

Appendix-B

CHECK-LIST FOR AUDITORS OF STATE HEALTH SOCIETY

<u>Sl. No.</u>	<u>PARTICULARS</u>	<u>YES</u>	<u>NO</u>	<u>REMARKS</u>
1.	Whether Audit Opinion is in the prscribed format giving the World Bank Credit No.			
2.	Whether the Annual Financial Statements (AFS) are in the Prescribed format for Balance Sheet, Income & Expenditure Account and Receipt & Payment Account			
3.	Whether the Financial Statements includes the Bank Reconciliation Statement as on last day of the year.			
4.	Whether Financial Monitoring Report for the last quarter has been certified by the auditors and forms part of Annual Financial Statements			
5.	Confirm that no advances to Districts/ Blocks/ PHCs/ CHCs and any other Agency are shown as expenditure			
6.	Are there advances outstanding for long? (greater than 6 months)			
7.	Whether the Utilisation Certificate for all the Sanctions/ Activity has been attached.			

8.	Are the Utilisation Certificates are signed by the Mission Director or any other authorised person and by the Auditor			
9.	Whether auditor has certified that the amount of utilisation in the Utilisation Certificate is tallied with the Income & expenditure Account of the relevant period.			
10.	Confirm that the Consolidated Annual Financial Statements includes all the districts annual statements based on the books maintained by them and have been duly audited by the same auditor or any other auditor.			
11.	Whether Management Letter has been prepared by the Auditors?			
12.	Whether Management has offered its comments on the observations of the Auditor in the Management Letter.			
13.	Whether the Annual Financial Statements are consolidated on the basis of audited districts accounts and not on the basis of expenditures reported by the districts.			
14.	Have you ensured that the Annual Financial Statements have been consolidated for all the Programmes i.e.			

	RCH, NRHM, Immunisation, IEC, Training and all National Disease Control Programmes.			
15.	Whether Accounting Policies and Notes on Accounts have been appended to the AFS			
16.	Are you sure that none of expense of any activity has been merged with that of any other activity.			
17.	Are you sure that all the expenses have been properly reflected as per the Heads of Accounts as shown in the FMR for each programme.			
18.	Whether the accounts finalisation instructions issued by each Programme Division has been followed or not.			

FORMAT OF AUDIT REPORT (REVISED)

To,

The Mission Director,

..... State Health Society,

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Introduction

We have audited the accompanying expenditure statements / financial statements of the RCH Program Phase-II (**World Bank Cr. No. 4227-IN**) , Routine Immunisation, Pulse Polio Immunisation and Additionalities under NRHM including all the National Disease Control Programmes i.e. RNTCP-I financed under World Bank Credit No. 4228-IN , Leprosy, Blindness, IDD, IDSP and NDVCP (World Bank Cr. No. No. 2964-IN) implemented through theState Health Society, as of 31st March, 200.... Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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. In forming our opinion we have relied upon the audit findings / observations in(nos.) District Health Society/State Health Society's financial statements, which have been audited by other auditors. We believe that our audit provides a reasonable basis for our opinion.

Opinion

- a. The statements of account dealing with this report includes funds received from **World Bank under Reproductive and Child Health Program Phase – II (Cr. No. No. 4227-IN) and RNTCP-II (Cr. No. 4228-IN)**.
- b. We have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.
- c. In our opinion, proper books of account have been kept by the State Health Society, so far as appears from our examination of the books.
- d. The statements of account dealt with this report are in agreement with the books of account.
- e. Financial Statements of the State is the consolidated Financial Statements of the State and District Societies.
- f. In our opinion and to the best of our information and according to the explanations given to us the said consolidated accounts of the State and District Societies, gives the information in the manner so required and give a true and fair view:-
 1. In the case of the balance sheet, of the State of affairs of the Society as at 31st March,.....
 2. In the case of the Income and Expenditure Account of the excess of income over expenditure / deficit of income over expenditure for the year ended on that date.
 3. In case of Receipts and Payments Account of the receipts and payments during the year ended on that date.
- g. In addition with respect to FMR/SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred;
- h. The expenditures so claimed are eligible for financing under the Credit Agreement; and
- i. Procurement of goods and services has been carried out as per the Procurement manual by Central TB Division and other concerned division of the Govt. of India.

Place:

Date:

Signature of Auditor (s)

Notes :-

1. In case, a qualified opinion or disclaimer is given by the auditor, the audit report should state in a clear and informative manner all the reasons for such an opinion.
2. Audit Report to be accompanied by:
 - a) Management Letter
 - b) Reconciliation of Expenditure as per FMR/SOEs claims with the actual expenditure as reported in the audited financial statements.
3. Matters which have been underlined needs proper attention of the auditor.

