCs and that issues identified in the audit report of the concurrent auditors are adequately dealt with by the project.
- That the consolidation process followed at the various levels of the program is adequately followed and an adequate and reliable data base exists program wise viz NRDWP, NABARD etc.
- That the beneficiary contribution is properly accounted for in the books of Accounts i.e. GP Advance Control Register maintained by Water Supply and Sanitation Divisions.
- Whether as part of the review the auditor has come across any indicators of fraud and corruption? If so provide details and impact of the same.

Timing: The audit would be carried out on a quarterly basis. The selected firm will submit in advance and agree with the project a ‘Quarterly Audit Schedule’.

Reporting: The Report shall contain the records verified, deviations, if any, the adequacy of internal controls and the adherence to General Financial Rules and Government orders of the Govt. of Punjab. The report should be discussed and agreed with the Executive Engineers of the Divisional offices and Head Office and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/ agreed actions. In addition the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the State Water Supply & Sanitation Mission (SWSM) and the status of actions on the previous recommendations.

GENERAL

Period of appointment:

The auditor would be appointed for a period of two years beginning June, 2015 and cover the financial years ending on March 31st 2016 and March 31st 2017.

The auditor should be given access to all legal documents, correspondence, books of accounts, Financial management and procurement Manual, GFRs, Project Implementation Plan, Project Appraisal Document (PAD), Government orders and office orders and any other information associated with the project and as deemed necessary by the auditor.

KEY PERSONNEL:

The key personnel in the audit team, their minimum qualifications, and their anticipated inputs are indicated below:

- The audit team should be led by a Partner with a minimum of 7 years of post-qualification experience as a practicing Chartered Accountant..
- Day-to-day management of the audit should be the responsibility of two Manager/ Partners with 2-3 years of post-qualification experience as a practicing Chartered Accountant.

In addition the audit team should include sufficient number of trained staff (audit seniors, junior staff, etc.), commensurate with the size and scope of the assignment It is expected that the Team Leader should visit at least 20% of the DPMCs/RWS Divisions, this is with the objective of obtaining adequate assurance that the audit process is working adequately and therefore he would exercise his professional judgment in case there is a need to visit more locations. It is expected that each audit will require approximately 4-5 Man Days and hence Key Staff's input is calculated accordingly. In addition the Auditor shall provide the requisite support staff as required.

Methodology (Expected):

- Team leader to personally visit at least 20% of the field offices himself
- Regular audit methodology;
- Review of all documents
- Compliance to Financial Management Manual, as well as Procurement Manual
- Physical verification of assets created in District Program Management Cells/Divisional Offices out of World Bank funds
- Discussions as required to validate findings and discuss suggestions.

Recommendations

Outputs:

Output	Contents	Due
<i>Audit Report</i>	<ul style="list-style-type: none"> • The Report shall contain the records verified, deviations, if any, the adequacy of internal controls and the adherence to General Financial Rules and Government orders of the Govt. of Punjab. • Internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the State Water Supply & Sanitation Mission (SWSM) and the status of actions on the previous recommendations. • Opinion that funds have been used in accordance with the financing agreements with due attention to economy and efficiency. • That expenditures charged to programme are eligible expenditure and have been classified correctly 	<i>Report to be submitted within 2 weeks after conducting audit</i>
<i>Periodic "Activity/ Progress Report"</i>	<ul style="list-style-type: none"> • Objective – providing quality assurance regarding the audit process • May include – Audit Plan, common weaknesses observed, recommendations e.g. changes in the Manual 	<i>Within 3 week of close of ½ year</i>

Output	Contents	Due
	<ul style="list-style-type: none">• Periodicity – Normally provided semi-annually; will include presentation to Key Head Office/Divisional Office staff. Periodicity may be increased in special circumstances.	
<i>Revised Audit Report</i>	<ul style="list-style-type: none">• Revised Report, if any, within 15 days, after incorporating the modifications/changes suggested by Review Committee of Head Office.	<i>Within 15 days of receipt of comments from Head Office.</i>

Data, services and facilities to be provided by the Head Office/WSS Divisions.

Head Office/WSS Divisions shall provide access to all vouchers, supporting, books of accounts, previous audit statements and all relevant documents. The auditor will also be provided with the Audit Reports submitted by the Concurrent Auditors on the audit of accounts of Gram Panchayat Water Supply & Sanitation Committees. Head Office will arrange meeting between the Internal Auditor & Concurrent Auditor who has already been appointed to conduct the audit of accounts of Gram Panchayat Water Supply & Sanitation Committees. Both the auditors should share their respective reports and exchange the observations made during the audit.

ANNEXURE
SUPPLEMENTARY INFORMATION FOR CONSULTANTS

Proposals

(1) Proposals should include the following information:

(a) Technical Proposal.

- (i) A brief description of the firm/organization and an outline of recent experience on assignments/projects of similar nature executed during the last 3 years in the format given in Form F-2.
- (ii) Any comments or suggestions of the consultant on the Terms of Reference (TOR).
- (iii) A description of the manner in which consultants would plan to execute the work. Work plan time schedule in Form F-3 and approach or methodology proposed for carrying out the required work.
- (iv) The composition of the team of personnel which the consultant would propose to provide and the tasks which would be assigned to each team member in Form F-4.
- (v) Curricula Vitae of the individual key staff members to be assigned to the work and of the team leader who would be responsible for supervision of the team. The curricula vitae should follow the attached Format (F-5) duly signed by the concerned personnel.
- (vi) The consultant's comments, if any, on the data, services and facilities to be provided by Head Office indicated in the Terms of Reference (TOR).
- (vii) The consultant's Work program and time schedule for key personnel in Form No.F-7.

(b) Financial Proposals

The financial proposals should include the Schedule of Price Bid in Form No.F-6 with cost break-up for the work programme indicated in Form F-7.

(2) Two copies of the proposals should be submitted to **Head Office.**

(3) Contract Negotiations

The aim of the negotiation is to reach an agreement on all points with the consultant and initial a draft contract by the conclusion of negotiations. Negotiations commence with a discussion of Consultant's proposal, the proposed work plan, staffing and any suggestions you may have made to improve the Terms of Reference. Agreement will then be reached on the final Terms of Reference, the staffing and the bar chart, which will indicate personnel, periods in the field and office, man-months, and reporting schedule. Once these matters have been agreed, financial negotiations will take place and will begin with a discussion of your proposed personnel rates which should be expressed in man-months.

(4) Contracts with Team Members.

Bearing in mind that rates are negotiable, firms are advised against making firm financial arrangements with prospective team members prior to negotiations.

(5) Nomination of Experts

Having selected a firm partly on the basis of an evaluation of personnel presented in the firm's proposal, **Head Office** expects to negotiate a contract on the basis of the experts named in the proposal and, prior to contract negotiations, will require guarantees that these experts shall, in fact, be made available. As the expected date of mobilization is given in the letter inviting proposals, **Head Office** will not consider substitution after contract negotiations, except in cases of unexpected delays on the starting date or incapacity of an expert for reasons of health, or leaving the firm. The desire of a firm to use an expert on another project shall not be accepted for substitution of personnel.

(6) Terms of payment

The payment shall be made on submission of audit reports on quarterly basis. This will include all their expenditure viz. traveling, boarding etc.

Note:

- i.) All payments shall be made on submission of pre-receipted bills by the consultants in quadruplicate for respective stages.
- ii) The remuneration which you receive from the contract will be subject to normal tax liability in India. Kindly contact the concerned tax authorities for further information in this regard if required.

7. Review of reports

A review committee consisting of following officers of Head Office/WSS Division, will review all reports of consultants and suggest any modifications/changes considered necessary within 15 days of receipt:-

1. Joint Controller- Finance & Accounts, Head Office
2. Finance Manager, Head Office
3. Executive Engineer, WSS Division concerned (as per requirement)

FORM F-1

From

To

Sir:

Hiring of Consultancy services for _____ regarding

I/We _____ consultant/consultancy firm/organization herewith enclose Technical and Financial Proposal for selection of my/our firm as consultant for _____.

We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in India namely "Prevention of Corruption Act 1988".

We hereby certify that we have taken steps to ensure that no person acting for us or on our behalf will engage in bribery.

Yours faithfully,

Signature: _____

Full name: _____

and address: _____

(Authorized Representative)

FORM F-2

ASSIGNMENTS OF SIMILAR NATURE SUCCESSFULLY COMPLETED DURING LAST 3 YEARS

1. Brief Description of the Firm/Organization:
2. Outline of recent experience on assignments of similar nature:

Sr.No.	Name of assignment	Name of project	Owner or sponsoring authority	Cost of assignment	Date of commencement	Date of completion	Was assignment satisfactorily completed
1	2	3	4	5	6	7	8

Note: Please attach certificates from the employer by way of documentary proof. (Issued by the Officer of rank not below the rank of Superintending Engineer or equivalent.)

FORM F-3

WORK PLAN TIME SCHEDULE

A. Head office (SPMC) /Field Investigation

Sl. No.	Head Office / Name of Division	Quarter wise programme			
		1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr

B. Compilation and submission of reports

(As indicated under TOR)

C. A short note on the line of approach and methodology outlining various steps for performing the study.

D. Comments or suggestions on "Terms of Reference."

FORM NO.F-4

Composition of the Team Personnel and the task which would be assigned to each Team Member

1. Technical/Managerial Staff

Sl. No.	Name	Position	Task Assignment

2. Support Staff

Sl. No.	Name	Position	Task Assignment

FORM F-5

FORMAT OF CURRICULUM VITAE (CV) FOR PROPOSED KEY PROFESSIONAL STAFF

Proposed Position: _____

Name of Firm: _____

Name of Staff: _____

Profession: _____

Date of Birth: _____

Years with Firm/Entity: _____ Nationality: _____

Membership in Professional Societies: _____

Detailed Tasks Assigned: _____

Key Qualifications:

[Give an outline of staff member's experience and training most pertinent to tasks on assignment. Describe degree of responsibility held by staff member on relevant previous assignments and give dates and locations. Use about half a page.]

Education:

[Summarize college/university and other specialized education of staff member, giving names of schools, dates attended, and degrees obtained. Use about one quarter of a page.]

Employment Record:

[Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments. For experience in last ten years, also give types of activities performed and client references, where appropriate. Use about two pages.]

Languages:

[For each language indicate proficiency: excellent, good, fair, or poor; in speaking, reading, and writing]

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.

_____ **Date:** _____

[Signature of staff member and authorized representative of the Firm]

Day/Month/Year

Full name of staff member: _____

Full name of authorized representative: _____

FORM NO.F-6

SCHEDULE OF PRICE BID

Sl. No.	Items	Amount	
		In figures	In words
1	Consultancy services		
2	Consultancy service tax @.....%		
	Total		

Signature of Consultant
(Authorized representative)

Cost Estimate of Services

Remuneration of Staff

Staff	Name	Daily (Monthly) Rate (in INR)	Working days (months)	Total costs (in INR)
Team Leader				
.....				
.....				
.....				
.....				
.....				
	Sub-total (Staff)			

Out-of-Pocket Expenses:

Sl.no.	Name	Unit costs	Days	Total
	Per Diem ¹			
	Room			
	Subsistence			
	Lump Sum Expenses: ² Miscellaneous			
	Contingency charges			
	Sub-total (OPE)			

TOTAL COST ESTIMATE	
Consultancy services	
Consultancy service tax @.....%	
Total	

¹ Per Diem is fixed per calendar day and need not be supported by receipts.

² To include reporting costs, inoculations, routine medical examination, minor surface transportation and communications expenses, in-and-out expenses, and such other travel related expenses as may be necessary.

FORM F-7

WORK PROGRAMME AND TIME SCHEDULE FOR KEY PERSONNEL

Name	Position	No of months	Months											
			1	2	3	4	5	6	7	8	9	10	11	12
TOTAL														

Reports Due/Activities and Duration

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Field Full Time

Part Time

Reports Due

Activities Duration

Appendix 6: Terms of References for AG Audit

Terms of Reference (TOR) for Statutory Audit of Project Financial Statements by Principal Accountant General Audit Punjab

BACKGROUND

Government of Punjab (GOP) has prioritized Rural Water Supply and Sanitation (RWSS) as a key area of its development agenda. Government of India supports the RWSS sector reforms and provides significant financial assistance to Punjab through its centrally sponsored programs such as NRDWP, and Swachh Bharat Mission (SBM). In addition, GOP also implemented the First Punjab Rural Water Supply and Sanitation Program (PRWSS-I) during 2006-14 with assistance from The World Bank. PRWSSP-I established & implemented a Sector Wide Approach (SWAp) for demand driven and community lead RWSS models. As a result, about 89% of habitations are fully covered (FC), 10% habitations are partially covered and less than 1% habitations are not covered (as on December 2014).

