

ANNEXES

List of Annexes

ANNEX	PARTICULARS	PAGE
Annex 1	Format for Annual Work Plan	130
Annex 2	Format of Memorandum Register at MoRD	131-132
Annex 3	Consolidated IUFR of Project	133-143
Annex 4	Consolidated IUFR of State Level	144-150
Annex 5	Summary of Annual Statutory Audit Reports of Project	151-154
Annex 6	Consolidated FM Indicators of Project	155-164
Annex 7	Consolidated FM Indicators for State Level	165-169
Annex 8	Terms of Reference of Audit by the C&AG	170-183
Annex 9	NMMU's checklist for FM Monitoring Visits to States	184-185
Annex 10	Terms of Reference for Financial Controller- NMMU	186
Annex 11	Terms of Reference for Financial Management Consultant (NMMU)	187
Annex 12	Terms of Reference for Financial Management Consultant (States)	188
Annex 13	Utilization Certificate – Form GFR 19 A	189
Annex 14	Register of Grants to be maintained by the Sanctioning Authority – Form GFR 39	190
Annex 15	Register of Fixed Assets – Form GFR 40	191
Annex 16	Register of Audit Observations	192
Annex 17	Chart of Accounts – MORD level	193
Annex 18	Chart of Accounts – State Level	194-195
Annex 19	Selection Criteria for Auditors for Statutory Audit at State Level – to be added	196
Annex 20	Terms of Reference for Statutory Audit at State Level	197-206
Annex 21	Terms of Reference of Internal Audit at State Level	207-213

Annex 1

National Rural Livelihoods Project

Format for Annual Work Plan

Annual Work Plan for Financial Year.....for.....(State/NMMU)

Components/Sub-components	Amount (Rs. in million)
Component A: Institution and Human Capacity Building	
A.1 Technical Assistance	
A.2 Human Resource Development	
Total Component A	
Component B: State Livelihood Support	
B.1 State Rural Livelihoods Missions (SRLM)	
B.2 Institution Building and Capacity Building	
B.3 Community Investment Support	
B.4 Special Programs	
Total Component B	
Component C: Innovations and Partnerships Support	
C.1: Innovation Forums and Action Pilots	
C2: Social Entrepreneurship Development	
C3: Public Private Community Partnerships	
Total Component C	
Component D: Project Management	
D. Project Implementation Support	
D.1 National Mission Management Unit (NMMU)	
D.2 Monitoring and Evaluation	
D.3 Electronic National Rural Livelihoods Mgmt System (e-NRLMS)	
D.4 Governance and Accountability Framework	
D.5 Knowledge Management and Communication	
Grand total	
Funding Sources	
Government of India Contribution	
State Government	
Grand total	

Key to Sub-components and Abbreviations

A1	TA	Technical Assistance
A2	HRD	Human Resource Development
B1	SRLM	State Rural Livelihoods Mission
B2	IB&CB	Instt. Building and Capacity Building
B3	CIS	Community Investment Support
B4	SP	Special Programs
C1	IF&AP	Innovations Forums and Action Pilots
C2	SED	Social Entrepreneur Development
C3	PPCP	Public Private Community Partnerships
D1	NMMU	National Mission Management Unit
D2	M&E	Monitoring and Evaluation
D3	e-NRLMS	Electronic -National Rural Livelihoods Management System
D4	G&AF	Governance & Accountability Framework
D5	KM&C	Knowledge Management and Communication

Annex 3

National Rural Livelihoods Project

Consolidated IUFR of NRLP

List of Interim Unaudited Financial Reports

IUFR Ref	FMR Description
1	Consolidated Statement of Uses of Funds
2	Sources and Uses of Funds – States
3A	Expenditures against Annual Agreed Work Plans – States
3B	Expenditures against Annual Agreed Work Plans – NMMU
4	Forecast of expenditures for two six month periods ending ___ and ____
5	Summary of Payments of Prior Review Contracts
6	Summary Sheet for Expenditure by Disbursement Categories

Notes:

1. IUFR (4), (5) and (6) are required on a six monthly basis

NATIONAL RURAL LIVELIHOODS MISSION
Interim Unaudited Financial Report (IUFR) for the quarter ended.....

Consolidated Statement of Uses of Funds

(Amount in
)

S. No.	Particulars	For the Quarter	For the Year	Cumulativ e for the Project
Part A - Expenditures at NMMU				
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A2	Human Resource Development			
C	Innovation and Partnership Support			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurship Development			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D2	Monitoring and Evaluation			
D3	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
	Total Uses of Funds at NMMU level			
Part B - Expenditures at State level				
B	State Livelihood Support			
B1	State Rural Livelihoods Mission			
B2	Institutional Building and capacity Building			
B3	Community Investment Support			
B4	Special Programs			
	Total Uses of Funds at State level			
	Total Uses of Funds			

NATIONAL RURAL LIVELIHOODS PROJECT

IUFR 2

Interim Unaudited Financial Report (IUFR) for the quarter ended

Sources and Uses of Funds (States)

(Amount in `)

		State 1	State 2	State 3	State 4	State 5	State 6	State 7	State 8	State 9	State 10	State 11	State 12	Total
A	Opening Balances													
	- Cash and Bank balances													
	- Advances													
B	Receipts													
	- Grants received from MoRD - NRLP													
	- Grants received from MoRD - NRLM													
	- Grants received from State - NRLP													
	- Grants received from State - NRLM													
	- Grants received from State - Others													
	- Other Grants													
	- Other Receipts													
	Interest from bank													
	Other Income													
	Liabilities													
C	Uses of Funds													
	- National Rural Livelihood Project													
	State Rural Livelihoods Mission													
	Institutional Building and capacity Building													
	Community Investment Support													
	Special Programs													
	- National Rural Livelihood Mission [summary only]													
	- Other projects [summary only]													
D	Closing Balances													
	- Cash and Bank balances													
	- Advances													

NATIONAL RURAL LIVELIHOODS PROJECT

IUFR 3 A

Interim Unaudited Financial Report (IUFR) for the quarter ended

Expenditure Against Agreed Annual Work Plan (States)

(Amount
in `)

		State 1			State 2		
		Approved Annual Work Plan	Actual Expenditure Reported		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year		This quarter	Cumulative for the Year
B1	State Rural Livelihoods Mission						
B1.1	State Project Management Unit						
B1.1.1	- Office Refurbishment						
B1.1.2	- Office furniture, fixtures etc.						
B1.1.3	- Office equipment						
B1.1.4	- Vehicles						
B1.1.5	- Staff Costs						
B1.1.6	- Operating Costs						
B1.2	District Project Management Unit						
B1.2.1	- Refurbishment Cost						
B1.2.2	- Office equipment						
B1.2.3	- Staff Costs						
B1.3	State Resource Centers						
B1.3.1	- Support to SIRD & others						
B1.3.2	- District Resource Centers						
B1.3.3	- Community Resource Centers						
B1.3.4	- Training of State, district & block staff						

B2	Institutional Building and capacity Building						
B2.1	Institutional Building						
B2.1.1	Community Resource Persons						
B2.1.2	Self Help Groups						
B2.1.3	Village Organizations						
B2.1.4	Block Level federations						
B2.1.5	Other Institutions						
B2.2	Block Project Management Unit						
B2.2.1	- Office Refurbishment						
B2.2.2	- Office furniture, fixtures etc.						
B2.2.3	- Office equipment						
B2.2.4	- Staff Costs						
B2.2.5	- Operating Costs						
B3	Community Investment Support						
B3.1	Livelihood Plans, health and food security						
B3.2	Agriculture Interventions						
B3.3	Dairy Interventions						
B3.4	Non farming Interventions						
B4	Special Programs						
B4.1	Special Initiatives - Health, nutrition etc.						
B4.2	Special Purpose Vehicles						
B4.3	Implementation in difficult areas						
GRAND TOTAL							

