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Ringfencing of Water and Sanitation Services of Bhubaneswar, Orissa, India

Assessment Report

Indo-USAID Financial Institutions Reform and Expansion Project—
Debt & Infrastructure Component (FIRE-D Project)

USAID-TCGI Contract No. 386-C-00-04-00119-00

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Abbreviations

AG	Accountant General
BMC	Bhubaneswar Municipal Corporation
CE	Chief Engineer
CPWA	Central Public Works Accounts
DAO	Divisional Accounts Officer
DO	Divisional Officer
DTTIPL	Deloitte Touche Tohmatsu India Private Limited.
FIRE	Financial Institutions Reform and Expansion
GoO	Government of Orissa
H&UD	Housing and Urban Development
ICAI	Institute of Chartered Accountants of India
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MIS	Management Information System
MoA	Memorandum of Agreement
OMAM	Orissa Municipal Accounts Manual
OPWD	Orissa Public Works Department

OWSSB	Orissa Water Supply and Sewerage Board
PHEO	Public Health Engineering Organization
SBU	Strategic Business Unit
SDO	Sub-divisional Officer
SE	Superintending Engineer
SS	Sanitation Service
ULBs	Urban Local Bodies
WS	Water Supply

1. Introduction

1.1. The State of Orissa is taking several steps to improve the quality of life of its urban population. The State Government is committed to implement the decentralization measures as envisaged in the 74th Constitution Amendment Act (CAA). Further, the reform driven Jawaharlal Nehru Urban Renewal Mission (JnNURM) also mandates transfer of functions and implementation of key financial management reforms. The State Government has already signed a Memorandum of Agreement (MoA) with Government of India (GoI) to access central funds under JnNURM, committing itself to time bound reform initiatives.

1.2. At present, Public Health Engineering Organization (PHEO) is responsible for the delivery of water and sanitation services in the State. According to the MoA signed with GoI, Government of Orissa (GoO) agreed to transfer the water supply function to the State's local bodies. To this effect, GoO issued gazette notification dated November 18, 2006. According to the said notification, the operation and maintenance of the water supply system and collection of water tariff would be transferred to urban local bodies (ULBs) along with the personnel on deputation basis in 2009-10.

1.3. In this direction, on a pilot basis, the GoO has decided to transfer the responsibility for water and sanitation to the Bhubaneswar Municipal Corporation (BMC). It is envisaged that the existing PHEO water supply (WS) and sanitation services (SS) undertaking (including assets, liabilities, rights, claims, proceedings, etc.) will be transferred to BMC for a mutually agreed consideration between GoO and BMC, and that the PHEO services would be corporatized by setting up a state-owned entity to operate and manage the system to provide water and sanitation services in Bhubaneswar under a performance-based contract with BMC.

1.4. To begin with, the GoO requested the Indo-USAID Financial Institutions Reform and Expansion (FIRE-D) project to support implementation of ring fencing the budget of WS and SS of Bhubaneswar within the overall PHEO budget, coupled with financial management reforms in the PHEO.

1.5. In this context, Deloitte Touche Tohmatsu India Pvt Ltd. ("Deloitte" or "DTTIPL") has been appointed by Indo-USAID Financial Institutions Reform and Expansion (FIRE-D) project for "Ring Fencing the Water Supply and Sanitation Services of Bhubaneswar".

1.6. The assignment involves development of accounting, costing and budgeting systems, which will facilitate maintenance of accounts on accrual based double entry basis of accounting in line with the Orissa Municipal Accounts Manual (OMAM). The entire exercise is proposed to be carried out in the following three phases:

- Phase 1 - Preparation of accounting, budgeting and costing manuals:

- Module 1 - Review and assessment
- Module 2 - Develop a WS and SS accounting manual
- Module 3 - Develop a WS an SS costing manual
- Module 4 - Develop a WS and SS budgeting manual.
- Phase 2 - Development of opening balance sheet involving the following:
 - Module 1 - Implementation and development of fixed asset registers
 - Module 2 - Development of and finalisation of opening balance sheet.
- Phase 3 - Implementation:
 - Module 1 - Implementation of WS and SS accounting manual, budgeting manual and costing manual
 - Module 2 - Finalization of the financial statements under the WS and SS accounting manual, budgeting manual and costing manual.

1.7. The current assignment involves the first two phases of the assignment. The last phase shall be taken up subsequently.

1.8. An inception report for the assignment was prepared and submitted. Subsequent to that, the Deloitte team for the engagement visited the offices of PHEO, including the Chief Engineer's office, Superintending Engineer's office, Division Offices, select Sub-division Offices and Orissa Water Supply and Sewerage Board (OWSSB). During the visits, discussions were held with the engineers and staff of Accounts and other branches. These discussions were focussed on the accounting procedures and financial management system being followed currently, both in the Accounts Branch and other Branches.

1.9. Following this, a presentation was made on June 5, 2009 to the Implementation Committee on Ring Fencing of Water and Sanitation Services, which was formed by PHEO, on the observations and the proposed system. The comments received during the presentation were further discussed with the Divisions.

1.10. The present document is the "Rapid Assessment Report" for the assignment. This report discusses the current situation of financial management, our observations on the same, and also gives an overview of the proposed financial management system. This report is based on:

- Understanding the existing accounting, costing and budgeting systems including the books, records, systems, periodical statements.
- Review of Central Public Works Accounts (CPWA) Code and Orissa Public Works Department (OPWD) Code.
- Broadly assessing the extent of adherence of the existing accounting systems to the CPWA Code and the OPWD Code.

1.11. The main objective of the report is to map the existing systems and processes, and identify the key weaknesses in the system that may impact the transition to the proposed accrual based double entry system of accounting. We have not carried out a due diligence of the system.

Report Structure

1.12. This report is structured as follows:

- Chapter 1 : Introduction (this chapter)
- Chapter 2 : Water Supply and Sanitation Services in Bhubaneswar
- Chapter 3 : General Financial Accounting and Budgeting Procedures
- Chapter 4 : Observations on the Existing Financial Management System
- Chapter 5 : Proposed Financial Management System
- Chapter 6 : Transformation to the Proposed Financial Management System

2. Water Supply and Sanitation Services in Bhubaneswar

2.1. This chapter provides an overview of the WS and SS in Bhubaneswar. It indicates the background, the organisation structure, the regulatory framework and an overview of the existing finance and accounting system.

Background

2.2. Since 2000, Orissa has emerged from a seriously lagging state in the nineties to a state in transition. Over the past seven years, the primary fiscal balance has been converted from a deficit of 5.9 percent of gross state domestic prices to a surplus of 2.8 percent - a correction of 8.7 percentage points, stronger than any other Indian state. This has been possible mainly because of the extensive fiscal reform measures undertaken by the state. (Source: World Bank report, "Orissa in Transition").

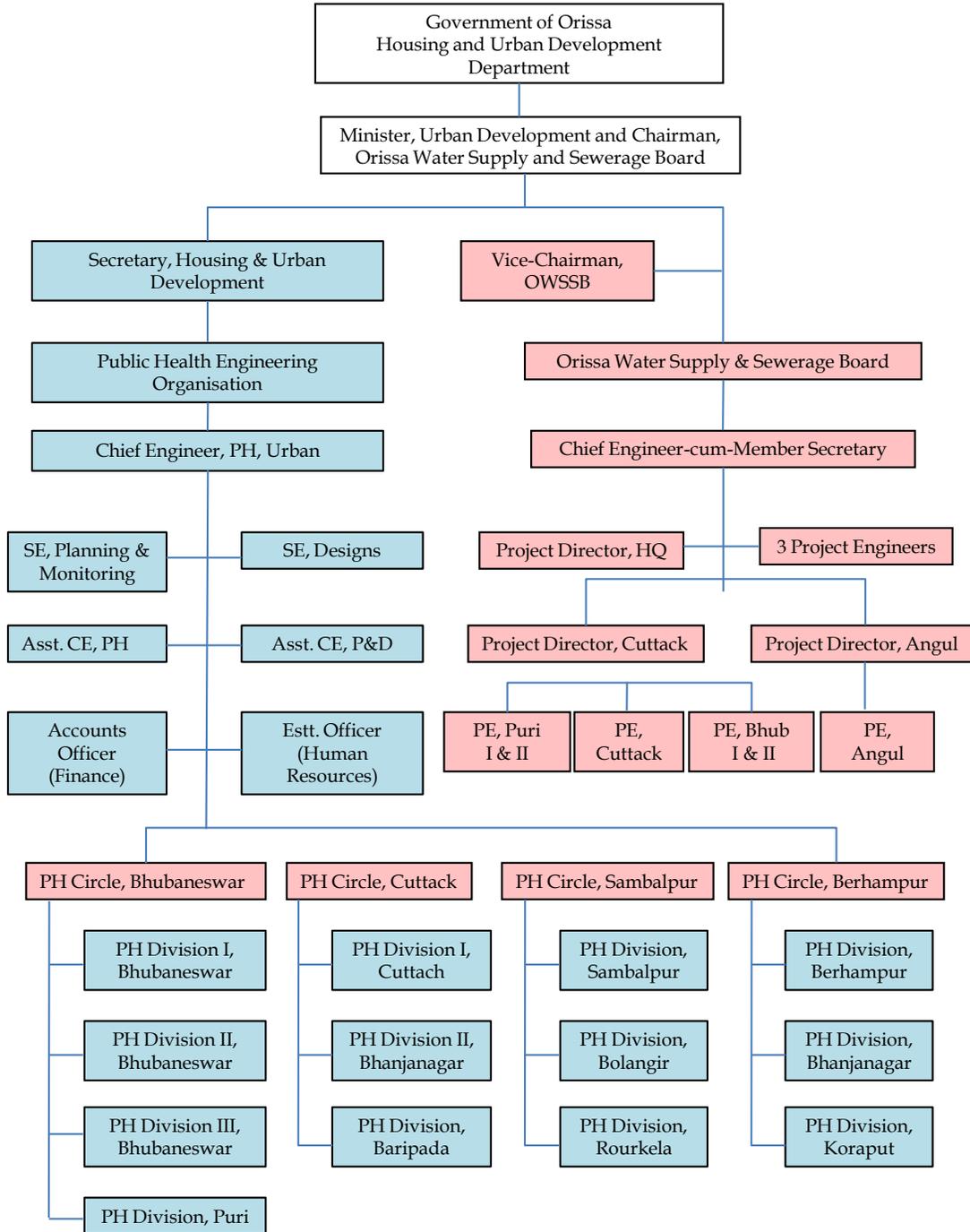
2.3. However, certain challenges still remain. Although, Orissa has one of the lowest levels of urbanisation, urban centres are currently growing rapidly. The urban population in Orissa is currently growing at twice the rate of overall population in the State. Infrastructure development has not been able to match this rapid growth. The demand for WS and SS is also likely to increase manifold because of this urbanisation. Currently, Orissa State faces the combined challenges of relatively low household incomes, very weak capacity at the municipal level to provide water and sanitation services, and, relative to most other Indian states, a low percentage of the population covered by water and sanitation services.

2.4. The urban WS and SS are provided by Housing & Urban Development Department (H&UD) headed by a Cabinet Minister. The H&UD, *inter alia*, is administratively responsible for the WS and SS in the State of Orissa and handles the same through two arms of its department - PHEO and OWSSB.

2.5. The PHEO was the functional agency responsible for all functions relating to the provision of WS and SS in the State, both in urban and rural areas, until 1990, when the Government created a separate Rural Water Supply and Sanitation (RWSS) Organisation under the newly created Rural Development Department and transferred all rural water supply and sanitation services of the State to it. Thereafter, the PHEO provided water supply and sanitation services in the urban local bodies only. Subsequently, during 1991, the Government set up the OWSSB. According to current institutional arrangements, OWSSB is responsible for new infrastructural development and PHEO for the operation and maintenance of water supply and sewerage services.

2.6. The organisation structure of H&UD Department (relating to WS&SS) is given in exhibit 2.1.

Exhibit 2.1
Organisation Structure of H&UD



Public Health Engineering Organization

2.7. PHEO is the service provider, which plans, executes, operates, and maintains the urban water supply and sewerage services in Orissa. The OWSSB executes major/mega water supply and sewerage projects and, after completion, hands over the projects to PHEO for operation and maintenance. The overview of OWSSB is given later in the chapter.

2.8. PHEO provides water supply and sewerage services in 102 ULBs of the State. It also manages the sewerage services of the three major cities of Bhubaneswar, Cuttack, and Puri. The activities of PHEO consist of:

- Planning of water and sewerage services
- Construction of minor capital works for water and sewerage services
- Operation, maintenance, and management of services
- Monitoring and quality control.

2.9. In addition to the above, PHEO carries out “deposit works” for urban local bodies, new suburban colonies, etc. In this scheme of things, depending on the nature of the work, PHEO sometimes owns the assets, but always charges a percentage of the capital expenditure as its fees. Further, PHEO maintains the WS and SS in all State-owned buildings and staff quarters, including important buildings such as Raj Bhavan, State Secretariat, etc.

2.10. A snapshot of PHEO’s financials is given below.

	Rs. In lakhs		
	2004-05	2005-06	2006-07
Capital Receipt	689.84	1,536.38	2,201.31
Capital Expenditure	689.84	1,536.38	2,201.31
Revenue Receipt	900.93	982.10	1,096.26
Revenue Expenditure	2,050.07	2,736.02	2,693.64
Surplus/ (Deficit)	(1,149.14)	(1,753.92)	(1,597.38)

Legislative Framework

2.11. PHEO has no special legislation governing it. It is governed by the regular conduct of business followed by State Government departments. However, the following rules and regulations set the basis for its functioning:

- **Orissa Public Works Department (OPWD) Code - Volume I, II** - This Code defines the functions of the officers in charge of Public Works, who work under the administrative control of Works, Water Resources, Rural Development, and H&UD Departments, and any other departments to which the execution of Public Works is assigned by the State Government. OPWD Code primarily deals with rules and procedures pertaining to establishment, works and public buildings. It also provides

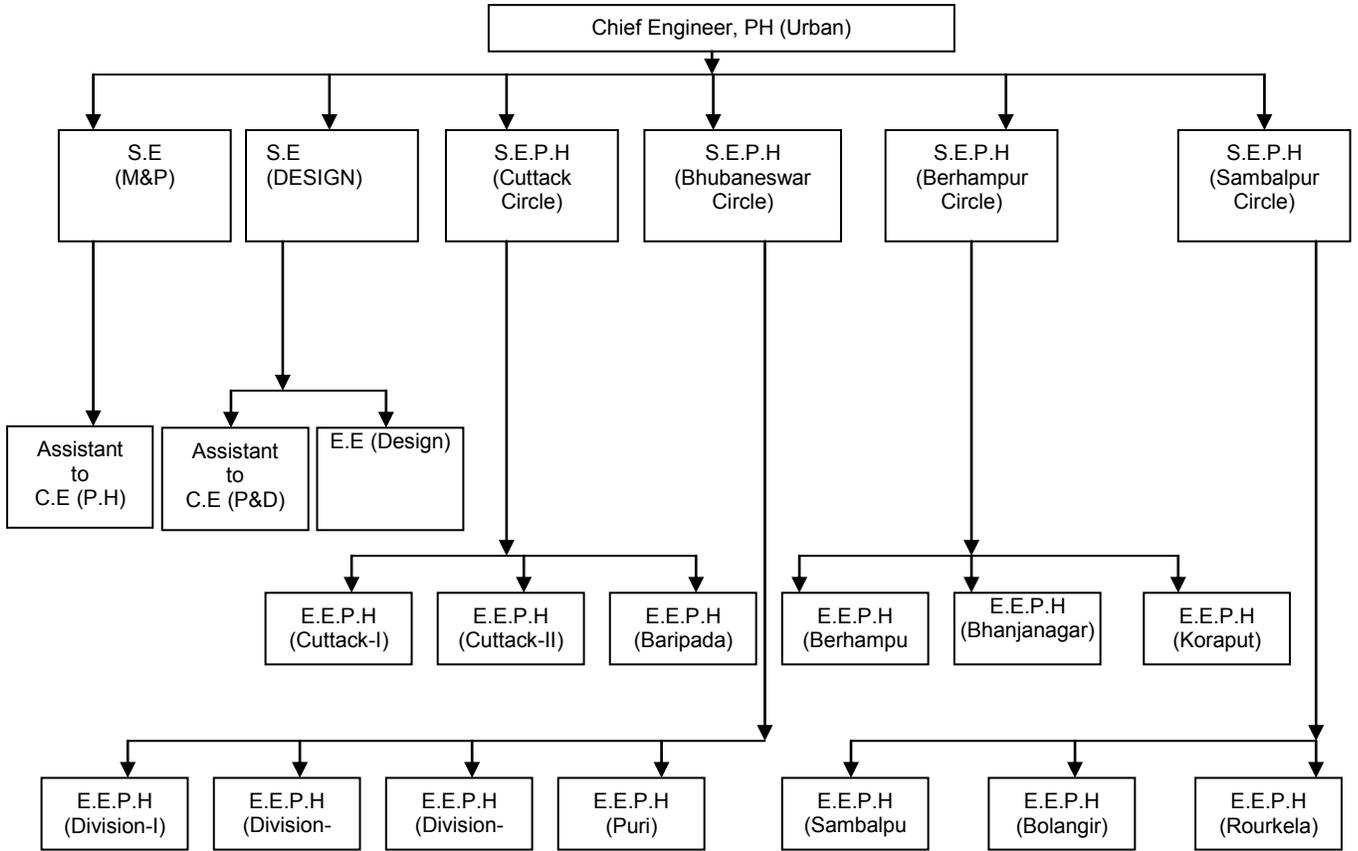
the powers of sanctions of the Government and officers in charge of the Department of Public Works.

