

NATIONAL VECTOR BORNE DISEASE CONTROL PROGRAMME INTENSIFIED MALARIA CONTROL PROJECT

Financial Management Guidelines for State and District Societies

1. INTRODUCTION

The Government of India has signed a Grant Agreement in July 2005 with the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) for launch of Intensified Malaria Control Project (IMCP). As per the grant agreement with the GFATM, the Directorate of National Vector Borne Disease Control Programme (NVBDCP) and the implementing agencies viz. State Health Societies or the State Vector Borne Disease Control Societies (or their equivalent), registered under Societies Registration Act, as also their District level counterparts, i.e. the District Health Societies or the District Vector Borne Disease Control Societies (or their equivalent), are required to maintain a sound financial management system so as to provide accurate and timely information regarding project resources and expenditure.

The financial reporting/financial statements are powerful project management tools. Information from these reports/statements, if analyzed and interpreted properly, leads to better decision-making. It also helps monitor the progress of project implementation and check variance from planned activities and budgets. However, to achieve this, it is necessary to have standardized tools. Hence these financial management guidelines have been prepared to assist programme managers to cull out the relevant information and to assist them in managing the programme.

These guidelines are an attempt to codify the procedures for budgeting, accounting, financial reporting and auditing system to enable the Implementing Agencies of the Project to meet the conditions agreed to in the Grant Agreement.

2. PROJECT

IMCP will cover 7 North-Eastern states and selected high-risk areas in Orissa, Jharkhand and West Bengal. The Project focuses on the poor and vulnerable populations living in the remote and inaccessible areas of the country. The states under GFATM assisted Project have only 9% of the total country's population but contribute 23% of total malaria cases, 25% of *Plasmodium falciparum* cases and 45% of deaths due to malaria in the country. The incidence of malaria per annum in these states is high at 4.3 malaria cases per 1000 population in the year 2004. Thus, the GFATM assistance is targeted for covering high-risk malaria population of 98 million in 94 districts (65 districts in 7 NE states, 7 Districts in Jharkhand, 6 Districts in West Bengal and 16 Districts in Orissa).

The goal of the IMCP-GFATM is to reduce malaria morbidity and mortality by 30% in five years in the project areas.

The main objectives are:

- (i) Early case detection and prompt treatment in remote and inaccessible areas through community participation;
- (ii) Malaria transmission risk reduction; and
- (iii) Enhancement of awareness about malaria control through promotion of community, NGO and private sector participation.

The aims of IMCP supported by GFATM is to build sustainable capacities of the health departments of the States for early diagnosis of malaria, management of drug resistant Pf cases and treatment of severe and complicated malaria cases (out of the estimated 37 million population living in chloroquine resistant areas, 75% live in the IMCP area), preventive interventions such as promotion of insecticide treated bed nets and enhancing awareness. Interventions will be carried out through the public health sector as well as in partnership with the civil society organizations, Confederation of Indian Industries (CII), Associated Chambers of Commerce and Industry of India (ASSOCHAM), Medical professional bodies, NGOs/CBOs, and Women Self Help Groups (WSHGs) and other willing partners.

The outcome indicators (by year 2009) for the project are:

- (i) People having access to rapid diagnosis and treatment - 20 million
- (ii) Population protected with insecticide treated bed nets - 30 million
- (iii) Annual cases - < 3.22 lakhs
- (iv) Annual Parasite Incidence < 3.2 cases per million population
- (v) Establishment of effective partnership with NGOs, FBOs, CBOs, private professional bodies, etc. and aim for 30% of commodities distribution by voluntary sector).

PROJECT COMPONENTS

- 1) Increasing the access to diagnosis and treatment in high endemic areas, with particular focus on remote and inaccessible areas through community participation; up gradation of peripheral health facilities and small hospitals in the diagnosis and treatment of severe malaria and use of second line artemisinin based combination drugs in the drug resistant areas.
- 2) Malaria Transmission Risk Reduction through integrated vector control
- 3) Enhancing the awareness about malaria control and promote community, NGO and private sector participation

IMPLEMENTING AGENCIES

Central Level

The Directorate of National Vector Borne Disease Control Programmes (DVBDCP) under the Directorate General of Health Services, Government of India is the implementing agency at the national level.

State Level

The State Health Society or the State Vector Borne Disease Control Society (or its equivalent) is the implementing agency at the State level. It will also exercise control over the District/Municipal Health Societies or their equivalent in the State.

District Level

District Health Society or District Vector Borne Disease Control Societies, or their equivalents, formed at the District Level will be the implementing agency at District level under the supervision of the State Vector Borne Disease Control Society/State Health Society as mentioned above.

NGOs/CBHOs and other entities may also be involved in implementing some aspects of the program and may receive program funds. The involvement of these will be monitored by the implementing agencies at the district, state and central levels mentioned above.

3. CATEGORIES OF EXPENDITURE/ CHART OF ACCOUNTS

As per Project Implementation Plan attached to the Grant Agreement, there are following five categories of expenditure under which GFATM shall finance the Project components: -

Sl No.	Category/Sub-category
1	Human Resources NVBDCP Remuneration to – 1) Consultants/ Staff in Procurement and Finance Units 2) Research Officers 3) Statistician 4) Programmer/ Secretarial Assistants, and 5) Computer Assistant/ Data Operator States Remuneration to – 1) Consultants/ Staff in Procurement and Finance Units

	<ul style="list-style-type: none"> 2) Project Director/ Coordinator 3) IEC Consultants 4) Accountant/Assistant/ Computer Operator 5) Secretarial Assistants <p>Districts Honorarium to DEO-cum-Accountant</p>
2	<p>Training:</p> <ul style="list-style-type: none"> 1) Training of Medical Officers and Laboratory Technicians at Regional office for Health & Family Welfare (ROH & FW). 2) The training of Community Volunteers in use of RDT, drug distribution and bed net treatment, promotion of use of larvivorous fish as vector control measure
3	<p>Commodities & Products: Procurement of</p> <ul style="list-style-type: none"> 1) Bed-nets 2) Insecticide for bed-net treatment 3) Rapid Diagnostic kits
4	<p>Drugs: Procurement of</p> <ul style="list-style-type: none"> 1) Arteether Injections 2) Artesunate Combination Therapy (ACT)
5	<p>Planning & Administration including Monitoring and Evaluation</p> <ul style="list-style-type: none"> 1) Hiring of vehicles 2) Field visits 3) Half yearly review meetings of States by center 4) Review meetings of districts by States 5) Operational Studies 6) Web page maintenance 7) Annual Meeting of CCM and major partners 8) Preparation of reports and dissemination of information including publication, evaluation, 9) Internal evaluation by special team 10) Office Expenses for NVBDCP 11) Office Expenses for State level 12) Offices Expenses for district level and 13) IEC – Awareness campaigns
6	<p>Operation Expenses for treatment of bed-nets Operational cost to state health authorities. 50% of these funds are proposed to be spent through NGOs/CBOs/PRIs and voluntary workers towards the treatment of community owned bed nets during both the years.</p>

4. COMPONENTS OF PROJECT FINANCE MANAGEMENT

- Budgeting & Planning
- Accounting
- Reporting
- Internal Control
- Auditing

5. BUDGETING & PLANNING

1) To implement and monitor the activities during the year, each Implementing Agency in the State i.e. State Health Societies or the State Vector Borne Disease Control Societies (or their equivalent), and the District Health Societies or the District Vector Borne Disease Control Societies (or their equivalent), shall prepare an annual plan of action indicating, inter-alia, the physical targets and budgetary estimates in accordance with the approved pattern of assistance under the Scheme covering all aspects of the project activities for the period from April to March each year, and send it to Directorate of NVBDCP for approval by the end of October of the preceding financial year. The action plan should be realistic and correlate in financial and physical terms.

2) A procurement plan indicating the goods and services to be procured during the year, their estimated cost involved, shall also be a part of the Annual Action Plan. The goods and services shall be procured in accordance with (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” and (b) the provisions contained in the GFATM Grant Agreement. A copy of these provisions is enclosed as Annexure I & II.

N. B.

Budgetary provision once approved for a category in the Annual Action Plans shall not be diverted for any other category without the prior approval of the Directorate of NVBDCP

6. FLOW OF FUNDS AND DISBURSEMENTS

The Government of India (Directorate of NVBDCP) shall provide the funds to the State Health Societies or the State Vector Borne Disease Control Societies through its budgetary resources.

Funds of the State Societies

- 1) The funds of the Society shall consist of grants made by or through Government of India, Ministry of Health and Family Welfare or State Government.

- 2) The funds of the Society shall also include all moneys received by way of grants, gifts, donations, and benefactions transferred and in any other manner from any source other than the source of government

3. Central level

The funding for IMCP shall be from the budget of the Ministry of Health and Family Welfare, Government of India. Separate budgeting heads are allocated to the Project at the Central Level. At the National level, these budget heads will be operated by the Directorate of NVBDCP. Annual budget of the Project would be allocated as per the National Programme Implementation Plan. A specimen of the budget heads under which funds are allocated to the program is also included in these guidelines.

The Directorate of NVBDCP shall draw funds from the budget of Ministry of Health & Family Welfare (Department of Health) as per laid down procedures. The Directorate of NVBDCP shall release these funds to the State Society, which shall usually be on half yearly basis, as per the requirements, through cheque/ demand draft or electronic transfer.

4. State level

The State Health Societies/State VBDC Societies already formed in the State will receive funds and deposit the same in a separate savings account designated for the IMCP project in a nationalized bank. The State Malaria Officer as Member Secretary of the SVBDCS, or the State Program Officer in the State Health Society, or any other equivalent designation, shall employ the funds at state level as per directions of the SHS/ SVBDCS, in pursuance of the objectives and activities in the Project Implementation Plan. The State Society will disburse funds to the District Societies based on their action plans, available balances and requirements under various heads of accounts. The State Society shall ensure that the activities under the project are implemented smoothly and without any interruption.

The State Society shall receive funds from the Directorate of NVBDCP on half yearly basis through cheque/ demand draft or electronic transfer. The State Society shall release funds to District Societies also by demand draft, or if possible, through Electronic Funds Transfer (EFT). The State Society shall be required to maintain vouchers for the various receipts and expenditures. At least two of the three authorized signatories, will operate the Bank Account, and one of these two signatories shall always be the Program Officer at the State level.

5. District level

The District Society/ DVBDCS or its equivalent shall receive funds from the State Society/ SVBDCS and a separate savings bank account will be operated by

District Society for this purpose. Two of the three signatories, of which one will necessarily be the District Malaria Officer in his capacity as the Member Secretary of the District VBDC Society or as a District Program Manager for Malaria in an integrated district health society, will operate the bank account. The other signatories shall be the Chairperson or the Vice-Chairperson of the District VBDC Society or their equivalents in an integrated District Health Society. Expenditure for IMCP activities will be carried out at district level by the District Society and accounts for the same will be maintained at the district level. Funds would generally not be managed below district level. If necessary, to facilitate certain activities where advance funds may be required to be given to other entities, at the PHC level or to Medical Colleges, funds may be given as advances for specific activities such as training, IEC and other activities, and accounts shall be settled within 15 days of completion of activity. Transaction vouchers would be maintained for all receipts and expenditure at the district level, as also discussed later in these guidelines.

District Societies shall ensure disbursements of funds for various activities and to entities like NGOs, CBOs, SHGs etc., as per their intended objectives and action plans. Districts will monitor the utilization of funds on a monthly basis and ensure optimum utilization.