Note: The Table is to be filled for all 12 states

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUF) for the quarter ended

Expenditures against Annual Agreed Work Plans – NMMU				
		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A1.1	- Resident Representatives & Spearhead Teams			
A1.2	- TA for Human Resources			
A1.3	- TA for Innovations & Partnerships			
A1.4	- TA for Financial Inclusion			
A1.5	- TA for Livelihood Promotion			
A1.6	- TA for Service Delivery for Poor			
A1.7	- TA for Knowledge management			
A1.8	- TA for MIS			
A1.9	- Other TA			
A2	Human Resource Development			
A2.1	- National Center for Livelihoods			
A2.2	- Partnerships with other Institutions			
A2.3	- Regional Centers for Excellence			
A2.4	- Other demand driven trainings			
C	Innovations and Partnerships			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurs Forums			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D1.1	- Office Refurbishment Costs			
D1.2	- Office furniture/fixtures			
D1.3	- Office equipment			
D1.4	- Vehicles			
D1.5	- Staff Costs			
D1.6	- Operating Costs			

D2	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D2.1	- Project Management Agency			
D2.2	- MIS Implementation Agency			
D2.3	- IT Infrastructure, websites and portals			
D2.4	- Applications and software			
D3	Monitoring and Evaluation			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
GRAND TOTAL				

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUF4) for the six months ended

Forecast of expenditures for two six month periods ending _____ and _____

		From xx/xx/XXXX to xx/xx/XXXX	From xx/xx/XXXX to xx/xx/XXXX	Total
Part A - Expenditures at NMMU				
A	Institutional and Human Capacity Building			
A1	Technical Assistance			
A2	Human Resource Development			
C	Innovations and Partnerships			
C1	Innovation Forums and Action Pilots			
C2	Social Entrepreneurship Development			
C3	Public Private Community Partnerships			
D	Project Implementation Support			
D1	National Mission Management Unit			
D2	Electronic National Rural Livelihoods Mission System (e-NRLM)			
D3	Monitoring and Evaluation			
D4	Governance and Accountability Framework			
D5	Knowledge Management & Communication			
	Total Fund Requirement at NMMU level			
Part B - Expenditures at State level				
	State 1			
	State 2			
	State 3			
	State 4			
	State 5			
	State 6			
	State 7			
	State 8			
	State 9			
	State 10			
	State 11			
	State 12			
	Total Fund Requirement at State level			
	Total forecast of Expenditures			

NATIONAL RURAL LIVELIHOODS PROJECT

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

Summary of Payments of Prior Review Contracts

(Amount in `)

S.No.	Component/ Sub-component	WBR#	Contractor/ Consultants	Contract Value	Payment Details		
					Date of Payment	Paid this quarter	Cumulative
NMMU Level							
1							
2							
3							
4							
State 1							
1							
2							
3							
State 2							
1							
2							
3							

NATIONAL RURAL LIVELIHOODS PROJECT

Six-monthly Interim Unaudited Financial Report (IUF)

SUMMARY SHEET FOR EXPENDITURE BY CATEGORIES

Period: from _____ to _____

IUF 6

Category No.	Category Description	Reimbursable % age	Actual Expenditure for the current period			Forecast of Expenditures for next two periods		
			Total Expenditure INR	Amount (Bank's share) INR	Amount (Bank's share) USD Equiv.	Total Expenditure INR	Amount (Bank's share) INR	Amount (Bank's share) USD Equiv.
1	2	3	4	5=4*3	6	7	8=7*3	9
1	Goods, works, non-consulting services, consultants' services, operating costs under Parts A, B1, B4, C and D of the Project							
2	Goods, non-consulting services, consultants' services, operating costs and Investment Support under Part B2 and B3 of the Project							
Total								

Note: Columns (6) and (9) to be completed at CAA&A

Financial Controller

*Project
Director*

Annex 4

National Rural Livelihoods project

List of Consolidated Interim Unaudited Financial Reports for State Level

IUFR Ref	FMR Description
2	Sources and Uses of Funds – States
3A	Expenditures against Annual Agreed Work Plans – States
4	Forecast of expenditures for two six month periods ending ____ and ____
5	Summary of Payments of Prior Review Contracts

Notes:

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

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for the quarter ended

Sources and Uses of Funds for...(Name of State)

(Amount in `)

		Total
A	Opening Balances	
	- Cash and Bank balances	
	- Advances	
B	Receipts	
	- Grants received from MoRD - NRLP	
	- Grants received from MoRD - NRLM	
	- Grants received from State - NRLP	
	- Grants received from State - NRLM	
	- Grants received from State - Others	
	- Other Grants	
	- Other Receipts	
	Interest from bank	
	Other Income	
	Liabilities	
C	Uses of Funds	
	- National Rural Livelihood Project	
	State Rural Livelihoods Mission	
	Institutional Building and capacity Building	
	Community Investment Support	
	Special Programs	
	- National Rural Livelihood Mission [summary only]	
	- Other projects [summary only]	
D	Closing Balances	
	- Cash and Bank balances	
	- Advances	

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUFR) for the quarter ended

Expenditures against Annual Agreed Work Plans -(Name of State)

		Approved Annual Work Plan	Actual Expenditure Reported	
			This quarter	Cumulative for the Year
B1	State Rural Livelihoods Mission			
B1.1	State Project Management Unit			
B1.1.1	- Office Refurbishment			
B1.1.2	- Office furniture, fixtures etc.			
B1.1.3	- Office equipment			
B1.1.4	- Vehicles			
B1.1.5	- Staff Costs			
B1.1.6	- Operating Costs			
B1.2	District Project Management Unit			
B1.2.1	- Refurbishment Cost			
B1.2.2	- Office equipment			
B1.2.3	- Staff Costs			
B1.3	State Resource Centers			
B1.3.1	- Support to SIRD & others			
B1.3.2	- District Resource Centers			
B1.3.3	- Community Resource Centers			
B1.3.4	- Training of State, district & block staff			
B2	Institutional Building and capacity Building			
B2.1	Institutional Building			
B2.1.1	Community Resource Persons			
B2.1.2	Self Help Groups			
B2.1.3	Village Organizations			
B2.1.4	Block Level federations			
B2.1.5	Other Institutions			

B2.2	Block Project Management Unit			
B2.2.1	- Office Refurbishment			
B2.2.2	- Office furniture, fixtures etc.			
B2.2.3	- Office equipment			
B2.2.4	- Staff Costs			
B2.2.5	- Operating Costs			
B3	Community Investment Support			
B3.1	Livelihood Plans, health and food security			
B3.2	Agriculture Interventions			
B3.3	Dairy Interventions			
B3.4	Non farming Interventions			
B4	Special Programs			
B4.1	Special Initiatives - Health, nutrition etc.			
B4.2	Special Purpose Vehicles			
B4.3	Implementation in difficult areas			
GRAND TOTAL				

NATIONAL RURAL LIVELIHOODS PROJECT

Interim Unaudited Financial Report (IUF) for the six months ended

Forecast of expenditures for two six month periods ending ___ and _____

		From xx/xx/XXXX to xx/xx/XXXX	From xx/xx/XXXX to xx/xx/XXXX	Total
B1	State Rural Livelihoods Mission			
B1.1	State Project Management Unit			
B1.1.1	- Office Refurbishment			
B1.1.2	- Office furniture, fixtures etc.			
B1.1.3	- Office equipment			
B1.1.4	- Vehicles			
B1.1.5	- Staff Costs			
B1.1.6	- Operating Costs			
B1.2	District Project Management Unit			
B1.2.1	- Refurbishment Cost			
B1.2.2	- Office equipment			
B1.2.3	- Staff Costs			
B1.3	State Resource Centers			
B1.3.1	- Support to SIRD & others			
B1.3.2	- District Resource Centers			
B1.3.3	- Community Resource Centers			
B1.3.4	- Training of State, district & block staff			
B2	Institutional Building and capacity Building			
B2.1	Institutional Building			
B2.1.1	Community Resource Persons			
B2.1.2	Self Help Groups			
B2.1.3	Village Organizations			
B2.1.4	Block Level federations			
B2.1.5	Other Institutions			

B2.2	Block Project Management Unit			
B2.2.1	- Office Refurbishment			
B2.2.2	- Office furniture, fixtures etc.			
B2.2.3	- Office equipment			
B2.2.4	- Staff Costs			
B2.2.5	- Operating Costs			
B3	Community Investment Support			
B3.1	Livelihood Plans, health and food security			
B3.2	Agriculture Interventions			
B3.3	Dairy Interventions			
B3.4	Non farming Interventions			
B4	Special Programs			
B4.1	Special Initiatives - Health, nutrition etc.			
B4.2	Special Purpose Vehicles			
B4.3	Implementation in difficult areas			
TOTAL FORECAST OF EXPENDITURE				