Despite these efforts, several issues are on hand. While the water coverage seems to be high, a large number of water supply schemes are serving only to a limited population with individual household connections. Remaining population continue to use public standpost. The coverage in terms of percentage of total population may further declining due to growing rural population. Punjab ranks 25 out of 28 in terms of villages winning the Nirmal Gram Purashkar (NGP) (the GOI award for achieving ODF status). Hence, GOP intends to move towards the target of universal ODF (open defecation free) status in all villages. Rapidly deteriorating water quality is leading to serious health problems. About 29 percent of water supply schemes face water quality issues.

In the above context, GOP intends to scale up statewide the demand responsive and decentralized service delivery approach followed in the PRWSS-I. In this context, GOP has taken World Bank assistance in implementing its 6 year Medium Term Rural Water Supply and Sanitation (RWSS) Program with adopting a Sector Wide Approach (SWAp) to RWSS improvements in the state of Punjab. Department of Water Supply and Sanitation (GOP) will implement the Second Punjab Rural Water Supply and Sanitation Project (PRWSSP-II) in partnership with the World Bank.

The Project will support the rural water supply and sanitation sector in 22 districts of Punjab and is expected to directly benefit about 5 million rural people, including about 2.4 million female beneficiaries and around 1.9 million Scheduled Caste beneficiaries. The project will also support the water quality affected districts in the state. The rural population is expected to benefit from targeted IEC which will promote the adoption of improved sanitation and hygiene practices, including use of latrines. Rural women will be empowered to have voice and choice through membership in the Gram Panchayat Water and Sanitation Committees (GPWSCs).

The project will have four components:

- **Component 1. Improved Livability of Villages:** Villages with poor water services and/or partially covered status will be upgraded to 10 hours per day and 100 percent household connections. Additionally, those villages with a strong interest to enhance community sanitation services will be allowed to compete for sewerage schemes under this component.
- **Component 2. Inclusive Household Water and Sanitation Services:** Villages with low household connection rates despite having the system capacity to deliver higher levels of services will be targeted under this component. In these villages, providing individual house connections or undertaking minor network extensions will be undertaken. Additionally, this component will also focus on schemes which are underperforming due to lack of operational capacity in the GPWSCs/GPs and the project will finance diagnosis and implementation of the required intervention, and building capacities before handing over to the GPWSC.

This component will also provide a subsidy to every toilet-less household to construct a toilet to achieve ODF status at the village level. This component will coordinate and complement the evolving GOI program (Swachh Bharat Mission-Gramin [SBM-G]) aimed at eliminating open defecation by 2019.

- **Component 3. Improved Water Quality:** This component will begin to address the water quality problems that are now becoming more apparent and making Punjab one of the most quality affected states in India. It will strengthen water quality monitoring and develop mitigation measures. This component will finance retrofitting of water schemes with engineering solutions to treat arsenic, fluoride, iron and also support construction of surface water supply schemes to supply safe drinking water in water quality affected districts.
- **Component 4. Strengthening Institutions and Project Management:** This component will support non-infrastructure project costs. This component will finance strengthening institutions, designing and implementation of an MIS system, capacity building activities, and various project management activities like IEC, community development, environmental management, technical and engineering consultancies, internal and external audits etc.

Institutional Arrangements

Key players involved in planning and executing the project will be DWSS (Head Office and the Divisional Offices) and the GP Water and Sanitation Committee (GPWSC) at village level. While components 4 will be largely to be implemented by DWSS, Component 1,2 & 3 will be implemented by the GPWSC and the Divisional Offices. The project will be budgeted within the State budget under four program components with further break up into object heads. Funds to be transferred to GPWSC are budgeted as grant in aid. Funds will be released directly (in tranches) to the GPWSC against an approved scheme and on signing of an MOU with DWSS. These tranche releases will be accounted as grant in aid and be recognized as expenditure in line with normal government accounting system. The project will have systems to monitor utilization and implementation by GPWSC. Audit of expenditures at the GPWSC level will be done by firms appointed by DWSS against a specific TOR.

The program accounts (books of accounts) provide the basis for preparation of the PFS and are established to reflect the financial transaction in respect of the program, as maintained by the project implementation agencies i.e. Head Office and Divisional Offices of the Department of Water Supply).

Scope of Work

The audit will be carried out in accordance with standards of Auditing and will include such tests and controls as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- All funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purpose for which the financing was provided.
- Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purpose for which they were provided.
- Goods, work and services financed have been procured in accordance with the relevant financing agreement and in accordance with the procurement manual adopted by the GOP for this program;
- All necessary supporting documents, records, and accounts have been kept in respect of all program ventures including expenditures reported via SOEs.
- The financial statement have been prepared in accordance with consistently applied Government Accounting Standards in this respect and give a true and fair view of the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

Project Financial Statements

The Program Financial Statement should include:

- A Summary of sources of Funds received, showing the World Bank, GOI and counterpart funds (GOP) separately;
- A summary of uses of funds shown under the main project components of expenditures, both for the current fiscal year and accumulated to date; and a movement in liability on account of security deposit on works.

As an annexure to the Project Financial Statements, the auditor should audit a reconciliation statement (prepared by the project) between the expenditure incurred under the Bank financed component and the reimbursement claimed from the Bank A schedule listing individual SOE withdrawal applications by specific reference number and amount also be attached.

Statement of Expenditure

In addition to the audit of the Program Financial statements the auditor is required to audit all SOEs used as the basis for the submission of withdrawal applications under the Bank financed project. The auditor should apply such tests and controls as the auditor consider necessary under the circumstances. Where ineligible expenditure, if any, are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. These should be identified wherever feasible separately as relating to Bank financed or GOI financed Schemes.

Audit Opinion

Besides a primary opinion on the PFS, the annual audit report of the Project Accounts should include a separate paragraph commenting on the accuracy and propriety of expenditure withdrawn under SOE procedures and the extent to which the Bank can rely on SOEs as a basis for loan disbursement. The financial statements, including the audit report, should be received by the Bank no later than nine months after the end of the accounting period to which the audit refers. The auditor should submit the two copies of the audited accounts and audit reports to the Implementing Agency.

Auditor's Comments

In addition to the other areas, the auditor will also comment on (by way of a management letter):

- Observations on the accounting records, system and controls that were examined during the course of the audit;
- Identify specific deficiencies and areas of weakness in system and internal controls and make recommendation for their improvement;
- Report on the degree of the compliance of the financial covenants on the financing agreements;
- Adequacy and adherence of the internal control system on tranche release and monitoring of funds released to the GPWSCs.
- Communicate matters that have come to attention during the audit which might have significant impact on the implementation of the project; and bring to the borrower's attention any other matters that the auditors consider pertinent.

GENERAL

The auditor should be given access to all legal documents (loan and project agreements, Project Appraisal Document), Program Implementation Plan and Annual Work Plan, Financial Management, Procurement and Technical Manual for the program approved by GOP, correspondence, and any other information associated with the project and deemed necessary by the auditor. All the relevant documents will be provided by the Project staff to the auditor.

Attachments:

- Draft format of audit opinion
- Draft format of financial statements.

SAMPLE FORMAT OF AUDIT REPORT
(for Programme Financial Statement including SOE)
from the office of State A.G.(Audit)

PUNJAB RURAL WATER SUPPLY AND SANITATION SECTOR IMPROVEMENT PROJECT

Introductory Paragraph

We have audited the accompanying financial statement of the Punjab Rural Water Supply and Sanitation Sector Improvement Project financed by Government of Punjab. World Bank (under credit No.....IN and Government of India (Accelerated Rural Water Supply Project) for the year ended on March31, 200X. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope paragraph

We concluded our audit in accordance with regulation and standards of audit of Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts, internal checks & controls and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for opinion.

Opinion Paragraph

In our opinion, the financial statements read with observations, annexed (if any) give a true and fair view of the Sources and Application of Funds of Punjab Rural Water Supply and Sanitation Program for the year March 31, 200X, in accordance with consistently applied Accounting Standards.

In addition,(a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred; and (b) which expenditure are eligible for financing under the Loan/Credit Agreement [Ln.....]. During the course of the audit referred to above, statement of Expenditure (as per summary attached) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan agreements.

This certificate is issue without prejudice to CAGs right to incorporate any further detailed audit observation if and when made in the Report of CAG of India for being laid before Parliament/State Legislature.

[Signed.....]
Name & Designation

[Date-Completion Date of Audit]

Appendix A: Draft Copies of MoUs

Tripartite Memorandum Of Understanding (MOU) Between Gram Panchayat, Gram Panchayat Water & Sanitation Committee and Department of Water Supply & Sanitation, Government of Punjab

GOVERNMENT OF PUNJAB DEPARTMENT OF WATER SUPPLY AND SANITATION

This Memorandum of Understanding (MoU) is entered on ----- day of ----- (Month).....(Year) between:

- (i) The _____ Gram Panchayat (hereinafter called the first Party),
- (ii) The _____ Gram Panchayat Water & Sanitation Committee (hereinafter called the second party) and
- (iii) The Department of Water Supply and Sanitation (DWSS) (hereinafter called the third party).

1. Preamble

The Department of Water Supply and Sanitation, Government of Punjab is implementing the Punjab Rural Water Supply and Sanitation Project (hereinafter called the Project) with the objective to improve rural water supply and sanitation services and service delivery arrangements in Punjab.

- i. The Department of Water Supply and Sanitation has selected the first party based on an approved selection criteria for participation in the Project.
- ii. The first party, in its Gram Sabha meeting has resolved to accept the key program principles and implement the project in the village, constituted the second party and entrusted with it the responsibility of implementing the Project in accordance with the guidelines and rules framed by the Department of Water Supply and Sanitation.
- iii. The third party has been established by Department of Water Supply and Sanitation and entrusted with it the responsibility to spearhead the implementation of the project at the District Level including provision of technical, social, financial, organizational and managerial support to the first two parties in successfully implementing the Project.

Now therefore, this MoU is entered into among the authorized representatives of the three parties.

2. Objective

This MoU defines the roles and responsibilities of all the three parties to this MoU, so as to enable them to work together as partners.

3. Scope of the MoU

- i. The three parties undertake to co-ordinate, collaborate, support and manage the planning and implementation of the Project including operation and maintenance of the assets, existing or newly created, in accordance with this MoU.
- ii. The activities under this MoU shall be carried out in accordance with the Project Implementation Plan as approved by the Department of Water Supply and Sanitation and also as per the Operational Guidelines developed and communicated to the first and second parties from time to time by the third party.
- iii. The activities and the work shall be carried out within the geographic boundaries of -----village.

4. Duration of the MoU

- i. The third party has developed a Scheme Cycle consisting of the various activities, the duration for each activity and inter-relationship of activities and has divided the activities into pre-planning, planning, implementation and post-implementation phases [as per appended Scheme Cycle].

- ii. DWSS, GP and GPWSC having completed the Pre-Planning phase, the agreement is for the period up to the completion of all activities listed in the scheme cycle and shall be completed within a period of 12 months from the date of signing of this MoU.

5. Roles and Responsibilities of the First Party (----- Gram Panchayat)

The first party agrees to undertake the following roles and responsibilities:

- i. To adopt a village vision, strategy and action plan for developing the water supply and sanitation sector in the village.
- ii. To entrust with the second party the responsibility for implementing the vision, strategy and action plan for solving the issues and problems in the water supply and sanitation sector of the village.
- iii. To support and enable the second party by suitably empowering it to perform the roles and responsibilities assigned to it as per this MoU and the guidelines of the Programme.
- iv. To authorize the second party to receive eligible funds under the programme for capital works and expend the same in accordance with the provisions of this agreement and as per the guidelines issued by Department of Water Supply and Sanitation.
- v. To authorize the second party to open and operate separate Bank Account in the name of second party for transacting the funds for implementing water supply and sanitation schemes taken up under the RWSS Project and also for the operation and maintenance.
- vi. To own all movable and immovable assets of the Water Supply and Sanitation infrastructure facilities and to entrust with the second party all the rights of operation, maintenance, management, up keep and safe custody of the assets.
- vii. To utilize all the powers conferred on it as per the Punjab Panchayati Raj Act, 1994 and subsequent amendments to ratify all actions of the second party done in accordance with this MoU for the purpose of achieving the objectives of the Project.
- viii. To support the second party in all IEC and capacity building activities in the villages for the purpose of water supply development, improvement and sustenance; promotion of Sanitation, Health and Hygiene.
- ix. To provide support to the second party in mobilizing community contribution and recovery of operation and maintenance expenses.
- x. To monitor as well as audit all activities undertaken by the second party so as to ensure that all social, technical and financial processes and procedures are in compliance with the guidelines issued by the third party.