N. B.

1. Annual budget allocated to each State Society shall be usually released in two instalments during the 1st & 3rd quarter of each fiscal year or during the subsequent quarters. Amount of instalment released will depend upon annual action plan and budget, unspent balance available within the State as a whole (including funds in District Societies), projected requirements and utilization of funds released earlier. The State Societies will develop mechanisms to regulate the flow of funds to the districts. At any given point of time, the districts should maintain a bank (and cash) balance which is not less than that of one month's estimated requirement, and not greater than the estimated requirement for six months. The State Society shall actively manage the flow of funds to the districts to ensure the above.
2. Subsequent instalment shall be released on receipt of performance of key indicators, timely submission of Statement of Expenditures (SOEs)/ Project Management Reports (PMRs), Audited Annual financial statements and Utilization Certificates within six months of the close of preceding financial year.
3. Unlike in Government, the funds with the State/ District Society shall not lapse at the close of financial year. The State/ District Society shall be empowered to utilize the unspent balance during next financial year for the same purpose for which funds were allocated. The amount shall however be taken into account while releasing grant-in-aid for the next year. The amount remaining unutilized at the close of the project shall either be refunded or utilized in a manner as decided by Government of India.

7. UTILISATION OF FUNDS

The Funds under the project are to be utilized as per the “Pattern of assistance” for IMCP management and other item as notified by the Directorate of NVBDCP from time to time. A summary of the approved pattern of assistance is at Annexure III. Expenditure on any item exceeding or above this pattern of assistance shall only be undertaken with prior approval of the Directorate of NVBDCP.

8. MAINTENANCE OF FUNDS BY STATE HEALTH SOCIETY OR STATE VECTOR BORNE DISEASE CONTROL SOCIETY

- 1) All moneys credited to the funds of the Society under Intensified Malaria Control Project shall be deposited in a separate savings bank account with a Nationalized Bank *preferably* in a branch of Bank of Baroda, which is an accredited Bank of the Ministry of Health and Family Welfare, or any other Bank authorized by the Ministry of Health and family Welfare for this purpose. Funds, in any case, shall not be maintained in a current account of the Bank.
- 2) Societies shall maintain separate books of accounts in respect of funds received under other bilateral projects, if any, under the National Vector Borne Disease Control Programme and shall furnish separate audited annual statements of accounts and utilization certificates within six months of the close of preceding financial year for the funds received under IMCP.
- 3) All cheques shall be signed by two of the three signatories, one of which must be the State Malaria Officer/ District Malaria Officer, who shall sign jointly with the Chairperson or the Vice Chairperson of the respective Vector Borne Disease Control Society (or their equivalent signatories in an integrated health society), and make withdrawals from funds for payment of an activity, only if it has been approved by the Society.
- 4) No funds shall be deposited in a Fixed Deposit scheme or in any other long term investment scheme in order to gain pecuniary benefits.
- 5) All interest earned on such funds placed in savings bank accounts shall be treated as grants received from the Government of India, and this shall also be reflected in the SOE and other financial statements of the society.

9. MAINTENANCE OF ACCOUNTS

- 1) The accounts of the each Implementing Agency shall be maintained in double entry book keeping principles, on cash basis of accounting. Standard books of accounts (Cash Book, Journal, Ledger, etc.) shall be maintained as per

consistently applied accounting standards of the Institute of Chartered Accountants of India (ICAI) except as otherwise specified in this document.

- 2) A record of all project transactions shall be maintained with appropriate support documentation for the transactions. These supporting documents shall be cross-referenced so as to link them to each item of expenditure with budget heads, project components and expenditure categories (summary and detailed) and compatible with classification of expenditure and sources of funds indicated in the project implementation plan, project cost tables, chart of accounts and pattern of assistance. These books of accounts together with supporting documents and project management reports should be maintained for at least three years after the completion of audit of the entire project expenditure or for such longer period, if any, required to resolve any claim or audit findings.
- 3) In order to keep proper financial information on the project activities, the standard ledger heads to be used shall be as provided in the chart of accounts for each category of expenditure and sub-ledger heads for all the sub-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. A statement of ledger heads and sub-ledger heads is indicated in Annexure IV. No change in the format or nomenclature of these heads is permissible, and these should be submitted to the Directorate of NVBDCP exactly in the formats specified for the purpose in this document.
- 4) Detailed accounting procedure is provided in a later section of this document and the formats for statements of accounts and expenditure, which are required to be furnished periodically, are also provided in Annexure V to IX.

Note: - Society shall maintain separate sets of accounts and furnish separate annual audited statements of accounts, utilization certificates, etc., in respect of each of the projects funded by different international funding agencies, if any.

SIGNIFICANT ACCOUNTING POLICIES:

In order to ensure uniformity and consistency in the method of accounting for project funds and standardization of financial reporting, the following accounting policies will be applicable. The quarterly and annual financial reporting and the annual financial statements will be guided by these accounting policies and principles. In some cases there are variations from the accounting standards prescribed by the Institute of Chartered Accountants of India, e.g. Depreciation Policy, Funds-In-Transit etc.

(1) Basis of Accounting

- a) Accounting shall be maintained in the double entry bookkeeping principles, on **cash** basis i.e. a transaction shall be accounted for at the time of receipt or payment only.
- b) All transactions are to be recorded as rounded off to the nearest rupee, that is, all paisa figures between 00 and 49 paise shall be excluded, while all paisa figures between 50 and 99 paise shall be rounded to the next rupee.
- c) The accounting period followed shall be the financial year 1st April – 31st March.

(2) Treatment of Grant-in-aid from Centre/ State

- a) Grant-in-aid shall be taken into account on actual receipt from Directorate of NVBDCP / State Health Society or State Vector Borne Disease Control Society/ Others, as applicable. However, the funds sanctioned and transferred by Government of India / State Society during the financial year but not actually received by the Society by the end of the financial year shall be entered on the income side of the Income and Expenditure Account under the heading "Grant-in-aid" and taken in the Balance Sheet on the assets side under the heading "Funds in Transit" below Current Assets (Cash and Bank Balance). On actual receipt of the money, it will be shown under debit side of Cash Book under the head "Funds-in-Transit" instead of "Grant-in-aid".
- b) The Grant-in-aid received by State Society/ District Society shall be taken on receipt side of the Receipt & Payment Account and on income side in the Income & Expenditure Account. The excess of income over expenditure or vice-versa shall be transferred to Balance Sheet on liability side.
- c) To summarize, Grant-in-Aid is accounted on actual receipt from DVBDPCP /SHS or SVBDCS/ Others. However, the grant sanctioned/funds transferred by Government of India / State Society during the year (usually fag end of the year) but actually received by the Society after the close of the year is credited to Grant-in-aid by debit to the head "Funds in Transit A/c".

(3) Treatment of Advances

Advances are defined as money given in advance which are to be adjusted against goods/services to be received in future. The treatment of advances is summarized as under:

A) General

Advances are charged off to the relevant account head on receipt of adjustment bill/ completion certificate / actual receipt of goods or services.

B) Grant-in-Aid to NGO(s)

1) Funds released to the NGOs are booked as expenditure. The utilization of funds will be monitored by the district and state societies. Unutilized amount of grant-in-aid when received back from the NGOs is set-off against any expenditure in the NGOs head during the period of its receipt.

2) An advance payment shall continue to be treated as an advance until its final adjustment as per the above guideline.

3) At the time of periodic reporting by the society, advances outstanding should be indicated separately. Analysis of advances outstanding for more than one month shall be done on a regular basis by the Chairman of the SHS/ SVBDCS and DHS/ DVBDCS respectively.

4) All outstanding advances above six months' duration shall be brought to the attention of Chairman, SVBDCS in writing, and will be reported to Directorate of NVBDCP along with the consolidated SOE. An advance register shall be maintained to record and monitor all advances.

(4) Treatment of Purchase of Material (e.g. IEC material, stationery, medicines, lab consumables etc.)

a) The materials purchased are treated as expenditure in full in the year of purchase and the purchase transaction is complete only with the receipt of material and making of the payment.

b) The materials purchased shall be treated as expenditure only when actually paid for by the society. Materials/ commodity assistance received from donors shall be accounted at the Central level only by the Directorate of NVBDCP. Such material supplied to States and districts by Directorate of NVBDCP or other donor agencies free-of-cost shall not be taken into account in their financial books of accounts, and only recorded in the relevant stock registers.

(5) Treatment of Fixed Assets and Depreciation

a) Assets acquired under the project shall be valued at cost including all direct costs (i.e. purchase price, transportation expenses, installation charges and other expenses incurred for bringing the fixed asset in working condition), incurred prior to its first use.

b) All assets acquired with IMCP funds shall be shown in the balance sheet and valued at its full cost.

c) No depreciation shall be charged on fixed assets in the project financial statements. Depreciation shall not be provided in view of the following:

- Depreciation is charged on the fixed assets with the object of providing funds for replacement of assets. The project is a cost incurring project and no funds in respect of depreciation shall be released to the project offices.
- The project is a non-revenue earning project. Therefore, there is no revenue against which depreciation can be set off.

(6) Treatment of Interest earned in the Bank Account

a) No funds are to be kept in the form of a Fixed Deposit or any other investments of any nature other than in a savings bank account.

b) Interest earned on the funds kept in the saving Bank Account maintained by the Society is accounted on actual receipt.

c) Interest earned on the Grants-in-aid received and deposited in the savings bank account will be utilized by the Society in the same manner and for the same purposes for which the grant was received. This also shall be appropriately shown in the Utilization Certificates and the audited annual accounts.

d) The expenditure out of the interest earned shall also be subjected to the same norms and guidelines and pattern of assistance as the main grant.

(7) Transfer of Funds to District Societies/Inter- District Transfer of Funds within the State

The receiving Society credits the amount under the head 'Intra-State Transfer (Receipts) and the remitting Society Debits the same under the head Intra-State transfer (Payments) and in consolidated accounts these are set off against each other like contra entries.

(8) Expenditure which would be charged to the project

a) All direct costs relating to project activities as specified in the approved Project Implementation Plan shall only be charged to the project.

b) No expenditure that has already been charged to any other project shall be charged to this project.

(9) Notes and Disclosure of Accounting Policies

- a) The basis of preparation of Financial Reports and significant accounting policies related to material items shall be disclosed. Any changes from earlier policy may be disclosed along with the impact of such a change on financial indicators.
- b) The notes should provide additional information, which is not readily discernible from the Financial Reports but is necessary for a fair presentation of the organization's financial performance and position.

(10) Accounting system and procedure

The following arrangement is suggested with regard to the format of accounts and their maintenance for IMCP by the SVBDCS/SHS and the DVBDACS/DHS. The accounts of the Society shall be maintained on the double entry bookkeeping principles on cash basis. All accounting records will be maintained manually. Computerized accounting may be used as an additional facility for ease of preparation of final accounts and financial management reports till further instructions on computerized accounting and e-banking are issued.

(11) Books and records

The following books, records and registers shall be maintained by each Society:

1. **Cash Book** with Cash and Bank columns (for recording transactions relating to the receipt and payment of cash and/or from the bank)
2. **General Ledger** (account head-wise summary of transactions)
3. **Journal** (for recording transactions/adjustment entries which do not involve the movement of funds)
4. **Register of Bank Reconciliation** (for reconciliation of cash book with bank statement/ bank pass book every month).
5. **Petty Cash Book** (for record of receipt and payments from petty cash balances withdrawn from bank for meeting day-to-day and small expenses of the Society)
6. **Stock Registers** for consumables, drugs and printed materials
7. **Fixed Assets Register**
8. **Register of Advances**

9. **Expenditure Control Register** (containing approved Budget Estimates as per the Annual Plan of action and expenditure incurred under each head of account)
10. **Record of Audit and Register of settlement of Audit Objections.**
11. **Record of Utilization Certificates received from NGOs** (pertaining to Grant-in-aid given to any NGOs by the District or State Society)
12. **Approved budget estimates** as per the Annual Action Plan.

