



Operational Guidelines for Financial Management



National AIDS Control Organisation
Ministry of Health & Family Welfare
Government of India



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Acronyms

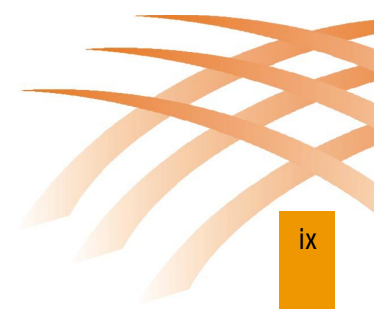
AFU	Accounts & Finance Unit
AG	Accountant General
AIDS	Acquired Immuno Deficiency Syndrome
AMC	Annual Maintenance Contract
APAC	AIDS Prevention Control Project
ART	Anti Retroviral Therapy
ARV	Anti Retro Viral
AWP	Annual Work Plan
C&AG	Comptroller & Auditor General of India
CA	Chartered Accountant
CAAA	Controller of Aid, Accounts and Audit
CBO	Community Based Organizations
CFMS	Computerised Finance Management System
CIDA	Canadian International Development Agency
CMIS	Computerized Management Information System
CPF	Contributory Provident Fund
CSO	Civil Society Organization
CSS	Central Secretariat Service
DA	Daily Allowance
DAPCU	District AIDS Prevention and Control Unit
DDO	Drawing and Disbursement Officer
DFID	Department For International Development
DHO	District Health Officer
DMO	District Medical Officer
EC	Executive Committee
FC	Finance Controller





FCA	Fellow of Institute of Chartered Accountants of India
GB	Governing Body
GFATM	Global Fund for AIDS, TB and Malaria
GO	Government Order
GOI	Govt. Of India
HIV	Human Immuno Deficiency Virus
IA&AS	Indian Audit and Accounts Service
IAS	Indian Administrative Service
ICAI	Institute of Chartered Account of India
ICAS	Indian Cost Accounts Service
ICTC	Integrated Counseling and Testing Center
ICWA	Institute of Cost and Work Accounts of India
IDU	Injecting Drug Users
IEC	Information Education Communication
IT	Income Tax
MASC	Municipal AIDS Control Societies
MIS	Management Information System
MOH&FW	Ministry of Health and Family Welfare
MoU	Memorandum of Understanding
MSM	Male having Sex with Male
NACB	National AIDS Control Board
NACO	National AIDS Control Organization
NACP	National AIDS Control Programme
NBTC	National Blood Transfusion Council
NCA	National Council on AIDS
NGO	Non Governmental Organization
NRHM	National Rural Health Mission
OI	Opportunistic Infections

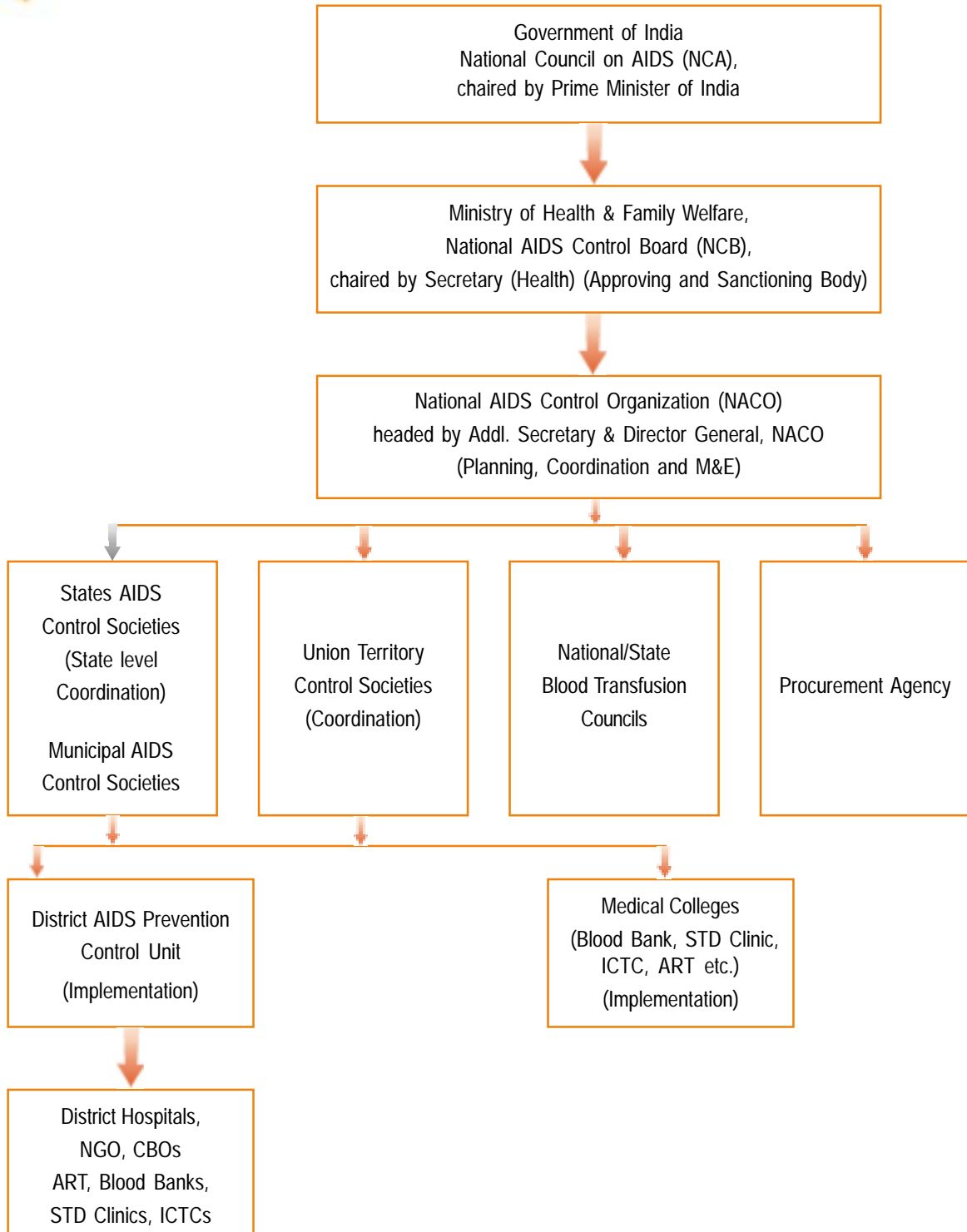
PAD	Project Appraisal Document
PAN	Permanent Account Number
PAO	Pay and Accounts Office
PBB	Performance Based Budget
PD	Project Director
PEP	Post Exposure Prophylaxis
PFMU	Project Finance Management Unit
PLHA	People Living with HIV / AIDS
PSU	Project Support Unit
RBI	Reserve Bank of India
RCH	Reproductive and Child Health Programme
RNTCP	Revised National Tuberculosis Control Programme
SACS	State AIDS Control Society
SBTC	State Blood Transfusion Council
SIMS	Strategic Management Information System
SOE	Statement of Expenditure
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
TA	Travel Allowance
TDS	Tax Deduction at Source
TOR	Terms of Reference
TSU	Technical Support Unit
UC	Utilization Certificate
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USG	United States Government
UT	Union Territories
VCTC	Voluntary Counselling and Testing Center



Scope and Administration of the Manual

- 1.1 This Manual shall govern the financial management system for National AIDS Control Programme covering the accounting and audit arrangements.
 - clearly state the paragraph (s) and line(s) to be replaced/added
 - be serially numbered for control and easy reference
- 1.2 All amendments to the Manual shall be made only by NACO and any requests for amendment based on implementation experience should be addressed to the **Director (Finance), NACO**.
 - mention the date from which the change shall be effective
 - be annexed to the manual with a cross reference at appropriate places in the Manual
- 1.3 All amendments to the Manual shall:
 - be circulated to all SACS/MACS/UT for onward circulation to their district and other implementation units
- 1.4 This Manual shall be maintained by the Head of Finance division in NACO/ SACS for easy reference and be made available to the audit/inspecting agencies for guidance.

Project Implementation Setup



Components of Project Financial Management

- 3.1 Financial Management brings together planning, budgeting, accounting, financial reporting, internal control including internal audit, external audit, procurement, disbursement of funds and physical performance of the programme, with the main aim of managing resources efficiently and achieving pre-determined objectives. Sound financial management is, therefore, a critical input for decision-making and programme success. Accurate and timely financial information provides a basis for better decisions about physical progress of the programme, availability of funds, reducing delays and bottleneck if noticed.
- 3.2 Financial management system should produce timely, relevant and reliable financial information that would allow programme managers and State/Central governments to plan and implement the NACP-III program, monitor compliance with agreed procedures and apprise progress toward its objectives.
- To meet these requirements, the system should include the following features:
- 3.2 **Planning** – A system to identify the needs to achieve the programme objectives, evolve strategies and approaches to address them and take up suitable interventions and activities.
- 3.3 **Budgeting** – A system to identify short-term activities necessary to achieve programme objectives and express these activities in financial terms.
- 3.4 **Accounting** – A system to track, analyze, and summarize financial transactions.
- 3.5 **Funds flow arrangements** – Appropriate arrangements to receive funds from all sources and disburse them to the agencies involved in programme implementation.
- 3.6 **Reporting** – A system that would produce sufficient detailed information to manage the programme, and provide each level of management (NACO, SACS) with regular financial information (consolidated and/or dis-aggregated) for decision making and monitoring.
- 3.7 **Internal control** – Arrangements including internal audit, to provide reasonable assurance that (i) operations are being conducted effectively and efficiently and in accordance with NACP financial norms; (ii) financial and operational reporting are reliable; (iii) laws and regulations are being complied with; and (iv) assets and records are maintained.
- 3.8 **External audit** – Arrangements for conducting annual external audit of the



programme by acceptable auditors in accordance with standard Terms of Reference.

3.9 **Procurement** – A system to procure goods, works and services keeping in mind the considerations of cost, efficiency, transparency and equal opportunities to all.

3.10 **Financial procedures manual** – A manual that sets forth financial policies and procedures for the guidance of all

personnel charged with financial responsibilities, with the aim of ensuring that programme resources are properly managed and safeguarded.

3.11 **Financial management staffing** – Appropriately qualified financial management staff, including accounting and internal audit staff, with clearly defined roles and responsibilities to conduct financial management activities.

Planning Process

4.1 At present the planning process is both medium term i.e. for five to seven years with broad strategy and targets outlined, and short term i.e. annual plan with detailed

targets. The Annual Plan should be dovetailed with the medium term plan strategy as far as possible. It is recommended that decentralized evidence

Table 4.1: Calendar of Annual Work Plan

Sl. No.	Activity	Date by	Responsibility
1.	Letter from NACO to all states indicating guidelines as well as formats for annual plan	1 st week of October	NACO
2.	Letter by Project Director to all programme officers for submission of plan/ budget proposals	October 15	Project Director, SACS
3	Pre-budget conference by SACS States on activities and budget estimates with Donors /stakeholders and finalizing the state budget	November 15	Project Director, SACS
4.	Submission of budget estimates (activities, targets and costs) to the Accounts Department by all programme divisions	November 30	Program Divisions in NACO and SACS
5.	Budget consolidation by Accounts Department	December 15	Finance Controller of SACS
6.	Submission of annual plan to NACO	December 31	Project Director
7.	Review of annual work plan by NACO by holding pre-budget conference and consolidation of AWP	January 15 to 31	NACO/ SACS
8.	Completion of Secretary level meetings/ discussions on annual budget proposals with states	February 15	NACO
9.	Presentation of GOI Budget in Parliament	February 28	—
10.	Component-wise and state-wise approval by NACO	March 31	NACO
11	Release of funds – first installment to the state	April 15	NACO
12	Mid Term Review re-allocation	Oct./Nov.	NACO



based bottom-up planning approach with adequate flexibility should be made core of budgeting. Major stakeholders should be actively associated in planning and preparation of annual plan. For better understanding and preparation of realistic and achievable annual plan, a computerized Plan preparation module should be developed and implemented. It should cover all aspects of preparation of evidence based realistic plans within the broad parameters along with a schedule for processing.

- 4.2 A calendar for the Annual Work Plan and budget cycle is provided at Table 4.1. In order to ensure that the State Annual Work Plans (AWPs) are prepared, reviewed and approved in a timely manner, it is important that the deadlines mentioned in the table below are adhered to. This is to ensure that

there is adequate time for consultation and review process. It may be mentioned that delays in approval of the AWP delays release of funds, which in turn impacts program implementation and funds utilization.

4.3 Identification of Resource Envelope

Planning is based on the core principle of one action plan for the programme irrespective of the number of donors contributing to the programme. Hence, the planning process would begin with a joint meeting of all donors and identifying the areas of programme support and joint planning so that there is optimal use of resources without duplication of efforts.

A specimen format as shown below may be helpful in making the optimum resource planning at national and state level showing priority/objective wise activities..

Table 4.2: Resource Envelope : Format

Activity	Physical Targets	Funding By NACO		Funding By State Govt	Funding from Donors outside SACS (Attach Donor wise detailed statement)*	Funding to SACS directly by Donors.**	Grand Total	
		3a***	3b****				Physical	Financial
1	2	3a***	3b****	4	5	6	7	8
Objective-1								
Targetted Interventions								
Other Interventions								
Blood Safety								

STD drugs							
Communication							
OI drugs							
PEP drugs							
PPTCT							
Condom Programme							
Any other							
Sub Total							
Percentage							
Objective-2							
ART							
Pediatric ART							
Centre of Excellence							
Community Care Centres							
Any other							
Sub Total							
Percentage							
Objective-3							
Training							
Salary							
Operational Expenses							

Mainstreaming							
Any other							
Sub Total							
Percentage							
Objective-4							
Monitoring & Evaluation							
Surveillance							
Research							
Innovative programmes							
SubTotal							
Percentage							
Grand Total							

N.B. The above list is only illustrative and activities pertaining to each society may vary. Accordingly the activity list should be changed.

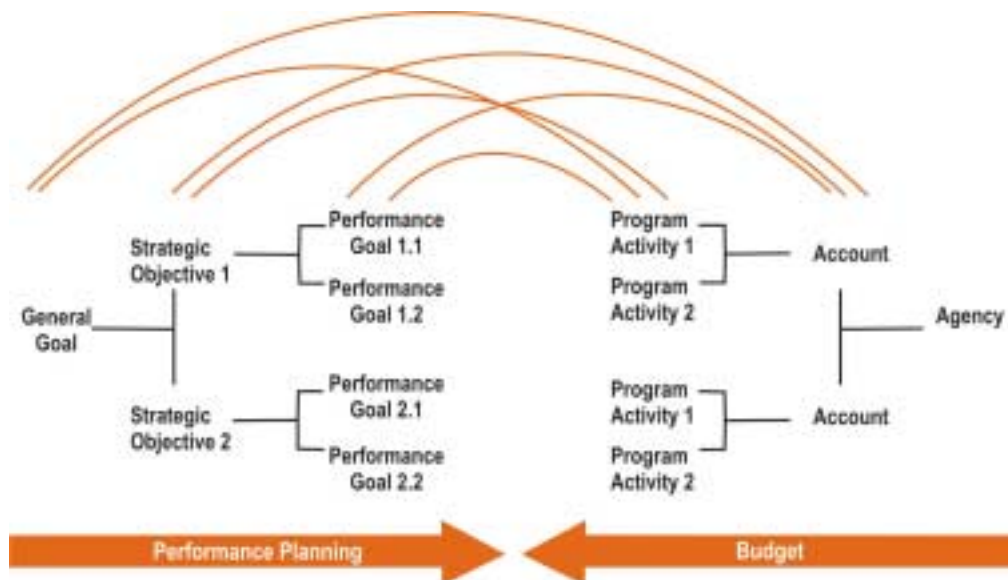
- * This includes donors/ corporates who carry out their activities on their own and do not place funds with SACS e.g Bill and Melinda Gates Foundation.
- ** This includes donors who directly make funds available to certain SACS for identified projects and such funds are not sent by NACO
- *** This by NACO for activities funded by a specific donor e.g GFATM
- **** This includes all residual activities which is funded by NACO and part financed by the pooling partners – DFID and World Bank.

Budgeting – Annual Plan Preparation Process

Performance Based Budgeting (PBB)

PBB has been defined as a budgeting process that links an organisation's funding/budget to its goals, strategies, programs, resources, services and results. This has become a necessity due to the requirements of the GFATM as well as the Govt. of India due to the greater need for accountability as well as to move from an input based budgeting to outcome based budgeting. In the performance-based management process shown in below, the first step is to identify the SACS's strategic goals and performance objectives based on the Program Implementation

Plan. This step also involves the establishment of performance measures based on and linked to the outcomes of the PIP. Following that, the next steps are to link the programme activities with the allocation, collect performance data and expenditure data, and then analyze, review, and use that data to spur performance improvement (i.e., make changes and corrections and/or fine-tune organizational operations). Lastly, the SACS reports the data and makes necessary changes and adjustments. Then, the process starts over again. The linkages are depicted below in a diagram.





Linkages Between Performance Plan & Budget

The advantages of the PBB are:

- Provides greater accountability to the public
- Helps align spending with overall goals
- It is a driving force to re-design programmes for greater improvement.
- It helps rationalize budget allocations as it uses performance information as a basis of evidence
- It improves understanding of crosscutting programs in government
- Compares cost effectiveness between programmes

5.1 Bottom-up approach in Budgeting at SACS level

There should be a bottom-up approach in respect of planning of activities as inputs for the preparation of budgets at the SACS level. The activity plan should be prepared based on the inputs from various implementing units. Using the cost norms provided in the scheme book, activity cost should be developed as an input to preparing consolidated budget at the SACS level. In this respect, a budget circular should be given to all implementing units so that they communicate their requirements well in time in order to avoid any delays in preparation of budget at SACS level.

While preparing the budget it is to be ensured that the calculation is made on the following criteria in respect of assistance to Institutions and Targeted Interventions:

- (a) One time cost:
Generally this is for setting up of institutions for meeting the cost of minor modification, furniture, computer etc.
- (b) Fixed cost:
Comprising salary, rent, electricity charges etc.
- (c) Variable cost:
Depends on number of beneficiaries targeted.

In-kind support from NACO is also to be reflected in the Annual Work Plan separately (condoms, test kits, ART etc.)

5.2 Basic Documents for preparation of Annual Work Plan and Budgeting

During preparation of the annual workplan and budgeting exercise, following documents should be referred:

a) Scheme Book for National/State level plan

Guidelines contained in the Scheme Book for various activities should be the basis for preparation of the plan. Copies of this may be made available to all programme officers.

b) Guidelines for preparation of Annual Plan

Instructions for detailed preparation of plan, basis for calculations etc. are contained in this book. This is mainly for the use of finance personnel

c) Procurement Manual

Procurement Manual contains instructions on preparation of procurement plan, type of procurement schedules etc.

d) Operational Guidelines for various Interventions published by NACO

This document should be made the basis for arriving at the details of NGO/ TI activities and other interventions/activities and should be made available to implementing agencies/programme officers.

5.3 Pre - budgeting Conference

A pre-budgeting conference may be organized at the beginning of the budget cycle wherein relevant instructions/guidelines should be provided to the staff of budget centers. This would facilitate uniformity in the methods of estimation used by budget centers and reduce the gap between figures of budget proposed and budget approved

Considering the number of budget centers, the distance between the centers and the availability of PD and FC of budget centers, the option of video conferencing should be explored for the above purpose.

5.4 Utilisation of Funds

The funds under the project are to be utilized and reported under the same heads as given for the budget Plan.

5.5 Re-appropriation of funds following approval of the AWP by NACO

- Societies are empowered to re-appropriate budget within the activities of the components with the approval of the Executive Committee, while re-appropriation of funds from one component to another will require specific approval of NACO.

- Re-appropriation between items classified under management costs can be done with the approval of the Executive Committee, provided it is within the total management costs approved for that year and such re-appropriation is within the same head of account, i.e., one revenue head to another revenue head and one capital head to another capital head. Re-appropriation from a revenue head to capital head and vice-versa is not permissible.
- Funds of the Society shall not be diverted or re-appropriated to meet any expenditure which has not been sanctioned by the competent authority.
- Funds shall not be diverted or re-appropriated for expenditure on any item not provided for or contemplated in sanctioned budget estimates.
- Re-appropriation of funds shall be made only when it is known or anticipated that funds to be transferred from one sub-head to another sub-head (revenue only) will not be utilized in full and savings under that sub-head of accounts are likely to become available. The re-appropriation in such cases shall be made only with the approval of Executive Committee.
- All re-appropriations carried out under these rules will be reported to NACO for information.

5.6 Training to Staff

Training workshops should be organized for all the components officers and accounts and finance units in respect of budget preparation





and compilation process. Training should be imparted in respect of various budgeting aspects such as:

- **Budgeting guidelines**

Guidelines issued by NACO from time to time and the Scheme Book of NACP-III should become the basic documents for preparation of budget

- **Method of estimation**

Details of estimation for budgeting are illustrated in Scheme Book; operational guidelines on each thematic area contains the methods of estimation to be followed for budgeting.

- **Budget heads**

This is primarily a job to be undertaken by the accounts and finance department. Objective-wise, principal heads of accounts as well as activity-wise codifications are available in CFMS.

- **Budget formats**

Formats for preparation of annual workplan will be made part of the CFMS Module.

- **Time lines regarding budget preparation and submission**

See table under chapter 7: Planning Process and Financial Planning.

Fund Flow Arrangements

The existing fund flow process at the centre and the state/ UT levels falls under the following heads:

- Fund flow mechanism at NACO
- Fund flow from NACO to SACS/MACS
- Funds flow from SACS/MACS to executing agencies

6.1 Funding by Pool Fund(World Bank & DFID)

Pool Fund provides advance funds to GOI through the mechanism of 'Special Account' with the objective of facilitating faster disbursement.

The Special Account is a revolving account in which the Pool Fund Partners deposit funds for the project. These funds are used exclusively to cover the Pool Fund Partners' share of the eligible expenditure on the project. The Special Account is opened by the Government of India with the Reserve Bank of India. This account is maintained separately for each project in convertible foreign exchange.

The Special Account is operated by the Controller of Aid, Accounts and Audit (CAAA), Department of Economic Affairs, Ministry of Finance,

Government of India. Based on the amount of claim raised in respect of the expenditure incurred on the project (as per the reimbursement claim filed by NACO), CAAA issues an advice to the Reserve Bank of India for transfer of the amount, from the Special Account of the project to the Consolidated Fund of India.

Pool Partners replenish the Special Account at regular intervals as per the agreed percentages of expenditure. The frequency of replenishment depends on the agreement terms and pace of utilisation.

NACO Funds

NACO receives funds from 5 principal sources

1. Govt. Of India Domestic Budget
2. World Bank and DFID(Pooled with Domestic Budget)
3. USAID
4. Global Fund
5. UNDP

Following is a broad list of activities that are to implemented under different heads:



Table 6.1

Source	Activity	Remarks
I. Domestic & Pooled Funds		
1. Domestic Budget		
a) NRHM	(i) Condoms	
	(ii) Blood Storage Units (3222)	
	(iii) STD treatment (28000 PHCs/CHCs)	
2. Pooled Funds		
(i) Govt. of India		
Direct Support to NACO	(i) Surveillance	
	(ii) NACO establishment Cost	
	(iii) NBTC(Autonomous body created by Supreme Court) Expenses	
	(iv) Normal & adl. Contingency for North East	
(ii) World Bank	For all programme activities other than those	
(iii) DFID	listed under other sources	
3. USAID	APAC, AVERT in Maharashtra and Tamil Nadu respectively	
4. GFATM	Activities under Round II, III, IV & VI and future Rounds	
5. UNDP	For mainstreaming and link workers scheme	
II. Direct Support to States		
(i) UNICEF	Only for selected states and for selected	Under extra budgetary support
(ii) BMGF	activities	
(iii) USG		
III. State Govt. Funds		
	For selected activities by respective states	Through state budgetary provisions
IV. Extra Budgetary Support		
(i) BMGF	Training, capacity building, technical	Through NACO
(ii) DFID	support etc.	
(iii) Clinton Foundation		

6.2 Funding by other Development Partners

Funds from other development partners like Global Fund for AIDS, Tuberculosis and Malaria (GFATM), United States Agency for International Development (USAID) are also routed through NACO. However in case of other partners, the states get funds directly.