NATIONAL RURAL LIVELIHOODS PROJECT

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

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

(Amount in `)

S.No.	Component/ Sub- component	WBR#	Contractor/Consultants	Contract Value	Payment Details		
					Date of Payment	Paid this quarter	Cumulative
1							
2							
3							
4							

Annex 5

SUMMARY OF ANNUAL STATUTORY AUDIT REPORTS OF PROJECT

Expenditure Incurred by Implementing Entities (States/NMMU)*

Audit Report for Financial Year ended on _____

(Rs. Lakhs)

S. No.	Name of State/NMMU (in alphabetical order)	Expenditure			
		Reported as per IUFR ¹ (A)	Expenditure Submitted for Audit	Expenditure Disallowed in Audit ²	Expenditure Admitted in Audit Net D= B - C
		A	B	C	D= B - C
I	NMMU				
II	States				
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
	Total States (II)				
	Grand Total (I+II)				

Note : Consolidated Audit Report for the Project will be prepared on the basis of the individual audit report for each State and audit report for NMMU.

¹ As reported in the Interim Un-audited Financial Reports of the NMMU/State

² Amount either (a) disallowed by the Auditor or (b) considered ineligible by NMMU for any reason

SUMMARY OF AUDIT REPORTS

Amount Disallowed in Audit and Observations

Audit Report for Financial Year ended on _____

S. No.	Name of State/NMMU	Amount Disallowed (Rs. Lakhs)	Audit Observations
A	NMMU		
	Total NMMU (A)		
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
Total States (B)			
Total Amount Disallowed C = A+B)			

KEY OBSERVATIONS OF AUDITOR

Audit Report for Financial Year ended on _____

<List name of Implementing Entity and Key Observations relating to the Project>

Annex 6

National Rural Livelihoods Project

CONSOLIDATED FM Indicators for Project

For Six Monthly Period*.....to

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

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

STATE	No. Of DMMUs In state	SMMU (Designation wise)				DMMU (Designation wise)				Remarks
		Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	
State 1										
State 2										
State 3										
State 4										
State 5										
State 6										
State 7										
State 8										
State 9										
State 10										
State 11										
State 12										

B. TRAINING OF FM STAFF

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

STATE	Level at which Training was Conducted (national/state/district/sub-district)	Trainer (If in-house training, mention designation. If external trainer, mention consultant)	Number of Staff/ Designation of Staff Trained	Duration of Training	Key Topics	Remarks
State 1						
SMMU						
DMMU						
Community						
State 2						
SMMU						
DMMU						
Community						
State 3						
SMMU						
DMMU						
Community						
State 4						
SMMU						
DMMU						
State 5						
SMMU						
DMMU						

Community						
State 6						
SMMU						
DMMU						
Community						
State 7						
SMMU						
DMMU						
Community						
State 8						
SMMU						
DMMU						
Community						
State 9						
SMMU						
DMMU						
Community						
State 10						
SMMU						
DMMU						
Community						
State 11						
SMMU						
DMMU						
Community						
State 12						
SMMU						
DMMU						
Community						

C. DELEGATION OF ADEQUATE FINANCIAL and ADMINISTRATIVE POWERS

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

STATE	Delegation of Financial Powers to Head, SMMU	Delegation of Financial Powers to Head, DMMU
State 1		
State 2		
State 3		
State 4		
State 5		
State 6		
State 7		
State 8		
State 9		
State 10		
State 11		
State 12		

D. STATUS OF FM MANUALS

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

STATE	State Financial Rules	State FM Manual	Community Level FM Manual	Any Other FM Manual(s)
State 1				
State 2				

State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				
State 12				

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

STATE	State Share due for NRLP to SMMU (Rs. Lakhs)	Actual Funds Received for State Share		Remarks
		Date of Receipt	Amount Received (Rs. Lakhs)	
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				

State 12				
----------	--	--	--	--

F. ACCOUNTING SOFTWARE

STATE	Is Accounting Software being used? Mention 'Yes' or 'No'		If 'yes', please specify Name of Accounting Software	If 'no' please mention likely date for implementation of software at SMMU and DMMU
	SMMU	DMMU		
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				
State 11				
State 12				

G. INTERIM UNAUDITED FINANCIAL REPORTS

STATE	Date of Submission of IUFRR to NMMU for last 2 quarters by the State		Did last quarterly State IUFRR include all districts? (Yes or No)
	Quarter (....to)	Quarter (....to)	If 'no', please mention names of districts not included in the IUFRR
State 1			
State 2			
State 3			
State 4			
State 5			
State 6			
State 7			
State 8			
State 9			
State 10			
State 11			
State 12			

H. UTILIZATION CERTIFICATE

STATE	Last Utilization Certificate from State to NMMU	
	Period covered by UC (....to)	Date of Submission of UC by the state to NMMU
State 1		
State 2		

State 3		
State 4		
State 5		
State 6		
State 7		
State 8		
State 9		
State 10		
State 11		
State 12		

I. STATUS OF BANK RECONCILIATION STATEMENT (BRS) AS ON.....(mention date)

STATE	BRS completed up to period (mention date)		Signatory to Bank Account (Designation(s) of officials)	
	SMMU	DMMU*	SMMU	DMMU*
State 1				
State 2				
State 3				
State 4				
State 5				
State 6				
State 7				
State 8				
State 9				
State 10				

State 11				
State 12				

*If there is more than one bank account for NRLP at DMMU, please add additional columns in summary.

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

	A. Statutory Audit for Financial Year.....								B. Compliance of Statutory Audit of Financial Year.....	
STATE	Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Schedule of Audit	Has ToR as per Financial Management Manual been provided to Auditor? 'Yes' or 'No'	Likely date of submission of Audit Certificate to SRLM	Remarks about Progress of audit	Period for which compliance report has been submitted to NMMU	Date of submission of Compliance Report to NMMU
State 1										
State 2										
State 3										
State 4										
State 5										
State 6										
State 7										
State 8										
State 9										
State 10										
State 11										
State 12										

K. STATUS OF INTERNAL AUDIT OF SRLM FOR FINANCIAL YEAR.....

STATE	Name of Firm	Date of Appointment of Auditor	Duration of Appointment	Audit Fee	Total No. of Units	No. of Units covered in Internal Audit	Period Covered	Units not Covered	Remarks
State 1									
State 2									
State 3									
State 4									
State 5									
State 6									
State 7									
State 8									
State 9									
State 10									
State 11									
State 12									

Annex 7

National Rural Livelihoods Project

CONSOLIDATED FM Indicators for State Level

For Six Monthly Period*.....tofor State of.... (Name of State)

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

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

No. Of DMMUs In state	SMMU (Designation wise)				DMMU (Designation wise)				Remarks
	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	Optimal Staffing as per PIP	Sanctioned posts	Posts filled	Posts Vacant and Since When	

B. TRAINING OF FM STAFF

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

	Level at which Training was Conducted (national/state/district/sub-district)	Trainer (If in-house training, mention designation. If external trainer, mention consultant)	Number of Staff/ Designation of Staff Trained	Duration of Training	Key Topics	Remarks
SMMU						
DMMU						
Community						

C. DELEGATION OF ADEQUATE FINANCIAL and ADMINISTRATIVE POWERS

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

Delegation of Financial Powers to Head, SMMU	Delegation of Financial Powers to Head, DMMU

--	--

D. STATUS OF FM MANUALS

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

State Financial Rules	State FM Manual	Community Level FM Manual	Any Other FM Manual(s)

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

State Share due for NRLP to SMMU (Rs. Lakhs)	Actual Funds Received for State Share		Remarks
	Date of Receipt	Amount Received (Rs. Lakhs)	

F. ACCOUNTING SOFTWARE

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

--	--	--	--

G. INTERIM UNAUDITED FINANCIAL REPORTS

Date of Submission of IUFR to NMMU for last 2 quarters by the State		Did last quarterly State IUFR include all districts? (Yes or No) If 'no', please mention names of districts not included in the IUFR
Quarter (....to)	Quarter (....to)	

H. UTILIZATION CERTIFICATE

Last Utilization Certificate from State to NMMU	
Period covered by UC (....to)	Date of Submission of UC by the state to NMMU

II. STATUS OF BANK RECONCILIATION STATEMENT (BRS) AS ON.....(mention date)

BRS completed up to period (mention date)		Signatory to Bank Account (Designation(s) of officials)	
SMMU	DMMU*	SMMU	DMMU*

*If there is more than one bank account for NRLP at DMMU, please add additional columns in summary.

