

NATIONAL RURAL LIVELIHOODS MISSION

Part II of National FM Manual

TEMPLATE OF FM MANUAL FOR STATE

(7.2.12)

Note:

- ❖ *The purpose of this template is to provide guidance to states for developing Financial Management Manual for NRLM/NRLP.*
- ❖ *States must ensure that State FM manual is consistent with procedures laid down in National FM Manual for NRLM/NRLP.*
- ❖ *State FM Manual should include FM arrangements for all activities described in SPIP.*
- ❖ *States may add more sections/sub-sections as per their requirement. The Manual should also include appropriate annexes e.g., delegation of powers, formats of reports and records to be kept, ToRs of audit, chart of accounts etc.*

Introduction to Manual

- Background
- Purpose of Manual and Applicability of Manual
- Approval of Manual by the Society
- Other related project documents: state level and national level
- Amendments to Manual
- Disclosure of Manual on state website

Introduction to NRLM/NRLP

- Brief description of NRLP and NRLM, including funding pattern of NRLM for states
- NRLP/NRLM in the state:
 - o components, coverage (districts, blocks), intensive and non-intensive blocks, phasing of blocks etc.
- Overview of State Structure for NRLM/NRLP
- Implementation arrangement at state/district/block and community level, including state/district level committees
- Key components of SPIP and AAP and Budget of State for NRLP/NRLM

Overview of FM in State

- Control Framework for FM in State
- Control Framework for transfer of funds to community level
- Role of State, Districts, Blocks, PFTs in financial management

FM Staffing and Training

- Organogram of SMMU
- FM Staff at SMMU/DMMU/Blocks/PFT and their key responsibilities
- Training strategy for FM in State
 - o National level training by NMMU; Training at State/District/Sub-district level

- Assessment of Training Needs, Annual Training Plan and Monitoring of Training Plan by SMMU
- Training modules and other training material
- Implementation of training e.g., training wing in SMMU/call-down contracts at NMMU level, master trainers, training organizations, use of any state training institutes etc.
- Types of training: training in FM manual for FM staff, exposure visits, refresher training, FM orientation of programme staff

Planning and Budgeting

- Basic scheme/share of center and state
- State Perspective and Implementation Plan (SPIP)/Annual Action Plan (AAP)
- Approval of SPIP and AAP
- Budget Head for NRLP in State and Budgetary provision by state
- Budget Preparation:
 - Flow diagram, time table, AWP at State Level/District/Block level
 - Norms for costings project Activities
 - State norms for allocating common administrative costs of SRLM to NRLP/NRLM
- Approved of AWP by State Society and informing NMMU about approved AWP and budgetary provision by state for NRLM/NRLP
- Reallocation of Budget
- Monitoring of Budget

Flow of Funds

Note: This chapter should have two parts: Part I for Intensive Blocks and part II for Non-Intensive blocks. Each part should cover the following topics:

- Overview of Flow of Funds:
 - flow diagram
 - brief description (NMMU to state and state office to districts/sub-districts and community level)
- Flow of Funds NMMU to state
 - Eligibility for flow of funds (NRLM Compliant)
 - Conditions to be met by state for tranches
 - IUFR Process: conditions under which funds flow may be suspended to state
- Flow of Funds state to districts /blocks/PFTs/Partner Organizations
 - System of raising request for funds and approval of request
 - frequency of releases, conditions for releases (e.g., receipt of monthly accounts)
- Bank accounts at state level and Mode of Payment (electronic transfer, cheque/DD)
- Flow of Funds to community level
 - Types of funding and criteria for release of funds
 - Summary table of various funds at community level (purpose, amount, criteria, accountability/reporting)
- Service standards for funds flow at state and system of monitoring of standards
- Disclosure requirements for Flow of Funds at state level

Accounting

- Accounting System
- Accounting Centers
- Significant Accounting Policies of the project
 - e.g., releases of funds, revenue recognition, interest earned on grants, advance payments, depreciation etc.
- Chart of Accounts