6.3 Fund flow at NACO

The existing fund flow mechanism is as under:

Government of India (GOI) through MOH&FW provides funds to NACO through annual budgetary allocation. There is no physical transfer of funds from Government of India to NACO. The

Reserve Bank of India honours the payments relating to NACO to the extent of budgetary allocation to NACO. Thus, the budgetary allocation of NACO from MOHFW for any financial year indicates the total funds available with NACO for that financial year Relevant Rules 43(1) to (4) and 44 to 46 of GFR are relevant.

Note:- As per the present policy of Ministry of Finance , quarterly targets have been fixed for each ministry and if not utilized, funds lapse. The present quarterly targets for expenditure are 19, 24, 24 and 33 percentages in first and subsequent quarters respectively.

Table 6.2

Installment	Conditions to be fulfilled	Quantum	Timing
First	<ul style="list-style-type: none"> ● Approved Annual action Plan ● Provisional Utilization Certificate for the previous year based on Statement of Expenditure ● Statement of Expenditure for last quarter ending of financial year and SOEs for other quarters ● Audited accounts and Utilisation Certificates for immediately preceding. Years would have been received 	Funds received by NACO will be appropriated as a percentage of the approved AWP Less cash/ bank balance available with SACS	April 30
Second	<ul style="list-style-type: none"> ● Financial report for the first six months showing Budget versus actual expenditure. ● Audit report with financial statements and utilization certificate for the previous financial year ● Confirmation on funds requirement for the second half of the financial year based on mid term review 	Balance of approved AWP adjusted for the pace of implementation based on utilization certificate/ financial reports and mid term review	October 31

6.4 Fund Flow from NACO to SACS

NACO provides funds to various project offices such as Societies (SACS, MACS), National Blood Transfusion Councils (NBTC), normally in two or three installments.¹ The conditions for release of the first and second installments and the timing are given in Table 6.2:

Other aspects that considered during fund release:

- NACO will provide funds to SACS and MACS offices in the form of grant-in-aid based on the fulfillment of above conditions for tranche release. No formal request is required from the societies for release of funds.

Funds are provided to these offices in physical form i.e transfer into a separate bank account maintained for each donor.

6.5 Funds Flow from SACS to lower level implementing units/ NGOs

The relevant extracts from GFR reproduced at Annexure – I may also be seen.

6.5.1 NGOs

The process and frequency of fund releases to NGOs are provided in the NGO/CBO guidelines and will be governed by the contract which lays

down the contractual obligations of both the parties i.e SACS and NGOs. The releases to NGOs are normally based on the approved budget, contract period and contract terms with the first installment provided on signing of the contract and 50% of the total budget. Subsequent installments are based on the report of activities and submission of SOE and utilization certificates. For detailed guidelines on NGO Fund disbursement, please refer to NGO/ CBO Guidelines issued by NACO and the relevant extracts of GFR referred to above.

6.5.2 Peripheral Units

The release of funds to peripheral units like Blood banks ICTCs, ART centres will be based on the requirement of the units and based on the agreed funding pattern. The head of each institution is to maintain a separate account for this purpose. Subsequent releases are to be based on the periodic SOEs, physical progress report and utilization certificates. It must be ensured that earlier advances are settled and or refunded before fresh releases are provided.

6.5.3 Given below are 2 checklists which the finance unit should fill in prior to approval of the disbursement by the PD. Exemptions can be authorized by the PD. However, such exemptions should be in rare cases.

¹ This would normally be in two installments; however, depending on the timing of the approval of the union budget, there may be instances, when the funds are released in three installments.

A. Check List format for disbursement to Peripheral Units

Name of the Unit	Bank Account No
1. Opening balance of unused funds at the beginning of year	
2. Add: Total amount released during the financial year	
3. Add Interest/Funds earned during the year	
4. Total funds available for expenses (2+3)	
5. Subtract: Expenditure (excluding advances) (Please provide details of expenditure and UC separately)	
5. Balance available (4-5)	
6. Advances provided during the year	
7. Purpose for which released	
8. Whether any remarks on previous accounts by Internal audit	
9. Whether recommended by respective Programme Officer/ Dist Officer	
10. General observations on fund management, excess expenditure/ slow absorption in specific areas	
11. Recommended amount of release	
12. Details of budget provision	
13. Fund availability position	

B. Check List format for disbursement to NGOs/CBOs

Name of the NGO/ CBO	Bank Account No;
1. Name of NGO/CBO	
2. Period of Contract	
3. Total Budget approved	

4.	Amount disbursed so far	
5.	SOE submitted up to which date	
6.	Amount expended so far	
7.	Balance available with NGO/ CBO	
8.	Eligible amount for subsequent release	
9.	Observations by Internal audit wing if any	
10.	Recommendations of TSU/ NGO wing	
11.	General observations on fund management, excess expenditure/ slow absorption in specific areas	
12.	Recommended amount of release	
13.	Details of budget provision	
14.	Fund availability position	

6.6 Electronic transfer of funds

Considering the amount of funds involved, number of multiple agencies and the long duration of the project, NACO is exploring the possibility of transferring the funds electronically to SACS and by SACS to the executing agencies. Till such time, duly authorized persons can collect draft from NACO to reduce the time.

Since physical transfer of funds takes considerable time, the process of electronic transfer of funds would result in faster fund transfer and also in compilation of electronic fund utilisation certificate reports at the State and

national level. By this process, funds from NACO will reach SACS within a day as against a process of physical transfer of funds, which takes almost 10-13 days. (Detailed instructions in this regard will be issued on implementation of the system.) All SACS shall open an account for each fund source at an ICICI bank most convenient to them. No new bank accounts should be opened without the confirmation of NACO as each account would have to be linked to CPFMS. For states not having the facility of an ICICI bank alternate banks, have been indicated for ensuring electronic transfer of funds. SACS would accordingly open bank accounts in the bank most convenient to them.

Accounting Centres

The following will be the accounting centers under the program

	Accounting	Reporting	Consolidation
NACO	√	√	√
SACS	√	√	√
DAPCU *	√	√	
Peripheral units * (including NGOs)	√	√	

SACS will be responsible for accounting for expenditures reported by NGO's peripheral units and DAPCUs. The accounting for advances and expenditures will be as per the accounting policies of the program, which are provided in chapter14 / section on control over advances.

* NGOs and peripheral units will be required to maintain the required books of account to account for and report on the expenditures incurred under the program, detailed instructions are contained in Finance and Administration Procedure Manual for CSOs funded by SACS.



Accounting Policies

The following accounting policies will be followed by the project:

8.1 NACO

NACO is required to follow the accounting policy of GOI, which is currently on cash basis. The procedure and formalities for Grants-in-aid for NACO's programs will be in accordance with relevant General Fundamental Rules of GOI (Vide Annexure I). However for the purposes of the project the following policy will be adopted for accounting and reporting to all development partners. A separate guidelines detailing procedures and processes will be provided when NACO migrates to accrual accounting.

8.1.1 Grant-in-Aid: Funds transferred to SACS are accounted for as grant-in-aid. On consolidation of financial reports from SACS, this will be off-set with the grant received by SACS.

8.1.2 Funds to Procurement Agency: Funds advanced to the procurement agency will be recorded as advance and considered as expenditure on receipt of delivery of the goods (drugs, test kits, equipments) at SACS or designated peripheral units.

8.1.3 Program Management Expenditure: Accounted for on cash basis.

8.1.4 IEC: Funds transferred to IEC agency will be treated as advance and considered as expenditure on settlement of advance (bills/proof of completion of activities).

8.2 SACS

8.2.1 Grant-in-aid in Cash: Cash grant received from NACO and other sources will be treated as a liability and will be released to the extent of the expenditure incurred net of any interest or other income. Grant funds used for purchase of fixed assets will be transferred to a capital Grant fund utilized. Grant funds released by NACO at year end, but received by SACS in the next financial year are treated as grant-in-aid in transit.

Releases to Municipal AIDS Control Society would be part of the releases by the respective States as the state plan contains the plan for their municipal Societies.

8.2.2 Grant-in aid in Kind: Grant-in-aid in kind received from NACO such as ART drugs, equipments, test kits and delivered to various units are not accounted for by SACS either as receipt or expenditure/ fixed assets, but physical control by way of a fixed asset register or inventory register (for drugs/condoms) maintained by SACS.

8.2.3 Fixed assets & depreciation

Depreciation is a reserve created each year in the books of accounts to cover the replacement/ loss of assets over a period of time. Since assets have a life of over a year, the financial records will show an incorrect picture in case the entire cost of asset is charged in the year of acquisition. Hence to record the proportionate cost of assets

depreciation is charged in the book of accounts. There are several methods used to calculate depreciation, viz, straight line method, diminishing balance method, annuity method etc. However at NACO we are not asking SACS to calculate depreciation since they are using grant funds and according to the grant budget the entire cost of assets are charged and recovered from donors in the year of acquisition. Further, to exercise control over assets, NACO requires every SACS to maintain a Fixed Asset Register.

The following points be kept in mind:-

- a) Equipments procured by SACS for installation and use at various peripheral units are charged to expenditure as the ownership of these assets does not rest with SACS; however, physical control by way of a fixed assets register giving location, asset number, cost invoice details is maintained by SACS.
- b) Expenditure on minor civil works is to be charged to expenditure based on receipt of completion certificate and/or supported by bills. Pending receipt of completion

certificate these are to be shown as advances for civil works.

- c) Assets installed in SACS are treated as fixed assets, but no depreciation is provided on these assets as any replacement, when required, will be funded by the state or Government of India as the case may be.

8.3 Expenditure by peripheral units: Funds released to NGOs and various other peripheral units based on contracts or sanction letters are treated as advances and considered as expenditure only on receipt of statements of expenditure and/ or utilization certificates.

8.4 Funds advanced to DAPCUs: Funds for operating expenses will be treated as advance and charged to expenditure based on the settlement of advance.

8.5 Interest and other Income: Interest income from banks and any miscellaneous receipt is treated as income on a cash basis. NACO mandates that SACS to deposit funds in interest bearing savings accounts/arrangements with their banks.



Books of Account: Month & Year End Closing Procedures

9.1 NACO

NACO, being a part of GOI, follows government procedures. GOI, through Min. of Health and FW, allocates resources annually for implementation of the project through central budget. The allocation for NACO is done under multiple budget heads. NACO also follows governmental system of approval and authorization. All payments are subject to financial scrutiny and concurrence by the Internal Finance Division (IFD) of MOHW before sanction. The sanction order is passed to PAO for release of payments. However, in order to track the expenditures incurred by NACO under the program and facilitate consolidation (which would primarily comprise expenditures on IEC, procurement of test kits, ART drugs, condoms, program management and monitoring and evaluation) NACO will also maintain it on a parallel basis.

In view of the change in policy of Govt of India, for switching over to accrual system, NACO's accounting software to be procured/developed shall provide for accrual accounting.

9.2 SACS/MACS

9.2.1 The accounts of SACS/MACS shall be maintained on cash basis using double entry book keeping principles with provision to migrate to accrual accounting. Standard books of accounts (Cash Book, Journal, Ledger etc.) shall be maintained using an integrated computerized accounting system (Computerized Financial

Management System) which is being upgraded to facilitate accounting of all donor funds irrespective of source of funding and as per consistently applied accounting standards of Institute of Chartered Accountants of India (ICAI) with the exception that no depreciation will be charged on the assets owned by SACS and **inventory of drugs and fixed assets received in kind will not be accounted for in financial terms by the SACS, but physical records will be maintained by SACS.**

9.2.2 Societies shall maintain separate books of accounts in respect of funds received under bilateral projects viz. Pooled Fund, USAID, CIDA, AusAid, UNDP etc. under the National AIDS Control Programme till such time the accounting software is upgraded to facilitate multi donor accounting.

9.2.3 In order to keep proper financial information on the project activities, the standard ledger heads for each component and sub-ledger heads for all categories under these components shall be maintained. All expenditure incurred by a Society shall be booked under sub-ledger heads maintained in respect of each category relating to these components. A statement of ledger heads and sub-ledger heads is indicated in **Annexure-II**. The account head and account code should be similar to the budget head and budget code. This should correspond to the interventions and the norm number prescribed in

the NACP framework. If any sub-head or sub-code is considered necessary, the same shall be opened only with NACO permission. A list of Chart of Accounts is made part of CPFMS.

9.2.4 Detailed accounting procedure, which are required to followed and reports to be furnished be furnished periodically to NACO are given in Annexure-III. The formats for statements of account and expenditure will be generated by CFMS.

9.2.5 The following books, accounts and registers shall be maintained by the Society:

- Cash Book
- Ledger
- Journal
- Register for journals/ magazines/ newspapers
- Register of temporary advances
- Register of money orders and bank drafts received
- Cheque issue register
- Register of remittances to bank
- Bank Pass Book
- Register of money orders, postal orders and bank drafts dispatched
- Bill Register
- Establishment Register
- Stock Register
- Capital goods
- Non-consumable articles
- Consumable articles
- Register of works

- Register of grants of advances to CBOs/ NGOs/Voluntary Agencies
- Fixed Assets Register
- Classification accounts of the Project
- Monthly accounts of receipts and payments
- Temporary Advance Register
 1. Staff
 2. Contractors/Suppliers
 3. TA/DA advance; Personal Advances Register


The formats for aforesaid books and documents and their primary supporting documents like vouchers, invoices, receipts, etc. shall be in accordance with the proformae being standardized under CPMFS.

9.2.6 Any other books and accounts which may be considered necessary for the day to day work of the Society shall also be maintained with the approval of the State Project Director. Most of the books are provided for in the accounting software; manual records are required only in case of the following:

9.3 Ledger

Where a manual record is considered necessary due to parallel run or failure of the computer systems the following procedure must be followed:

- i. The Ledger should be kept in the prescribed form. Separate pages are to be opened for each head of account / item of expenditure and revenue.
- ii. The Ledger accounts shall be arranged and grouped in such a manner that the desired information is promptly secured.

- 
- iii. Combined Ledger accounts can be maintained for various detailed heads. The contingent Register may be maintained in such a manner that it is used as Ledger for recording expenditure under miscellaneous items.
 - iv. After the Ledger accounts have been written up and completed in respect of cash and adjustment items, the daily total of each Ledger account should be carried into the appropriate classified account and the classified account should then be totaled up and the amount of adjustment should be deducted/added from the gross total to bring out the net totals of receipts and payments as per cash book.

9.4 Journal Vouchers

Journal is one of the important account books. It is used for settlement of advances and booking of expenditures reported by peripheral units. Vouchers shall support each adjustment entry passed through a Journal. Brief narration of each entry shall be given in the voucher and it shall be signed by the Project Director in line with the approved financial delegation. The accountant will check each entry of the Journal with the vouchers and put dated initials against the entries checked.

9.5 Correction of Errors

If any item of receipts or cheques belonging to one head has been wrongly classified under another head, the error shall be corrected in the following manner:-

- (a) If the error is discovered before the posting is completed in the ledger, the necessary correction should be made in the original entry before the accounts of the day are closed.
- (b) If the error is discovered after the posting to the ledger has been completed but before 31st March, the correction should take the form of a journal entry.

Note: Errors affecting only classification i.e. receipts or payments on one side of the cash book without any change in monetary value shall be corrected in the manner prescribed in (a) above, if the same has been detected before the close of the month's accounts.

If the error is detected after the account for March has been closed, the correction should be carried out through a journal entry.

In all such cases, the correcting entry should be supported by a transfer entry memo approved by the Head of the office and a note of correction shall be made against the original entry in red ink.

9.6. Month-end closing of Accounts

Monthly accounts are to be closed after obtaining information from peripheral units by 10th of each month. It is important that the following month-end closing procedures are adhered to:

- a) settlement of all overdue advances to NGOs, staff, peripheral units, DAPCUs
- b) completion of Bank reconciliation; see the format in chapter on Internal Control
- c) completion of posting to ledger accounts

- d) monthly financial report to NACO and project Director with key indicators/ variances along with list of overdue unsettled advances

CFMS would be modified to adhere to these cut-off dates.

9.7 Year-end Closing of Accounts

In case of closure of accounts for the financial year, the cut-off date will be 30th of April every year and the following procedures have to be followed (see Table 9.1):

A system generated statement on ageing of advances also should be sent to NACO for information.

Important Instruction

The funds released by NACO based on the sanctions issued in March of a particular financial year should be accounted in the same year irrespective of the fact that the DDs/ fund transfer happened in next financial year.

9.8 DAPCU

With the establishment of district level units, the district officer would also be authorized to open and operate a bank account for day-to-day expenses of the unit as well as for operational expenses like salary etc. But these would not be accounting centres. The accounts of these would be part of the accounts of the respective state societies. DAPCU will work on an imprest basis and submit monthly statement of accounts along with vouchers and supporting documents to SACS.

These accounts will be maintained in a nationalized bank or any other scheduled bank permitted to do govt. business by RBI and in savings account. This would be operated by the district officer and monthly SOE sent to the PD of the society. A simple cash book would be maintained for this and transactions entered on daily basis. The cash book is to be closed every day and attestation obtained from the appropriate authorities. The accounting procedure enumerated in **Annexure-III** are applicable in this case also.

Table 9.1

S. No.	Action	Date By
1.	Send reminders to NGOs, Peripheral units, staff for settlement of overdue advances and submission of Statement of Expenditures for expenditure incurred upto March 31 each year	February each year
2.	settlement of all overdue advances to NGOs, staff, peripheral units	March 15, each year
3.	completion of Bank reconciliation	April 15, each year
4.	completion of posting to ledger account	April 15, each year
5.	Annual financial report to NACO and Project Director with key indicators/ variances along with Bank balance and provisional UC	April 30, each year
6.	Audited financial statements with updates/ corrections where necessary	June 30, each year



Management of Accounts by Peripheral Units And NGOs

10.1 Peripheral units (other than NGOs)

With the expansion of the programme, units implementing various activities have diversified. In order to make the systems work effectively, there should be sufficient funds available with these units throughout the year. Generally, following are the peripheral units to which a SACS releases funds in advance for carrying out various activities:

- Heads of institutions like Medical Colleges, District Hospitals, Taluk level hospitals
- Heads of departments in Med. colleges-ART centre, ICTC PPTCT etc.
- Medical Officers in charge of Blood Banks
- District Health officials like DMO, DHO
- District Collectors
- Other officials for specific activities
- NGOs
- Other institutions-private and public

Normally these releases would be for the following purposes:

a. Non Recurring or Annual Payments

- Minor civil works, modifications
- Equipment cost, AMC
- Special programmes like blood donation camps

- Observance of World AIDS Day etc.

- Studies

b. Recurring

- Annual grant-in-aid comprising salary, consumables etc. for various types of blood banks
- Salary of Med Officer etc. in ART centres, counselors, lab technicians etc. in ICTC, PPTC
- operational expenses for ICTC, PPTCT, ART
- Cost of medicines for STD OI, PEP drugs etc.
- Honorarium, TA, DA for surveillance
- Training expenses
- TI, Programmes like care centre etc.
- Other misc. expenses

The pattern of assistance would be informed to the implementing units (other than NGOs) indicating each activity. Sanction letter should specifically indicate various activities for which the amount is released and its allocations, e.g. sanction for release of ICTC grant should specify the salary to each category of personnel and the amount earmarked for other purposes Peripheral units would be required to:

- a) open a separate bank account in the name of the head of the institution for receiving the project funds

- b) maintain a simple cash book along with the supporting documents (vouchers, bills, invoices, contracts, and salary bills etc.
- c) submit financial reports and utilization certificates as per the format and frequency indicated in the sanction letter
- d) Make the books of account and supporting documents available for audit by agencies, auditors designated by SACS
- e) The amount allocated for one purpose should not be used for other purposes without specific permission even if there are savings
- f) All payments, other than petty payments of lesser value of Rs 1000, are above

should be made by way of crossed cheques only

10.2 NGOs

NGOs and peripheral units will be required to maintain the required books of account to account for and report on the expenditures incurred under the program; detailed instructions are contained in Finance and Administration Procedure Manual for CSOs funded by SACS.

The financial management requirements, audit formalities and model TORs etc. are also provided in the Finance and Administration Procedure Manual for CSOs funded by SACS.





Internal Controls

It is the responsibility of the management to clarify to all staff that accountability is a joint responsibility and does not rest solely with PFMU.

The maintenance of accounts of the Program should be governed by the principle that no expenditure is incurred by the Society which is repugnant to the objectives of the Program and every item of expenditure is incurred in accordance with the prescribed procedures as per the guidelines of NACPIII, and the canons of Financial Propriety. In accordance with these **canons of Financial Propriety**, it shall be the duty of each official of SACS to ensure that as per OI Guidelines of NACO:

- Every Government servant is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- The expenditure should be allocable, allowable and reasonable.
- No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- Public money should not be utilized for the benefit of a particular person or section of the people unless a claim for the amount could be enforced in a Court of Law, or the expenditure is in pursuance of a recognized policy or custom.

- The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.
- It shall also be necessary for every Society to establish the operation of adequate and satisfactory internal audit functions.
- Any grant or portion thereof given by the Government of India or the State Government to the Society for a specific purpose shall not be appropriated, without the previous sanction of the granting authority to a purpose other than that for which it was originally approved.

11.2 CASH

11.2.1 Cash Account and Transactions

Cash transactions are generally made for petty expenses and when/where banking facilities are not available. As per Income Tax Rules, no claim exceeding Rs. 20,000 should be settled through cash payments. These should invariably be by account payee cheques. As a matter of procedure and control, the attempt should be to minimize the number of cash transactions.

11.2.2 Daily Cash Balance

The denomination of the closing balance of the cash should be entered below the cash balance and signed by the Cashier. This register is to be maintained from the beginning of the financial year and a fresh register from the beginning of every financial year.

11.2.3 Withdrawal of Cash from Bank:

- Cash balance available and the estimated expenses would need to be computed.
- Authorised persons must verify the requirement before signing the cheque for withdrawal of cash.
- Signature of the person presenting the cheque and receiving the cash should be attested on the back side of the cheque by one of the authorized signatories.
- Cash Receipt (Contra) voucher should be prepared and accounted for by the accountant on the same day.
- Cash Account should be updated for receipt of cash on the same day.

11.2.4 Cash Payments:

- Cash payments should be made only after preparing the payment voucher.
- The voucher has to be approved by the competent authority before payment (as per the requirement of SACS, but the signature of one of the officers in Finance Division is a must).
- The payee must sign the voucher for having received the payment.
- In case the competent person is not present, the voucher must be verified/approved by any other person standing-in for the person before release of payment.
- As per Income Tax Rules, no cash payment of more than Rs. 20,000 is permitted. Internally, we shall maintain this limit to Rs. 5,000.

- All cash payments exceeding Rs. 5,000 should be receipted with a revenue stamp.
- The number of cash payments has to be reduced by converting settlements through cheque payments.

11.2.5 Staff Advances

Amounts paid to any staff member for meeting official expenses should be charged to the float account but for simplification of the process they are to be treated as general advances to employees against their Employee Numbers.

Staff can obtain advances mainly for the following purposes:

- Travel and subsistence
- Purchase of goods from the market
- Day to Day expenses

All such requests should be made only after it is duly approved by the competent authority as per the delegated authority limits, after the finance department has duly noted any previous outstanding in the person's name.

