

**PUNJAB STATE ROAD SECTOR
PROJECT
(WORLD BANK FUNDED)**

FINANCIAL MANAGEMENT FRAMEWORK

August 2006

Amended

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1.01 The Government of Punjab (GoP) with the support of the Government of India (GoI) has requested World Bank assistance for the improvement and rehabilitation of State Highways and Major District Roads in the State of Punjab through Punjab State Roads Project (PSRP)

Background

1.02 The overall development objective of the Punjab State Roads Project is to improve the operating conditions of the road users in Punjab, thus helping to provide the business enabling environment necessary to support Punjab's economic development Strategy. The project proposes to raise the service levels provided by the State roads which connect the village roads to the National Highways through: (a) eliminating the growing bottlenecks in the network (b) increasing vehicle speeds by providing additional geometric capacity (c) reducing transport costs by reducing road roughness and (d) strengthening Government of Punjab's capacity to plan and manage the work.

Implementation Arrangements

1. 03 The Chief Engineer (National Highways)/ (PSRSP) Public Works Department is the Employer for the civil works of the World Bank assisted PSRSP. Six divisions implementing the project are as follows:-

1. EE Central Works Division No.2, Amritsar,
2. EE Construction Division No. 3, Ferozepur,
3. EE Construction Division No. 1, Kapurthala,
4. EE Central Works Division No. 3, Ludhiana,
5. EE Central Works Division, Mohali,
6. EE Construction Division No., Sangrur

PRBDB may engage additional divisions in future to implement PSRSP more effectively.

Each division is headed by an Executive Engineer (EE) who shall be the 'Engineer' for all the works except UG-1 & UG-2. In case of UG-1 & UG-2 Construction Supervision Consultant shall be the Engineer.

Financial Management Framework

1.04 PRBDB shall receive funds for the project from PWD and shall pass on the same to the PWD divisions for executing the project as per the requirement. In addition PRBDB shall also incur expenses at its own level for some of the project activities. PRBDB will report on the activities under the project based on quarterly Financial Monitoring Reports (FMRs)

1.05 Considering the nature of operations of PRBDB on the proposed project, it was agreed that PRBDB prepares a document titled Financial Management Framework to ensure adequate guidance/ information to enable the staff to discharge the financial management functions during project implementation.

1.06 This is the **Final Financial Management Framework (FMF)** of the project

Contents:

1.07 This FMF contains the following in the subsequent chapters:

- (2) Fund Flow**
- (3) Financial and Accounting Policies**
- (4) Chart of Accounts**
- (5) Financial and Accounting Procedures**
- (6) Formats of Books of Accounts**
- (7) Financial Reporting**

2.01 This chapter describes the fund flow arrangements in the project from the World Bank up to each of the project implementing agencies

2.02 The Fund Flow arrangements for the project are presented in Exhibit 2.1.

Funds from World Bank

2.03 The World Bank shall transfer the funds into a Special Account opened for the project with the Reserve Bank of India. This account is operated by the Controller of Aid, Accounts and Audit (CAAA), Department of Economic Affairs, Government of India.

2.04 The funds shall be disbursed by the World Bank on a quarterly basis for the two quarters project requirements in advance based on the Financial Monitoring Reports (FMRs) submitted by PRBDB.

Funds to State Government

2.05 Under the proposed arrangements there shall be back to back transfer of funds from the GOI to the State Government on receipt of funds from the World Bank.

2.06 The State Government shall make the annual budgetary allocation for the project in the budget of the PWD (Demand no. 21) under a separate 'World Bank Project' Budget code 5054-03-101-00-08, Capital Outlay on R&B – General - Permanent Bridges - R.D. 5.6 World Bank Aided Scheme for Roads. The Finance Department of GoP shall release Government Letter of Credit (LoC) to PWD for the project funds. PWD shall in turn transfer the funds physically to PRBDB in a separate commercial bank account to be opened and maintained by PRBDB for the World Bank Project within 2 days of receipt of LOC from FD, GoP. The GoP shall make the funds available to the PRBDB within 2 weeks of receipt of funds from Gol.

2.07 The transfer of funds from State Government upto PRBDB shall follow back to back arrangements of receipt of funds from the Gol by the State Government to ensure timely availability of funds for the project activities. This implies that the funds received from the World Bank for two quarters in advance shall be made available to PRBDB as funds in advance for the next two quarters.

2.08 The PWD shall account for the disbursement under the relevant budget head at the time of release under which the budgetary allocation was made.

Funds to PRBDB/ PWD Divisions

2.09 The PRBDB shall receive funds from PWD. PRBDB shall maintain a separate project specific account in a commercial bank to receive and disburse PSRSP funds

2.10 PRBDB shall transfer funds to the PWD divisions as per their requirement of the funds within 5 working days of the receipt of the requisition). The LoC shall be issued for two types of payments:

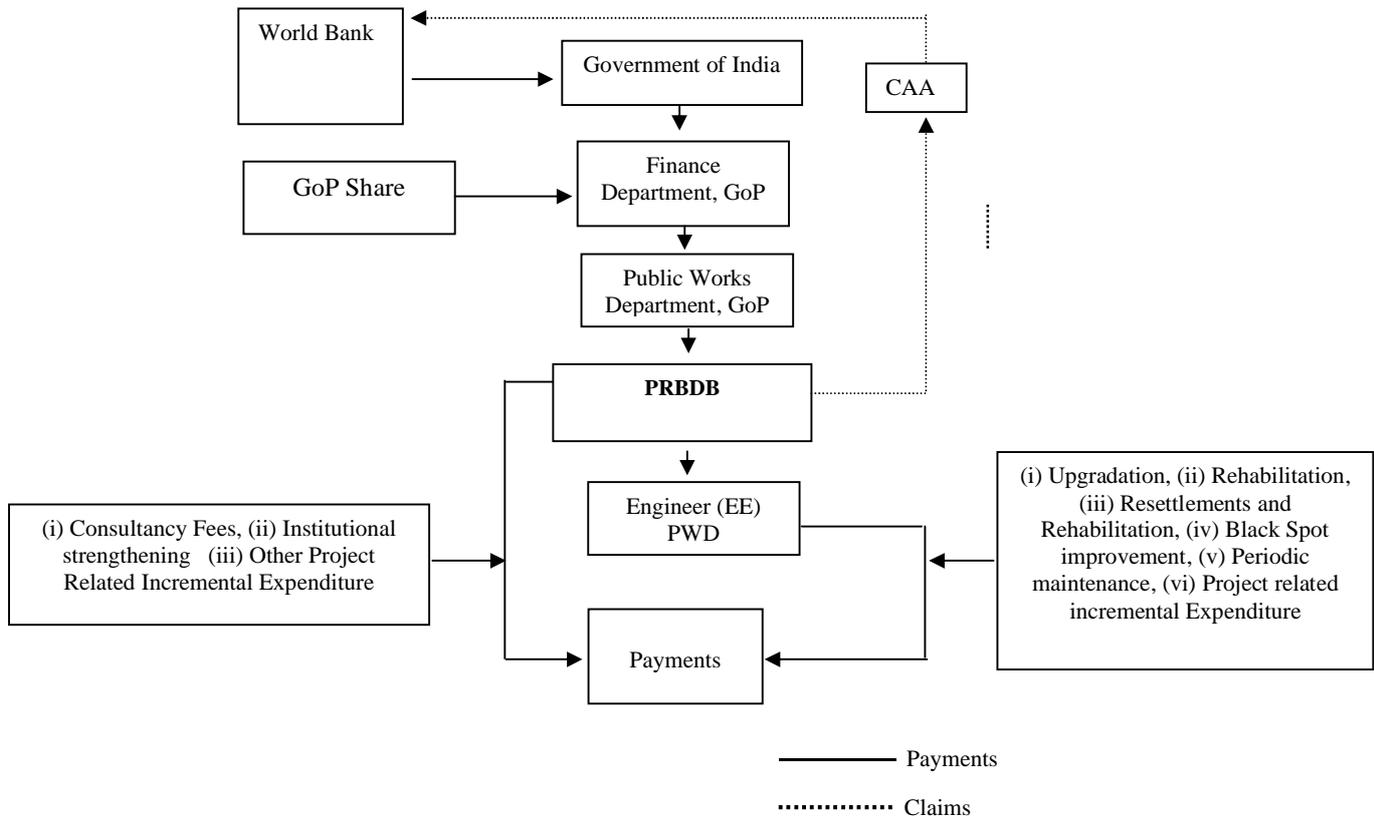
- 1 Payments to contractors: Instruction shall be passed through the bank of PRBDB to the bank of the divisions instructing them to honour the third party payments made by the divisions to the specified payee, for a specific work order and up to the amount specified in the LoC issued by PRBDB.
- 2 Payments for administrative/incremental project expenses of Division offices: LoC shall be issued in the name of the Executive Engineer – Division office for meeting the day to day approved project administrative expenses. This will also allow cash withdrawal from this LoC to some extent for making the small payments.