6. Roles and Responsibilities of the Second Party (----- Gram Panchayat Water & Sanitation Committee)

The second party agrees to undertake the following roles and responsibilities:

- i. To manage Rural Water Supply and Sanitation activities in the village including designing, implementing, undertaking procurement activities, fund management, operating and maintaining all Water Supply and Sanitation facilities and services.
- ii. To assist the first party in preparing and implementing the village vision, strategy and action plan for developing the water supply and sanitation sector of the village.
- iii. To perform all activities in respect of providing water supply and sanitation facilities and services to the village community.
- iv. To discuss the Community Action Plan prepared by community with the third party for obtaining Administrative and Technical approval from DWSS.
- v. To act as a link and liaison between Gram Panchayat, Department of Water Supply and Sanitation, other departments and institutions working in the water supply and sanitation sector.
- vi. To disseminate information, create awareness and educate the village community on all aspects of water supply and sanitation including health and hygiene aspects and water resource management.
- vii. To carry out all activities under this MoU utilizing participatory methodologies so as to ensure participation of women, youth, scheduled castes and poor in the village community.
- viii. To receive funds from the third party and utilise the same as per rules and the guidelines of the Project and in accordance with prudent financial management principles.
- ix. To comply with the principles, rules and guidelines issued by the third party from time to time.
- x. To open and operate bank accounts for transacting all amounts received and expended for implementing the Project as well as operating and maintaining the schemes.

- x. To maintain up to date and accurate books of accounts and make available records for audit/inspections.
- xii. To procure works, goods or services for carrying out various activities under this MoU in accordance with the guidelines issued by the Department of Water Supply and Sanitation.
- xiii. To mobilize the villagers for community action to solve the water supply and sanitation related problems of the village.
- xiv. To mobilize users' share of capital cost of setting-up water supply and sanitation facilities from among the village community.
- xv. To operate and maintain the facilities created under the Project and meet full operation and maintenance expenses by collecting user charges.
- xvi. To do all the activities under this MoU in a transparent manner providing key information to all members in village community including setting up of display boards.
- xvii. To report monthly progress of Project activities to the first party and to the third party on a regular basis.
- xviii. To supervise all works and other activities under this MoU and to ensure conformity with quality and design parameters as per approved plans, estimates and other guidelines.
- xix. To co-operate with first and third parties for inspection, verification, audit, evaluation and studies by the first and third parties or agencies authorized by them and implement corrective actions recommended.
- xx. To carry out surveillance and monitoring of water quality and environmental sanitation.
- xxi. To prepare Implementation Completion Report in respect of all Community Action Plans and submit to the third party.

7. Roles and Responsibilities of Third Party (DWSS)

The third party agrees to undertake the following roles and responsibilities:

- i. To arrange for dissemination of Project information including key principles, approaches and methodologies, components and activities etc. to the village community.
- ii. To arrange for implementing social mobilization, IEC and capacity building activities for the benefit of the first and second parties.
- iii. To make available the services of the sub divisional offices including the services of JEs of the Department of Water Supply and Sanitation to spearhead all Project related activities.
- iv. To assist the second party in contracting the services for availing social mobilization, IEC and other capacity building support services, as applicable.
- v. To arrange for providing technical support in collection of field data, helping the village community on deciding affordable and feasible technical options, preparing rough cost estimates, preparation of Detailed Scheme Reports etc. and completing the Community Action Plans.
- vi. To build the capacity of the first and second party in technical and engineering aspects including water quality monitoring, operation and maintenance aspects.
- vii. To accord / obtain administrative and technical sanction for the Community Action Plans.
- viii. To release Project funds to the second party in instalments as per the guidelines of the Project
- ix. To measure works, check quality of works and materials, internal audit bills and pass bills for payments to the contractors.
- x. To carry out evaluation studies, impact assessment surveys etc. and share the key learning with first and second parties.
- xi. To commission quality surveillance studies and evaluations and recommend corrective measures wherever needed.

8. Terms and Conditions of Fund Release

- i. The third party will release to the second party the Project funds in instalments, as prescribed in the Financial Manual, once the latter fulfil the conditions for release of each instalment.

9. Termination of the MoU

- i. The first party and the second party can terminate the MoU in the events of:
 - a. Undue delay in providing technical support, administrative sanctions, technical sanctions etc. by the third party.

- b. Delay of more than 60 days, without valid reasons, in releasing Project funds by the third party in spite of the first and second parties successfully fulfilling all the conditions for releasing the payments.
- ii. The third party can terminate the MoU on the occurrence of one or more of the following events after reasonable notice:
 - a. Mismanagement of Project funds, materials and/or assets by the first and second parties
 - b. Failure on the part of the first and second parties to complete the activities in accordance with the agreed Scheme Cycle
 - c. Providing incorrect data or information by the first and second parties with malafide intentions to mislead the third party
 - d. Either of the first two parties losing interest in Project activities and becoming dormant
 - e. The first and second parties cannot undertake the Project activities due to technical, financial, social or other reasons
 - f. Failure of the first and second parties to rectify the defects pointed out by the third party within reasonable time.

Conditions for Release of Project Funds – Refer to Financial Management Manual for conditions for release of Project Funds.

10. Disputes

Any disputes between the parties arising out of this MoU shall be settled, in the first instance, through mutual and amicable consultation. If the dispute is not settled through such consultation, the matter shall be referred for arbitration to the Principal Secretary, Department of Water Supply and Sanitation, Government of Punjab.

11. Appendices

The following documents given in appendices to this MoU shall be deemed as part of this MoU:

- i. Gram Panchayat Resolution by the first party dated
- ii. Scheme Cycle

We the undersigned on behalf of the respective institutions shall maintain the integrity in functions and abide by the contents of this MoU for effective implementation and achievement of the objectives of the Project.

For first party	For second party	For third party
..... Sarpanch, Gram Panchayat Secretary, GPWSC Executive Engineer (Concerned Division), DWSS
Witnesses¹	Witnesses	Witnesses
Name and Address	Name and Address	Name and Address
Signature.....	Signature.....	Signature.....
Name and Address	Name and Address	Name and Address
Signature.....	Signature.....	Signature.....

At least one of the witnesses of the first and second parties shall be a woman.

Quadrilateral MoU for Multi Village Scheme (For multi village schemes) Between Gram Panchayat, Gram Panchayat Water & Sanitation Committee, Scheme Level Committee and Department of Water Supply & Sanitation, Government of Punjab

**GOVERNMENT OF PUNJAB
DEPARTMENT OF WATER SUPPLY AND SANITATION**

This Memorandum of Understanding (MoU) is entered on ----- day of ----- (Month).....(Year) between:

- (i) The following Gram Panchayat (hereinafter called the first Parties),

Sl. No.	Name of Gram Panchayat

- (ii) The following Gram Panchayat Water & Sanitation Committee (hereinafter called the second parties)

Sl. No.	Name of Gram Panchayat Water & Sanitation Committee

- (iii) The _____ Scheme Level Committee (hereinafter called the third party) and
(iii) The DWSS (hereinafter called the fourth party).

1. Preamble

The Department of Water Supply and Sanitation, Government of Punjab is implementing the Punjab Rural Water Supply and Sanitation Improvement Project (hereinafter called the Project) with the objective to improve rural water supply and sanitation services and service delivery arrangements in Punjab.

- i. The Department of Water Supply and Sanitation has selected the first parties based on an approved selection criteria for participation in the Project.
- ii. The first parties, in their Gram Sabha meetings have resolved to accept the key Project principles and implement the Project in the village, constituted the second parties and entrusted with them the responsibility of implementing the Project in accordance with the guidelines and rules framed by the Department of Water Supply and Sanitation.
- iii. The second parties after conducting a techno- economic feasibility has decided to come together to plan, implement and operate and manage a Multi Village Water Supply Scheme (hereinafter called the scheme) and constituted a joint committee i.e. Scheme Level Committee, the third party in accordance with the guidelines and rules framed by the Department of Water Supply and Sanitation vide Government of Punjab notification number-----.
- iii. The fourth party has been established by Department of Water Supply and Sanitation and entrusted with it the responsibility to spearhead the implementation of the Project at the Division Level including

provision of technical, social, financial, organizational and managerial support to the first two parties and technical support to the third party in successfully implementing the Project.

Now therefore, this MoU is entered into among the authorized representatives of the four parties.

2. Objective

This MoU defines the roles and responsibilities of all the four parties to this MoU, so as to enable them to work together as partners.

3. Scope of the MoU

- i. The four parties undertake to co-ordinate, collaborate, support and manage the planning and implementation of the Project including operation and maintenance of the assets consisting of both intra-village facilities and common facilities in respect the scheme, existing or newly created, in accordance with this MoU.
- ii. The activities under this MoU shall be carried out in accordance with the Project Implementation Plan as approved by the Department of Water Supply and Sanitation and also as per the Operational Guidelines developed and communicated to the first three parties from time to time by the fourth party.
- iii. The activities and the work shall be carried out within the geographic boundaries of the first parties.

4. Duration of the MoU

- i. The fourth party has developed a Scheme Cycle consisting of the various activities, the duration for each activity and inter-relationship of activities and has divided the activities into pre-planning, planning, implementation and post-implementation phases in respect of Multi Village Water Supply schemes [as per appended Scheme Cycle].
- ii. DWSS, SLC,GP and GPWSC having completed the Pre-Planning phase, the agreement is for the period up to the completion of all activities listed in the scheme cycle and shall be completed within a period of ___ months from the date of signing of this MoU.

5. Roles and Responsibilities of the First parties (----- Gram Panchayat)

The first parties agrees to undertake the following roles and responsibilities:

- i. To adopt a village vision, strategy and action plan for developing the water supply and sanitation sector in the village.
- ii. To entrust with the second parties the responsibility for implementing the vision, strategy and action plan for solving the issues and problems in the water supply and sanitation sector of the village.
- iii. To recognise and empower the third parties with all powers and resources so as to enable them perform their roles and responsibilities under this MoU.
- iv. To support and enable the second parties by suitably empowering it to perform the roles and responsibilities assigned to it as per this MoU and the guidelines of the Project.
- v. To authorize the second parties to receive eligible funds under the Project for capital works and spend the same in accordance with the provisions of this agreement and as per the guidelines issued by Department of Water Supply and Sanitation.
- vi. To authorize the second parties to open and operate separate Bank Account in the name of second parties for transacting the funds for implementing water supply and sanitation schemes taken up under the RWSS Project and also for the operation and maintenance.
- vii. To own all movable and immovable assets of the Water Supply and Sanitation infrastructure facilities and to entrust with the second parties all the rights of operation, maintenance, management, up keep and safe custody of the assets.

- viii. To utilize all the powers conferred on it as per the Punjab Panchayati Raj Act, 1994 and subsequent amendments to ratify all actions of the second parties done in accordance with this MoU for the purpose of achieving the objectives of the Project.
- ix. To support the second parties in all IEC and capacity building activities in the villages for the purpose of water supply development, improvement and sustenance; promotion of Sanitation, Health and Hygiene.
- x. To provide support to the second parties in mobilizing community contribution and recovery of operation and maintenance expenses.
- xi. To monitor as well as audit all activities undertaken by the second parties so as to ensure that all social, technical and financial processes and procedures are in compliance with the guidelines issued by the fourth party.