1) Cash Book

a) A Cash Book is meant to record all cash transactions, whatever their nature. It is divided into two sides - the left hand side for receipts of cash and the right hand side for payments. Since in modern times, transactions with or through the bank are even more numerous than the cash transactions, each side has two columns - one to record cash transactions and the other for bank transactions. Whenever cash is deposited in the bank and/or it is withdrawn for use, relevant entries both for receipt and payment will appear in the Cash Book itself in appropriate columns. Such transactions are called *Contra Transactions*. It is customary to put the word "To" before all entries on the debit (left) side and "By" before all entries on the credit (right) side.

b) The Cash Book shall be used for recording all payments and receipts effected through the Society's bank account and/or from cash balances maintained by it. The Cash Book shall be balanced and closed daily and signed by the Program Officer or any other Gazetted Officer authorized by him only. Cash balance on hand shall be kept in the safe custody of the Program Officer in the fireproof Cash Box of the Society.

c) Balance of cash column of cash book should be compared with the actual cash in the cash box and bank transactions (both receipts and payments) effected by the Society and recorded in the bank columns of the Cash/Bank Book, shall be validated by periodic comparison and reconciliation with the Bank Pass Book, which is also to be kept in the custody of the Program Officer.

2) Ledger

a) After recording transactions in the various Subsidiary Books (or Books of Original Entry) it is necessary to process the entries further and recast them so that all transactions of a kind for the whole period are brought together. The book that contains accounts is known as the ledger. Since the final information pertaining to the financial position of an organization emerges only from various accounts, the Ledger is also called the Principal Book. The Cash Book has a unique position. It is a Subsidiary Book because cash/bank entries are first entered

here and then other accounts are prepared. But it also contains the two accounts of Cash & Bank itself and hence it is a part and parcel of the Ledger also.

b) In a ledger account, a reference is to be made to the original entry by entering the relevant page number in the folio column. Entries on the debit side of the cashbook is to be recorded on the credit side of the relevant account maintained in the ledger, and vice versa, that is, all entries on the credit side of the cashbook are to be recorded on the debit side of the relevant account maintained in the ledger.

3. Bank Reconciliation Statement

A monthly Bank Reconciliation Statement shall be prepared by 5th of the succeeding month to reconcile bank balance as per cash book. If the balance does not match the difference may be due to the following:-

- Cheques deposited but not credited
- Cheque issued but not presented
- Excess/ less amount debited / credited by bank
- Difference in cash book amount and bank statement amount
- Bank interest not accounted for in the cash book
- Bank charges not accounted for in the cash book
- Bounced cheques
- Debits against standing instructions like payment of telephone bills, electricity bills etc.

The difference in the bank statement and cash book may require certain adjustments to be reflected in the Bank Reconciliation Statement by the Society.

4. Petty Cash Book

a) A Petty Cash Book comprises an account of the petty cash imprest held in the name of the Program Officer for day-to-day small cash expenses incurred by the Society.

b) With a view to meet emergent contingent expenditure, petty cash imprest, which is in the nature of a permanent advance, may be sanctioned to the Program Officer (State/District Malaria Officer). The amount of advance shall not exceed the monthly average of contingency expenditure for the preceding 12 months and shall be fixed on a conservative basis, and may be reviewed as per need. The advance shall be recouped at least twice a month. The SVBDCS/DVBDCS may follow Rule 291 of the General Financial Rules 2005 of the Government of India, for further guidance. The quantum of imprest advance to be kept with the Program Officer may be decided by the managing committee of the SHS or SVBDCS/ DHS or DVBDCS in light of the above provisions. At the district level,

the imprest should ordinarily not exceed Rs. 5,000 along with the above mentioned criteria for determining the quantum of the imprest.

c) The petty cash book shall be balanced periodically (monthly or fortnightly) and the imprest adjusted accordingly. Balance of petty cash on hand shall be segregated in an envelope and stored in safe custody in the Society's fireproof Cash Box.

5. Stock Register for Consumables

a) The Society shall maintain Stock Registers for drugs, laboratory consumables, printed materials etc. All the goods of consumable nature are entered in the consumable register book in the receipt column. The stock register page number is given on the vouchers and the reference of vouchers is given in the stock register. The stock register page number is also required to be mentioned in the consignment receipts when receiving consumables.

b) The stores issued are entered in the "Issue Column". The stores are issued based on the Issue slip duly authorized by the competent authority and reference of the issue slip given in the stock register in the appropriate column.

6. Register for Fixed Assets (Annexure XII)

a) The fixed assets acquired by the Society shall be entered in the asset register (Annexure XII) and the value of the assets should tally with the value of fixed assets given in the Balance Sheet. The project office shall conduct physical verification of the fixed assets at regular intervals (at least once in a year). The procedure for physical verification shall be as under:

The society shall physically verify the fixed assets at its location with respect to the physical presence, condition of the asset and its workability (i.e., whether the asset is in running condition or not). Any discrepancies or otherwise noticed during the physical verification shall be noted on the statement of physical verification of fixed assets. The project office shall explain in detail, the reasons for the discrepancies noticed, if any, during physical verification. A supporting sheet shall be enclosed for this purpose. All discrepancies noticed at the District Society level should be intimated to the SVBDCS/SHS for suitable action to be initiated thereupon. Discrepancies noticed in SHS/SVBDCS shall be intimated to the Governing Body of the SVBDCS for suitable action with a copy to the Directorate of NVBDCP.

In case of any discrepancy, a comparative statement indicating fixed assets as per records, assets as per the physical verification conducted, variation and reasons thereof shall also be appended with the annual audited statements of accounts.

7. **Expenditure Control Register, Register of Settlement of Audit Objections and Register of Advances** shall also be maintained in the formats as per State Government or Central Government guidelines

(12) Accounting for Receipts

- 1) All receipts by the Society (Cash/Cheque/Demand Draft) shall be acknowledged by a printed receipt that should be signed by the Program Officer. The receipts with their counterfoils should be machine numbered.
- 2) All money received shall be deposited in the Bank without undue delay.

(13) The societies shall receive funds from the following sources:

A) Grants from Directorate of NVBDCP

The societies shall receive funds from the Directorate of NVBDCP in the form of grants-in-aid for the project activities. The grants shall be received at periodic intervals in the form of cheque /Demand Draft or Electronic Transfer to the bank account of the Society. The cheque/DD received shall be immediately deposited in the savings bank account of the IMCP maintained by the Society.

B) Other miscellaneous receipts

- 1) The other receipts of the project offices may be on account of sale of bid documents, interest on saving bank account, donations, gifts, receipts of earnest money deposits, etc.
- 2) A receipt shall be issued in acknowledgement of the amount received (either in cash or through cheque/ bank draft) giving, inter-alia, the purpose following which the amount is received and the head of account to be credited.
- 3) The head of account shall be as per the chart of accounts
- 4) The amount of cash receipt shall be entered in “cash column” and the receipt for cheques/ bank drafts in the “bank column” on receipt side of cash book. The entries on receipt side of cash book shall be posted in the Ledger Book under relevant heads of account.
- 5) The funds sanctioned and released by the Directorate of NVBDCP to SHS/ SVBDCS or by SHS/ SVBDCS to DHS/ DVBDSCS before the end of the financial year even if not physically received before the close of the year, shall be reflected in the Income & Expenditure a/c and the Balance Sheet as “Funds in Transit”, in the financial year in which they were sanctioned, for proper reconciliation of accounts.

(14) Accounting for Payments

a) The accounting for payment of expenditure shall be done as per the following mode of payment.

1. Cash payments and
2. Bank payments.

b) Payment voucher shall be prepared on receiving the supporting documents duly authorized by the competent authority. All vouchers shall be serially numbered, consecutively mentioned in order of payment and filed in sequence. Similarly, all petty cash vouchers should be sequenced by date/or serial number and filed separately.

c) The payments vouchers shall be entered on payment side of the cash book on the date of payment giving reference of the voucher number, cheque number, name of the payee (in case of personal account), head of account and the ledger folio number. The date of cheque shall be the date of payment for making entry in the cash book.

d) The cash payment shall be entered in “cash column” and payments by cheques in the “bank column” of the cash book.

e) If cash is drawn for use at the Society, a contra entry shall be made both on receipt & payment side of the cash book. The amount drawn from the bank on cheque shall be entered in the “bank column” on payment side and in cash column on receipt side by writing the word “C” in the ledger folio column on both side of the cash book.

(15) Trial Balance

According to the principle of double entry bookkeeping system, every amount that is placed on the debit side of an account must have a corresponding entry on the credit side of some other account. This being the case, it is but natural that the total of all the debit balances should agree with the total of all credit balances. A Statement which tabulates the debit and credit balances is known as the Trial Balance. All Societies should prepare a trial balance every month. This will form the basis for the preparation of monthly/quarterly SOEs.

(16) Finalization of Accounts

The SVBDCS/SHS and DVBDCS/DHS shall finalize its individual annual accounts for the year latest by 30th April of the next year. The final accounts should include:

- a. Receipts and Payments Account

- b. Income and Expenditure Account
- c. Balance Sheet
- d. Accounting Policy
- e. Schedule of Fixed Assets
- f. Schedule of outstanding Advances recoverable
- g. Schedule of Sundry debtors/Creditors (if applicable)
- h. Bank Reconciliation Statement along with Balance statement from Bank.
- i. Utilization Certificate in the prescribed format.

a) Receipts & Payments Account (Annexure VII)

- 1) It commences with the opening balance - cash & bank. This is put on the debit side.
- 2) Only actual cash or bank transactions will be shown in the Account. Receipts of cash (or cheques) are put on the debit side & payments on the credit side.
- 3) The difference between the two sides represents the total of cash in hand & balances at bank, if the debit side exceeds credit.

b) Income & Expenditure Account (Annexure VIII)

- 1) The Income & Expenditure Account is an account which summarizes the expenses & receipts for the period (financial year) under consideration. Care should be taken to exclude the items of capital nature, which should be included in the balance sheet. The excess of income over expenditure and vice versa is transferred to the Balance Sheet.
- 2) The funds transferred by Government of India / State Society during the year but not actually received by the Society may be entered on the income side of the income and expenditure account under the heading "Grant-in-aid" and taken in the balance sheet on the assets side under the heading "Funds in Transit" below Current Assets (Cash and Bank Balance). On actual receipt of the money, it should be shown under debit side of Cash Book under the head "Funds in Transit" instead of Grant in Aid.

c) Balance Sheet (Annexure IX)

- 1) The Balance Sheet is defined as a statement summarizing the financial position of an organization on a given date. It summarizes, on the right hand side, the assets and on the left, the liabilities of the organization. A Balance Sheet is prepared as on a certain date and not for a period (unlike a Receipts & Payments Account or an Income & Expenditure Account).

2) A Statement of Fixed Assets acquired by the Society shall also be annexed to the Balance Sheet.

d) Statement of Expenditure (Annexure V)

1) At the lowest level, i.e. District Society, the Statement of Expenditure will be maintained manually as well as on an excel sheet, in the format specified by the Directorate of NVBDCP. Each District Society shall prepare quarterly Statement of Expenditure (SOE) and send it to the respective State Society electronically or by fax, along with a hard copy by post. The District Society will also forward one copy of SOE electronically to Directorate of NVBDCP.

2) The State Society may ask the District Society to submit SOEs every month for internal control. The SVBDCS shall forward the consolidated quarterly SOE to Directorate of NVBDCP in electronic form, as specified by DVBDPC, which shall include the consolidation sheet. State society must ensure receipt of information from all the districts, compilation, and furnishing of the same to the Directorate of NVBDCP within the stipulated date without fail and no excuse will be acceptable on this count.