- **Central Public Works Account (CPWA) Code** - This Code describes the financial methods and procedure to be observed by the public works officers in dealing with transactions relating to Central Public Works and in keeping and rendering accounts of such transactions. These are supplementary to the financial rules contained in the Central Public Works Department Code, General Financial Rules and the Treasury Rules of the Union Government. The CPWA Code discusses the various provisions relating to the accounting of transactions and rendering of accounts to the Government. The forms and formats that are to be prepared and the frequency with which they are to be submitted are also specified in the Code.
- **Orissa Water Works (Urban Local Bodies) Rules, 1980** - The main objective of Orissa Water Works (Urban Local Bodies) Rules, 1980, is to introduce a unified rate of tariff that will facilitate execution of water supply schemes in such urban local bodies on a no-profit no-loss basis. The rules stipulate the procedures for collection of connection fees for water supply and sewerage separately. The usage charges vary depending upon the nature of consumer, i.e., domestic, commercial, industrial, etc.

Organization Structure

2.12. The Chief Engineer (PH, Urban) heads the PHEO. The State is divided into four circles, viz. Bhubaneswar, Cuttack, Sambalpur, and Berhampur. Superintending Engineers head these PH circles and report to the Chief Engineer. Each of the circles is further divided into divisions, which are headed by Executive Engineers. Executive Engineers oversee the activities pertaining to the respective division and have Assistant Engineers reporting to them. The organisation structure of PHEO is given in exhibit 2.2.

Exhibit 2.2
Organisation Structure of PHEO



2.13. The table below captures the key positions in PHEO and their overall responsibilities (as set out in Orissa Public Works Department Code).

Table 2.1
Positions and Responsibilities

Position	Illustrative Responsibilities
<p><i>Chief Engineer</i> - Responsible to the Government in the Administrative Department for the efficient administration of the department or branch thereof as general professional control of public works within his jurisdiction</p>	<ul style="list-style-type: none"> Exercise control over the activities carried out by the officers of the department in connection with the maintenance of the accounts, custody & disbursement of money, custody of stores, and timely submission of accounts to the Accountant General (AG) Ensure that all documents required by the AG in connection with the audit of the transactions of the PHEO

Position	Illustrative Responsibilities
	<p>are made available to him or the officers authorised by the latter</p> <ul style="list-style-type: none"> • Prepare annually the portion of the budget estimates relating to establishment and works under his control • Administer the grant and keep a close watch over the progress of expenditure against it with a view to see that no excess is permitted to occur and that if additional funds are necessary, application for the same is made
<p><i>Superintending Engineer</i> - Responsible to the Chief Engineer for the administrative and general professional control of public works and is in charge of officers of the department within his circle</p>	<ul style="list-style-type: none"> • Inspect the various works in progress within his circle and satisfy himself that the system of management prevailing is efficient and economical, that the different stores are duly verified according to the Rules laid down and that there is no accumulation of stock in any division beyond its requirement and that the execution and administrative work of the circle is satisfactorily performed
<p><i>Executive Engineer</i> - Responsible to the Superintending Engineer of the circle or Chief Engineer, if the division is directly under the control of the Chief Engineer, for the efficient execution and management of all works and in all matters within his division</p>	<ul style="list-style-type: none"> • Organize and supervise the execution of works and see that they are suitably and economically carried out • Ensure the preparation of plans and estimates for all works to be executed in his division taking into consideration any error in the sanctioned plan, and any variation in the conditions at site • Ensure prompt execution of works according to the terms of the contract • Responsible for the preparation of budget estimates of expenditure and revenue of his division • Take necessary steps to obtain funds for the works and establishment under his control and submit accounts for the money received and spent by him to the Audit Office • Maintain relevant initial records in respect of personal claims of gazetted and non-gazetted Government servants of his establishment and exercise due scrutiny over the personal claims before the same are passed for payment • Ensure that the accounts furnished to the AG are in accordance with the books maintained in the division and that they present a true and correct state of affairs • Responsible for the correctness of the original records of cash and stores, receipts and expenditure, in all respects and to ensure that complete vouchers are obtained • Ensure that the Divisional Accountant carries out his duties regularly and promptly

Position	Illustrative Responsibilities
	<ul style="list-style-type: none"> • Take steps to regularise the audit objections promptly
<p><i>Sub-divisional Officer</i>- Responsible to the Executive Engineer/Divisional Officer in all matters concerned with the efficient management and execution of works within his sub-division</p>	<ul style="list-style-type: none"> • Timely and comprehensive field survey and investigation, preparation of plans and estimates including revised estimates for all works to be done in the sub-division • Prompt and efficient execution of work according to the terms of each contract • Ensure that his subordinate staffs are performing their duties properly by regularly inspecting and checking the primary records • Ensure that all unused materials of the Department are brought into account • Satisfy himself that the work has actually been executed in accordance with the detailed measurements recorded in the bill • Responsible to see that proper accounts of stores and tools and plant are maintained in his sub-division and submitted to the Divisional Officer punctually and in complete form • Keep accounts in the prescribed manner and submit them completely and punctually to the Divisional Officer as prescribed in the rules • Responsible for the preparation of budget requirements of expenditure and revenue of his sub-division
<p><i>Sectional Officer</i> - Responsible for all matters connected with the efficient management of the sections to their Sub-divisional Officers or directly to their Divisional Officers, in cases where the divisions are directed under the charge of the Divisional Officer</p>	<ul style="list-style-type: none"> • Investigate and prepare plans and estimates entrusted to their charge • Maintenance of muster rolls, record of work charged establishment, and measurement books • Execute work entrusted to their charge • Submit budgets, accounts, prescribed returns, etc. to the Sub-divisional Officers concerned
<p><i>Divisional Accountant</i> - A Divisional Accountant is posted at each division by the Accountant General to assist the Divisional Officer in the discharge of his responsibilities regarding accounts and financial functions of the division</p>	<ul style="list-style-type: none"> • Carry out all the functions of the Treasury Accountant in relation to checking of personal claims of gazette/non-gazetted persons whose pay is drawn by the Divisional Officer by cheque • Responsible to the Executive Engineer for the correct compilation of accounts

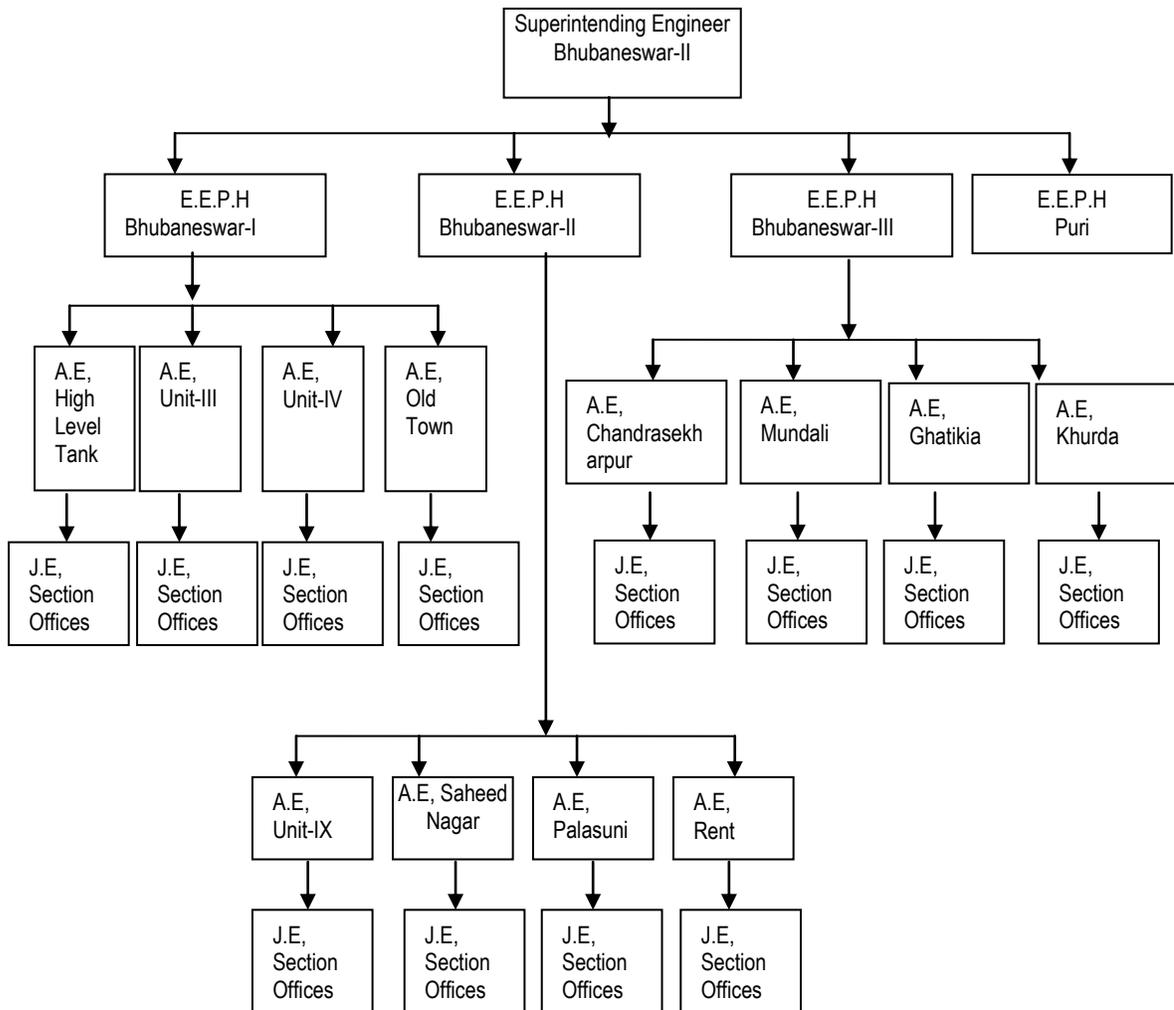
2.14. The complete list of divisions and the sub-divisions is given in Annexure I.

Water Supply and Sanitation Services - Bhubaneswar

2.15. PHEO provides the WS and SS across Bhubaneswar City. The three divisions, viz., PH I, PH II and PH III (partly) cover the various activities of the business in the City. PH III also covers the nearby towns of Khurda, Jatni, Balugaon, and Banapur.

The organisation structure of Bhubaneswar Circle is given in the exhibit below.

Exhibit 2.3
Organisation Structure of Bhubaneswar Circle



2.16. The three divisions together employed 1,673 employees as of December 2008. The division-wise breakup of employees is given in Table 2.2.

Table 2.2
Division-wise Breakup of Employees

Category	PH I	PH II	PH III	Total
Engineers	20	19	23	62
Accounts Officers	1	1	1	3
Ministerial Staff	110	304	22	436
Daily Wages	280	281	257	818
Temporary	125	114	115	354
Total Employees	536	719	418	1,673

Source: PHEO.

Water Supply

2.17. Mahanadi, Daya, and Kuakhai Rivers supply over three-quarters (75 percent) of Bhubaneswar's total daily per capita requirement of potable water, while the balance is obtained from groundwater sources (104 production wells). Water extracted from these sources is transmitted to the water treatment plants at Mundali (Mahanadi), Palasuni (Kuakhai), and Bhuasuni (Daya), respectively. The water is treated through conventional processes of flash mixing, flocculation, pre-chlorination, chlorination, filtration, and post-chlorination after which it is transmitted to the reservoirs.

2.18. The present distribution network comprising of distribution mains and lateral supply lines extends for a total length of 965 kms. Cast iron and PVC pipes are mostly utilized in the pipelines.

2.19. Details of the sources of water supply, the water treatment plants and their capacity are given in Table 2.3 below.

Table 2.3
Sources and Water Treatments Plants

A. Surface Water					
Sl. No.	Source	Water Treatment Plant	Capacity(in mld)	Drawn (in mld)	Through
1	River Mahanadi	Munduli	115	55.00	Intake well arrangements
2	River Kuakhai	High Level Tank	6.82 (1.5 mgd)	6.82	Open intake arrangements

A. Surface Water					
Sl. No.	Source	Water Treatment Plant	Capacity(in mld)	Drawn (in mld)	Through
		Palasuni	13.64 (3 mgd)	13.64	Open intake arrangements
		Palasuni	27.28 (6 mgd)	27.28	Open intake arrangements
		Palasuni	41 (9 mgd)	41.00	Open intake arrangements
		Chandrasekharpur	6.82 (1.5 mgd)	2.27	Open intake arrangements
3	River Daya	Bhuasuni	6.82 (1.5 mgd)	6.82	Open intake arrangements
		Bhuasuni	6.82 (1.5 mgd)	6.82	Open intake arrangements
Total of Surface Water			224.20	160.00	
B. Ground Water					
Sl. No.	Source	Nos.	Capacity (in mld)	Drawn (in mld)	Through
4	Spring Tank	1	2.27	2.27	Submersible pumps
5	Production Wells	138	56	40.00	Submersible pumps
Total of Groundwater			58.27	42.27	
Grand Total			282.47	242.00	

Source: PHEO.

2.20. The number and capacity of the reservoirs in Bhubaneswar Circle are given in Table 2.4 below.

Table 2.4
Reservoir Details

Type of Reservoir	Number	Capacity (ml)
Underground Reservoirs (UGR)	89	53.03
Elevated Reservoirs (ESR)	33	11.76
Total	121	64.79

Source: PHEO.

Sewage Services

2.21. About a third of Bhubaneswar's consumers are connected to an underground sewerage system. Sewage is generally collected through gravity sewers and flows or is pumped for disposal to adjacent natural valleys or drains.

2.22. Currently, some sewage is partially treated in oxidation ponds and aerated lagoons located at various places. Both the untreated sewage and the partially treated effluent flow into the Gangua Nallah on the eastern side of the City, which finally discharges into the Daya River. Some consumers not covered by underground sewer mains have their own soak pits/septic tanks. Community toilets also exist but are few in number. Many slum households have no sanitation facilities and are forced to practice open defecation.

Billing and Collection

2.23. Around forty-two percent of Bhubaneswar's population avails the WS and SS. As on March 2009, there were 54,424 water and sewerage connections in Bhubaneswar. The different categories are residential, institutional, industrial, and commercial. Public stand posts serve another set of consumers, the cost of which is charged separately to the BMC.