6. Roles and Responsibilities of the Second parties (----- Gram Panchayat Water & Sanitation Committee)

The second parties agrees to undertake the following roles and responsibilities:

- i. To nominate their representatives to constitute the third party, participate in all its activities and abide by the decisions taken by the third party.
- ii. To manage Rural Water Supply and Sanitation activities inside their respective villages, including designing, implementing, undertaking procurement activities, fund management, operating and maintaining all intra- village Water Supply and Sanitation facilities and services.
- iii. To assist the first parties in preparing and implementing the village vision, strategy and action plan for developing the water supply and sanitation sector of the village.
- iv. To perform all activities in respect of providing water supply and sanitation facilities and services to the village community.
- v. To discuss the community action plan prepared by community with other three parties for obtaining Administrative and Technical approval from DWSS.
- vi. To assist third party which acts as a link and liaison between Gram Panchayat, GPWSC, Department of Water Supply and Sanitation, other departments and institutions working in the water supply and sanitation sector.
- vii. To disseminate information, create awareness and educate the village community on all aspects of water supply and sanitation including health and hygiene aspects and water resource management.
- viii. To carry out all activities under this MoU utilizing participatory methodologies so as to ensure participation of women, youth, scheduled castes and poor in the village community.
- ix. To receive funds from the fourth party and utilise the same as per rules and the guidelines of the Project and in accordance with prudent financial management principles.
- x. To comply with the principles, rules and guidelines issued by the fourth party from time to time.
- xi. To open and operate bank accounts for transacting all amounts received and spend for implementing the Project as well as operating and maintaining the schemes.
- xii. To maintain up to date and accurate books of accounts and make available records for audit/inspections.
- xiii. To procure works, goods or services for carrying out various activities under this MoU in respect of the intra-village components of the scheme in accordance with the guidelines issued by the Department of Water Supply and Sanitation.
- xiv. To mobilize the villagers for community action to solve the water supply and sanitation related problems of the village.
- xv. To mobilize users' share of capital cost of setting-up water supply and sanitation facilities from among the village community and remit the share pertaining to the common facilities to the fourth party.
- xvi. To operate and maintain the facilities created under the Project and meet full operation and maintenance expenses of the scheme by collecting user charges.

- xvii. To pay the bulk water charges to fourth party for the water supplied by the fourth party on the basis of charges fixed by DWSS.
- xviii. To do all the activities under this MoU in a transparent manner providing key information to all members in village community including setting up of display boards.
- xix. To report monthly progress of Project activities to the first parties and to the fourth party on a regular basis.
- xx. To supervise all works and other activities under this MoU and to ensure conformity with quality and design parameters as per approved plans, estimates and other guidelines.
- xxi. To co-operate with first and fourth party for inspection, verification, audit, evaluation and studies by the first and fourth party or agencies authorized by them and implement corrective actions recommended.
- xxii. To carry out surveillance and monitoring of water quality and environmental sanitation. If any agency is hired for this purpose will cooperate with them.
- xxiii. To prepare Implementation Completion Report in respect of all Community Action Plans and submit to the fourth party.

7. Roles and Responsibilities of Third Party (SLC)

- i. SLC will function as Co-ordinator with jurisdiction on all issues concerning the planning, construction and operation and maintenance of the multi village scheme (MVS).
- ii. It is a decision making body concerning all stages and parameters of the multiple village water supply schemes as per guidance/ rules approved by DWSS.
- iii. It has the responsibility of initiating dialogue amongst the GPWSCs, participating GPs, DWSS and other institutions such as Block and Zilla Parishad, Electricity Board, Health Department, Education Department and other stakeholders on all matters pertaining to the conception, planning, implementation and post implementation phase of operation and maintenance of the scheme.
- iv. The SLC shall, together with DWSS, organize the survey and initial planning for a MVS and then will be responsible for helping GPWSC in preparing estimate and getting approval of the Rough cost estimates and detailed scheme report (DSR) from appropriate authority. SLC will be responsible for preparation of Implementation Phase Proposal which includes both technical and social interventions with the help of the DWSS.
- v. The SLC shall play a decisive role in ensuring timely commencement of the Project, supervising the quality of works undertaken under common facilities and ensure successful attainment of the Project and scheme objectives.
- vi. The SLC shall supervise all stages of construction and accord concurrence for each payment to be made to contractor by the competent authority, after obtaining a resolution from the SLC to the effect that the work has been carried out as per specifications contained in the approved DSR.
- vii. To prepare and implement an operation and maintenance plan for the common facilities as per guidance of DWSS.
- viii. To ensure the quality of the water supplied to the second parties by periodically monitoring water quality and taking such other remedial measures.
- ix. To draw up and implement a schedule of water supply to the second parties on equitable basis.
- x. To ensure with the help of DWSS that requisite quantity of water reaches to the second parties as is agreed in the meetings of the third party.
- xi. To mediate resolution of any disputes that may arise within or amongst the first and second parties.
- xii. To organise common activities that may benefit the second parties relating to water supply and sanitation sector

8. Roles and Responsibilities of Fourth party

The fourth party agrees to undertake the following roles and responsibilities:

- i. To arrange for dissemination of Project information including key principles, approaches and methodologies, components and activities etc. to the village community.
- ii. To arrange for implementing social mobilization, IEC and capacity building activities for the benefit of the first and second parties.
- iii. To make available the services of the sub divisional offices including the services of JEs of the Department of Water Supply and Sanitation to spearhead all Project related activities.
- iv. To assist the second parties in contracting the services for availing social mobilization, IEC and other capacity building support services.
- v. To arrange for providing technical support in collection of field data, helping the village community on deciding affordable and feasible technical options for the intra village facilities and common facility, preparing rough cost estimates, preparation of Detailed Scheme Reports etc. in respect of all intra-village facilities, common facilities and completing the Community Action Plans.
- vi. To build the capacity of the first, second and third parties in technical and engineering aspects including water quality monitoring, operation and maintenance aspects.
- vii. To accord/ obtain administrative and technical sanction for the Community Action Plans.
- viii. To procure works, goods or services for carrying out various activities for the planning ,construction, operation and maintenance etc. of the common facilities of the scheme.
- ix. To release Project funds to the second parties in instalments as per the guidelines of the Project for the implementation of the intra-village components of the scheme.
- x. To release payments to the contractors upon recommendation from the third party as to the contractors having satisfactorily undertaken the tasks entrusted for common facility.
- xi. To measure works, check quality of works and materials, internal audit bills and pass bills for payments to the contractors.
- xii. To carry out evaluation studies, impact assessment surveys etc. and share the key learning with first, second & third parties.
- xiii. To commission quality surveillance studies and evaluations and recommend corrective measures wherever needed.
- xiv. To fix bulk water charges for the operation and maintenance of common facility and revise the same as per requirement in consultation with the second & third party.
- xv. To obtain funds for capital cost sharing of common facility and operation & maintenance of common facility from second parties.
- xvi. To ensure the quality and requisite quantity of the water supplied to the second parties by periodically monitoring water quality and taking such other remedial measures.
- xvii. To construct and operate and maintain common facility for the villages, including designing, implementing, undertaking procurement activities.

9. Terms and Conditions of Fund Release

- i. The fourth party will release to the second parties the Project funds required for the completion of the intra village facilities in four instalments, once the latter fulfil the conditions for release of each instalment as summarized in Financial Management Manual.
- ii. The second party will deposit full amount of required beneficiary share for construction of common facility to the fourth party before signing of MoU.

10. Termination of the MoU

- i. The first parties , the second parties and the third parties can terminate the MoU in the events of:
 - a. Undue delay in providing technical support, administrative sanctions, technical sanctions etc. by the fourth party.

- b. Delay of more than 60 days, without valid reasons, in releasing Project funds by the fourth party in spite of the first and second parties successfully fulfilling all the conditions for releasing the payments.
- ii. The fourth party can terminate the MoU on the occurrence of one or more of the following events after reasonable notice:
 - a. *Mismanagement of Project funds, materials and/or assets by the first , second and/or third parties*
 - b. Failure on the part of the first, second and/or third parties to complete the activities in accordance with the agreed Scheme Cycle
 - c. Providing incorrect data or information by the first, second and /or third parties with malafide intentions to mislead the fourth party
 - d. Either of the first two parties losing interest in Project activities and becoming dormant
 - e. The first,second and/or third parties cannot undertake the Project activities due to technical, financial, social or other reasons
 - f. Failure of the first, second and/or third parties to rectify the defects pointed out by the fourth party within reasonable time.

Conditions for Release of Programme Funds: Refer to Financial Management Manual for Conditions for release of Project Funds.

10. Disputes

Any disputes among the parties arising out of this MoU shall be settled, in the first instance, through mutual and amicable consultation. If the dispute is not settled through such consultation, the matter shall be referred for arbitration to the Principal Secretary, Department of Water Supply and Sanitation, Government of Punjab.

11. Appendices

The following documents given in appendices to this MoU shall be deemed as part of this MoU:

- i. Gram Panchayat Resolution by the first parties dated
- ii. GPWSC Resolution by all the second parties dated -----
- iii. Scheme Cycle
- iv. Approved Detailed Scheme Report

We the undersigned on behalf of the respective institutions shall maintain the integrity in functions and abide by the contents of this MoU for effective implementation and achievement of the objectives of the Project.

For first parties

1.Sarpanch,.....
, Gram Panchayat
 2.Sarpanch,.....
, Gram Panchayat
 3.Sarpanch,.....
, Gram Panchayat
 4.Sarpanch,.....
, Gram Panchayat
 5.Sarpanch,.....
, Gram Panchayat

For second parties

1.Secretary.....
, GPWSC
 2.Secretary.....
, GPWSC
 3.Secretary.....
, GPWSC
 4.Secretary.....
, GPWSC
 5.Secretary.....
, GPWSC

For Third party

The **Secretary** -----
 -----SLC

For fourth party

.....
Executive Engineer, Division

Witnesses¹

Name and Address

Signature.....

Name and Address

Signature.....

Witnesses

Name and Address

Signature.....

Name and Address

Signature.....

Witnesses

Name and Address

Signature.....

Name and Address

Signature.....

At least one of the witnesses of the first and second parties shall be a woman.

Tripartite MoU for Sewerage Schemes Between Gram Panchayat, Gram Panchayat Water & Sanitation Committee, and Department of Water Supply & Sanitation, Government of Punjab

**GOVERNMENT OF PUNJAB
DEPARTMENT OF WATER SUPPLY AND SANITATION**

**OPERATION AND MAINTENANCE OF SEWERAGE SCHEMES
TRIPARTITE MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (MoU) is entered on ----- day of ----- (Month).....(Year) between:

- (i) The _____ Gram Panchayat,----- Block, ----- District
(hereinafter called the first Party),
- (ii) The _____ Gram Panchayat Water & Sanitation Committee (hereinafter called the second party)
and
- (iii) The Department of Water Supply & Sanitation (DWSS), Government of Punjab (hereinafter called the third party).

1. Preamble

The Department of Water Supply and Sanitation, Government of Punjab is implementing the Punjab Rural Water Supply and Sanitation Improvement Project (hereinafter called the Project) with the objective to improve rural water supply and sanitation services and service delivery arrangements in Punjab.

- i. Gram Panchayat willing to participate in the Project will act as a first party for O&M of sewerage scheme.
- ii. The first party will entrust to second party i.e. GPWSC constituted in the Gram Sabha, the responsibility of O&M of sewerage schemes and oversight of environmental compliance in accordance with the guidelines framed by the Department of Water Supply and Sanitation.
- iii. Department of Water Supply and Sanitation through concerned Executive Engineer will act as third party and is entrusted with the responsibility for implementation of sewerage scheme in village. Third party will also provide technical, social, organizational and managerial support to the first two parties for successful Operational & Maintenance of sewerage scheme in the village.

Now therefore, this MoU is entered into among the authorized representatives of the three parties.

2. Objective

This MoU defines the roles and responsibilities of all the three parties to this MoU, so as to enable them to work together as partners.

3. Scope of the MoU

- i. The three parties undertake to co-ordinate, collaborate, support and manage the operation and maintenance of newly created assets, in accordance with this MoU.
- ii. Under this MoU, operation and maintenance of the sewerage scheme including compliance of environmental management plan shall be carried out in accordance with the Operation & Maintenance Contract Agreement and also as per the Operational Guidelines developed and communicated to the first and second parties from time to time by the third party.

4. Duration of the MoU

- i. The Memorandum of Understanding among GP, GPWSC and DWSS shall be for the period of ____ months from the completion of Construction stage.

