

## **TERMS OF REFERENCE FOR CONSULTANTS**

### **INSTITUTIONAL DEVELOPMENT CONSULTANCY FOR AGARTALA**

#### **1. Background Information**

1. The Government of India is proposing to implement an investment program to improve urban conditions in North Eastern Region capital cities, namely, Agartala, Aizawl, Gangtok, Kohima and Shillong. The expected impact of the Investment Program is improved environment and well-being of urban residents in the five capital cities. The expected outcomes of the Investment Program will be an increased access to better urban services for the 1.5 million people expected to be living in the Investment Program cities by the 2014. To this end, the Project will (i) improve urban infrastructure and services, (ii) strengthen urban institutions for better service delivery build project management and implementation capacity.

2. The Project will comprise two parts: Part A will cover urban infrastructure and services improvement including the rehabilitation, improvement and expansion of (i) water supply, (ii) sewerage and sanitation, and (iii) solid waste management. Part B will cover Investment Program management and implementation support and a comprehensive capacity building assistance to support the accomplishment of the urban institutional and financial reform agenda, and enhance planning, operation and maintenance (O&M), revenue mobilization, and financial management capabilities of service providers.

3. In Agartala, in order to implement reform activities, institutional development and capacity development activities, a separate consulting firm will be recruited.

#### **2. Overall Scope of Work**

4. The consultant will support the attainment of the Urban Governance, Finance and Service Delivery Improvements Action Plan. Support will be required for:

- (i) achieving agreed ULB reforms for furthering the decentralized urban governance,
- (ii) implementing utility reforms for sustainable and accountable WSS service delivery, including (a) reforms required to improve the performance of the utilities and (b) reforms required to introduce fair and accountable regulation;
- (iii) implementing municipal finance reforms as agreed by the Agartala Municipal Council (AMC) and Government of Tripura and
- (iv) evaluating the role and potential of PSP in urban infrastructure and service provision.
- (v) Providing training to AMC on all aspects pertaining to e-governance.

#### **A. Decentralized Urban Governance and ULBs Enhancement**

##### **A1. Assisting the Municipalization Process**

- (i) Assess feasibility of and prepare time-bound detailed action plans (a) to complete devolution of functions to AMC (as per requirements of the 12<sup>th</sup> Schedule) and (b) to undertake commensurate capacity development, including organizational, managerial, and service delivery systems development within AMC.

- (ii) If deemed necessary, assist the SIPMIU and EA in preparing the necessary legislative and regulatory instruments to support in the final transition. As part of this task also review the prevailing Municipal Bill;
- (iii) In line with devolution plan of action and (ii), assist the Government of Tripura (GoTr) in finalizing the transfer of associated assets from GoTr agencies to AMC and conducting their valuation;
- (iv) Within the framework of above action plans and new mandates, asses the need for establishing new units and departments and new skill sets. Establish managerial and operational systems to strengthen internal administrative management and urban service delivery. As part of service delivery, prioritize strengthening asset management and operation and maintenance capacities, and capacity development in solid waste management together with solid waste management experts.
- (v) Support the review and fixing of cadre strength and responsibilities for various levels of officers. Review/prepare terms of reference. Thereafter, necessary posts depending on the functional responsibilities for the municipality to be created. Impart short term training to newly recruited staff and officers and transferred staff towards municipal council's operations
- (vi) Assess the scope of in the application of information technology and e-governance in service delivery and develop recommendations and assist in their implementation.
- (vii) Define and assist implementing organizational arrangements within ULB to ensure that AMC is able to play effective role in dealing with WSS and solid waste management service providers in project identification, implementation and O&M.