Punjab State Roads Project (World Bank Funded) Financial Management Framework

2.11 The divisions shall be responsible for releasing payments to contractors, payments related to the shifting of utilities & other project related incremental expenditures and rendering prescribed financial information to PRBDB on a regular basis. Payments related to the consultancy fees, institutional strengthening & other project related incremental expenditures shall be made by the PRBDB.

Exhibit 2.1

Fund Flow



3.01 This chapter describes the financial and accounting policies applicable to the project

Cash Accounting

3.02 The project accounting shall be done following cash basis of accounting on a double entry basis. All the receipts shall be accounted for on receipt basis and all the payments shall be accounted for on payment basis.

Uncleared Cheques

3.03 The bank balance as per the Bank Statement and as per Cash Book shall be reconciled on a monthly basis. The 'Cheques drawn but not cleared by the bank' shall be monitored as per the Bank Reconciliation Statement. Balance as per Cash Book shall be reported as bank balance in the reporting to World Bank in the FMR

Accounting of Advances

3.04 Any payment in the nature of advance, viz. Contractor advances, shall be treated as advances till they are finally adjusted against the expenses.

Accounting of Project Expenditure

3.05 The expenditure incurred on project activities shall be booked to the relevant account head provided for the sub-component under the component

Fixed Assets and Depreciation

3.06 Fixed Assets in the nature of computers, furniture and fixtures, etc. shall be booked separately under the specified account head. Individual items of Rs. 5,000/- (Rupees Five Thousand Only) or less shall not be accounted as Fixed Asset and shall be charged to the relevant account head provided for the sub-component under the component.

3.07 No Depreciation shall be charged on Fixed Assets

4.05 Additions to chart of accounts should be duly approved by the competent authority of the PRBDB. Individual PwD divisions should not add any new account head or code. In case they feel the need of introducing a new head of account then the same shall be intimated to PRBDB and decision taken thereat.

4.06 Once a new code and head of account is introduced it shall be ensured that it confirms to the logical grouping of the COA provided above. On addition of the new code and head of account, PRBDB shall intimate the same to all project implementing agencies providing all the details contained in the COA structure above.

4.07 The account code should be used for the purposes specified. The account code shall not be deleted. Any change for the alternate use or any assumption taken by any of the projects implementing agencies shall be duly consented to by PRBDB.

Deletion/ alteration to COA

4.07 The account code should be used for the purposes specified. The account code shall not be deleted. Any change for the alternate use or any assumption taken by any of the projects implementing agencies shall be duly consented to by PRBDB

Chapter 5: FINANCIAL AND ACCOUNTING PROCEDURES

5.01 This chapter contains the financial and accounting procedures for the project to be followed by various project implementing agencies

5.02 The procedures for all important transactions has been explained along with accounting entries, books and records to be updated, timelines of transactions and internal control mechanism.

Accounting at accounting centers

5.03 The accounting centers are the offices/ locations representing project implementing offices where accounting for project funds and expenditure shall be carried out.

5.04 The following are the accounting centers where the World Bank project accounting shall be done:

- (1) PWD – Head Office
- (2) PRBDB
- (3) PWD- Division offices

5.05 The accounting aspects in respect of each of the accounting centers are explained in the subsequent paragraphs.

PWD – Head Office

5.06 PWD head office is the first level of accounting. The State Government shall make budgetary allocation under a dedicated budget head in the PWD budget. At the time of transfer of funds to PRBDB, PWD shall account it under the specified project budget head as utilization

5.07 The accounting at the PWD HO shall be done as per the procedures prescribed in the PWD financial rules. No separate accounting system shall be followed for accounting at PWD HO for project funds disbursed.

PRBDB

5.08 PRBDB shall be fully responsible for maintenance of all necessary project financial information in computerized accounting software e.g. Tally. PRBDB shall compile information for its own payments as well as payments made by the 'PWD-Divisions' for getting disbursement from the World Bank

5.09 The project accounting at PRBDB shall be done following the accounting policies and procedures laid down in this FMF.

PWD- Division offices

5.10 The PWD- Division offices shall be responsible for releasing payments to contractors, bill passing and payment, accounting of project expenditure and rendering prescribed financial information to PRBDB on a regular basis.

5.11 The project accounting at PWD-Divisions shall be done following the accounting policies and procedures laid down in this FMF. However for accounting of any non-project related transactions, the Division offices shall continue to be governed by the accounting as per the PWD financial systems currently being followed by them.

Financial and accounting procedures

- (a) General Procedures/ Internal controls
- (b) Receipt Accounting
 - (i) Receipt of funds by PRBDB
 - (ii) Receipt of funds by PWD Divisions from PRBDB
 - (iii) Other Receipts
- (c) Payment Accounting

- (iv) General payment procedure
- (v) Bill passing and Payment to contractors
- (vi) Purchase of Assets
- (vii) Other Expenditure
- (d) Contra Transactions
- (e) Other procedures
 - viii) LoC Register
 - (ix) Bank Reconciliation Statement
 - (x) Reconciliation of advances
- (f) Inter Unit Accounting
- (g) Consolidation of accounts for project reporting

General guidelines/ internal controls

5.13 General guidelines/ internal controls are as follows:

- (a) After recording the transactions in Financial Accounting Software (Tally), a software generated voucher along with the all supporting documents related to the transactions shall be filed in separate file for each type of the voucher in order of seriality. The serial no. of each type of voucher shall be a separate series & shall run continuously for each year. Papers of various colours can be used for printing of different types of vouchers like: for payment voucher- yellow paper, for receipt vouchers-pink paper etc.
- (b) Cheques shall be deposited into the bank on the day of receipt and in cases where the cheque has been received after banking hours; the same shall be deposited on the next working day
- (c) Cash receipts shall be avoided. However, in exceptional cases where cash is received, the same shall be banked immediately and latest by end of the day in the designated bank account.
- (d) The project shall be subject to **Internal Audit** by an independent firm of Chartered Accountants on a half-yearly basis. As the project funding increases, the periodicity can be reviewed and made on a quarterly basis or as and when. A Terms of Reference is attached as **Annexure II**.

5.14 **Retroactive financing:** The project shall be eligible for retroactive financing from World Bank as per the current norms. The funds to be released shall depend on maximum percentage of the overall funding by the Bank

Receipts Accounting

Accounting at PRBDB

Receipt of funds by PRBDB

5.15 PRBDB shall receive funds from PWD-HO into project’s commercial bank account. After recording the following entry, a print out of the tally generated receipt voucher along with the all supporting vouchers shall be filed in a separated file.

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
1101	Grant in Aid- Funds from World Bank	Credit
1102	Grant in Aid-Funds from State Government	Credit

The amount shall be identified for GoP and the World Bank based on the percentage of World Bank and GoP contribution to the project.

Accounting at PWD Divisions

Receipt of funds by PWD Divisions from PRBDB

5.16 Receipt of funds by PWD Divisions from PRBDB shall be in the form of LoC. The concerned Technical Officer (Executive Engineer) of PRBDB shall check and recommend the issue of LoC and send it to the Joint Secretary (Project Director) of PRBDB for approval. The Joint Secretary (Project Director) shall approve the LoC and instruct Accounts Department of PRBDB for issue of the same. No accounting entry shall be passed on issue/ receipt of LoC. Only an entry in the LoC Register (**Refer Form 2**) shall be made.