5. Roles and Responsibilities of the First Party (----- Gram Panchayat)

The first party agrees to undertake the following roles and responsibilities:

- i. To adopt a village vision, strategy and action plan for Operation & Maintenance and oversight Environmental compliance of sanitation facility in the village.
- ii. To entrust with the second party the responsibility for implementing the vision, strategy and action plan for solving the issues and problems for operation and maintenance of sewerage system of the village.
- iii. To support and enable the second party by suitably empowering it to perform the roles and responsibilities assigned to it as per this MoU and the guidelines of the Project.
- iv. To assess the performance of second party and to give advice for improvement of performance, first party would also take help of third party.
- v. To authorize the second party to open and operate separate Bank Account in the name of second party for transacting the funds for operation and maintenance of sewerage scheme.
- vi. To authorize the second party for fixing and collecting user charges, fees under the guidance of Third party as it may deem fit for fully recovering the operation and maintenance cost of sewerage infrastructure, facilities and services
- vii. To own all movable and immovable assets of the sewerage system infrastructure facilities and to entrust with the second party all the rights of operation, maintenance, management, up keep and safe custody of the assets.
- viii. To authorize second party to sign O&M Contract Agreement for sewerage scheme with contractor.
- ix. To authorize the second party for making payment to the contractor for carrying out the operation and maintenance services as per conditions of O&M Contract Agreement.
- x. To utilize all the powers conferred on it as per the Punjab Panchayati Raj Act, 1994 and subsequent amendments to ratify all actions of the second party done in accordance with this MoU for the purpose of achieving the objectives of the Programme.
- xi. In the event of the second party failing to meet and transect business for three consecutive months, not performing its roles and responsibilities in effective manner as prescribed in the notification, mis-utilization, misappropriation, embezzlement of funds of office bearers acting in manners benefiting themselves or close relatives, the first party can request the third party (sample letter attached) to take over the functions of second party. In the event of such takeover, the third party must initiate activities through the first party and reconstitute second party within one month (if ex-officio member i.e. Chairman is not involved in misappropriation, embezzlement otherwise procedure as per Clause 200(1) of Punjab Panchayati Raj Act, 1994 would be adopted) and entrust it back with the takeover responsibilities.
- xii. To support the second party in all IEC and capacity building activities in the villages for achieving sustainability of sanitation facility and promoting Health and Hygiene.
- xiii. To provide physical support to the second party for recovery of outstanding operation and maintenance charges/ bill from defaulters.
- xiv. To monitor as well as audit all activities undertaken by the second party so as to ensure that all social, technical and financial processes and procedures are in compliance with the guidelines issued by the third party.

6. Roles and Responsibilities of the Second Party (----- Gram Panchayat Water & Sanitation Committee)

The second party agrees to undertake the following roles and responsibilities:

- i. To assist the first party in preparing and implementing the village vision, strategy and action plan for operation and maintenance of sewerage system in the village.

- ii. To manage operating and maintaining activities for sewerage schemes in the village after construction phase of all Sanitation facilities and services.
- iii. To sign the Contract Agreement for O&M of sewerage scheme with contractor and to get all activities completed from the contractor as per Contract Agreement.
- iv. To act as a link and liaison between first party, third party and other departments and institutions working in the water supply and sanitation sector.
- v. To disseminate information, create awareness and educate the village community on all aspects for sustainability of sanitation facility and promotion of health and hygiene aspects.
- vi. To carry out all activities under this MoU utilizing participatory methodologies so as to ensure participation of women, youth, scheduled castes and poor in the village community.
- vii. To comply with the rules and guidelines issued by the third party from time to time regarding maintenance of sewerage schemes.
- viii. To open and operate separate Bank Account in the name of second party for transacting the funds for operation and maintenance of sewerage scheme taken up under the PRWSS-II Project.
- ix. To maintain the assets register (both for movable and immovable) and all records about the condition of sewerage system under the guidance of Third party.
- x. To maintain up to date and accurate books of accounts and make available records for audit/inspections.
- xi. To mobilize the villagers for community action to solve the sanitation related problems of the village.
- xii. To fix and collect from the users of sanitation facilities such charges, tariff under the guidance of Third party as it may deem fit for fully recovering the operation & maintenance cost of sanitation infrastructure, facilities and services to make it sustainable.
- xiii. To release the payment to contractor as per signed Contract Agreement.
- xiv. The second party shall remain accountable to the first party for all its activities.
- xv. The second party shall ensure that there is equity of benefits to everyone in the village from its activities.
- xvi. To do all the activities under this MoU in a transparent manner providing key information to all members in village community including setting up of display boards.
- xvii. To supervise all works and other activities under this MoU and to ensure conformity of quality of services, the contractor and the second party will undertake a joint inspection every month of the facilities to ensure quality of services as per conditions of contract.
- xviii. In the event of the second party failing to meet and transact business for three consecutive months, not performing its roles and responsibilities in effective manner as prescribed in the notification, misutilization, misappropriation, embezzlement of funds of office bearers acting in manners benefiting themselves or close relatives, the first party can request the third party to take over the functions of second party. In the event of such takeover, the third party must initiate activities through the first party and reconstitute second party within fortnight (if ex-officio member i.e. Chairman is not involved in misappropriation, embezzlement otherwise procedure as per Clause 200(1) of Punjab Panchayati Raj Act, 1994 would be adopted) and entrust it back with the takeover responsibilities.
- xix. To co-operate with first and third parties for audit, evaluation and studies by the first and third parties or agencies authorized by them and implement corrective actions recommended.
- xx. To carry out surveillance and monitoring of environmental sanitation facility and to ensure the compliance of Environmental Management Framework during operation and maintenance of sewerage schemes.
- xxi. To take over the sewerage scheme in working condition after the completion of contract period of Operation & Maintenance.
- xxii. All moveable and immovable assets shall remain in the name of first party and second party shall have no powers to transfer the title of ownership to any other individual or institutions or create any charge on the assets.

7. Roles and Responsibilities of Third Party (DWSS)

The third party agrees to undertake the following roles and responsibilities:

- i. To arrange for implementing social mobilization, IEC and capacity building activities regarding operation & maintenance of sewerage scheme in collaboration with and for the benefit of the first and second parties.
- ii. To strengthen the sustainability of sanitation system, the third party will assist in capacity building of the first and the second party during construction stage in all aspects of Operation & Maintenance management.
- iii. To arrange for providing guidance to the first & the second party for the preparation and implementation of operation and maintenance management plan and compliance with Environmental Management Plan as per Contract Agreement.
- iv. To ensure smooth functioning of second party during operation & maintenance period, third party will develop monitoring and evaluation framework format to assess details of likely revenue generation, likely expenditure, defaulters among the beneficiaries etc. Third party will also train the second party to undertake their own monitoring & evaluation activities. Second party will submit monthly monitoring and evaluation report to Third party through which performance of second party will be monitored and any mis-appropriation noticed will be reported to First party. The performance of second party will also be monitored by third party through Shikayat Nivaran Kendra (SNK) setup at DWSS.
- v. In case the second party failing to meet and transact business for three consecutive months, not performing its roles and responsibilities in effective manner, the third party can take over the functions of second party at the cost of first party. In the event of such takeover, the third party will initiate activities through the first party and reconstitute second party within fortnight (if ex-officio member i.e. Chairman is not involved in misappropriation, embezzlement otherwise procedure as per Clause 200(1) of Punjab Panchayati Raj Act, 1994 would be adopted) and entrust it back with the taken over responsibilities.

8. Disputes

Any disputes between the parties arising out of this MoU shall be settled, in the first instance, through mutual and amicable consultation. If the dispute is not settled through such consultation, the matter shall be referred for arbitration to the Administrative Secretary, Department of Water Supply and Sanitation, Government of Punjab.

We the undersigned on behalf of the respective institutions shall maintain the integrity in functions and abide by the contents of this MoU for effective implementation and achievement of the objectives of the Project.

For first party	For second party	For third party
..... Sarpanch, Gram Panchayat Secretary, GPWSC Executive Engineer (Concerned), DWSS
Witnesses¹	Witnesses	Witnesses
Name and Address	Name and Address	Name and Address
Signature.....	Signature.....	Signature.....

Name and Address

Name and Address

Name and Address

Signature.....

Signature.....

Signature.....

At least one of the witnesses of the first and second parties shall be a woman.

**SAMPLE LETTER FROM FIRST PARTY (GRAM PANCHAYAT) TO THIRD PARTY (DWSS) FOR
TAKING OVER FUNCTIONS OF SECOND PARTY**

To

The Executive Engineer
Water Supply & Sanitation Division/ Division no.____,
_____.

**Subject: PRWSS Project: (Cr. 4251-IN): Provide sewerage scheme to village _____
Block _____ District _____: Operation & Maintenance of Sewerage Scheme.**

Sir,

It is intimated that a Memorandum of Understanding (MoU) was signed among Gram Panchayat village _____ as First party, GPWSC of village _____ as Second Party and Executive Engineer, Water Supply & Sanitation Division. Department of Water Supply & Sanitation _____ as third party for the Operation & Maintenance of subject cited sewerage scheme. MoU contains roles and responsibilities entrusted to all the three parties. It is informed that GPWSC (i.e. the notified second party of the tripartite MoU) is not performing duties assigned to it as per MoU. Following glaring irregularities have been noticed in the performance of GPWSC _____:

1. Non-performance of role and responsibilities in effective manner.
2. Mis-utilization of revenue collected from the community
3. Embezzlement of funds as expenditure incurred and revenue collected is mismatch.

In view of above it is requested that the functions of second party may be taken over by you with immediate effect to restore /ensure uninterrupted and smooth functioning of O&M of the sewerage scheme of village _____ till the reconstitution of second party in the next Gram Sabha meeting. The total expenses to be incurred on the O&M of sewerage scheme shall be borne by the Panchayat as per section 200 (1) of the Punjab Panchayati Raj Act 1994 & paid to you on monthly basis.

Dt.

Signature of

- 1) Sarpanch
(with seal)
- 2) Panch
- 3) Panch
- 4) Panch
- 5) Panch

So on.

Tripartite Memorandum of Understanding between Gram Panchayat, Gram Panchayat Water & Sanitation Committee and Department of Water Supply & Sanitation, Punjab

**GOVERNMENT OF PUNJAB
DEPARTMENT OF WATER SUPPLY AND SANITATION**

This Memorandum of Understanding (MoU) is entered on ----- day of ----- (Month).....(Year) between:

- (i) The _____ Gram Panchayat (hereinafter called the first Party),
- (ii) The _____ Gram Panchayat Water & Sanitation Committee (hereinafter called the second party)
and
- (iii) The Department of Water Supply & Sanitation (DWSS) hereinafter for the Third Party)

1. Preamble

The Department of Water Supply and Sanitation, Government of Punjab is implementing a Medium Term Rural Water Supply and Sanitation Programme (hereinafter called the Programme) with the objective of providing to the rural communities increased access to improved, potable and sustainable drinking water and also to strengthen the decentralization of water supply and sanitation service delivery.

- i. The Department of Water Supply and Sanitation has selected the first party based on an approved selection criteria for participation in the programme.
- ii. The first party, in its Gram Sabha meeting has resolved to accept the key program principles and implement the programme in the village, constituted the second party and entrusted with it the responsibility of implementing the Programme in accordance with the guidelines and rules framed by the Department of Water Supply and Sanitation.
- iii. The third party has been established by Department of Water Supply and Sanitation and entrusted with it the responsibility to spearhead the implementation of the programme at the District Level including provision of technical, social, financial, organizational and managerial support to the first two parties in successfully implementing the Programme.

Now therefore, this MoU is entered into among the authorized representatives of the three parties.

2. Objective

This MoU defines the roles and responsibilities of all the three parties to this MoU, so as to enable them to work together as partners.

3. Scope of the MoU

- i. The three parties undertake to co-ordinate, collaborate, support and manage the planning and implementation of the Programme including operation and maintenance of the assets, existing or newly created, in accordance with this MoU.
- ii. The activities under this MoU shall be carried out in accordance with the Program Implementation Plan as approved by the Department of Water Supply and Sanitation and also as per the Operational Guidelines developed and communicated to the first and second parties from time to time by the third party.
- iii. The activities and the work shall be carried out within the geographic boundaries of -----village.

4. Duration of the MoU

- i. The third party has developed a Scheme Cycle consisting of the various activities, the duration for each activity and inter-relationship of activities and has divided the activities into pre-planning, planning, implementation and post-implementation phases [as per appended Scheme Cycle].
- ii. DWSS, GP and GPWSC having completed the Pre-Planning phase, the agreement is for the period up to the completion of all activities listed in the scheme cycle and shall be completed within a period of 12 months from the date of signing of this MoU.

5. Roles and Responsibilities of the First Party (----- Gram Panchayat)

The first party agrees to undertake the following roles and responsibilities:

- i. To adopt a village vision, strategy and action plan for developing the water supply and sanitation sector in the village.
- ii. To entrust with the second party the responsibility for implementing the vision, strategy and action plan for solving the issues and problems in the water supply and sanitation sector of the village.
- iii. To support and enable the second party by suitably empowering it to perform the roles and responsibilities assigned to it as per this MoU and the guidelines of the Programme.
- iv. To authorize the second party to receive eligible funds under the programme for capital works and expend the same in accordance with the provisions of this agreement and as per the guidelines issued by Department of Water Supply and Sanitation.
- v. To authorize the second party to open and operate separate Bank Account in the name of second party for transacting the funds for implementing water supply and sanitation schemes taken up under RWSS Programme and also for the operation and maintenance.
- vi. To own all movable and immovable assets of the Water Supply and Sanitation infrastructure facilities and to entrust with the second party all the rights of operation, maintenance, management, up keep and safe custody of the assets.
- vii. To utilize all the powers conferred on it as per the Punjab Panchayati Raj Act, 1994 and subsequent amendments to ratify all actions of the second party done in accordance with this MoU for the purpose of achieving the objectives of the Programme.
- viii. To support the second party in all IEC and capacity building activities in the villages for the purpose of water supply development, improvement and sustenance; promotion of Sanitation, Health and Hygiene.
- ix. To provide support to the second party in mobilizing community contribution and recovery of operation and maintenance expenses.
- x. To monitor as well as audit all activities undertaken by the second party so as to ensure that all social, technical and financial processes and procedures are in compliance with the guidelines issued by the third party.

