

Accounts and Audit

Under the Projects financed by the World Bank, the Project Implementing Agency should maintain Financial Management System including accounting and financial reporting adequate to ensure that they can provide to the Bank and the Government accurate and timely information regarding project resources and expenditures. Towards this objective the Project Implementing Agency should maintain their records of accounting of expenditures incurred under the project financed from the World Bank, Besides the accounting system evolved to maintain departmental accounts of the project entity as per their Departmental Accounting Procedure, the project entity should maintain independent record of transactions to show the expenditure incurred under the project separately under each category of loan proceeds as laid down under the loan/ credit agreement. The accounting record, will show separately the value of contract approved under each component of the category and expenditures incurred periodically under the contract and the claims submitted to Government of India against such expenditure. The project agency at periodical interval may review I his accounting record to monitor that the total expenditure incurred does not go beyond the approved contract value. The Project Implementing Agency will take necessary timely action to revise the contract value for approval much in advance whenever the total expenditure under the contract is likely to exceed in the near future. No claims should be sent to Government of India over and above the contract value approved. A financial statement of expenditure under each category contract-wise should be prepared annually for the year ending 31st March for onward submission to World Bank.

Similar statement must also accompany the audit report on the project financial account for the financial year as a whole.

Audit

Three types of audit certificates is required to be sent to the World Bank;

- (i) Audit of special accounts (Revolving fund)
- (ii) Audit of statement of expenditure (SOE)
- (ii) Audit of project accounts

i. Audit of Special Accounts (Revolving Fund): The responsibility for submission of the above audit certificate issued by Comptroller and Auditor General of India vests in Government of India as the borrower. This audit certificate will be submitted to World Bank within six months from the close of the financial year in respect of each loan/ credit where the Government of India have received advance initial deposits,

ii. Audit of Statement of Expenditure (SOE): The Project Implementing Agency should cause audit of the expenditures relating to the SOE claims where no documents were submitted to World Bank. The Accountant General of the State concerned will audit and issue a separate audit certificate under each loan/ credit listing out the claims – number wise - expenditures where SOE reimbursement procedure was adopted by the Project Imple-

menting Agency. This Audit Certificate shall be submitted by the Project Implementing Agency within six months from the close of the financial year to the World Bank,

iii. Audit of Project Accounts: The annual audit certificate for the project expenditure as a whole for each financial year has to be sent to World Bank within six months from the close of the financial year. The audit certificate shall be issued by the Accountant General of the State Government concerned.

Fresh Operational Policy - World Bank

The World Bank have issued a fresh operational policy on financial management which comes into effect from the financial year beginning on 1.4.97. The audited financial statement for each year should reach the World Bank on or before 30th September of the following year. The salient features of the revised operational policy of the bank are highlighted below

i). The audited financial statement including SOE audit certificate shall be submitted to the Bank within six months (instead of 9 months) from the close of the financial year.

ii). If the due date is not adhered to or the audit report points out deficiencies in accounting and internal controls/ reliability of the financial statements or the scope/ quality of audit if found un acceptable, the bank does not normally extend the closing date of the loan proposals for approval till acceptable audited financial statements are received,

iii) If within 4 months after the due date i.e. 10 months from the close of the financial year, the Bank does not receive audited financial statements, the Bank normally discontinues disbursements under SOE procedure.

iv) In case audited financial statements are not received by the Bank after 9 months following the due date i.e. 15 months from the close of the financial year, the Bank may suspend all disbursement on that loan.

v) Whenever the Bank suspends the disbursements under SOE procedure due to default in the rendition of SOE audit certificate, the project should not submit any claim under SOE procedure until the project receives communications of withdrawal of suspension of disbursements from the Bank following the submission of SOE audit certificate. Expenditures categorized as eligible for disbursement under SOE procedure cannot be claimed outside the SOE procedure as documented claim.

Constituents of Audit Report

The Audit Report should be unqualified and in the proforma as prescribed by the World Bank. A sample proforma is in Annexure- H. The constituents of Standard Audit Report are:

- (i) Audit Report
- (ii) Balance Sheet
- (iii) Income and Expenditure Account
- (iv) Receipts and Payments Account
- (v) Sources and Uses of Funds
- (vi) Schedule of Fixed Assets
- (vii) Schedule of Advances
- (viii) Schedule of Reimbursement Claims
- (ix) Reconciliation of claims with total Project Expenditure
- (x) Notes to Audit Report