## **A.2. Migration to a Double Entry Accrual Based Accounting System**

The accounting reform for urban service delivery improvement (the Reform) consists of three phases: (i) introduction of a computerized accrual based-double entry system of accounting and computerization revenue recording, (ii) management accounting for achieving efficiency in revenue collection and budget allocation using financial and management information system, and (iii) computerization of citizen's access to public services. This assignment is the first phase of the Reform. The initial phase for this assignment will take approximately 20 months, covering a complete one Indian financial year and will be the focus of this assignment. It is envisaged that the consultants will have (i) extensive experiences in municipal accounting reforms in India; (ii) municipal accounting and financial management expertise in India, (iii) extensive field knowledge of municipal accounting systems, polices and administrative guidelines in India; (iv) in-depth knowledge, experience and technical capacity for development of computer software required for conversion of existing municipal accounts to accrual-based double entry accounts in India and (v) management expertise to provide smooth transition through improved management systems and capacity building.

The consultant will assist AMC in undertaking/conduct all of the following activities

(additional information can be found in Annex 1)

- (i) Formation of a core team within the ULB for carrying out reforms: The core team will coordinate the reform process within the ULB. It will help the ULB in identification of the assets, coordinating between different department for transfer and valuation of assets, filling up and distribution of forms for asset verification etc.
- (ii) Pass resolution by the ULB regarding shifting from Single Entry to Double Entry Accrual based system of accounting.
- (iii) Completion of registers for assets and liabilities of the ULB as on March 31, 2009: Separate register should be maintained for various kind of assets and liabilities. Inventory of every asset shall be done prior to proceed for valuation.
- (iv) Physical verification and valuation of assets and liabilities as on March 31, 2009: On completion of inventory of assets and liabilities, the ULB shall proceed for physical verification and valuation of assets as per suggested guidelines, which shall be included subsequently in the Accounting Manual to be prepared for the ULB.
- (v) Compilation of all entries required for preparation of Opening Balance Sheet (OBS): For compilation of entries required for preparation of OBS the ULB need to follow the formats and guidelines for preparation of Opening Balance sheet which has to be included further in the Accounting manual to be prepared for the ULB.
- (vi) Adoption of OBS as on April 1, 2010: Adoption of Opening balance sheet has to be inline with the guidelines and format prepared as part of the TA which has to be included further in the Accounting manual to be prepared for the ULB.
- (vii) Development of Municipal Financial Management Computer Software:<sup>1</sup> It involves preparation or adoption of municipal accounting software. The main objective of preparation of accounting or financial management software is to streamline financial performances and entries for the various municipal functions. The design or adoption of software will help the ULB in preparation of DCB statement for user charges along with assessing demand of various taxes and other dues, which will able to project collections, state arrears, and generate bills. The municipal financial management software is expected to automate generation of credit, debit, vouchers and budget balances, provide overall snapshot of usage of fiscal resources and delivery. Further, it is expected that the municipal financial management software will streamline the receipts and payments for the municipal service delivery along preparation of outcome budget.
- (viii) Re-engineering of Municipal Management processes to align with accrual based accounting system: The objective is to re-engineer various municipal

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<sup>1</sup> ADB has developed software that may be provided free of cost and adapted to AMC requirements by the consultant.

functions to bring in line with the municipal financial management process. The various functions include property tax management system, procurement system, asset management system, inventory management system, payroll management etc. The Re-engineering of the functions will be integrated with the municipal management information system (Municipal E-Governance system). Streamlining Municipal financial management system with the Municipal management information system will ease out the implementation of Double entry system.

- (ix) Preparation of Municipal Accounting Manual in line with NMAM: Customized Municipal Accounting Manual has to be prepared in line with NMAM depending upon the functions and type of service delivery of the ULB. Preparation of the manual will give direction to the accounting staff of the ULB towards easy understanding of the accounting procedure and accounting entries.
- (x) GO/Legislation/Modification of Municipal Finance Rules for migrating to double-entry accounting system: Required legislative changes or amendments in the existing municipal act have to be done prior to full migration to double entry accrual based system.
- (xi) Training of accounting staff: Training of the accounting personnel has to be done in line with the accounting manual prepared for full implementation of the system in the ULB.
- (xii) Notification of cut-off date for migrating to the double-entry accounting system: A Government notification has to come out for shifting from single entry system to double entry system of accounting.
- (xiii) Full migration to double-entry accounting system: Systems should be in place and the full migration to the new system should continue from the financial year (2010-11).
- (xiv) Out put financial statements (income-expenditure accounts and balance sheet) as per the new system as on March 31, 2010: The financial disclosure has to be inline with the accounting manual to be prepared for the ULB.
- (xv) Support to AMC for appointing internal and external auditors.