3) The Society shall also furnish a status report of the funds availability for each quarter to the Directorate of NVBDCP in a format at Annexure VI.

4) The Directorate of NVBDCP shall consolidate all the SOEs received from SVBDCS/SHS, for seeking reimbursement from the donors/ funding agencies.

5) Revision of SOEs, which have already been sent to SVBDCS/DVBDCP, is not permitted. Errors, if any, should be rectified in the current quarter only, i.e. in the column pertaining to the expenditure in the current quarter through an appropriate entry in the books of account, and a suitable note to this effect should be made below the SOE. SOEs for April to June, i.e. the first SOE of the financial year, shall show the opening balance on 1st April as per the audited accounts for the previous financial year.

6) Program officers should ensure that the SOE is prepared only from the trial balance for the period. SOE should be strictly as per the format laid down by Directorate of NVBDCP, and no changes are permitted therein. No heads of accounts should be changed or added, nor should the nomenclature or sequence of the accounting heads be altered.

(17) Payment procedures

a) The Societies shall make payments for expenditure in respect of project activities assigned to it out of the grant received from Directorate of NVBDCP or any other receipt/ interest etc.

b) The payment for expenditure incurred on the project activities shall be done only against proper documents and after the approval of the competent authority. Documents to be checked before payment include invoice, cash memo, consignee receipts, sanction of competent authority etc., as per the provisions of GFR and Central Government Receipt and Payment Rules.

(18) Use of cheques

a) All payments exceeding Rs 1000/- in the case of District VBDC Society /District Health Society and above Rs. 2500/- in the case of the corresponding State Society, shall be made by way of a cheque/demand draft only. Under exceptional circumstances to be recorded by the Program Officer, where it is not possible to make payment by cheque/demand draft, the Program Officer will satisfy himself about the mode of payment, and in such cases the limit for cash payments should be Rs 5,000/- in each case.

b) Cheque books and counterfoils shall be kept under custody of the Program Officer. If a cheque, after it has been signed, cannot be immediately delivered to the payee for any reason, the same shall be temporarily lodged in the fireproof Cash Box, the key of which shall be available with the Program Officer. Such temporary lodging of issued cheques should not exceed three working days.

c) All cheques shall be jointly signed by any two out of three signatories. One of the signatories will be the Program Officer (State or District Malaria Officer) and the remaining two signatories may be the Chairperson and Vice Chairperson of the respective society or as designated by the Chairperson. The society should make payment for an activity only if it has been duly approved by the competent authority. For efficient functioning, expected expenditures including contractual payments and maintenance contracts should be approved at the beginning of the year or quarter.

d) A cheque shall be current for three months only. After the expiry of 3 months and up to 6 months from the date of issue of the cheque, payment will be made by the Bank provided the cheque has been revalidated. Whenever a cheque is revalidated after 3 months, the old cheque will be used as a supporting document and in case the cheque has been lost, then fresh cheque may be issued after obtaining a Non-Payment Certificate from the concerned Bank in accordance with the Central Government Receipt & Payment Rules. A cheque remaining unpaid after a period of 6 months from the date of issue shall be cancelled and reasons recorded.

(19) Timeline for payments by the Societies

All bills/claims which are duly complete in all respects shall be cleared within 15 days from the date these are received at the DVBD/ SVBDCS. All payments towards contractual remuneration/wages should be processed well in

time so as to ensure that these are paid on the due date. Any delays beyond these timelines will need to be documented and reasons recorded.

(20) Balance available with DVBDCS

At any given point of time, the DVBDCS should maintain a bank (and cash) balance which is not less than that of one month's estimated requirement, and not greater than the estimated requirement for six months. The SVBDCS shall actively manage the flow of funds to the districts to ensure the above.

(21) Accounting for advances

1) Advance payments may be required to be released by the Society to the implementing agencies in the State e.g. District authorities/ Field Units, Contractors and Suppliers. Advances should be distinguished from Grant-in-Aid sanctioned to the 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 the SOEs from the implementing agencies, the amount shown as advance shall be reversed by debiting the activity ledger head in the books of the Society;

5) The Society shall furnish the SOEs to the Directorate of NVBDCP for seeking disbursement in respect of actual utilization only and **not** in respect of Advance Payments made to the implementing agencies.

6) The following conditions shall be taken into consideration while releasing the advances to:

(A) District Authorities/Field Units

1. The purpose and activities should be clearly mentioned in the release order;

2. Fresh advance funds should be released only after receipt of expenditure statement and vouchers pertaining to the previous advance;

3. Advances should be adjusted on receipt of SOE, vouchers and Utilization Certificate from the Project-In-charge and duly countersigned by the Head of the Department/Institution/Organization.

(B) Contractors /Suppliers

1. No advance shall be paid unless a provision has been made in the agreement.
2. Advance should not generally be more than 5% to 15% of the contract value,
3. All advances shall be adequately secured by way of Bank guarantee or any other acceptable modes. The bank guarantee should be valid for an adequate period of time, and should be valid beyond the expected period of discharge of obligations by the supplier/contractor in respect of the amount of the advance.
4. Bank guarantee shall be released only after the advance has been duly adjusted and there is no further liability of the supplier/ contractor on this account.

(C) NGOs/Community Based Organizations

1. The advances given to NGOs should be distinguished from Grant-in-Aid. If the amount is in the nature of an advance, actual vouchers and other supporting documents will need to be submitted with a statement of expenditure for the settlement of the advance.
2. Release of funds to NGOs/CBOs shall be in a maximum of two installments.
3. First installment shall comprise the 50% of the expected costs/ requirements. This installment shall be released only on receipt of an inception report and a bond from the NGO.
4. Second installment shall comprise the balance amount and shall be released on receipt of final statement of expenditure, vouchers, and performance report from the NGO.
5. Where a Grant-in-Aid has been sanctioned to any NGO, the same should also be released in two instalments. The first instalment shall be against an inception report and a bond, and the NGO shall be released the second instalment when it furnishes the full project report, periodic statements of accounts duly audited by a Chartered Accountant and a utilization certificate within one month from the date of completion of the project activity.
6. In the absence of these documents, no further grant shall further be released to the defaulting NGO.

10. INTERNAL CONTROL

1) Internal Control is a system, which facilitates continuous checking and monitoring of transactions that includes internal audit and internal check to ensure that financial records are accurate, complete, reliable and adheres to management policies and effective utilization of resources to achieve the optimal benefits/results.

2) Officers authorized to incur expenditure must ensure that financial order and strict economy are enforced at every step and see that all-relevant financial rules, orders, directions and instructions are observed. It should be seen that not only the total expenditure is kept within the limits of the budget provision but also that the funds allotted/transferred, are spent strictly in the interest and service of the programme and upon the objects for which provisions have been sanctioned.

3) The Governing Body and Office Bearers of the Society in general, and in particular, the Program Officer, shall also see that items of expenditure are of obvious necessity and are at fair and reasonable rates, sanction of the competent authority obtained and calculations are correct. In order to exercise proper financial control, he should keep himself closely acquainted with the progress of receipts, expenditure, commitments or liabilities incurred but not paid.

4) An illustrative list of internal checks which may be followed while processing the payment is provided below:

1. Unit rate in the invoice to be verified with a schedule of rates in the Agreement / work order/ purchase order.
2. The amount claimed in the invoice to be verified by multiplying the unit rate with the quantity executed/ supplied.
3. The total of invoice to be checked by adding each item of the invoice
4. Ensure payee's receipts are duly stamped if necessary.
5. In case of supplies, the entries are to be made in the Stock register and the stock certificate recorded under the signature of the designated officer
6. The goods receiving officer to certify the quality and quantity of the goods received
7. The terms & conditions in the contract agreement purchase/ purchase order to be verified.
8. No payment to be made without a valid document/ invoice.

9. After payment the vouchers to be stamped as paid and reference of the cheque on which payment made is to be recorded. Ensure that all the invoices/receipts are stamped as cancelled after payment is made to avoid duplicate payment
10. Check that no expenditure is made for any items or activities not provided for in the project, or otherwise in excess of the norms prescribed.
11. All personal claims including TA/DA should be submitted by the concerned individual within one month of completion of activity. Check that any delay beyond one month is enclosed with a valid justification by the claimant.
12. Check that the agreement with the contractual staff has been executed and is valid for the period for which a contractual remuneration claim is being processed for payment
13. Ensure that no second advance is given to any individual if the first advance is still not adjusted
14. The vouchers to be serially numbered and kept in order. The vouchers are to be filed and retained safely for the prescribed period.
15. The receipt book and the Cheque books to be kept under safe custody of the Program Officer.
16. No payment to be made without an expenditure sanction by the competent authority.
17. Ensure that Tax Deduction at Source for contractual payments etc, wherever applicable, has been provided for, before making the payment.

5) Safeguards pertaining to Bank Accounts of the Society:

1. Each society should maintain only one savings bank account for the IMCP in a Nationalized Bank, preferably Bank of Baroda or any other bank authorized by the Ministry of Health and Family Welfare, Government of India. All receipts and payments should be made from this account only.
2. Always count the number of cheque-leaves in the cheque book at the time of receiving the same from the bank. Do not accept the cheque book in case any of the cheque-leaves or requisition slip in the cheque book is found to be missing.
3. Program Officer shall enter the received cheque book in the Cheque Book Issue Register and sign for the receipt of the cheque book in the register.

4. Program Officer shall always keep the Cheque Book under lock and key and in his custody.

5. To count the number of remaining cheques daily or every time the cheque book is taken out for use, to ensure that no cheque has been missing/ stolen. In case any cheque is found missing, immediately inform the bank and stop payment on the missing cheque. Also take other administrative actions as are due for the event, including intimation to the State Government, the Chairman of the Society and a formal lodging of the FIR with the police authorities.

6. Society should always maintain the Cheque Book Issue Register with the following columns, and the cheque book should be submitted along with this register to the authorized signatories for his signature.

S.No.	Cheque No.	Date	Payees' Name	Amount	Voucher No.& date	Initials of the Authorised Signatories	
1	2	3	4	5	6	7	8

7. Getting regular updation of bank pass book and timely preparation of Bank Reconciliation Statement.

8. Bankers should be given a special instruction for the society's account that cash withdrawals above Rs. 50,000 (or a revised limit as decided by the Chairman of the society) shall not be permitted using bearer cheques.

9. Under no circumstances should the bank issue any ATM, Debit or other card which would permit withdrawals without using a cheque, for the society's bank account.

11. AUDIT

1) The objective of the audit would be to provide a confirmation to the various stakeholders (Government of India, Creditors/Donors etc.) on the accuracy of the project financial statements, compliance with credit agreements and legal obligations, and overall satisfactory working of the financial management systems in the project. Audit shall be of the financial statements and records of the various project offices.

2) The financial statements and project management reports shall be subject to annual audit by a Chartered Accountant firm appointed by each Society from amongst the panel approved by the Comptroller and Auditor General of India. These statements/reports shall be audited each year in accordance with the accepted auditing standards of the country and the financial guidelines of the project, and shall be made available for

review by GOI Officials/ Global Fund Supervision Missions. Terms of reference for the auditor are available at Annexure-__.

3) All the audited financial statements pertaining to the project from the district level will be consolidated into one single audited financial statement for the State Health Society/SVBDCS. The State Malaria Officer should prepare the audited consolidated accounts and forward it to Directorate of NVBDCP so that it reaches latest by 30th September of the year. The auditor(s) appointed at the State Society level shall also be responsible for the audit of consolidation of the financial statements of the district and state societies.

4) The Consolidated Accounts should be accompanied by Receipt and Payment Accounts, Income and Expenditure Account, Balance Sheet, Schedule of Fixed Assets, Schedule of outstanding Advances recoverable, Schedule of Sundry Debtors/Creditors (if applicable) Bank Reconciliation Statement along with Balance statement from Bank, Management letter given by the auditors, reply by the Management in settlement of the observations by the auditors.