5.17 Since there shall be no physical project bank balance, a receipt entry shall be passed in the books corresponding to each payment entry when a payment is made. The following accounting entry for receipt shall be passed and the Cash Book updated:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
9001	Amount received for World Bank Project from PRBDB	Credit

Accounting at PRBDB and PWD Divisions

Other Receipts

Bank interest

5.18 In case bank account maintained by PRBDB is a savings bank account, the bank shall provide interest on a periodical basis. On receipt of bank statement or credit advice from bank, a bank receipt voucher shall be prepared with the following entry:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
4302	Bank Interest	Credit

5.19 In case TDS on Bank Interest on Term Deposits, Fixed Deposits, the following entry shall be passed

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
3006	Income Tax deducted at Source	Debit
4302	Bank Interest	Credit

Tender fees

5.20 The accounting centers may invite tenders for various works/ consultancies and receive tender fees from parties buying tender forms. This may either be in the form of cash, cheque or bank draft. The sale of tender forms shall be entered in the Tender Register (**Refer Form 7**) & an accounting entry of receipt shall be entered in the accounting software tally & a tally generated receipt voucher shall be created. The following accounting entry shall be passed:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
4301	Tender Fees	Credit

5.21 A Cash Receipt (**Refer Form 5**) shall be issued to the party acknowledging receipt of money, with details of cash/ cheque no., date, etc.

Earnest Money Deposit

5.22 As per terms of the Tender, the applicants may be asked to provide Earnest Money Deposit (EMD) in the form of bank draft, cheque, bank guarantee, investment certificates along with the Tender. On receipt of the EMD, the particulars of EMD shall be entered in the EMD register (**Refer Form 8**). In case the investment certificates are received; the same shall be kept as it is in safe custody.

5.23 In case of receipt of EMD in the form of cheque / bank draft the same shall be deposited in the bank and following entry passed:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
4102	Earnest Money Deposit	Credit

5.24 On selection of a party to whom the contract/ assignment shall be assigned, the EMD of the rejected parties shall be refunded and EMD register updated. The following accounting entry shall be passed:

Account Code	Account Head	Debit/Credit
4102	Earnest Money Deposit	Debit
3005	Cash at Bank	Credit

5.25 The EMD of the short listed parties is generally considered as security deposit. In that case the following adjustment entry shall be passed and EMD register updated. The following Journal entry shall be passed:

Account Code	Account Head	Debit/Credit
4102	Earnest Money Deposit	Debit
4101	Security Deposit	Credit

Security Deposit

5.26 Security deposit at a certain percentage (as mentioned in the tender document) shall be deposited by the selected party. Generally the party deposits only the difference of amount between security deposit and earlier deposited Earnest Money Deposit. The difference amount may be received through cheque, draft or bank guarantee. No accounting entry shall however be made in case of receipt of Security Deposit other than in the form of cheque/ bank draft.

5.27 Entry for recording receipt of balance money as Security Deposit shall be as follows:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
4101	Security Deposit	Credit

Payment Accounting

General payment procedure

5.28 On receipt of any bill for payment, entry shall be made in the Bill Passing Register (**Refer Form 6**). The authorization of the payment of the approved bill shall be accorded through preparation of a Payment Order (**Refer Form 1**). The Payment Order shall be prepared after verifying documents like Measurement Bill, Contract, Quality Reports, etc. Approval of bills shall be done as at present with no change in financial powers. Within 5 (five) working days of receipt of Payment Order, payment shall be made to the party. A Statement showing the dates of receipt of bills till final payment shall be prepared as Monitoring of payments to the contractors (**Refer Form 9**). A cheque in favour of payee, after making statutory deduction of income tax at source, retention money, etc. as per the Payment Order, shall be prepared and entry shall be made in the Cheque Issue Register (**Refer Form 4**).

5.29 A Bank Payment Voucher shall be generated for the payment as per the Payment Order for the cheque

prepared. The Voucher along with supporting documents and the Cheque Issue Register shall be presented to the authorized signatories for signatures. Once the cheque is authorized by the signatories appointed for cheque signing, the same shall be issued to the party.

5.30 The Day Book and the Bill Passing Register shall be updated on making payment with reference of the Bank Payment Voucher. All payments shall be entered in the respective folio of Bill Passing Register also.

Payments for up gradation and rehabilitation

5.31 The project follows an internal control mechanism to ensure that the same body does not process/ approve and make payment. The difference is maintained through identifying the role of Engineer and Employer. Engineer shall approve and authorize the payments, while Employer shall make the payments.

5.32 In case of all the civil works, Chief Engineer (National Highways)/PSRSP shall be the Employer and the Executive Engineer of the implementing divisions shall be representative of the Employer. Executive Engineer shall be the 'Engineer' for all the works of Phase-I except UG-1 & UG-2. For UG-1 & UG-2 (phase-I), Construction Supervision Consultant shall be the Engineer. Accordingly, the bills received from the contractors shall be approved by the Engineer & the payments shall be made by the PWD divisions.

5.33 In case of payments related to the Shifting of Utilities like shifting of electric poles, water supply pipe lines & forest clearance etc. shall be made by the PWD divisions on the basis of approved estimates submitted by the concerned departments or on formal clearance issued by these departments.

Cash Payments

5.34, for the purposes of internal control it is expected that no cash payment transactions shall be entered into by the accounting centers.

Accounting at PRBDB and PWD Divisions

Bill passing and Payment to contractors

5.35 Keeping in view the project activities, the major accounting activity shall be payment to contractors, both advance and running bill payments. Payment to contractors shall be based on specific work orders/ agreements. Payments shall be done as per payment milestones mentioned in the agreement and bills submitted by the contractors. No payment shall be made unless the Quality Control Test Reports show the work as satisfactory. While making payments, the paying authority should also take cognizance of the quality reports prepared by third parties e.g. Quality Auditors.

Advance Payment

5.36 In case advance has to be paid to the party, the advance bill shall be approved by the appropriate authority and payment processed as per the payment procedure.

The following accounting entry shall be made:

Account Code	Account Head	Debit/Credit
3002	Advance to Contractors	Debit
4201	Income Tax Deducted at Source	Credit
3005	Cash at Bank	Credit

5.37(a) Payments related to the shifting of utilities (Electricity, Water Supply & Other Departments)

On receipt of the technical estimates from the concerned department, payments related to the shifting of utilities shall be made by the PWD divisions & shall be treated as advance till the receipt of Utilization Certificates from the concerned department. On receipt of the Utilization Certificates from the concerned department, the advances shall be treated as expenditures and transferred in to the relevant component Up-gradation/ Rehabilitation.

The following accounting entries shall be made at the time of payment of shifting of utilities:

Account code	Account Head	Debit/Credit
3003	Other Advances	Debit
3005	Cash at Bank	Credit

On receipt of Utilization Certificates from the concerned department, the following accounting entry shall be made:

Account code	Account Head	Debit/Credit
21XX	Relevant Component (Up gradation, Rehabilitation & Periodic Maintenance depending on the road)	Debit
3003	Other Advances	Credit

5.37 (b) Payment to Forest Department:

On receipt of the estimates from the forest department, payments related to the forest clearance shall be made by the PWD divisions & the following accounting entry shall be made:

Account code	Account Head	Debit/Credit
21XX	Relevant Component (Up gradation, Rehabilitation & Periodic Maintenance depending on the road)	Debit
3005	Cash at Bank	Credit

Payment of running bills

5.38 The contractor shall submit the periodical running bills for the work completed till then. A deduction on account of retention money, income tax, sales tax and any other deductions may be made at a certain defined percentage from the bill approved for payment. The accounting entry for the contractors running payments shall be as follows:

Account Code	Account Head	Debit/Credit
2XXX	<i>Relevant Component/ Sub-component Account</i>	<i>Debit</i>
3007	<i>Secured Advance against Material (for the payment of the secured advance)</i>	<i>Debit</i>
3007	<i>Secured Advance against Material (for the recovery of the advance)</i>	<i>credit</i>
3002	<i>Advance to Contractors</i>	<i>Credit</i>
4201	<i>Income Tax Deducted at Source</i>	<i>Credit</i>
4202	<i>Sales Tax Deducted</i>	<i>Credit</i>

4103	Retention Money	Credit
4104	Liquidated/Delay Damages	credit
3005	Cash at Bank	Credit

Payment of Tax Deducted at Source

5.39 On payment of Income Tax Deducted at Source and Sales Tax, the following accounting entry shall be passed:

Account Code	Account Head	Debit/Credit
4201	Income Tax Deducted at Source	Debit
4202	Sales Tax Deducted	Debit
3005	Cash at Bank	Credit

Release of retention money

5.40 On payment of retention money to the party, the following accounting entry shall be made

Account Code	Account Head	Debit/Credit
4103	Retention Money	Debit
3005	Cash at Bank	Credit

Payment for Administrative/incremental expenditure

5.41 In case of administrative expenses to be borne out of the World Bank project, a LoC shall be issued in the name of concerned Engineer. Payments shall be made in cheque (to the extent possible) after taking all necessary approvals. Payments shall be made in cheque to the extent possible by the Executive Engineer as per present financial delegation of powers.