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

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

K. STATUS OF INTERNAL AUDIT OF SRLM FOR FINANCIAL YEAR.....

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

Annex 8

TERMS OF REFERENCE FOR THE AUDIT OF PROJECT FINANCIAL STATEMENTS OF

NATIONAL RURAL LIVELIHOODS PROJECT (For audits conducted by CAG)

BACKGROUND

Objective of NRLP: The project development objective of the proposed NRLP is to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services.

Funding of Scheme

NRLM is a Centrally Sponsored Scheme and the financing of the program would be shared between the Centre and the States in the ratio of 75:25 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs).

The proposed National Rural Livelihoods Project (NRLP) intends to support the overall launch of the activities of the NRLM including specific additional investments for twelve⁴ states that have the highest number of absolute poor and poverty rates in India. The total project cost of NRLP has been estimated at US\$1.17 billion, out of which the Government share would be US\$ 171 million. The remaining US\$1000 million would come as Bank's contribution in the form of IDA financing.

Project Period, Scope and Phasing

The implementation period for the project is five years. The NRLP is designed to be implemented in a Mission Mode, both to provide direct support to 12 priority States, as well as to provide the architecture for managing the NRLM across the whole country. While the NRLM, being a national program of the GOI, will be implemented in all states of the country, the National Rural Livelihood Project (NRLP) that will be supported by the Bank will be implemented intensively in selected 400 blocks of 12 priority states of the country.

Project Components:

Part A: Institutional and Human Capacity Development

The objective of the component is to facilitate the provision of high quality technical assistance in the field of rural livelihoods promotion through:

A1: *Technical Assistance:* Establishing a team of high quality professionals to provide technical assistance to Participating States in various thematic areas, including *inter alia*, community mobilization, livelihood promotion, financial inclusion, human resource

⁴ Chhattisgarh, Bihar, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal

management, monitoring and evaluation, environment management, and fiduciary management.

A2: Human Resource Development: Supporting the development of partnerships with well established training and research institutions in the field of rural development throughout India that can deliver focused training programs for successful implementation of the Project and related activities in the rural development sector.

Part B: State Livelihood Support

The objective of the component is provision of support to the governments of the Participating States to establish the necessary institutional architecture for the implementation of Project activities, including Investment Support to Beneficiary Institutions, including:

B1: State Rural Livelihoods Missions (SRLM): supporting the formation of autonomous and professionally managed project missions at the state-level comprising of multi-disciplinary teams.

B2: Institution Building and Capacity Building Supporting the identification, selection, and mobilization of Beneficiary Institutions.

B3: Community Investment Support Providing Investment Support to Beneficiary Institutions to enable them to undertake productive livelihood enhancing initiatives.

B4: Special Programs Supporting activities that have potential for scaling-up and replication including, *inter alia*, health and nutrition, green opportunities, climate change, value-chain development and usage of new technologies for financial inclusion.

Part C: Innovation and Partnership Support

The objective of the component is establishment of an institutional mechanism to identify, nurture and support innovative ideas from across India to address the livelihood needs of the rural poor, including:

C1: S Innovation Forums and Action Pilots supporting selected innovations identified through development marketplace-type forums that have the potential to be scaled-up.

C2. Social Entrepreneurship Development Supporting the development of a network of grassroots innovators and social entrepreneurs at state and national level.

C3. Public-Private-Community-Partnership Developing and supporting effective partnerships with the private sector, foundations public corporations, and civil society organizations on livelihoods development for the rural poor throughout India.

Part D: Project Implementation Support

Establishing an effective project management unit at the national level that develops key systems and processes for coordination and management of the Project, including:

D1: National Mission Management Unit (NMMU) Strengthening the various functions of the NMMU to be able to manage, deliver and support all aspects of the Project.

D2: Monitoring and Evaluation Developing a comprehensive and robust monitoring and evaluation system, including an integrated management information system.

D3: Electronic National Rural Livelihoods Management System (e-NRLMS) and ICT

D4. *Governance and Accountability Framework*

D5. *Knowledge Management and Communication* Establishing a variety of products and services to enhance the generation and use of knowledge management activities as a key tool for enhancing the quality of project implementation.

Project Implementation Arrangements

NRLM would set up sensitive and dedicated support structures at the National, State, district and sub-district levels.

Central

AC/CC/EC: At the central level there is a National Advisory Committee (NRLM-AC) chaired by Union Minister of Rural Development, NRLM Coordination Committee (NRLM-CC) chaired by Secretary, Rural Development to oversee the NRLM and NRLM Empowered Committee (NRLM-EC) to review and approve the State Perspective and Implementation Plans (SPIP) and Annual Action Plans and release the funds to State Rural Livelihoods Missions (SRLM).

NMMU: At the Central level, the program will be implemented by the National Rural Livelihoods Mission, as a dedicated constituent unit of the Ministry of Rural Development (MoRD), Government of India. Joint Secretary, MoRD will be the mission director who will be assisted by a NRLM Mission Management Unit (NMMU). The structure of NRLM will be organized into Mission Director, a Chief Operations Officer (COO) and three units i.e. Thematic Support Unit, Technical Assistance Unit and Program Management Unit.

State

State Rural Livelihoods Mission (SRLM): SRLM, constituted by State Government, would oversee the implementation of all NRLM related activities in the state. An autonomous body under the Rural Development Department, SRLM would be incorporated as a society, trust or company. Its Governing Body (GB) and the Executive Committee (EC) will provide guidance and advice in all aspects of planning and implementation.

State Mission Management Unit (SMMU): SRLM would implement the NRLM activities in the state through a State Mission Management Unit (SMMU), at the state level, headed by a full-time State Mission Director (SMD). SRLM would lead all NRLM activities in the state and would be responsible for drafting policies and implementation guidelines of the mission at the state level and ensuring proper linkages with the DRDAs.

District

District Mission Management Unit (DMMU): DMMU of the SRLM, linked suitably with DRDA, would be a facilitating and support unit for field structures. DMMU will be headed by District Project Manager (DPM).

Summary of Financial Management Arrangements of NRLP

- *Planning and Budgeting*: Planning of NRLP activities will be as per framework of planning for NRLM. The project will be budgeted as a separate line in MoRD's budget.

- *Flow of Funds for Central Level Activities:* At GoI level, NMMU will function within the existing Government systems using the Pay & Accounts Office to process and account for project related expenditures.
- *Flow of Funds MoRD to States:* Fund releases to the SRLMs will be through direct transfers into SRLM bank accounts and will be against agreed annual work plans.
- *Payments and Accounting:* At GoI level, NMMU will function within the existing Government systems using the Pay & Accounts Office (PAO) to process and account for project related expenditures. NMMU will maintain Memorandum Register for summarizing component/sub-component-wise expenditure and preparing IUFRs for NMMU. In the MoRD books of accounts, transfers (Grant in Aid) to SRLMs to finance approved State Annual Work Plans will, in accordance with existing GOI rules, be recorded as expenditure. For the purpose of the program, however, NMMU will need to keep track of the actual expenditures reported against the grants by the States on an off-line basis as these are essentially in the nature of advances.
- *Financial Reporting:* NMMU will be responsible for compiling and preparing consolidated project financial progress reports on a quarterly/annual basis for NRLP by consolidating expenditure at NMMU level and state level. These reports will aggregate the financial reports for the following: (a) NMMU level expenditures as obtained from Pay & Accounts Officer (PAO) reports; (b) fund releases to SRLMs by MoRD, as obtained from PAO reports; and (c) SRLM level financial reports, as obtained from their financial management systems.
- *Disbursement:* from the World Bank will be on the basis of Six-monthly Interim Unaudited Financial Reports (IUFRs) which will be submitted by NMMU to the World Bank. The formats of IUFRs will be part of the FMM.
- *Audit:* Audit for NMMU will be as per standard ToRs agreed between the C&AG and the World Bank. Audit of SRLMs will be done by a CA firm out of a “call down” list maintained at NMMU and as per terms of reference of audit agreed with the World Bank. A summary of audit reports of NMMU and states and individual audit reports for NRLP will be submitted to the Bank by 30th September every year for previous financial year.