11.2.6 Controls to be exercised

1. Requests submitted should be complete in all respects and the purpose clearly mentioned. In case of staff traveling, the period and dates and purpose should be specified.
2. The amount outstanding against a staff member should be settled within the month the advance is taken unless the staff is traveling on the last days of the month.

- It is mandatory that there are no advances outstanding as on 31st March, i.e. the end of the financial year.

11.2.7 Bank Transactions

a. Bank Receipts

- All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the cheque/draft to the bank account should be the same. Relaxation can be made only in view of banking hours or bank holidays.
- Bank deposit slip should be attached with the receipt voucher.
- No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.

b. Bank Payments

- Payment voucher has to be prepared before preparing any cheque.
- Cheque should not be prepared, for whatever reason, if sufficient balance is not available with bank.
- All vouchers have to be verified and approved before payment is released.
- Payment has to be made only against original bills and claims. Any type of copy of bill or claim should not be entertained.
- All supporting documents should be attached with the payment voucher and filed according to serial number.
- If there is more than one bank account, separate payment voucher files should be maintained.

- Cheques should be written legibly and doubly ensured that the amount in words and figures are the same.
- All cheques have to be crossed. A rubber stamp stating "A/c Payee Only – Not Negotiable" should be put on every cheque. Bearer cheques should not be issued.
- Post-dated cheques are not to be issued.
- All cheques are stamped "for the *Name of the Organisation*" like "For ———State AIDS Control Society, Finance Officer, Project Director.
- Cheque number should be written on every payment voucher.
- Cheques prepared on a day shall as a rule be dispatched on the same day under certificate of posting or by courier to the payee.

c. Controls to be exercised

- All letters/instructions to the bank should be signed by the authorized signatories only.
- Cheques should never be signed in advance or in blank.
- Un-cashed cheques should be cancelled within a reasonable period.
- Specimen signatures should not be left around.
- Cheque books should always be kept under lock and key. Only authorized persons should be allowed to handle them.
- Using a carbon (black side up) under the cheque will leave an impression on the reverse of the cheque making it difficult to alter.

- It is recommended that a transparent cello tape be affixed on the figures of the cheque to avoid any alterations. This should be done immediately before the cheque is sent for signature.
- Insist on a receipt after payment by cheque.
- Do the bank reconciliation statement on a monthly basis.

11.3 Invoice Validation

Voucher is a basic document which is prepared to record any transaction that takes place.

- Serially PRE NUMBERED vouchers should be prepared for all transactions.
- Vouchers should be issued officially to a designated person who shall be responsible for the custody and accounting of the same.
- Vouchers shall not be overwritten. In such cases, it is best that the voucher is cancelled and retained for future inspection.
- Unutilised or cancelled vouchers shall be retained in the voucher books itself for inspection by the audit subsequently and shall not be destroyed under any circumstances.
- Vouchers and cash memos need to be stamped with a rubber stamp of a particular project or agency.
- A "PAID" stamp should be put on all vouchers for which payment has been made.
- Vouchers need to be approved by the person initiating the expenditure (who can sign on the supporting document as well) and another authorized signatory.

- No voucher should be passed for payment without supporting documents.


11.4 Format of Voucher

Vouchers should have the following information at the minimum:

- Name of the organization and place.
- Date of preparation of voucher and voucher number (pre-printed).
- Name of the concerned project, line item to which it is charged and its description.
- Columns for approval by the project coordinator, signatory and accountant.
- Columns for recipients signature.

a. Supporting document for vouchers

- All bills should be in original. Payment should not be made against a quotation, performa bill, copy of a bill or a faxed bill.
- All supporting documents should be authorized by the person initiating the payment.
- It is the responsibility of each person who is responsible for buying goods/ services in the project office to check each bill for its validity i.e. check that the description of items, number of items, cost per unit and total cost, date of the bill and name of payee (i.e. name of project) are accurate. Payments should be made only after checking these details.
- No alteration in the bill by project staff is normally permissible. If at all an alternation is unavoidable e.g., a mistake in the date by supplier which was not corrected, such



a bill should be brought to the attention of Head of the project who should change it and initial it and a note should be put on the bill why alteration was necessary. The management should reserve the right to accept such bills or not.

- Invoices should only be in the name of the PROJECT and not in the name of the project staff.

11.6 Control over Cash / Bank Balances

- The Executive Committee of the State Society would be empowered to open joint signatory bank account in any nationalized bank or scheduled bank approved by RBI and all moneys received by the Society under National AIDS Control Project shall be deposited in such bank account.
- Unutilized funds should be kept in Flexi deposit or sweeping deposit or other schemes for income generation.
- The interest received should also be utilized for the same activities envisaged under the program and no portion of it should be utilized for other expenses not envisaged in the program
- Societies shall maintain separate books of accounts in respect of funds received under bilateral projects viz. DFID, USAID, CIDA, AusAid, UNDP, etc. under the National AIDS Control Programme.
- Cheques, which shall be jointly, signed by two signatories viz. in accordance with the approved financial delegation and one signatory would be from Finance division
- Cash/ cheque books must be kept in safe custody and adequately insured
- The receipts, if any, from other sources including the State Government would also be deposited in the same joint signatory bank account and proper accounting thereof maintained.
- All cash / cheques / demand drafts etc. received should be deposited into the bank as far as possible on the same day itself or next day positively so as to avoid cash in transit for long periods. If any cash is retained on hand that should be verified physically by the Head of Office/DDO and recorded in the cash book and the cash in hand deposited into bank next day itself.
- When cash/cheque/DD is deposited in the bank, counterfoils of the pay-in-slips should be verified with the cashbook by the Head of Office/DDO.
- Over writing should be avoided and correction, if any, should be attested by the Head of Office / DDO under his dated initial.
- Crossed Account Payee cheque alone should be issued to third parties/firms etc.
- Not more than one cheque is to be issued to a single party on the same day.
- The issue of bearer cheques should be avoided as far as possible except for drawing cash from banks for day-to-day official transactions.
- When payments are made through cheque, the number of the cheque should invariably be noted in the cash book for cross checking.

11.7 Verification of cash

The contents of the cash chest / cash box should be counted by the Project Director of SACS or the senior most official in-charge or designated officer at least once in a quarter and the account compared with the cash book balance.

The result of verification should be recorded in cash book each time as under:

“Cash balance verified by me today and found to be Rs. (in figures) (Rupees (in words) on actual count as correct”.

Date Signature
(Designation of the Officer)

In case the cash balance is not found to be as per cash book, the fact should be recorded in the cash book and report submitted to the next higher authority unless the error can be set right at once.

The excess or shortage should be rectified by making the necessary receipt or payment entry “cash found excess” as miscellaneous revenue or “cash found short” recovered from the official. Excess or shortage of cash in excess of Rs.1,000 should be brought to the attention of Director (Finance), NACO immediately.

11.8 Bank Reconciliation

Bank reconciliation should be carried out on a monthly basis as part of the monthly closing of accounts latest by the 10th of the following month. To enable prompt reconciliation, bank pass book should be sent regularly to the bank for making up-to-date entries of credit and debit in a month and in case bank pass book is not issued,

monthly bank statement should be obtained from the bank regularly.

Entries shown in the passbook / bank statement should be tallied monthly with the entries in the cashbook. Any discrepancy should be rectified and difference explained in the bank reconciliation Statement in the manner explained below:

Balance as per Cash Book

.....

Add:

- (i) Cheque issued but not cashed
.....
- (ii) Credit entries made in the bank but not shown in the cash book
.....

Total

Less:

- (i) Amount sent to bank but not credited in bank account
.....
- (ii) Bank charges debited in the bank account but not accounted for in the cash book
.....


Total

Balance as per pass book/bank statement
.....

11.8 Cash Book

Where manual cash books are maintained as a primary book of entry or as a back-up the following additional controls are to be exercised:



- 
- Cash book should be maintained on a computerized basis under double entry system. Cash book shall not be maintained on manual basis.
 - Separate cash book should be maintained for each financial year.
 - Each entry of receipt and expenditure should be descriptive but brief in nature.
 - Each voucher should be assigned a serial number and ledger folio number, which should be noted against each entry in the cash book.
 - Each entry in the cash book should be attested by the Head of Office/ Drawing and Disbursing Officer (DDO).
 - Cash book should be closed daily and total cash balance struck and attested by the Head of Office / DDO after verification of the totals.

11.9 Record Keeping

A record of all project transactions shall be maintained with:

- Appropriate vouchers (receipt vouchers, cash/bank payment vouchers and journal vouchers) and supporting documentation for the transactions.
- These supporting documents should be cross-referenced so as to link them to each item of expenditure with budget heads, project components, expenditure categories (summary and detailed) and should be compatible with classification of expenditure and sources of funds indicated

in the project implementation plan and project cost tables.

- Vouchers must be printed and approval obtained from the concerned authority and serial control over the vouchers must be maintained.
- These books of accounts together with supporting documents and project management reports should be maintained for at least one year after the final audit of the entire project expenditure.

There should be periodic review of district units and peripherals units including NGOs by the officers of SACS. A simple checklist format for this purpose is devised and made available in **Annexure-IV** This format should be made available to the auditors and could be used by the auditors also for preliminary checking.

11.11 Approval of fund release to Peripheral Units

A significant part of the program will be implemented through various peripheral units such as district agencies, medical colleges, VCTCs, Blood Banks etc. These require funds for one time activities and/or recurring costs. At the time of periodic reporting the outstanding advances would be shown separately. A delay in settlement of advances impacts the project expenditures and creates a mis-match between the physical & financial progress and also impacts the further release of funds to the SACS and peripheral units. The table below gives the internal control process to be followed for approval of release of funds to such units.

Table 11.1

Illustrative Table showing the Management of Accounts by Recipient Units

Nature of activity	Recipient	One time/ Recurring	Sanctioning authority	Frequency	Reports to be submitted	Periodicity of report	Remarks
Minor civil Works, modifications	Dist. Hospitals/ Med colleges, taluk hospitals	One time	GB/EC of Society	One time	Estimates for sanction, utilization certificate, bills	With in one month on completion	
Annual grant in aid for various types of blood banks	Do	Recurring	Do	Once in a year	SOE, utilization Certificate	Quarterly	
Salary of Med Officer, etc. in ART centres, counselors, Lab technicians etc. in ICTC, PPTC	Do	Recurring	Do	Twice in a year	Do	Do	
Operational expenses for ICTC, PPTCT, ART	Do	Recurring	Do	Twice in a year	Do	Do	
Cost of medicines for STD OI, PEP drugs etc.	Do	Recurring	Do	Once in a year	Do	Do	
Equipment cost	Do	One time	Do	Needbased	Estimates for sanction, utilization certificate, bills	With in one month of purchase	
AMC	Do	Recurring	Do	Once in a year	Do	With in one month of agreement completion	

pletionHonorarium Do TA, DA for surveillance		Recurring	Do	Once in a year	SOE. utilisation certificate	On completion with in one month	
Training expenses	DMOs, Principal of medical colleges	One time	Do	As per Training calendar	SOE, utilization certificate	Do	
TI, Programmes & mgt. of care centre etc.	NGOs	One time for capital and recurring for running expenses	Do	As per NGO gudelines/ contractual agreement	Do	Quarterly	
Special programmes like blood donation camps, Observance of World AIDS Day etc.	DMOs. Dist collectors, other organisations	One time	Do	Need based	SOE, utilization certificate	On completion with in one month	
Studies	Identified institutions	One time	Do	As per agreement	Study report, SOE invoices	On completion with in one month	
Other misc. expenses	Do	Do	Do	Do	SOE, utilization certificate	Do	

Specimen formats for utilization certificates and SOE are given in **Annexure-V** and **VI**.

It is suggested that sanction letter must contain the above activities and reporting formats must be attached to the sanction letter.

11.11 Control over advances

11.11.1 Monitoring, Control and Settlement of advances

Funds released to the districts and sub-districts are initially classified as advances and the same

indicated as such in the books of accounts. These advances shall be adjusted based on the expenditure. Advances if, not actually spent for which accounts have not been settled, should be shown as advances and not as expenditure. A table indicating the type of activities, frequency of fund release, mode of settlement of advance and the frequency is given at the end of this section.

11.11.2 Norms for regulating advances

The following norms will be followed for regulating advances which will constitute expenditure only when supported by appropriate utilization certificates/expenditure statements. Advances paid to contractors / suppliers in terms of the agreement for works / supplies shall be treated as expenditure. This should be subject to submission of detailed accounts indicating the

work done/supplies made. However, advances paid to government departments cannot be treated as expenditure until and unless the expenditure statement is received.

The following Table 11.2 shows an illustrative list of advances:

The utilization certificate/expenditure statement should be obtained within the time limit prescribed in Table 11.2. The format of the

Table 11.2

Sl. No.	Activities	Periodicity of releases	Expenditure by	Certifying document	Time limit	Remarks
1	Personal advances like TA, Medical etc.	One time	Officers/staff	Adjustment claims	Immediately on completion but not later than one month. In case of medical advance - 3 months	Normally no other
2	Advances for activities like training, special occasions, research, study etc.	One time unless specified in contract	Officers/staff, institutions, district authorities	Utilization certificate/ SOE	Immediately on completion but not later than one month	Do
3	Grant to institutions	Yearly	Peripheral units/ institutions	Do	Quarterly SOE/ utilization certificate	
4	Grant for civil work	One time	do	Do	Immediately on completion but not later than one month	
5	Grant to NGOs	2 installments	NGOs	Do	Separate instructions	



utilization certificate/expenditure statement for each type of advances indicating the funds released, expenditure incurred activity-wise and physical progress made shall be prescribed by the State Implementation Society and the same incorporated in the Financial Rules and Regulations of the Society. In case the same is

not received within the prescribed time limit, further advances shall not be made.

11.11.3 Advance Register

All advances are to be entered in the advance register to be maintained as per specimen given below:

Table 11.2

Date	Name of Recipient	Particulars of advance	Cheque no & date	Amount	Date of adjustment	Amount adjusted

Note: For defaulted payments suitable interest details need to be mentioned additionally.

11.11.4 Adjustment of Advances

Adjustment of advances is also to be entered promptly in this register. It should be ensured that no personal advance is outstanding for more than one month. In case, adjustment claims for personal advances are not submitted in time, penal action including charging of interest should be taken.

All other advances should be adjusted on receipt of utilization certificate/expenditure statement. It should be ensured that utilization certificates/expenditure statement on these advances is obtained immediately after the expiry of the prescribed period.

11.11.5 Monitoring of Advances

The next higher authority above the authority who released the advances will strictly monitor

the progress of adjustment of advances and take remedial measures required for the speedy adjustment of advances within the time limit prescribed above. In order to liquidate the advances some of the systems followed in states like *Advance Mela* may be experimented where the recipients are invited periodically with necessary documents to settle the advances. This could be done region wise also.

11.12 General

All functionaries should ensure that only actuals treated as expenditure and not the normative costs in accounting. The module for ageing advances in CFMS/CPFMS may be utilized effectively for monitoring of advances.

Assets/Inventory Management

12.1 General

The Society or Implementing Partners shall not purchase any item of fixed assets unless that item is approved in the annual action plan. Exceptions, in very rare cases may be approved by Director (Finance), NACO with justification and reason for purchase.

For details of procurement policies and formalities to be observed, please refer the procurement manual.

No depreciation shall be charged and the value of assets and should be shown at the original cost in the accounts.

The Society shall not dispose off the items of fixed assets without the prior approval of the Executive Committee.

The Society shall not write-off the assets without prior approval of NACO.

Major items are to be insured against normal eventualities and in case of vehicles comprehensive insurance taken.

12.2 Fixed Assets Register

All items of fixed assets shall be serially numbered in accordance with the group/nomenclature of the item and shall be entered in the Register of Fixed Assets indicating the following details:

- Name and description of the item
- Date of receipt
- Supplier's name

- Cost of item
- Guarantee period, if any, and its details
- Assets identification number
- Location
- Remarks with regard to disposal/write-off, etc.

12.3 Physical verification of Fixed Assets

Annual verification of assets would be carried out by a team of designated officers by PD of the SACS and necessary entry made in the registers. This would be made available to the audit. for verification.

The procedure for physical verification would be as follows:

- Generate a list of assets from Asset Register
- Physically verify fixed assets at their location with respect to the physical presence , conditions of the assets, and workability
- In case of assets located at peripheral units, the head of office would prepare a list and send to SACS for information
- Any discrepancies noticed shall be enquired into and a statement prepared separately
- A comparative statement indicating fixed assets, as per record of assets based on physical verification conducted, would be prepared and kept as annexure to audited statement of accounts

The module in CFMS may be utilized for various purposes.



12.4 Schedule of Fixed Assets

The Society shall furnish a statement viz. Schedule of Fixed Assets held by it at the end of each financial year to NACO as well as to State Government along with the annual statement of accounts. Format for this is given below-

12.5 Medical Equipments Maintenance

12.5.1 Maintenance of Assets

AMC providers are expected to conduct a complete facility audit before taking over the assets, with the help of which they must prepare a complete comprehensive plan for preventive

Table 12.1: Register of Fixed Assets

Name and description of the Fixed Assets

Date	Particulars of Asset	Particulars of supplier		Cost of the assets	Location of the Asset	Remarks
		Name of address	Bill no and Date			

NOTE.- The items of similar nature but ,having significant distinctive features (e.g., study table, office table, computer table, etc.) should be accounted for separately in stock.

Table 12.2: GFR 41

See Rule 190 (2) (ii)

Stock Register of Consumables such as Stationery

Chemicals, Spare Parts, etc

Name of Article----- Unit of Accounts-----

Date	Particulatr	Suppliers invoice no and date	Receipt	Issue of Voucher No	Issue	Balance	Unit Price

Note : User's indent in original shall be treated as issue voucher. Issue voucher number shall be in consecutive order, financial year , wise and it should be noted on each indent

maintenance for each and every asset with respect to various parameters like effect of failure, frequency of failure, significance, safety aspects etc. and prioritize the maintenance activities scientifically. The corresponding audit report has to be submitted to SACS.

AMC providers are expected to do the following maintenance activities of the hospital with a complete documentation of the same:

- Planned Preventive Maintenance
- Breakdown Maintenance
- Emergency Maintenance

a. Preventive Maintenance

Maintenance is done in a planned manner or on due date periodically. This period can be adjusted on the basis of past experience and with scientific evidences. The main objective of this is to reduce the number of avoidable breakdowns to avoid discomfort to the customers. A good preventive maintenance program provides for scheduled stoppage of work for routine overhauls during the period of least usage rather than risk of a breakdown unexpectedly.

b. Breakdown Maintenance

When the equipment goes out-of-order, the maintenance is called repair or breakdown maintenance. It has to be carried out as and when the breakdown occurs.

c. Emergency Maintenance

It is called troubleshooting. It is a temporary measure to keep the equipment running for a short period so that the operation of unit does not

go out of gear, but it should be followed by shut down maintenance.

SACS will have to co-ordinate with the annual maintenance contractors and manufacturers to ensure that all the purchased medical equipments are accurate and working to the optimum performance and achieve the maximum availability and continuity of services.

SACS should have the replacement parts procured and installed all replacement parts necessary to maintain the Medical Equipment at optimum performance. It should ensure that:

- a) All spare parts are procured from an authorized supplier and do not contravene warranty contracts
- b) Replacement parts are installed in conformity with manufacturers and hospital guidelines
- c) Details of all replacement parts used are recorded. Liaison with suppliers is necessary with regard to recall issues
- d) Re-calibration testing is carried out and calibration certificate issued, once replacement part(s) have been installed
- e) All replaced parts are disposed off in a safe and environment friendly manner

AMC providers should carry out all Planned Preventive Maintenance (PPM) tasks in accordance with the agreed PPM programmes, unless specifically instructed not to in writing by the hospital representative. All such work shall be carried out in accordance with the Manufacturer's Recommendations, Hospital Policy, Good Industry Practice, Law, Policies and Regulations.



**d. Testing and Calibration**

SACS shall get a comprehensive calibration and testing done for all medical equipments in accordance with the hospital policies and manufacturer's guidelines, to ensure all such equipments are correctly commissioned and operating at specified performance level. In carrying out these duties the service providing team shall obtain full support from the hospital authority to:

- (a) Provide all necessary test measuring and repair services
- (b) Ensure such equipment is calibrated and certified
- (c) Record the results of all calibration and test exercises, and provide an auditable history for each item of medical equipment

e. Assets Tracking

SACS are expected to develop a database to track each equipment, and should be able to produce at any point of time the following details:

1. Manufacturer and/or supplier
2. Serial number and/or other unique identification
3. Warranty and/or guarantee information
4. Acquisition date
5. Recommended replacement date
6. Servicing and/or calibration requirements and timetable
7. Current location
8. Current condition
9. Repair and maintenance history
10. Any other information as requested by the hospital authority

f. Complaint Resolution

Service providers are expected to resolve any complaint within a minimum period as prescribed in the service agreement that has been agreed in the contract.

Insurance

The Society shall ensure the insurance coverage in respect of following valuables/ items as a statutory requirement as well as a precautionary safeguard mechanism.

13.1 Assets like vehicles

Comprehensive insurance of vehicles to be made. A register may be kept to watch the renewal of the same in time.

13.2 Cash in Cash Box/ Chest

While every effort is to be made to keep only bare minimum cash in the cash box/chest,

adequate insurance coverage is to be taken. The average cash balance for a period of last one year may be taken in to account to assess the sum to be insured.

13.3 Employees Fidelity Bond

Compliance with statutory requirement of employees entrusted with cash transaction duties like that of a cashier may be ensured by obtaining the Employees Fidelity Bond or in its absence Fidelity Insurance Cover shall be taken. The value of the Bond/Insurance cover depends on the volume of cash transaction during the period.





Internal Audit

14.1 Internal auditors for SACS shall be appointed by NACO directly by calling for Eols and offers from the Chartered Accountants empanelled with C&AG for PSUs and from the Institute of Public Auditors of India. Internal auditors selected shall not be the external auditors also for any individual SACS (SACS for this purpose shall include DACS/MACS in the same state). A significant portion of the project activities are carried out by NGOs and peripheral units out of funds advanced by the SACS. In order to ensure that such entities are adhering to the agreed procurement and financial controls and are timely in settlement of advances, it is considered necessary to have an internal audit function at the SACS level. Responsibilities of the internal auditor will include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with financial norms and procedures. Selected CA for internal audit will carry out the audit & submit the report direct to NACO.

Internal Audit constituted by SACS.

14.2 Similarly SACS need to introduce a proper internal audit system and strengthen

internal checks and the in-house internal audit system to ensure proper utilization of funds approved. In States where an in-house internal audit team is not available, qualified Chartered Accountants firm may be engaged (following a competitive process of selection) for carrying out internal audit as per the TOR provided in **Annexure – VII.**

14.3 The internal audit will be carried out on a concurrent quarterly basis and will cover a sample of NGOs and district units/sub district units selected on a percentage basis. It should be conducted so as to cover all districts and peripheral units at least once in 3 years. It should be ensured in the internal audit that the prescribed accounting system including regular bank reconciliation is strictly followed. This will include physical verification of assets, inventories etc. A sample questionnaire also is provided in annexure-VIII.

14.4 In States where there is a large number (more than 25) of NGOs/CBOs, separate auditors/ panel of auditors may be appointed for on-site audit of NGOs. In States where the number of such NGOs/ CBOs is less than 25, the internal auditor of SACS may also cover NGOs.