Purchase of Assets

5.42 Purchase of fixed assets e.g. computers, furniture & fixtures, vehicles etc. shall be recorded in the Fixed Asset Register (**Refer Form 10**) after the purchase is made. The payment for the fixed assets shall follow the general payment procedure.

The following accounting entry shall be made:

Account Code	Account Head	Debit/Credit
25XX	Project Fixed Assets	Debit
3005	Cash at Bank	Credit

5.43 Payments for Resettlement & Rehabilitation:-

On the payment of the Resettlement & Rehabilitation, the following accounting entry shall be made:-

Account Code	Account Head	Debit/Credit
2105	Resettlement & Rehabilitation Account	Debit
3005	Cash at Bank	Credit

Accounting Entry at the time of transfer of the Resettlement & Rehabilitation to relevant component Up gradation or Rehabilitation:-

Account Code	Account Head	Debit/Credit
2101/2102	Up gradation/ Rehabilitation Account	Debit
2105	Resettlement & Rehabilitation	Credit

Other expenditure

5.44 In case of any other expenditure, appropriate approvals shall be taken. Payment shall follow the general procedure for payment. The following accounting entry shall be passed:

Contra

Account Code	Account Head	Debit/Credit
2XXX	Relevant Component/ Sub-component Account	Debit
3005	Cash at Bank	Credit

Transactions

5.45 A Contra Voucher shall be generated/ created at the time of deposit of cash into the bank and the following accounting entry shall be recorded in Cash Book:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
3004	Cash in Hand	Credit

5.46 In case of withdrawal of cash from bank for making payments, the following entry shall be recorded in Cash Book:

Account Code	Account Head	Debit/Credit
3004	Cash in Hand	Debit
3005	Cash at Bank	Credit

Other procedures LoC register

5.47 PRBDB shall maintain a LoC Register (**Refer Form 2**) where entries shall be made as soon as LoC is issued in favour of PWD Divisions. On receiving LoC register (**Refer Form 2**) at the end of a period from the PWD Divisions showing the amount of expenditure, the LoC register shall be updated for utilization of the LoC

5.48 The bank balance available with PRBDB shall tally with the amount of LoC unused by the PWD-Divisions along with any balance amount for which LoC has to be issued.

Bank Reconciliation Statement

5.49 Bank Reconciliation Statement (BRS) (**Refer Form 3**) shall be prepared for all bank accounts being used for the project, on a monthly basis. Since the LoC is issued by the PRBDB central bank, the bank shall provide separate bank statements for each of the PWD-Divisions and separate BRS shall be prepared on a monthly basis.

5.50 In case of bank charges debited by bank, bank interest credited by bank or any other entry that requires adjustment entry in the Cash Book, the same shall be done, after obtaining necessary approvals.

Reconciliation of advances

5.51 Reconciliation of advances given to contractors/ suppliers shall be done on a half yearly basis through the ledger of “Advances to the Contractors”. This will ensure that there are no differences in amount shown as advances pending, and any difference shall be reconciled instantly.

Trial Balance

5.52 Each accounting unit shall print a copy of Trial Balance from the accounting software tally to contain account balances on a monthly basis and shall keep the signed (by the Executive Engineer of the concerned division) copy of the trial balance in a separate file.

Accounting at PRBDB

Inter Unit Accounting

5.53 The PWD-Divisions shall submit the tally generated Trial Balance (duly signed by the Executive Engineer of the concerned division) on monthly basis to PRBDB. PRBDB initially releases the LoC to the PWD-Divisions and no accounting entry for the fund disbursement is made in release of LoC. The entry for release of funds by PRBDB to the PWD-Divisions shall be made based on the tally generated Trial Balance received from each of the PWD-Divisions as follows:

Account Code	Account Head	Debit/Credit
9002	Amount Paid to PwD Divisions	Debit
3005	Cash at Bank	Credit

5.54 The amount ‘Amount Paid to PwD Divisions Account’ should always tally with the amount in ‘Amount received for World Bank Project from PRBDB’

Consolidation of accounts for project reporting

5.55 To facilitate reporting to World Bank from books of accounts in a consolidated manner, consolidation of accounts shall be done at PRBDB. This will be based on the “Monthly Trial Balance” received from PWD divisions.

5.56 On receipt of Monthly Trial Balance from the PWD Divisions, a single accounting entry shall be passed for each Division, the Trial Balance being used as the supporting document. A similar accounting entry shall also be passed for expenses at PRBDB also. The accounting entry shall be as follows:

Account Code	Account Head	Debit/Credit
2XXX	Relevant Component/ Sub-component Account	Debit
3XXX	Relevant account for Current Assets	Debit
4XXX	Relevant account for Current Liabilities	Credit
3005	Cash at Bank	Credit

5.57 Receipt from both World Bank and GoP with their respective shares shall be passed with the following entry:

Account Code	Account Head	Debit/Credit
3005	Cash at Bank	Debit
1101	Grant in Aid-Funds from World Bank	Credit
1102	Grant in Aid-Funds from State Government	Credit

5.58 The entries shown above are representative in nature and not comprehensive. Any other account that needs to be debited or credited based on a specific transaction, shall be suitably accounted for.

5.59 These set of books of accounts shall be used for preparing Financial Monitoring Reports (FMRs) to be submitted to the World Bank.

Chapter 6:

FORMATS OF BOOKS OF ACCOUNTS

The formats to be used by both the accounting units are attached as a separate section to this Framework. In case computerized accounting software e.g. Tally, is used, the formats as designed therein can be adopted as long as it suffices the basic internal control requirements of the formats prescribed in this Framework. The format no. title, purpose and the periodicity for updating/ preparation shall be as follows:

Form No.	Title	Purpose	Periodicity for updating/ Preparation
Form 1	Payment order (for payment to the Contractors)	To accord approval for all the payments	On each payment
Form 2	LoC Register	To control LoCs at PRBDB and PWD-Divisions	Daily
Form 3	Bank Reconciliation Statement	To reconcile bank balance as per Project cash book and bank statement	Monthly
Form 4	Cheque Issue Register	To record all the cheque issued and keep control on cheques issues	On each payment
Form 5	Cash Receipt	To be issued on receipt of cash/ cheque from party	On each receipt
Form 6	Bill Passing Register	To record all the bills received for payment and keep control on them till they are finally paid	On each receipt of bill and each event thereafter
Form 7	Tender Register	To record the sale of the tender forms containing the name of the party to whom the tender form is sold, amount recd. And signature of the party representative.	As and When
Form 8	EMD Register	To contain record of the Earnest money deposit received for the tendered contract/ assignment	As and When
Form 9	Monitoring of payments to the Contractors	To monitor the payments related to the contractors	Monthly
Form 10	Fixed Asset Register	To record all the project fixed assets	On each Transactions

The formats are contained in **Annexure III** to this report.

7.01 This chapter describes the various reporting requirements by the project implementing agencies i.e. PRBDB and PWD Divisions.

7.02 The financial reports shall be prepared by the Divisions for the project financial status as per the books of accounts maintained by them. PRBDB shall prepare the same for the project activities undertaken by it and based on the books of accounts maintained by its office.

7.03 The reports shall be sent by the division offices to PRBDB on a periodical basis as per the periodicity specified for each report, who shall then compile the same for the project as a whole.

Financial Monitoring Report (FMR) (Quarterly)

7.04 The FMRs (**Refer Form FR/1 & 2**) shall be prepared on a quarterly basis and submitted to the World Bank. FMRs shall report expenditure on the project activities made in the previous quarter, forecast for the two subsequent quarters & requirement of the funds.