2.24. The existing categories of connections and the number of connections under each of them are given in Table 2.5 below.

Table 2.5
Category-wise Water Supply and Sewer Connection for Bhubaneswar
(as on 03/2009)

Category of Consumers		Only Water Connection	Only Sewage Connection	Both Water and Sewage Connections	Total Water Connections	Total Sewage Connections
Type	Category	(Nos.)	(Nos.)	(Nos.)	(Nos.)	(Nos.)
Domestic	Private	13,320	989	21,118	34,438	22,107
	G.A. Quarters	0	0	12,644	12,644	12,644
	Other Quarters	0	0	6,037	6,037	6,037
	Total	13,320	989	39,799	53,119	40,788
Non-Domestic	Institutional	0	0	695	695	695
	Industrial	0	0	65	65	65
	Commercial	0	0	244	244	244
	Total	0	0	1,004	1,004	1,004
Public	ULBs	0	0	16	16	16
	Stand Post	212	0	0	212	0

Category of Consumers		Only Water Connection	Only Sewage Connection	Both Water and Sewage Connections	Total Water Connections	Total Sewage Connections
Type	Category	(Nos.)	(Nos.)	(Nos.)	(Nos.)	(Nos.)
	Total	212	0	16	228	16
Grand Total		13,532	989	40,819	54,351	41,808

Tariffs and Charges

Water Supply

2.25. Water tariffs in Orissa State are fixed according to the Orissa Water Works (Urban Local Bodies), Rules, 1980. PHEO levies consumption and connection charges. Metered and non-metered connections have different tariff rates. The water charges for the public stand posts are billed to the BMC at the rates fixed under the Orissa Water Works Rules, 1980.

2.26. According to a Gazette Notification issued by GoO on August 20, 1996, all new connections should be metered and the consumer shall bear the cost of metering. Further, prior to its use, the same shall be tested by PHEO, for a fee. This provision, however, does not apply to Government-owned residential buildings.

2.27. Tariffs vary with the type of use like residential, commercial, institutional, etc. Details of tariffs for different categories of customers are shown in Table 2.6.

Table 2.6
Category-wise Water Charges

Urban Water and Sewerage Tariffs in Orissa		
Category	Unit (Rate)	Rate in Rupees Effective from Jul-08
Water Supply Charges		
Consumption Charges		
Domestic metered	Rs./kl	2.80
Domestic un-metered up to two taps	Rs./month	56.00
For extra taps each	Rs./month/tap	18.65
Non-domestic	Rs./kl	9.26
Commercial	Rs./kl	9.26
Industrial	Rs./kl	9.26
Public stand posts	Rs./month	105.00
Connection Charges		
Domestic	Rs./connection	3,000.00
Private apartments - up to 25 flats	Rs./connection	10,000.00

Urban Water and Sewerage Tariffs in Orissa		
Category	Unit (Rate)	Rate in Rupees Effective from Jul-08
26 to 50 flats	Rs./connection	20,000.00
more than 50 flats	Rs./connection	30,000.00
Institutional	Rs./connection	5,000.00
Industrial/Commercial	Rs./connection	6,000.00
Public stand post	Rs./connection	3,000.00

Source: PHEO.

Sewerage Services

2.28. PHEO undertakes the collection of sewerage and covers about 35 percent of the population. The sewerage charges are given in Table 2.7.

Table 2.7
Category-wise Sewerage Charges

Service Charges		Charges (In Rs)
Domestic	Rs./month	20.00
Institutional - up to four WC	Rs./month	100.00
Institutional - more than four WC	Rs./month	200.00
Domestic sewage from private apartments, Commercial and Industrial Establishments		
4" Sewer	Rs./month	200.00
6" Sewer	Rs./month	500.00
8" Sewer	Rs./month	800.00
Connection Charges		
Domestic	Rs./connection	1,500.00
Private apartments - up to 25 flats	Rs./connection	5,000.00
26 to 50 flats	Rs./connection	10,000.00
more than 50 flats	Rs./connection	15,000.00
Institutional	Rs./connection	2,500.00
Industrial/Commercial	Rs./connection	3,500.00

Source: PHEO.

Billing and Collection

2.29. Billing and collection of WS and SS for Bhubaneswar is handled by the Rent Sub-division under Division II. The billing and collection process is explained in more detail in Chapter 3.

2.30. This chapter has provided an overview of the WS and SS in Bhubaneswar. The next chapter discusses the Accounting System at the PHEO.

3. General Financial Accounting and Budgeting Procedures

3.1. PHEO follows cash based single entry system of accounting, as envisaged under CPWA Code. The existing finance and accounting function including the processes and procedures are discussed in this chapter.

Overview of Finance and Accounting System

3.2. The finance and accounting function is driven by Central Public Works Accounts Code. This section discusses the existing system of accounting, and the organisation structure and staff profile of the Accounts Branch.

3.3. According to Paragraph 4.1.1 of the CPWA Code, the Divisional Officer (DO), who is the primary disbursing officer of the Division, is responsible for the financial regularity of the transactions of the Division, maintenance of the accounts of the transactions correctly and in accordance with the rules in force.

3.4. The Accountant General (AG) posts a Divisional Accountant to assist the DO to carry out the aforesaid responsibilities (Paragraph 4.2.1 of the CPWA Code). According to Paragraph 4.2.2 of the CPWA Code, the functions of Divisional Accountant are three fold:

- As Accountant, i.e., as compiler of the accounts of the Division in accordance with the prescribed rules and from the data furnished to him.
- As Internal Checker charged with the responsibility of applying certain preliminary checks to the initial accounts, vouchers, etc.
- As Financial Assistant, i.e., as the general assistant and advisor to the Divisional Officer in all matters relating to the accounts and budget estimates or to the operation of the financial rules generally.

Key Features of the Existing Accounting System

3.5. All transactions recorded in the books of accounts represent the actual cash receipts and disbursements made. The Sub-division office is the basic accounting unit. The accounts of Sub-division are compiled at the respective Divisions. The Divisions further submit the consolidated accounts to the AG with a copy to the Chief Engineer's Office.

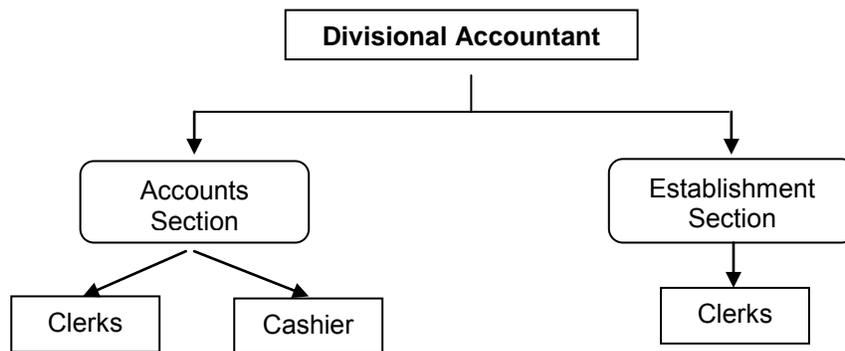
3.6. According to Paragraph 3.2.1 of the Central Public Works Accounts Code, the main features of the system of Public Works Accounts include:

- The DO is the primary disbursing officer of the Division. The DO is permitted to draw funds from the Civil Treasury or a designated bank, and the funds required for all disbursements in connection with the execution of works and contingent charges. The DO also collects some of the departmental receipts of the Division and deposits them into the Civil Treasury.
- The Divisional Accountant compiles the accounts of these receipts and disbursements and the same is submitted monthly to the AG, who audits them against sanctions and appropriation of funds, and then incorporates them in the general accounts of the Government.
- Personal payments to all government servants of the department are made on bills, presented at Civil Treasury in accordance with general provisions of the Treasury Rules, and are therefore brought to account by the AG himself from the data furnished to him directly by the Treasury Officers.

Organization Structure of Accounts Branch

3.7. The Divisional Accountant heads the Accounts Branch and reports to the Divisional Officer. The overall structure of the Accounts Branch at the Division is given in exhibit 3.1 below. This is a generic structure and the actual organisation structure may vary across the Divisions.

Exhibit 3.1
Organisation structure of Accounts Branch



3.8. The accounts at the Sub-division level are handled by the Sub-divisional Accountants who report to Sub-divisional Officer.

Accounting and Budgeting System

3.9. The PHEO currently follows cash based single entry system of accounting as envisaged under CPWA Code. The revenue is recorded in the books as and when it is received and the expenditure is recorded when it is paid. Hence, the existing system neither captures the total demand/revenue raised nor does it capture the liabilities incurred.

3.10. According to paragraph 3.1.6 of CPWA Code, the transactions are grouped under the following heads:

- Expenditure heads
- Revenue heads
- Remittance heads
- Debt and deposit heads.

3.11. The accounting system is budget driven, in the sense that unless a budget provision is available, no expenditure can be incurred. The budget heads normally used are:

- 2215 - Operating Expenditure for Water Supply and Sanitation
- 2216 - Housing
- 2059 - Public Works
- 4216 - Capital Expenditure
- 4059 - Maintenance of Government Buildings.

Receipts

3.12. Water charges constitute a major component of revenue for WS and SS. The other revenue receipts include fee/revenue from new connections, sale of forms, etc. In addition to these revenue receipts, the Divisions collect earnest money deposit, security deposit, etc. Income tax/works tax deducted, recovery of loans and advances given to employees are some of the deemed receipts, which are received but do not constitute the income of the Divisions.

3.13. The collection of the water charges is centralised at the Rent Sub-division.

Payments

3.14. The payments made by the Divisions include salaries, temporary wages, payments related to works, general administration, etc. All payments are made through the Accounts Branch.

Assets and Liabilities

3.15. This section provides a broad overview of the assets and liabilities at the Bhubaneswar Circle of the PHEO.

3.16. Assets may be classified as fixed assets, current assets and investments depending on their following characteristics.

- Fixed Assets comprise assets, which are meant for use by the PHEO over an extended period of time.

- Current Assets are comprised of items of a short-term nature (normally less than one year). Such items are usually expected to be used in less than one year or converted into cash (or its equivalent) within a year.
- Investments comprise of financial assets resulting from investments of cash surplus.

3.17. Liabilities comprise of the claims of external parties on PHEO on account of loans or any other dues or payables.

Fixed Assets

3.18. The fixed assets are owned by the PHEO or received free of cost from other entities. Currently, OWSSB is primarily responsible for the creation of major assets for the PHEO and the assets created by OWSSB are transferred to the PHEO for operations and maintenance.

3.19. The fixed assets at the Divisions include the following illustrative list:

- Water treatment plants
- Production wells
- Storage reservoirs
- Hand pump tube wells
- Transmission mains
- Distribution systems
- Pumping stations
- Sewage treatment plants
- Sewers and sewerage network
- Pumping machinery
- Office equipment like computers, photocopiers, air-conditioners, telephones, fax machines, typewriters, etc.
- Furniture and fixtures
- Electric fittings and Installations
- Vehicles
- Other equipments.

3.20. The CPWA Code does not prescribe any register for recording fixed assets created or acquired. Moreover, for the assets created and transferred by OWSSB, the value of the assets transferred is not captured in any document.

Current Assets

3.21. The following are some of the illustrative current assets (at the Division level):

- Receivables comprising mainly of water charges receivable
- Advances, if any, to suppliers and contractors
- Deposits, if any, like telephone deposit and electricity deposit
- Stock
- Cash and bank balances.

Investments

3.22. Currently, the Divisions do not make any investments including fixed deposits.

Current Liabilities

3.23. The following is an illustrative list of current liabilities:

- Deposits refundable (earnest money deposit, security deposit, other deposits, etc.)
- Dues payable
- Revenue received in advance.

3.24. The Divisions do not receive any loans or grants.

3.25. No separate reserve fund is maintained at the Divisions for any specific purpose. Further, it was informed that no sinking/replacement fund is maintained for replacement of any fixed asset.

3.26. The list of registers maintained by the Divisions/Sub-divisions is given in Annexure II.

Financial Statements

3.27. According to Paragraph 22.4.12 of the CPWA Code, the Divisional Accountant prepares the monthly accounts in Form-80 for presentation to the DO and submission to the AG. The account is an abstract of the entire receipts and disbursements of the month as worked out in the abstract book in Form-81. The procedure followed for preparation of monthly accounts is in the manner laid down in Chapter 22.4 of the CPWA Code. Typically, the monthly accounts include:

- Memo of Receipt and Charges
- Schedule of Revenue Realised
- Classified Abstract of Expenditure
- Schedule of Works Expenditure
- Schedule of Monthly Settlement with the Treasury

- Schedule Docket
- Schedule Docket with Percentage Recoveries
- Schedule of Deposit Work
- Schedule of Miscellaneous Work Advances (MWA)
- Schedule Debit to Stock
- Stock Accounts
- Schedule of Miscellaneous Head of Account
- Schedule of Credit to Miscellaneous Head of Account
- Schedule of Debit to Remittance
- Schedule of Credit to Remittance
- Schedule of Deposit.

3.28. The procedure adopted for compilation of monthly accounts is discussed in more detail later in this chapter.

3.29. Financial statements like Balance Sheet, Income and Expenditure Statement, and Cash Flow Statement are not prescribed under the CPWA Code and are therefore not prepared.

Management Information System

3.30. Management Information System (MIS) reports are not prescribed under any statute. However, the Divisions prepare certain *ad hoc* MIS reports based on their need and requirement. Some of the finance and accounting related MIS reports prepared by the Divisions include

- Category-wise water supply and sewer connections
- Summary of demand, collection and balance (DCB)
- Statement of operational cost of water (was last prepared during the year 2005).

Audit

3.31. According to Paragraph 4.3.1 of CPWA Code, the AG arranges for a periodical test audit and the local inspection of Divisions and Sub-divisions. The DO is responsible to ensure that the initial accounts and other connected records are made available for inspection.

3.32. In addition to facilitating the audit by the AG, the Divisional Accountant ensures that all payments are pre-checked before they are paid.

Cost Accounting System

3.33. The Divisions presently maintain records and registers according to the OPWD Code and the CPWA Code. These legislations do not prescribe any cost accounting system for computing the cost of water or sanitation services.

3.34. However, we understand from our discussions that the PHEO prepares a rough estimate of cost of water from the monthly accounts. The last instance when such a statement was prepared was in the year 2005.

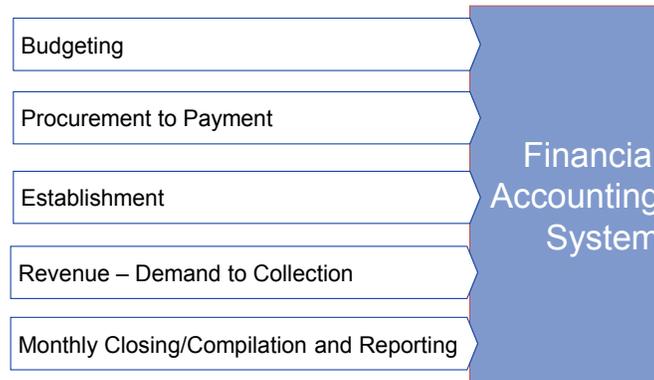
Financial Accounting and Budgeting Process

3.35. The key financial accounting and budgeting processes, as highlighted in exhibit 3.2 below, can be broadly classified into the following:

- Budgeting
- Procurement to Payment
- Establishment
- Revenue - Demand to Collection
- Reporting -Monthly Closing/Compilation
- Audit.

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Exhibit 3.2
Existing Financial Accounting System - Core Processes



3.36. The above processes are discussed in detail below.

Budgeting

3.37. PHEO prepares a budget every year. This budget is used as a device for allocation of resources to various activities and is based on the activities planned under various development schemes. The budgeting process involves identifying specific tasks to achieve the objectives of the project within a time frame and allocating funds needed for accomplishing the same from the available or anticipated resources.

3.38. The PHEO's budget is a financial plan describing proposed expenditure and means of financing the same. It embodies the estimated income and expenditure (both capital and revenue) for a financial year. It plays an important role in planning and controlling operations of the entity.