Table 14.1

Quarter of Audit	Audit of SACS	Audit of peripheral units	Submission of report
June		July 16 to 30	August, 15
Sept	Oct 10-15	Oct 16 to 30	Nov, 15
Dec		Jan 16 to 30	Feb,15
March	April 20-25	April 16 to 30	May,15

14.5 Schedule for internal audit will be as follows:

- Activities in SACS are to be audited on a quarterly basis - all NGOs and a sample of peripheral units (other than NGOs).
- The auditor should make an audit of SOEs and utilization certificates

14.6 Internal auditors should furnish an audit report to the State Project Director with a executive summary of the critical issues/ findings that require attention of the senior management. A copy of the executive summary must be sent to NACO and a copy of the report must also be placed with the Executive Committee of SACS.





External/Statutory Audit

15.1 Statutory Requirement

The State AIDS Control Society registered under the Societies Registration Act 1860 (21 of 1860) is responsible for the maintenance of proper accounts and other relevant records, as well as preparing annual accounts comprising the receipts and payments accounts and statement of assets and liabilities in such a form as may be prescribed by the Registrar of Societies in keeping with the Rules in force under the said Act. Accordingly, it is mandatory that a Chartered Accountant appointed for this purpose should audit the accounts of the Society annually and submit an annual audit report. SACS shall maintain proper accounts and other relevant records and prepare annual accounts comprising the receipts and payments account and statement of assets and liabilities in such form as may be prescribed by the Registrar of Societies of the State Government in keeping with the Rules in force under the Societies Registration Act, 1860 (21 of 1860), subject to the condition that in respect of grants from the Central Government, the directions of the Central Government shall be adhered to.

15.2 Preparation of Financial Statements

Preparation of financial statements is the responsibility of SACS and not of external auditors. The State Project Director shall cause the annual accounts of the Society to be prepared immediately after the close of the financial year,

after approval by the Executive Committee of the Society, and shall have the accounts audited annually by a Chartered Accountant firm appointed with the approval of Executive Committee. The financial statements must be authenticated by the Project Director, Finance Controller and adopted by the Executive Committee before the same is signed together with the audit report by external auditors.

15.3 Selection and Appointment of External Auditors

In order to ensure that the selection of firms with good audit assurance arrangements, the following procedure for appointment of auditors is to be followed:

- a) Each SACS would give an advertisement in the local newspaper calling for EoI for empanelment from among the list of empanelled CA firms during the year 1 of the programme and whenever changed as normally same auditor should not be continued for more than 3 years. Specimen advertisement format and EoI are given in **Annexure IX (a) & (b)**.
- b) A properly constituted three member selection committee including the Chief Finance Officer of the SACS will evaluate the technical and financial proposals received from the CA firms and place its recommendations before the Executive Committee for final selection and approval.

- c) The selected CA firm shall be engaged initially for a period of one year and if the services are found suitable the appointment may be extended further on an annual basis for a maximum period of 3 years. In no case, should a CA firm be entrusted with the external audit responsibility for a period exceeding three years. If not found suitable, a new CA firm shall be selected after following the selection procedure outlined above afresh.

15.4 Scope of Audit

The scope of audit is given in the Terms of Reference (TOR) in the format given in **Annexure -X** indicating (a) programme background, (b) programme objectives, (c) scope of audit, (d) financial statement, (e) statement of expenditure, (f) audit opinion, (g) management letter, h) a statement showing a schedule of fixed assets held by the Society at the end of the financial year, and (i) qualification and experience of the key personnel. Inputs provided shall be

prepared and sent to the prospective Chartered Accountant firm along with the Letter of Invitation.

15.5 External Audit Calendar

The following time table is prescribed for the external audit arrangements in respect of each SACS/MACS and it should be strictly followed (see Table 15.1):

Audited accounts shall be communicated to the Executive Committee of the Society which shall submit a copy of the audit report along with its observations to the Governing Body for adoption. It would be forwarded to NACO (2 copies) for further action.

15.6 Responsibility of NACO

NACO will review the audit reports and identify issues relating to internal control weaknesses, accountability issues on which action is required either by SACS and/or NACO. This will be carried out in line with the specimen audit report review form for NACO as shown in **Annexure-XI**.

Table 15.1

1.	NACO to facilitate advertisement process	During the initiation of programme subject to review
2.	Selection process	Within one month
3.	Date of EC's approval for engagement of external auditors	Between Jan and March of every year.
4.	Appointment of external auditors	By April of every year at the outset.
5.	Completion and submission of Audit Report to NACO after approval by Executive Committee and adoption by GB	By June 30 of the following financial year



15.7 Disclosure of Annual Report along with Audited Financial Statements.

In line with established good practices and in compliance with the *suo moto* disclosure requirements of RTI Act and the outcome budget of the GOI, each SACS will prepare an Annual Report on the performance of the SACS and the activities undertaken during the year together with consolidated Annual Financial Statements (in case of multiple donors). It shall be approved by the Executive Committee and furnished to NACO for civil society disclosure. Such annual report will be made accessible to the public by posting the same on the web site of the SACS and printed if necessary.

15.8 Utilization Certificate

In respect of the grant-in-aid received from the Government of India, the Society shall furnish a utilization certificate duly signed both by the Project Director and the Chartered Accountant to NACO along with the audited annual financial statements. A copy of the format of Utilization Certificate is at Annexure-XII. The Utilization Certificate must be prepared strictly on the basis of the Receipts and Payments account and the opening and closing balances in both Receipts and Payments account and must indicate the advances lying with peripheral units separately.

In addition to the above, a provisional utilization certificate in the same format would be furnished by the SACS to NACO in May every year so as to enable them to release the first installment of the grant for the year.

Note: All grants-in-aid sanctioned and released by the Government of India to a Society in a

financial year shall be indicated by the Society in its Utilization Certificate irrespective of the fact that the amount is received by the Society in the subsequent financial year.

15.9 Pursuance of Audit Objections

In order to keep a watch over the settlement of audit objections included in the audit report, the Accounts Wing/Audit cell of the State Society will maintain a Register in the format given in the **Annexure - XIII** setting apart separate folios for each DDO.

The progress made on the settlement of outstanding audit objections will be reviewed by the PD on a monthly basis and appropriate action taken to ensure their speedy settlement. The Register will also be produced to the auditor for verification of settlement of the objections raised. Audit compliance will be reported to Government of India by the State Implementing Society on a regular basis.

15.10 Audit by the Comptroller and Auditor General of India; Special Audit and Performance Audit

The accounts of the Society are subject to the provisions of Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971 as amended from time to time. The Act also provides for a special audit / performance audit /superimposed audit of Societies by Comptroller and Auditor General of India which would be undertaken as and when necessary. All documents, files, audit reports etc. are to be made available to them and they should be encouraged to make field visits during the course of audit.

Management Audit

16.1 In order to review, provide suggestions and identify good practices in financial management and areas of operational management, NACO will contract the services of a specialist institution for carrying out a management audit. Such an audit will cover about 6 to 7 States in a financial year. The scope of services will include review of the

1. Adequacy of the Management Structures, policies and practices in line with the scale of operations in the SACS
2. Rate of activity delivery - financial/physical
3. Fixed asset's management system
4. Budgeting practices
5. Programme evaluation
6. Whether good governance practices are followed

16.2 The Management Audit Methodology is to understand organization's processes and policies and develop a complete understanding of the "As-Is" processes. It will have following components:

- **Diagnostic:** An evaluation process undertaken for the various functions in the context of the business policies, long term plans and the implementation support provided.
- **Interactive:** The interactive phase involves extensive meetings with the officials at the

concerned department/locations to assess the level of awareness and compliance to stated goals and outcomes.

- **Remediation Strategy:** Discussion with concerned personnel on the non-conformances and development of action plan/ recommendations for bridging the gaps and shortcomings.

16.3 In order to improve the efficiency of the financial system, Management Audit of NACO/ SACS/district offices will be undertaken by MoHFW, GOI. Under the Management Audit, selected outsourced firms/ officials from the Government of India (like Indian Association of Public Auditors) will be asked to look in to this and comment on the financial system. A sample model TOR is given in **Annexure - XIV**

16.4 It considers introducing internal financial management checks by adopting the following procedure:

1. Examining the expenditure statements against approved budget provision and monitoring on six monthly basis by analyzing quarterly and six monthly expenditure and physical progress reports
2. Monitoring receipt of funds from NACO and its subsequent releases to districts and sub-districts level on half yearly basis by examining the Funds Position Reports received from State SACS
3. Augmentation of State TSU



4. Deputing senior officers of the concerned state division located at MoHFW, to the State SACS / one or two districts.

16.5 Management Audit Cycle

Management Audit shall be conducted at each SACS once in every half-year and report of

findings submitted within a month after the end of that half-year. The report shall cover expenditures vis-à-vis physical performance targets achieved and budget/annual plan provisions as also the receipt of funds from NACO and other sources vis-à-vis releases to the districts and sub-district level organizations.

Financial Reporting

17.1 NACO to Development Partners

NACO is required to prepare and submit a six monthly financial progress report (budget versus actual expenditure) by program components to the development partners as per formats agreed with the partners. The annual progress report will also be used to claim reimbursement from the pooling partners (DFID and the World Bank)

17.2 SACS to NACO

SACS will submit a quarterly financial report (to begin with) which will be considered to be changed to a monthly financial report. In order to do this, the accounts must be closed on a monthly basis.

17.3 Annual Financial statements

The procedure for closing of books of accounts at the year end has been discussed in the chapter on accounting policies. Based on various accounting vouchers and ledgers CFMS System will prepare the final books of accounts for the societies. The following reports would be generated by the System:

1. Balance sheet
2. Income and expenditure account
3. Receipt and payment account
4. Trial balance

17.4 A list of financial records to be maintained and financial reports to be generated periodically is furnished in **Annexure - XV**.



Performance Indicators for Financial Management

In order to monitor the performance of various SACS, a set of financial management indicators have been developed. A select number of indicators are also used in evaluation of the overall performance of SACS (and included in the Dashboard).

These need to be submitted to NACO on a monthly basis.

The following are some core performance indicators:

- Indicators on budget vs actual with variance breakup in terms of one time cost, fixed cost and variable cost.
- Component wise and sub-component wise breakup of expenditure keeping the percentage wise allocation among activities.
- Indicators related to new activities undertaken e.g. new service provisions started
- Percentage of amount earmarked district wise and spending pattern
- Liquidation of advances
- Staffing issues
- Timely audit and submission of audit report to NACO
- No. of training programmes conducted for finance personnel and the number of finance personnel deputed for national level trainings

Format for the reporting is available at **Annexure - XVI**

Delegation of Financial Powers

The Society shall adhere to provisions of the Delegation of Financial Powers given below and have them ratified by the General Body/Executive Committee as the case may be. All powers for approval and authorization/sanction for release of funds and incurring expenditure should be vested with the project functionaries of all implementing agencies. The competent authority within the SACS must accord approval on all matters having financial implications with the concurrence of financial division in SACS. All powers should start and end within the Society structure itself. Political set up outside the project should not have any overriding powers. In other words, SACS and its empowered committees have full powers once the action plan is approved by NACO and sanction all expenditures in accordance with the norms; no approvals of any State Government departments are necessary. The process of sanction should be transparent with financial scrutiny at every stage from administrative sanction to expenditure sanction. The functionaries should refrain from seeking unnecessary approvals of any other higher or external authorities.

Same principles and rules should be applied for incurring expenditure in case funds are received from other sources for the programme implementation purpose.

19.1 Powers of the Governing Body of the Society

- Full powers for implementation of the project as per the activities approved by NACO and in accordance with the LoU of the project.
- Appointment of Auditors/ extension of terms of Auditors
- Adoption of audit reports
- Reviewing audit observations and their settlement
- Frame rules & regulations and delegate powers to Executive Committee/ Project Director and other functionaries for items not specifically covered by these delegations
- Appoint contract employees above Rs 50,000 if posts are approved by NACO

Table 19.1

19.2 Powers of the Executive Committee

S. No.		Limit
	General Financial Powers	
a.	Filling up of posts in accordance with the sanctioned posts approved by NACO or any post on consolidated salary up to Rs. 50,000 per month (Terms and conditions of these posts shall be sanctioned by the GB) For any additional post required by SACS a case appropriately justifying the needs will have to be made and approved obtained from NACO	
b.	First approval of the AAP within one month of the issue of sanction letter by NACO failing which PD of SACS is authorized to go ahead and implement the project seeking ratification of EC as and when the EC meets	
c.	Approve Procurement Plan prepared in accordance with NACO guidelines (see Procurement manual for details). Procurement plan would be in accordance with the activities approved in AAP	As per provisions of in Procurement Manual
II	Special Financial powers	
a.	Sanction expenditure for minor civil works which have been included in the AAP	Full powers within approved annual plan provisions
b.	Sanction expenditure on IEC, exhibition etc. at a time in respect of all items/ schemes which have been included in the AAP	-do-
c.	Sanction expenditure at a time on all schemes or items not included in the approved project	Recommendatory power to NACO and on approval full powers
d.	Sanction job consultancy services	As per provisions made in Procurement Manual
e.	Purchase of office equipments	-do-
f.	Re-appropriation of expenditure on activities with in the objectives	As detailed in para 5.5 of this book

Table 19.2

19.3 Powers of Project Director

S.No.		
	General Financial Powers	
a.	Filling up of posts as per sanction by NACO, within the budget allotment, any post on consolidated salary per month up to (Terms and conditions of these posts shall be sanctioned by the Executive Committee and would be part of the approved plan of the scheme)	Rs. 20,000 p.m.
b.	Purchase articles and materials including drugs and equipments needed for the Society and for carrying out the objectives of the society including IEC at a time subject to Budget provision up to	Rs 5 lakh and as per provisions of Procurement Manual and within the approved annual plan provisions
	Special Financial Powers	
a.	Sanction expenditure for a single minor work at a time which has been included in the project up to	Rs. 4 lakh
b.	Sanction expenditure for a number of works at a time in the same time which have been included in the project	Rs. 4 lakh
c.	Sanction job consultancy services on remuneration basis upto	Rs. 2 lakh
d.	Grant-in-Aid to NGOs/ CBOs	Without limit subject to approval by Executive Committee
	Sanction rates above norms on tour in special circumstances	Full powers
e.	Settlement of advances	Full powers as per Rules
f.	Expenditure on training activities/meetings/workshops	Full subject to provisions of approved annual plan
g.	Grant of advances to NGOs, CBOs, implementing agencies	-Do-
h.	Approval of hiring of vehicles for office/ district units	Full powers
i.	Sanction of tours of officers and staff	Full powers

j.	Sanction of advances to staff on tour/ settlement of tour claims	Full powers
k.	Expenditure on office expenses	Full powers
l.	Purchase of office equipments	Up to Rs 4 lakhs
m.	AMC of office /medical/ equipments/insurance etc.	Full powers as per provisions of Procurement Manual

- Note 1: Each SACS should decide the exact limit taking into consideration the parameters provided in point no. 18 of para no. 4.32 of Chapter 4 – 'Funds Flow'.
- 2: Any proposal for expenditure beyond the limits prescribed above shall be placed before the Executive Committee for its approval/ in special cases for ratification

Member Secretary can incur any extra-ordinary expenditure subject to the ratification of the

Executive Committee or the Governing Body within 3 months of such expenditure.

Personnel Manual

A separate Personnel Manual has been developed to maintain uniformity with respect to the staff in SACS have been. Salient features in the Manual have been highlighted briefly to give a better understanding.

Staff in the SACS is of three categories: Regular, Probationers and Contractual. It is the general policy of SACS to provide equal employment opportunity to each individual This policy applies to advertising and recruitment; job assignment; promotion, demotion and transfer; layoff or termination; rates of pay and benefits; selection for training; and any other human resources service.

20.1 Modes of Recruitment

Staff shall be recruited on the basis of approved organogram. A list of job description, qualification criteria and terms of reference need to be developed prior to the start of recruitment. Pay structure has already been decided to attract the best possible talent. Any changes that need to be made shall be made with the prior approval of NACO.

For regular employees, SACS shall obtain the services of the concerned personnel on deputation from the State Government or Public Service Undertakings through a process of circulation. In case of inability to appoint regular staff due to non-response, the post can be

converted into a contractual one with the prior approval of NACO.

For the appointment of contractual staff the following stages would be followed: a. advertisement in an English and local language paper with wide circulation giving a reasonable time of atleast 3 weeks for the receipt of response, b. short listing of applications based on the qualification requirement, c. holding a written examination followed an interview. Strict vigilance and involvement of external representatives in the process as much as possible to ensure that the process is transparent. Documentation involved should be preserved for future audit.

Contracting

Staff recruited would have to be given an appointment letter and a contract. The contract contains a statement listing the principal responsibilities of SACS and the employee. As an attachment, it shall contain the terms of reference as well as the deliverables that the employee shall have to meet and the timeline and the personnel manual. Staff recruited once shall be put on probation for 3 months. Prior to the end of the probation a performance evaluation shall have to be done in order to assess whether the contract should be terminated for non-performance or whether the probation should be extended.



Performance Review

The purpose of the performance review is to improve the overall performance of SACS by:

- Improving employee effectiveness and motivation
- Linking employee efforts to the SACS's overall mission
- Making staff development and training opportunities available
- Making relationships between managers and staff more open
- Identifying problems and outlining mechanisms for resolving them

All staff members are required to submit through their monthly time sheets reflecting the actual number of hours worked in each month as well as on holidays including vacations, sick leave availed and leave of absence.

The review process would be as follows

- Through self-appraisal formats
- Review against deliverables agreed upon
- Identifying strengths and weaknesses
- Understanding training needs
- Changes required in job description
- Setting up of targets for coming years
- Understanding areas of improvements

Those employees who have performed satisfactorily should be given fresh contracts for the next year.

Detailed instructions on qualifications, remuneration etc will be issued by NACO from time to time as administrative orders.

Staffing Issues

Job description of Key Positions

Accounts and Finance Unit (AFU)

Position	Major Responsibilities and Main Specifications
<p>Joint Director/Deputy Director (AFU)</p>	<p>Overall responsible for financial management including budgeting, funds management, compliance with reporting requirement and audit of SACS.</p> <p><u>Major Responsibilities</u> <i>(reporting to Project Director)</i></p> <p>Assist Project Director of SACS and have overall responsibility for all finance and accounts procedure.</p> <p>Develop financial capabilities and capacities in implementing agency to deal with the finance and account procedures.</p> <p>Liaise effectively with NACO on financial matters.</p> <p>Advise the Board/Governing body on all financial matters especially on financial policy and strategic issues.</p> <p>Keep the Project Director informed about financial position and financial performance of the project.</p> <p>Preparation and approval of budget and financial projections/ forecasts.</p> <p>Ensure development of satisfactory financial and accounting policies and procedures for the project and its adherence to these policies and procedures.</p> <p>Ensure development and operation of a satisfactory finance management system for the project.</p> <p>Ensure that an effective system of internal controls is operational.</p> <p>Ensure smooth flow of funds to all levels of the project organisation, payment to various parties, and ensure adherence to service standards.</p> <p>Ensure effective cash management including short-term forecasting.</p> <p>Act as Treasurer of the Society. Any other work assigned by PD.</p> <p>Main Specifications</p> <p><u>Qualifications</u></p> <p>Bachelor's degree or similar qualification preferably in commerce and accounts.</p>

Position	Major Responsibilities and Main Specifications
	<p><u>Experience</u></p> <p>A senior state finance service officer/ accountant general of the state / senior finance officer level with 20 to 25 years of service, in case of JD; and 15-20 years of service in case of DD.</p> <p>Good understanding of working of government; and ability to interact and function effectively at senior level.</p> <p>Good familiarity with working of modern finance management systems, including computerised systems.</p> <p><u>Appointment</u></p> <p>On deputation</p>
<p>Asst Director (AFU)</p>	<p>Overall responsible for internal, statutory & review audit, CFMS system and reimbursement claim.</p> <p>Major Responsibilities (<i>reporting to Deputy Director/ PD in case of small states</i>)</p> <p>Timely release of funds to concerned implementing agencies for the project activities.</p> <p>Function as Drawing and Disbursing Officer.</p> <p>Identify and assess funds requirements under various components of project.</p> <p>Produce component-wise, category-wise and account head-wise expenditure statements.</p> <p>Prepare Schedule of Withdrawal of Proceeds and the Statement of Expenditure required for withdrawal of credit during retroactive financing period.</p> <p>Make sure timely reconciliation of accounts of project to claim disbursement from World Bank.</p> <p>Prepare budgetary provisions required for implementation of project.</p> <p>Provide implementation assistance to AFU Personnel for smooth implementation of the finance and Account System.</p> <p>Any other work assigned by Joint Director Deputy Director/Project Director.</p> <p>Main Specifications</p> <p><u>Qualifications</u></p> <p>Graduate preferably in commerce and Accounts.</p>

Position	Major Responsibilities and Main Specifications
	<p><u>Experience</u></p> <p>A junior level state finance service officer/ accountant general of the state in the rank of section officer with 10 to 15 years of experience.</p> <p>Knowledge of General Financial Rules and Procedures.</p> <p>Computer literate.</p> <p>Exposure to working in external aided project at Centre/ State level.</p> <p><u>Appointment</u></p> <p>On deputation</p>
<p>Accountant</p>	<p>Major Responsibilities (<i>reporting to Finance Officer</i>)</p> <p>Smooth and timely conduct of internal audit and statutory audit.</p> <p>Review reports of DACS.</p> <p>Budgeting.</p> <p>Smooth and timely release of funds to field units.</p> <p>Preparation and submissions of reimbursement claims.</p> <p>Complying with reporting requirements.</p> <p>Receipt and scrutiny of claims received from the DACS.</p> <p>Consolidation (through CFMS) for sending it to NACO.</p> <p>Carry out other tasks assigned by management.</p> <p>Main Specifications</p> <p><u>Qualifications</u></p> <p>Graduate preferably in Finance and Accounts /B.Com.</p> <p><u>Experience</u></p> <p>3-5 years post qualification experience or experience in state accounts cadre / organized accounts, Govt of India.</p> <p><u>Appointment</u></p> <p>Regular/Contractual</p>

Position	Major Responsibilities and Main Specifications
<p>Director (Finance)</p>	<p>Major Responsibilities Responsible for overall financial management. Responsible for complying with accounting and auditing conventions.</p> <p>Main Specifications</p> <p><u>Qualifications</u> IAS/ IA &AS/ ICAS cadre or qualified professionals having passed CA/ ICWA examination.</p> <p><u>Experience</u> 10 years of service/ post qualification experience</p> <p><u>Appointment</u> On deputation</p>
<p>Consultant (Finance)</p>	<p>Major Responsibilities Advise NACO on all financial matters. Appraise the proposals received for financing and financial assistance. Responsible for MIS. Financial review and assessment</p> <p>Main Specifications</p> <p><u>Qualifications</u> Qualified professional having passed CA/ICWA examination</p> <p><u>Experience</u> Ten years of post qualification experience</p> <p><u>Appointment</u> Contractual</p>
<p>Assistant Director</p>	<p>Major Responsibilities <i>(Reporting to Director (Finance))</i> Budgeting. State plans- review/ appraisal of annual plan of SACS. Smooth and timely release of funds to all implementing agencies. Preparation and submission of reimbursement claims. Complying with reporting requirements.</p>

Position	Major Responsibilities and Main Specifications
	<p>Scrutiny of claims received from SACS and other recipients. Consolidation (through CFMS) for sending it to the World Bank. Operationalisation of CFMS system.</p> <p>Smooth and timely conduct of internal & statutory and review audit of SACS and NACO by CA firms, C&AG, WB or any funding agencies as a part of statutory/ contractual obligations.</p> <p>Main Specifications</p> <p><u>Qualifications</u> CSS/ PAO cadre officer in the rank of Section Officer or have passed CA/ICWA examination. Should be computer literate.</p> <p><u>Experience</u> CSS/ PAO cadre officer in the rank of Section Officer with 10 to 15 years of service; professionals having passed CA/ ICWA examination with 15 years post qualification experience.</p> <p><u>Appointment</u> On deputation</p>

Training to finance staff as identified in the financial management reform plan will be provided.