6. Roles and Responsibilities of the Second Party (----- Gram Panchayat Water & Sanitation Committee)

The second party agrees to undertake the following roles and responsibilities:

- i. To manage Rural Water Supply and Sanitation activities in the village including designing, implementing, undertaking procurement activities, fund management, operating and maintaining all Water Supply and Sanitation facilities and services.
- ii. To assist the first party in preparing and implementing the village vision, strategy and action plan for developing the water supply and sanitation sector of the village.
- iii. To perform all activities in respect of providing water supply and sanitation facilities and services to the village community.
- iv. To discuss the Community Action Plan prepared by community with the third party for obtaining Administrative and Technical approval from DWSS.
- v. To act as a link and liaison between Gram Panchayat, Department of Water Supply and Sanitation, other departments and institutions working in the water supply and sanitation sector.
- vi. To disseminate information, create awareness and educate the village community on all aspects of water supply and sanitation including health and hygiene aspects and water resource management.
- vii. To carry out all activities under this MoU utilizing participatory methodologies so as to ensure participation of women, youth, scheduled castes and poor in the village community.
- viii. To receive funds from the third party and utilise the same as per rules and the guidelines of the programme and in accordance with prudent financial management principles.
- ix. To comply with the principles, rules and guidelines issued by the third party from time to time.
- x. To open and operate bank accounts for transacting all amounts received and expended for implementing the Programme as well as operating and maintaining the schemes.
- xi. To maintain up to date and accurate books of accounts and make available records for audit/inspections.

- xii. To procure works, goods or services for carrying out various activities under this MoU in accordance with the guidelines issued by the Department of Water Supply and Sanitation.
- xiii. To mobilize the villagers for community action to solve the water supply and sanitation related problems of the village.
- xiv. To mobilize users' share of capital cost of setting-up water supply and sanitation facilities from among the village community.
- xv. To operate and maintain the facilities created under the Programme and meet full operation and maintenance expenses by collecting user charges.
- xvi. To do all the activities under this MoU in a transparent manner providing key information to all members in village community including setting up of display boards.
- xvii. To report monthly progress of Programme activities to the first party and to the third party on a regular basis.
- xviii. To supervise all works and other activities under this MoU and to ensure conformity with quality and design parameters as per approved plans, estimates and other guidelines.
- xix. To co-operate with first and third parties for inspection, verification, audit, evaluation and studies by the first and third parties or agencies authorized by them and implement corrective actions recommended.
- xx. To carry out surveillance and monitoring of water quality and environmental sanitation.
- xxi. To prepare Implementation Completion Report in respect of all Community Action Plans and submit to the third party.

7. Roles and Responsibilities of Third Party (DWSS)

The third party agrees to undertake the following roles and responsibilities:

- i. To arrange for dissemination of Programme information including key principles, approaches and methodologies, components and activities etc. to the village community.
- ii. To arrange for implementing social mobilization, IEC and capacity building activities for the benefit of the first and second parties.
- iii. To make available the services of the sub divisional offices including the services of JEs of the Department of Water Supply and Sanitation to spearhead all Programme related activities.
- iv. To assist the second party in contracting the services of Support Organizations, Village Support Teams etc. for availing social mobilization, IEC and other capacity building support services.
- v. To arrange for providing technical support in collection of field data, helping the village community on deciding affordable and feasible technical options, preparing rough cost estimates, preparation of Detailed Scheme Reports etc. and completing the Community Action Plans.
- vi. To build the capacity of the first and second party in technical and engineering aspects including water quality monitoring, operation and maintenance aspects.
- vii. To accord administrative/**obtain** and technical sanction for the Community Action Plans.
- viii. To release programme funds to the second party in instalments as per the guidelines of the Programme.
- ix. To measure works, check quality of works and materials, internal audit bills and pass bills for payments to the contractors.
- x. To carry out evaluation studies, impact assessment surveys etc. and share the key learning with first and second parties.
- xi. To commission quality surveillance studies and evaluations and recommend corrective measures wherever needed.

8. Terms and Conditions of Fund Release

- i. The third party will release to the second party the Programme funds in Two/Three/Four instalments, once the latter fulfil the conditions for release of each instalment as summarized in Table 1:

9. Termination of the MoU

- i. The first party and the second party can terminate the MoU in the events of:
 - a. Undue delay in providing technical support, administrative sanctions, technical sanctions etc. by the third party.

- b. Delay of more than 60 days, without valid reasons, in releasing Programme funds by the third party in spite of the first and second parties successfully fulfilling all the conditions for releasing the payments.
- ii. The third party can terminate the MoU on the occurrence of one or more of the following events after reasonable notice:
 - a. Mismanagement of Programme funds, materials and/or assets by the first and second parties
 - b. Failure on the part of the first and second parties to complete the activities in accordance with the agreed Scheme Cycle
 - c. Providing incorrect data or information by the first and second parties with malafide intentions to mislead the third party
 - d. Either of the first two parties losing interest in Programme activities and becoming dormant
 - e. The first and second parties cannot undertake the Programme activities due to technical, financial, social or other reasons.
 - f. Failure of the first and second parties to rectify the defects pointed out by the third party within reasonable time.

Table.1.1 - Conditions for Release of Program Funds – if approved DSR value is less than INR 10 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
2 Stage Installment – If value of approved DSR is less than INR 10 lakhs		
Installment – I	75% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution (only if the value of approved of approved DSR is above INR 5 lakhs) • Signing of MoU • Calling of tenders for the packages.
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

- All the above payment , are a % to the total cost net of community contribution

Table 1.2- Conditions for Release of Program Funds – if approved DSR value is between INR 10 lakhs and INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
3 Stage Installment – If value of approved DSR is between INR 10 lakhs to INR 100 lakhs		
Installment – I	60% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution • Signing of MoU • Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 90% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first and the second installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

- All the above payment , are a % to the total cost net of community contribution

Table-1.3 Conditions for Release of Program Funds – if approved DSR value is more than INR 100 lakhs

Installment No	Amount of Installment	Condition for Release of Installment
4 Stage Installment – If value of approved DSR is more than INR 100 lakhs		
Installment – I	30% of the approved DSR*	<ul style="list-style-type: none"> • Mobilization of 100% of the community capital contribution • Signing of MoU • Calling of tenders for the packages
Installment – II	Disbursement of Balance to make a total disbursement of 60% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 60% of the first installment and verified by third party (Chartered Accountant)
Installment – III	Disbursement of Balance to make a total disbursement of 90% of the total contract allotted	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first and the second installments. and verified by third party (Chartered Accountant)
Installment – Final	Balance payment so as to reimburse the actual expenditure of GPWSC and SLC (for MVS) as per PCR, after taking into the account interest income and other income viz. sale of tenders etc.	<ul style="list-style-type: none"> • Submission of utilization certificate utilizing at least 75% of the first, the second and the third installment and verified by third party (Chartered Accountant) • Project Completion Report (PCR) prepared by Divisions and duly checked by Concurrent Auditor's .

All the above payment , are a % to the total cost net of community contribution

10. Disputes

Any disputes between the parties arising out of this MoU shall be settled, in the first instance, through mutual and amicable consultation. If the dispute is not settled through such consultation, the matter shall be referred for arbitration to the Principal Secretary, Department of Water Supply and Sanitation, Government of Punjab.

11. Appendices

The following documents given in appendices to this MoU shall be deemed as part of this MoU:

- i. Gram Panchayat Resolution by the first party dated
- ii. Scheme Cycle
- iii. Approved Details Scheme Report.

We the undersigned on behalf of the respective institutions shall maintain the integrity in functions and abide by the contents of this MoU for effective implementation and achievement of the objectives of the Programme.

For first party	For second party	For third party
..... Sarpanch, Gram Panchayat Secretary, GPWSC Executive Engineer Concerned) DWSS
Witnesses¹	Witnesses	Witnesses
Name and Address	Name and Address	Name and Address
Signature.....	Signature.....	Signature.....

Name and Address

Name and Address

Name and Address

Signature.....

Signature.....

Signature.....

1. At least one of the witnesses of the first and second parties shall be a woman.

Appendix B: Job Description for GPWSC Assistant Accountant

Job Description – GPWSC Accounts Assistant

- Assist in preparation of Budget for GPWSC and its submission to DPMC
- Recording transactions and maintaining up to date and accurate books of accounts
- Maintenance of vouchers and supporting documents
- Prepare request for release of funds and follow up for timely release from DPMC. Accounting of installments received from DPMC
- Contractors bill passing and payment: Processing contractors payment and ensuring timely and accurate payment. Making necessary deductions. Responsibility for depositing of statutory dues, if any.
- Obtain copies of bank statement/ regular updation of pass book. Record of cheques issued. Preparation of monthly Bank Reconciliation Statement.
- Maintenance of necessary records for recording of contribution received from the community and issue of receipts thereof.
- Get the financial statements audited/ certified by the auditors (Concurrent Financial Review) and ensure its timely submission to DPMC
- Make available records for audit/inspections and ensure timely audit from Statutory Auditors
- Reporting to DPMC as per the reporting requirements laid down in the manual
- Adequate disclosure of information in form of black board etc. in the village as per requirements laid down in the Financial Management Manual.
- Coordinate with Chairman-GPWSC, other members of GPWSC and Panchayat Secretary on matters of accounts, audit and reporting
- Assist in procurement of contracts and goods for GPWSC
- Ensuring that the Systems and procedures laid down in the Financial Management Manual of GPWSC are followed.

Appendix C: Form GP-1: GPWSC Books of Accounts – Implementation Phase

FORM GP -1 PAYMENT VOUCHER

GRAM PANCHAYAT: _____
GPWSC: _____

PUNJAB RURAL WATER SUPPLY AND SANITATION SECTOR IMPROVEMENT PROJECT

Payment Voucher

Voucher No: _____

Date:

Cash Book Folio No: _____

Dr. Activity Name:

Cr. Cash / Bank Payment

Payment made to M/s _____ for Rs. (in words and figures)

Vide Cheque No. _____ dated _____ or cash, on account

Of _____

against Bill No. _____ dated _____ as full / Part Payment

Prepared by
Account Assistant

Approved By
Treasurer

Received with thanks Rs. _____ only on account of _____

Signature of the Recipient

Appendix C: Form GP-2: GPWSC Books of Accounts – Implementation Phase

FORM GP -2 RECEIPT VOUCHER

GRAM PANCHAYAT: _____
GPWSC: _____

PUNJAB RURAL WATER SUPPLY AND SANITATION SECTOR IMPROVEMENT PROJECT

Receipt Voucher

Voucher No: _____

Date:

Cash Book Folio No: _____

Dr. Cash / Bank Payment

Cr. Activity / account:

Received from _____

Amount for Rs. _____ (in words and figures)

On account of _____

Prepared by
Account Assistant

Approved By
Treasurer

Appendix C: Form GP-3: GPWSC Books of Accounts – Implementation Phase

FORM GP -3 CORRECTION VOUCHER

GRAM PANCHAYAT: _____
GPWSC: _____

PUNJAB RURAL WATER SUPPLY AND SANITATION SECTOR IMPROVEMENT PROJECT

Correction Voucher

Voucher No: _____
Implementation Phase

Date:

Cash Book Folio No: _____

	Particular	Amount Rs.
Transferred from	_____	_____
Transferred to	_____	_____

Amount _____

On account of _____

Prepared by
Account Assistant

Approved By
Treasurer

Chairman

Appendix C: Form GP-4: GPWSC Books of Accounts – Implementation Phase

**FORM GP-4
 GPWSC CASH BOOK**

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Gram Panchayat Water Supply and Sanitation Committee _____

Project Cash Book for the year of _____

RECEIPTS						PAYMENTS										
Date	Receipt / Voucher No.	Details	Cash	Correction/Adjustment	Bank	Date	Voucher No.	Cheque No.	Cash	Correction/Adjustment	Bank	Activities during implementation phase				
												OHSR	Tube well & Pumping Machinery	Distribution on pipeline	Others	
		TOTAL						TOTAL								
								TOTAL								

Appendix C: Form GP-5: GPWSC Books of Accounts – Implementation Phase

FORM GP-5
MONTHLY BANK RECONCILIATION AS AT _____
MONTH _____ YEAR _____

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Gram Panchayat _____
Gram Panchayat Water Supply and Sanitation Committee _____

Name of the Bank _____

Bank Account Number _____

Nature of account: Capital Account

		In Bank(Rs.)
	Balance as per Bank statement	
ADD	Cheques received but not yet deposited in Bank	
	Amount Debited (Withdrawn) by Bank but not in the cash book	
LESS	Cheques directly deposited but not yet appearing in the Cash Book	
	Cheques issued but not presented for payment	
	Amount Credited (Deposit) by Bank but not incash book	
	Adjusted Balance of Bank Balance	
	Actual Balance in Cash Book	
	Difference in Amount	
	Details of Difference:	

The reasons for difference between Cash Book Balance & Adjusted Balances of the Bank have been personally looked into to obtain satisfaction or actions have been initiated and all the concerned officials have been duly informed.