5) The audit reports should be duly signed by the Auditor along with annual financial statements duly certified by the Auditor, Member Secretary and Chairperson of the Society which shall be furnished to the State Government and to the Directorate of NVBDCP

6) These annual financial statements comprising (i) Receipt and Payment Account, (ii) Income and Expenditure Account and (iii) Balance Sheet along with the Schedule of Fixed Assets shall also be filed with the Registrar of Societies in accordance with the Societies Registration Act.

7) Coverage of financial audit:

The audit would include both audit of financial transaction and an assessment of the operation of the financial management system, including review of internal control mechanisms.

8) Terms of Reference for financial auditors:

The Terms of Reference for the appointment of the project auditors are provided in Annexure X. These will be provided to the auditors prior to their engagement.

9) Audit report for financial audit:

In terms of provisions contained in Rule 212(2) of the GFR 2005, the annual reports and accounts of Societies receiving recurring grants-in-aid to the tune of Rs 25 lakhs and above is required to be laid on the table of the House of Parliament within 9 months of the close of the financial year of the grantee institutions. The grantee

institution, i.e. State VBDCS/ SHS is, therefore, required to submit the performance cum achievement reports soon after the end of each financial year

N. B.

- The Auditor that conducts the audit of the Society shall not prepare or cause to prepare the Annual financial statements of that Society in order to maintain the professional ethics of ICAI.
- As per Terms of Reference (Annexure X) for appointment of Auditors, the Auditor is expected to conduct audit on quarterly basis. The idea of having quarterly audit is to ensure that shortcomings pointed out in a quarter would be got rectified in the subsequent quarters for a smooth and timely certification of accounts at the end of the financial year.
- The Auditor should verify the statement of expenditure and comment on the adequacy of records/management of at least 10-15% of the district authorities, field units, NGOs, etc., in each quarter so that uniformity of test check procedures could be ensured.
- In addition to the audit reports, the auditor shall prepare a “management letter”, mainly covering opinion on accounting records, systems and controls; to identify specific deficiencies and areas of weaknesses in systems and controls and suggest remedial measures; report on achievement of the planned results of the project in relation to the objectives set out in the approved action plans; and report on economy, efficiency and effectiveness in the use of resource

10) Statutory Audit:

The Comptroller & Auditor General (C&AG) of India and the AGs of the respective states are empowered to audit the accounts of RNTCP-II within their respective domains. The audit shall be in accordance with the standards of auditing of the C&AG of India. The Comptroller and Auditor General of India shall have the same rights, privileges and authority to conduct audit of the accounts of the Society as he had in connection with the audit of Government Accounts and for this purpose shall have the right to demand the production of books of accounts and other relevant records of the Society.

11. Internal Audit:

- a) All the accounts of each society are subject to internal audit by the Internal Audit Wing of the Ministry of Health and Family Welfare, Government of India, who may visit the states and districts as necessary.
- b) The Program Officer shall arrange to make the account books and connected records of the society available to the Internal Audit Team, if required and requested by them.

12) Audit Fee:

Quotations should be obtained from at least three auditors which should be selected from the panel of Comptroller and Auditor General of India. The auditors from this panel quoting the lowest fee for the activities envisaged in their terms of reference should be selected and appointed. The audit fee should also be commensurate with the overall volume of transactions/funds handled by the Society.

12. FINANCIAL REVIEW & INSPECTIONS

- a) The Global Fund may engage an agent to conduct a financial review, or otherwise to ensure the accountability of Grant funds.
- b) The Global Fund may also engage authorized representatives or any third party of whom the Global Fund notifies to the Government of India to inspect activities financed by the Grant, the utilization of goods and services financed by the Grant, and Agreement books and records and to interview its executives, employees and contractors. The Program Officer should arrange to make the account books and connected records of the society available to the Global Fund team, if required and requested by them. Directorate of NVBDCP shall communicate to the societies whenever such a visit by a Global Fund team is being contemplated.

13. ASSETS

- 1) The Society or Implementing Partners shall not purchase any item of fixed assets unless that item is approved in the annual action plan.
- 2) 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:
 1. Names and Description of the item
 2. Date of Receipt
 3. Supplier's Name
 4. Cost of item
 5. Guarantee period, if any, and its details
 6. Assets Identification Number
 7. Location,
 8. User/ persons responsible for assets custody, and
 9. Remarks with regard to disposal/write-off, etc.
- 3) No depreciation shall be charged and the value of assets is to be shown at the original cost in the accounts.

- 4) The Society shall not dispose off the items of fixed assets without the prior approval of the Government of India.
- 5) The Society shall not write-off the assets without prior approval of the Directorate of NVBDCP.
- 6) The Society shall furnish a consolidated statement showing the details of Fixed Assets held by it and District Vector Borne Disease Control Societies in the State at the end of each financial year to the Directorate of NVBDCP as well as to the State Government along with the annual statement of accounts.
- 7) At the conclusion of the project, all the assets of the society acquired using IMCP funds shall be dealt with in a manner as is laid down by the Directorate of NVBDCP.

14. INSURANCE

The Society shall ensure the insurance coverage in respect of following valuables/ items:

1. Fixed Assets
2. Cash in Cash Box/Chest
3. Cash in Transit
4. Employees Fidelity Bond

15. UTILIZATION CERTIFICATE

As per requirement of General Financial Rules, the State Society shall prepare and furnish a utilization certificate duly signed both by its State Programme Officer and Chairperson and the Chartered Accountant to the Directorate of NVBDCP along with the audited annual financial statements in respect of the grant-in-aid received from the Government of India. A copy of the format of Utilization Certificate is at Annexure XI.

Note:

- 1) All grant-in-aids 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 of the same financial year irrespective of the fact that the amount is received by the Society in the subsequent financial year.
- 2) The State Society shall prepare a consolidated UC for the expenditure incurred by the districts and at the state level and submit the same to the State Government and to the Directorate of NVBDCP. This must be submitted along with the audited financial statements.

- 3) The District Societies shall also prepare a utilization certificate in the prescribed format and send the same to the State Society for the expenditure incurred against grant-in-aid received from the Central Government/ State Society.

16. FINANCIAL REPORTING FOR SEEKING REIMBURSEMENT

The Directorate of NVBDCP shall prepare and submit consolidated disbursement applications to GFATM through COAAA seeking disbursement from the Fund in respect of all eligible expenditure incurred in the Project by the Vector Borne Disease Control Societies and other Implementing Agencies. Each Society shall, therefore, furnish the quarterly expenditure statements to the Directorate of NVBDCP for seeking disbursement from the Global Fund. The formats for furnishing the Statement of Expenditures (SOEs), which are to be furnished periodically, are at Annexure-VI.

17. AUTHENTICATION

The signatures of the Chairman or any other member authorized by the Governing Council shall authenticate all orders and decisions of the Society, and the signatures of the Program Officer shall authenticate all other instruments pertaining to the IMCP.

18. DELEGATION OF FINANCIAL POWERS

- 1) To ensure smooth, fast and efficient utilization of funds for the purpose(s) for which these are released by the Government of India, States need to ensure adequate delegation of financial and administrative powers to the functionaries of State and District Societies.
- 2) The Society shall function on the basis of the delegation of such financial and administrative powers, which have been delegated by the Governing/ Executive body of the Society.
- 3) Specific delegation of powers must be made to the office bearers of the societies for the following:
 1. Sanction of Expenditure
 2. Passing of Bills
 3. Signing of Cheques
- 4) Review / revision of financial powers: The Governing Body may review and revise the financial powers of the office bearers of the Society if considered necessary.

19. MISCELLANEOUS

- 1) 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.
- 2) If on the winding up or dissolution of the Society there shall remain after satisfaction of its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members or any of them, but shall, consistently with the objectives of the Society, be dealt with such manner as the Central Government may determine.
- 3) State Programme Officer/ District Malaria Officer (DMO) shall ensure that the annual statements of account of the Societies under their control are prepared and submitted to the Directorate of NVBDCP and SVBDCS respectively in time.
- 4) For any clarifications on matter relating to financial management, enquiries can be made from the Directorate of NVBDCP, 22, Sham Nath Marg, Delhi (E-mail: namp@vsnl.net.in)

Guidelines for Procurement under IBRD Loans and IDA Credits

Section I – Introduction

Purpose

1.1 The purpose of these Guidelines is to inform those carrying out a project that is financed in whole or in part by a loan from the International Bank for Reconstruction and Development (IBRD) or credit from the International Development Association (IDA), of the arrangements to be made for the procuring the goods and works² (including related services) required for the project. The Loan Agreement governs the legal relationships between the Borrower and the Bank, and the Guidelines are made applicable to procurement of goods and works for the project, as provided in the agreement. The rights and obligations of the Borrower and the providers of goods and works for the project are governed by the bidding³ documents, and by the contracts signed by the Borrower with the providers of goods and works, and not by these Guidelines or the Loan Agreements. No party other than the parties to the Loan Agreement shall derive any rights there from or have any claim to loan proceeds.

General Considerations

1.2 The responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the Borrower.⁴ The Bank, for its part, is required by its Articles of Agreement to “...ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations,”⁵ and it has established detailed procedures for this purpose. While in practice the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case, four considerations generally guide the Bank’s requirements:

- (a) the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;
- (b) the Bank’s interest, as a cooperative institution, in giving all eligible bidders from developed and developing countries⁶ an opportunity to compete in providing goods and works financed by the Bank;
- (c) the Bank’s interest, as a development institution, in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and
- (d) the importance of transparency in the procurement process.

1.3 The Bank has found that, in most cases, these needs and interests can best be realized through International Competitive Bidding (ICB), properly administered, and with suitable allowance for preferences for domestically manufactured goods and, where appropriate, for domestic Contractors⁷ for works under prescribed conditions. In such cases, therefore, the Bank required its Borrowers to obtain goods and works through ICB open to eligible Suppliers and Contractors.⁸ Section II of these Guidelines describes the procedures for ICB.

1.4 On the other hand, where ICB is clearly not the most economic and efficient methods of procurement, other methods of procurement are specified in the Loan Agreement. Section III describes these other methods of procurement and the circumstances under which their application would be more appropriate. The particular methods to be followed for the procurement of goods and works for a given project are specified in the Loan Agreement for such project.

Applicability of Guidelines

1.5 Generally the Bank finances only a part of the cost of the project. The procedures outlined in these Guidelines apply to all contracts for goods and works financed in whole or in part from Bank loans. For the procurement of those contracts for goods and works not financed from a Bank loan, the borrower may adopt other procedures. In such cases the Bank shall be satisfied that the procedures to be used will fulfill the Borrower's obligations to cause the project to be carried out diligently and efficiently, and that the goods and works to be procured :-

- (a) are of satisfactory quality and are compatible with the balance of the project;
- (b) will be delivered or completed in timely fashion; and
- (c) are priced so as not to affect adversely the economic and financial viability of the project.

Eligibility

1.6 Funds from Bank loans are disbursed only on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Bank member countries⁹. Under this policy, nationals of other countries or bidders offering goods and works from other countries shall be disqualified from bidding for contract intended to be financed in whole or in part from Bank loans.

1.7 In connection with any contract to be financed in whole or in part from a Bank loan, the Bank does not permit a Borrower to deny pre-qualification, if required, to a firm for reasons unrelated to its capability and resource to successfully perform the contract; nor does it permit a Borrower to disqualify any bidder for such reasons.