Procurement Issues

Delegation of Procurement to SACS

All SACS (provided the key procurement related posts as per the Organogram prepared by NACO are filled by October 31, 2007) will handle only the procurement of goods/ works/ services up to estimated value of US\$ 50,000 except for TI and CST contracts issued to NGO/CBO where the ceiling will be US\$ 75,000. The duration of TI and CST contracts issued to NGO/CBO will initially be one year only. Once procurement capacities of SACS are assessed based on various reviews, SACS having sufficient capacities may be assigned higher ceilings. All procurement above this threshold shall be handled at Central Government level.

Contracting of NGOs/CBOs for handling TI and CST Contracts:

SACS would use the NGO/CBO guidelines prepared by NACO for conducting the due diligence process to identify the NGO/CBO to be contracted through SSS (alternatively CQS may be used for engaging NGO/CBO) for TI and CST contracts. The provisions contained in NGO/CBO guidelines would be applicable for issuing the contracts to NGOs/CBOs including procurement of pharmaceuticals and medical supplies by NGOs/CBOs under TI and CST contracts.

For payment schedule, please see NGO Guidelines.

Procurement-procedures of WB are applicable to GFATM, but the thresholds are not applicable.

Procurement Plan

- Preparation of a procurement plan is an essential requirement. Procurement plan covering civil works, equipment, goods, consultancy services and resource support shall be prepared on a firm basis for first 18 months of the programme and on a tentative basis for subsequent years.
- Procurement plan shall be prepared every year for proper monitoring and execution.
- Procurement plan shall be prepared contract wise.
- Method of purchase shall primarily be based on the value of the contract (or tender as applicable). Other relevant factors are urgency of the demand, type of goods/ services and availability of different sources of supply etc.

State Level Committee

A Standing Purchase Committee consisting of following officials shall be constituted in the States for examining the proposals related to procurement of goods and services, as delegated to SACS.

1. Additional PD- Chairman
2. Representative from the Programme Division Member
3. Finance Controller/ Finance Officer Member

4. Procurement Officer (SACS) Member Secretary
5. An external Expert in case of specialized work/ purchase of medicine/kits etc.

The recommendations of the Purchase Committee should be submitted to the Project

Director for approval with all details within one week of holding the meeting. All purchases above Rs. 100,000 shall be done through the Purchase Committee.

Special circumstances, circulation of file also would be resorted to, instead of formal meetings.



PROCUREMENT RESPONSIBILITY AT DIFFERENT LEVELS OF NACP-III

Sl. No.	Name of Component	Name of Equipments/Medicines/ Drugs/Testing Kits/ Consumables	Responsibility			Remarks
			NACO	SACS	NGO/ Hospital/ District	
1.	Prevention					
1.1	Targeted Intervention among HRGs	STD Drugs		√		NGO can provide for local specific IEC materials but BCC materials should be centrally procured for achieving economies of scale
		Condoms (Free & Social Mktg.),	√			
		IEC Materials			√	
1.2	Other Interventions (Truckers, Prison Inmates, Migrants, DICs etc.)	STD Drugs,		√		NGO can provide for local specific IEC materials but BCC materials should be centrally procured for achieving economies of scale
		Condoms (Free & Social Mktg.),	√			
		IEC Materials		√	√	
1.3	IEC	IEC & other promotional materials for general public and at facilities	√	√		
		IVRS Equipment etc		√		
		Media Time (TV, Radio, Print)	√	√		
		Cable TV and local narrowcast media		√	√	

		Male Condoms	√			
		Female Condoms	√			
		Lubricants				
2.	Basic Services					
2.1	STD Services	Equipments				
		Centrifuge Machine		√		Procurement shall be done only if there is a need which has been reflected in the Procurement Plan or with the prior consent of NACO
		Needle Destroyer				
		VDRL Rotator				
		BP Instrument				
		Weighing Machine				
		Vaginal Speculum			√	
		Medicine/Drugs/Test Kits				
		STD Medicine/Drugs		√		Drugs shall be as per the Standard Treatment Protocol prescribed by NACO and shall be procured from manufacturers with valid WHO-GMP certification
		VDRL Kits		√		
		Other Testing Kits like TPHA, etc.		√		Only as per requirement
		Consumables like Disposable Syringes, Sodium Hypochlorite Solution, Disposable Gloves, Spirit, Cotton, Towels/Soaps, stationary etc.			√	Depending on the volume. If the volume is negligible then the hospital/facility will do the procurement.

2.2	ICTC (General)	Equipments (TV & DVD, Refrigerator, AC, computer, centrifuge, micropipettes, infantometer, etc)		√		
		HIV Rapid Kit 1 st Principle	√			
		HIV Rapid 2 nd & 3 rd Kit		√		
		Other consumables like disposable gloves/syringes/ needles/hypo solution/microtips for micro pittes		√	√	Depending on the volume. If the volume is negligible then the hospital/facility will do the procurement.
2.3	ICTC(PPTCT)	Furniture		√	√	Depending on the volume. If the volume is negligible then the hospital/facility will do the procurement.
		Equipments (TV & DVD, Refrigerator, AC, centrifuge, incubator, micropipettes, etc.)		√		
		HIV Rapid Kit 1 st Principle	√			
		HIV Rapid 2 nd & 3 rd Kit		√		
		Other Consumables like disposable gloves/syringes/ needles/hypo solution/microtips for micro pittes, stationary		√	√	Depending on the volume. If the volume is negligible then the hospital/facility will do the procurement.
		Nevirapine (for mother)				UNICEF provides for it
		Nevirapine (for baby)				UNICEF provides for it

2.4	ICTC (HIV/TB)	Motorcycles		√		Only for High Prevalence States under Round 3	
2.5	Blood Banks	Equipment (Elisa Reader, BB Refrigerator, Component Separation Equipment, etc.)	√				
		BB Equipment (To be Replaced), Centrifuge, Micro-pipettes, Incubator, ACs, etc.		√		To be reflected in the Procurement Plan and with the prior consent of NACO	
		Consumables like					
		Single Blood Bags		√			
		Multiple Blood Bags		√			
		Reagents for Grouping & Cross Matching		√			
		Laboratory Glassware		√	√		
		Chemicals			√		
		HIV Elisa Test Kits	√				
		HIV Rapid Test Kits	√				
		HCV Elisa Test Kits	√				
		HCV Rapid Test Kits	√				
		HbsAg Elisa Test Kits		√			
		HbsAg Rapid Test Kits		√			
		VDRL Test Kits		√			
		Emergency Drugs				√	Hospital Supplies should be used as far as possible.

3.0	Surveillance & Estimation					
3.1	HIV Kits for Surveillance	HIV Elisa 1 st Kit	√			
		HIV Rapid 2 nd & 3 rd Kit		√		
		Consumables such as vacutainers/syringes, vials, other glassware, disposable gloves etc.		√	√	
4.0	Care, Support & Treatment					
ARV Centres		CD4 machine	√			
		CD4 kits, vacutainers, sheath fluid and other consumables for CD4 machines	√			
		ARV Drugs	√			
		Office Equipment (Computer, AC, furniture, etc.)	√			
		OI Drugs		√		Drugs shall be as per the Standard Treatment Protocol prescribed by NACO and shall be procured from manufacturers with valid WHO-GMP certification
		PEP Drugs		√		Drugs shall be as per the Standard Treatment Protocol prescribed by NACO and shall be procured from manufacturers with valid WHO-GMP certification

4.2	Community Care Centres					
	OI Drugs	OI Drugs		√		Drugs shall be as per the Standard Treatment Protocol prescribed by NACO and shall be procured from manufacturers with valid WHO-GMP certification





Miscellaneous Matters

The income and property of the Society, howsoever, derived shall be applied towards the promotion of the objectives thereof, subject nevertheless to financial discipline in respect of the expenditure of grants imposed by the Central Government from time to time.

If, on the winding up or dissolution of the Society, there remains after satisfaction of its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members or any one else, but shall consistently with the objectives of the Society, be dealt in with such

manner as the Central Government may determine.

An illustrative list of common mistakes is given in Annexure-XVII for guidance

Indicative cost of major interventions given in Annexure-XVIII

For any clarification on matters relating to financial management, enquiries can be made from the Director (Finance)/Project Finance Management Unit, NACO, Ministry of Health & Family Welfare, New Delhi.

Annexures

Annexures

Extracts From The General Financial Rules 2005

Grant -in-aid and Loans

Rule 206 – As a general principle grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. Thus grants-in-aid including scholarship may be sanctioned by an authority competent to do so under the Delegation Powers Rules, 1978:-

- a. Institutions or organization set up a Autonomous Organization under a specific status or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, or other statutes.
- b. Voluntary organization or Non-Government Organization carrying out activities which promote the welfare schemes and programmes of the Government should be selected on the basis of well-defined criteria regarding financial and other resources, credibility and type of activities undertaken
- c. Educational and other institutions by way pf scholarships or stipends to the students
- d. Urban and Rural local self Government institutions
- e. Co-operative societies
- f. Societies or clubs set up by Government servants to promote amongst themselves social, cultural and sports activities as recreation avenue,.

Rule 207- The Ministry or Department of the Central Government directly concerned with the aim or activity of the Institutions should consider requests for grants-in-aids in consultation with the concerned Financial Adviser. The Financial Adviser may associate a representative of Ministry of Finance, wherever considered necessary.

Rule 208 - General Principles for setting up of Autonomous Organization referred to under Rule 206. (a)

- (i) no new autonomous institutions should be created by Ministries or departments without the approval of the Cabinet.
- (ii) Stringent criteria should be followed for setting up of new autonomous organizations and the type of activities to be undertaken by them. The Ministry or Debarment should examine in detail (a) whether the activities proposed to be taken up are necessary at all(b) whether these activities , if necessary, need to be undertaken by setting up an autonomous organization only or whether these could be performed by the concerned Government agency or an other organization already existing.



- (iii) All autonomous organization, new or already in existence should be encouraged to maximize generation of internal resources and eventually attain self sufficiency
- (iv) Instead of giving recurring grants, wherever possible, the Ministry or Department may consider creating a corpus funds, the returns on investment of which, along with their internally generated resources should enable the autonomous organization to meet its revenue expenditure.
- (v) A system of external or peer review of autonomous organization every three or five years depending on the size and nature of activity should be put in place. Such a review should focus, inter alia, on:-
 - a. The objective for which the autonomous organization was set up and whether these objectives have been or are being achieved.
 - b. Whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives. A zero-based budget approach should be followed in making this assessment
 - c. Whether the nature of the activities is such that, these need to be performed only by an autonomous organization.
 - d. Whether similar functions are also being undertaken by other organization, be it in the Central Government or State Government or the private sector, and if so, whether there is scope for merging or winding up the organization under review.
 - e. Whether the total staff complement, particularly at the support level, is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis have been taken into account tin determining staff strength, and whether scientific or technical personnel are being deployed on functions which could well be carried out by non-scientific or non-technical personnel, etc.
 - f. Whether user charges, whether the output or services are utilized by other, are levied at appropriate rates.
 - g. The scope for maximising internal resources generation in the organization so that he dependence upon Government budgetary support is minimized.

Rule 209

- vi. An organization whose performance is found to be outstanding and internationally acclaimed as a result of the review envisaged under
- v. above should be granted greater autonomy and increased flexibility in matters of recruitment and financial rules thereby enabling it to devise and adopt staff structures, procedures and rules suited to improving their productivity.

- vii. Autonomous organizations as defined in (vi) above as also others with a budgetary support of more than Rupees five crores per annum, should be required to enter into a Memorandum of Understanding with the Administrative Ministry or Department, spelling out clearly the output targets in terms of details of programme of work and qualitative improvement in output, along with commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to the organizations.

Rule 209. (1) Principles and Procedure for award of Grants-in-aid. Any Institution or Organization seeking grants-in-aid from Government will be required to submit an application which includes all relevant information such as Articles of Association, bye-laws, audited statement of accounts, source and pattern of income and expenditure, etc., enabling the sanctioning authority to assess the suitability of the Institution or Organization seeking grant. The application should clearly spell out the need for seeking grant and should be submitted in such form as may be prescribed by the sanctioning authority. Institution or Organization seeking grants-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government.

Note: In order to obviate duplication in grants-in-aid, each Ministry/ Department should maintain a list of Institutions or Organizations along with details of amount and purpose of grants given to them on its website.

Rule 209. (2) The Internal Finance Wing of the Ministry or Department concerned should lay down the rules or pattern of assistance under the broad guidelines contained in this Chapter and instructions issued by the Ministry. Finance from time to time. All sanctions of grants-in-aid issued by Ministry or Department of the Central Government or an Administrator in exercise of their powers under Rule 20 of the Delegation of Financial Powers Rule 1978 as amended from time to time, should conform to the pattern of assistance or rules governing such grants-in-aid.

Rule 209. (3) Award of grants should be considered only on the basis of viable and specific schemes drawn up in sufficient detail by the institution/ Organization. The budget for such schemes should disclose inter-alia the specific quantified and qualitative targets likely to be attained against the outlay.

Rule 209. (4) Subject to the following terms and conditions, grants-in-aid towards administrative may be sanctioned to voluntary organization to ensure a certain minimum staff structure and qualified personnel to improve their effectiveness and expand their activities under the following conditions :-

- a. The grants-in-aid should not exceed twenty-five per cent of approved administrative expenditure on pay and allowances of the personnel of the voluntary organization concerned;
- b. Grants-in-aid to meet administrative expenditure to any private institutions other than the voluntary organizations should not ordinarily be sanctioned. In exceptional cases such grants can be considered for sanction in consultation with Internal Finance Wing.



Rule 209. (5) Every order sanctioning a grant shall indicate whether it is incurring or non-recurring and specify clearly the object for which it is being given and the general and special conditions, if any, attached to the grant. In the case of non-recurring grants for specified object, the order shall also specify the time limit within which the grant or each installment of it, is to be spent.

Rule 209. (6)

(i) The sanctioning authority may prescribe conditions regarding quantum and periodicity for release of Grants-in-aid in installments in consultation with the Financial Adviser. However, the release of the last installment of the annual grant must be conditional upon the grantee institutions providing reasonable evidence of proper utilization of installments released earlier.

- ii. In order to avoid delay in sanction or release of grants-in-aid to the Grantee institutions, the Ministry or Department should impress Upon Institution or organization desiring grants from Government, to submit their requirement with supporting details by the end of October in the year preceding the year for which the grants-in-aid is sought. The Ministry or Department should finalize necessary budget provision where it is decided to sanction grants. The Institution or Organization should be informed of the result of their requests by April of the succeeding year.
- iii. When recurring grants-in-aid are sanctioned to the same Institution or organization for the same purpose, the unspent balance of the previous grant should be taken into account in sanctioning the subsequent year.
- iv. All grantee Institutions or organizations which receive more than fifty percent of their recurring expenditure in the form of grants-in-aids should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in central government. In exceptional cases relaxation may be made in consultation with the Ministry of Finance.
- b) Grantee Institutions or Organizations should be encouraged to take advantage of the pension or gratuity schemes or group insurance schemes or house buildings loans or vehicle loans schemes, etc. available in the market for employees instead of undertaking liability on their own or Government account.

Rule 209

- v. In making grants to non-Government or quasi-Government Institutions or Organizations, a condition should be laid down that assets acquired wholly or substantially out of Government grants, except those declared as obsolete and unserviceable or condemned in accordance with the procedure laid down in the General Financial Rules, shall not be disposed of without obtaining the prior approval of the authority which sanctioned the grants-in-aid.

- vi. The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with grants-in-aid may vest with Government or the grantee Institution or Organization. Where the ownership is vested in the Government, the grantee Institution or Organization may be allowed to occupy the building as a lessee. In such cases, suitable record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Department. In all cases of buildings constructed with grants-in-aid, responsibility of maintenance of such buildings should be laid on the grantee Institution or Organization.
- vii. Any other special terms and conditions or procedures for transaction of business as Government may desire to be followed by the grantee Institution or Organization, shall be got incorporated in the Articles of Association or bye-laws. of the Institution or Organization concerned before release of grants- in- aid.
- viii. Grants-in-aid may be sanctioned to meet the bona fide expenditure incurred not earlier than 1- two years prior to the date of issue of the sanction.
- ix. Before a grant is released, the members of the executive committee of the grantee should be asked to execute bonds in a prescribed format binding themselves jointly and severally to:-
 - a. abide by the conditions of the grants-in-aid by the target dates, if any, specified therein; and
 - b. not to divert the grants or entrust execution of the scheme or work concerned to another Institution(s) or Organization(s); and
 - c. abide by any other conditions specified in the agreement governing the grants-in-aid.

In the event of the grantee failing to comply with the conditions or committing breach of the conditions of the bond, the signatories to the bond shall be jointly and severally liable to refund to the President of India, the whole or a part amount of the grant with interest at ten per cent per annum thereon or the sum specified under the bond. The stamp duty for this bond shall be borne by the Government.

- x. Execution of bond will not apply to quasi-Government Institutions, Central Autonomous Organizations and Institutions whose budget is approved by Government.”
- xi. The stipulation in regard to refund of the amount of grant-in-aid with interest thereon should be brought out clearly in the letter sanctioning the grants as well as in the bond so required to be executed.
- xii. a. As a pre-condition to the sanction of grants-in-aid to the agencies
where:-
 - aa. the recipient body employs more than twenty persons on a regular basis and at least fifty per cent. of its recurring expenditure is met from grants-in-aid from Central Government; and



- ab. the body is a registered society or a co-operative institution and is in receipt of a general purpose annual grants-in-aid of Rupees twenty lakhs and above from the Consolidated Fund of India;

the grant sanctioning authority should ensure that a suitable clause is invariably included in the terms and conditions under which the grants-in-aid are given, to provide for reservation for Scheduled Castes and Scheduled Tribes or OBC in posts and services under such organizations or agencies. The relative provision may be on the following lines :-

- “n (Name of Institution or Organization etc.) agrees to make reservations for Scheduled Castes and Scheduled Tribes or OBC in the posts or services under its control on the lines indicated by the Government of India”.
- b. While sanctioning grants-in-aid to institutions or Organizations referred to in (a) above, the grant sanctioning authority should keep in view the progress made by such Institutions or Organizations in employing Scheduled Castes and Scheduled Tribes or OBC candidates in their services.

- xiii. Central Autonomous Organizations which receive Plan grants as well as Non-Plan grants, should account for expenditure (Capital and Revenue) separately under Plan and Non-plan. The Government of India, Ministry of Finance has formulated standard formats for presentation of final accounts, for all Central Autonomous Organizations. All grant sanctioning authorities should enforce the condition of maintaining and presenting their annual accounts in the standard formats on all Central Autonomous Organizations.
- xiv. The grant sanctioning authorities should not only take into account the internally generated resources while regulating the award of grants but should consider laying down targets for internal resource generation by the grantee Institutions or Organizations every financial year, particularly where grants are given on a recurring basis year after year.

Rule 210. Accounts of Grantee Institutions.-

Institutions or Organizations receiving grants should, irrespective of the amount involved, be required to maintain subsidiary accounts of the Government grant and furnish to the Accounts Officer a set of audited statement of accounts. These audited state-ments of accounts should be required to be furnished after utilization of the grants-in-aid or whenever called for.

Rule 211

1. Audit of Accounts of Grants-in-aid.- The accounts of all grantee Institutions or Organizations shall be open to inspection by the sanctioning authority and audit, both by the Comptroller and Auditor-General of India under the provision of CAG(DPC) Act 1971 and internal audit by the Principal Accounts Office of the Ministry or Department, whenever the Institution or Organization is called

upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning grants-in aid.

2. a. The accounts of the grantee Institution or Organization shall be audited by the Comptroller and Auditor-General of India under Section 14 of the Comptroller and Auditor-General of India (Duties, Powers and Conditions of Service) Act, 1971, if the grants or loans to the institution in a financial year are not less than Rupees twenty-five lakhs and also not less than seventy-five per cent. of the total expenditure of the Institution. The accounts may also be audited by the Comptroller and Auditor-General of India if the grants or loans in a financial year are not less than Rupees one crore. Where the accounts are so audited by the Comptroller and Auditor-General of India in a financial year, he shall continue to audit the accounts for a further period of two years notwithstanding that the conditions outlined above are not fulfilled.
- b. Where any grant and/or loan is given for any specific purpose to any Institution or Organization or authority, not being a foreign State or international Body I Organization, the Comptroller and Auditor-General is competent under Section 15 (1) of the CAG's (DPC) Act, 1971, to scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants and/or loans were given and shall, for this purpose, have right of access to the books and accounts of that Institute or Organization or authority.

Rule 211. (3) In all other cases, the Institution or Organization shall get its accounts audited from Chartered Accountants of its own choice.

Rule 211. (4) Where the Comptroller and Auditor-General of India is the sole auditor for a local Body or Institution, auditing charges will be payable by the audited Institution in full unless specifically waived by Government.

Rule 212. (1) Utilization Certificates.- In respect of non-recurring grants to an Institution or Organization, a certificate of actual utilization of the grants received for the purpose for which it was sanctioned in Form GFR 19-A, should be insisted upon in the order sanctioning the grants-in-aid. The Utilization Certificate in respect of grants referred to in Rule 209 (6) should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized, were in fact reached, and if not, the reasons therefore. They should contain an output-based performance assessment instead of input-based performance assessment. The Utilization Certificate should be submitted within twelve months of the closure of the financial year by the Institution or Organization concerned. Receipt of such certificate shall be scrutinized by the Ministry or Department concerned. Where such certificate is not received from the grantee within the prescribed time, the Ministry or Department will be at liberty to black-list such Institution or Organization from any future grant, subsidy or other type of financial support from the Government. This fact should also be put on the web site referred to in the Note under Rule 209 (1) above.



- 1 [In respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after Utilization Certificate on provisional basis in respect of grants of the preceding financial year is submitted. Release of grants-in-aid in excess of 5% of the total amount sanctioned for the subsequent financial year shall be done only after the Utilization Certificate and the Annual Audited Statement relating to grants-in-aid released in the preceding year are submitted to the satisfaction of the Ministry or Department concerned. Ministry or Department would, however, ensure even flow of expenditure throughout the year. Reports submitted by the Internal Audit parties of the Ministry or Department and inspection reports received from Indian Audit and Accounts Department and the performance reports, if any received for the year should also be looked into while sanctioning further grants.]

Note. 1.- Utilization certificates need not be furnished in cases where the grants-in-aid are being made as reimbursement of expenditure already incurred on the basis of duly audited accounts. In such cases, the sanction letters should specify clearly that the utilization certificates will not be necessary.

Note 2.- In respect of Central Autonomous Organizations, the Utilization Certificate shall disclose separately the actual expenditure incurred and the Loans and Advances given to suppliers of stores and assets, to construction agencies, to staff (for house building and purchase of conveyance, etc.), which do not constitute expenditure at that stage. These shall be treated as unutilized grants but allowed to be carried forward. While regulating the grants for the subsequent year, the amounts carried forward shall be taken into account. Rule 212. (2) (i) In the case of private and voluntary organizations receiving recurring grants-in-aid from Rupees ten lakhs to Rupees twenty-five lakhs, all the Ministries or Departments of Government of India should include in their annual report a statement showing the quantum of funds provided to each of those organizations and the purpose for which they were utilized, for the information of Parliament. The annual reports and accounts of private and voluntary organizations receiving recurring grants-in-aid to the tune of Rupees twenty-five lakhs and above should be laid on the Table of the House within nine months of the close of the succeeding financial year of the grantee organizations.

