

Financial management

Under NHM, annual resource envelope of a State is decided based on its population, health lag and socio economic backwardness. Financing of RNTCP is managed through Central Domestic Support, State Government/UTs Share, Grants from The Global Fund, Credit from The World Bank and direct implementation through technical support from WHO, USAID, UNITAID, CF etc.

The States are required to adhere to NHM Operational Financial Management Guidelines strictly. The Financial Management Guidelines are applicable to all RNTCP entities (States, Districts, etc.) irrespective of the source of funds.

Key accounting policies and disclosures

- a) Basis of Accounting – Cash Basis, to facilitate claim filing on paid expenditure basis.
- b) Period of Accounting – On Financial year basis of GOI - i.e. 1st April to 31st March.
- c) Method of Accounting: On double entry book keeping principles

Accounting Centers under RNTCP

The accounting centers are the offices where the basic accounting in respect of expenditure is carried out. These centers are responsible for maintaining the books of accounts, opening and operating bank accounts etc. The accounting centers for the project shall be Central TB Division (CTD), The State TB Cell (STC) and District TB Centres (DTC).

State Training cum Demonstration Centre (STDC), National Task Force (NTF), Zonal Task Force (ZTF), State Task Force (STF), TB Units (TUs), DMC, DR TB Centers etc. are not accounting centers

Responsibility of Controlling Officer in respect of Budget allocation is to ensure that

- a) Expenditure does not exceed the budget allocation.
- b) Expenditure is incurred for the purpose for which funds have been provided.
- c) Expenditure is incurred in public interest.
- d) Adequate control mechanism is functioning in department for prevention, detection of errors and irregularities, and
- e) Mechanism or checks contemplated at (d) above are effectively applied.

GIA release

Amount of GIA release by Center to States/UTs depends on following:

- a) Approved Annual Action Plan and Budget;
- b) Unspent balance available with the States/UTs;
- c) Projected requirement;
- d) Release of state share of preceding year; and
- e) Pace of utilization of funds released earlier.

The Government of India (GoI) will release funds to the State Treasury on the basis of plan of action/ budget of the SHS and DHS. From the State Treasury, the funds are released to SHS. Based on the submission of SOEs (DHS and SHS), Utilization Certificates, audit reports by the SHS(RNTCP sub committee) and state share, funds are released in two to three installments by the GoI.

Payment Procedure

- a) All payments exceeding Rs. 2500/- shall be made by way of a cheque/demand draft/bank transfer only.
- b) Cheque books and counterfoils shall be kept under custody of the STO/DTO.
- c) All personal claims including TA should be submitted by the concerned individual within one month of completion of activity.
- d) All bills/claims which are duly complete in all respects shall be cleared within 15 days from the date these are received at the DTCS/STCS.
- e) Compensation package for the contractual staff will be decided by the respective State based on State specific situation, job contents, job responsibilities, compensation of similar positions in other programme under NHM. These compensation packages will be proposed by the respective State in the State PIP and got finalized through PIP appraisal mechanism in consultation with NRHM, Ministry of Health & Family Welfare.
- f) The States are authorized for appropriation of expenditure in the subheads within overall ceding of budget approved. The DHS can appropriate the expenditure up to 15 % in the subhead at their own, however, re-appropriation beyond 15% shall be done with the approval of SHS.
- g) To ensure that tax is deducted at source, wherever applicable, before making the payment.

No works shall be commenced or liability incurred until: -

- a) administrative approval has been obtained;
- b) sanction to incur expenditure has been obtained;
- c) detailed design has been sanctioned;
- d) estimates containing the detailed specifications and quantities of various items have been prepared and sanctioned;
- e) funds are available;
- f) tenders invited and processed;
- g) a Work Order issued.