3.39. The GoO's budget is based on the departmental estimates submitted by the Controlling Officers. The estimates take into account only those receipts and payments, which are expected to be actually realized or made during the budget year.

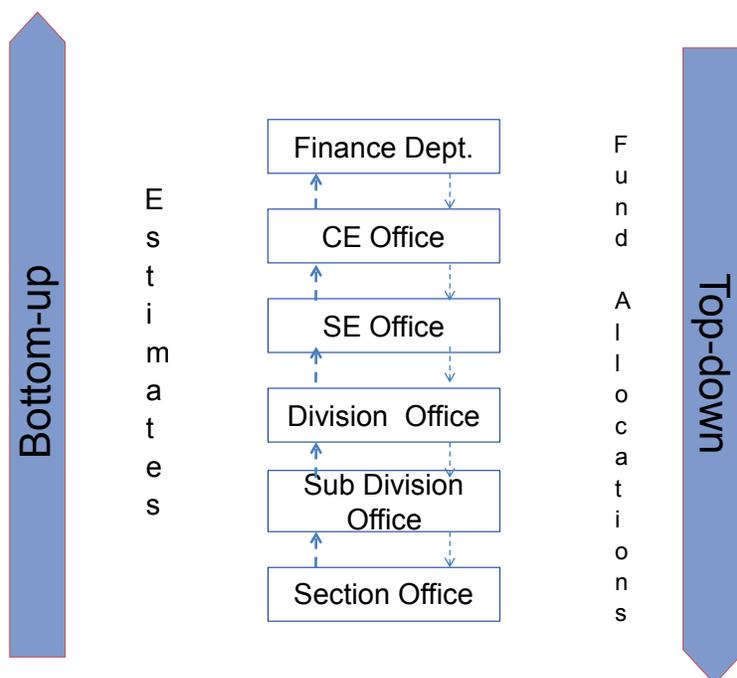
3.40. PHEO gets its funds through budgetary allocation from the GoO. And, for estimation of its own budgets, PHEO follows a bottom-up approach. While for allocation, it follows a top-down approach.

3.41. Budget estimates of revenue are based on the existing tariff of water charges. As regards expenditure, provisions are made for all establishment expenses of both regular and non-regular staff, contingency expenses, other maintenance expenses and the monthly

expenses of all the Divisions, Sub-divisions, Sections, etc. New expenditure and schemes are presented separately.

3.42. The budgeting process is illustrated in exhibit 3.3.

Exhibit 3.3
Budgeting Process



The Process - Bottom-up

3.43. The proposed projects and estimates for the next year are prepared at the Sub-division level in the estimation sheets and formats, according to the guidelines prescribed by the GoO.

3.44. Estimates are prepared for the new and old works according to the Government schedule of rates. However, market rate is considered where no schedule of rates is available. For civil works, specified rates of Public Works Department (PWD) are applied. The budget estimate for the next financial year generally follows the revised estimate of the current year, allowing for abnormal circumstances that have occurred in the current year or are expected in the budget year.

3.45. The estimates prepared at the Sub-divisions are reviewed at the Estimating Branch of the Divisions. These are then sent to the Chief Engineer's Office. The Chief Engineer reviews the estimates (revised estimates for the financial year and the budget estimates for the next financial year) after which they are sent to the State Government, by October.

3.46. The revised estimate for a year is an estimate of probable receipts or disbursements under each head. These are prepared using the last available monthly accounts. The revised

estimates also allow for any additional appropriations that have been sanctioned after the budget was passed or advances obtained from the Contingency Fund.

Allocation - Top-down

3.47. The Government of Orissa¹ intimates the budget allotment, by March of every year, to the Chief Engineer. Out of this allotment, the Chief Engineer allocates the same to the DOs based on the various priority factors. The DOs in turn, further allocate the amount to the respective Sub-divisions.

3.48. Budget allocation for WS and SS of PHEO is done through the following codes:

Plan

4215 - Capital Outlay on Water Supply and Sanitation

Non-Plan

2215 - Water Supply and Sanitation

2059 - Maintenance of Government's Non-Residential Buildings

2216 - Maintenance of Government's Residential Buildings

3.49. Non-Plan funds are allotted quarterly and released monthly based on a Letter of Credit (LC). Plan funds are allotted annually after sanctioning and execution of the project. The fund flow mechanism through LC is detailed below.

Fund Flow Mechanism

3.50. GoO's typical fund flow mechanism through Letters of Credit (LC) is followed at PHEO. A LC is the GoO's Finance Department's instruction/authorization to the bankers to honour payments from each implementing unit up to the specified limit and within the validity period set in the LC. Under the LC system, the AG has authorised the DOs for issuing Government cheques for making payments.

3.51. The Divisions submit their requisition for LCs each month to the Chief Engineer, who in turn requests the Finance Department, based on actual requirement of funds during the month. The Finance Department issues LCs in favour of the Chief Engineer. The Chief Engineer authorises the DDO of the Division (the DOs are declared as the DDOs under the OPWD and CPWA Codes) to have cheque drawing authority to incur expenditure for the various projects.

Procurement to Payment

3.52. This includes the processes for purchase of material, procurement of works and procurement of labour for works. All such procurements are undertaken through the process of tendering.

¹ The Government of Orissa has made specific budget provision for H&UD Department as a separate line item under Demand No.13.

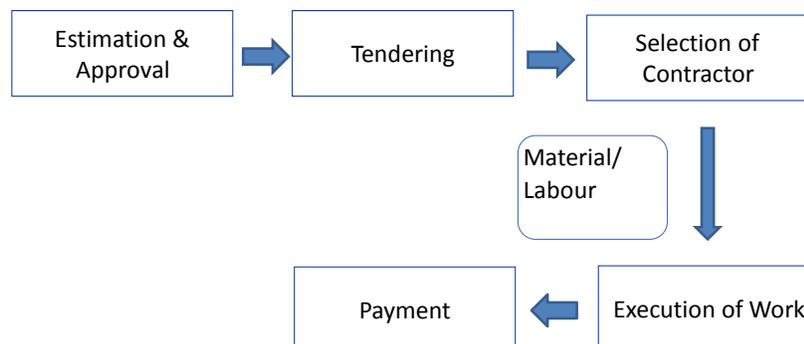
3.53. We understand that the system of maintaining inventory at stores has been abolished since 1994 and all purchases are made only against specific requirements. However, some key items are kept in stock to ensure continuity of work and to avoid delays. Every stock item purchased is recorded in the site accounts. Thereafter, materials are issued from the site account for use at the site. After the issue of materials, the balancing of site accounts is done to arrive at the closing stock of materials.

3.54. Materials are issued with the permission of the Assistant Engineer (AE) in Sub-division Office. The details of the material issued are entered in the Measurement Book, which is prepared by the Junior Engineer (JE), checked by the AE and finally approved by the Executive Engineer (EE).

The Process - General

3.55. The procurement process is given in exhibit 3.4 below.

Exhibit 3.4 **Procurement Process - An Overview**



Estimation and Approval

3.56. Before the initiation of any work, the JE prepares the estimate for the same. These estimates are reviewed at the Estimation Branch of the respective Division. The Estimation Branch ensures the completeness and correctness of the estimate including the rates for various items applied in the estimate. The estimate is later forwarded to the Superintending Engineer's (SE) Office where it is again reviewed by the Estimation Branch in SE's office after which it is approved by the SE.

3.57. The estimates require a two-stage approval - administrative and technical. After administrative approval, technical approval is obtained. The administrative and technical approval limits of plan works are given in Table 3.1 below.

Table 3.1
Approval Limits

Designation/Department	Administrative Limit	Technical Limit
Executive Engineer	Nil	Up to Rs.50 lakhs
Superintending Engineer	Up to Rs.8 lakhs	Greater than Rs.50 lakhs but less than Rs.3 crores
Chief Engineer	Greater than Rs.8 lakhs but less than Rs.3 crores	Any limit
H&UD Department	Greater than Rs.3 crores	

Records/Registers Maintained

3.58. The following Records and Registers are maintained for preparation and approval of estimates:

- Estimates Movement Register
- Administrative Approval Register
- Technical Sanction Register.

Tendering

3.59. Based on the estimates, tenders are invited according to the procedures provided in CPWA and OPWD Code. In case the work value is less than Rs.50, 000, a short-tendering process is followed at the Sub-divisions. In all other cases, a detailed tendering process is undertaken by the Estimation Branch of the respective Division.

3.60. The details of the tendering limits are given in Table 3.2 below.

Table 3.2
Tendering Limits

Designation	Value (Rs.)
Executive Engineer	Up to Rs.50 lakhs
Superintending Engineer	Up to Rs.2 crores
Chief Engineer	Up to Rs.3 crores
H&UD, Government	Greater than Rs.3 crores

3.61. The tender is published in newspaper(s) based on the estimated value of the tender. Details of the estimated value of contract and the mode of publication under each of them are given in Table 3.3.

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Table 3.3
Mode of Publication of Tender

Estimated Value (Rs.)	Mode of Publication of Tender
Rs.10 lakhs – Rs.1 crore	Published in website of PHEO One English newspaper Two Oriya newspapers
Greater than Rs.1 crore	One national English newspaper One local Oriya daily GoO's IT department website

3.62. The contractors who can participate in the tender are classified into six categories as given in Table 3.4.

Table 3.4
Contractor Category-wise Tender Submission Limit

Contractor Category	Tender Submission Limit
D	Up to Rs.10 lakhs
C	Up to Rs.20 lakhs
B	Up to Rs.50 lakhs
A	Up to Rs.2 crores
Special Class Contractor	Up to Rs.8 crores
Super Class Contractor	Any amount

3.63. Equivalent contractors of other states can also participate.

Records/Registers Maintained (with regard to tendering)

- Tender Register
- Agreement Register
 - F2 - item rate contract
 - K2 - less than Rs.10,000
 - G2 - lump-sum contracts
- Tender Opening Register
- Quotation Call Register
- Comparative Statement Register.

Selection of Contractor

3.64. Tenders are received against the tender call notice along with the Earnest Money Deposit (EMD) and Initial Security Deposit (ISD). Divisions collect one percent of the estimated

cost of the tender as EMD and ISD. The tenders are evaluated and the contractor between the lowest valid quote is invited to sign the agreement. The agreement is entered into with the contractor and the Division. It may be noted that even for tenders invited at the Sub-division, the agreements are entered with its controlling Division.

3.65. The EMD and ISD of all unsuccessful contractors are returned. The EMD and ISD of the selected contractor are handed over to the Cashier. The ISD is kept in a separate bank account in the name of the Executive Engineer of the Division.

3.66. After the signing of the agreement, the „work order’ is issued to the Contractor. In case of suppliers of material and labour, a „purchase order’ is issued.

Execution of Work

3.67. The works undertaken by the PHEO are either out of Government/own funds or for other institutions. The latter is generally called as “Contribution/Deposit Works”.

a. Works Carried out of Government/Own Funds

3.68. Execution of the project is taken up according to the provisions laid down in OPWD Code, CPWA Code and Financial Rules of GoO, as amended from time to time.

3.69. It is a fundamental rule that no work shall be commenced or liability incurred in connection with the project unless:

- Administrative approval of the project component has been received
- Properly detailed design and estimate have been technically sanctioned
- Allotment of funds has been made
- Orders for commencement for the component of the project have been issued by a competent authority.

3.70. However, provision in budget estimate for a work does not convey any authority for commencement of outlay on the work. Such provision is made on the implied understanding that, before any expenditure is incurred, the above conditions are fulfilled.

3.71. Sanction of a design and estimate by the competent authority conveys no permission for the commencement of expenditure on the work unless such expenditure has been provided for in the budget estimate of the year or provision has been made for the outlay within the official year either by supplementary demand, re-appropriation or out of some lump-sum grant allotted for the head of classification under which the service falls or otherwise.

b. Contribution/Deposit Works

3.72. For Contribution/Deposit Works, the local body or other entity concerned advances the gross estimated expenditure, which is payable by it to the Divisional Officer in lump-sum or in instalments. The amount received is credited in the accounts to the head “108 - Public Works

Deposits” under the Major Head 8443 - Civil Deposits”, against which is debited all expenditure incurred up to the amount of the deposit.

3.73. A consolidated record of the transactions of a month relating to all deposit works of the Division is prepared in Form-65 - Schedule of Deposit Works. The schedule contains, in respect of each work, the amount of deposit received and the expenditure incurred, both during the month and up to date.

3.74. Outlay on deposit works is required to be limited to the amounts of deposits received. Any expenditure on Deposit Works, incurred in excess of the amount deposited, is chargeable annually to “Miscellaneous Works Advances” pending recovery, for which action should be taken immediately.

Payment

3.75. Two types of bills are passed by the Division - Supplier bills and Contractor bills.

3.76. Supplier bills are received in the case of purchase of materials. In these cases, the supplier gives the bill and the JE, after being satisfied with supply and after verification, enters the same in the Measurement Book.

3.77. In case of contractor bills, the JE being satisfied with the work (after inspection and verification of the work) makes the entry in the Measurement Book. Payment for all works done other than by daily labour and all goods or services received are made on the basis of measurement recorded in the Measurement Book in Form-23.

3.78. In both cases, the JE prepares the bill in three copies and the same is checked by the Sub-divisional Officer. After checking, one copy of the bill is retained at the Sub-division Office and the other two are sent to the Division for further processing.

3.79. At the Division, the Auditor-in-Charge of the concerned Sub-division verifies the bill for the terms of agreement, work order conditions, budget sanction, etc. The Divisional Accounts Officer (DAO) approves it and sends it to the EE. Once the bill is approved by the EE, the cashier prepares the cheque after checking the LC availability, and obtains the signature of the EE.

3.80. All payments to contractors, consultants, suppliers, etc., for work done or goods received by the project are made by “account payee” cheque. Entries are made in the cash book on handing over of the cheque to the beneficiary.

Budgetary Control and Monitoring

3.81. According to Paragraph 3.7.1 of the OPWD Code, it is a fundamental rule that no work shall be commenced or liability incurred in connection with it unless allotment of funds has been made and orders for its commencement have been issued by a competent authority.

3.82. It is an important function of the Divisional Officer to keep a constant watch over the progress of expenditure, because the DDO is ultimately responsible for keeping the expenditure

within the allotments for the Division (Paragraph 5.5 of CPWA Code). The DDO should accordingly keep himself informed of such circumstances that may affect the progress of expenditure, in order to take early steps for obtaining extra funds or surrendering probable savings, as may be necessary.

3.83. Paragraph 5.5.2 of CPWA Code contains the provisions for budget monitoring and control, as given below:

- The progress of expenditure on works or other items, for which there are specific appropriations, should be watched individually month by month, through the Register of Works, Contingent Register and other relevant accounts.
- In respect of works or items for lump-sum appropriations, which are placed at the Divisional Officer's disposal, the DO shall watch the progress of expenditure against appropriations by the maintenance of a record (i) of the expenditure in the form of a progressive abstract, which shows month by month the up-to-date expenditure of the year, and (ii) of the grants, in the form of a register showing the appropriations and re-appropriations ordered from time to time.
- In this review of expenditure, un-discharged liabilities play an important part and their effect on individual and lump-sum appropriations should, therefore, be watched.
- Anticipated credits, if any, which will ultimately be taken in reduction of the expenditure chargeable against any individual or lump-sum appropriation should also be taken into account.
- This review is of special importance in the last three or four months of the year.
- If desired, this review may also be conducted collectively in respect of each primary or secondary unit of appropriation, a suitable register of appropriations being maintained for the purpose. Such a review is of special help in formulating proposals for re-appropriation.

3.84. According to paragraph 5.5.3 of CPWA Code, all liabilities and assets of the Division, adjustable by transfer credit or debit to the remittance heads of accounts, should be registered in Form-57, Register of Transfer Awaited, as soon as they become known. As they are cleared, an entry should be made in columns 7 to 9 so that items awaiting adjustment may be known at any time.