- ii. In the case of organizations receiving one-time assistance or non-recurring grants as grants-in-aid from Rupees ten lakhs to Rupees fifty lakhs, all Ministries or Departments of Government of India should include in their annual reports, statements showing the quantum of funds provided to each of these organizations and the purpose for which the funds were utilized, for the information of Parliament. The annual reports and audited accounts of private and voluntary organizations or societies registered under the Registration of Societies Act, 1860, receiving one-time assistance / non-recurring grants of Rupees fifty lakhs and above should also be laid on the Table of the House, within nine months of the close of the succeeding financial year of the grantee Organizations.

Rule 212. (3) Submission of Achievement-cum-Performance Reports:-

- i. The grantee Institutions or Organizations should be required to submit performance-cum-achievement reports soon after the end of the financial year. A time-limit may in this regard be prescribed by the sanctioning authority concerned. This requirement should be included in the grants-in-aid sanction order.
- ii. In regard to non-recurring grants such as those meant for celebration of anniversaries, conduct of special tours and maintenance grants for education, performance-cum-achievement reports need not be obtained.
- iii. In the case of recurring grants, submission of achievement-cum performance reports should usually be insisted upon in all cases. However, in the case of grants-in-aid not exceeding Rupees five lakhs, the sanctioning authority may dispense with the submission of performance-cum-achievement reports and should, in that event, refer to the utilization certificates and other information available with it with a view to deciding whether or not the grants-in-aid should continue to be given.
- iv. The annual reports and audited statements of accounts of Autonomous Organizations are required to be laid on the table of the Parliament. In such cases, the Ministries or Departments of Central Government need not incorporate performance-cum-achievement reports in the annual reports. In all other cases, if the grants-in-aid exceed Rupees twenty-five lakhs, the Ministry or Departments of the Central Government should include in their annual report a review of the utilization of the grants-in-aid individually, specifying in detail the achievements *vis-a-vis* the amount spent, the purpose and destination of the grants. In cases where the grants-in-aid are for Rupees twenty-five lakh or less, the Ministry or Departments of the Central Government should include in their annual report their own assessment of the achievements or performance of the Institution or Organizations.
- v. Where the accounts of the grantee Institutions or organizations are audited by the Indian Audit and Accounts Department, copies of the performance-cum-achievement reports, furnished by the grantee institution to the Administrative Ministry or sanctioning authority should be made available to audit. In other cases copies of such reports, received by the Departments of the Central Government or the sanctioning authority should be made available to audit when local audit of such grants- in-aid in the Administrative Ministry or Department or sanctioning authority is conducted or when it is called for by the Accountant General.

Rule 212. (4) Register of Grants.-

- a. A Register of Grants shall be maintained by the sanctioning authority in the format given in Form GFR - 39.
- b. Columns (i) to (v) of the register in format at Form GFR- 39 should be filled in simultaneously with the issue of the order sanctioning each grant. These columns should be attested by any

Gazetted Officer nominated for the purpose by the sanctioning authority. The serial number should be recorded on the body of the sanction at the time the item is entered in the Register as under:-

“Noted at serial No “in the Register of Grants”.

- c. Such a record will guard against the possibility of double payment. Columns (vi) and (vii) should be filled in and attested by the Gazetted Officer concerned as soon as the bill is ready. The bill should then be submitted to the Gazetted Officer nominated to act as Drawing and Disbursing Officer with the register for signing the bill and to the sanctioning authority for giving dated initials in Column (viii) of Register. It should also be the duty of the sanctioning authority to verify that the conditions, if any, attached to the grant have been duly accepted by the grantee without any reservation and that no other bill for the same purpose has already been paid before. No bill should be signed unless it has been noted in the Register of Grants against the relevant sanction. This will also facilitate watching of payments in installments, if any, in the case of lump sum sanctions. Information at Column (xiii) of the Form GFR-39 above should be used also for regulating the subsequent grants.

Rule 212. (5) State Government to submit utilization certificate when expenditure incurred through local bodies.- When Central grants are given to State Governments for expenditure to be incurred by them through local bodies or private institutions, the utilization certificates should be furnished by the State Government concerned.

Rule 213. Discretionary Grants.- When an allotment for discretionary grants is placed at the disposal of a particular authority, the expenditure from such grants shall be regulated by general or special orders of the competent authority specifying the object for which the grants can be made and any other condition(s) that shall apply to them. Such discretionary grants must be non-recurring and not involve any future commitment.

Rule 214. Other Grants.- Grants, subventions, etc., including grants to States other than those dealt with in the foregoing rules, shall be made under special orders of Government.

FORMS

GFR 19-A
(See Rule 212(a))
Form of Utilization Certificates

S.No	Letter no and date	Amount
	Total	

Certified that out of Rs. _____ of grants-in-aid sanctioned during the year _____ in favour of _____ under this Ministry/Department letter No _____ given in the margin and Rs. _____ on account of unspent balance of the previous year, a sum of Rs. _____ has been utilized for the purpose of _____ for which it was sanctioned and that the balance of Rs _____ remaining unutilized at the end the year has been surrendered to Government (vide no _____, dated _____/ _____ will be adjusted towards the grants-in-aid payable during the next year _____

2. Certified that I have satisfied myself that the conditions on which the gants-in-aid was sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the prupose for which it was sanctioned.

Kinds of check exercised


- 1
- 2
- 3
- 4
- 5.

Signature _____

Designation _____

Date _____

GFR 39**[See Rule 212 (4)]****Register of Grants to be maintained by the Sanctioning Authority**

- 
- i. Serial Number.
 - ii. Number and date of sanction letter.
 - iii. Purpose of grant.
 - iv. Conditions, if any, attached to the grant.
 - v. Amount sanctioned.
 - vi. Amount of the Bill.
 - vii. Whether conditions attached to the grant have been accepted by the grantee without reservation..
 - viii. Dated initials of the sanctioning authority.
 - ix. Date by which statements of accounts along with utilization certificate, etc., are required to be furnished by the grantee.
 - x. Date by which utilization certificate is required to be furnished by sanctioning authority to the Accounts Officer, as the case may be.
 - xi. Date by which the statements of accounts, etc., are actually received. (In case there has been delay in the receipt of these statements, the reasons therefor as well as efforts made by the sanctioning authority to expedite submission *bf* such statements may be clearly indicated).
 - xii. Date of submission of utilization certificate to PAO(in case there has been delay in subll1;ssion of utilization certificate, the reason!! therefor may be clearly indicated).
 - xiii. Unspent balance, if any, also indicating whether the unspent balance has been surrendered by the grantee Institution / Organization.

GFR 40

[See Rule 190 (2) (i)]

Register of Fixed Assets

Name and description of the Fixed Assets""...

Date	Particulars of Asset	Particulars of supplier		Cost of the assets	Location of the Asset	Remarks
		Name of address	Bill No. and Date			

NOTE.- The items of similar nature but ,having significant distinctive features (e.g., study table, office table, computer table, etc.) should be accounted for separately in stock.



GFR 41

See Rule 190 (2) (ii)

**Stock Register of Consumables such as Stationery
Chemicals, Spare Parts, etc**

Name of Article----- Unit of Accounts-----

Date	Particulatrs	Suppliers invoice no and date	Receipt	Issue of Voucher No	Issue	Balance	Unit Price

Note : User's indent in original shall be treated as issue voucher. Issue voucher number shall be in consecutive order, financial year , wise and it should be noted on each indent.

List of Ledger/Sub-Ledger Heads for Booking of Expenditure

S.No. Component-wise Ledger/Sub-Ledger Heads

1. Prevention

- 1.1 Minor Civil Works - modifications
- 1.2 STI Drugs for STD Clinics
 - 1.2.1 Purchase of equipment for STD Clinics
- 1.3 Operation Research and other studies
- 1.4 NGO support for TIs
- 1.5 Consultant Services

2. Other interventions - Truckers etc.

- 2.1 Advocacy
- 2.2 IEC and Awareness-
 - 2.3 School AIDS Education
 - 2.4 ICTC
 - 2.4.1 Consumables for blood testing
 - 2.4.2 Remuneration to Technician/ Counsellors
 - 2.5 Blood Safety
 - 2.5.1 Equipment
 - 2.5.2 Laboratory supplies and consumables
 - 2.5.3 Remuneration to Lab. Technicians etc.
 - 2.6 Operation Research/ Studies/cause of death study
 - 2.7 Consultant Services
 - 2.8 Purchase of equipment other than for blood safety
 - 2.9 PEP
 - 2.9.1 Safety Measures
 - 2.9.2 PPTCT
 - 2.9.3 Condom Promotion



3. Care Support and treatment

- 3.1 Civil Works-minor modifications
- 3.2 Purchase of Equipment
 - ART drugs
 - Paediatric ART
 - Salary staff of ART centres
- 3.3 Drugs for Opportunistic Infections
- 3.4 Community Care Centres
- 3.5 IEC related to PLWAs
- 3.6 Operation Research/ Studies
- 3.7 Consultant Services
 - Centres of Excellence
 - Drop in Centres-PLWHA

4. Establishment Support/Capacity Building

- 4.1 Civil Works-minor modifications
- 4.2 Purchase of Vehicle
- 4.3 Training and Fellowship
- 4.4 Mainstreaming
- 4.5 Operation & Maintenance Cost
 - Salary of regular & contractual staff
 - Maintenance of office, equipments & vehicles etc., and operational expenses
 - Furniture & fixtures and office equipments

5. Strategic Information Management

- 5.1 Surveillance (test kits and supplies, training
- 5.2 Monitoring and Evaluation
- 5.3 Operation Research/ Research and Development

Accounting Procedures

The following arrangement is suggested to the AIDS Control Society with regards to maintenance of accounts and format unless otherwise specified in CPFMS or elsewhere.

1. Accounts of the Society shall be maintained in the double entry book keeping principles, on cash basis of accounting.
2. The following books, registers and documents shall be maintained by the Society:
 1. Journal Book
 2. Cash Book with cash and bank columns
 3. Ledger Book
 4. Approved budget estimates as per Annual Action Plan
 5. Register for Bank Reconciliation
 6. Register for Advance Payments
 7. Register for fixed assets
 8. Register for component-wise expenditure
 9. Stock register for consumables
 10. Record of audit and settlement of audit objections
 11. Expenditure Control Register
3. Cash Book with two columns one each for cash and bank transactions shall be maintained. All cash transactions shall be recorded in the cash book as soon as these occur. Cash book shall be balanced and closed every day and shall be signed by the senior-most finance functionary of the Society.
4. No cash should be withdrawn from bank unless it is required.
5. All payments exceeding Rs. 5,000/- shall be made by way of a crossed cheque/ DD. In case where it is not possible to make payment by cheque/ DD, the Finance Controller/Finance Manager/ Finance Officer shall satisfy himself about the mode of payment.

Note: While making payment to contractors/suppliers, consultants, etc., Income Tax shall be deducted at source in accordance with the provisions of Income Tax Act and rules made there under.



6. Cheque Books & its counterfoils shall be kept in the custody of the Finance Controller/ Finance Officer. If a cheque, after it has been signed, cannot be delivered to the payee for any reason, the same shall be lodged in the safe, the key of which shall be kept in the custody of the Finance Controller/ Finance Officer.
7. All cheques shall be jointly signed by two signatories viz. Project Director and the senior-most finance functionary for a payment for an activity only if it has been approved by the Society.
8. All bank transactions shall be reconciled with the Bank Pass Book, which shall be sent to the bank periodically for having it updated, and the Finance Controller/Finance Manager/ Finance Officer shall certify the balance at the end of each month. A month-wise record of reconciliation of bank transactions shall be maintained in the Register of Bank Reconciliation. A balance confirmation certificate should also be obtained from the Bank at the close of the financial year.
9. The Society shall maintain standard ledger heads for all components and sub-components. At the end of each month, an abstract shall be prepared showing the monthly expenditure on various account heads. CPFMS system generates this report.
10. The Society shall maintain an Expenditure Control Register comparing the actual expenditure under each item with the budget figures.
11. All money received in the Society (cash or cheque/ DD), should be acknowledged on a printed receipt that should be signed by an authorized signatory. The receipt with their counterfoils should be machine numbered. All receipts should be deposited in the bank without undue delay.
12. The grant-in-aid sanctioned and released by Government of India (NACO) to a Society during a financial year should be taken into account in the same financial year irrespective of the fact that the Demand Draft is received by the Society in the subsequent financial year. Accordingly the DD-in-transit should be reflected in the annual financial statement and amount shown in the Utilization Certificate for the financial year in which the grant is sanctioned.
13. The Society shall maintain a Register for Fixed Assets containing the details of fixed assets e.g. furniture, equipments, vehicles, etc. purchased and another Stock Register for consumables and shall arrange for their physical verification at least once a year.
14. The Society shall furnish to NACO the Objective-wise Statement of Expenditure and a status report of funds availability for each quarter ending on 30th June, 30th September, 31st December and 31st March of the year immediately after the close of accounts but not later than 5th of the following month.
15. Annual financial statements consisting of the Receipt and Payment Account, Income and Expenditure Account and Balance Sheet shall be prepared in the prescribed performa. A statement showing details of fixed assets held by the Society, at the end of each financial year shall also form part of the annual financial statements. This is also generated by CPFMS.

16. Advances

1. Advance payments may be released by the Society to the implementing agencies in the State e.g. District authorities/ field units, contractors and suppliers and NGOs for programme activities;
2. A record of all advance payments shall be maintained in the Register of Advance Payments in order to monitor their adjustments;
3. All advance payments shall be treated as an advance till the amount is adjusted and should not be shown as expenditure;
4. On receipt of SOEs from the implementing agencies, the amount shown as advance shall be reversed by debiting the activity ledger head e.g. Targeted Interventions, Care and Support, VCTCs, etc. in the books of the Society;
5. The Society shall furnish SOEs to NACO for seeking reimbursement in respect of actual utilization only and not in respect of advance payment made to the implementing agencies;
6. Following conditions shall be taken into consideration while releasing the advances to:

(a) District Authorities/ Field Units

- The purpose and activities should be clearly mentioned in the release order;
- Amount may cover 50% of the requirements; further funds should be released only after receipt of expenditure statement of the previous year;
- Advances should be adjusted on receipt of SOE and Utilization Certificate from the Project in Charge and duly countersigned by the Head of the Department/Institution/ Organization and the Auditor. Original vouchers need not be insisted upon along with SOEs.

(b) Contractors/ Suppliers

- No advance shall be paid unless a provision has been made in the agreement;
- Advance should not generally be more than 5% to 15% of the contract value;
- All advances shall be adequately secured by way of Bank guarantee or any other acceptable modes;
- Bank guarantee shall be released only after the payment is reached 50% of the Contract Amount

(c) NGOs/Community Care Centres

- Release of funds to NGOs shall be in a maximum of two installments;
- First installment shall comprise the entire non-recurring grant of the Project plus 50% of the recurring grant for the first six months. This installment shall be released only on receipt of an inception report and a bond from the NGO;

- Second installment shall comprise balance recurring grant and shall be released on receipt of statement of expenditure, utilization certificate and performance report from NGO;
- NGO shall furnish full project report, annual statements of accounts duly audited by a Chartered Accountant and a utilization certificate within one month from the date of completion of the project. In the absence of these documents, no further grant shall be released to the defaulting NGO;
- Advance payment shall be booked as advance and not as expenditure under any of the category unless these are secured by way of deliverables in case of contractors/suppliers and NGOs.

N.B. Booking of Expenditure

1. Certain activities e.g. NGO services, Operation Research, IEC, etc. are carried out under various components of the Project. It has been decided that the specific component under which an activity is to be booked shall be determined by the dominant nature and purpose of the activity i.e. if an NGO activity is funded under Targeted Intervention, it should be booked under Objective No.1. Whereas the main purpose of the NGO activity relating to PLWHAs should be booked under Objective No. 2.
2. All expenditure on training shall be booked under category 4 in case the entire allocation for training has been approved and provided by NACO.
3. Salary of all regular and contractual staff employed by a Society shall be shown as part of component No. 3. However, remuneration to counselors, technicians, technical assistance, etc. under 'Blood Safety Programme' shall be shown under respective programme. Such personnel shall not be paid directly by the Society but their remuneration shall form part of the grant released to the organization providing the facility. Similarly operational expenses and cost of office maintenance, equipments etc. shall also be booked under respective components.
17. The end of the financial year, the following checklist may be kept in view before furnishing the annual financial statements to NACO.
 - Audited annual financial statements consisting of Receipt and Payment Account, Income and Expenditure Account, Balance Sheet - CPFMS generated;
 - Certified copy of SOE at the year ending - CPFMS generated;
 - Utilization Certificate - CPFMS generated;
 - A statement showing the details of fixed assets held;
 - Performance Report on the activities undertaken in the financial year; and
 - Any other reports prescribed by NACO from time to time.

Checklist Format

S. No.	Activity	Particulars	Y	N	Remarks
1.	Payments and Receipts	<ul style="list-style-type: none"> Are the payments for expenditures in line with the approved annual work plan? Are the payments properly approved in line with the financial delegation? Are the supporting documents filed properly and easily accessible? Is there a serial control over payment, receipt and journal vouchers? Are the expenditures/ payments charged to the correct account code and head of expenditure? Is the system generated voucher used as the basis for approval of payments? Comment on a process flow improvements that can be made. 			
2.	NGOs	<ul style="list-style-type: none"> Has the financial management capacity of NGO been assessed by the PSU and the process documented during the selection process? Are there any critical FM capacity issues identified during selection process and how are these planned to be addressed? Does the contract with NGO contain Financial Management aspects? Are the tranche release to NGOs in compliance with the contractual obligations and in adherence to the NGO/CBO guidelines? Are funds released without settlement of previous advance or without receipt of quarterly financial report? Are the NGOs/CBOs timely in submitting financial reports to the SACS/PSU? If not what actions are being taken to address this issue? 			

		<ul style="list-style-type: none"> ● Is the financial review of NGOs by the PSU adequate in terms of the quality and frequency? ● Are on-site visits to the NGOs made by the finance staff of the PSU? ● Have annual audited financial statements received from NGOs? ● Comment on the quality and adequacy of the financial records maintained by the NGOs (for the sample covered during the course of quarterly internal audit) - attach a separate sheet where necessary. 			
3.	Peripheral Units	<ul style="list-style-type: none"> ● Has a sanction letter been issued for the proposed activity by the peripheral unit? ● Is the financial management, financial reporting and date of settlement of advance indicated in the sanction letter? ● Is the settlement done on time and supported by a proper utilization certificate? ● Are subsequent tranches released without settlement of the first advance? ● Comment on the quality and adequacy of the financial records maintained by the peripheral units (for the sample covered during the course of quarterly internal audit) - attach a separate sheet where necessary. 			
4.	Overall Monitoring of Advances	<ul style="list-style-type: none"> ● Is the system for monitoring and control of advances adequate? ● Are there a large number of advances overdue? ● Is ageing report generated for review by the project director on a periodic basis? 			
5.	Operation of bank account.	<ul style="list-style-type: none"> ● Is the bank reconciliation carried out on a monthly basis? ● Are there any un-reconciled or un-accounted for balances? ● Are payments made by crossed cheque/ draft? 			

		<ul style="list-style-type: none"> ● Is there adequate physical control over cash, receipt book and blank cheque books? 			
6	Fixed Assets	<ul style="list-style-type: none"> ● Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of assets purchased by the SACS? ● Are these supported by adequate and valid supporting documents? ● Are the assets procured documented in the fixed assets register giving its location etc.? ● Is sample verification of fixed assets carried out both in SACS and peripheral units/ NGOs? ● Are assets received in kind also recorded in the fixed asset register giving the date of receipt, location etc? ● Has the material been purchased for the project activity? ● Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with book balances? 			
7.	Purchase of Goods & Services by SACS	<ul style="list-style-type: none"> ● Are the procurement procedures prescribed in the Procurement Manual followed by SACS for procurement of goods & services purchased by the SACS? ● Are these supported by adequate and valid supporting documents? ● Where goods including drugs are procured are these correctly recorded in the inventory register? ● Is a sample verification of inventory of consumables, drugs supplied to the NGO's peripheral units carried out? ● Are goods (ART drugs, test kits etc) received in kind also recorded in the inventory register? Does the physical balance agree with the book balance? Comment on the variance if any. 			

8.	Accounting	<ul style="list-style-type: none">● Is the CFMS operational and upto date?● Are there any constraints in using the system?● Are back-up processes adequate?● Have the financial reports for the previous quarter generated from the CFMS sent to NACO in a timely manner?			
9.	Other Issues	<ul style="list-style-type: none">● Any other issues that the firm may like to address			

Signature of the inspecting officer

Utilization Certificate for Peripheral Units

Name of the Institution _____

Nature of Programme _____

UTILISATION CERTIFICATE

This is to certify that a sum of Rs _____ (Rs _____) was received from the PD _____ society during the year _____ on _____ and from the above sanctioned amount a sum of Rs _____ (Rs _____) has been utilized for the purpose for which the amount was sanctioned.

*The unspent balance of _____ (Rs _____) is available as on _____

*The amount unspent Rs _____ and interest Rs _____ aggregating to Rs _____ (Rs _____) is sent by DD No. _____ dated _____.

Signature and seal of the Authorised person

Date :



Annexure-VI

Report Format for SOE Peripheral Unit

Statement of Expenditure for the Month/QE _____ (Peripheral Institutions)

Name of the institution _____

Details of bank account _____

Nature of Programme _____

Sl. No.	Details of funds received (mention sanction letter No. and date)	Expenditure details	Amount	Balance if any (with interest)	Remarks

Signature of Head of Institution with seal.

Terms of Reference for an Internal Auditor for Internal Audit of State AIDS Control Society under the National AIDS Control Programme Phase-III

Background

The _____ is a registered Society which is implementing the centrally sponsored National AIDS Control Programme being implemented by National AIDS Control Organisation (NACO) as per the memorandum between the Government of India and State Government.


Objectives

Internal Audit is a control that functions by examining and evaluating the adequacy and effectiveness of other controls throughout the organization. The objective of the current internal audit is to seek a professional opinion on the adequacy of internal control framework and adherence to the internal control procedures provided in various guidelines, manuals etc., identifying areas for improvement and critical weaknesses, if any and that funds received and expenditure incurred for the accounting period are in accordance with the laid down financial regulations, procurement procedures and other orders issued from time to time and that proper accounts are maintained at all levels.

Scope

The scope of work will include a quarterly audit of SACS, all NGOs¹ and a sample of the peripheral units other than NGOs i.e district agencies, VCTCs, blood banks, medical colleges, schools etc.) which receive funds from SACS for implementing project activities. The responsibilities of the internal auditor includes reporting on the adequacy of internal controls, accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with NACP-III financial norms and State Government procedures. While conducting the audit, specific attention should be given to the following:

- (a) The internal audit activities should include payment audit as well as independent appraisals of the financial, operational and control activities of the programme.
- (b) Funds have been used in accordance with the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing was provided.

- 
- (c) There is a proper financial and administrative delegation of power and expenditures incurred/ advances provided are properly authorized as per the financial and administrative delegation approved by the Executive Eommittee. Comment on the adequacy of the delegation.
 - (d) Whether there is adequate segregation of duties and controls:?
 - (e) Generally accepted accounting principles are followed by all entities who are authorized to incur expenditure under National AIDS Control Programme.
 - (f) Goods, works and services financed have been procured in accordance with relevant provisions of the Procurement Manual. The procurement checklist attached to TOR will need to be completed for the contracts verified in the audit.
 - (g) Adequate and proper supporting documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are maintained and linked to the transactions.
 - (h) Whether clear linkages exists between the books of accounts and reports presented to the Government of India (by SACS) and to SACS (by the peripheral units)?
 - (i) Expenditure incurred under NACP-III is in accordance with the financial norms prescribed in the NACP-III framework or any other clarifications issued from time to time.
 - (j) Expenditure is incurred with reference to the budget allocation approved by NACO. In case the budget allocation is exceeded, proper re-appropriation duly approved by the competent authority has been obtained.
 - (k) Reconciliation of bank statements and accounts is regularly carried out on a monthly basis.
 - (l) System of settlement of advances and whether the peripheral units are timely in the settlement of advances; whether there is a system of adequate review and approval before the settlement and there is evidence of the review.
 - (m) Constraints if any in the timely updating of CFMS and in adhering to the internal control procedures.
 - (n) Procurement, contracting, disbursement and monitoring of NGOs/CBOs is carried out in line with the NGO/CBO guidelines. Where the internal auditor is also responsible for the on-site audit of NGOs/CBOs, such audit will be carried out as per the TOR provided in the NGO/CBO guidelines.