1.8 As exceptions to the foregoing :

- (a) Firms of a member country of goods manufactured in a member country may be excluded if, (i) as a matter of law or official regulation, the Borrower's country prohibits commercial relations with that country, provided that the bank is satisfied that such exclusion does not preclude effective competition for the supply of goods or works required, or (ii) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Borrower's country prohibits any import of goods from that country or any payments to persons or entities in that country.
- (b) A firm which has been engaged by the Borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods for works (other than a continuation of the firm's earlier consulting services) for the same project. This provisions does not apply to the

various firms (Consultants, Contractors, or suppliers) which together are performing the Contractor's obligations under a turnkey or design and build contract.¹⁰

- (c) Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous, and (ii) operate under commercial law. No dependent agency of the Borrower or Sub-borrower under a Bank financed project shall be permitted to bid or submit a proposal for the procurement of goods or works under the project.¹¹
- (d) A firm declared ineligible by the Bank in accordance with sub-paragraph (d) of paragraph 1.15 of these Guidelines shall be ineligible to be awarded a Bank – Finance Contract during the period of time determined by the Bank.

Advance Contracting and Retroactive Financing

1.9 In certain circumstances, such as to accelerate project implementation, the Borrower may wish to proceed with the initial steps of procurement before signing the related Bank loan. The procurement procedures, including advertising, shall be in accordance with the Guidelines in order for the eventual contracts to be eligible for Bank financing, and the normal review process by the Bank shall be followed. A Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a loan for the project in question. If the contract is signed, reimbursement by the Bank of any payment made by the Borrower under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the Loan Agreement.

Joint Ventures

1.10 Suppliers and Contractors in the Borrower's country are encouraged to participate in the procurement process since the Bank encourages the development of domestic industry. They may bid independently or in joint ventures with foreign firms, but the Bank will not accept conditions of bidding which require mandatory joint ventures or other forms of mandatory association between domestic and foreign firms.

Bank Review

1.11 The Bank reviews the Borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with agreed procedures. These review procedures are described in Appendix 1. The Loan Agreement shall specify the extent to which these review procedures shall apply in respect of the different categories of goods and works to be financed, in whole or in part, from the Bank loan.

Reserved procurement

1.12 When open competition would be the appropriate method of procurement for particular goods or works of the project, but the Borrower wishes to reserve this procurement for one or more specific firms or enterprises, the Bank may accept such reserved procurement only on condition that:

- (a) it is not eligible for financing out of the Bank loan; and

- (b) it will not significantly affect the satisfactory project implementation in terms of costs, quality, and completion time.

Misprocurement

1.13 The Bank does not finance expenditures for goods and works which have not been procured in accordance with the agreed procedures in the Loan Agreement, and it is the policy of the Bank to cancel that portion of the loan allocated to the goods and works that have been misprocured. The Bank may, in addition, exercise other remedies under the Loan Agreement.

References to Bank

1.14 If the Borrower wishes to refer to the Bank in procurement documents, following language shall be used :

“(name of Borrower) has received (or in appropriate cases ‘has applied for’) a loan from the International Bank for Reconstruction and Development in various currencies equivalent to USD...toward the cost of (name of the project), and intends to apply a portion of proceeds of this loan to eligible payments under this contract. Payment by the International Bank for Reconstruction and Development will be made only at the request of (name of Borrower or designate) and upon approval by the International Bank for Reconstruction and Development, and will be subject, in all respects, to the terms and conditions of the Loan Agreement. The Loan Agreement prohibits a withdrawal from the Loan Account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. No party other than (name of the Borrower) shall derive any rights from the Loan Agreement or have any claim to loan proceeds.”¹²

Fraud and Corruption

1.15 It is the Bank’s policy to require that Borrowers (including beneficiaries of Bank loans), as well as bidders/Suppliers/Contractors under Bank- financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the bank;

- (a) defines, for the purpose of this provision, the terms set forth below as follows :
 - (i) “corrupt practice” means the offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the procurement process or in contract execution; and
 - (ii) “fraudulent practice” means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Borrower, and includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the Borrower of the benefits of free and open competition;
- (b) will reject a proposal for award if it determines that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question;

- (c) will cancel the portion of the loan allocated to a contract for goods or works if it at any time determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the loan during the procurement or the execution of the contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation;
- (d) will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has engaged in corrupt or fraudulent practices in competing for, or in executing, a Bank-financed contract; and
- (e) will have the right to require that, in contracts financed by a Bank loan, a provision be included requiring suppliers and contractors to permit the Bank to inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by the Bank.

1.16 With the specific agreement of the Bank, a Borrower may introduce, into bid forms for large contracts financed by the Bank, an undertaking of the bidder to observe, in competing for and executing a contract, the country's laws against fraud and corruption (including bribery), as listed in the bidding documents.¹³ The Bank will accept the introduction of such of such undertaking, at the request of the Borrower's country, provided it is satisfied:

- (a) that the requirement of such an undertaking is part of anti-corruption programme initiated by the Borrower's country; and
- (b) that such requirement will apply, within a time-table agreed between the Bank and the Borrower's country, to all similar public procurement.

¹Procurement requirements of IBRD and IDA are identical, and references in these Guidelines to the Bank include both IBRD and IDA, and references to loans include credits and project preparation facilities (PPFs). Loan Agreement includes Development Credit Agreement and Project Agreement.

² Reference to "goods" and "works" in these Guidelines include related services such as transportation, insurance, installation, commissioning, training, and initial maintenance. "Goods" includes commodities, raw material, machinery, equipment, and industrial plant. The provisions of these Guidelines also apply to services which are bid and contracted on the basis of performance of a measurable physical output, such as drilling, mapping, and similar operations. These guidelines do not refer to Consultants' services, to which the current Guidelines : Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency apply(referred to herein as Consultant Guidelines).

³For the purposes of these guidelines, the words "bid" and "tender" shall have the same meaning.

⁴In some cases, the Borrower acts only as an intermediary, and the project is carried out by another agency or entity. References in these Guidelines to the Borrower include such agencies and entities, as well as Sub-Borrowers under on-lending arrangements.

⁵The Bank's Articles of Agreement; Article III, Section 5(b)

⁶See para. 1.6

⁷For purposes of these Guidelines, “Contractor” refers only to a firm providing construction services.

⁸See para 1.6

⁹See Section 5.01 of General Conditions Applicable to Loan and Guarantee Agreement, dated January 1, 1985. The Bank maintains a list of countries from which bidders, goods, and services are not eligible to participate in procurement financed by the Bank. The list is regularly updated and can be obtained from the Public Information Centre of the World Bank.

¹⁰See para. 2.5

¹¹Other than Force Account units, as permitted under para 3.8

¹²Substitute “Credit,” “International Development Association,” and “Credit Agreement,” as appropriate

¹³As an example, such an undertaking might read as follows: “We undertake that, in competing for (and, if the award is made to us , in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in the country of the [Purchaser] [Employer], as such laws have been listed by the [Purchaser] [Employer] in the bidding documents for this contract.”

Provisions relating to procurement contained in the GFATM Grant Agreement

Article 17 CONTRACTS FOR GOODS AND SERVICES

- a. Unless the Global Fund agrees otherwise in writing.
 - (1) The Principal Recipient shall disclose to the Global Fund the policies and practices that it will use to contract for goods and services under this Agreement. At a minimum, such policies and practices shall conform to the requirements (a) through (e) listed below :
 - (a) Contracts shall be awarded, to the extent practical, on a competitive basis.
 - (b) Solicitations for goods and services shall be based upon a clear and accurate description of the goods or services to be acquired.
 - (c) Contracts shall be awarded only to responsible contractors that possess the potential ability to successfully perform the contracts.
 - (d) No more that a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services.
 - (e) The principal recipient shall maintain records regarding the receipt and use of goods and services acquired under the agreement by the Principal Recipient, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Principal Recipient, and the basis of award of Principle Recipient contract and orders.
 - (2) Title to goods or other property financed by the Global Fund under this Agreement shall be in the name of the Principal Recipient or a Sub-recipient or other entity approved by the Principal Recipient :

(b) From time to time, the Global Fund may issue Implementation letters to further advise the Principal Recipient regarding policies applicable to contracts for goods (including pharmaceutical products) and services using Grant Funds.

Article 18 PHARMACUTICAL AND OTHER HEALTH PRODUCTS

As used in this Article, the following terms shall have the meanings given to them below:-

“WHO” means the World Health Organization.

The terms “medicines,” “multisource pharmaceutical product,” and “pharmaceutical products” have the meaning used by the WHO in the “Glossary” of its “Marketing”.

The Principal Recipient shall ensure that Grant funds are not used to procure medicines that do not appear in current standard treatment guidelines or essential medicines lists of the World Health Organization, the Host Country government, or the Recipient or sub-recipient. The procurement plan shall include a listing of the standard treatment guidelines and essential medicines lists that will apply to the Programme.

C. Forecasting and inventory management

The Principal Recipient shall:-

- (1) Systematically and regularly update forecasts of the quantities of pharmaceutical and other health products needed for the programme. Initial forecasts for new activities shall be based on morbidity, adjusting the potential demand in light of realistic estimates of the anticipated capacity to deliver services. Forecasts for on-going activities shall be based on consumption;
- (2) Monitor forecasts and regularly compare estimated needs for pharmaceutical and other health products under the programme with actual consumption of such products and report this information to the Global Fund;
- (3) Develop a plan and information system to minimize the risk that products will be out of stock;
- (4) Not less frequently than semi-annually, report to the Global Fund how often products are out of stock; and
- (5) Establish (or ensure the establishment of) product-specific levels of local buffer stock and closely monitor them.

d. Procurement responsibilities

In circumstances where the Global Fund has determined that the Principal Recipient possesses the requisite procurement capacity, the Principal Recipient shall be responsible for all procurement under the Agreement and at its discretion, may use, or permit its sub-recipients to use, contracted local, regional or international procurement agents to conduct procurements. If the Global Fund has not determined that the Principal Recipient possesses the requisite procurement capacity, the principal Recipient shall use established regional or international procurement agents or other mechanisms acceptable to the Global Fund, but shall remain responsible for compliance of all procurement with the terms of the Article.

In all cases, the Principal Recipient is encouraged to use, or cause Sub-recipients to use, capable regional and global procurement services wherever pooling of demand lowers prices for products or assured quality.

e. Procurement practices

The Principal Recipient shall ensure that the procurement of pharmaceutical products under this Agreement adheres to the Interagency Operational Principles for Good Pharmaceutical procurement, unless, in cases where practices differ from the Interagency

Operational Principles for Good Pharmaceutical Procurement, the Principle Recipient demonstrates, in form and substance satisfactory to the Global Fund, a comparable system of competitive procurement by a group of pre-qualified suppliers, transparency and accountability to their practices, and the application of necessary quality assurance mechanisms.

f. Lowest possible price

The principal Recipient shall use good procurement practices, including competitive purchasing from qualified manufacturers and suppliers, as outlined in item e above, to attain the lowest price of products, consistent with quality assurance.

g. Compliance with quality standards

Pharmaceutical products may be financed by Grant Funds under the Agreement only if the quality standards of such pharmaceutical products can be assured.

For multisource, off-patent products with available dosage for published pharmacopoeial quality standards, the Principal Recipient may verify compliance with applicable standards in accordance with existing national procedures of the Host country.

Grants funds may be used to procure a single or limited source pharmaceutical product (that is, a pharmaceutical product for which there are not publicly available quality assurance standards, analytic methods, and reference standards) provided that such product meets one of the following standards :

- (1) Such product is acceptable under the WHO Prequalification Programme;
- or
- (2) Such product has been authorized for use by a stringent regulatory authority; or
- (3) Such product has been authorized for use by National Drug Regulatory Authority; provided that this clause shall only apply until April 30, 2005.