OBJECTIVE

The essence of the World Bank⁵ audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended,⁶ that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as

⁵ “World Bank” includes the International Development Agency and the International Bank for Reconstruction and Development. “Loans” includes credits and grants to which the TORs would apply; and “borrower” includes recipients of such loans.

⁶ The Bank’s charter [Article III Section V(b) of IBRD’s Articles of Agreement and Article V Section 1(g) of IDA’s Articles of Agreement] specify that: “The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.”

to whether the Financial Management Reports submitted by project management may be relied upon to support any applications for withdrawal, and whether adequate supporting documentation has been maintained to support claims made by project management for reimbursement of expenditures incurred under the Statement of Expenditure method of reimbursement.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency– [_____] Project Implementation Unit and the participating divisions.

STANDARDS

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

SCOPE⁷

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

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement, the Project Agreement, and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via SOEs/ SAs/ or FMRs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
- (d) The project accounts have been prepared in accordance with consistently applied Government Accounting Standards⁸ and present fairly, in all material respects, 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 Project Financial Statements should include-

- A. Statement of Sources and Applications of Funds: The contents of Project Financial Statements (PFS) are specific to the sector, the project design and the type of implementing entity. These formats therefore vary from one Project to another. The formats of PFS are prepared in consultation with the implementing entity during the

⁷ In response to identified project risks, the scope may be expanded to include a report or the expression of an opinion on specific aspects of the operation such as internal controls, compliance with Bank procurement policies, or efficiency and effectiveness in the use of loan proceeds.

⁸ Until such time as the pronouncements of the Government Accounting Standards Advisory Board are accepted and prescribed by the Ministry of Finance, the accounting standards followed by the Government of India will be defined by the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

preparation of the Project. See Annexure 1 for an example of a Statement of Sources and Applications of Funds that could be prepared for a project implemented by core government departments.

- B. Reconciliation of Claims to Total Applications of Funds. The PFS include a reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through Statements of Expenditures (SOE), documented claims or report based methods of reimbursement. An example is shown at Annexure 2.
- C. Other Statements or Schedules as may be applicable in particular circumstances and as specified in the relevant legal agreements, such as:
 - A statement showing appropriate major heads of expenditure. (say by Project Component/Sub-components)
 - A summary of cumulative expenditures by category of expenditure such as buildings, equipment, furniture, vehicles, major rehabilitation of canals etc
- D. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at Annexure 3.

Statements of Expenditures and Financial Management Reports

In addition to the audit of the PFS, the auditor is required to audit all Statements of Expenditures (SOEs) and/or Financial Management Reports (FMRs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

AUDIT REPORT

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.”⁹ In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan/Credit Agreement. Relevant CAG Auditing Standards are reproduced in Annexure 5. A sample audit report wording for an unqualified audit opinion is shown at Annexure 4.

The project financial statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

⁹ See relevant portions of Auditing Standards of the Comptroller and Auditor General of India as applicable from time to time.

The audit report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

MANAGEMENT LETTER

In addition to the audit report on the project financial statements, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination.

Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank. Else, a written advice may be made that no management letter was prepared together with the audit report on the project financial statements.

GENERAL

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, a copy of these Guidelines, and a copy of the Bank's Financial Management Assessment of the project entity. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/BP 10.02, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

Annexure 1

Example of a Statement of Sources and Application of Funds (projects implemented by core government departments)

Name of the Project
Loan/Credit/Grant No.
Statement of Sources and Applications of Funds
Report for the year ended _____

In Rs. '000

Particulars	Current Year	Previous Year	Project to date
Opening Balance, (if cash balances are controlled by the entity) (A)			
Receipts			
Funds from Government through Budget (These will include external assistance received by Government for the project.)			
Funds received directly by Project Implementing authority through external assistance			
Beneficiary Contribution (if any)			
Total Receipts (B)			
Total Sources (C = A + B)			
Expenditures by Component			
A.			
B.			
C.			
Total Expenditures (D)			
Closing Balance, (if cash balances are controlled by the entity) (C-D)			

Notes:

1. This financial statement is prepared on a cash basis of accounting as per provisions of the Financial Rules and codes applicable.
2. The above figures will be based on monthly/quarterly abstract accounts prepared by the accounts compiling officers, duly reconciled by the respective DDOs, with details of unreconciled amounts to be furnished.
3. Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
4. Any other project specific Note.

Annexure 2

Sample Reconciliation of Claims to Total Applications of Funds

Name of the Project
Loan / Credit / Grant No.
Reconciliation of Claims to Total Applications of Funds
Report for the year ended _____

	Schedules	Amt (Rs. '000)		
		Current Year	Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year (B)				
Less: Outstanding AC bills (C)	II			
Ineligible expenditures (D)	III			
Expenditures not claimed (E)	IV			
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)				
World Bank Share @ x% of (F) above (G)				

CFAO

Project Director

Date

Date

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Expenditures shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Applications of Funds)
2. Outstanding AC bills (C above) reflect funds drawn against AC bills that have been booked as expenditure but not settled by the end of the year (ie, unsettled advances). The project should show in Schedule II the opening balance of unsettled AC bills, AC bills drawn during the year, AC bills settled during the year, and AC bills unsettled at the end of the year.
3. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.
4. Amounts A and G above must be equal.

Annexure 3

Example of a Management Assertion Letter¹⁰

(Project Letterhead)

(To Auditor)

(Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Senior Executive Officer)

(Senior Financial Officer)

¹⁰ This sample management assertion letter is based on ISA 580, "Management Representations," *Handbook of International Auditing, Assurance and Ethics Pronouncements*, International Federation of Accountants, 2007

Sample Audit Report—Unqualified Opinion¹¹

Report of the Comptroller and Auditor General of India

Addressee¹²

Report on the Project Financial Statements

We have audited the accompanying financial statements of the _____ Project financed under World Bank Loan No. _____/IDA, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds¹³ for the year ended _____, These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the 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 misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of _____ Project for the year ended _____ in accordance with Government of India accounting standards.¹⁴

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs/FMRs (each application no. and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

¹¹ See relevant portions of Auditing Standards of the Comptroller and Auditor General of India as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered.

¹² The auditor's report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

¹³ Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

¹⁴ Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date¹⁵]

¹⁵ The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.

Excerpt from CAG Auditing Standards (2nd Edition, 2002) Chapter IV, Reporting Standards

11. The form and content of audit opinion and report.

11.1 The form and content of all audit opinions and reports are founded on the following general principles:

- (a) **Title.** The opinion or report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.
- (b) **Signature and date.** The opinion or report should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date (which, in the case of regularity (financial) audits, may be beyond the period of the financial statements).
- (c) **Objectives and scope.** The opinion or report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.
- (d) **Completeness.** Opinions should be appended to and published with the financial statements to which they relate, but performance reports may be free standing. The auditor's opinions and reports should be presented as prepared by the auditor. In exercising its independence CAG may acquire information from time to time, which in the national interest cannot be freely disclosed. This can affect the completeness of the audit report. In this situation the auditor should consider the need to make a report, possibly including confidential or sensitive material in a separate, unpublished report.
- (e) **Addressee.** The opinion or report should identify those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This is unnecessary where formal procedures exist for its delivery.
- (f) **Identification of subject matter.** The opinion or report should identify the financial statements (in the case of regularity (financial) audits) or area (in the case of performance audits) to which it relates. This includes information such as the name of the audited entity, the date and period covered by the financial statements and the subject matter that has been audited.
- (g) **Legal basis.** Audit opinions and reports should identify the legislation or other authority providing for the audit.
- (h) **Compliance with standards.** Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.
- (i) **Timeliness.** The audit opinion or report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.