Books of Accounts

The following Books of Accounts are to be maintained at State/District level:

- a) Cash Book: For recording transactions relating to the receipt and payment of cash and or from the banks as per specimen at Annexure VII of the Financial Management Guidelines (page 132)
- b) General Ledger (Account head wise summary of the transactions): as per specimen in Annexure X of the Financial Management Guidelines (page 134)
- c) Journal: for recording transactions/adjustment entries which do not involve the movement of funds, as per specimen at Annexure XI of the Financial Management Guidelines (page 134)
- d) Format/Register for Bank Reconciliation: as per Annexure XVI of the Financial Management Guidelines (page 137)
- e) Petty Cash Book : for record of receipt and payment from petty cash withdrawn from bank for meeting out the day to day and small expenses of the society, as per Annexure VIII of the Financial Management Guidelines (page 133)
- f) Stock Registers: for consumable, printed material and for grant of drugs (Commodity grant)
- g) Fixed Assets Register: as per format given at XV of Financial Management Guidelines (page 136)
- h) Advances Register: as per format given at XII of Financial Management Guidelines (page 134)
- i) Expenditure Control Register: containing approved Budget Estimates as per the Annual Plan and expenditure incurred under each head of account.
- j) Record of Audit and Register of Settlement of Audit Objects,
- k) Record of Utilization Certificates received from NGOs (pertaining to the Grant-in-aid given to any NGOs by the District or State Society)

Financial Statements

Following financial statements are required to be submitted:

- A. Statement of Expenditure on Quarterly basis,
- B. Audited Statement of Accounts comprising:
 - I. Audited Receipt & Payment Account ,
 - II. Audited Income & Expenditure Account
 - III. Audited Balance Sheet.
 - IV. Audited Utilization Certificate
 - V. Audited Bank Reconciliation Statement
 - VI. Accounting Policy (as per the Financial Management Manual)
 - VII. Schedule of fixed assets
 - VIII. Schedule of outstanding advances recoverable/adjustable
 - IX. Schedule of Sundry debtors/creditors (if applicable)
 - X. Auditor's Report in the prescribed format
 - XI. Management Letter from the Auditors consisting of :-
 - a. Comments/observations on accounting records/ systems/ controls.
 - b. Deficiencies and areas of weakness in the system with recommendations for their improvement.
 - c. Report on the degree of compliance with the financial/internal control procedures.
 - d. Report on degree of compliance and deviation from the laid down procurement policies/procedures.
 - e. Report on matters that have come to notice during audit which have a significant impact on the implementation of the project and also on any other matter which the auditor considers pertinent.
 - f. Report on compliance with statutory requirements such as deduction of tax at source on contractual payments including remuneration paid to the contractual staff.

The Financial reporting requirements under RNTCP at various levels with time lines are placed at Annexure 19. The States are required to enter the transactions in Public Financial Management System (PFMS) and generate all reports from PFMS. The NHM in consultation with AG is likely to roll out all the modules of PFMS with effect from 1st April 2016.

Shortcomings/flaws noticed in general in the Utilization Certificate (UCs) which needs to be looked into by STOs/DTOs:

- a) UC not furnished in the prescribed format as per the Guidelines
- b) Bank interest, misc. receipts etc. not included in the receipt side of the UC.
- c) No correlation between the expenditure indicated in Income & Expenditure Account plus increase or decrease in assets during the year and utilization indicated in UC.
- d) Amount of sanction issued/released by Centre / State at the end of financial year but received in succeeding financial year not indicated in that year's UC
- e) Sanction Nos. and dates through which the grant-in-aid is/was received during the year are not indicated in the UC.
- f) UC not signed by the authorized signatories.