### **A.3. Property Tax Reform**

- (i) Formation of a specific workforce to undertake the reform: The core team will coordinate the reform process within the ULB. This core will help the ULB in identification of properties liable to pay tax, determining the unit area values, elimination of exemptions etc.
- (ii) Public consultation: Public consultations in different wards have to be completed. This will help in assessing the willingness pay from the public side and help AMC in dispute resolution.
- (iii) Pass resolution in the AMC: The AMC has to pass a resolution regarding new introduction of property tax or shifting from ARV method to unit area method.

After ULB level, the resolution has to be sent to the state government for approval and notification

- (iv) Government notification: The government has to pass the resolution regarding introduction of property tax or shifting from ARV to Unit area system and notification has to be published.
- (v) Conduct property tax survey: A property tax survey has to be conducted in each of the wards of the AMC to assess the municipality service level along with willingness to pay. The property tax survey will form the basis for introduction of property tax in the project AMC.
- (vi) Preparation of draft format (road map) for introduction or shifting to unit area system of property tax : After reviewing the existing municipal law, building bylaws, taking into consideration from the property tax survey analysis a draft format for introduction or shifting to unit area system will be prepared.
- (vii) Preparation of digital property maps for municipality: After preparation of the draft format from the towards shifting to unit area value as well as introduction of property tax the ULB has to step forward towards procurement of digital image and create property maps for the city.
- (viii) Verification of digital maps and 100% physical survey of the properties in the project city: It involves physical survey of each and every property of the city and to verify it on the digital property map.
- (ix) Creation of GIS database of property: Database of the existing property has to be computerized and linked with the GIS.
- (x) Assessment of guidance value (unit area value): After completion of the physical survey the city will be divided in to various zones and unit area values will be established after consultation with the ULB as well as the Government.
- (xi) Development of software for administration and management of new taxation system using GIS database: Software has to be developed especially for property tax management and database management of the property. This software will also include DCB module under self assessment system. The new system will generate demand; improve billing system and collection efficiency.
- (xii) Training of personnel: The assessment staffs have to be trained for proper and smooth implementation of new system.
- (xiii) Setting up a Committee/Team to draft/amend legislation under self assessment system: A committee has to be formed for preparation of draft UAM bylaws, ready references/reckoner, amendments in the existing Municipal legislation under self assessment system.
- (xiv) Government approval: Government /Cabinet approval has to come for final enactment of the legislation by Legislature has for the draft amendments in the municipal legislation as well as for the UAM bylaws.

- (xv) Pilot project to be conducted in one Zone/ward for trial run: The newly designed system will be implemented in a ward or zone on trial run basis to know the deficiencies in the system and difficulties in the process management.
- (xvi) Stakeholder consultations: Stakeholders have to be consulted after pilot project to know their grievance and loop hole in the system. This step will help in finer tuning of the new system.
- (xvii) Elimination of exemptions: Support decision to eliminate exemptions from the property tax liable properties. This decision has to be followed by a government notification for the same.
- (xviii) Notification for implementation of new tax system along with self assessment system: The Government has to notify the date from which the new system will be in place.
- (xix) Setting up a website for property tax issues/ FAQs etc and linking to ULB main website: There has to be separate online portal for the property tax system which has to be linked with ULB main portal. The online portal for property tax has to construct online payment gateway for the tax payers. This website will be uploaded with self assessment forms, UAM guidelines, UAM bylaws etc for public information.
- (xx) Setting up of public grievance handling mechanism system: Public grievance redressal mechanism and dispute resolution system has to be part of the new property management system with proper approval from the authority.
- (xxi) Conducting Taxpayer education programme: Tax payer education programme is also an important part of the process for successful implementation of the new system
- (xxii) Setting up committee for periodic revision of guidance value : A committee has to be formed for periodic revision of the Unit area values along with monitoring and evaluation of the new system