7.05 The FMRs shall be compiled by PRBDB based on the information received from the Divisions. The Divisions shall use the same formats of FMRs for providing information to PRBDB, who shall compile the FMRs for submission to the World Bank. The Divisions shall send FMR to PRBDB at least 7 (seven) days before the due date of reporting by PRBDB to the World Bank.

7.06 At the time of preparing the FMR, 'Unpaid bills' from the Bill Passing Register (Form 6) for bills received and remaining unpaid as at the quarter, shall be taken in the forecast of fund requirements.

Management Information Reports

7.07 **Civil Work Progress, project Cost Monitoring & Procurement Management Report:** This shall be an MIS to compare the planned and actual expenditure for the various components and sub-components of the project. This report shall be prepared on a quarterly basis and shall be submitted along with submission of the FMR by the respective divisions. PRBDB shall compile this for the project as a whole and shall use it to control the project expenditure. (**Refer Form FR/3, 4, 5 & 6**)

Project Financial Statements (PFS) (Annual)

7.08 The Project Financial Statements (PFS) shall be prepared on an annual basis and shall represent the financial statements for the project. These statements shall be audited by the statutory auditor. The financial statements forming part of the PFS are described below:

1. Summary of Funds Received (A): This shall contain the funds received separately for World Bank and GoP (counterpart funds) (**Refer Form FR/7**)
2. Summary of Expenditures (A): This shall show under the main project components/ sub-components headings the summary of expenditures both for the current fiscal year and accumulated till date (**Refer Form FR/8**)
3. Balance Sheet (A): This shall show the accumulated funds for the project, bank balances, other assets of the project and liabilities, if any. (**Refer Form FR/9**)
4. Reconciliation of Funds as per Consolidated books of accounts and as per World Bank (A): This shall reconcile the amounts shown as 'received by the Project from the World Bank' and that actually been 'disbursed by the Bank'. (**Refer Form FR/10**)
5. Statement of Funds Requests submitted to World Bank (A): This shall include the details of the quarterly FMRs submitted to the World Bank with specific reference no and date. (**Refer Form FR/11**)
6. Notes to the Accounts: These shall be part of the Project Financial Statements.
7. Significant Accounting Policies: These shall be part of the Project financial statements (**Refer Annex V**).

STATUTORY AUDIT (ANNUAL) REPORT

7.09 The Comptroller and Auditor General of India (CAG) through its offices in Punjab will be the statutory auditor for the project. The CAG's office shall conduct an annual audit of the operations of the project as per the Terms of Reference (TOR) for audit agreed with the World Bank. Audit by CAG shall include the PWD Division offices implementing the project and PRBDB.

7.10 The Audit Report shall be submitted to the World Bank within six months of the close of each financial year.

PERIODICITY OF UPDATION

7.11 The periodicity of updation of the financial reports is as follows:

Periodicity of updation

Form No.	Title	Periodicity
FR/1	Quarterly Financial Monitoring Reports: Project Activities	Quarterly
FR/2	Quarterly Financial Monitoring Reports: World Bank Requirement	Quarterly
FR/3	Quarterly Financial Monitoring Reports: Civil Works Progress	Annually
FR/4	Quarterly Financial Monitoring Reports: Project Cost Monitoring for Prior Review Contracts Progress	Annually
FR/5	Quarterly Financial Monitoring Reports: Project Cost Monitoring for Post Review Contracts	Annually
FR/6	Quarterly Financial Monitoring Reports: Procurement Management Report for Prior Review Contracts	Annually
FR/7	Project financial Statements: Summary of Funds Received	Annually
FR/8	Project financial Statements: Summary of Expenditures	Annually
FR/9	Project financial Statements: Balance Sheet	Annually
FR/10	Reconciliation of Funds as per consolidated books of accounts and as per World Bank	Annually
FR/11	Statement of Funds requests submitted to World Bank	Annually
Notes to the Accounts		Annually
Annexure V	Significant Accounting Policies	Annually

The formats are contained in *Annexure IV* to this report

LIST OF ANNEXURE

Sl. No.	Annexure
I	Chart of Accounts
II	Terms of Reference – Internal Audit
III	Formats – Books of Accounts
IV	Formats – Financial Reports
V	Significant Accounting Policies

ANNEXURE I

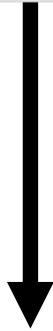


CHART OF ACCOUNTS

Punjab State Road Sector Project (World Bank Funded)							Annexure I
Chart of Accounts							
Account Code	Account Head	Explanation of Account Head	Nature of Head	Location		Accounting Treatment	General Account Balance (Dr/ Cr)
				PRBD B	PWD - Division		
1000	SOURCES OF FUNDS		Group				
1100	Grant in Aid	Consolidated Project Grant Received	Sub-Group				
1101	Grant in Aid-Funds from World Bank	Grant received from World Bank	Account	√		Cr.- On Receipt of funds from PWD in proportion to the World Bank's share in the project funds	Cr
1102	Grant in Aid-Funds from State Government	Grant received from GoP	Account	√		Cr.- On Receipt of funds from PWD in proportion to the GoP's share in the project funds	Cr
2000	UTILISATION OF FUNDS*		Group				
2100	Road Upgrading, Rehabilitation and Periodic Maintenance	Total expenditure under this component	Sub-Group				
2101	Upgrading of about 400 km of roads	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2102	Rehabilitation/ strengthening of about 800 km of roads	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr

2103	Periodic maintenance of about 400 km	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2104	Blackspot improvement	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2105	Resettlement & Rehabilitation	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2106	Output Performance based Contracts &	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2200	Road Routine Maintenance	Total expenditure under this component	Sub-Group				
2201	Routine maintenance cost	Expenditure incurred under this sub-component for the specific sections of roads	Account	√	√	Dr- On payment	Dr
2300	Institutional Strengthening	Total expenditure under this component	Sub-Group				

2301	E-governance and e-procurement	Expenditure incurred under this sub-component e.g. Asset management software	Account	√	√	Dr- On payment	Dr
2302	Computerization and GIS	Expenditure incurred under this sub-component	Account	√	√	Dr- On payment	Dr
2303	Training	Expenditure incurred under this sub-component e.g. Training in IT, contract management, procurement, social and environmental	Account	√	√	Dr- On payment	Dr
2304	Road Safety	Expenditure incurred under this sub-component e.g. goods (GPS, computers), development of database, safety awareness	Account	√	√	Dr- On payment	Dr
2305	HIV/AIDS	Expenditure incurred under this sub-component e.g. Dispensing machines, awareness	Account	√	√	Dr- On payment	Dr
2400	Incremental Project Costs	Consolidated Incremental costs agreed to be part of the project	Sub-Group				

2401	Vehicle expenses	Incremental cost under this head	Account	√	√	Dr- On payment	Dr
2401	Office administration	Incremental cost under this head	Account	√	√	Dr- On payment	Dr
2500	Project Assets	Fixed Consolidated amount of fixed assets acquired under the project e.g. Computers, fax, etc.	Sub-Group				
2501	Computers	Cost of Fixed assets acquired under this head	Account	√	√	Dr- On payment	Dr
2502	Furniture fittings and	Cost of Fixed assets acquired under this head	Account	√	√	Dr- On payment	Dr
2503	Other Assets	Fixed Cost of any other Fixed assets acquired under this head	Account	√	√	Dr- On payment	Dr
3000	CURRENT ASSETS	Consolidated amount of current head	Group				
3001	Work advances to staff	Advances given to staff for project office work	Account	√	√	Dr- On release of advance Cr- On settlement of advanced and booking of expense	Dr

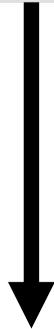
						Dr- On release of	
3002	Advances to contractors	Advances to project contractors	Account	√	√	advance Cr- On settlement of advanced and booking of	Dr
						expense	
3003	Other Advances	Other advances for project purposes	Account	√	√	Dr- On release of advance Cr- On settlement of advanced and booking of expense	Dr
3004	Cash in Hand	Actual cash balance with accounting units	Account	√	√	Dr- On receipt of cash Cr- On deposit into bank	Dr
3005	Cash at Bank	Actual Bank balance with PRBDB	Account	√		Dr- Deposit of funds into the bank Cr- Payment to party/ Withdrawal from bank	Dr
3006	Income Tax Deducted at Source	All Income Tax Deducted at Source by third parties	Account	√		Dr- On receipt of information for TDS Cr-On receipt on tax refund	Dr
3007	Secured Advances against Material	Secured Advances to the Contractors	Account	√	√	Dr.-on release of advances Cr-on recovery of the advances	Dr
4000	CURRENT LIABILITIES	Consolidate d current liabilities	Group				