Shortcomings/flaws noticed in general in the Audited Statement of Accounts which needs to be looked into by STOs / DTOs:

- a) Accounting method of “Accrual Basis” being adopted by many of the STCs/DTCs instead of the “Cash Basis” method laid down in the FM Guidelines.
- b) Depreciation being charged on fixed assets by many Societies in spite of clear guidelines not to charge.
- c) Auditors' Report in the prescribed format not attached to the AR.
- d) Assets are being charged off by some Societies while being capitalized by others.
- e) Reconciliation of expenditure figures as reported in the SOEs not done with the final A/R figures and reported to CTD.
- f) One or more Part(s) of the Annual Statement of Accounts (Receipt & Payment A/c or Income & Expenditure A/c. or Balance Sheet) not included in the Audit Report.
- g) Utilization Certificate not furnished along with the Audit Report.
- h) Management letter from the Auditors on the internal control weakness and areas for improvement of the Societies not obtained from the Auditors and attached to the AR.
- i) Wherever Management letters are attached, the replies/explanation/action taken on the points raised by the audit report not attached, duly vetted by the Auditors.
- j) Financial Management Check-list in the prescribed format filled in and certified by the Auditors not attached to the Audit Report.
- k) Monthly reconciliation of Bank Account not done.
- l) Fixed Assets Register not maintained properly and physical verification done periodically.
- m) Reasons for large cash balance at year end not explained.
- n) The Note disclosing the basis of preparation of Financial Reports and significant accounting policies related to material items not added to the Audit Report.
- o) Funds disbursed to DTCs shown as expenditure instead of showing separately as disbursements in the AR of STC
- p) Funds spent by STC on behalf of DTCs not separately and distinctly shown in the Payment side of the R&P A/c. of STC.
- q) Funds disbursed to DTCs shown on the payment side of Consolidated R&P A/c, whereas the same is not to be reflected in Consolidated R&P A/c.
- r) Similarly funds received by DTCs shown wrongly on the receipt side of CR&P A/c.
- s) Consolidated Schedule of Fixed Assets covering all DTCs and STC not attached to the Consolidated A/R.
- t) Auditors' Report in the prescribed format not attached to the AR
- u) The Note disclosing the basis of preparation of Financial Reports and significant accounting policies related to material items not added to the Audit Report.

The STOs/DTOs in the capacity of DDOs to conduct following essential checks:-

- a) All monetary transactions should be entered in the cash book in the prescribed form as soon as they occur duly attested.
- b) The cash book should be closed regularly and checked. At the end of each month the cash balance verified physically.
- c) In respect of Government moneys paid into the bank, the relevant entry in the cash book should not be attested unless the bank's receipt on the challans is verified.
- d) No money should be disbursed unless a legal acquittance from the person(s) entitled to receive the amount drawn on a bill is obtained.
- e) An account of undisbursed Pay & Allowances should be kept in a register and the amounts remaining undisbursed for 3 months should be refunded.
- f) For all moneys received, receipts in the prescribed form should be issued and it should be ensured that such receipts have duly been entered in the cash book.
- g) All moneys received in cash or by cheques/Demand Drafts should be promptly paid into the bank or sent to the PAO, as the case may be.

- h) Except where otherwise specifically provided, any loss or shortage of public money, stamps, stores or other properties caused by defalcation or otherwise should be immediately reported to the next higher authority as well as to the concerned Audit Officer.
- i) No expenditure should be incurred without the sanction of the competent authority.
- j) All charges actually incurred must be drawn and paid at once and under no circumstances be allowed to stand over to be paid from the next years' grant.
- k) No money should be drawn in anticipation of demand or to prevent lapse of budget grant.
- l) Expenditure relating to two or more major heads should not be included in one bill and full account classification must be recorded on each bill.
- m) Expenditure control register should be maintained to exercise an effective check over expenditure against the budget allotment.
- n) T.A. claim not preferred within one year from the date on which it became due should be dealt with in accordance with the provisions of SR 194-A and the GoI Orders thereunder.
- o) DDOs should pay by bank transfer/cheques only such claims (e.g. pay and allowances, office contingencies etc.) as they have been authorized to entertain.
- p) The bills should be subjected to the prescribed checks enumerated in CGA (R&P) Rules/CAM before they are passed for payment.
- q) All cheques should be drawn on forms in cheque books supplied by the Bank, and the instructions contained in the Central Government Account (Receipts & Payments) Rules.