## **B. Sustainable and Accountable Water and Sewerage Service Delivery**

5. The objective of consultancy is to assist the Government and its departments and later the ULB in achieving for sustainable and accountable water and sewerage service delivery. The consultants at the outset will prepare detailed action plan to reform the urban WSS delivery. More specifically, the tasks will include the following

### **B.1. Establishing the Service Regulator**

- (i) Assist the Government of Tripura in separating service delivery from regulation by assisting in
  - The creation of a regulatory framework and a regulatory body (initially in a shadow mode to start preparing operating procedures, training and development of regulation, licenses and rules);
  - defining planning regulation, system operating regulation, institutional

mechanism (Regulatory Cell, Body or Commission), description of its role, financing of operations, appointment procedures and interface with Central and State agencies, and the water utility industry;

- framework for tariff regulation
  - providing required legal inputs to ensure the enforceability of contracts between and among the constituents of the water sector, while protecting the rights of the consumer and ensuring the timely payment of bills.
- (ii) As part of the above, advise how to meet the socio- economic obligations of GOTr by means of subsidies during transition and gradually free the sector from subsidies or in case subsidies are needed create a transparent targeted subsidy framework. A program for labor review should also be prepared.
- (iii) Assist in taking the initial steps for creating the regulatory body (service conditions, structure, internal management processes, staffing etc.); support in its initial operations as a regulatory agency; provide training to the staff.

## **B.2. Water Utility Reforms**

- (i) Benchmarking. Benchmarking (both as an output and as a process) will be developed to support collaborative learning with PHED (for bulk water) and AMC (for distribution). It will focus on specific operating practices, comparing measures and results, and identifying improved processes for each agency. Key components will include (i) data gathering in the form of detailed surveys of measures and processes; (ii) identification of best performance, best practices, and any reasons for deviation; and (iii) site visits, where best practice is relevant.

Benchmarking will help improve sector efficiencies and adequately develop responses to demand. The consultants will

- conduct one or two opening workshops to (a) introduce benchmarking concepts and objectives to PHED/AMC senior staff, and (b) jointly develop and agree on most suitable indicators (e.g., technical, managerial, financial, customer orientation);
- based on selected indicators, identify and list parameters to be measured and with support from PHED/AMC initiate data collection (historical and current);
- review archive and new data, in a participatory manner; analyze the data and develop a diagnosis to take the form of a stand alone report.

This study is expected to be comprehensive and include areas such as (i) general information, (ii) service area and service provision, (iii) infrastructure description, (iv) consumption and production, (v) system performance and system reliability, (vi) staff and human resources, (vii) customers and commercial aspects, (viii) operating efficiency and financial performance, and (ix) physical asset provision and capital investment.<sup>2</sup> In addition, the consultants will (i) develop and, if necessary, restructure

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<sup>2</sup> Areas under review may include (i) general information (region-province, principal city-town, type of services, private sector involvement, if any); (ii) service area (area of responsibility, service area, population in area of responsibility, population in service area, population served, number of towns served); (iii) infrastructure description (raw water source, treatment method, production capacity, distribution length, storage capacity, number of

the data collection process and baseline reporting; and (ii) determine formal and informal reporting communication requirements with future regulatory agencies.

