

FINANCIAL MANAGEMENT LETTER

(Format to be incorporated as part of the Audit Report)

Name of the State:

S. No.	Item	Remarks/ Response
1	<p>Accounting and Funds flow</p> <ul style="list-style-type: none">a. Are District Units legally registered entities under the Societies Registration Act?b. Status in respect of guidelines issued in December 2006 on financial, accounting, auditing, funds flow & banking arrangements at State & district level.c. Are the books being maintained as suggested in the Finance and Accounts Manual? (please list the books of accounts maintained at the State and District level)d. In the General Ledger, are the ledger accounts (at a minimum) as per the activity heads in the Financial Reporting Formats? If not how are financial reports complied?e. Is there a clear understanding on the on the nature of expenditure to be charged under each account head?f. What is the basis of recording expenditure at State and District level i.e. is it based on actual expenditure reported by Districts/ sub district units or are transfers recorded as expenditures?g. In case transfers are recorded as expenditures, is there a system of monitoring the expenditures reported against the transfers and eliminating inter unit transfers, while submitting consolidated Financial Report of the State to MOHFW?h. Is any computerized accounting system in use and if yes, what are the outputs?i. Are there any delays in receiving funds from the centre to states and states to districts? Has the project or any component been out of funds in the last one year?j. Are funds transferred by State Health Society to District Societies or directly to Bank accounts in the same of CHMO or DMO?k. Whether the State is transferring the funds to Districts electronically or by physical transfer?l. Whether the fund transfer by State to Districts is being done pool wise like RCH flexible pool or does the State carry out activity wise fund transfer to the Districts.m. What is the average frequency of fund transfer in a year?n. To what extent have financial powers been delegated at the state, district and block levels?o. Are they aware of the new draft guidelines circulated by the centre for delegation of administrative /financial powers under NRHM?	

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	p. Problems being faced/ outstanding issues on accounting or fund management or banking arrangements	
2	<p>Internal Control</p> <p>a. Are Financial Management Indicators being compiled regularly? Copy of latest indicators may be requested</p> <p>b. How are FM Indicators being used or followed up?</p> <p>c. Has SPMU been carrying out field checks on basic financial controls (appendix 13 A of Manual)</p> <p>d. Is there a system of recording, monitoring and settlement of advances at all levels i.e. State, District and sub districts?</p> <p>e. Is there an ageing of the advance and are there old unsettled advances with staff and others?</p> <p>f. Are further advances provided without settlement of old advances?</p> <p>g. What steps are being taken to settle old advances, if any?</p> <p>h. Does the project follow the system of single signatory or joint signatories? Who are the signatories to the bank account (s)?</p> <p>i. How many Bank accounts are being maintained and are Bank reconciliations carried out on a monthly basis?</p> <p>j. Problems being faced/ outstanding issues on internal controls.</p> <p>k. Report any procurement which has not been carried out as per the procurement manual of the individual programmes such as; RCH-II, RNTCP, IDSP etc.</p>	
3	<p>Financial Reports:</p> <p>a. Are States familiar with the guidelines for preparation of Revised FMR</p> <p>b. Are the reporting heads in the FMR aligned with the AWP and with the ledger accounts in the General Ledger (to check both at the State and District units)</p> <p>c. Are monthly FMRs submitted by the districts to states on a regular basis? Has the state consolidated the monthly FMRs from the districts for the first quarter of the FY? If so, has it been sent to the Centre and when? (a copy of the last financial report sent may be requested)</p> <p>d. Statement of Fund Position: Whether prepared or not? (Verify the figures from the books of accounts for any quarter as a cross-check measure).</p> <p>e. Do the FMRs go to FMG and programme divisions</p> <p>f. What are the checks being exercised while preparing FMRs?</p> <p>g. Is physical progress being captured in time and consistently?</p> <p>h. Is physical progress is reported in the FMR along with the financial progress.</p> <p>i. Problems being faced/ outstanding issues on financial reporting</p>	

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4	<p>Audit:</p> <p><u>External:</u></p> <ol style="list-style-type: none"> a. Is there a TOR for external auditors and is it as per the TOR provided in the FM Manual/ RFP? b. Has the auditor(s) been appointed for State and District Societies for the year 2016-17? c. If yes/no, what was the process of selection of auditors? For 2016-17 were they from the shortlist circulated by FMG? d. Was a tendering processes were followed /will follow to appoint the Auditors? e. Are the bids evaluated for contracting auditors based on technical inputs or are they cost based? f. What are the fee rates, the coverage and the time period for which auditors have been contracted? g. Has a single audit firm been appointed or have districts been divided amongst firms? h. Is there a concept of lead auditor to quality assure the audit? i. Has SPMU received the model audit report sent by FMG? j. Have the audit observations on the audit report for previous FY been shared by the FMG? k. What is the practice for follow up on audit observations? l. Did the auditor visit the districts or districts officials were called at the State along with the records? <p>Internal:</p> <ol style="list-style-type: none"> m. Does the State have a system of internal/ concurrent audit? n. Does State plan to have internal or concurrent audit on monthly or quarterly basis? o. Are internal audit observations being received regularly and being acted upon? p. Please elaborate on effectiveness and implementation of Concurrent Audit existed in the <ol style="list-style-type: none"> i) State ii) Districts <p>Concurrent audit:</p> <ol style="list-style-type: none"> q. Is the state has appointed concurrent auditor for audit of state and all districts? r. Is the concurrent auditor has been appointed as per the guidelines of the Ministry? s. Is the concurrent auditor has submitting concurrent audit report regularly? t. Is the action taken report (ATR) has been submitted by the district to the state and follow up has been taken by the state? u. Is the State has submitted executed summary to the Ministry? v. Concurrent audit is being done monthly or quarterly? 	