A checklist (covering FM and procurement issues) is provided along with the TOR as a guidance to the internal auditors. This should be attached and submitted alongwith the audit report.

Sample & Frequency

The peripheral units (other than NGOs) will be selected in a manner such that each unit is covered at least once in three years. The frequency and prioritization will be carried out by SACS based on

the number of such units, quantum of funds flowing to these units, whether it is a one time or a recurring activity. NGO/ CBO on-site audit will be done once in six months.

Timing for audit and submission of the audit report

Quarter of Audit	Audit of SACs *	Audit of Peripheral Units	Submission of Report
June		July 16 to 30	August 15
Sept	Oct 10-15	Oct 16 to 30	Nov 15
Dec		Jan 16 to 30	Feb 15
March	April 20-25	April 16 to 30	May 15

* activities in SACS are to be audited on a six monthly basis and peripheral units on a quarterly basis.

Outputs required of the Internal Auditor

The internal auditors should furnish a quarterly audit report (along with checklists) to the State Project Director with an executive summary of the critical issues/ finding that require attention of the senior management. A copy of the executive summary must be sent to NACO and a copy of the report must also be placed before the Executive Committee of SACS. The report should be structured in a manner giving observations/-weaknesses, implications, suggestions for improvement and the management comments. Status of actions taken by the management on the recommendations of the previous report should also be provided.

General

Period of appointment:-

The auditor would be appointed for a period of two years beginning April 1st 2007 and cover the financial years ending on March 31st 2008 and 2009.

The auditor should be given access to all legal documents entered into with the World Bank and DFID, Project Implementation Plan, books of accounts, NGO/CBO guidelines, procurement manual, financial management manual, scheme books and any other information associated with the programme and deemed necessary by the auditor.

Review

A review committee consisting of Project Director, Head of the financial management group at the State AIDS Control Society will review the internal audit report submitted by the internal auditor and take further remedial measures on the discrepancies pointed out in internal audit.

Checklist Format

S.No.	Activity	Particulars	Y	N	Remarks
1.	Payments and Receipts	<ul style="list-style-type: none"> Are the payments for expenditures in line with the approved annual work plan? Are the payments properly approved in line with the financial delegation? Are the supporting documents filed properly and easily accessible? Is there a serial control over payment, receipt and journal vouchers? Are the expenditures/ payments charged to the correct account code and head of expenditure? Is the system generated voucher used as the basis for approval of payments Comment on a process flow improvements that can be made. 			
2.	NGOs	<ul style="list-style-type: none"> Is there a TSU to support NGO/CBO activities and does it have a finance staff? Has the financial management capacity of the NGO been assessed by the TSU and the process documented during the selection process? Are there any critical FM capacity issues identified during selection process and how are these planned to be addressed? Does the contract with the NGO contain the Financial Management aspects? Are the tranche release to NGOs in compliance with the contractual obligations and in adherence to the NGO/CBO guidelines? Are funds released without settlement of previous advance or without receipt of quarterly financial report? 			

		<ul style="list-style-type: none"> • Are the NGOs/CBOs timely in submitting financial reports to the SACS/PSU? If not what actions are being taken to address this issue? • Is the financial review of NGOs by the TSU adequate in terms of quality and frequency? • Are on-site visits to the NGOs made by the finance staff of the TSU? • Have annual audited financial statements been received from the NGOs. • Carry out on site (where covered under the scope of the audit) audit of NGOs/ CBOs as per the TOR provided in the NGO/CBO guidelines and attach a separate report of the NGO/CBO covered • Where this is carried out by independent auditors, comment on the adequacy of the actions taken by SACS to address the observations of the auditors. 			
3.	Peripheral Units	<ul style="list-style-type: none"> • Has a sanction letter been issued for the proposed activity by the peripheral unit? • Are the financial management, financial reporting and date of settlement of advance indicated in the sanction letter? • Is the settlement done on time and supported by a proper utilization certificate? • Are subsequent tranches released without settlement of the first advance? • Comment on the quality and adequacy of the financial records maintained by the peripheral units (for the sample covered during the course of quarterly internal audit) - attach a separate sheet where necessary. 			

4.	Overall Monitoring of Advances	<ul style="list-style-type: none"> ● Is the system for monitoring and control of advances adequate? ● Are there a large number of advances overdue ● Is a ageing report generated for review by the project director on a periodic basis. 			
5.	Operation of Bank Account.	<ul style="list-style-type: none"> ● Is the bank reconciliation carried out on a monthly basis? ● Are there any un-reconciled or un-accounted for balances? ● Are payments made by crossed cheque/draft? ● Is there adequate physical controls over cash, receipt book and blank cheque books? 			
6.	Fixed Assets	<ul style="list-style-type: none"> ● Have the procurement procedures prescribed in the Procurement Manual been followed by the SACS for procurement of assets purchased by the SACS? ● Are these supported by adequate and valid supporting documents? ● Are the assets procured documented in the fixed assets register giving its location etc.? ● Carry out a sample verification of fixed assets both in SACS and the peripheral units/ NGOs. ● Are assets received in kind also recorded in the fixed asset register giving the date of receipt, location etc.? ● Has a material been purchased for the project activity? ● Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with book balances? 			

7.	Purchase of Goods & Services by SACS	<ul style="list-style-type: none"> ● Have the procurement procedures prescribed in the Procurement Manual been followed by the SACS for procurement of goods & services purchased by the SACS. ● Are these supported by adequate and valid supporting documents? ● Are goods (including drugs) being procured correctly recorded in the inventory register? ● Carry out a sample verification of inventory of consumables, drugs supplied to the NGOs and peripheral units. ● Are goods (ART drugs, test kits etc.) received in kind also recorded in the inventory register? Does the physical balance tally with the book balance? Comment on the variance if any. 			
8.	Accounting	<ul style="list-style-type: none"> ● Is the CFMS operational and upto date? ● Are there any constraints in using the system? ● Are back up processes adequate? ● Have the financial reports for the previous quarter generated from the CFMS been sent to NACO in a timely manner? 			
9.	Other Issues	<ul style="list-style-type: none"> ● Any other issues that the firm may like to address 			

Signature of the CA Firm





Post-Award Checklist for Procurement of Works/Goods

Date of Audit

State/District/Agency

Description of Items procured

Quantity

Procurement Procedure used

Briefly describe the Procedure adopted for inviting the bids

Dates of invitation of bids/tenders/quotes

Dates of receipt of bids/tenders/quotes

Justification in case only one bid was invited (single sourcing/direct contracting)

Details of bids/tenders/quotes Invited and Received

Bids invited from (name of bidder)	Address	Bid submitted or not	Quotes/Bid Price in increasing order

Whether the rates were negotiated?

Whether any price preference was given to any bidder?

Contract awarded to (alongwith reasons for ignoring lower offers, if any):

- Name of the Supplier:
- Quantity
- Contract/PO Value
- Contract/PO Date

Items received on

Payment released on

Items inspected (reason if not available)

Compliance of the agreed procurement procedure
(if no, give reasons)



Annexure VIII



Checklist format for Internal Auditors

S. No.	Activity	Particulars	Y	N	Remarks
1	Payments and receipts	<ul style="list-style-type: none"> Are the payments for expenditures in line with the approved annual work plan Are the payments properly approved in line with the financial delegation Are the supporting documents filed properly and easily accessible Is there a serial control over payment, receipt and journal vouchers Are the expenditures/ payments charged to the correct account code and head of expenditure Is the system generated voucher used as the basis for approval of payments Comment on a process flow improvements that can be made. 			
2	NGOs	<ul style="list-style-type: none"> Has the financial management capacity of the NGO been assessed by the PSU and the process documented during the selection process. Are there any critical FM capacity issues identified during selection process and how are these planned to be addressed. Does the contract with the NGO contain the Financial Management aspects Are the tranche release to NGOs in compliance with the contractual obligations and in adherence to the NGO/CBO guidelines. Are funds released without settlement of previous advance or without receipt of quarterly financial report. Are the NGO/CBO timely in submitting financial reports to the SACS/PSU. If not what actions are being taken to address this issue. 			

		<ul style="list-style-type: none"> ● Is the financial review of NGOs by the PSU adequate in terms of the quality and frequency ● Are on-site visits to the NGOs made by the finance staff of the PSU ● Have annual audited financial statements received from the NGOs. ● Comment on the quality and adequacy of the financial records maintained by the NGOs (for the sample covered during the course of quarterly internal audit)- attach a separate sheet where necessary. 			
3	Peripheral Units	<ul style="list-style-type: none"> ● Has a sanction letter been issued for the proposed activity by the peripheral unit ● Are the financial management, financial reporting and date of settlement of advance indicated in the sanction letter. ● Is the settlement done on time and is supported by a proper utilization certificate ● Are subsequent tranches released without settlement of the first advance ● Comment on the quality and adequacy of the financial records maintained by the peripheral units (for the sample covered during the course of quarterly internal audit)- attach a separate sheet where necessary. 			
4	Overall Monitoring of advances	<ul style="list-style-type: none"> ● Is the system for monitoring and control of advances adequate ● Are there a large number of advances overdue ● Is a ageing report generated for review by the project director on a periodic basis. 			
5	Operation of bank account	<ul style="list-style-type: none"> ● Is the bank reconciliation carried out on a monthly basis ● Are there any un-reconciled or un-accounted for balances ● Are payments made by crossed cheque/ draft. ● Is there adequate physical control over cash, receipt book and blank cheque books 			

6	Fixed Assets	<ul style="list-style-type: none"> ● Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of assets purchased by the SACS. ● Are these supported by adequate and valid supporting documents ● Are the assets procured documented in the fixed assets register giving its location etc. ● Carry out a sample verification of fixed assets both in SACS and the peripheral units/ NGOs ● Are assets received in kind also recorded in the fixed asset register giving the date of receipt, location etc. ● Is a material been purchased for the activity? ● Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with book balances? 			
7	Purchase of Goods & Services by SACS	<ul style="list-style-type: none"> ● Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of goods & services purchased by the SACS. ● Are these supported by adequate and valid supporting documents ● Where goods including drugs are procured are these correctly recorded in the inventory register. ● Carry out a sample verification of inventory of consumables, drugs supplied to the NGO's peripheral units ● Are goods (ART drugs, test kits etc) received in kind also recorded in the inventory register. Do the physical balance agree with the book balance. Comment on the variance if any. 			
8	Accounting	<ul style="list-style-type: none"> ● Is the CFMS operational and upto date ● Are there any constraints in using the system ● Are back up processes adequate ● Have the financial reports for the previous quarter generated from the CFMS sent to NACO in a timely manner. 			
9	Other Issues	<ul style="list-style-type: none"> ● Any other issues that the firm may like to address 			

Signature of the CA Firm

**Call for Expressions of Interest: Chartered Accountant Firms for
The Statutory Audit of _____
State Aids Control Societies**

1. **The State AIDS Control Societies (SACS) are responsible for implementing the National AIDS Control Programme (NACP) Phase III in the States.** The Government of India has received a Credit (Credit- 4299-IN) from the funds pooled by the International Development Association and DFID in various currencies towards the cost of Third National HIV/AIDS Control Project and it is intended that part of the proceeds of this credit will be applied to eligible payments under the contracts for which this invitation for Bids is issued. SACS is a registered organisation under the control of the State Government and it the nodal organisation for all the HIV/AIDS prevention and control work that is taken up in the state. SACS releases fund to peripheral organisations like NGOs and hospitals under the Government sector. Hence it is essential to assess as to conduct a statutory audit under the provision of the Societies Registration Act, 1860 as applicable in the State.
2. Expressions of Interest are invited from CAG empanelled Chartered Accountant firms to conduct the statutory audit of the SACS/MACS for a financial year.

Eligibility & Assessment Criteria;

The Eol and capability will be assessed against evidence of skills and experience in providing accountancy services in the State.

Requirements

The Eol should be sent along with a Capability Statement including a profile of the organisation relevant technical and geographical coverage along with the financial turnover for the last 3 financial years. A format for the capability statement is available on the NACO web-site: <http://www.naconline.org/>. Individual CVs are not required at this stage. Any Eol with inadequate information, those which do not meet the above criteria, or those received after the closing date will not be short listed. Eol should be as concise and focused as possible to give evidence of the above requirements including the capability statement and organisation profiles. They should be mailed to the Project Director, _____ SACS, _____ to arrive no later than 12 noon on 10th September 2007. Only organisations, which pass the pre-selection process, will be contacted and invited to submit detailed proposals.

For Further Information

For further information on NACP, interested bidders are requested to contact the following email id:

_____ or Tel No.: _____. The contact person is: _____

Annexure – IX (b)

**Expression of Interest for short listing Chartered Accountant
Firms for the audit of the accounts of State SACS /Dist.
Units/peripheral institutions**

PART_A

Status of the Firm Partnership Sole Proprietorship

1. (a) Name of the firm (in Capital letters) _____
 (b) Address of the Head Office _____
 (Please also give telephone no. _____
 and e-mail address) _____
 (c) PAN No. of the firm _____
2. ICAI Registration No. _____ Region Name _____
 Region Code No. _____
3. Empanelment number with C&AG;-
4. (a) Date of constitution of the firm:
 (b) Date since when the firm has a full time FCA
5. Full-time Partners/Sole Proprietor of the firm as on 1st January, _____

S. No.	Continuous association with the firm	Number of FCA	Number of ACA
(a)	Less than one year		
(b)	1 year or more but less than 5 years		
(c)	5 years or more but less than 10 years		
(d)	10 years or more but less than 15 years		
(e)	15 years or more		

Note: Please attach the copy of Firm's Constitution Certificate issued by ICAI as on 1.1. 200 .

6. Number of Part time Partners if any, as on 1st January, _____
7. Number of Full time Chartered Accountant as on 1st January, _____
8. Number of audit staff employed full-time with the firm
 - (a) Articles/Audit Clerks _____
 - (b) Other Audit Staff (with knowledge of book keeping and accountancy) _____
 - (c) Other Professional Staff (please specify) _____
(list to be attached for Sl. No. 5 to 8)
9. Number of Branches if any (please mention places & locations) _____
10. Whether the firm is engaged in any internal or external audit or providing any other services to any Govt. Company/Corporation or co-operative institution etc. Yes/No
If 'yes', details may be given on a separate sheet.
11. Whether the firm is implementing quality control Policies and procedures designed to ensure that all audit are conducted in accordance with Statements on Standard Auditing Practices. Yes/No
(If yes, a brief note on the procedure adopted is to be enclosed)
12. Are there are any court/arbitration/ legal cases against the firm Yes/No
(If yes, give a brief note of the cases indicating its present status)
13. Fees earned by the firm for the last 5 years

Type of audit	PSU/Autonomous body	Companies in private sector	Banks
Statutory/Branch Audit/ 6-monthly audit review			
Internal/Concurrent Audit			
Total of the above			



PART - B

Undertaking

I/We the sole proprietor/partners of M/S————— chartered accountants do hereby jointly and severally verify and declare:-

- (i) that the particulars given are complete and correct and that if any of the statements made or the information so furnished in the application form is later found not correct or false or there had been suppression of material information , the firm would not only stand disqualified from the allotment, but would be liable for disciplinary action under the Chartered Accountants Act, 1949 and the regulations framed thereunder;
- (ii) that the firm proprietor or partners have not been debarred or cautioned by ICAI during the last five years (if cautioned give details);
- (iii) that individually we are not engaged in practice otherwise or in any other activity which would be deemed to be a practice under Section 2(2) of the Chartered Accountants Act, 1949;
- (iv) that the constitution of the firm as on 1st January of the relevant year shown in the Expression of Interest is the same as that in the Constitution Certificate issued by the ICAI.

Sl. No.	Name of the Partner/Sole Proprietor	Membership registration number	PAN No.	Dates of payment of fees for the relevant year ____ A/B*	Signature of Partner/sole proprietor

*A for membership

B for issue of Certificate of practice

(seal of the firm)

Place

Date

Encl _____ pages

Signature of Proprietor/Sole Partner

Standard Evaluation Sheet for Evaluation of the Technical Bids of the External Auditors (CA Firms)

	Criteria	Remarks	Max. Marks	Marks Obtained
1.	No. of partners: FCA/ACA		10	
2.	Years of experience: Partner A + Partner B + Partner C + Partner D +		10	
3.	Years of Partners association with the firm: Partner A + Partner B + Partner C + Partner D +		10	
4.	No. of Staff:			
	i. Qualified		10	
	ii. Semi Qualified		5	
	iii. Others		5	
5.	Nature of experience: (giving turnover/project cost/ years of experience of the entities/projects audited)			
	i. Health sector audit		20	
	ii. Govt. social sector		5	
	iii. Other social sector		5	
6.	No. of Branches		10	
7.	Total turnover of the firm in last three years		10	
		Total	100	

- Note: 1. In the Invitation Letter, CA Firms will be asked to give details of all these criteria while applying.
2. CA firms will also provide their latest **Certificate of Firm Constitution** as on 1st January of the current year issued by ICAI and their **latest Income Tax Return** duly acknowledged by IT Department. Firms not able to provide these two documents will not be considered.
3. Each member of the evaluation committee will fill up this form separately.
4. Total marks given by all the members will be totalled and the Audit work will be awarded to the firm obtaining maximum marks.

Name of the Member:

Signature with date:

Annexure – X

**Terms of Reference for Appointment of a Chartered Accountant Firm
for External Audit of Accounts of State AIDS Control Society
under the NACP-Phase III program for the
Year (Financial Audit)**

Background

The is a registered Society which is implementing the centrally sponsored National AIDS Control Programme being implemented by National AIDS Control Organisation (NACO) as per the memorandum between the Government of India and State Government.

Programme Objectives

The key programme objectives of NACP-III are prevention of new infections in high risk groups and general population through:

1. Saturation of coverage of high risk groups with targeted interventions (TIs);
2. Scaled up interventions in the general population;
3. Increasing the proportion of people living with HIV/AIDS who receive care, support and treatment;
4. Strengthening the infrastructure, systems and human resources in prevention, care, support and treatment programmes at the district, state and national levels;
5. Strengthening a nation-wide strategic information management system.

Reductions in the rate of HIV spread would be reflected in the stabilization of the annual percentage increase in HIV prevalence. India's strengthened capacity to respond to HIV/AIDS would be measured by the percentage of states & municipalities in which AIDS Control Societies are functioning and effectively managing the targeted intervention component.

Objective of Audit

The objective of the audit of the Financial Statements (Balance Sheet, Income and Expenditure and Receipts and Payments) is to enable the auditor to express a professional opinion on the financial position of the _____ State Aids Control Societies or Municipal Aids Control Societies at the end of each fiscal year and of the funds received and expenditures for the accounting period ended March 31, 20____, as reported by the Financial Statements.

The SACS/MSACS accounts (books of account) will provide the basis for preparation of the Financial Statements and are established to reflect the financial transactions in respect of the project.

Scope

The audit will be carried out in accordance with Audit & Assurance Standards of Auditing issued by the Institute of Chartered Accountants of India and will include such tests and controls as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- (a) An assessment of the adequacy of the project financial management arrangements, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities. This would be done in every year of project implementation and specific comments on these aspect would be provided by the auditor annually the Management Letter.
- (b) All funds sent by GOI/ State Society as grant-in-aid have been used in accordance with the conditions laid down in the Project Implementation Plan and World Bank agreements and only for the purposes for which the funds were provided.
- (c) All funds have been used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
- (d) All expenditure, including procurement of goods and services have been carried out as per the procurement manual of the program.
- (e) All the goods procured and issue are supported by valid receipts and issue documents and are recorded in the stock/ inventory registers and the closing balances worked out correctly.
- (f) The expenditures reported as per the quarterly FMR also are in agreement with the audited expenditure / books of accounts and variances are documented.
- (g) Based on the assessment of the adequacy of the internal audit of the peripheral units/ NGOs the auditor should cover a sample of the peripheral/NGOs as part of the audit.

Financial Statements

The financial statements should include:

- (a) A summary of funds received, showing the grant-in-aid from GOI and funds received from other sources, donors, if any separately
- (b) A summary of expenditures shown under the main project activities of expenditures.
- (c) A Balance Sheet showing accumulated funds of the project, bank balances, other assets of the project.



Reconciliation with the Financial Reports

In addition to the audit of Financial Statements, the auditor is required to audit the Interim Financial Reports (IFRs) used as the basis for the disbursement by the World Bank/DFID. The auditor should apply such tests and controls as the auditor considers necessary under the circumstances. These should be carefully compared for project eligibility with the relevant financing agreements and the Project Implementation Plan for guidance when considered necessary. The following are required to be annexed to the project financial statements:

1. When ineligible expenditure, if any, are identified as having been included in the withdrawal applications, these should be noted separately by the auditor in an annexure.
2. The amount of expenditure reported in the IFR should be reconciled with the amount appearing under the summary of expenditures of the receipts and payments statement.

Audit Opinion

Besides a primary opinion on the financial statements, the audit report of the Society Accounts should include a separate paragraph commenting on the accuracy and propriety of expenditures shown in the Statements of expenditure and the extent to which the Donor/Agency can rely on IFRs as the basis for reimbursement.

Time Period for Submission

The audited financial statements including the audit report should be sent as given in Para _____ above.

Management Letter

In addition to the audit reports, the auditor should prepare a "management letter" in which the auditor should:

- a) Give comments and observations, if any, on the accounting records, systems and controls that were examined during the course of the audit.
- b) Identify specific deficiencies and areas of weakness (if any) in systems and internal controls and make recommendations for their improvement including adequacy of control over peripheral units and NGOs; where a sample of peripheral units are covered by the auditor, the observations, if any, on such units should be listed in an annex were.
- c) Comment on the adequacy of segregation of duties in the SACS.
- d) Report on the degree of compliance with the financial/ internal control procedures as documented in the financial manual of the project & NGO/CBO guidelines.

- e) Report any procurement which has not been carried out as per the procurement manual issued by NACO.
- f) Communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the society; and
- g) Bring to attention any other matter that the auditor considers pertinent.

The observations in the Management Letter must be accompanied by a suggested recommendation from the auditors and management comments on the observations/ recommendations from the Management.

General

The auditor should be given access to all legal documents, correspondence, financial manual, procurement manual, NGO/CBO guidelines and notices from NACO and any other information associated with the project as deemed necessary by the auditor.

Key Personnel

The key personnel in the audit team, their minimum qualifications, and their anticipated inputs are indicated below:

- (a) The audit team should be led a Chartered Accountant with a minimum of 5 years experience in audit.
- (b) The audit team should include sufficient number of appropriate staff (Articles/Audit Clerks and other audit staff), commensurate with the size and scope of the assignment.





MODEL AUDIT REPORT

(For Project Financial Statement)

The Project Director,

_____ AIDS Control Society,

_____.

Introductory Paragraph

We have audited the accompanying financial statements of the National AIDS Control Project-Phase III (financed under World Bank Credit No _____ 3242-IN and DFID grant No _____) as of March 31, 200X. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope Paragraph

We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India . Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts, review of internal controls and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion Paragraph

In our opinion, the financial statements, read with observation, if any, give a true and fair view of the Sources and Application of Funds and the financial position of _____ State Aids Control Society for the year ended March 31, 200X, in accordance with consistency applied accounting standards..