- (ii) Utility Governance and Management Improvements: Assess the governance and management structures of utilities. Develop an assessment report, both a full proposal and time-bound action plan and assist in the implementation of proposed measures to achieve (a) inclusive and participatory utility governance with greater ULB and non-government representation in the board and with better coordination with PHED, (b) professional and empowered management of utilities, to changing relationships of utilities with the State Government where the government's role over utilities shifts from day to day control to monitoring and regulating annual or medium term targets. If corporatization is found to be possible, prepare company structures and provide legal inputs required.
- (iii) Ring-fencing of urban WSS: Undertake institutional surveys, assess the scope for, and develop feasible proposals to create within both the PHED an urban wings to handle Agartala's water and sewerage responsibilities as two stand alone "silos" and separate profit centers with separate organizational, manpower, finances and accounting. Assess the cost and benefits of such approach to justify the proposal and present it to key decision makers and elevate the proposals for approval.
- (iv) Develop and assist in implementing a clear time-bound action plan to separate operation and maintenance functions from planning and construction of WSS.
- (v) Institutional Strengthening Using baseline data and diagnoses prepared, the consultants will undertake the following:
  - Establish realistic targets for overall improvement.
  - Set a realistic strategy, and subsequently a tailored and highly specific activity program with a time-bound action plan and associated budget for implementation over 5 years.<sup>3</sup>
  - Review the structure of the water utility/circle and propose amendments to its human resource base, as required.
  - Where relevant, prepare simplified financial projections to support the proposals.
  - Based on these, prepare Agartala's Water Circle-specific business development plans.

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connections, operating water meters, service connection length); (iv) consumption and production (RSC production, bulk water bought, metered consumption, unmetered consumption, meter inaccuracy, water billed/sold), (v) system performance (intermittent supply, supply duration, water main pressure, water main pipe breaks, residual chlorine tests required/performed/passed); (vi) staff (employment type, number of staff, training event participation, number of training days, human resource development expenditure); (vii) customers (number of new customers, number of customer complaints, means of complaining, ways to understand customers, connection charges, fixed water supply charges, consumption charges, lower slab cubic meter/month water bill); (viii) finance (water supply revenue, end-of-year accounts receivable, RSC operating expenses, water supply operating expenses); and (ix) capital investment (source of funds, gross fixed asset values, debt servicing costs).

<sup>3</sup> The content may vary, including targets for improvements in metering, nonrevenue water programs, energy efficiency programs, increases in number of connections, billing and collection practices, and employee satisfaction and retention.



- Prepare reporting programs outlining frequencies of reliable data collection and standard formats.
- (vi) The detailed plan of action and proposals should consider functional, managerial, operational, financial, and human resource enhancement. As part of the above task the consultant undertake an assessment of the establishment cost and other expenditure of Agartala's Water Circle, and propose appropriate adjustments. Assess the scope for infusion of information technology and technological and managerial innovations. Recommend incentive programs, etc. keeping in mind the need for increased commercialization and accountability in the new environment.
- (vii) Asset Management. In parallel, the consultants will help the utility complete (i) an asset register and its valuation, (ii) prepare asset management plans, including (a) a framework, (b) a property information system,<sup>4</sup> (c) clear (quantitative) methodology for assessing the condition of physical assets,<sup>5</sup> (d) methodology for suitability and sufficiency assessments,<sup>6</sup> and (e) methodology for formulating an asset management plan. All this should be in the form of a manual.
- (viii) Financial Restructuring As part of utility financial enhancement in addition to the tariff improvements below, the consultants will assist in account validation, financial planning and financial structuring of the utilities for gradual improvement in financial conditions within a targeted time frame to ensure at least O&M cost is recovered. These will include among others (a) a review of financial statements in terms of profitability, quality and integrity of financial data, (b) development of an asset register and valuation of assets, (c) segregation of accounts of urban and rural water supply as well separation of accounts of construction and O&M, and (d) development of and assistance in implementing medium term business plan to reduce dependence on government.
- (ix) Compliance. As part of the activities pertaining with regulatory compliance, the consultant will be responsible for the preparation of (i) service standards, (ii) business plan, (iii) tariff methodology and proposed first tariff submission and (iv) customer code for the new agency.
- (vi) Developing Performance Based Contractual Arrangements between Asset Owner and Operators: Assist in developing performance-based contractual relationships linking annual aid to attainment of pre-defined benchmarks for improved service delivery and with inbuilt incentive/disincentive structure. As part of this task, develop model commercial contracts for either contractual relationship of delivery institutions with AMC and/or GOTr/PHED or in case of PPP in urban water supply, sewerage and/or solid waste management together with PPP specialist.