4100	Deposits	All deposits payable	Sub-Group				
4101	Security Deposit	Security deposit from contractors	Account	√	√	Cr- On receipt of security deposit/ adjustment of EMD	Cr
4102	Earnest Money Deposit	Earnest money deposit recd. from parties in cheque/ draft	Account	√	√	Cr- On receipt of EMD in cheque/ draft Dr- On repayment/ adjustment into security deposit	Cr
4103	Retention Money	Retention money deducted from contractors bills	Account	√	√	Cr- On deduction from contractors bill Dr- On repayment	Cr
4104	Liquidated/Delayed Damages	Liquidated/ Delay Damages deducted from the contractors' bills	Account	√	√	Cr- On deduction from contractors bill Dr- On repayment Dr- On the transfer of the same in to the relevant component Upgradation, Rehabilitation & Periodic Maintenance	Nil
4200	Taxes & Duties	All taxes and duties payable	Sub-Group				

4201	Income deducted source	Tax at	Income Tax Deducted at Source on bills	Account	√	√	Cr- On deduction from party's bills Dr-On deposit to Government	Cr
4202	Sales deducted	Tax	Sales Tax deducted on bills	Account	√	√	Cr- On deduction from party's bills Dr-On deposit to Government	Cr
4300	Income Earned		All Income earned	Sub-Group				
4301	Tender fees		Tender fees on sale of tenders	Account	√	√	Cr-On receipt	Cr
4302	Interest		Bank interest earned on project funds, interest on FD placed from project funds	Account	√		Cr-On receipt	Cr
4303	Others		Any other project income	Account	√		Cr-On receipt	Cr
9000	Inter Transactions	unit		Group				

9001	Amount received for World Bank Project from PRBDB	Corresponding receipt for expenditure made by Engineers Units	Account		√	Cr-On receipt of funds from PRBDB	Cr
9002	Amount Paid to PwD Divisions	Recording of amount paid to the Divisions based on the Receipt and Utilisation Statement	Account		√	Dr-With monthly expenditure of the Engineers as per Receipt and Expenditure Statement	Dr
* These may change in case there are changes in project components and sub-components.							

ANNEXURE II



TERMS OF REFERENCE -
INTERNAL AUDIT

Terms of Reference (ToR) & Scope of Services for Internal audit of
World Bank funded Punjab State Road Sector Project (PSRSP)

1) Scope of Work:

Internal audit of the project at all concerned offices i.e. Punjab Roads & Bridges Development Board, Mohali and 6 Divisions of PWD at different stations entrusted with the work of PSRSP located at Ludhiana, Mohali, Ferozepur, Sangrur, Amritsar & Kapurthala. Internal audit shall cover all areas of financial management and fiduciary arrangements related to PSRSP.

Outline of Tasks to be carried out:

- I. Audit of expenditure – The Financial Management Framework (FMF) agreed with the World Bank for PSRSP shall be taken as the base document for Audit Review and the compliance of the same by the concerned offices in implementing / executing PSRSP shall be confirmed in this audit review. The Auditor shall give his opinion whether all expenditure has been made for the purposes intended for, have been used with due attention to economy and efficiency, and after following all relevant rules and procedures of the Project and the World Bank.
- II. Coverage of the Audit Review: The Review shall cover 100% of payments related to the PSRSP including but not limited to civil works, consultancy and payments for Resettlement & Rehabilitation (R&R) except in case of Incremental operating cost, where the review shall be limited to 50% of the payments made under each sub category such as office stationary expenses, communication expenses, transportation expenses etc.
- III. Adequacy of documents retention – Commenting whether adequate documents/vouchers related to the payments made have been maintained.
- IV. Procurement – Checking whether procurement of goods and services have been done as per the procurement guidelines and/ or Government instructions / orders for PSRSP, and reporting any deviations from these guidelines / instructions / orders or of cases of undue favour, mis-procurement, corruption, etc.

- V. Checking of the FMRs - Checking of the Financial Management Reports (FMR) prepared by Divisions and PRBDB and confirming that the same have been made on a realistic basis and based on books of accounts.
- VI. Special Audit/Transparency – Checking whether norms of social audit and transparency have been followed e.g. Books of accounts as well as expenditure statements have been made available to all stakeholders for viewing information on project approval, funds received, payments made and balances.
- VII. Compliance – Review the compliance with laid down procedures in the Financial, Management Framework and implementation of computerized books of accounts using accounting software Tally at PRBDB as well as at six field divisions. The auditor shall also report the compliance of the audit observations raised during the previous audits, conducted by the internal auditor as well as by the external auditor(s). The auditor shall also submit the ageing analysis of all such audit observations
- VIII. Compliance of Accounting standards- Ensuring Accounting Standards applicable to this project have been followed.
- IX. Financial Statements- Monitoring & Reviewing the half yearly/annual accounts, and whether these are being timely & conveniently prepared & submitted.
- X. Checking of Reconciliation- Checking whether following reconciliations are being done regularly:-
- ❖ Reconciliation of funds as per consolidated books and as per bank account.
 - ❖ Reconciliation of funds released by PRBDB and received by the divisions entrusted with the work of PSRSP.
- XI. Efficient & Economical utilization of the funds:- Monitoring utilization of funds has been made in efficient & economical manner.
- XII. Compliance of IT Security Policy: Review of the Compliance of I.T. security policy related to the Accounting/Financial Data.

Internal Audit Report

The auditor shall express his opinion in the internal audit report which shall cover the current process, deviation from FMF and general accounting principles, monetary impact of deviation, person responsible and suggestions for improvement.

The auditor should provide three hard copies and one soft copy (in pdf format) of each audit report.

Suggested template for Internal Audit report –

- Section 1 – Observation & Weaknesses of laid down Financial Management System in PSRSP.

“Report specifically covering each of the 11 items mentioned under the heading ‘Outline of the tasks to be carried out’ of the terms of Reference.

- Section II – Suggestion and Opinion of the internal Auditor for the improvement of the laid down Financial Management System.

3) Methodology (expected):

- Regular audit methodology;
- Review of documents (e.g. Reports, Financial Statements, etc.)
- Compliance as required to validate findings and discuss suggestions.
- Discussion as required to validate findings and discuss suggestions.

4) Periodicity

Internal Audit shall be conducted on a half-yearly basis, preferably after 4 weeks of the expiry of each half yearly audit period (i.e. after Sept. 30, 2008 & Mar. 31, 2009). The commencement date of each audit shall be after notification to & confirmation of the same from client.

As the project funding increases, the periodicity of audit can be reviewed by the Review Committee and changed to quarterly basis or as and when required.

5) Time frame for appointment of the Internal Auditor

The appointment of the auditors will be for maximum of one year but can be extended subject to suitability, and approval of the Review Committee.

6) Outputs:

Output	Contents	Due
Draft Audit Report of each unit(office)	<p>The report shall cover the current processes, deviations from Framework and general accounting principles, monetary impact of deviation person responsible and suggestion for improvement.</p> <p>Opinion that funds have been used for the purposes intended.</p> <p>Compliance to Financial Management Framework</p> <p>Compliance to Procurement Manual</p>	Within 1 week of audit of each office
Consolidated Draft Audit Report of all units (offices)	The report shall include all the draft audit reports of each unit (as above), and the comments of the auditor on the reply of the concerned offices on the observations raised in draft audit report	Within 13 weeks of commencement of the services of the Internal Auditor for respective audit period
Presentation to the Review Committee	Finding of the Internal Auditor	Within 16 weeks of commencement of the services of the Internal Auditor for respective audit period
Final Internal Audit Report	Incorporation of comments of review Committee on Draft Final Report	Within 18 weeks of commencement of the services of the Internal Auditor for respective audit period

7) Data, Services and facilities to be provided:

PRBDB and concerned PWD divisions shall provide access to all vouchers, supporting, books of accounts, previous audit statements, Audit Reports of the statutory Auditor, Financial Management Framework, formation & Objectives of the Review Committee and all relevant documents.