Accounts Assistant:

Treasurer:

Chairman:

Helpful Hints

1. Sort Cheques Numerically or by issue date
2. Compare Cheques paid with Cash Book
3. List cheques issued but not presented for payment in a separate Annexure, if required, stating therein the date of encashment
4. 'Actual Balance in Cash Book' should agree with the Balance derived in the Cash Book

Appendix C: Form GP-6: GPWSC Books of Accounts – Implementation Phase

**Form GP-6
 STOCK AND ASSET REGISTER**

Punjab Rural Water Supply and Sanitation Sector Improvement Project

**Gram Panchayat _____
 Gram Panchayat Water Supply and Sanitation Committee _____**

Item: _____
Folio: _____

Date	Voucher No.	Party	Receipt	Transferred for which activity	Issued	Balance	Sign. Of Issuing Authority	Sig. of Receiving Authority	Remarks /Physical Verification
			Quantity		Quantity	Quantity			

Appendix C: Form GP-7: GPWSC Books of Accounts – Implementation Phase

**FORM GP-7
CASH CONTRIBUTION RECEIPT**

Punjab Rural Water Supply and Sanitation Sector Improvement Project

**Gram Panchayat _____
Gram Panchayat Water Supply and Sanitation Committee _____**

Receipt No.: _____

Date: _____

Received from Mr./Mrs./Miss _____ a sum of Rs. _____ (in Figures)
_____ (in words), as detailed below

Sl. No.	Particular / Activity	Amount (Rs.)	Remarks

Treasurer/Secretary

Signature of member

Appendix C: Form GP-8: GPWSC Books of Accounts – Implementation Phase

FORM GP-8 BENEFICIARY CONTRIBUTION REGISTER

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Gram Panchayat _____

Gram Panchayat Water Supply and Sanitation Committee _____

Implementation Phase

Folio No.: _____

Month: _____

Year: _____

S. No.	Name of the House hold	Community contribution to be collected	Collected during the month				Total outstanding carried forward to the next month	Remarks / Initials
			Amount	Receipt no./date	Amount	Receipt no./date		
1	2	3			4		7	9

Appendix C: Form GP-9: GPWSC Books of Accounts – Implementation Phase

**FORM GP-9
 CONTRACTOR REGISTER**

Punjab Rural Water Supply and Sanitation Sector Improvement Project

**Gram Panchayat _____
 Gram Panchayat Water Supply and Sanitation Committee _____**

Contractor Name: _____

Folio No.: _____

S. No.	Running Bill No	Amount in Rs	Date of bill	Passed by JE / SDE on	Passed for (In Rs.)	Deductions			Other adjustment if any	Payment details			Remarks
						TDS	Security Deposit	Others		Ch. No	Date	Amount	
1	2	3	4	5	6	7		8	9	10	11	12	13

Appendix D: Report GR-1: Reporting Format for GPWSC

REPORT GR-1

Punjab Rural Water Supply and Sanitation Sector Improvement Project

Gram Panchayat _____

Gram Panchayat Water Supply and Sanitation Committee _____

S.No	Particulars	Amount (In Rs.)			
		For the Period	Opening Balance	Cumulative till date	Estimated cost as per DSR
A	Opening Balance				
	Cash				
	Bank				
B	Add :				
	Funds received during the period since last statement				
	Beneficiary Contribution				
	Bank interest earned				
	Other Incomes				
C	Less:				
	i Expenditure on Water Supply Schemes:				
	Expenditure on OHSR & Civil works				
	Expenditure on Pumping Machinery & Tube well				
	Expenditure on Distribution pipe line				
	Salary of Account Assistant				
	Others				
	ii Expenditure on Sewerage Schemes:				
	iii Expenditure on Improvement Water Quality:				
	iv Any other Programme (to be specified by GPWSC/Division)				
D	Closing Balance				
	Cash*				
	Bank*				
E	Bills whose payments are yet to be made (To be filled only in case of release of last instalment)				
	1				
	2				
	Total				

S.No	Particulars	Amount (In Rs.)			
		For the Period	Opening Balance	Cumulative till date	Estimated cost as per DSR
	Total Expenditure on the Scheme (C+E)				

Note:

To be prepared by GPWSC/SLC and submitted to Divisional Office.

* Helpful Hints

1. The Closing Balance of Cash shall be as per the Cash Book (Cash Column) as at the end of the qtr
2. The Closing Balance of Bank shall be as per the Cash Book (Bank Column) as at the end of the qtr

 Accounts Assistant

 Secretary GPWSC

 Chairman GPWSC

 Certified By Concurrent Auditor's

Appendix E: Terms of Reference of Concurrent Auditor

Terms of Reference (TOR) of Concurrent Auditor

BACKGROUND

Government of Punjab (GOP) has prioritized Rural Water Supply and Sanitation (RWSS) as a key area of its development agenda. Government of India supports the RWSS sector reforms and provides significant financial assistance to Punjab through its centrally sponsored programs such as NRDWP, and Swachh Bharat Mission (SBM). In addition, GOP also implemented the First Punjab Rural Water Supply and Sanitation Program (PRWSS-I) during 2006-14 with assistance from The World Bank. PRWSSP-I established & implemented a Sector Wide Approach (SWAp) for demand driven and community lead RWSS models. As a result, about 89% of habitations are fully covered (FC), 10% habitations are partially covered and less than 1% habitations are not covered (as on December 2014).

Despite these efforts, several issues are on hand. While the water coverage seems to be high, a large number of water supply schemes are serving only to a limited population with individual household connections. Remaining population continue to use public standpost. The coverage in terms of percentage of total population may further declining due to growing rural population. Punjab ranks 25 out of 28 in terms of villages winning the Nirmal Gram Purashkar (NGP) (the GOI award for achieving ODF status). Hence, GOP intends to move towards the target of universal ODF (open defecation free) status in all villages. Rapidly deteriorating water quality is leading to serious health problems. About 29 percent of water supply schemes face water quality issues.

In the above context, GOP intends to scale up statewide the demand responsive and decentralized service delivery approach followed in the PRWSS-I. In this context, GOP has taken World Bank assistance in implementing its 6 year Medium Term Rural Water Supply and Sanitation (RWSS) Program with adopting a Sector Wide Approach (SWAp) to RWSS improvements in the state of Punjab. Department of Water Supply and Sanitation (GOP) will implement the Second Punjab Rural Water Supply and Sanitation Project (PRWSSP-II) in partnership with the World Bank.

The Project will support the rural water supply and sanitation sector in 22 districts of Punjab and is expected to directly benefit about 5 million rural people, including about 2.4 million female beneficiaries and around 1.9 million Scheduled Caste beneficiaries. The project will also support the water quality affected districts in the state. The rural population is expected to benefit from targeted IEC which will promote the adoption of improved sanitation and hygiene practices, including use of latrines. Rural women will be empowered to have voice and choice through membership in the Gram Panchayat Water and Sanitation Committees (GPWSCs).

The project will have four components:

- **Component 1. Improved Livability of Villages:** Villages with poor water services and/or partially covered status will be upgraded to 10 hours per day and 100 percent household connections. Additionally, those villages with a strong interest to enhance community sanitation services will be allowed to compete for sewerage schemes under this component.
- **Component 2. Inclusive Household Water and Sanitation Services:** Villages with low household connection rates despite having the system capacity to deliver higher levels of services will be targeted under this component. In these villages, providing individual house connections or undertaking minor network extensions will be undertaken. Additionally, this component will also focus on schemes which are underperforming due to lack of operational capacity in the GPWSCs/GPs and the project will finance diagnosis and implementation of the required intervention, and building capacities before handing over to the GPWSC. This component will also provide a subsidy to every toilet-less household to construct a toilet to achieve ODF

status at the village level. This component will coordinate and complement the evolving GOI program (Swachh Bharat Mission-Gramin [SBM-G]) aimed at eliminating open defecation by 2019.

- **Component 3. Improved Water Quality:** This component will begin to address the water quality problems that are now becoming more apparent and making Punjab one of the most quality affected states in India. It will strengthen water quality monitoring and develop mitigation measures. This component will finance retrofitting of water schemes with engineering solutions to treat arsenic, fluoride, iron and also support construction of surface water supply schemes to supply safe drinking water in water quality affected districts.
- **Component 4. Strengthening Institutions and Project Management:** This component will support non-infrastructure project costs. This component will finance strengthening institutions, designing and implementation of an MIS system, capacity building activities, and various project management activities like IEC, community development, environmental management, technical and engineering consultancies, internal and external audits etc.

Institutional Arrangements

Key players involved in planning and executing the project will be DWSS (Head Office and the Divisional Offices) and the GP Water and Sanitation Committee (GPWSC) at village level. While components 4 will be largely to be implemented by DWSS, Component 1,2 & 3 will be implemented by the GPWSC and the Divisional Offices. The project will be budgeted within the State budget under four program components with further break up into object heads. Funds to be transferred to GPWSC are budgeted as grant in aid. Funds will be released directly (in tranches) to the GPWSC against an approved scheme and on signing of an MOU with DWSS. These tranche releases will be accounted as grant in aid and be recognized as expenditure in line with normal government accounting system. The project will have systems to monitor utilization and implementation by GPWSC. Audit of expenditures at the GPWSC level will be done by firms appointed by DWSS against a specific TOR.

Scope of Work

The scope of this assignment is to audit the program activities implemented by the individual GPWSC's. Since the implementation and fund management will be by GPWSCs, this certification to ensure their eligibility for next tranche. The auditor's are required to visit GPWSC each time to conduct audit. This would include Certification of Interim and Final Expenditure Statements of GPWSC, local presence will be a key criteria. The auditors will be paid by the SPMC and will audit the GPWSCs on behalf of the department. Consultant would need sufficient manpower to be able to respond to requests within 7 days i.e. be able to visit the GPWSC and certify. The assignment will initially be given for one year and will be extendable annually for another two years.

Outline of Tasks to be carried out:

1. **Certification of Expenditure Statements** – Checking the expenditure statements and certifying that all figures and information are from the books of accounts and show a 'true and fair' view of the project finances.
2. **Audit of expenditure** – Auditing on a test basis all expenditure and giving opinion whether all expenditure has been made for the purposes intended for, have been used with due attention to economy and efficiency following the procedures as documented in the GP FM and Procurement Handbook. Also confirm whether all the records as required have been maintained and that such records are up to date.
3. **Community Contribution** – Checking that community contribution has been received as per norms of the project and used for the purposes intended for, with due attention to economy and efficiency following the procedures as documented in the GPWSC Handbook and Financial and Procurement Manual.
4. **Procurement** – Checking that all procurement of goods and services GP FM and Procurement Handbook and reporting any deviations from the Manual or cases of undue favour, mis-procurement, corruption, etc. Carry out physical verification of stocks where material is purchased by the community.

5. **Social Audit/ Transparency** – Ensuring, making enquiries and checking whether norms of social audit and transparency have been followed. E.g. contract award, contract and labour payments (where applicable), Books of accounts as well as expenditure statements have been made available to all members for viewing, information on scheme approval, award of contracts, funds received, payments made and balances, have been prominently displayed in the village at all time and updated regularly.

Compliance - Ensuring compliance with laid down procedures in the GPWSC Handbook and Financial and Procurement Manual.