- Accounting at SMMU/DMMUs/ Blocks/PFTs
 - o Chart of Accounts
 - o Accounting Procedures – accounting for receipts/payments/bank transfers/fixed assets; bank reconciliation, journal entries, and correction of entries etc.
 - o Maintenance of Accounting Records – cashbook/verification of cash/vouchers/journal vouchers/Journal Register/ General Ledger/ Trial Balance/BRS/Annual Financial Statements
 - o Records to be maintained at state office/districts/blocks for CIF (Community Investment Fund)
 - o Consolidation of Accounts at SMMU
 - o Finalization of annual accounts
 - o Computerized Accounting and manual records to be maintained
- SMMU/DMMU/BMMU Quarterly/monthly Reconciliation
- Data security
- Preservation & Destruction of Records
- Accounting at Community Level

Financial Reporting and Disbursement

Note: This chapter should have two parts: Part I for Intensive Blocks and part II for Non-Intensive blocks.

- Overview of reporting system
- Flow Diagram of Reporting system in state and from SMMU to NMMU
- Reports to be submitted by SMMU to NMMU, including time table, reference to formats in annexes, etc.:
 - o Consolidated Interim Unaudited Financial Reporting (IUFRs), including brief description of each IUFR
 - o Statutory Audit Reports
 - o Summary of Internal Audit Reports and Action Taken Report
 - o Summary of Financial Management Indicators (FMIs)
- Reports to be submitted by DMMU/BMMU to SMMU:
 - o Interim Unaudited Financial Reporting (IUFRs) and checks to be exercised by SMMU
 - o Monthly accounts (including status of advances and BRS) and Annual accounts
 - o Summary of Financial Management Indicators (FMIs)
 - o Reports related to CIF covering aspects such as proposals appraised, status of MoUs, funds released; Status of UCs/Monthly Financial Reports; unspent balance with community organizations; complaints received etc.
- Summary of disbursement system of NRLP

Internal Controls and Internal Audit

Internal Controls

- Key internal controls e.g.,
 - o Delegation of powers; related to opening and operation of bank accounts; flow of funds; reconciliation of releases between various levels; monitoring expenditure against budget; advances; controls to be exercised for approving and making payments; asset verification etc.

Internal Audit

- Audit Process
 - o Timetable
 - o Audit ToR (annex)
- Monitoring system for audit, Audit Register and Compliance of observations
- Review of Audit Report and Review Committee

- Submission of Summary of Internal Audit Report and Action Taken Report to NMMU
- Compliance and Monitoring of compliance
- Submission of summary of Internal Audit Report and Action Taken Report of state to MoRD

Statutory Audit

Audit of Project Offices

- Overview of audit system
- Selection of auditor
 - o Empanelment of auditors by MoRD
 - o Criteria, process, selection committee etc.
- Audit Process
 - o Diagram and Timetable
 - o Audit ToR (annex)
 - o Consolidated audit report (format as annex)
 - o Approval of Annual Accounts by SRLM
 - o Submission of consolidated audit report of state to MoRD
- Monitoring system for audit, Audit Register and Compliance of observations
- Review committee at state level

Audit of Community Organisations

- Audit arrangement,
 - o time table, coverage, ToR, scope etc.
- Monitoring of audit process by SMMU
 - o Quality of reports, timeliness, compliance etc.

FM Disclosure

- Disclosure management framework
- FM information to be disclosed by SMMU/DMMU/community level
- Key aspects of FM

Monitoring of FM Arrangements of NRLP by SMMU

The purpose of this chapter is to summarise the system of monitoring effectiveness of FM arrangements in NRLP/NRLM.

- Key FM Aspects to be monitored by SMMU e.g.,
 - o staffing, training, flow of funds, accounting, reporting, internal controls, compliance of statutory and internal audit, expenditure against budget, FM disclosure
- Key FM Monitoring Tools of SMMU
 - o Review of accounts and reports, field visits, meetings, MIS etc.
- Key FM Aspects of NRLP at Community Level to be monitored by DMMU
 - o FM provisions of MoU, FM staffing and training, flow of funds, tracking of UCs/financial reports, record keeping, internal controls, transparency, status of audit and compliance of observations etc.