After April 30, 2005, Grant funds may only be used to procure single or limited source pharmaceutical products that meet the requirements of either (1) or (2) of this sub section (g), provided that :

- (a) Contracts entered into by the Principal Recipient on or before April, 30, 2005 with suppliers for products that qualified for purchase under clause (3) of this sub-section (g) may be honored until such contracts expire or otherwise terminate.
- (b) After April 30, 2005, the Principal Recipient may not enter into any new contracts, nor extend any existing contracts, for the supply of products that would have qualified for purchase under clause (3) of this sub-section g prior to April 30, 2005.

- (c) If the Principal Recipient determines that there is only one or no equivalent pharmaceutical product that meets the standards of either (1) or (2) of this sub-section g, or if Principal Recipient determines that the products that meet these standards are unavailable and represents the same to the Global Fund, and the Global Fund does not object, then Grant funds may be used to procure another equivalent pharmaceutical product, provided that such product is selected in accordance with the following, in order of priority :
- (i) the manufacturer has submitted an application for approval of such product to the WHO Prequalification Programme or a stringent regulatory authority and such product is manufactured at a site that is compliant with the standards of GMP, as certified (after inspection) by the WHO or a stringent regulatory authority; or
 - (ii) if the manufacturer of such product has not submitted an application for approval of such product to the WHO Prequalification Programme or a stringent regulatory authority, such product is manufactured at a GMP-compliant manufacturing site, as certified (after inspection) by the WHO or a stringent regulatory authority.

The Principal Recipient shall promptly notify the Global Fund in writing if it procures any products pursuant to the criteria in clause (i) or (ii) above.

- (d) The Global Fund shall contract an independent third party to conduct random quality analysis of products being procured pursuant to the criteria in clause (c) (i) or (ii) above to ensure the quality of such products. The principal Recipient shall permit (and shall ensure that Sub-recipients permit) such third party (and/or its agents) to access its storage sites and to remove samples of products procured pursuant to the criteria in clause (c)(i) or (ii) above for such analysis;
- (e) With respect to a product procured pursuant to the criteria in clause (c)(i) or (ii) above, in the event that : (i) the application submitted by a manufacturer to the WHO Prequalification Programme or a stringent regulatory authority for approval of such product is no longer under consideration; or (ii) an independent third party contracted by the Global Fund determines that the quality of such product is unacceptable, then the Principal Recipient shall promptly terminate the contract with the supplying manufacturer for such product.
- (f) Procurement of products according to criteria in clause (c)(i) or (ii) above should be time limited and the Principal Recipient should procure products meeting the criteria in clauses (1) or (2) of this sub-section g as soon as possible.

In all cases, pharmaceutical products financed by Grant Funds under the agreement shall satisfy quality standards prescribed from time to time by the Global Fund.

(h) National Drug Registration

If pharmaceutical products intended for use under the Program require approval by the National Drug Regulatory Authority in the Host Country, such pharmaceutical products may be financed under this Agreement only if they have been granted such approval.

i. Monitoring supplier performance

The Principal Recipient shall monitor the performance of suppliers with respect to the quality of the goods and services they supply and shall submit the information gathered to the Global Fund electronically for publication over the internet through a mechanism to be established or specified by the Global Fund.

j. Monitoring product quality

The Principal Recipient shall systematically ensure that random samples of pharmaceutical products financed under the Agreement are tested for compliance with applicable quality standards. The Principal Recipient shall have appropriate monitoring systems in place that are acceptable to the Global Fund or provide for the use of international procurement agencies acceptable to the Global Fund.

k. Supply chain

With regard to supply chain for pharmaceutical and other health products financed under the program, the Principal Recipient shall seek to ensure optimal reliability, efficiency and security.

l. Avoidance of diversion

The Principal Recipient shall implement and ensure that Sub-recipients implement procedures that will avoid the diversion of programme financed health products from their intended and agreed-upon purpose. The procedures should include the establishment and maintenance of reliable inventory management, first-in first-out stock control systems, internal audit systems, and good governance structures to ensure the sound operation of these systems.

m. Adherence to treatment protocols, drug resistance and adverse effects

The Principle Recipients shall implement mechanisms to:

(1) encourage patients to adhere to their prescribed treatments (which mechanisms shall include but not be limited to fixed-dose combinations, once-a-day formulations, blister packs, and peer education and support.)

(2) monitor and contain drug resistance; and

(3) monitor adverse drug reactions according to existing international guidelines.

To help limit resistance to second-line tuberculosis drugs and to be consistent with the policies of other international funding sources, all procurement of medicines to treat multi drug resistant tuberculosis financed under the Agreement must be conducted through the Green Light Committee of the Global Stop TB Partnership.

**INTENSIFIED MALARIA CONTROL PROJECT
PATTERN OF ASSISTANCE**

1. Human resources

GFATM Cells at Directorate of NVBDCP and all the Implementing States would be created comprising of following:

Sl. No.	Post	No of posts	Monthly Emoluments per person (In Rupees)
NVBDCP			
1	Consultants (Procurement)	One	30,000
2	Consultants (Finance)	One	30,000
3	Research Officer	One	18,000
4	Statisticians	Two	12,000
5	Secretarial Assistants	Four	8,000
6	Computer Asstt./Data Operator	Two	7,000
State			
7	Financial Consultant	One	20,000
8	Project Director/Coordinator	One	30,000
9	IEC Consultant	One	25,000
10	Accountant/Assistant	One	10,000
11	Computer Operator /Secretarial Assistant	One	6,000
Districts			
12	Data Entry Operator cum Accountant	One	8,000

2. Training:

Sl. No	Activity	Unit cost (In Rupees)
1	Training per batch of 20 Community Volunteers in use of RDT, drug distribution and bed-net treatment detail larvivorous fish	10,000
2	Training per batch of 25 Lab. Technician	50,000
3	Training per batch of 25 Medical Officers	100,000

3 Commodities and products:

- 1) Bed-nets shall be procured by the Directorate of NVBDCP at an estimated price of Rs.100/- per piece.
- 2) Insecticide for bed net treatment @ Rs.10/- per bed-net
- 3) The Rapid Diagnostic test kits shall be procured by the Directorate of NVBDCP at an estimated cost of Rs. 28 per test.

4 Drugs:

- 1) Arteether injections shall be procured by the Directorate of NVBDCP at a estimated cost of Rs. 75/- per injection.
- 2) Artesunate and SP Combination Therapy tablets shall be procured by the Directorate of NVBDCP at a estimated cost of Rs. 300/- per tablet

5. Planning and administration including Monitoring and Evaluation

Sl. No.	Activity	Unit Cost (In Rupees)
1	Hiring of Vehicles (10 days in a month @ Rs. 1,000 per day)	120,000
2	Field visits (travel related expenses) @ 2 visits per district and 2 visit per state HQ	28,000
3	Half yearly review meeting of the states by Centre	1,000,000
4	Review meeting of District by individual states @ twice in a year	50,000
5	Web page maintenance by Centre	1,500,000
6	Operational studies on impact and process indicator	3,000,000
7	Annual meetings of CCM and major partners by Centre	1,000,000
8	Internal evaluation by special team	1,500,000
9	Preparation of reports and dissemination of information including publication at centre and state level	3,400,000
10	Evaluation (Independent Agency) three times during the project period	10,000,000
11	Office expenses for GFATM cell at NVBDCP	Ad-hoc
12	Office expenses for State level	Ad-hoc
13	Office expenses for District level	25,000
14	IEC - Awareness Campaigns through (50%) state health system and (50%) NGOs/ CBOs/ Panchyat Raj Institutions	72,000

6. Operational expenses for treatment of bed-nets at an estimated cost of Rs.10/- per bed-net

List of Ledger/Sub-Ledger Heads for booking of expenditure

Sl No.	Category	Sub-Category
1	Human Resources	<p>At NVBDCP Remuneration to –</p> <ol style="list-style-type: none"> 1) Consultants/ Staff in Procurement and Finance Units 2) Research Officers 3) Statistician 4) Programmer/ Secretarial Assistants, and 5) Computer Assistant/ Data Operator <p>At States Remuneration to –</p> <ol style="list-style-type: none"> 1) Consultants/ Staff in Procurement and Finance Units 2) Project Director/ Coordinator 3) IEC Consultants 4) Accountant/Assistant 5) Computer Operator/ Secretarial Assistants <p>Districts Honorarium to Accountant</p>
2	Training	<ol style="list-style-type: none"> 1) Training of Medical Officers 2) Training of Lab. Technicians 3) The training of Community Volunteers
3	Commodities & Products	<ol style="list-style-type: none"> 1) Bed-nets 2) Insecticide for bed-net treatment 3) Rapid Diagnostic kits
4	Drugs	<ol style="list-style-type: none"> 1) Arteether Injections 2) Artesunate Combination Therapy (ACT)
5	Planning & Administration including Monitoring and Evaluation	<ol style="list-style-type: none"> 1) Hiring of vehicles 2) Field visits 3) Half yearly review meetings of States by center 4) Review meetings of districts by States 5) Operational Studies 6) Web page maintenance 7) Annual Meeting of CCM and major partners 8) Preparation of reports and dissemination of

		<p>information including publication, evaluation,</p> <p>9) Internal evaluation by special team</p> <p>10) Office Expenses for NVBDCP</p> <p>11) Office Expenses for State level</p> <p>12) Offices Expenses for district level and</p> <p>13) IEC – Awareness campaigns</p>
6	Operation Expenses for treatment of bed-nets	Operational cost to state health authorities.

INTENSIFIED MALARIA CONTROL PROJECT_____
(NAME OF SOCIETY)

Project Management Reports/ Statement of Expenditure* for the year _____

S. No	Expenditure Head	Physical targets for the year		Statement of Expenditure*					Cumulative for the project period	Remarks, if any
		Fixed	Achieved	(In Rupees)						
				Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total		
1	Human Resource									
	Financial Consultant									
	Project Director/Coordinator									
	IEC Consultant									
	Assistant/Computer Operator									
	Secretarial Assistant									
	Accountant									
	Sub-total									
2	Training									
	To Community Volunteers in use of RDT, drug distribution and bed-net treatment , etc.									
	To Lab. Technician									
	To Medical Officers									
	Sub-total									
3	Commodities & Products									
	Bed-nets									
	Insecticide for bed net treatment									
	Rapid Diagnostic test kits									
	Sub-total									
4	Drugs									
	Arteether injections									
	Artesunate and SP Combination Therapy tablets									
	Sub-total									

5	Planning & Administration									
	Hiring of Vehicles									
	Field visits (travel related expenses)									
	Review meeting of District									
	Operational studies on impact and process indicator									
	Internal evaluation by special team									
	Preparation of reports and dissemination of information including publication at state level									
	Evaluation (Independent Agency)									
	Office expenses for State level									
	Office expenses for District level									
	IEC - Awareness Campaigns through (50%) state health system and (50%) NGOs/ CBOs/ Panchyat Raj Institutions									
	Sub-total									
6	Operational Expenses									
	Operational expenses for treatment of bed-nets									
	Sub-total									
	Grand Total									

* Consolidated information from all the implementing agencies in the State viz. DVBCS, NGOs/CBOs, etc/

(Member Secretary)

(Chairperson)

INTENSIFIED MALARIA CONTROL PROJECT

_____ (NAME OF SOCIETY)

**STATUS REPORT OF FUNDS AVAILABILITY
FOR THE QUARTER ENDED ON _____**

Sl. No.	Particulars	Amount (In Rupees)
1	Opening Balance B/F	
2	Funds received during the quarter	
	Total (A)	
3	Actual Expenditure incurred as per Category wise SOE	
4	Advance payments made	
	Total (B)	
5	Closing Balance [A – B] C/F	

Accountant/ Finance Officer**Member Secretary**

INTENSIFIED MALARIA CONTROL PROJECT
 _____ (NAME OF SOCIETY)

RECEIPTS AND PAYMENTS ACCOUNT
FOR THE PERIOD FROM 1ST April ____ to 31ST March ____

(In Rupees)

RECEIPTS			PAYMENTS		
	Amount of the current year	Amount of the previous year		Amount of the current year	Amount of the previous year
Opening Balance Cash in hand Bank Balance with			Transfer of funds to DVBDCP		
Grant-in-aid			Human Resources		
Gift/ / Donation if any			Training		
Transfer from other Agency/ DVBDCP/ SVBDCS			Commodities & Products		
Miscellaneous Receipts			Drugs		
Interest on Bank Deposit			Planning & Administration		
			Operational Expenses		
			Closing Balance Cash in hand Balance with bank in a/c no		
Total Rs.			Total Rs.		