11.2 An audit opinion is normally in a standard format, relating to the financial statements as a whole, thus avoiding the need to state at length what lies behind it but conveying by its nature a general understanding among readers as to its meaning. The nature of these words will be influenced by the legal framework for the audit, but the content of

the opinion will need to indicate unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.

- 11.3 An unqualified opinion is given when the auditor is satisfied in all material respects that:
- (a) The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
 - (b) The statements comply with statutory requirements and relevant regulations;
 - (c) The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
 - (d) There is adequate disclosure of all material matters relevant to the financial statements.
- 11.4 **Emphasis of Matter.** In certain circumstances the auditor may consider that the reader will not obtain a proper understanding of the financial statements unless attention is drawn to unusual or important matters. As a general principle the auditor issuing an unqualified opinion does not make reference to specific aspects of the financial statements in the opinion in case this should be misconstrued as being a qualification. In order to avoid giving that impression, references that are meant as "emphases of matter" are contained in a separate paragraph from the opinion. However, the auditor should not make use of an emphasis of matter to rectify a lack of appropriate disclosure in the financial statements, nor as an alternative to, or a substitute for, qualifying the opinion.
- 11.5 **Adverse Opinion.** Where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate, an adverse opinion is given. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect on the financial statements is quantified where relevant and practicable.
- 11.6 **Disclaimer of Opinion.** Where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction that is so fundamental that an opinion, which is qualified in certain respects, would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.
- 11.7 It is customary to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

Annex 9

NATIONAL RURAL LIVELIHOODS PROJECT

NMMU's Checklist of FM Monitoring Visits to States

Note: This check-list includes some key areas which should be covered by NMMU FM staff during visit to states. NMMU staff may add more areas to be covered/questions, as per requirement.

Name of State:

Date of Visit

Name/Designation of Reviewer:

S. No.	Key Areas	Yes/No	Remarks
1.	Staffing a) Are there any vacancies of FM staff at state/districts/block level? b) Is there a plan to fill vacancies?		
2.	FM Training c) Are there any major gaps/delays in training of FM staff? d) Is there a plan to address gaps in training?		
3.	FM Manual/Guidelines at State Level a) Has FM Manual for state level been prepared/circulated/updated? b) Has FM Manual/Guidelines for Community level funds been prepared/circulated/updated. c) Any comments on quality of state level manual/guidelines a) Major gaps in manuals/guidelines		
4.	Financial Delegation: Is delegation of financial administrative powers adequate for state/district level		
5.	Flow of Funds a) Are there any delays in flow of funds from NMMU to SMMU? b) Are there any delays in flow of funds from SMMU to districts, districts to sub-district and community? c) Any comments on mode of transfer of funds (electronic/cheque/drafts)		
6.	Budgeting and Monitoring of Expenditure a) Is preparation of budget and estimates for next financial year proceeding satisfactorily? b) Is there a regular system of monitoring expenditure at components/sub-components/activities/by project units?		
7.	Accounting a) Cashbook and Bank Book written up to date (indicate date) b) General Ledger is written and up to date (mention date) c) All vouchers are serially numbered and files properly. d) Is there a system of monthly closure of accounts?		
8.	Major Internal Controls Weaknesses a) Bank Reconciliation, pre-signed blank cheques		

	<ul style="list-style-type: none"> b) Large cash withdrawals, cash payments, cash verification, c) Advances d) Payment Procedure e) Fixed assets register, verification of fixed assets etc. f) Other 		
9.	<p><i>Financial Reporting</i></p> <ul style="list-style-type: none"> a) Is there any backlog in preparation of IUFR, UC, audit report, summary of FM Indicators for State etc. 		
10.	<p><i>Statutory Audit</i></p> <ul style="list-style-type: none"> a) Is there any major delay in completing audit for previous financial year? b) Is there a major gap in preparing compliance of audit observations? 		
11.	<p><i>Internal Audit</i></p> <ul style="list-style-type: none"> a) Is there any major delay in completing audit? b) Is there a major gap in preparing compliance of audit observations? 		
12.	<p><i>FM Disclosure:</i> Is it adequate and timely?</p>		
13.	<p><i>Major Deviation from FM Framework and Procedures</i> Is there a major deviation in FM Framework and procedures of National FM Manual e.g., accounting policy, diversion of funds, flow of funds system, etc. If so, please specify.</p>		
14.	<p><i>MoU</i></p> <ul style="list-style-type: none"> a) Are key FM provisions of MoU between MoRD and state being complied with? 		
15.	<p><i>Community Level FM Monitoring by Project</i></p> <ul style="list-style-type: none"> a) <u>Federation Grant Agreement</u> Is the system of signing and maintenance of records of agreements and monitoring of FM provisions of the agreement satisfactory? b) <u>Reporting:</u> Is the system of monitoring timeliness and accuracy of financial reports/UCs from community organizations satisfactory? c) Is the system of facilitating timely audit and compliance of observations by the community organizations satisfactory? d) <u>FM Performance:</u> Any comments on FM training, capacity, governance system, record keeping, social accountability measures at community level? 		
16.	<p><i>Any Other observations</i></p> <ul style="list-style-type: none"> a) Project Level b) Community Level 		

Key Mitigation Measures Agreed with SMMU

Agreed Action	To be completed by...

Signed:

Date:

Annex 10

TERMS OF REFERENCE FOR FINANCIAL CONTROLLER (NMMU), Ministry of Rural Development

Job Description

The Financial Controller will be required to oversee financial management functions of National Mission Management Unit (NMMU).

The Financial Controller will report to the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific responsibilities

- Plan and monitor work of Financial Management Unit of NMMU.
- Coordination with Finance Department of MoRD.
- Finalization of FM procedures of NRLM/NRLP.
- Finalization of annual budget of NMMU and NRLM/NRLP.
- Establish effective system of flow of funds to states and for NMMU level activities.
- Monitor effectiveness of payments and financial reporting system of NMMU
- Monitor effectiveness of internal controls at NMMU level.
- Finalization and monitoring of FM training strategy of NRLM/NRLP.
- Establish system of regular FM review of NRLM at national level e.g., chairing regular meetings with finance heads of State Rural Livelihoods Mission.
- Oversee FM inputs to Review Missions.

Annex 11

TERMS OF REFERENCE FOR FINANCIAL MANAGEMENT CONSULTANT (NMMU), Ministry of Rural Development

Job Description

The Financial Management Consultant will be required to manage/provide support in all FM matters pertaining to NRLP in National Mission Management Unit (NMMU). These will include development/implementation of FM manuals/guidelines for NMMU, planning, budgeting, financial sanctions, flow of funds, financial reporting, monitoring, training and audit.

The FM Consultant will work under the guidance of the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific Responsibilities

Specific responsibilities of the FM Consultant will include:

- Developing, updating and implementing financial management guidelines at national level.
- Regular monitoring and review of FM arrangements at national level.
- Provide inputs to Annual Work Plan of NMMU and overall AWP of NRLP.
- Preparation of budget of NMMU and overall NRLP.
- Coordinate timely release of funds for project activities at national level, including releases to states/implementing agencies. Preparing and getting approval of sanction orders for payments.
- Establish regular financial reporting system for NRLP at national level.
- Prepare quarterly/six-monthly/annual consolidated project financial reports by consolidating reports for NMMU level expenditure and State Rural Livelihoods Missions (SRLMs). Arrange timely submission of financial reports/claims to MoRD/World Bank
- Coordinate timely completion of statutory/internal audit of NMMU and settlement of audit observations.
- Guide finance officers in SRLMs through advice and act as a clearing house for issues raised by states.
- Any other FM related tasks assigned by the CEO.

Annex 12

TERMS OF REFERENCE FOR FINANCIAL MANAGEMENT CONSULTANT (States), NMMU, Ministry of Rural Development

Job Description

The Financial Management Consultant (States) will be required to manage/provide support in FM matters pertaining to states in National Mission Management Unit (NMMU). The FM Consultant will contribute to the work of NMMU of assisting the states in becoming compliant with NRLP requirements. He/she will monitor adherence to FM arrangements of NRLP in states. He/she will contribute to Appraisal/Review Missions and FM training/capacity building of the states.