Note: This register is intended primarily for all transfer transactions, recurring or non-recurring, which have to be responded to by the Division. But if desired, important items, which will be cleared by original debits or credits, may also be entered to facilitate the watching of their clearance.

Centralized Procurement

3.85. While most of the procurements are done at the Division level, some material purchases are done centrally at the Chief Engineer's office. Some of these materials include CI pipes, DI pipes, PVC pipes, Syntex tanks, etc.

3.86. The requirements of the Sub-divisions and Divisions are sent to the Chief Engineer's office. These are compiled and the supplier is selected through tendering.

3.87. The Chief Engineer places the order with the selected supplier and intimates the respective Division of the quantity and rate at which the procurement is made.

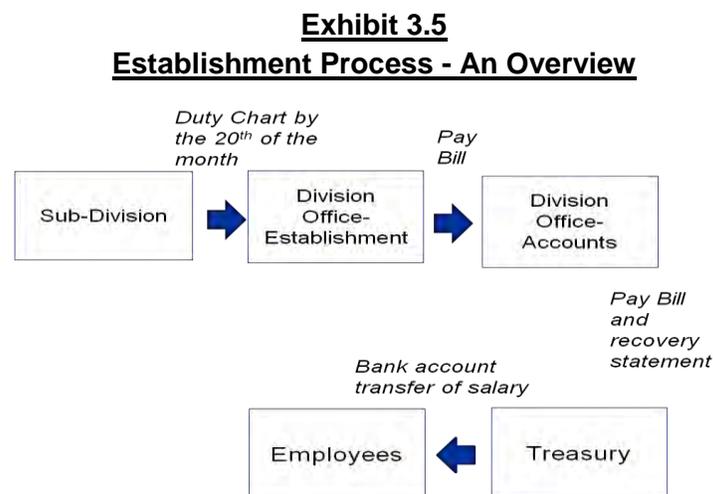
3.88. The supplier supplies the materials for the Division to the designated Section or Sub-division where it is checked for quality and quantity by the JE or AE. The payments for these procurements are made by the Division.

Establishment

3.89. The Establishment Branch handles the salary related aspects of staff like, preparation of pay bill, leave sanction, General Provident Fund (GPF), advances (GPF advance, House Building Advance, Vehicle Advance) and preparation of pension bill.

3.90. At the beginning of each year, the Division sends the requirement of salary of regular staff and non-regular staff to the Chief Engineer who in turn forwards the same to the Government. The salaries for regular staff are paid out of the Government Treasury through direct bank credit. The non-regular staff salaries are paid through a LC.

3.91. The overall process is given in exhibit 3.5 below.



The Process - Regular Staff

3.92. Staff duty chart is sent from the Sub-division by the 20th of each month to the Division. The salary is calculated for the period from the 1st to the last day of every month. In case an employee has taken any leave during a month, a supplementary change statement/absentee statement is sent after the 30th of each month, so that the leave is adjusted in the next month's salary.

3.93. Pay bill is prepared personnel-wise at the Establishment Branch for the entire Division, after taking into account the number of days leave taken by the personnel in the previous month. The pay bill is prepared by the 25th of the month and sent to the Accounts Branch for approval. The bills are pre-checked by the Accounts Branch clerks (Auditors) and the bills are passed for payment by the Divisional Accountant. The DO approves the payment and sends the pay bill along with the recovery statement to the Treasury. The Treasury sends the recovery statement to the AG, who retains and maintains the same.

3.94. Based on the pay bill, the Treasury credits the salary to the bank account of the employees. The Treasury also remits the recoveries on account of GPF, life insurance premium, etc., to the respective agencies.

The Process - Non-Regular Staff

3.95. The salary of non-regular staff is paid mainly at the Sub-divisions and the same is met out of the LC given by the Chief Engineer to the DOs.

Records/Registers Maintained

3.96. The following Records/Registers are maintained at the Division:

- Pay Acquittance Roll of Non-Gazetted Staff
- Pay Acquittance Roll of Gazetted Staff
- Pay Acquittance Roll of Wages Establishment
- Acquittance Roll of New Pension Scheme Staff of Regular Establishment
- TA Acquittance Allotment Register (Regular Staff and Wages Staff)
- Miscellaneous Acquittance Register (Regular Staff and Wages Staff)
- Allotment Checking Register (Regular Staff and Wages Staff)
- Advance Recovery Register (Regular Staff and Wages Staff)
- GPF Ledger (Regular Staff and Wages Staff)
- Office Order Register (Regular Staff and Wages Staff)
- Special House Building Advance Recovery Register (Regular Staff and Wages Staff).

Revenue - Raising Demand to Collection

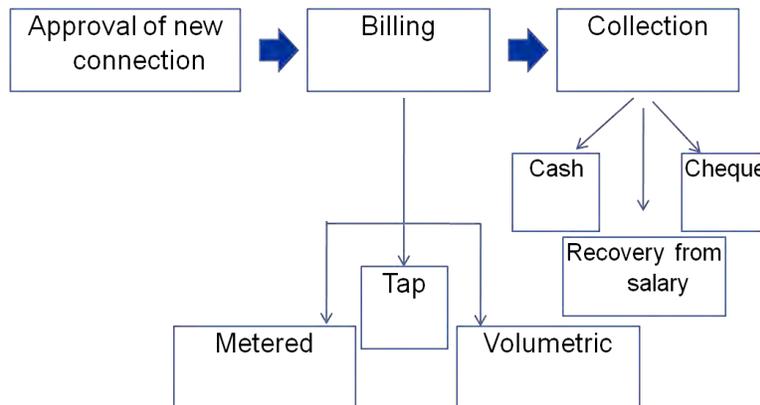
3.97. The Divisional Offices of the PHEO handle the following types of receipts:

- Water and sewerage charges
- Sale of tender documents
- Sale of scrap.

3.98. Water and Sewerage charges are the main source of revenue for PHEO. For Bhubaneswar, the Rent Sub-division under Division II handles the collections for Bhubaneswar city. Hence, all aspects related to connections, like new connection, disconnection and change of connection are handled at this Sub-division.

3.99. This section gives an overview of the entire process - from approval of new connection, raising demand, to collection. The overall process flow is given in exhibit 3.6 below.

Exhibit 3.6
Raising Demand to Collection - An Overview



Approval of Water Connection

3.100. All new water connections are handled by the Rent Sub-division. Persons desirous of obtaining a new connection make an application for a new connection in the prescribed form to the SDO. The SDO checks the application form and the related documents (copy of personal identification details, Bhubaneswar Development Authority's approval for the house, location details, etc.). On approval by the SDO/DO (SDO in case of domestic connections), the connection fee (depending on the type of connection) is collected and the new connection is sanctioned.

3.101. Subsequently, the JE/AE, responsible for the area, conducts physical verification of the location and submits the physical verification report. The report is signed by the consumer, the concerned JE and the SDO.

3.102. The monthly bill is sent to the consumer in whose name the connection is sanctioned.

Billing

3.103. Broadly, Water Charges are collected on the following basis:

- Metered
- Tap basis
- Volumetric basis.

3.104. In the case of tap and volumetric basis of billing, a fixed amount is collected on a monthly basis. In the case of metered connections, meter reading is taken between the 25th and 27th of each month, based on which the bill is generated through the computerized system on the 2nd of the following month. The bill amount contains the monthly water charges and in the case of consumers with sewerage connection a fixed sewerage charge.

3.105. The computer generated bills are hand delivered to the consumers. The bills can also be viewed on the PHEO's official website from the 5th of the following month.

Collection

3.106. The PHEO has seventeen collection counters in the city. In addition, there are cheque drop boxes at several locations facilitating consumers with easy remittance options. A rebate of two percent is granted for collections up to the 15th of the month. However, a late fee/fine of five percent is charged for collections after the cut-off date until the end of the month. If the amount is not paid by the end of the month, the billed amount along with the late fee is included in the bill of the subsequent month.

3.107. The charges from Government employees are recovered from their salaries and remitted to the Government Treasury by the concerned Departments.

a. Collection at Counters

3.108. Consumers have the option of paying the bill either by cash or cheque at any of the collection counters. On receipt of cash/cheque at the counter, a manual receipt is issued to the consumer. The collection details are later entered in the billing software by the data entry personnel and the amount is credited to the consumer in the following month's bill processing.

b. Cheque Drop Box

3.109. The consumers also have an option of dropping the cheque at the cheque drop boxes located at various places in the city. The cheques are collected from the drop boxes twice a month, i.e., 15th and 30th of every month and the data is entered in the computerised billing system.

3.110. Details of the cheques received are filled in the cheque remittance register; challans are prepared in triplicate and deposited in the bank. On receipt of intimation of clearance of the cheques from the bank, the Sub-division prepares a manual receipt for the entire amount of cheque receipts.

3.111. In the case a cheque is dishonoured, the Sub-divisional Officer imposes a penalty and issues a letter informing the consumer about the same. Details of the dishonoured cheques are entered in the Cheques Dishonoured Register.

3.112. All collections are entered in the Treasury Remittance Register and deposited in the Treasury on the next day.

Reports

3.113. The following reports are generated at the Rent Sub-division:

- Revenue Collection Statement - at the month end
- Abstract of Revenue Collection - daily, at close of operations.

Reporting - Month Close, Consolidation/Compilation and Reporting

3.114. The month close process begins with the settlement of the temporary advances at the Sections. The overview of the close process until the preparation of the monthly accounts for submission to the AG is discussed below.

Close Process - at Sections

3.115. During the course of the month and to meet expenses, like payment of temporary wages that are charged to the respective works, the Sections receive temporary advances from the Sub-divisions. These advances are further advanced to the various JEs in the Sections. Subsequently, the JE receiving the temporary advance settles the same to the Sub-division on a monthly basis recording the amount of advance received and the payments made.

Close Process - Sub-Division

3.116. On receipt of a temporary advance from the Division, the Sub-Division enters the same in the receipt side of its Cash Book. Thereafter, when the amount is further distributed to the Sections, it is entered in the charges side of the Cash Book. On receipt of the statement of expenditure from the Sections, the same is again entered in the Cash Book in the charges side under various expenditure heads.

3.117. All transactions up to the 25th of the month are compiled and the same are sent to the Division.

Close Process - Division

3.118. The statement of accounts received from the Sub-division Offices, are examined by the DAO. The DAO is also responsible for all the transactions at the Division Office.

3.119. The first step in the month close process is closure of the cash account. The cash account is closed on the last working day of the calendar month.

3.120. As part of the month close process, the Abstract Book in Form-81 is written up from the Cash Book and Transfer Entry Book. The Abstract Book facilitates the location of errors and omissions made in the compilation of monthly accounts from the schedules and serves as an independent check over the accounts.

3.121. The transactions of the Division (including Sub-divisions) are entered in the register prescribed in Form-81. The register provides information on the Opening Balance, Cash in Transit, Cash from Treasury and Transfer within Division on both the receipts and charges side. Further, there is a separate column for most types of receipts or charges.

3.122. All cash and transfer entry transactions for the month are posted into the following schedules or registers in accordance with the provisions of CPWA Code:

- Register of Revenue Realized
- Register of Receipts and Recoveries
- Schedule of Debit to Remittance in Form-77
- Schedule of Credit to Remittance in Form-77
- Schedule of Debit to Miscellaneous Heads of Accounts in Form-76
- Schedule of Credit to Miscellaneous Heads of Accounts in Form-76
- Schedule of Revenue under different Heads of Revenue
- Schedule Docket of Percentage Recovery in Form-62
- Schedule of Monthly Reconciliation of Cheques and Remittance with Treasury in Form-51
- Schedules of Deposits in Form-79
- Classified Abstract of Expenditures in Form-74 each Major Head and Sub-Head-wise
- Schedule of Works Expenditure in Form-64.

3.123. The Division's monthly accounts are prepared in Form-80 for submission to the AG, the Chief Engineer, and the H & UD Department. This account is an abstract of the entire receipts and disbursement of the month as worked out in the Abstract Book in Form-81 and as detailed in the various schedules and registers. It also has the opening and closing cash balances. The

Form-80 also provides information on the (i) memorandum of miscellaneous cash received and paid into banks, and (ii) a certificate in respect of closing cash balances of the month.

3.124. The Monthly Accounts along with all the schedules, abstracts, and schedule dockets with vouchers are submitted to the AG, Orissa, in Form-83 (which exhibits the list of accounts and schedules). These are submitted by the 10th of the succeeding month, except for the month of March, for which they are submitted by the 15th of April. For March, accounts are submitted in two parts, once as preliminary and thereafter as supplementary.

3.125. The Divisions also send the abstracts of all the bills/vouchers to SE and Chief Engineer's Office before the 10th of the following month.

3.126. After the expiry of the month, a monthly settlement is submitted to the Treasury in respect of the transactions made with the Treasury during the month. The detail of payments and remittances in the Treasury is prepared in Form-50.

3.127. Similarly, the cheques drawn on the Treasury for the month are detailed in Form-51 called "Schedule of Monthly Settlement with Treasury", which is submitted to the AG, Orissa, along with monthly accounts.

3.128. Further a monthly progress report of all projects carried out by the Division is sent to the Chief Engineer.

Observations on the Existing Financial Management System

3.129. This chapter has provided an overview of the core processes in the existing financial accounting and budgeting system. Deloitte's observations on the same are given in the next chapter.

4. Observations on the Existing Financial Management System

4.1. This chapter provides Deloitte's observations on the existing system of financial management. These observations are based on a documentary review and the Deloitte team's interaction with key officials and do not constitute an audit or any type of due diligence of the existing system of financial management including accounting, budgeting and costing.

4.2. The primary focus of this assignment is to ring fence the accounts and budget of Bhubaneswar within PHEO and implement an accrual based double entry system of accounting, and improved costing and budgeting in the ring fenced entity. Therefore, our observations mainly focus on the gaps in the existing accounting system and the issues impacting the transition to the new system of accounting, costing and budgeting.

Observations

4.3. Deloitte's observations are classified under the following broad heads:

- System of Accounting
- Financial Statements
- Budgeting & Costing
- Accounting Procedures
- Reconciliations
- General.

System of Accounting

4.4. The Divisions follow cash based system of accounting. Revenues are recorded in the accounting system as and when they are received. Therefore, the entries for the total demand raised in respect of the revenues are not recorded in the accounting system. Also, the expenditures are recorded only at the time of making the payment. Liability is not recognised in the accounting system on utilization of the service/material and receipt of the bills from the suppliers/contractors/service providers.

4.5. The existing accounting system only records actual receipts and payments; it does not record accrued and outstanding receivables and payables.

Financial Statements

4.6. The Divisions prepare monthly accounts, which are consolidated by the AG. However, CPWA Code does not require preparation of Trial Balance, Balance Sheet or Income and Expenditure Statement.

4.7. CPWA Code does not require consolidation of monthly accounts at the Circle Office level. Hence, no consolidated monthly accounts are available for decision-making at the Bhubaneswar Circle level.

Budgeting and Costing

4.8. Currently, PHEO's budgets are prepared on cash basis. The allocation of budget to the Divisions is done by the Chief Engineer. Any expenditure incurred is checked for budget availability before payment is made. However, the Budgetary Control Register is updated only after the payment is made.

4.9. The CPWA Code neither prescribes maintenance of any cost accounting records nor a cost accounting system. Hence, the PHEO is not able to capture the data for ascertaining the cost of providing services. Further, there is no system presently available to capture the physical data with regard to the quantum of water supplied, un-accounted for water, etc.

Accounting Procedures

a. Classification of Expenditure

4.10. The three Divisions of the PHEO are mainly responsible for operations and maintenance. However, they also incur expenditure on creation of fixed assets. Further, it was observed that some of the expenditure incurred on items of a capital nature is classified as revenue. Which, it was understood was mainly due to lack of account heads for recording such transactions appropriately.

b. Accounting of Income

4.11. Income is recorded and accounted on cash/collection basis. Hence, revenue demand related information is not captured in the accounting system.