Member Secretary

Chairperson

Auditors with Rubber Stamp

Annexure VIII

INTENSIFIED MALARIA CONTROL PROJECT

_____ (NAME OF SOCIETY)

INCOME AND EXPENDITURE ACCOUNT

For the period from 1st April _____ to 31st March _____

(In Rupees)

EXPENDITURE			INCOME.		
	Amount of the current year	Amount of the previous year		Amount of the current year	Amount of the previous year
Human Resources			Gift/ Grant/ Donation		
Training			Miscellaneous Receipts		
Commodity & Products			Interest on Bank Deposit		
Drugs			Transfer from Grant in aid		
Planning & Administration					
Operational Expenses					
Total Rs.			Total Rs		

Member Secretary

Chairperson

Auditors with Rubber Stamp

Annexure IX

INTENSIFIED MALARIA CONTROL PROJECT

_____ (NAME OF SOCIETY)

BALANCE SHEET AS ON 31ST MARCH -----

(In Rupees)

LIABILITIES	Amount of the Current year	Amount of the previous year	ASSETS	Amount of the Current year	Amount off the previous year
Opening balance Add: - Grant received during the year Less:- Expenditure for the year charged to GIA			Fixed Assets (at cost of acquisition)		
			Closing balance of consumables purchased out of GIA funds		
Out Standing Liabilities Expenses payable Other liabilities			Interest accrued but not received from banks etc.		
			Any loans/ advances given but not received up to 31 st March		
			Cash in hand As on 31 st March		
			Bank Balance As on 31 st March (Bank reconciliation statement be prepared & enclosed)		
Total Rs.			Total Rs.		

Member Secretary

Chairperson

Auditors with Rubber Stamp

**TERMS OF REFERENCE
FOR THE AUDIT OF PROJECT FINANCIAL STATEMENTS**

1. PROJECT BACKGROUND

The Government of India (GOI) has been approved a grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) towards the cost of the Intensified Malaria Control Project (Grant No.IDA-405-G07-M) being implemented by the Directorate of National Vector Borne Disease Control Programme (NVBDCP).

2. PROJECT OBJECTIVES

1. Early case detection and prompt treatment in remote and inaccessible areas through community participation;
2. Malaria transmission risk reduction; and
3. Enhancement of awareness about malaria control through promotion of community, NGO and private sector participation.

3. PROJECT IMPLEMENTATION

The project will be implemented over a period of five years starting in the financial year 2005 and ending in financial year 2010.

The Government of India, Ministry of Health and Family Welfare, New Delhi, through the Directorate of NVBDCP would grant funds to State Vector Borne Disease Control Societies (SVBDCS), which would be responsible for implementing project activities.

The Societies would, in turn, contact District Vector Borne Disease Control Societies (DVBDCS) in their respective States to deliver most of the project activities. NGOs will also be represented in the executive committee of the Societies so that they play an important role in decision-making at the State/UT and District level programme.

4. OBJECTIVE

The objective of the audit of the Project Financial Statement is to enable the auditor to express a professional opinion on the financial position of State Vector Borne Disease Control Societies (SVBDCS) for Intensified Malaria Control Project at the end of each fiscal year and of the funds received and expenditure for the accounting period ended, as reported by the Project Financial Statements

(PFS) as well as an opinion on the Statement of Expenditure (SOE)/Project Management Reports (PMRs).

The project books of accounts provide the basis for preparation of PFS and are established to reflect the financial transactions in respect of the project, as maintained by the State Vector Borne Disease Control Societies (SVBDCS).

5. SCOPE

Audit will be carried out in accordance with the accepted standards of Auditing in the country, and will include such tests and controls, as the auditor considers necessary under the circumstances. The auditor should indicate the extent (if any) to which the examination would not conform to those standards. In conducting the audit, special attention should be paid to the following:

All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.

Counterpart funds have been provided and 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;

Goods and services financed have been procured in accordance with the relevant financing agreement;

All necessary supporting documents, records, and accounts have been kept in respect of all project ventures including expenditure reported via Statement of Expenditure (SOE)/Project Management Reports (PMRs). Clear linkage should exist between the books of account and reports presented to the GOI/ GFATM. Auditor should also establish with reference to approved Project implementation plan /disbursement letter that expenditure claimed for reimbursement are eligible for financing under the Grant Agreement.

The project accounts have been prepared in accordance with consistently applied and nationally accepted accounting principles/ standards of the ICAI and give true and fair view of the financial situation of the project at the end of each fiscal year and of resources and expenditure for the year ended on that date. The auditor should indicate any material differences from the accounting standards of the ICAI where relevant, and their effect on the annual financial statements.

There exists an adequate internal control procedure commensurate with the size of the State Vector Borne Disease Control Society (SVBDCS) and the nature of its work.

To verify the statement of expenditure and comment on the adequacy of records/ management of at least 10-15% of the district authorities, field units and NGOs in each quarter so that uniformity of test check procedures could be ensured.

6. PROJECT FINANCIAL STATEMENTS (PFS)

The Project Financial Statements should include

- (a) A Summary of Funds received, showing the project funds from the GOI, funds from other donors, and counterpart funds separately;
- (b) A Summary of Expenditure shown under the main project headings and by main categories of expenditure, both for the current fiscal year and accumulated to date; and
- (c) A Balance Sheet showing accumulated funds of the Project, bank balances other assets of the project, and liabilities, if any.

7. STATEMENT OF EXPENDITURE (SOE)/ PROJECT MANAGEMENT REPORTS (PMRs)

In addition to the audit of the PFS, the auditor is required to audit all SOEs/ PMRs used as the basis for the submission of withdrawal applications. The auditor should apply such tests and controls, as the auditor considers necessary under the circumstances. This expenditure should be carefully compared for project eligibility with the relevant financing agreements and with reference to the Project Appraisal Document for guidance when considered necessary. Where ineligible expenditure is identified as having been included in withdrawal applications and reimbursement there against, the auditor should separately note these. Annexed to the Project Financial Statements should be a schedule listing individual SOE/PMR withdrawal applications by specific reference number and amount.

8. AUDIT OPINION

Besides a primary opinion on the Project Financial Statements, the annual audit report of the Project Accounts should include a separate paragraph commenting on the accuracy and propriety of expenditure withdrawn under SOE/PMR procedures and the extent to which the Global Fund can rely on SOEs/ PMRs as a basis for loan disbursement. The financial statements, including the audit report, should be received by the Directorate of NVBDCP and GFATM not

later than four months after the end of the accounting period to which the audit refers. These shall then be appropriately forwarded to the Global Fund.

9. MANAGEMENT LETTER

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

- (a) Give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- (b) Identify specific deficiencies and areas of weaknesses in systems and controls and make recommendation for their improvement;
- (c) Report on the degree of compliance of each of the financial covenants on the financing agreement, legal/financial obligations and commitments and give comments, if any, on internal and external matters affecting such compliance;
- (d) Report on achievement of the planned results of the project in relation to the objectives set out in the approved Project Implementation Plan;
- (e) Report on economy, efficiency, and effectiveness in the use of resources;
- (f) Communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the project; and
- (g) Bring to the borrower's attention any other matters that the auditors consider pertinent.

10. GENERAL

The auditor should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding at the Directorate of NVBDCP and of amounts disbursed under IMCP. SVBDCS can assist in obtaining these confirmations.

It is highly desirable that the auditor becomes familiar with a copy of these Guidelines on IMCP funds.

11. TIMING AND NATURE OF FINANCIAL STATEMENTS

The Societies shall ensure that the all financial statements as required under Society Registration Act, all Statement of Expenditure (SOEs)/ Project Management Reports (PMRs) and other records, and reports are provided to the Auditor immediately and certainly within two months after the end of the accounting period to which the audit refers in order to allow Auditor reasonable time to comment on these statements.

MODEL AUDIT REPORT
(For Project Financial Statement including SOE)

The Member Secretary,
_____ Vector Borne Disease Control Society,
_____.

Introductory Paragraph

We have audited the accompanying financial statements of the Intensified Malaria Control Project (financed under Global Fund Grant No.IDA-405-G07-M) as of March 31, 20____/20____ for the year(s) then ended. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope Paragraph

We conducted our audit in accordance with ICAI standards and guidelines on IMCP Funds. Those Standards and/or guidelines required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts 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 give a true and fair view of the Sources and Application of Funds and “financial position” at March 31, 20____/20____ of the Intensified Malaria Control Project for the year ended March 31, 20____/20____, in accordance with the relevant national standards of the ICAI.

In addition, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the Global Fund for disbursements of expenditure incurred; and (b) which expenditure are eligible for financing under the Grant Agreement [No.IDA-405-G07-M].

[Name and address of Audit Firm]

[Date – Completion date of Audit]

** 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.*

INTENSIFIED MALARIA CONTROL PROJECT

_____ (NAME OF SOCIETY)

UTILISATION CERTIFICATE For the year _____

1. Certified that out of Rs. _____ of grant in aid sanctioned during the year _____ in favour of the _____ (NAME OF SOCIETY) under the Ministry of Health and Family Welfare *vide* sanction numbers given hereunder and Rs. _____ on account of unspent balance of the previous year, and amount of Rs. _____ on account of miscellaneous receipts (including interest received on bank account) totaling to Rs. _____, out of which an amount of Rs. _____ has been has been utilized for the purpose for which it was sanctioned and the balance of Rs. _____ remaining unutilized at the end of the year has been surrendered to Government (vide D.D. No. _____ dated _____)/ will be adjusted towards the grants-in-aid payable during the next year _____.

Sl. No	Sanction No & date	Amount
		Total

2. Certified that the conditions on which the grant in aid was sanctioned have been fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose of which it was sanctioned.

- i. All expenditures incurred are in accordance with the rules and regulations of SVBDCS / and with in the frame work of the GOI guidelines.
- ii. The expenditure incurred is related to the programme activities.
- iii. The expenditure is incurred with the proper resolution of the Society.
- iv. The expenditure incurred on the purchase of fixed assets or consumable good has been verified from the relevant stock register.
- v. No amount of the Grant in Aid or any receipt of the funds from other sources is deposited for gain or to generate income by way of interest other than bank interest.
- vi. Funds have been released to the NGO after their proper scrutiny and verification and strictly in conformity with the NGO guidelines formulated by the Directorate of National Vector Disease Control Programme.

Member Secretary

Chairperson

(Chartered Accountant)

Seal

INTENSIFIED MALARIA CONTROL PROJECT
 _____ (NAME OF SOCIETY)

Schedule of Fixed Assets as on 31st March _____

S No	Category of Assets (like furniture office equipments etc)	Date of Purchase/ Transfer	Item Description	Quantity (in nos)	Specific identification (Serial no make etc.	Original Value Rs	Location	User/ person responsible for assets custody	Remarks, if any
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
so on									

Member Secretary

Chairperson

Auditors with Rubber Stamp