In addition, (a) with respect to IFRs, adequate supporting documentation have been maintained to support the IFRs; (b) which expenditures are eligible for financing under the Credit/Grant Agreement (c) procurement of goods and services has been carried out as per the procurement manual issued by NACO, GOI and NGO/CBO guidelines.

[Name and Address of Audit Firm]

[Date – Completion Date of Audit]

Notes:

1. A “Source and Application of Funds” statement is always required for each project. A balance sheet is also required where the project has assets and liabilities.
2. In case a qualified opinion or disclaimer is given by the auditor, the audit report should state in a clear and informative manner all the reasons for such an opinion.
3. Audit report has to be accompanied by
 - a) Management Letter
 - b) Listing on ineligible claims, if any
 - c) Reconciliation of expenditure as per IFR with the actual expenditure as reported in the audited financial statements
 - d) Annexure on whether there are any exceptions with adherence to the procurement procedures



Annexure XI

Audit Report Review Form

SACS			
Executing Agency			
Report Type		Due Date	
Date Report Initially Recd.		Acceptable to NACO? Yes / No	
Reasons for Non-Acceptance - tick where applicable		Date of Resubmission	
Unacceptable Auditor			
Unacceptable auditing standards			
Incomplete or missing statements			
Missing management letter (memo of internal control)			
Unacceptable accounting standards		Report Period	
Incomplete or missing financial statements (SOE schedule etc.)			
Acceptable Report Received Date			
Name of the Auditor:		Auditor Type: Govt./Private	
Date Reviewed by NACO:		Reviewed By:	
Date Response Sent to Borrower:			
Auditor's Opinion - tick where applicable		Auditor's Performance : HS / S / US / HUS	
Qualified-Adverse	Qualified-exception	Highly satisfactory	Unsatisfactory
Qualified-Disclaimer	Unqualified	Satisfactory	Highly Unsatisfactory
Comments on Audit Opinion:		Comments on Auditor's Performance	
Any Serious Accountability Issues : Yes / No		Any Internal Control Issues : Yes / No	
The audit report was received after the due date		Comments:	
The audit report identifies ineligible expenditures			
The auditor's opinion indicates deficiencies in accounting and/or internal control			
The auditor's opinion indicates a limitation on the audit scope			
Action taken			

**FORMAT OF UTILIZATION CERTIFICATE TO BE SUBMITTED BY
STATE AIDS CONTROL SOCIETY TO NACO
NATIONAL AIDS CONTROL PROJECT - PHASE II
----- AIDS CONTROL SOCIETY
UTILISATION CERTIFICATE**

Certified that out of amount of Rs. _____ as grant-in-aid received during the year _____ from the Ministry of Health and Family Welfare (National AIDS Control Organization) vide letter mentioned hereunder and Rs. _____ on account of unspent balance brought forward from the previous financial year, and a sum of Rs _____ on account of bank charges and misc. receipts

a sum of Rs. _____ has been utilized for the purpose for which it was sanctioned and surrendered to Government (vide D.D.No. _____ dated _____)/ will be adjusted towards the grants-in-aid payable during the next year _____.

Sl. No. Sanction letter Number and date

Amount

Total

Certified that I have satisfied myself that the conditions on which the grant-in-aid was sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned.

Kind of checks exercised

- 1.
- 2.

(Project Director)

Countersigned

(Chartered Accountant)

Seal

Annexure - XIII



Register of Outstanding Audit Objections

Sl. no	Period of Accounts covered by audit	Audit para no	Date of issue	Brief details of audit objection	Action taken	Date of settlement	Remarks

Terms of Reference for Concurrent Financial Review and Monitoring of the State AIDS Control Societies by Management Audit

The consultant shall review the implementation process of the National AIDS Control Programme, its financial aspects and such operational aspects, as have vital linkages with financial aspects. This will be carried out in terms of the norms laid down for the on-going National AIDS Control Programme proposed to be financed by World Bank and DFID as pooling partners and the GFATM assisted Round-II, Round-III and Round-IV projects especially the financial norms and related operational norms and any other instructions issued by Government of India or as required by the funding agency viz. DFID, World Bank, Global Fund.

The consultant would assess the adequacy of the financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies¹, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking; verification of assets and liabilities, controls, security and effectiveness of the operation of the computerized system. If, in the process, there were any aspect linking these with programme design and planning, these would also be looked into.

In the light of the general description of the job contents detailed above, the terms of reference for the consultant is detailed below;

The consultancy assignment will be as per the schedule given in item (C) with concurrent financial reviews as indicated below:

(A) Monitoring of the State AIDS Control Societies (SACS)

¹ The financial and operational procedures are reflected in the national PIP, NGO/CBO guidelines, financial management and procurement manual and annual work plan guidelines and the CFMS reference manual.



(B) The consultant will specifically look into:

(i) Annual Work Plans

Assess the existing arrangements for planning, monitoring and review of the Annual Work Plans of the States and the reporting of expenditures against these plans. To check the process of approval of the AWP and onfirm whether the plans are realistic, timely and actual performance (financial and physical) are monitored on a periodic basis by the project Director, Executive Committee. To check whether the planning process has been consultative and considers/reflects the work of other large agencies, donors such as Bill & Melinda Gates Foundation etc.

(ii) Fund Flow Arrangements

Whether the funds received from NACO under various agencies (district agencies, VCTCs, PPTCTs, NGOs) in a timely manner and as per the contractual/AWP obligations. Reasons for delay, if any, may be identified and practical suggestions for improvement in the process be identified.

(iii) Maintenance of Accounts/ Records

That the funds earmarked for the various projects under the National AIDS Control Programme are being duly accounted for as per laid down accounting policies prescribed by NACO.

Ascertain that there are clear-cut and sufficient financial delegations in SACS and internal control & accounting procedures, and audit arrangements, as required by NACO have been adopted by SACS and implementation is being done accordingly.

Verify the level of advances pending with various implementing agencies and suggest specific actions that may be required to bring down the level of advances and controls to prevent build up.

Check whether the internal control framework (financial and operational) over NGOs/CBOs is adequate and commensurate with the number of NGOs/CBOs that the SACS deals with. A sample of district agencies and NGOs must be covered as part of the management audit.

Check that the accounting records (including CFMS) have been kept upto date and prescribed reports have been submitted to the appropriate authorities (including annual reports and accounts) in time.

Identify constraints, if any, in the operation of CFMS and the procedures for data back-up, data security as prescribed in the operational manual are adhered to.

Assess requirements for further codifications with regard to maintenance of accounts/ records and financial delegation.

(iv) Financial Management Staff

Whether adequate and appropriately qualified staff has been earmarked for financial management aspects, assess their capacity to discharge their roles, assess the training and orientation provided to them, availability of accounting norms and their understanding by them. Identify specific needs for training, augmenting finance staff capacity in line with the work load.

(v) Physical Verification

Verify physical targets and use of assets (fixed assets and inventory of drugs and consumables) funded by NACO in test checked units e.g. Blood Bank, equipment supply, utilisation of grants for TIs, ICTCs, PPTCTs, STD Clinics, ART Centre, Training and the records maintained for the same.

Test check whether training as recorded has been given and aspects of the quality of training; whether monthly honorariums of the counsellors and other staff employed through the programme are being paid; whether proper contract have been entered into with NGOs implementing programme components and that they are receiving funds and reporting progress as agreed; community perception on the work done, etc.

(vi) Procurement Audit

The team may select any four significant purchase items per State and review the procedures followed in such procurement including assessing violations, if any. System for distribution of the items procured may also be reviewed. At the service delivery units level, the team may verify the items purchased, received and maintenance of records for the same. The team must also assess the procurement capacity at the SACS level with regard to NACO and its funding partners, requirements and the training and orientation needs.

(vii) Audit Arrangements

Check if an internal audit system has been developed and put in place by SACS and assess its performance as per statutory requirements of the Societies Registration Act and the guidelines of NACO. SACS have appointed independent Chartered Accountant (CA) with prescribed qualifications for auditing of all projects for which funds flow through SACS accounts for the previous year by March/ April of each year and the submission of the audit report by the CA in September/ October each year. Whether the approval for appointing CA/ Auditor has been taken by the Executive Committee of SACS and also the audit report has been placed before the appropriate authority; when the State Accountants General (AG) had conducted the last audit of SACS and when is the next scheduled, check status of audit compliance of both CA and AG's audit report.



(VIII) Reporting Requirements

The Report shall contain the records verified, deviations, if any, the adequacy of internal controls and the adherence to Government orders, Society bye laws and rules and regulations made from time to time under the project. The report should be discussed and agreed with the SACS and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/ agreed actions. In addition, the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the Governing Board of the SACS and NACO. In addition, good practices or innovative procedures (financial and operational) adopted by SACS which are capable of being replicated across the program must also be highlighted for the attention of NACO

- (C) The duration of consultancy will be for 70 working days each with coverage of seven States. The duration of the State reviews for the States will be from 15 days after the consultant receives its first instalment of consultancy fee and the consultant will furnish their findings on each States within the stipulated period of 70 working days to Additional Secretary & Director General, National AIDS Control Organisation, Ministry of Health & Family Welfare, Government of India.
- (D) The period of review would be for the initial year of the second phase of the scheme for control of AIDS (i.e. 1999-2000) and for the two years ending 2005-06. (this may need to change) On receipt of comments/ observations of NACO, final report will be submitted within 10 days from the date of receipt of such comments.
- (E) The consultant will, on the basis of a test check of service facilities (including Targeted Interventions) per State, examine the primary records there and draw conclusions on the satisfactory performance of NACP requirements.
- (F) NACO will facilitate interaction of consultant with the SACs and provide access to all legal documents, correspondence, books of accounts, financial management manual, NGO/CBO guidelines, AWP guidelines, Project Implementation Plan, Project Appraisal Document (PAD), Government orders and office orders and any other information associated with the project and as deemed necessary by the auditor. Confirmation should also be obtained wherever required and appended to the Report.

Annexure - XV

List of Documents

Day Book

Cash Book
Optional Cash Book
Bank Book
Optional Bank Book
Journal Book
Contra Book
Day Book

Ledgers

General Ledger
Component
Sub Component
Main Activity
Activity
Disbursement Category Ledger
Disbursement Sub Category Ledger
Expenditure Type Ledger
Nature of Expenditure
Subsidiary Ledger 1
Subsidiary Ledger 2
Subsidiary Ledger 3
Subsidiary Ledger Type

Trial Balance

General Ledger Trial Balance
Component
Sub Component
Main Activity
Activity
Disbursement Category Trial Balance
Disbursement Sub Category Trial Balance
Expenditure Type Trial Balance
Nature of Expenditure
Subsidiary Ledger 1
Subsidiary Ledger 2
Subsidiary Ledger 3

Others

Receipt/Payment Advice
CMIS Report
Fixed Asset Register
Contract Register Report
Consolidated Financial Position Statement
Allocation Vs Actual Expenditure
Allocation Vs Actual Component Wise Expenditure



Fund Utilisation Report

SOE Year wise

Procurement Details

Procurement Details Year Wise

Graph Report

Financial /Physical Budgets

General Ledger Budget

Component

Sub Component

Main Activity

Activity

Disbursement Category Budget

Expenditure Type Budget

Budget / Actual

General Ledger

Component

Sub Component

Main Activity

Activity

Disbursement Category Wise

Expenditure Type

Advance Monitoring Sheet

General Ledger

District Authorities

NGOs

District Hospital

Age wise Analysis of Advances

Financial Management Indicators

(Name of the State: _____)

A Finance HRD related indicators:

A.1. Qualified and skilled finance and accounts manpower in place:

	No. of skilled Finance/Accounts personnel	If no skilled finance/accounts staff is in place, who is handling the job?
At State Society level/ district level		

A.2. Vacancy Position of the Finance and Accounts Staff:

	No. of Sanctioned Posts	No. of Staff in position	No. of Vacancy	Since when Vacant (Give date)	Reason for Vacancy	Action Plan & time frame for filling up the vacancy
State level						
District level (total for all the Districts put together)						

A.2.1 District-wise details (attach separately in this format):

Sr. No.	Name of the District	No. of Sanctioned Posts	No. of Staff in position	No. of Vacancy	Since when Vacant (Give date)	Reason for Vacancy	Action Plan & time frame for filling up the vacancy
1							
2							
3							
..							

A.3. Training of Finance personnel completed:

	YES (pl. tick) (give dates on which done)	NO (pl. tick)	If 'NO', pl. specify by when expected.
1. State level finance and accounts staff trained by GOI			
2. District level finance and accounts staff trained by State Society			

A.4 Evaluation of performance

	YES (pl. tick) (give dates on which done)	NO (pl. tick)	If 'NO', pl. specify by when expected.
1. Performance of contractual /permanent Finance and Accounts staff evaluated on yearly basis			
2. Concurrence of Govt. taken for yearly extension of tenure of finance and accounts staff wherever applicable			

B. Financial Empowerment related indicators**B.1. Delegation of adequate Financial and Administrative Powers:**

	YES (pl. tick) (give dates on which done)	NO (pl. tick)	If 'NO', pl. specify by when expected.
1. Govt. Order (GO) or resolution of EC/GB delegating the financial and administrative powers to functionaries of SACS and District Offices made.			
2. At State level adequate powers delegated to the Project Director			
3. At District level adequate powers delegated to the District Officer			

B.2. Adequate infrastructure facilities like computers, printers, telephone, fax, internet connection, etc. provided to Finance and Accounts staff:

	YES (pl. specify items provided)	NO (pl. specify items not provided)	When are the items listed in the 'NO' column expected to be provided?
1. At State SACS			
2. At District Office (Give district-wise details):			
1. (Name of the District)			
2. "			
3. "			
.. "			

C. Financial Performance Related Indicators:

C.1. Financial Reports (in the format prescribed under CFMS)

QUARTERLY

Timely (<i>within a month after the end of quarter</i>)	Delay of 1 Month	Delay of 2 Months	Delay over 2 Months	No. of Districts/ peripheral units omitted	Quality of Financial Reports	Action taken to overcome delays in future

C.2. Position of Liquidation of Advances

Sl. No	Details of advances	Amount	Reason	Action taken
1	More than 1 year			
2	More than 9 months			
3	More than 6 months			
4	More than 3 months			

C.3 Audit Arrangements

Sl.No	Activity	Time line	Date actually done	Reason for delay
1	Issue of EOI	Oct/Nov		
2	Selection of CA firm	Jan		
3	Approval by EC	Jan/ FEB		
4	Audit process started	April		

C.4 Audited Statement of Accounts & Audit reports:

ANNUAL							
Timely by 31 st August	Delay of 1 Month	Delay of 2 Months	Delay over 2 Months	No. of Districts omitted	Quality of audit Reports	No. of Audit observations	Action taken to overcome delays in future

C.5. Utilisation Certificates:

ANNUAL					
a) Provisional UC by—	Delay of 1 Month	Delay of 2 Months	Delay over 2 Months	Quality of UCs submitted	Action taken to overcome delays in future
b) Timely, along with Audited Statements of Accounts by —	Delay of 1 Month	Delay of 2 Months	Delay over 2 Months	Quality of UCs submitted	Action taken to overcome delays in future

List of Illustrative Weaknesses of Accounting Practices in SACS

S.No.	Observations
1	<p>Accounting Policy:-</p> <ul style="list-style-type: none"> a. SACS is showing amount advanced as amount utilized. b. Grant disbursed to peripheral units is treated as utilized at the point of disbursal. c. Civil works advances are treated as capital expenditure without having completion certificates. System of capitalization on the basis of engineers/Completion Certificate must be introduced.
2	<p>Issues relating to Maintenance of Accounts & Records Management : in case of some states/ peripheral units:-</p> <ul style="list-style-type: none"> a. SACS needs to strengthen internal audit system/internal control system. b. Presently the finance section is not equipped with sufficient manpower to carry out effective internal audit of funds being released to various District Authorities, NGOs etc c. CPFMS was not used to prepare financial statements. d. Accounts for one quarter generated through computer has a different Capital balance from what is shown as per manual books. The difference in could not be explained to auditors. e. Internal controls and accounting need to be strengthened at District level units. f. SACS should strengthen the process of timely collection and adjustment of utilization certificates. The norm of sending quarterly utilization certificates by district level agencies was rarely observed. g. UCs pertaining to expenses incurred have been adjusted subsequently 3-4 years later. h. SOEs of Districts and sub-districts facilities should be given in uniform form for submission of accounts. i. Printed vouchers with serial numbers are not maintained. j. Journal Register with duly numbered Journal/Journal vouchers is necessary without which control over journal entries is lacking k. Lots of minor mistakes of clerical nature were observed due to mistakes in date entry in computer. Adequate care should be taken by data entry operator and the same should be verified by senior/supervisor on a weekly basis.

- l. More improvement is required in accounting for utilization statements in the books as soon as the society receives hem instead of accounting on 31st March.
- m. Finance staffs at peripheral units are not well conversant with accounting and financial guidelines for the program thereby leading to poor maintenance of records and non-submission of UCs.
- n. Funds received from State Governments have not been shown in the account of the society. SACS has not been showing this account and its utilization in its final accounts since receipt till date.
- o. Fixed Assets that have been transferred to other SACS as per guidelines f NACO but the assets have not been removed from the books of the society.
- p. District level unit is maintaining its books of accounts on single entry basis.
- q. District level facility maintains combined books of accounts and bank account along with other funds which is not in compliance with guidelines of NACP.
- r. Payment Voucher, Receipt Voucher, Journal Voucher, Contra Voucher are not being maintained as per NACO guidelines.
- s. At district level in a few cases a separate cashbook was not maintained and UCs and relevant vouchers are generally kept in a loose bag. It is recommended that a separate cash book should be maintained for the project which will provide complete information for preparing UCs.
- t. In many cases, work order number is missing on the bill which makes it difficult to link the bill with corresponding Work order. TA bills and petty Cash Register should be maintained properly. Improvement is required in preparation of receipts by filling in all the details properly. In case of cheque payments the auditor could not verify whether it was an account payee cheque or bearer cheque.

3

Internal Control Weakness.:

Control Over Fixed Assets.

- a. Fixed Asset Register not maintained.
- b. Fixed Asset Register was incomplete.
- c. Physical Verification Report of fixed assets and stores and articles as on Mach end was not available. During physical verification of Store, shortages were detected but investigation is still not complete as to be actual status.
- d. Physical Verification of fixed assets not carried out.
- e. Details of fixed assets like asset number, identification number, location etc. are not incorporated in Fixed Assets Register.

- f. Details of assets purchased out of NGOs and DAPOs out of funds released by the society was not available for audit.
- g. Adequate Insurance coverage was not done as per NACO's guidelines for fixed assets.
- h. Fixed Asset Register not maintained in the appropriate format.

Inventory:

- a. Proper system of recording and maintaining Stock Register is not being followed.
- b. Physical verification of medicines, stores and supplies lying in district places has not been conducted.
- c. Stock register of blood lab supplies, lab equipment, HIV kits, STI drugs, OI drugs and medicines need to be computerized so that the records can be updated immediately.
- d. Large cases of district level implementing agencies are not maintaining inventory records of consumable purchased out of project funds. A separate stock register should be maintained for medicines and consumable at these agencies

Cash & Bank Balances:

- a. Bank Reconciliation shows certain entries long pending to be recorded
- b. Some stale cheques are appearing in Bank Reconciliation statements which are required to be adjusted properly in accounts.
- c. Cheque Book Register ought to record cheque delivery dates as and when cheques are handed over.
- d. Cheques for security/ earnest money revived are not deposited in bank.
- e. Bank account needs be reconciled on a monthly basis
- f. High value cash withdrawals should be avoided.
- g. At district level in a number of implementing agencies funds for the project were not kept in a separate bank account.
- h. All books and vouchers are to be written by Accountant only and vouchers should be properly scrutinized by the Accountant with reference to supporting, receivers' signature,. Etc., proper office note should be written and senior officer should authorize all the vouchers.

Advances:

- a. No ageing has been one for advances to Districts and District level offices
- b. Adjustment of advances to DAPOs is not regular and fresh advances are given without adjusting previous advances.
- c. Staff advances pending since a long time.

- d. Effective steps are required for strengthening system of obtaining utilization certificates. Approximately crores are outstanding for more than one year as advances to NGOs and District Authorities
- e. Substantial amounts are outstanding as unadjusted advances for want of statement of expenditure at SACS level.
- f. Necessary follow-up was not done to prevent late adjustment of advances.
- g. Advances given to different authorities remain unadjusted of a long time.
- h. Advances to 'Others' includes sums for a prior period to audit for which person-wise details are not available.
- i. No confirmation of outstanding advances has been obtained and reconciled in spite of the fact that there are long outstanding advances given to NGOs and hospitals.
- j. Unadjusted balances of NGOs are not adjusted to show actual expenditure in the field and advances to districts should also be adjusted to reduce the continuously growing figure of advances.
- k. SACS ought to arrange for strict follow-up for receiving accounts where advances are granted and stipulated time limit for submitting accounts.
- l. In spite of repeated reminders district authorities are not submitting expenditure details for previous releases. Guidelines issued by NACO for release of funds state that release should be after receiving expenditure statement for previous year/quarter/reasonable return/ or a justification for not doing so. However, these guidelines are not being followed for release of funds to district authorities.

Control over NGOs /other implementing agencies:

- a. Some NGOs have not submitted accounts for more than one year in some states.
- b. Hospitals and NGOs which send statement of expenditures and utilization certificate to SACS do not send all details. E.g., copies of bills are not attached. NGOs should send audited statements with proper supporting.
- c. SACS has no control over fixed assets purchased and lying in the office of various NGOs. The auditor suggested that physical verification of such assets should be carried out.
- d. During the year UCs were not submitted by some implementing agencies before submission of quarterly SOEs by SACS.
- a. Security of final accounts submitted by the NGOs thoroughly was not done to make sure that all directives issued by the society with regard to submission of accounts and SOEs and other financial directives are complied with prior to disbursement of subsequent grants.

	<ul style="list-style-type: none">b. SACS must introduce a General Registration Form specifying important details concerning the NGO with regards to its existence, statute, governing body members, area of operation, actual work done, financial status etc. to enable effective scrutiny of the NGO at registration stage for application of receiving grants.c. Audit of NGOs as per the guidelines of NACO is yet to be undertaken by SACS.d. Monitoring of advances to NGOs and others and monitoring of implementation by these agencies need to be improved.e. Funds given to NGOs are not vouched adequately in some states.f. Follow up is required for adjustment of advances given to NGOs it has been outstanding for a period exceeding three years.
6.	<p><u>Procurement:</u></p> <ul style="list-style-type: none">a. Internal control regarding medicines/stores and procurement of medicines needs to be strengthened for deviation in procurement procedure as compared to rules and regulations.b. Procurement procedures need to be strengthened at district level.
7.	<p><u>Audit Report:</u></p> <ul style="list-style-type: none">a. SOE withdrawal schedule and Reconciliation of SOEs with financial statements not attached for the following states/agencies.b. Management letter not attached with Audit Report.c. Audit Report does not include opinion on SOEs
8.	<p><u>Statutory Compliance:</u></p> <ul style="list-style-type: none">a. Delay in deposit of TDS in some cases and TDS not deducted from payment to contractors in some SACS>b. SACS is not filing income tax returns. ASACS is also not deducting income tax from the employees and should apply for a TAN number immediately and deduct income tax from employee's salary.c. Compliance with income tax, 1961 and applicable laws needs to be strengthened.d. Report to be filed with the Registrar Societies Registration Act annually is not done in time.e. In some SACS renewal of society status has not been done for years.