### A.3. Tariff and Rationalization of Charges

<sup>4</sup> Ideally this should be linked to management information systems, if available. However if not technically feasible given the nature of the package, a simplified off-the-shelf package (Microsoft Excel or other) should be utilized.

<sup>5</sup> Parameters to be considered include (i) type of asset that needs to be supplied, (ii) condition classification, and (iii) priority classification.

<sup>6</sup> This assessment is intended to determine whether physical infrastructure is adequate to cover its intended purpose.

6. The consultant will assist in developing a detailed financial improvement action plan in Agartala's utilities (water and solid waste management) including revenue improvements from various sources with clear target dates to meet O&M costs gradually as per the broad time frames set in the RRP and the JNNURM reform agenda. The consultant will assist in (a) introducing and restructuring user charges for water, and solid waste management, (b) reforming the property tax system to increase revenues from property tax (section B3) and (e) improving financial management and accounting. The tasks will include but not be limited to:

- (i) Water and Sewerage: Assist in efficiently restructuring current water charges in Agartala (flat charges) to volumetric consumption based charges which involve a cross-subsidization for the poor. Assist in developing a sewerage charge as a percentage of the water bill for future application.

While developing tariff approach, the consultant will consider (a) costs of supplying water; (b) existing mechanisms and extent of cross subsidization, (c) who actually benefits from the subsidies (d) special conditions given high cost of pumping and energy; (e) willingness and ability to pay by consumers (f) administrative practicality and (g) relevant developments on metering and information technology;

- (ii) Propose a tariff regime, structure, and rates (aiming at economic cost of supply, water demand management while ensuring a reasonable return to utilities) and assess the impact of the proposed tariff changes on various groups of consumers and the State's budget. Assist in getting approval of the relevant authorities for tariff changes and their implementation including providing legal inputs as required to enforce new tariffs.
- (iii) Solid Waste Management Charges: Consultant will assist reviewing the solid waste collection charge. The charges should consider the cost of providing services, willingness and affordability to pay, and the targets set for meeting the cost of solid waste management services in the RRP.
- (vii) Financial Management Improvements: Assist SIPMIU in helping AMC and the Agartala Water Circle migrating to and operating the double entry accrual accounting system as per the targets set in the reform action plan as well as billing and collection improvements.

### **3. Private Sector Participation (PSP)**

- (i) Building on recommendations of the RRP and the PPTA on PSP in urban infrastructure and service provision, evaluate the potential for application of PSP to water and solid waste management. Assess and identify the suitable PSP modalities especially performance-based deferred payment system (PBDPS) and design build operate systems (DBO) or performance based management contracts (P BMC) and other suitable modalities in solid waste management. Carry out a survey of potential bidders to sound out their interest in envisaged PPP schemes.
- (ii) Assess all the legal, regulatory, institutional, financial, organizational, staffing

dimensions of the proposed PSP subprojects and develop measures to address them. Assess also risks and bidding climate and develop risk allocation and mitigation measures.

- (iii) Develop an overall PPP contracting strategy both immediate and long term including exit and renewal strategy after the initial contract.
- (iv) Assist in designing PPP packages and preparing bid documents. Prepare respective sets of model request for proposals, including draft contract documents for PPP packages, and in case PBDPS is applied, develop key performance indicators.
- (v) Assess the impact of PPPs on staffing and develop strategy for staff to be affected by PPPs.
- (vi) Design and conduct training programs to develop suitable skills in ULBs and utilities and other state agencies in planning and managing PPP projects.