8) Review Committee to monitor Internal auditor's work:

A review committee, comprising of the Chief Engineer PWD (PSRSP), Project Director (PSRSP) and Consultant Finance (PRBDB) shall monitor & review the progress of the services provided by the Auditor. The Review Committee shall be free to seek comments and input on the Auditor's work from World Bank staff and other experts as appropriate. Chartered Accountant for PSRSP (with PRBDB), shall liaison with the auditor for these services. He/She supervise the work of internal auditor, coordinate with other officers and discuss preliminary findings.

9) Time Frame for the Review Committee to provide comments

Review committee shall provide its comments within three weeks of receiving the consolidated draft audit report of the internal auditor. In case Review Committee fails to comment on draft audit report within 3 weeks of draft consolidated report, the same shall be treated as final audit report. Internal Auditor shall make a presentation of the submission to Review Committee within this period of 3 weeks, at the convenience of the Review Committee.

10) Working Papers

Internal Auditor would take adequate measure of safe keeping of the working papers, query sheets and reports etc. collected during the course of audit. The working papers must be retained by auditor for a minimum period of 8 years and should be available to the PRBDB as and when requested for.

11) Reconstitution of the firm

Internal Auditor shall at all times during the tenure of this engagement, keep PRBDB informed about all material changes relating to his firm such as reconstitution of the firm, entry/exit of the partners, change in personnel in the audit process at PRBDB & its divisions.

12) Time Frame for completion of Internal Audit

The Auditor shall complete the audit for each half year, and submit his final report within 18 weeks of the commencement of his services for the respective half year period for which audit has to be conducted.

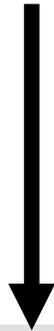
13) Terms of payment:

Audit fees will be paid half yearly basis on the following terms:-

1. On submission of Draft Audit Report 70%
2. on Submission of Final Audit Report 30%

Stamp duty, if any, on this instrument shall be borne by PRBDB.

ANNEXURE III



FORMATS - BOOKS OF
ACCOUNTS

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Form 1 - Payment order (for payment to Contractors)

_____ Name of the Accounting Unit

PAYMENTS ORDER Bill No.:

Payment Order No.:

Date:

Bill No.:

Name and address of Payee:

Head of Account:

Particular of work or articles	Amount (Rs.)
	Total amount (in words) Rs.
Certified that the rate and quantities shown in the attached bill are correct and the materials, articles have been received in good condition	
Date	Signature of Authorizing Officer

- Note:** 1. A Rubber stamp confirming the above details can also be used. The stamp should be affixed on the Bill which is authorized for payment
2. The Bill should be attached to this Payment Order

Form 2 - LoC REGISTER

_____ Name of the Accounting Unit

LoC REGISTER

Name of the Package:

Order/Designation of the Authority sanctioning the LoC:

Date of Order:

Period of the LoC:

Sanctioned Amount (Rs.):

Sr. No.	LoC No.	LoC Date	Amount	Expenditure on specific LoCs		Balance LoC (Rs.)
				Date	Amount (Rs.)	Amount (Rs.)
1	2	3	4	5	6	7

Form 3- Bank Reconciliation Statement

Bank Reconciliation Statement for _____ Bank as on _____

Particulars 1	Amount (Rs.) 2	Amount (Rs.) 3
Bank Balance as per Cash Book		
Add: Cheques issued but not presented into bank (a cheque-wise list to be appended)		
Add: Cheques drawn but not actually issued to parties (a list to be appended)		
Add: Cheque issued and payment stopped (a list to be appended)		
Add: Credits of investment proceeds in Bank (e.g. Fixed Deposits) accounted by the bank but not accounted for in Cash Book		
Add: Credit given by Bank either for interest or for any other account but not accounted for in Cash Book		
Add:		
Sub-total		
Less: Cheques deposited but not cleared		
Less: Payments directly made by the bank but not accounted for in Cash Book		
Less: Cheques deposited but dishonoured		
Less: Service Charges / Bank Charges or any other charge levied by the Bank but not accounted for in Cash Book		
Less:		
Bank Balance as per Pass Book/Bank Statement		

Form 4 - Cheque Issue Register

_____ Name of the Accounting Unit

CHEQUE ISSUE REGISTER

Sr. No.	Date	Bank Payment Voucher No. & Date	Payment Order Number & Date	Name of the Payee	Nature of Payment	Cheque No.	Date of the Cheque	Amount (Rs.)	Signature of the First Authorised Signatory	Date of Issue of Cheque	Date of Clearance	Remarks *
1	2	3	4	5	6	7	8	9	10	11	12	13

* Specify the details of the stale cheques and the subsequent revalidation of the cheque or issue of the fresh cheques.

Note:

1. Cheque nos. should be entered in order of seriality. In case any cheque is cancelled, the same shall be mentioned as such

Form 5 - Cash Receipt

_____ **Name of the Accounting Unit**

RECEIPT

Date _____

Received from Shri _____ a sum of Rs. _____ (in words) towards _____ vide

cash/cheque/demand draft/Banker's cheque no _____ dated _____ drawn on _____ Bank, _____ Place of the Bank.

N.B. Cheque/Draft/Banker's cheque are subject to realization

.....
Signature of Authorised Officer

Note: Separate receipt books can be maintained for Cash / Cheques receipts.

Form 6 – Bill Passing Register

_____ **Name of the Accounting Unit**

BILL PASSING REGISTER

FOR THE YEAR _____

Sr. No.	Particulars of Bill				Payment details						Remarks
	Bill No.	Bill Date.	Name of Party	Amount of Bill (Rs.)	Voucher No.	Amount Sanctioned (Rs.)	Date of Payment	Amount Dis allowed (Rs.)	Balance outstanding at the end of the year (Rs.)	Reason for delay in payment	
1	2	3	4	5	6	7	8	9	10	11	12

Note: Open separate folio for individual parties

Form 7 – Tender Register

_____ Name of the Accounting Unit

TENDER REGISTER

Folio No.

Name and No. of Assignment/ Work:

Sl. No.	Name of Party	Amount received	Signature of Party representative
1	2	3	4

Form 8 – EMD Register

_____ Name of the Accounting Unit

EMD REGISTER

Folio No.

Name and No. of Assignment/ Work:

Sl. No.	Party Name	Nature of EMD (FD/ Bank Receipt/ P.O. Deposit/ Cheque)	No. of document (FD/ Bank Receipt/ P.O. Deposit/ Cheque)	Date	Amount (Rs.)	Released on	Converted to Security Deposit on	Voucher Ref.	Date	Remarks
1	2	3	4	5	6	7	8	9	10	11

Form 9 – MONITORING OF PAYMENT TO CONTRACTORS

_____ Name of the Accounting Unit

MONITORING OF PAYMENT TO CONTRACTORS

Month:

SI.No	Bill Details			Payment Order (PO) details			Cheque details			No. of days between PO date and Cheque date	Remarks (Reason for delay beyond 2 days between PO date and Cheque date, if any)
	No.	Date	Amount	No.	Date	Amount	No.	Date	Amount		
1	2	3	4	5	6	7	8	9	10	11	12

Form 10 - Fixed Assets Register

_____ Name of the Accounting Unit

FIXED ASSETS REGISTER

Folio No.
Asset Type:

Sr. No.	Asset Identification No.	Particulars and description of the Asset	Location of the Asset	Date of acquisition	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Cost of acquisition (Rs.)	To whom paid	Date of Disposal	To whom Disposed and Nature of Disposal	Amount realised if sold, & date of credit in bank (Rs.)	Initials of the Authorised Officer	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13

Note:

1. Separate folio should be used for each type of asset
2. Examples of asset type include Computer, Table, Chairs, etc.

ANNEXURE IV



FORMATS - FINANCIAL REPORTS

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PUNJAB STATE ROAD SECTOR PROJECT

Form FR/1 PROJECT REPORT

Quarterly Financial Monitoring Report – (Project Activities)

Report for the quarter ended on _____

Particulars	For the Quarter	Cumulative		Forecast for next six months
		Year till date	Project till date	
Opening Balance (A)				
Receipts				
Govt. of Punjab Funds				
(a) Remittance from Govt. of Punjab				
(b) Other Receipts/ Income				
World Bank Funds				
Total Receipts (B)				
Total Sources (C = A + B)				
Expenditures by Component				
Road Upgrading				
Rehabilitation				
Periodic Maintenance				
Institutional Strengthening				
Incremental Operating Costs				
Total Expenditures (D)				
Advances to Suppliers/ Others				
Advances for Road Upgrading				
Advances for Rehabilitation				
Advances for Periodic Maintenance				
Others Advances				
Total Advances (E)				
Less: Recovery/ Adjustment of Advances (F)				
Recovery for Road Upgrading				
Recovery for Rehabilitation				
Recovery for Periodic Maintenance				
Other Recovery				
Net Advances (G = E - F)				