4.12. Currently, manual receipts are issued to customers at the counters, which are later entered into the computerized revenue accounting system. This off-line recording of transactions in the computerized system increases the chances of error and also leads to duplication of activities.

4.13. According to a gazette notification issued by the GoO, all water connections have to be metered. However, it was informed that most water connections in the city currently are unmetered. This increases the chances of revenue leakage.

4.14. Temporary connections are given to construction sites and the water charges are collected on an *ad hoc* basis till the construction is complete. On completion of construction, the temporary connection is converted into a regular connection and water charges are collected based on the tariff fixed from time to time. Presently, since, there is no system to track these temporary connections, the water charges are not collected on the basis of actual consumption. This, therefore, may result in leakage of revenue.

c. Assets

Fixed Assets

4.15. CPWA Code does not prescribe any separate register for recording the details of fixed assets. Hence, the Divisions do not readily have any listing of fixed assets. Further, periodic physical verification of fixed assets or their valuation is not recommended under CPWA Code.

4.16. Presently, OWSSB creates major assets and transfers them to PHEO for operations and maintenance. However, no documents are handed over at the time of transfer. Moreover, no system is prescribed for PHEO to record the details (including the value) and track the assets transferred from OWSSB.

Receivables

4.17. Currently, no provision for irrecoverable dues is made for long pending dues. Further, irrecoverable dues are not written off from the books of account.

Loans and Advances

4.18. Employee loans and advances are the prime component of loans advanced by the Divisions. The details of advances and their recoveries are available only at the Divisions. Therefore, for the purpose of preparation of the opening balance sheet, Sub-division-wise details will have to be prepared.

Liabilities

4.19. As cash basis of accounting is followed, the CPWA Code does not prescribe recognizing and recording liabilities. At the Divisions, the liabilities are primarily on account of Supplier/Contractor bills, which are not entered in the accounting system. Statutory liabilities, including recoveries from contractual payments like tax deducted at source, are recovered from the payees' bills at the time of payment and, subsequently, remitted to the concerned authorities.

Reconciliations

Bank Reconciliation

4.20. The Divisions maintain bank accounts with State Bank of India (SBI), which are operated through the LCs issued by the Chief Engineer. These accounts are used primarily for making

payments. On the other hand, the receipts are not deposited in these accounts and are directly remitted to the Government Treasury account.

4.21. SBI does not issue any statement of account for the Divisions' accounts maintained with it. Therefore, the clearance of cheques issued is tracked by the Divisions by regularly communicating with the banker. The Divisions prepare the list of cheques issued but not presented for payment in Form-51. The validity of cheques issued by the Divisions is three months or the end of the financial year, whichever is earlier. In view of this provision, all payments in the last week of March are made through demand drafts/bankers cheque.

Reconciliation of Receivables

4.22. Neither the information about demand raised, nor the receivables, are part of the monthly accounts prescribed under CPWA Code. In view of this, reconciliation of receivables is not carried out by the Divisions.

General

4.23. Currently, collections made are remitted directly into the Government Treasury and the expenditure of the Divisions is met out of the LCs issued in their favour by the Chief Engineer. Therefore, Divisions have had no need for a system of good cash management.

4.24. Neither the CPWA Code nor the OPWD Code prescribe preparation of any MIS reports for decision-making. Therefore, there is no formal system for preparation of MIS. However, some *ad hoc* reports are prepared by the Divisions, as mentioned in chapter 3.

4.25. The capacity of the Accounts Branch staff is inadequate to operate an improved financial management system. Currently, the staff's knowledge of accrual based double entry system of accounting is limited and needs to be enhanced. The profile of the Accounts Branch staff is given in Annexure III.

4.26. The accounts at the Division are presently maintained manually. While the revenue function is computerised, the receipts continue to be recorded manually before entering them into the computerized system.

Summary of Issues in the Existing System of Accounting

4.27. Some of the key issues with regard to the existing system of accounting are summarised below. The existing system of accounting **does not**:

- Allow users to evaluate PHEO's ongoing ability to finance its activities and to meet its liabilities and commitments.
- Assist in evaluating PHEO's performance in terms of its service costs, efficiency and accomplishments.

- Provide information on PHEO's overall financial position and current stock of assets and liabilities.
- Assist in making decisions about the feasibility of financing the services PHEO plans to provide.
- Demonstrate accountability to the public for its management of assets and liabilities.
- Provide information to plan for future funding requirements of asset maintenance and replacement.
- Assist in managing PHEO's cash position and financing requirements.
- Assist the PHEO in considering the cost consequences of particular policy objectives and the cost of alternative mechanisms for meeting these objectives.
- Assist in deciding whether user fees should cover the costs associated with a service.

Proposed Financial Management System

4.28. To address these issues in the existing system of accounting, it is now proposed to introduce an improved financial management system that is based on accrual based double entry accounting. The components of the proposed financial management system, its benefits and objectives are discussed further in the next chapter.

5. Proposed Financial Management System

5.1 This chapter discusses the proposed financial management system for the ring fenced entity. In line with the ongoing financial management reforms across India, the system shall be on the accrual basis and will employ double entry accounting.

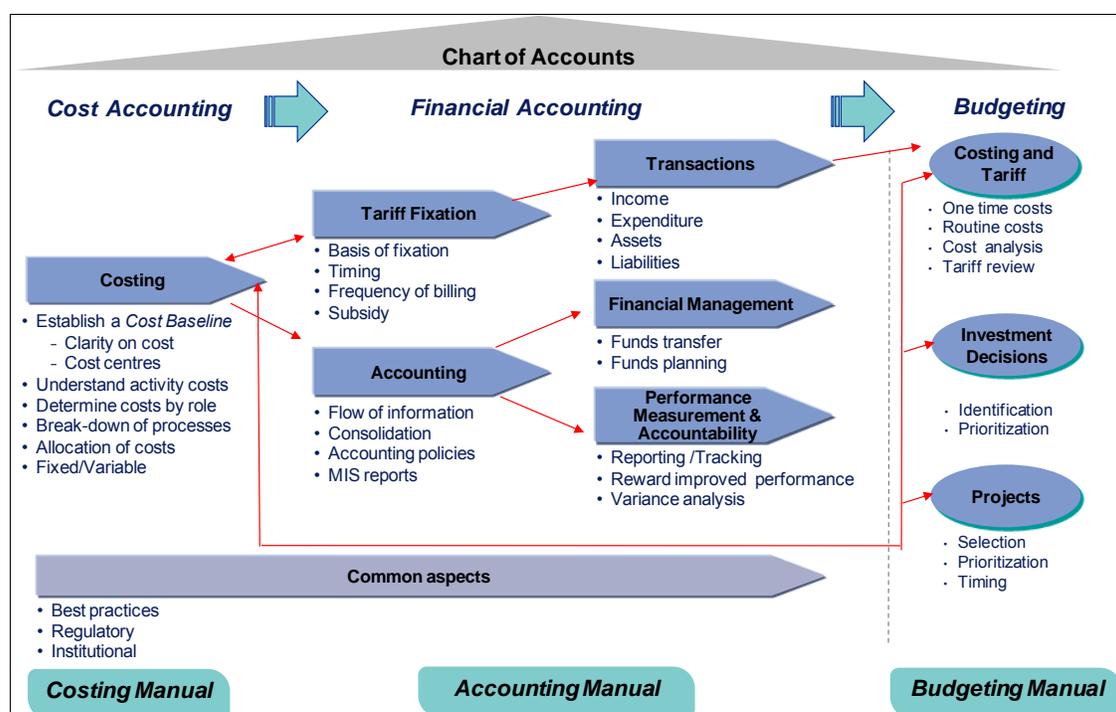
Introduction

5.2 The proposed financial management system shall have three components:

- Financial Accounting
- Cost Accounting
- Budgeting.

5.3 All the above components shall be integrated and data captured by one component shall be used by the other components. The overall structure of the proposed financial management system is given in exhibit 5.1.

Exhibit 5.1
Overall Structure of the Proposed Financial Management System



Financial Accounting System

5.4 The financial accounting system shall follow accrual based double entry system of accounting. Accrual basis is the method of recording transactions by which revenues, costs, assets and liabilities are reflected in the accounts of the period in which they accrue and arise, whether or not a receipt or payment takes place.

Objectives and Benefits of Accrual Based System

5.5 The worldwide trend of shifting from cash based accounting to accrual based accounting is a key building block in progress towards the broader context of public sector financial management reform. What it can achieve? This section gives the objectives and the merits of transitioning to accrual based double entry accounting system.

Objectives

5.6 The primary objectives of accrual accounting are:

- Improve decision-making to enhance efficiency and effectiveness of public spending through the creation of more accurate and accessible financial information.
- Improve resource allocation due to a better insight into costs of policy and transparency of results.

Benefits

5.7 Accrual accounting provides meaningful information both for accountability and decision-making. Financial information prepared on an accrual basis shall allow users to:

- Make better balanced comparisons between alternative disposition of resources.
- Better assess performance, financial position and cash flows of the entity.
- Better evaluate the PHEO's ongoing ability to finance its activities and to meet its liabilities and commitments.
- Gain clearer insight into how the PHEO finances its activities.
- Better evaluate the PHEO's performance in terms of its service costs, efficiency and accomplishments.
- Gain more understanding into how successfully the PHEO is managing its resources.

5.8 In addition to the above benefits for the ring fenced entity, it will help achieve the following objectives:

- The accounting system will be in line with BMC's new accrual accounting system.
- Under the accrual system, revenue is recognised as and when it is earned and the claim of the entity in respect of which such revenue is recognised has become

reasonably enforceable. Thus, an item of income would constitute revenue even if cash is not received against it. For instance, water and sewerage charges levied and/or due pursuant to law are an enforceable legal claim. Currently, the Divisions record the same as revenues only when they are collected. The monthly accounts also show the revenue on this basis. The uncollected portion of the water charges is not reflected appropriately in the records. The financial status of the PHEO/ring fenced entity will be better reflected if the total charge due is reflected as revenue and the amount receivable is shown appropriately. This will happen in an accrual system. If done, it will help in understanding the revenue generation possibility, collection efficiency, etc.

- Under the accrual system, expenditure is recognised as and when the liability for payment arises even if the payment is not made at that time.
- Under cash basis of accounting, the value of services already consumed during the financial year is not recognised as an expense of the period in which the service is received unless and until the payment is made for it. Thus, expenditure incurred on a repairs and maintenance contract, which has been executed and completed during a financial year, shall not be recognised as an expense of the said financial year unless the payment is made in that financial year for the bills received in respect of the services received. This would have an effect of showing a higher financial surplus or a lower financial deficit and thus a better (and unintended incorrect) picture of the entity.
- However, in accrual basis of accounting, expenditure incurred on repairs and maintenance shall be recognised as expense of the financial year in which it is incurred even if not paid during that year so that the Income and Expenditure Statement correctly reflects the position in respect of the expenditure. The amount not paid shall be treated as a liability (payable) and be disclosed as such in the Balance Sheet. This will enable the entity to be aware of its obligations towards its creditors.
- The accrual basis of accounting matches the expenditures for a year with the income earned in that year. It thus provides a basis for more correctly understanding the true operating performance of the entity.
- Accrual based accounting system clearly distinguishes between items of a revenue nature and items of a capital nature. This helps in correct presentation of financial statements, viz., the Income and Expenditure Account and the Balance Sheet. Thus, an asset, which is likely to yield benefit of an enduring nature, is shown as such and not expensed. This facilitates an understanding of the asset base of the entity with reference to which services are provided and which revenues are earned.

- Under the accrual system of accounting, costs, which are not charged to income, are carried forward and kept under continuous review. Any cost that appears to have lost its utility or its power to generate future revenue is written off.
- Accrual basis of accounting facilitates better knowledge of the ‚full‘ cost of services and helps in identifying financial viability of rendering services.
- As the Generally Accepted Accounting Principles (GAAP) are based on accrual basis of accounting, the accounts prepared and the financial statements generated have a much greater degree of acceptability by various stakeholders and interest groups.
- One of the distinct advantages of adopting accrual accounting system by the ring fenced entity is ease in financial appraisals by financial institutions. It also facilitates credit ratings through approved credit rating agencies, which is a pre-requisite for mobilising funds in the financial markets through debt instruments.

Proposed Financing Accounting System - What is New?

Coding Structure

5.9 The proposed system of accounting shall be steered by a unique system of coding including the chart of accounts that shall be based on the Orissa Municipal Accounts Manual (OMAM). In turn, the OMAM is based on the National Municipal Accounts Manual (NMAM), which is recommended by the Comptroller and Auditor General (C&AG) of India and the Ministry of Urban Development (MoUD), GoI. The coding logic according to OMAM is given below².

Fund

5.10 Funds refer to amounts set aside for a general or specific purpose, whether represented by specifically earmarked assets or not. The concept of funds brings accountability and better transparency. Such types of funds are normally treated as a separate accounting entity and separate books are maintained for the same. Hence, budgets shall be prepared and controlled separately for each fund. Further, separate financial statements shall be prepared for each fund. Under each broad category of fund, there are certain sub-funds. An example of a fund is the Water Supply Fund.

Function

Function represents the various services or specific activities performed by an entity. Budgetary control is exercised for each function. Water Supply, Accounts and Administration are examples of functions of an entity.

² The coding structure shall be finalized and fine-tuned based on the organization structure of the ring fenced entity. The coding structure given here is generic and is based on the OMAM.

Functionary

5.11 Under the present system, various Branches/Sections are actually responsible for all transactions that take place. Functionary refers to each of these Branches. Executive Engineer offices, Accounts Branch, etc. are examples of functionaries.

Account Code

5.12 The code of an Account Head shall be numeric and shall be seven digits. A seven-digit code is suggested to give flexibility to add new codes in the future. The code is structured into:

- Major Head Code
- Minor Head Code
- Detailed Head Code.

5.13 These are given in exhibit 5.2.

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Exhibit 5.2
Coding Structure

Code	Number of Digits	Description			
Major Head Code	<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">X</td> <td style="width: 20px; height: 20px; text-align: center;">X</td> <td style="width: 20px; height: 20px; text-align: center;">X</td> </tr> </table>	X	X	X	<p>The first digit represents the nature of account like Income, Expenditure, Asset or Liability as illustrated below:</p> <ul style="list-style-type: none"> • „1’ - Account relating to 'Revenue Income' • „2’ - Account relating to 'Revenue Expenditures' • „3’ - Account relating to 'Capital Receipts and Liabilities' • „4’ - Account relating to 'Capital Expenditures and Assets'. <p>The next two digits denote the group codes for the various head of accounts, e.g.:</p> <ul style="list-style-type: none"> • _10 - „Income from Services’ related accounts • _10 - „Establishment Expenses’ related accounts • _50 - „Other Liabilities’ related accounts • _10 - „Fixed Assets’ related accounts.
X	X	X			
Minor Head Code	<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">X</td> <td style="width: 20px; height: 20px; text-align: center;">X</td> </tr> </table>	X	X	<p>Minor Head Codes provide further details of transactions in respect of the associated Major Head Code:</p> <ul style="list-style-type: none"> • For example, if the Major Head Code 110 relating to 'Income from Services', the Minor Head Code 01 shall denote 'Water Charges' • Under the Major Head Code 210 relating to 'Establishment Expenses', the Minor Head Code 10 shall denote „Salaries and Allowances’. <p>Schedules to financial statements of an entity are drawn up to Minor Head Codes of account. Hence, this is a mandatory level of information. Minor Codes that will be provided in the manual shall be mandatory. The ring fenced entity can make additions to Minor Codes according to the logic provided in manual.</p>	
X	X				
Detailed Head Code	<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">X</td> <td style="width: 20px; height: 20px; text-align: center;">X</td> </tr> </table>	X	X	<p>Subset of Minor Head Codes. The detailed Head Codes shall provide further details of transactions in respect of the associated Minor Head Code:</p> <ul style="list-style-type: none"> • Under the Minor Head Code of Account 11001 covering Water Charges, the Detailed Head Code 01 shall denote 'Water Charges from Residential Areas'. 	
X	X				

Accounting Policies

5.14 The accounting policies shall be based on the principles given in OMAM and NMAM. The tentative accounting policies for the proposed ring fenced entity are given in Table 5.1 below.