Audit Opinion

Audit opinion shall be made in the following format

To

<Addressee, Head Office, Department of Water Supply and Sanitation>

We have audited the accompanying Receipt and Payment Account of For the period to Preparation of the Receipt and Payment Account is responsibility of the GPWSC. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Receipt and Payment Account is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts, internal checks and controls, and disclosures in the Receipt and Payment Account. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Receipt and Payment Account read with the observations annexed (if any) give a true and fair view of the activities of for the period stated above. In our opinion, the GPWSC has utilized the proceeds of the funds only for the purposes of the project subject to the following (give details and reason for disallowance if any). As such out of Rs..... spent on the project (Cumulative fig.) only Rs.(Cumulative fig.) is eligible for reimbursement"

We have checked the procurement procedures the procurement has/has been carried out as per provisions available manuals and other guidelines of World Bank. Our comments (if any) are as given below:

1.
2.
3.

Auditor's Signature with Date

The auditor should submit three copies of the audited report with Performas attached alongwith; one copy each shall be sent to the Head Office/WSS Division and the GPWSC respectively. The Executive Engineer, WSS Division will offer his comments on the observations of the consultant and will send the same to Head Office within a week of receipt of Audit Report by him.

Methodology (Expected):

- Field visit essential for each certification.
- Audit manager to personally visit atleast 20% of the villages himself.
- Regular audit methodology;
- Review of documents (e.g., Reports, Financial Statements, etc);

- Compliance to Financial Management Manual as well as Procurement Management Manual, Agreement with GPWSC and World Bank guidelines, if any
- Physical verification will be limited to inspection of site/works, major items of inventory though the auditor is not expected to have any technical/engineering skills.
- Discussions as required to validate findings and discuss suggestions.
- Recommendations

Periodicity:

The audit report shall be a pre-requisite for release of next tranche to GPWSC. The periodicity of audit therefore shall be two audits certifying usage of first two Interim Expenditure Statements and one Final audit of the Final Expenditure Statement i.e. three audit certificates per GPWSC. As soon as the GPWSC expend the amount they would request the Auditor to certify the statement which would be submitted to the department for release of the next tranche.

Outputs:

Output	Contents	Due
Audit Report	<ul style="list-style-type: none"> • Opinion that funds have been used for the purposes intended • Certified statement of receipt and payment (enclosed vide Annexure -1). • Duly completed internal control check list (format enclosed vide Annexure-2). 	Certificate to be submitted within two weeks after conducting audit
Periodic "Activity/Progress Report"	<ul style="list-style-type: none"> • Objective - providing quality assurance regarding the audit process. • May include - Audit Plan, common weaknesses observed, recommendations e.g. changes in the Manual. • Periodicity - Normally provided semiannually; will include presentation to Key DWSS/Head Office/Division staff. Periodicity may be increased in special circumstances. 	Within 3 week of close of 1/2 year

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

GPWSC shall provide access to all vouchers, supporting, books of accounts, previous audit statements and all relevant documents.

List of Key Professionals required for each audit:

Key Person	Qualification	Specialization	Experience
Audit Manager	Chartered Accountant	Experience of conducting audit of government institutions, specially rural or urban local bodies	Minimum 10 years in audit
Audit Assistant	Articled Clerk (PE II passed)	Experience of conducting audit	Minimum 1 year

Keeping the scope of work and size of the State, firms should have sufficient manpower to be able to respond to requests within 7 days i.e. be able to visit the GPWSC and certify. It is expected that the Audit Manager should visit at least 20% of the GPs; this is with the objective of obtaining adequate assurance that the audit process is working adequately and therefore he would exercise his professional judgment in case there is a need to visit more locations. It is expected that each certification will require approximately 2-2.5 Man Days and hence Key Staff's input is calculated accordingly. In addition the Auditor shall provide the requisite support staff as required.

Proforma – A
INTERNAL CONTROL CHECKLIST FOR AUDIT OF GPWSC
(To be filled in by the concurrent auditor on each audit and submitted along with audit report)

GPWSC.....

Period ended.....

Sr. No.	Activity	Particulars	Remarks on an exception basis
1	2	3	4
1	GPWSC Formation	<ul style="list-style-type: none"> • Are copies of the MOU available with the GPWSC? • Has it engaged the services of a book keeper? 	
2	Community contributions	<ul style="list-style-type: none"> • Is there any record of cash contributions made by the individual members? • Has community contribution been deposited in the bank account as per the MOU? • Is a receipt issued for all contributions and signature of payee obtained on the copy of the receipt? 	
3	Flow of funds	<ul style="list-style-type: none"> • Has the flow of funds from the DPMC been timely, time taken in release of fund from DPMC? • Have the project funds been lying blocked unnecessarily with the GPWSC for a long time? 	
4	Operation of bank account	<ul style="list-style-type: none"> • Are there two signatories for cheque signing • Is the cheque in safe custody? • Does the bank pass book balance reconcile with the cash book in the GPWSC? • Have all major payments been made by cheque? • Is the bank pass book and cheque book available with the GPWSC? • Has required action been taken on wrong or lost cheques issues? • Have the withdrawals from the GPWSC bank account been in line with the MOU & reasonable as per requirement? • Are payments made after verification & approval of works by the JE/AE of the Divisional Office? 	
5	Procurement	<ul style="list-style-type: none"> • Have the procurement procedures prescribed in the GP handbook adhered to by the GPWSC. • Has a material been purchased for the activity? • Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with book balances? • Has the GPWSC adopted safety measure for the material? • Is there any price or quantity variance between the actual expenditures and the cost in the DPR? • Has a measurement Book been maintained for works? 	
6	Book Keeping	<ul style="list-style-type: none"> • Has the cash book been written regularly and is complete? • Has the cash book been signed by the authorized representative of the GPWSC? • Have all the withdrawals from the bank been reflected in the cash book? • Have all the expenditures been made as per the contract agreement? • Is there adequate supporting documentation for all expenditures? 	
7	Other Issues	<ul style="list-style-type: none"> • Have the milestones certificates been prepared as per the requirements of the contract agreement and verified by the 	

Sr. No.	Activity	Particulars	Remarks on an exception basis
1	2	3	4
		NGO? <ul style="list-style-type: none">• Have all the financial transactions been discussed and recorded in the minutes of the GPWSC meeting?• Has a physical verification of the assets created been carried out by the auditors?	
8	Transparency & Disclosure	<ul style="list-style-type: none">• Whether the books of accounts as well as expenditure statements have been made available to all members for viewing,• Has information on scheme approval, award of contracts, funds received, payments made and balances been prominently displayed in the village at all time and updated regularly.	
9	Any specific deficiencies in the system	<ul style="list-style-type: none">• Give details	
10.	Any other matter which might have a significant impact on the implementation of the project	<ul style="list-style-type: none">• Give details	

We confirm that we have complied with the requirements of the above checklist during the course of our work.

Signature of CA Firm

Proforma – B
GPWSC Audit – Audit Report Proforma

FACT SHEET OF THE GPWSC ACCOUNTS

1. Name of the GPWSC :
2. Registration No. of GPWSC :
3. Address :
4. Village :
5. Gram Panchayat :
6. Block :
7. District :
8. Date of Audit :
9. Name of Bank Account/s :
- A. Project Account** :
10. Date of approval by the Gram Sabha :
11. Total sub-project cost :
12. **Project fund Components**
 - 12.0 Total Project Cost :
 - 12.2 Project's Contribution :
 - 12.3 Community's Contribution :
13. Total Value of the Work Done :
14. Date of Completion of Work :
15. Balance amount with GPWSC :
16. Name & Address of the Audit Firm :
17. Date of Commencement of Audit :
18. Date of Completion of Audit :

Signature of CA Firm

Proforma – C
GPWSC Audit – Audit Report Proforma

FACT SHEET OF THE GPWSC ACCOUNTS

- | | | |
|----|---|---|
| 1. | Total contract cost | : |
| 2. | Actual cost of work done | : |
| 3. | Date of commencement of work | : |
| 4. | Date of completion of work | : |
| 5. | Diversion of fund, if any | |
| | 5.1 In which activity | : |
| | 5.2 Amount | : |
| 6. | Embezzlement of fund, if any, amount | : |
| 7. | Whether the GPWSC Register are maintained Regularly | |
| | 7.1 Members Details | : |
| | 7.2 Meetings Details | : |
| | 7.3 Contribution Details | : |
| | 7.4 Member Contribution Register | : |
| | 7.5 Labour Details | : |
| | 7.6 Cash & Bank Register | : |
| | 7.7 Income Register | : |
| | 7.8 Stock Register | : |
| 8. | Assets have been physically verified by Appropriate authority | |
| | 8.1 Name of the Official | : |
| | 8.2 Date of Verification | : |

Signature of CA Firm

FORM F-1

From

To

Sir:

Hiring of Consultancy services for _____ of _____ Regarding

I/We _____ consultant/consultancy firm/organization herewith enclose Technical and Financial Proposal for selection of my/our firm as consultant for _____.

We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in India namely "Prevention of Corruption Act 1988".

We hereby certify that we have taken steps to ensure that no person acting for us or on our behalf will engage in bribery.

Yours faithfully,

Signature: _____

Full name _____

and address: _____

(Authorized Representative)

FORM F-2

ASSIGNMENTS OF SIMILAR NATURE SUCCESSFULLY COMPLETED DURING LAST 3 YEARS

1. Brief Description of the Firm/Organization:
2. Outline of recent experience on assignments of similar nature:

Sr. No.	Name of assignment	Name of project	Owner or sponsoring authority	Cost of assignment	Date of commencement	Date of completion	Was assignment satisfactorily completed
1	2	3	4	5	6	7	8

Note: Please attach certificates from the employer by way of documentary proof. (Issued by the Officer of rank not below the rank of Superintending Engineer or equivalent.)

FORM F-3

WORK PLAN TIME SCHEDULE

A. Field Investigation

Sr.No.	Item	Months wise programme											
		1	2	3	4	5	6	7	8	9	10	11	12

B. Compilation and submission of reports

1. First Audit Report
2. Second Audit Report
3. Final Audit Report (As indicated under TOR)

C. A short note on the line of approach and methodology outlining various steps for performing the study.

D. Comments or suggestions on "Terms of Reference."

FORM NO.F-4

Composition of the Team Personnel and the task which would be assigned to each Team Member

1. Technical/Managerial Staff

Sl. No.	Name	Position	Task Assignment

2. Support Staff

Sl. No.	Name	Position	Task Assignment

FORM F-5

**FORMAT OF CURRICULUM VITAE (CV) FOR
PROPOSED KEY PROFESSIONAL STAFF**

Proposed Position: _____

Name of Firm: _____

Name of Staff: _____

Profession: _____

Date of Birth: _____

Years with Firm/Entity: _____ Nationality: _____

Membership in Professional Societies: _____

Detailed Tasks Assigned: _____

Key Qualifications:

[Give an outline of staff member's experience and training most pertinent to tasks on assignment. Describe degree of responsibility held by staff member on relevant previous assignments and give dates and locations. Use about half a page.]

Education:

[Summarize college/university and other specialized education of staff member, giving names of schools, dates attended, and degrees obtained. Use about one quarter of a page.]

Employment Record:

[Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments. For experience in last ten years, also give types of activities performed and client references, where appropriate. Use about two pages.]

Languages:

[For each language indicate proficiency: excellent, good, fair, or poor; in speaking, reading, and writing]

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.

Date: _____

[Signature of staff member and authorized representative of the Firm]

Day/Month/Year

Full name of staff member: _____

Full name of authorized representative: _____

FORM NO.F-6
SCHEDULE OF PRICE BID

Sl. No.	Items	Amount	
		In figures	In words
1	Consultancy services		
	i. First Certification		
	ii. Second Certification		
	iii. Third Certification		
2	Consultancy service tax @.....% (separately for each certification)		
	Total		

Signature of Consultant

(Authorized representative)

Cost Estimate of Services

Remuneration of Staff

Staff	Name	Daily (Monthly) Rate (in INR)	Working days (months)	Total costs (in INR)
Team Leader				
.....				
.....				
.....				
.....				
.....				
	Sub-total (Staff)			

Out-of-Pocket Expenses:

Sl.no.	Name	Unit costs	Days	Total
	Per Diem ¹			
	Room			
	Subsistence			
	Lump Sum Expenses: ² Miscellaneous			
	Contingency charges			
	Sub-total (OPE)			

TOTAL COST ESTIMATE	
Consultancy services	
Consultancy service tax @.....%	
Total	

¹ Per Diem is fixed per calendar day and need not be supported by receipts.

² To include reporting costs, inoculations, routine medical examination, minor surface transportation and communications expenses, in-and-out expenses, and such other travel related expenses as may be necessary.