Total Uses (H = D + G)				
Less Current Liabilities (I)				
Net Uses (J)				
Closing Balance (I K = C - HJ)				
Notes				
Closing Balance is as per Project Books of Account, as on date of the report				

Form FR/2 PROJECT REPORT FORMAT

Quarterly Financial Monitoring Report – (World Bank Funds requirement)

Report for the quarter ended on _____

Bank Funds received till date	I	
Total Project Uses till date	II	
World Bank Share @ 75% of the above	III	
Funds Unutilized (I - III)	IV	
Forecast for Project payments for the next 6 months	V	
World Bank Share @ 75% of the above	VI	
Less: Funds Unutilized	IV	
Net Funds required from the Bank (VI - IV)	VII	
Forecast for receipts from GoP for the next 6 months	VIII	

Notes:

a) Total Project Uses till date ' II ' , will be the same as Total Net Uses ' H J ' as per Project Report Format I, Column

b) Forecast for payments for the next 6 months ' V ' will be the same as Total Net Uses ' H J ' as per Project Report

Form FR/4 Project Report
 Quarterly Financial Monitoring Report

Project Cost Monitoring - For Prior Review Contracts

Contract No	Contract Description	Supplier/Contractor/ Consultant	Date of World Bank No Objection to Award of the Contract	Contract Award Date	Category (Workd/Services/ Goods)	Procurement Method	Contract Price			Cost during this Quarter				Cumulative Cost				
							Million US\$	Million INR	Bank Financing Ratio (%)	Actual		Planned	Actual as % of Planned	To Last Quarter	Actual to Date		Planned to date	Actual as % of Planned
										Million INR	WB share				Million INR	Million INR		
WBR 1									75.0									
<i>IPC1</i>									75.0									
<i>IPC2</i>									75.0									
<i>IPC3</i>									75.0									
									75.0									
WBR 2									75.0									
<i>IPC1</i>									75.0									
<i>IPC2</i>									75.0									
<i>IPC3</i>									75.0									
									75.0									
									75.0									
WBR 3									75.0									
<i>IPC1</i>									75.0									
<i>IPC2</i>									75.0									
<i>IPC3</i>									75.0									
									75.0									
									75.0									
WBR 4									75.0									
WBR 5									75.0									
WBR 6									75.0									
WBR 7									75.0									
WBR 8									75.0									
WBR 9									75.0									
WBR 10									75.0									
WBR 11									75.0									
WBR 12									75.0									

Note 1 - The Cost is the amount paid to the contractor/Consultant
Note 2 Provide details of each payment made under each contract
Note-3 The exchange rate mentioned in the contract to be used for the currency conversion.

Form FR/5 Project Report Format
 Quarterly Financial Monitoring Report

Project Cost Monitoring - For Post Review Contracts

Contract No	Contract Description	Supplier/Contractor/Consultant	Contract Award Date	Category (Workd/Services/Goods)	Procurement Method	Contract Price		Bank Financing Ratio (%)	Cost during this Quarter				Cumulative Cost					
						Million US\$	Million INR		Actual		Planned	Actual as % of Planned	To Last Quarter	Actual to Date		Planned to date	Actual as % of Planned	
									Million INR	WB share			Million INR	Million INR	Million INR	WB share		Million INR
WBR 1								75.0										
IPC1								75.0										
IPC2								75.0										
IPC3								75.0										
WBR 2								75.0										
IPC1								75.0										
IPC2								75.0										
IPC3								75.0										
								75.0										
WBR 3								75.0										
IPC1								75.0										
IPC2								75.0										
IPC3								75.0										
								75.0										
WBR 4								75.0										
WBR 5								75.0										
WBR 6								75.0										
WBR 7								75.0										
WBR 8								75.0										
WBR 9								75.0										
WBR 10								75.0										
WBR 11								75.0										
WBR 12								75.0										
								75.0										

- Note 1 -** The Cost is the amount paid to the contractor/Consultant
- Note 2** Provide details of each payment made under each contract
- Note-3** The exchange rate mentioned in the contract to be used for the currency conversion.

Form FR/7 - Project Financial Statements: Summary of Funds Received

For the Year ended:

(Amount in Rs.)

Particulars	Q1	Q2	Q3	Q4	For the Year	Cumulative Till Date
Funds Received						
Govt. of Punjab Funds						
World Bank Funds						
Deposits						
Security Deposit						
Earnest Money Deposit						
Retention Money						
Income Earned						
Tender fees						
Interest						
Others						
Total Receipts						

Form FR/8 - Project Financial Statements: Summary of Expenditures For the Year Ended: (Amount in Rs.)

For the Year ended:

(Amount in Rs.)

Project Component/ sub component	Q1	Q2	Q3	Q4	For the Year	Cumulative Till Date
Road Upgrading, Rehabilitation and Periodic Maintenance						
Upgrading of about 400 km of roads						
Rehabilitation/ strengthening of about 800 km of roads						
Periodic maintenance of about 400 km						
Blackspot improvement						
Road Routine Maintenance						
Routine maintenance cost						
Institutional Strengthening						
E-governance and e-procurement						
Computerisation and GIS						
Training						
Road Safety						
HIV/AIDS						
Incremental Project Costs						
Vehicle expenses						
Office administration						
Project Fixed Assets						
Computers						
Furniture and fittings						
Total Project Expenditure						

Form FR/9 - Project Financial Statements: Balance Sheet

For the Year ended:

(Amount in Rs.)

Particulars	For the Year	Year Till Date
Liabilities		
Grant in Aid		
Grant in Aid- Funds from World Bank		
Grant in Aid-Funds from State Government		
Current Liabilities		
Deposits		
Taxes & Duties		
Income Earned		
Total Liabilities		
Assets		
Project Expenditures		
Road Upgrading, Rehabilitation and Periodic Maintenance		
Road Routine Maintenance		
Institutional Strengthening		
Incremental Project Costs		
Project Fixed Assets		
Current Assets		
Total Assets		

Form FR/10 - Reconciliation of Funds as per Consolidated books of accounts and as per World Bank

For the year ended: _____

Particulars	(Amount in Rs.)
Funds received from World Bank as per consolidated books of accounts	
Add: Amount disallowed by World Bank	

Total Disallowances	
Add: Funds released by World Bank but not received by PRBDB	
Withdrawal application no.: Date: Amount:	

Funds disbursed as per World Bank	

ANNEXURE V



Significant Accounting Policies

Significant Accounting Policies

1. Method of Accounting:-
Books of accounts are maintained on mixed (hybrid) system of accounting. Expenditures related to the works are booked including TDS, Sales Tax & Retention Money etc. Other expenditures are also booked including income tax.
2. Payments related to the consultancy fees are booked under the Upgradation/ Rehabilitation head.
3. Income earned is to be adjusted against the grant share of the Govt. of Punjab to this project.
4. Salaries of only contractual staff employed for the project are booked under the head Incremental project cost. Salaries of deputed staff are not booked under this project.
5. No depreciation is charged because of mixed accounting system.
6. Grants received from World Bank and Punjab Govt. are invested into short term FDRs (according to the projected utilization of the funds) instead of keeping it into saving a/c to maximize the utilization of the funds and benefit to the Govt. of Punjab.
7. Funds to the PSRSP divisions are issued on the basis of Letter of Authorization instead of issuing the cheque for the purpose of maximum utilization of the funds.
8. Payments made for the shifting of utilities to electricity, water supply & forest department are considered under the head Up-gradation/ Rehabilitation.
9. Payments related to the Land acquisitions, resettlement & rehabilitation are considered under the Up gradation head.
10. While preparing the Financial statements following Indian Accounting Standards are followed:-
 - Accounting Standard 1: Disclosure of accounting policies.
 - Accounting Standard 4: Contingencies & Events occurring after the balance sheet date.
 - Accounting Standard 5: Net Profit or loss for the period, prior period items and change in the accounting policies.