Table 5.1
Proposed Accounting Policies Vis-à-Vis the Current Accounting Policies

Particulars	Current Accounting Policy (as per CPWA Code)	Proposed Accounting Policy
Water Charges		
Recognition of Water Supply income	Recognised and recorded as income on collection.	Proposed to be recognised and recorded as income when due, i.e., when bills are raised.
Recognition of Water Charges received in advance	Recognised as income on collection.	Proposed to be recognised as liability on collection.
Interest on Investments		
Recognition of Interest Income	Not specifically addressed (as PHEO does not make any investments).	Proposed to be recognised and recorded as income when due. Further, at period-end, interest accrued but not due shall be recognised as income.
Grants		
Recognition of General Grants	At the Division level, there is no specific policy.	Proposed to be recognised and recorded as income when sanctioned.
Recognition of Specific Grant receivable as reimbursement of expenditure already incurred	At the Division level, there is no specific policy.	Grants towards revenue expenditure, proposed to be recognised as income as soon as the expenditure is incurred under the sanctioned grant.
Recognition of Specific Grant received in advance	At the Division level, there is no specific policy.	Proposed to be treated as a liability till such time that the fixed asset is constructed or acquired. Further, on incurrence of revenue expenditure under the grant, the expenditure will be treated as expenditure. The corresponding liability shall be recognised as income.
Public Works Expenditure		

Particulars	Current Accounting Policy (as per CPWA Code)	Proposed Accounting Policy
Recognition of Revenue Expenditure	Recognised and recorded as expense on payment.	Proposed to be recognised as expenditure in the period to which it relates, even if not paid.
Recognition of Capital Expenditure	Recognised as expense on payment.	Proposed to be recognised as fixed asset in the period to which it relates, even if not paid.
Recognition of deductions of taxes from payments made to contractors	Recognised as liability on deduction.	Proposed to be recognised as liability on deduction.
Stores Expense		
Recognition of Revenue Expenditure	Recognised and recorded as expense on payment.	Proposed to be recognised as expenditure in the period to which it relates, even if not paid.
Recognition of Capital Expenditure	Recognised as expense on payment.	Proposed to be recognised as fixed asset in the period to which it relates, even if not paid.
Valuation of Closing Stock	Not recorded in the Financial Statements.	At period-end, the valuation of the Closing Stock shall be taken into consideration while preparing the Financial Statements.
Salaries and Wages		
Recognition of Expense	Recognised and recorded as expense on payment.	Proposed to be recognised and recorded as expense when due for payment.
General Administration Expenditure		
Recognition of Expense	Recognised and recorded as expense on payment.	Proposed to be recognised as expenditure in the period to which it relates, even if not paid.
Interest on Loans taken		
Recognition of Interest Expense	Recognised and recorded as expense on payment.	Proposed to be recognised and recorded as expense when due. Further, at period-end, interest on loans accrued but not due shall be recognised as an expense.
Depreciation on Fixed Assets		
Recognition of depreciation on fixed assets	Currently, no specific policy for depreciation.	At period-end, the depreciation on fixed assets is proposed to be provided as an expense and deducted from the value of the fixed assets.

Particulars	Current Accounting Policy (as per CPWA Code)	Proposed Accounting Policy
Financial Statements	CPWA Code prescribes preparation of monthly accounts.	It is proposed that the ring fenced entity shall prepare: <ul style="list-style-type: none"> ● Income and Expenditure Statement ● Balance Sheet ● Cash-flow Statement in such formats and at such periodicity as shall be provided in the proposed accounting manual.
Management Information Systems (MIS)	Currently, no formal MIS is in place.	The recommended MIS shall be provided as a separate report.
Reconciliation	Currently, except for Bank/Government Treasury reconciliations, there are no formal reconciliation procedures in place.	The procedures and periodicity of various reconciliations shall be provided in the accounting manual.
Books of Accounts	CPWA Code prescribes the various books of accounts to be maintained.	The books of accounts shall be based on the OMAM and the manuals being developed.

Cost Accounting System

5.15 Cost is a measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or services (*Source: Cost Accounting Standard -1, issued by The Institute of Cost and Works Accountants of India*). Manufacturing of goods or rendering services involves consumption of resources. Cost is measured by the investment made in terms of resources or price paid to acquire goods and services.

5.16 A cost accounting system records the cost, depending on the objective, for use in decision-making. Cost accounting systems are designed to provide critical information to decision-makers. Therefore, an important first step in setting up a cost accounting system is to compile a list of the types of management decisions the entity expects to make. For example, when to expand plant capacity, what charges to set, and what activities will most improve service delivery.

Objectives and Benefits of Cost Accounting System

Objectives

5.17 The most important factor in the design of a costing system is the objective, how the cost will be analyzed and utilized for decision-making. Based on preliminary discussions with the officials at PHEO, we understand that the following are the overall objectives of the proposed costing system:

- **To control costs:** Cost information is useful for planning, operational control and strategic decision-making. An understanding of the various elements of costs could be used for their control.
- **To assess cost effectiveness and monitor efficiency level:** Cost is one of the most important indicators of efficiency. Trends in movement of costs could be one of the indicators of the performance of the system. Opportunities can be identified for improving output/service performance and efficiency.
- **To estimate losses:** This is a part of efficiency analysis and cost control. Costing would help put a value to the losses and hence prioritize action.
- **To fix tariffs:** The price charged for a service (water supply and sanitation) should be based on several factors like cost of service, return on fixed assets, etc. One of the foremost factors is benefit to users (as evidenced by willingness to pay) and cost of the service. Cost is a key input in the pricing decision.
- **To fix subsidies:** This is similar to tariff setting. A costing system would assist in estimating the total worth of services rendered and the quantum of which should be charged to the consumers. The State would have to step in to finance the gap between the two through a subsidy.
- **Planning and forecasting:** Costing system provides important inputs for making estimates, planning resource requirements and forecasting inputs and outputs. A costing system also provides inputs when making non-routine management decisions.

Benefits

5.18 Cost is important information. A successful costing system will support decision-making at all levels within the organization. Some of the benefits of a costing system include:

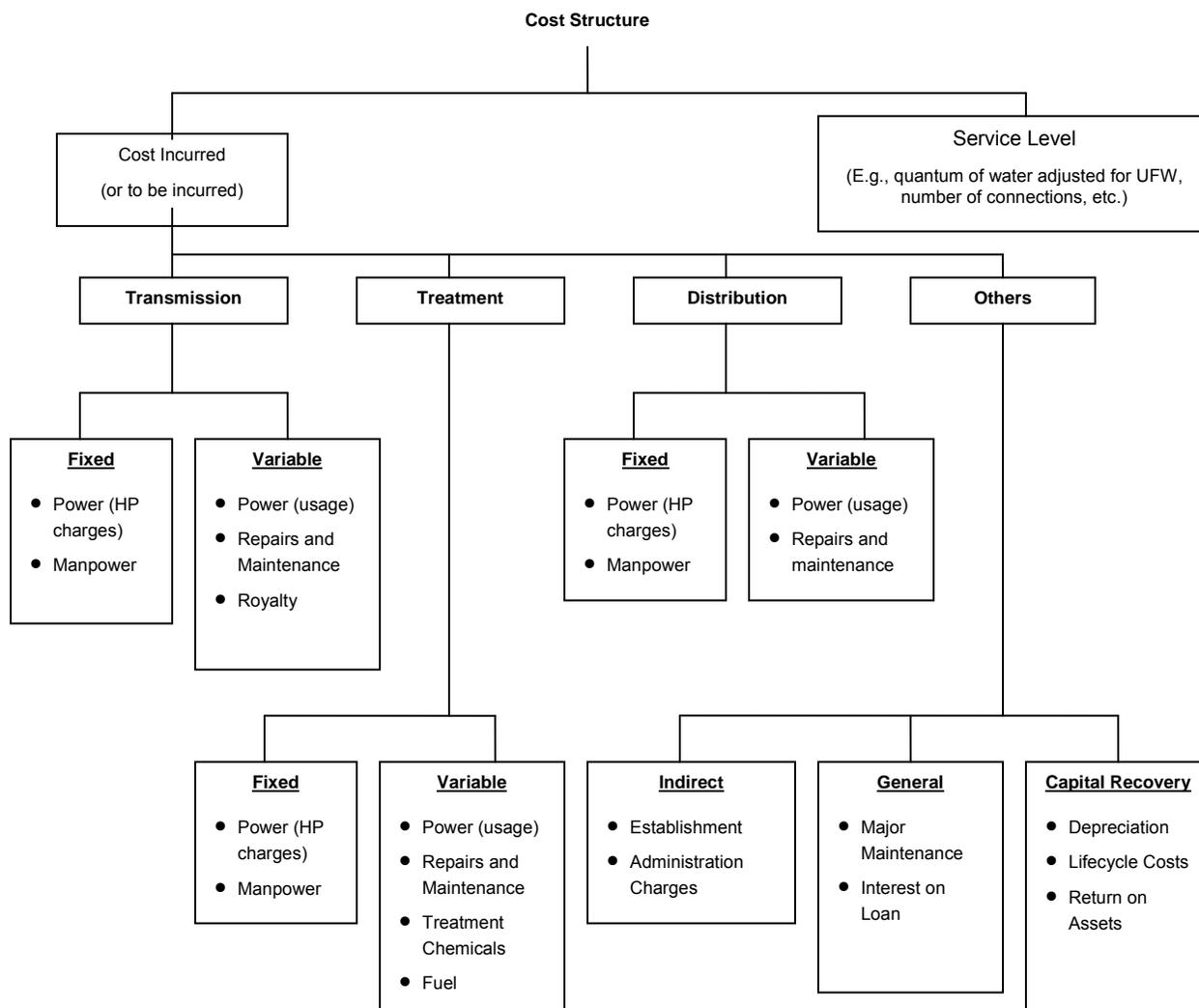
- Demonstrate cost effective ways to reduce system costs, optimize resource allocation, and prioritize activities towards achieving a particular goal.
- Justify increases in charges to particular customers or class of consumers and decreased charges to others.
- Identify areas of poor resource utilization within the utility and help to rationalize system capacity.
- Provide the information needed to negotiate terms for network expansion.
- Help senior officials evaluate alternative mechanisms of service provision.

Cost Structure

5.19 The structure of costs (revenue expenditure) incurred for Water Supply (and Sanitation) is presented in this section. The structure of cost of a service is presented in exhibit 5.3.

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Exhibit 5.3 Cost Structure



5.20 The cost of a service is a function of elements relating to costs (amount in rupees) and quantum of service provided (e.g., quantum of water delivered in kilolitres or water connections).

5.21 From the above costs for water supply and the number of connections or quantum of water supplied, the average cost per connection or average cost per kilolitre of water can be obtained. For sanitation, from the above elements of costs and the number of connections, the quantum of costs per connection would be arrived at.

Cost Centres

5.22 „Cost centres’ are points around which one accumulates costs. The „cost centre’ definition is a vital step in estimation of cost of water supply and sanitation. This would enable appropriate conclusions to be drawn. The options for „cost centres’ could be:

- Service: Water Supply and Sanitation
- Stages in Water Supply (or Sanitation) e.g., extraction, transmission, treatment and distribution.

Service

5.23 Costs have to be accumulated for each service category, i.e., Water Supply and Sanitation. This would include fixed costs like establishment charges, cost of power load and variable costs like energy cost, chemicals and consumables.

Stages in Service Provision

5.24 The costs should ideally be captured at the level of extraction, transmission, treatment and distribution to calculate the cost of water lost at each stage. Subsequent to water supply, costs would be incurred on billing, collection and customer services.

5.25 The cost of sanitation should ideally be captured at the level of sewerage collection, treatment and disposal.

5.26 The total cost at each stage could also be calculated (e.g., wayside villages, raw water/treated supply to industries/institutions, etc.).

5.27 Cost could also be captured for each category of service (e.g., water supply, sanitation, connection charges, inspection, etc.).

Cost Components and Cost Drivers

5.28 Various costs (recurring expenses) have to be considered to arrive at the true cost of water. These costs are varying or dependent on some underlying „cost drivers’.

5.29 „Cost drivers’ are factors that cause change in cost. This could be „resource cost driver’ (costs that vary by quantum of resources) or „activity cost drivers’ (costs that vary with the type of activity). Understanding „cost drivers’ is important for controlling costs and would also help in estimation of true costs and in projecting costs. For this purpose, costs have been classified initially based on their variability. Some of the key costs and drivers are given in Table 5.2.

Table 5.2
Key Costs and Cost Drivers

Costs	Cost Drivers
1.Fixed Costs	
Operating Manpower	<ul style="list-style-type: none"> • Number of employees by different grades (at extraction, transmission, treatment and distribution of water, treatment of sewage) • Average salary • Utilization of manpower and idle time • Outsourcing of operations to contractors • Average rate of payment to contractors • Pay revision and renewal of contracts
Interest	<ul style="list-style-type: none"> • Loan amount (balance) • Interest rate • Terms of repayment • Agencies/Financial Institutions which provide loans
Power Costs (fixed, based on HP)	<ul style="list-style-type: none"> • HP installed (at intake, transmission, treatment, distribution of water; transmission, treatment of sewage and disposal of sewage effluents) • Rate per HP
Periodic Major Maintenance Cost	<ul style="list-style-type: none"> • Cost of major replacements (e.g., pumps), major maintenance • Periodicity of major maintenance (e.g., annual maintenance contract)
2.Variable Costs	
Fuel, Lubricants & Chemicals	<ul style="list-style-type: none"> • Amount of water processed • Usage of fuels, chemicals and consumables, etc. • Rate per unit of fuel, chemicals and consumables, etc. • Amount of sewage treated

Costs	Cost Drivers
	<ul style="list-style-type: none"> • Nature of treatment
Power Costs (variable, based on usage)	<ul style="list-style-type: none"> • Usage in units (at extraction, transmission, treatment and distribution of water; transmission, treatment of sewage and disposal of sewage effluents) • Rate per unit • Amount of water treated • Amount of sewage treated • Efficiency of pumps and amount of water pumped
Royalty	<ul style="list-style-type: none"> • Water supplied in bulk • Bulk water rate
Repairs & Maintenance	<ul style="list-style-type: none"> • Usage of material, supplies and equipment
Operating Interest	<ul style="list-style-type: none"> • Working capital gap for WS and SS assets
3. Capital Costs (Recovery)	
Depreciation	<ul style="list-style-type: none"> • Asset cost (at extraction, transmission, treatment and distribution of water; transmission, treatment of sewage and disposal of sewage effluents) • Depreciation rate/depreciation policy • Useful life of the asset
Sinking Fund	<ul style="list-style-type: none"> • Life cycle costs based on year-wise consumer inflation rate and replacement cost of the WS and SS infrastructure
Return on Investment (Equity)	<ul style="list-style-type: none"> • Asset cost not financed through loans • Required rate of return • Cost of capital
Return on Assets	<ul style="list-style-type: none"> • Asset cost (at extraction, transmission, treatment and distribution of water; transmission, treatment of sewage and disposal of sewage effluents)

Costs	Cost Drivers
	<ul style="list-style-type: none"> • Required rate of return
4. Indirect Costs	
Establishment	<ul style="list-style-type: none"> • Hours of supervision time • Service level and service coverage
Administrative Charges	<ul style="list-style-type: none"> • On the basis of demand for revenue • Water demand and sanitation facilities • Service level and service coverage

5.30 Capturing of the various fixed and variable cost components mentioned above for each service category like water supply, sanitation services, pro-rata charges, connection charges, meter charges, etc. shall be necessary.

Budgeting System

5.31 Budget is a financial plan describing proposed expenditure and means of financing the same. It embodies the estimated income and expenditure (both capital and revenue) for a financial year.