#### 4. Consultancy Service Requirements

7. The team will comprise of 122 person months national consultants, of which 51 person months will be allocated in Tranche 1. Detailed breakdown of the type of consultants, and individual inputs is given in Table 2. The overall responsibility will be with the Team Leader. The indicative schedule of inputs is as follows:

**Table 1 – Project Management Consultancy**

No	Position	Indicative Person Months	
		2009-10	2010-11
National Consultants			
01	Team Leader / Utility management specialist	6	6
01	Municipal Finance Specialist	6	6
01	Chartered accountant	3	6
01	Software programing engineer	4.5	4.5
01	Assistant chartered accountant	6	6
01	Fiscal planning, budgeting, management expert	5	5
01	Economist/User charge expert	4	4
01	Institutional governance and accountability expert	4	4
01	Utility management reform expert	3	9
01	Legal advisor	2	2
01	PPP planning expert	4	5
01	Training planner and facilitator	3	3
	Total	51	61

8. In addition, 80 person months of accountant assistants, 16 person months of assistant programmers is to be provided. It is envisaged that the consultant will provide adequate support staff such as secretarial staff, translators and drivers, as he considers necessary. All experts would be permanently based in each of the State. The Government will also provide complementing project management experts.

9. Resources will also be provided for the preparation of accounting manuals (AMC and Agartala's Water Circle), trainings, GIS and property mapping surveys as well as surveys relating to utility management and asset management (registers, condition assessments etc).

## **5. Schedule of Reporting and Submissions**

10. The consultant is required to submit, the following reports to the SIPMIU Director in English. All reports should be submitted as required below and in an electronic and hard copy format.

- (i) Inception report in 5 copies plus a soft copy, one month after the issue of letter of commencement of work. This report should include the related works and details of programme of works, which the consultant proposes to implement.
- (ii) Preliminary urban and utility governance assessment report in 5 copies plus a soft copy three months after the commencement of work, which will give the opinion on design criteria, concepts, outline and implementation arrangements;
- (iii) Final urban and utility governance reports (in multiple volumes), inclusive of aspects relating to this TOR (financial, municipalization, introduction of a regulatory body etc), all associated manuals and software, legal frameworks/documentation, etc;
- (iv) Report on completion in 5 copies plus a soft copy;
- (v) Progress Reports in 5 copies plus a soft copy at monthly and quarterly intervals, summarizing financial situation of all work and contracts, progress achieved, difficulties encountered and issue to be resolved.

## **6. Offices and Equipment**

11. The Consultant shall be responsible for providing office space for the institutional development team. He/she will be solely responsible for the provision of all office equipment, supplies and communications and transport that he/she may require for the execution of the work at design stage.

12. At construction stage the Consultant's staff may work from offices provided by the contractor which shall be fully equipped and serviced by the contractor. However the Consultant will be responsible for operating and maintaining a project office, including all office equipment, supplies and communications and transport.

13. After completion of project the items purchased under project shall be handed over to the SIPMIU.

14. Consultant to make arrangements to carry out relevant topographical surveys and soil investigation, as well as any other studies/tests deemed to be necessary.

## Strategizing Accounts Reform Implementation

The major tasks, activities and outputs include the following:

- (i) Review the states government's accounting policies, rules and regulations.
- (ii) Identify the pilot ULBs in consultation with the state government.
- (iii) Review the accounting practice and recording status at the pilot ULBs, particularly:
  - Level of computerization of accounting system, availability of digitized data;
  - Valuation of assets;
  - Contingent liability;
  - Bank reconciliation statements;
  - Assets and incomes of the transferred institutions;
  - Plan to reduce backlogs in financial data;
  - Adoption of annual financial statements;
  - Audit of annual financial statements.
- (iv) Review the National Municipal Accounting Manual (NMAM); and Generally Accepted Accounting Practices (GAAP) in India;
- (v) Review the accounting reforms taken place in other places (Kerala, Tamil Nadu, Hyderabad, Maharashtra, Delhi, Kolkata, Karnataka, etc.), and report lessons learnt;
- (vi) Identify representatives from each pilot ULB who will assist in transition and implementation.
- (vii) Report all findings related to strategizing assignment implementation as a part of the inception report.
- (viii) Request the state government to issue necessary notifications or directives to implement the project, particularly:
  - Decision to move to accrual basis of accounting
  - Appointment of accounts officer at each ULB as a convener
  - Decision on procurement of required hardware

## Preparation of Accounts Reform Implementation Tools

- (i) Prepare a new Municipality Accounts Rules (MAR);
- (ii) Based on the new MAR, prepare a Municipality Accounts Manual (MAcM), a Municipality Budget Manual (MBM) and a Municipality Audit Manual (MAuM), and assist the state government to officially notify to the pilot ULBs;
- (iii) Develop municipality accounts software (MAS) based on MAR, MAcM, MBM and MAuM. The software must have following features:
  - Real time
  - Multi location and fund accounting
  - Interface with other modules for data exchange
  - User friendly
  - Dynamic control panel
  - Export of report to popular formats
  - Budget tracking and control.