The FM Consultant will work under the guidance of the Chief Executive Officer (CEO), NMMU. He/she will also work in close coordination with other units of NMMU.

Specific Responsibilities

Specific responsibilities of the FM Consultant will include:

- Facilitating development, updation and implementation of FM Manual and guidelines in the states.
- Assisting states in becoming compliant with NRLP FM requirements.
- Regular monitoring and review of FM arrangements in states on an ongoing basis.
- Assessment of TA needs for NRLP at various levels in the states. Working closely with Technical Assistance cell of NMMU, contribute to development and implementation of FM training strategy for NRLP in the states.
- Coordinate submission of annual estimates for NRLP by states. Review estimates received from states/other implementing agencies and provide inputs to Annual Work Plan of NRLP.
- Coordinate timely release of funds for releases to states.
- Coordinate regular financial reporting system for NRLP from states to NMMU.
- Facilitate timely submission of financial reports/claims from states to NMMU, MoRD.
- Monitor timely completion of statutory/internal audit for NRLP in states and settlement of audit observations by the states. Monitor quality of audit reports.
- Guide finance officers in SMMUs through advice and act as a clearing house for FM issues raised by the states.
- Any other FM related tasks assigned by the CEO.

Annex 13

FORM GFR 19- A

[See Rule 212 (1)]

Form of Utilization Certificate

S. No.	Letter No. and Date	Amount
	Total	

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

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

Kinds of checks exercised

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

Signature

Designation

Date

Annex 14

FORM GFR 39

[See Rule 212 (4)]

Register of Grants to be maintained by the Sanctioning Authority

- (i) Serial Number.
- (ii) Number and date of sanction letter.
- (iii) Purpose of grant.
- (iv) Conditions, if any, attached to the grant.
- (v) Amount sanctioned.
- (vi) Amount of the Bill.
- (vii) Whether conditions attached to the grant have been accepted by the grantee without reservation.
- (viii) Dated initials of the sanctioning authority.
- (ix) Date by which statements of accounts along with utilization certificate, etc., are required to be furnished by the grantee.
- (x) Date by which utilization certificate is required to be furnished by sanctioning authority to the Accounts Officer, as the case may be.
- (xi) Date by which the statements of accounts, etc., are actually received. (In case there has been delay in the receipt of these statements, the reasons therefor as well as efforts made by the sanctioning authority to expedite submission of such statements may be clearly indicated).
- (xii) Date of submission of utilization certificate to PAO (in case there has been delay in submission of utilization certificate, the reasons therefor may be clearly indicated).
- (xiii) Unspent balance, if any, also indicating whether the unspent balance has been surrendered by the grantee Institution / Organisation.

Annex 16

REGISTER OF OUTSTANDING AUDIT OBSERVATIONS

S. No.	Period of Accounts Covered by Audit	Audit Para No.	Date of Issue	Brief Details of Audit Objection	Action Taken	Date of Settlement	Remarks

Annex 17

CHART OF ACCOUNTS – MoRD Level

A	Institutional and Human Capacity Building
A 1	Technical Assistance
A1.1	Resident Representatives & Spearhead Teams
A1.2	TA for Human Resources
A1.3	TA for Innovations & Partnerships
A1.4	TA for Financial Inclusion
A1.5	TA for Livelihood Promotion
A1.6	TA for Service Delivery for Poor
A1.7	TA for Knowledge management
A1.8	TA for MIS
A1.9	Other TA
A 2	Human Resource Development
A2.1	National Center for Livelihoods
A2.2	Partnerships with other Institutions
A2.3	Regional Centers for Excellence
A2.4	Other demand driven trainings
C	Innovations and Partnerships
C1	Innovation Forums and Action Pilots
C2	Social Entrepreneurs Forums
C3	Public Private Community Partnerships
D	Project Implementation Support
D 1	National Mission Management Unit
D1.1	Office Refurbishment Costs
D1.2	Office furniture/fixtures
D1.3	Office equipment
D1.4	Vehicles
D1.5	Staff Costs
D1.6	Operating Costs
D 2	Electronic National Rural Livelihoods Mission System (e-NRLM)
D2.1	Project Management Agency
D2.2	MIS Implementation Agency
D2.3	IT Infrastructure, websites and portals
D2.4	Applications and software
D 3	Monitoring and Evaluation
D 4	Governance and Accountability Framework
D 5	Knowledge Management & Communication

Annex 18

CHART OF ACCOUNTS – State Level

B 1	State Rural Livelihoods Mission
B 1.1	State Project Management Unit
B1.1.1	Office Refurbishment
B1.1.2	Office furniture, fixtures etc.
B1.1.3	Office equipment
B1.1.4	Vehicles
B1.1.5	Staff Costs
B1.1.6	Operating Costs
B 1.2	District Project Management Unit
B1.2.1	Refurbishment Cost
B1.2.2	Office equipment
B1.2.3	Staff Costs
B1.3	State Resource Centers
B1.3.1	Support to SIRRD & others
B1.3.2	District Resource Centers
B1.3.3	Community Resource Centers
B1.3.4	Training of State, district & block staff
B 2	Institutional Building and capacity Building
B2.1	Institutional Building
B2.1.1	Community Resource Persons
B2.1.2	Self Help Groups
B2.1.3	Village Organizations
B2.1.4	Block Level federations
B2.1.5	Other Institutions
B2.2	Block Project Management Unit
B2.2.1	Office Refurbishment
B2.2.2	Office furniture, fixtures etc.
B2.2.3	Office equipment
B2.2.4	Staff Costs
B2.2.5	Operating Costs

B 3	Community Investment Support
B3.1	Livelihood Plans, health and food security
B3.2	Agriculture Interventions
B3.3	Dairy Interventions
B3.4	Non farming Interventions
B 4	Special Programs
B4.1	Special Initiatives - Health, nutrition etc.
B4.2	Special Purpose Vehicles
B4.3	Implementation in difficult areas

Annex 19

SELECTION CRITERIA FOR SELECTION OF STATUTORY AUDIT

AT

STATE LEVEL

TO BE ADDED

Annex 20

TERMS OF REFERENCE FOR STATUTORY AUDIT AT STATE LEVEL FOR NRLP

Background

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

Objectives of the Project-

The objectives of project inter alia include:

(To add objectives of project)

Project Scope & Components

It is envisaged that the project, to be implemented over a period of 5 years, will cover aroundtarget families in villages in ... Blocks spread over districts and the project cost is estimated at Rs crores . The broad components of the project are:

(To add names and brief description of components)

Implementation Arrangements

(To add Brief Description of Governance Structure of SRLM)

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

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

Block Level: At each of the Blocks, Block Mission Management Unit (BPIU) has been established. The Block Mission Manager heads the BMMU and is responsible for (add key responsibilities).

Flow of Funds

(To add description of flow of funds at state level)

OBJECTIVES OF AUDIT

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

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

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

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by (SRLM) and its constituent state, district and block level units.

AUDIT STANDARDS

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

AUDIT SCOPE

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

- All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements.
- Effective project financial management systems', including internal controls, were in operation throughout the period under audit examination. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures'; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities; and

integrity, controls, security and effectiveness of the operation of the computerized system;
and

- Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim unaudited Financial Reports (IUFs) where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; certification of IUF and financial report reconciliation.
- The project accounts have been prepared in accordance with the accounting principles defined in the Project Financial Manual and give a true and fair view of the financial position of the project at the year end and of resources and expenditures for the year ended on that date; and
- Goods and services financed have been procured in accordance with the procurement procedure prescribed in the Procurement Manual.

PROGRAMME FINANCIAL STATEMENTS

Programme Financial Statements should include:

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

(B) Reconciliation of Claims to Total Applications of Funds.

(C) Other Statements or Schedules which may include:

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

(D) Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at *Annexure I*.