Objectives and Benefits of Accrual Based Budgeting

Objectives

5.32 Preparation of the budget is one of the most important functions of any government department. The budget lists the expenditure proposed to be incurred and the programmes, projects/programmes of the entity. It also gives the sources or means of financing the proposed expenditure.

5.33 The following are some of the key objectives of a budget:

- Set goals and formulate a plan to achieve them.
- Establish priorities in the selection of programmes.
- Determine the tariff to be fixed that is necessary to finance these programmes and identify the level of financing required from financial and other institutions.
- Estimate the income and expenditure.
- Serve as a control tool for the entity's resources.
- Provide citizens with a written document, which plainly describes activities and expenditures that will be undertaken during the next fiscal year.

- Serve as a short- and long-term planning tool.
- Serve as a day-to-day operations guide.

Benefits

5.34 Generally accepted principles of budgeting require the budgeting system to be integrated with the accounting system. Traditionally, the accounts were maintained on cash based single entry system of accounting. The budget was also prepared on the same lines. As the proposed ring fenced entity shall operate in accrual based double entry system of accounting, the budget prepared should also reflect the accounting system followed.

5.35 The following are some of the other benefits of Accrual Based Budgeting System:

- Income is estimated on accrual basis. The actual amount receivable is estimated in the budget rather than the collection.
- Expenditure shall be driven by what is “committed” and “incurred” rather than what is “paid”. This refers to accounting of expenditure based on what is „to-be’ paid. Budgetary control will be exercised keeping in mind the total commitments made.
- The budget in the new system is driven by the “function” or an activity.
- One of the key outputs of the new budget is the balance sheet that indicates the asset and liability position as at the close of a budget period. This shall help the entity in planning for the future, fixing the priorities correctly and identifying the programmes and the means of financing the same.

Components of Accrual Based Budgeting

5.36 The accrual based budget shall be prepared using the same coding structure as the financial accounting system. As the proposed financial accounting system shall be based on OMAM, the budget will be built around these components - Fund, Function, Functionary and Account Heads.

5.37 A separate budget shall be prepared for the ring fenced entity. The budget shall be prepared by each Department or the Functionary.

Budget Reports

5.38 The following shall be the outputs of the budgeting process according to the new system:

- Budget Summary
- Budgeted Balance Sheet
- Budgeted Income and Expenditure Statement
- Budgeted Receipts and Payments Account

- Summary of Function - Group-wise Budget
- Detailed Function-wise Budget.

5.39 In addition to the above, the following subsidiary statements are also recommended to be prepared each year; these are preliminary findings, which need to be discussed and agreed with the PHEO:

- Estimate of Revenue Income
- Estimate of Revenue Expenditure
- Estimate of Capital Receipts
- Estimate of Capital Expenditure
- Estimate of Repayment of Loans
- Estimate of Loans and Advances
- Estimate of Deposits and Recoveries
- Estimate of Investments.

Transformation to the Proposed Financial Management System

5.40 The key to a smooth transition to the proposed financial management system is the way it is planned, monitored and managed. The next chapter discusses our “Change Enablement” framework that we propose to adopt for the transformation.

6. Transformation to the Proposed Financial Management System

6.1 The transition to a new system of financial management involves various sub-processes, the key to which is the preparation of the opening balance sheet. This chapter discusses the various stages involved in the transition to the new system and the key activities involved.

Stages of Transformation

6.2 The transition to the new system of accounting shall involve the two broad stages:

- Preparation of the policy framework, including preparation of manuals for operating under the new system.
- Preparation of opening balance sheet.

The above stages are discussed below.

Preparation of Policy Framework

6.3 The PHEO is currently following a cash based single entry system of accounting that is governed by the provisions of the CPWA Code and OPWD Code. The proposed system of accounting shall be based on an accrual based double entry system of accounting. Hence, for operating under the new system, preparation of the policy framework is essential. This shall involve the following:

- Drafting of the Accounting Policies and Rules.
- Preparation of the Chart of Accounts.
- Preparation of manuals detailing the process and the procedures. The accounting, costing and budgeting manuals shall be prepared.

6.4 The broad contents of the manuals, the chart of accounts, etc., shall be drafted and discussed with the concerned stakeholders and finalised.

Preparation of Opening Balance Sheet

6.5 Preparation of the opening balance sheet is the first step towards transitioning to the proposed system of financial management. The opening balance sheet shall contain the assets

and liabilities as on a specific date. The date shall be the “cut-off” date for the transition to the new system of accounting.

6.6 The preparation of the opening balance sheet shall involve the following:

- Updation of records/registers, as appropriate
- Identification of assets and liabilities
- Compilation of assets and liabilities as on a specific date in a specific format
- Compilation of list of fixed assets
- Valuation of fixed assets
- Preparation of fixed asset register
- Compilation of the opening balance sheet schedules
- Preparation of opening balance sheet.

6.7 To facilitate the above process, the consultants shall issue the opening balance sheet guidelines, forms for collecting information on fixed assets, and guidelines for valuing the fixed assets.

Management of the Transformation Process

6.9 The key aspect in the entire transformation process is the way the change is managed/handled. The transition shall happen at two levels – at the Institutional/PHEO level and at the level of individual stakeholders. At the PHEO, the transition consists of changes in the structure, processes, systems and technology. At the individual level, the transition refers to the changes in behavioural skills and attitudes of individual stakeholders.

6.10 The transition at both the levels happens over a period of time. This assignment shall focus on the change management related to the implementation of an accrual based double entry accounting system; and improved budgeting and costing systems.

6.11 In order to facilitate a smooth and seamless transition, the consultants shall place a dedicated team at each Division Office to handhold the PHEO staff and build their capacity to effectively manage the transition and implement the new systems. This team shall work closely with the Division Office to sensitize and ensure knowledge transfer to the Accounts Department and the concerned PHEO staff.

6.12 Further, to ensure sustainability and manage the change effectively over a sustained period of time, PHEO shall work with the consultants in providing training to the PHEO employees at all levels in the new system of financial management. Training of the PHEO staff shall be required to explain the various concepts of accrual accounting, accrual budgeting and costing, and the terminology used in the new systems. Further, training shall be required in the new methodology of maintaining the books of accounts. Furthermore, PHEO should consider

automating the accounting/financial management processes through the use of computerized accounting software. Computerization of the financial management procedures can help in eliminating redundancies in data flow. This will also help reduce the additional workload caused by the introduction of the new financial management manuals. In addition, this will also address issues related to the shortage of staff. Most importantly, further necessary and detailed steps shall be discussed between the PHEO, FIRE (D) project, and the consultants, and appropriately implemented during the course of transition.

Key Issues in Implementation of Proposed Financial Management System

6.13 The following are some of the key areas to be handled in implementation of the proposed financial management system:

- **Legal structure of the ring fenced entity** - The legal structure of the proposed ring fenced entity needs to be finalized. The legal structure shall have an impact on the accounting, costing and budgeting system.
- **Organization structure of the ring fenced entity** - The accounting and the budgeting system depends, to a great extent, on the organization structure of the proposed entity. The structure shall also be critical in bringing about the proposed change in the operations. A high level note on the proposed organization structure is being prepared and the manuals shall be developed based on the option selected.
- **Accounting Rules** - The accounts are currently governed by CPWA Code. Depending on the selected legal structure of the ring fenced entity, the accounting rules need to be drafted and finalized before the system is fully implemented.
- **Payroll related issues** - Salaries are currently paid by Government Treasury. Therefore, for the ring fenced entity the system for payment of payroll needs to be designed. Further, the employees who fall under non-BMC areas need to be Identified and their costs need to be separated from the BMC area.
- **Bank accounts for the ring fenced entity** - Currently, the divisions in Bhubaneswar Circle operate the bank account through letter of credit issued by the Chief Engineer. However, depending on the legal structure, new bank accounts may have to be opened.
- **Transfer of assets from OWSSB** - Currently, the assets created by OWSSB are transferred without any value. Further, the details of transfer are not recorded anywhere in the books. The methodology of providing financial information of the assets transferred from OWSSB needs to be finalized.
- **Sharing of assets between cities** - Post-ring fencing of WS & SS of areas under BMC, there may be assets that the ring fenced entity shares with other circles. The methodology of allocation of the costs related to these assets needs to be finalized.

- **Allocation of common resources** - Currently some of resources, especially human resources, are shared between various circles. Post-ring fencing, there has to be a methodology of allocation of these costs.
- Agreement on the coding structure including chart of accounts.
- Agreement on the cost centres and the cost accounting system.

Annexure

List of Divisions, Sub-Divisions and Sections

Division	Sub-Division	Section
Headed by E.E.	Headed by A.E.	Headed by J.E.
Bhubaneswar- I	High Level Tank	High Level Tank
		Secretariat
		Spring Tank
		High Level Mech.
	Unit-III	Unit-I
		Unit-II
		Unit-III
		Store
	Unit-IV	Unit-VIII
		Rajbhawan
		MLA Colony
		Baramunda
	Old Town	Daya Head Works and Bhuasuni
		Laxmisagar
		Museum
		Mulapadia
Bhubaneswar- II	Unit-IX	Regional Control Room
		Store
		Road Zone
		Chadraseskharapur
	Sahidnagar	Sahidnagar
		IRC Zone-I
		IRC Zone-II
		Gopinath Prasad
	Palasuni	Palasuni-I
		Palasuni-II
		Palasuni-III
		Palasuni-IV
	Rent	No. I
		No. II
		No. III
		No. IV
Bhubaneswar- III	Chandraseskharapur	No. I
		No. II
		No. III
		No. IV
	Mundali	No. I
		No. II

Division	Sub-Division	Section
Headed by E.E.	Headed by A.E.	Headed by J.E.
		No. III
		No. IV
	Ghatikia	No. I
		No. II
		No. III
		No. IV
		No.V
	Khurda	Khurda
		Jatni
		Balugaon
		Banapur

Registers Maintained at Divisions/Sub-divisions

Branch	Circle Office	Division	Sub-division
Estimation Branch	<ol style="list-style-type: none"> 1. Estimates Movement Register 2. Administrative Approval Register 3. Technical Sanction Register 4. Tender Register 	<ol style="list-style-type: none"> 1. Estimate Register 2. Technical Sanction Register 3. Tender Opening Register 4. Quotation Call Register 5. Comparative Statement Register 6. Purchase Order Register 7. Agreement Register <ul style="list-style-type: none"> • K2 (Less than Rs. 10,000) • F2 (Item rate contract), • G2 (Lump-sum) 8. Register of TWD 9. Register of CTR & CTI 10. Refund of EMD- (Register of Unsuccessful Tenderer or Quotationer) 11. Chemical Register 	
Accounts Branch		<ol style="list-style-type: none"> 12. Bills Passed Register (4) - Sub-division-wise 13. Budgeting Control Register 14. RE (Receipt & Payment) Register - Form-81 15. Voucher Register 16. Compilation Register 17. Register of Deposit 18. Register of MWA (Miscellaneous/Muster Works Advance) 19. Register of Energy Charges 20. Works Register 	<ol style="list-style-type: none"> 1. Imprest Register 2. Cash Book 3. Remittance Register
Cash Branch		<ol style="list-style-type: none"> 21. Cash Book/Work Cash Book 22. Head to Cheques Register 23. Letter of Credit Register 24. Treasury Remittance Register 25. Subsidiary Cash Book 26. Income Tax Register 27. Register of VAT 	

Branch	Circle Office	Division	Sub-division
		28. Register of Cheque Books and Receipt Books 29. LoC Register 30. Settlement with Treasury	
Establishment Branch		31. Pay Acquittance Roll of Non-Gazetted Staff 32. Pay Acquittance Roll of Gazetted Staff 33. Pay Acquittance Roll of Wages Establishment 34. Acquittance Roll of New Pension Scheme Staff of Regular Establishment 35. TA Acquittance Allotment Register-2 (Regular Staff & Wages Staff) 36. Miscellaneous Acquittance Register-2 (Regular Staff & Wages Staff) 37. Allotment Checking Register-2 (Regular Staff & Wages Staff) 38. House Building Advance, Moped Advance/GIS Advance & Festival Advance Recovery Register of Non-Gazetted Staff 39. Loans and Advances Ledger 40. Advance Recovery Register-2 (Regular Staff & Wages Staff) 41. GPF Ledger-2 (Regular Staff & Wages Staff) 42. GPF Recovery/Subscription Ledger 43. Office Order Register-2 (Regular Staff & Wages Staff) 44. Special House Building Advance Recovery Register-2 (Regular Staff & Wages Staff)	
Other Forms		45. Running Account Bill Form 46. First & Final Bill Form 47. G-2 Form (Long Form) 48. Pay Bill/Work Charge	

Branch	Circle Office	Division	Sub-division
Sub-Division			<ol style="list-style-type: none"> 1. Bill Register 2. Tender Opening Register 3. Quotation Opening Register 4. Casual Leave Register 5. Attendance Register 6. Issue of NMR from Register 7. PVR Register (Physical Verification Report) 8. New Water Connection Register 9. Money Receipt Register 10. Annual T&P (Tools and Plants) 11. Issue Register 12. Receipt Register 13. Office Order Register 14. Estimate Register 15. Complain Register - 2 (Water Supply and Sewerage) 16. Stock Register-Form 35 - Site Account Register 17. Tools and Plant Register-Form-15
Sub-division (having WTP)			<ol style="list-style-type: none"> 1. Pump Log Book 2. Complaint Register 3. Staff Attendance Register 4. Liquid Chlorine Gas Register 5. Filter House Log Book

Annexure III

Profile of Accounts Branch at Divisions

Division-I

Sl. No	Name	Designation	Age	Educational Qualification	Total Years of Experience	No. of Years in PHEO	Years of Experience in Accounts	Knowledge of Accrual Based Accounting	Remarks
1	N.C Khandual	D.A.O	55	Graduate & Acc. Pass	30	9	30	Nil	
2	Kapil Naik	Senior Clerk	58	Graduate & Acc. Pass	35	35	15	Nil	
3	Gagan Bihari Jena	Senior Clerk	54	Graduate & Acc. Pass	34	35	30	Nil	
4	Lingaraj Jena	Senior Clerk	51	Graduate & Acc. Pass	26	26	20	Nil	
5	Khetra basi Biswal	Junior Clerk	52	Graduate & Acc. Pass	27	27	15	Nil	
6	Nirmal Chandra Biswal	Senior Clerk in charge of Cash	54	Graduate & Acc. Pass	35	35	8	Nil	

Division-II

Sl. No	Name	Designation	Age	Educational Qualification	Total Years of Experience	No. of Years in PHEO	Years of Experience in Accounts	Knowledge of Accrual Based Accounting	Remarks
1	Debraj Mohanty	D.A.O	58	B.S.C & Acc. Pass	36	36	36	Nil	
2	Basant Kumar Mishra	Junior Clerk	53	B.A & Acc. Pass	29	29	29	Nil	
3	Tapan Kumar Mohanty	Senior Clerk	54	Intermediate & Acc. Pass	35	35	3	Nil	
4	Sudarsan Chaudhury	Junior Clerk	55	H.S.C & Acc. Pass	26	26	3	Nil	
5	Ramesh Chandra Jena	Junior Clerk	54	H.S.C & Acc. Pass	22	22	4	Nil	

Division III

Sl. No	Name	Designation	Age	Educational Qualification	Total Years of Experience	No. of Years in PHEO	Years of Experience in Accounts	Knowledge of Accrual Based Accounting	Remarks
1	Harihar Dash	D.A.O	58	B.A & Acc. Pass	34	2.5	34	Nil	
2	R.K Routray	Senior Clerk	55	H.S.C & Acc. Pass	29	29	29	Nil	
3	J.K Pradhan	Junior Clerk	55	H.S.C & Acc. Pass	29	29	29	Nil	
4	Z. Tulla	Junior Clerk	55	+2Com. & Acc. Pass	29	29	29	Nil	
5	S.N Dash	Junior Clerk	55	+2Com. & Acc. Pass	29	29	29	Nil	
6	J.N Pattnaik	Junior Clerk	55	B.A & Acc. Pass	29	29	29	Nil	

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