The software must cover at least following accounting modules:

  - Income accounting
  - Expense accounting
  - Assets accounting

- Liability accounting.

The software must capture income and expenditure data at following levels:

- Fund
- Function
- Functionary
- Field
- Account head

and expenditure data at further levels: project and scheme.

The software must be able to generate following reports as a minimum standard:

- Online voucher printing
- Detailed and brief outputs
- Journal book
- Transfer book
- General and sub-ledgers
- Trial balance
- Budget and actual comparison
- Location and fund wise accounts
- Consolidated accounts

The software must be able to link with other existing or future software, such as:

- Payroll module
- Revenue module
- Resource management module
- Project performance monitoring module

(iv) Prepare software user manuals and software technical manuals;

(v) Prepare following user-friendly guidelines to facilitate filed level activities at each pilot ULBs:

- Guidelines on formation of implementation team;
- Guidelines on preliminary opening balance sheet;
- Guidelines on conversion of budget;
- Guidelines on creation of masters in software;
- Guidelines on entry of opening balance in software;
- Guidelines on entry of budget in the software;
- Guidelines on data entry in the software, such as payroll entries, revenue accrual entries and collection entries;
- Guidelines on roll out of the new system to the entire Accounts Department of each pilot ULB.

(vi) Develop a mitigation plan for information flow from other departments to accounts department;

(vii) Develop a mitigation plan to regularly reconcile employee & other advances, capital work in progress

### **Accounts Reform Implementation**

(i) make arrangements for entering the past accounts data from FY2000/01 to the present financial year and prepare following:

- Annual financial statement (AFS), and have AFS adopted by the respective Councils;
- Demand, collection and balance (DCB), and have DCB adopted by the

- respective Councils;
  - Registers, including cash books, advances registers, register of loans, register of investments, fixed assets register and grants register;
  - Bank reconciliation statements for all bank and treasury accounts;
  - Fixed assets statement, and fixed assets schedules;
  - Budget converted in new coding structure;
  - Draft opening balance sheets (OBS), and have OBS adopted by the respective Councils;
  - Annual financial statements, audited by the Auditors.
- (ii) Subcontract fixed asset valuation in case the state government and the pilot ULBs cannot have adequate human or financial resources.
- (iii) Subcontract data entry tasks in case the state government and the pilot ULBs cannot have adequate human or financial resources.
- (iv) Identify the areas where the state government's decision is required and report to monthly steering committee to seek its decisions, especially in the following areas:
- Decision on valuation on fixed assets;
  - Decision on contingent liability;
  - Decision on barred and old items in the bank reconciliation statements;
  - Decision on the assets and incomes of the transferred institutions;
  - Decision to reduce backlog in bank reconciliation statements, AFS and DCB;
  - Decision to reduce backlog of adoption and audit of AFS;
  - Decision on dissemination and disclosure of financial information.
- (v) Conduct training for the local government department / urban development department of the state governments on
- Introduction to accrual based-double entry system of accounting;
  - Introduction to Kerala MAR, MAcM, MBM and MAS;
- (vi) Conduct training for each pilot ULBs and local fund audit staff on
- Understanding and mastering accrual based-double entry system of accounting
  - Understanding the MAR, MAcM, MBM and MAS;
  - Use of new computerized system and generation of the reports
- (vii) Assign continuously at least two technical staff at each pilot ULBs, from the 7<sup>th</sup> month of assignment/implementation for 12 months, to provide handholding assistance, especially for technical trouble shooting and answering questions about accrual based-double entry system in practice.