STATEMENTS OF EXPENDITURES AND FINANCIAL MANAGEMENT REPORTS

In addition to the audit of the PFS (Project financial statement), the auditor is required to audit all Interim Financial Reports (IFRs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion. In addition, the audit opinion paragraph will specify whether, in the auditor's opinion,

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

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

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

A sample audit report wordings are shown at Annexure II

MANAGEMENT LETTER

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

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

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

PERIOD, TIMING AND SAMPLE COVERAGE OF STATUTORY AUDIT

The statutory audit will be done for financial year The auditors should prepare their financial proposal figure based on the volume of work as stated below:

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

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

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

Timing: The audit would be carried out annually and the report should be provided to the SMMU latest by, each year to facilitate approval and placement before the Executive Committee and submission to the World Bank by September 30 each year. The

auditor must submit three copies of the audited accounts and audit report to CEO at State office (SMMU) in time.

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

KEY PERSONNEL

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

S.No	Key Professionals	Description of Services to be provided	Experience	No. of persons	Total Expected Man days
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 7 years experience as a partner with expertise in the area of statutory audit planning, execution and reporting.	1	15
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices at Community Level/Block /district / state units and report writing and finalization.	Qualified Chartered Accountants with at least 3 years experience in Statutory audit with ability to lead the team & expertise in the area of statutory audit planning, execution and reporting.	2	60
3	Team member	Audit of SMMU and Field level audit of DMMU, BMMU.	CA (Inter) with 2 years of experience in Accounting ,audit and report writing	8	220
Total Expected Man days					295

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

GENERAL

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, copy of MoU between MoRD and the state, State Financial Management Manual for NRLP, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM. The project will provide relevant documents, if any, required by the auditor.

Annexure I

Example of a Management Assertion Letter

(Project Letterhead)

(To Auditor) (Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- Procurement procedures as prescribed for the project have been followed.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, and the Project Implementation Plan.

(Chief finance officer)

(State Project Director)

Annexure II

MODEL AUDIT REPORT—UNQUALIFIED OPINION'

Addressee-

Introductory Paragraph

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

Scope Paragraph

We conducted our audit in accordance with Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion Paragraph

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

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

[Name and Address of Audit Firm]

[date — Completion Date of Audit]

[Auditor's Address]

[date]

Annexure III

Example of a Management Letter

(Audit firm Letterhead)

(Date)

To Project Management,

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

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

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

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

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

Yours truly,

(Name and Title)

Annexure IV

Suggested Procurement audit check list related to Goods/Works

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

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

Procurement Audit check list related to Service Contract

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

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

Annex 21

Terms of Reference of Internal Audit at state Level for NRLP

for Internal Auditor(s) of (Name of SRLM)

Background

(To add background)

Objectives of the Project

The objectives of project inter alia include:

(To add objectives of project)

Project Scope & Components

It is envisaged that the project, to be implemented over a period of 5 years, will cover aroundtarget families in villages in ... Blocks spread over districts and the project cost is estimated at Rs crores . The broad components of the project are:

(To add names and brief description of components)

Implementation Arrangements

(To add Brief Description of Governance Structure of SRLM)

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

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

Block Level: At each of the Blocks, Block Mission Management Unit (BPIU) has been established. The Block Mission Manager heads the BMMU and is responsible for (add key responsibilities).

Flow of Funds

(Add description of flow of funds at state level)

Objectives of the Audit

The objectives of the internal audit are to:

- (i) enable the auditor to express a professional opinion on the effectiveness of the overall financial management and procurement arrangements;

- (ii) whether the overall financial management and arrangements including the system of internal controls as documented in the Project Financial Management Manual (FMM), Community Operations Manual (COM), the Project Implementation Plan (PIP) are in practice, effective and adequate, commensurate to the nature of the operations and
- (iii) provide project management with timely information on financial management aspects of the project, including internal controls and compliance with financing agreements, to enable follow-up action.

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

Coverage and Standards for the Audit:

The audit would cover (number of districts)..... of ..SRLM.

The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

The internal audit should be carried out in accordance with the Auditing & Assurance Standards prescribed by the Institute of Chartered Accountants of India and will include such tests and controls, as the auditor considers necessary under the circumstances.

Scope

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

Project level (SMMU, DMMU and BMMU):

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

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements’ and only for the purposes for which the financing was provided;
- (b) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim Financial Reports (IFR). To ascertain that IFR are properly filled up and submitted on time to SMMU by DMMU and to DMMU by BMMU.
- (c) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (d) Project assets are adequately safeguarded and used solely for their intended purposes; and

Coverage of audit

- a) An assessment of the adequacy of the project financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plan and procedures; reliability

of accounting systems, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking; and verification of assets and liabilities.

- b) Efficiency and timeliness of the funds flow mechanism at the DMMUs and BMMUs and to the Community Institutions. The auditors are required to verify and comment upon the flow of fund from SRLM to SHG Federations and SHGs.
- c) Reconciliation between IUFR and reimbursement of fund.
- d) Verification & certification of IUFR submitted by BMMU/DMMU to SMMU and further to the MoRD.
- e) Method of remedying weak controls or creating them where the controls do not exist.
- f) Whether the fund/ tranche released to the Community Institutions are properly approved by the officer in DMMU/BMMU having the necessary authority, and the conditions (triggers/ graduation criteria) for tranche release (as provided in the COM for various funds) have been complied and are in line with the financing agreement, with the World Bank.
- g) Whether the DMMU/BMMU is accounting for the tranche release properly in the subsidiary records and is monitoring the receipt of periodic reports and utilization certificates from the SHGs/ VOs/ BLF & systems to follow up on overdue reports are adequate. Quantify (number and amount) of the funds transferred to the Community Institutions for which the reports and/or UCs are overdue.
- h) Whether the accounts of the project are compiled in a timely manner and the expenditures consolidated on a monthly basis at the DMMU level and submitted to SMMU.
- i) An assessment of compliance with provisions of financing agreements, especially those relating to procurement, accounting and financial matters.
- j) Goods, works and services financed have been procured in accordance with the World Bank procurement guidelines, financial & procurement manual of the project and financing agreements;
- k) All necessary supporting documents, records, and accounts of all project activities have been kept in respect of all project activities and that clear synchronizations exists between accounting records, accounts books and the periodic financial reports (internal and external i.e. Interim Financial Reports)
- l) Adequate records are maintained regarding the assets created and assets acquired by the project, including details of cost, identification and location of assets and verification of assets created out of the project and comment on its utilization;
- m) All funds received under the project have been used in accordance with the financing agreements, with due attention to economy, efficiency and effectiveness, and only for the purposes for which the financing was provided;
- n) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.
- o) Inter unit fund transfers and Bank reconciliations have been carried out on a monthly basis.

- p) Internal auditors to summarize key issues and risks from a review of a sample of village audit reports and comment on actions taken by DMMU/BMMU.
- q) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.

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

- a. All the project documents, copy of agreement and relevant papers needed for Audit will be provided by theSRLM.
- b. The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank’s Project Appraisal Document, the relevant Legal Agreements, copy of MoU between MoRD and the state, State Financial Management Manual for NRLP, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM. The project will provide relevant documents, if any, required by the auditor.
- c. The relevant World Bank policies and guidelines.
- d. A one day workshop will be organized by the SRLM for providing information about the NRLP and it should be attended by all the members of audit team.
- e. Active support from the officials at SMMU/DMMU/BMMU levels.

Period, Timing and coverage of Internal Audit

The Internal Audit of DMMU & BMMU will be for the period fromi. e. the financial year and will be carried out on a quarterly basis .

The selected firm(s) will submit in advance and agree with the DMMU and SMMU a ‘schedule of audit’.

The auditor should become familiar with the Project, and with the relevant policies and guidelines of the NRLP and the World Bank (including those relating to disbursements, procurement and financial management and reporting).

The audit will be carried out on a quarterly basis.

Reporting

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

actions. The audit observations should be supported by instances and quantified, as far as practicable. Four quarterly audits reports and one annual report will be provided each year.

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

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

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

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

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

Procedure of Conducting Audit at DMMU and BMMU

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

Composition of review committee and review procedure to monitor consultants work

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

KEY PERSONNEL

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

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

General

Period of appointment: the period of appointment will be for an initial period of internal audit from to

Annexure to Main Audit Report

Part A: Serious Observations

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

Part B: Other Observations

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

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

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

SUGGESTED QUESTIONNAIRE FOR SMMU, DMMU & BMMU

(Please provide brief details of divergence from procedure)

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