FINANCIAL MANAGEMENT LETTER

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

Name of the State:

S. No.	Item	Remarks/ Response
1	<p>Accounting and Funds flow</p> <p>a.Are District Units legally registered entities under the Societies Registration Act?</p> <p>b.Status in respect of guidelines issued in December 2006 on financial, accounting, auditing, funds flow & banking arrangements at State & district level.</p> <p>c.Are the books being maintained as suggested in the Finance and Accounts Manual? (please list the books of accounts maintained at the State and District level)</p> <p>d.In the General Ledger, are the ledger accounts (at a minimum) as per the activity heads in the Financial Reporting Formats? If not how are financial reports complied?</p> <p>e.Is there a clear understanding on the on the nature of expenditure to be charged under each account head?</p> <p>f.What is the basis of recording expenditure at State and District level i.e. is it based on actual expenditure reported by Districts/ sub district units or are transfers recorded as expenditures?</p> <p>g.In case transfers are recorded as expenditures, is there a system of monitoring the expenditures reported against the transfers and eliminating inter unit transfers, while submitting consolidated Financial Report of the State to MOHFW?</p>	

S. No.	Item	Remarks/ Response
	<p>h. Is any computerized accounting system in use and if yes, what are the outputs?</p> <p>i. Are there any delays in receiving funds from the centre to states and states to districts? Has the project or any component been out of funds in the last one year?</p> <p>j. Are funds transferred by State Health Society to District Societies or directly to Bank accounts in the name of CHMO or DMO?</p> <p>k. Whether the State is transferring the funds to Districts electronically or by physical transfer?</p> <p>l. Whether the fund transfer by State to Districts is being done like RCH flexible pool or does the State carry out activity wise fund transfer to the Districts.</p> <p>m. What is the average frequency of fund transfer in a year?</p> <p>n. To what extent have financial powers been delegated at the state, district and block levels?</p> <p>o. Are they aware of the new draft guidelines circulated by the centre for delegation of administrative /financial powers under NRHM?</p> <p>p. Problems being faced/ outstanding issues on accounting or fund management or banking arrangements</p>	
2	<p>Internal Control</p> <p>a. Are Financial Management Indicators being compiled regularly? Copy of latest indicators may be requested</p> <p>b. How are FM Indicators being used or followed up?</p> <p>c. Has SPMU been carrying out field checks on basic financial controls (appendix 13 A of Manual)</p> <p>d. Is there a system of recording, monitoring and settlement of advances at all levels i.e. State, District and sub districts?</p>	

S. No.	Item	Remarks/ Response
	<p>e. Is there an ageing of the advance and are there old un-settled advances with staff and others?</p> <p>f. Are further advances provided without settlement of old advances?</p> <p>g. What steps are being taken to settle old advances, if any?</p> <p>h. Does the project follow the system of single signatory or joint signatories? Who are the signatories to the bank account (s)?</p> <p>i. How many Bank accounts are being maintained and are Bank reconciliations carried out on a monthly basis?</p> <p>j. Problems being faced/ outstanding issues on internal controls.</p> <p>k. Report any procurement which has not been carried out as per the procurement manual of the individual programmes such as; RCH-II, RNTCP, IDSP etc.</p>	
3	<p>Financial Reports:</p> <p>a. Are States familiar with the guidelines for preparation of Revised FMR</p> <p>b. Are the reporting heads in the FMR aligned with the AWP and with the ledger accounts in the General Ledger (to check both at the State and District units)</p> <p>c. Are monthly FMRs submitted by the districts to states on a regular basis? Has the state consolidated the monthly FMRs from the districts for the first quarter of the FY? If so, has it been sent to the Centre and when? (a copy of the last financial report sent may be requested)</p> <p>d. Statement of Fund Position: Whether prepared or not? (Verify the figures from the books of accounts for any quarter as a cross-check measure).</p>	

S. No.	Item	Remarks/ Response
	<ul style="list-style-type: none"> e. Do the FMRs go to FMG and programme divisions f. What are the checks being exercised while preparing FMRs? g. Is physical progress being captured in time and consistently? h. Problems being faced/ outstanding issues on financial reporting 	
4	<p>Audit:</p> <p><u>External:</u></p> <ul style="list-style-type: none"> a. Is there a TOR for external auditors and is it as per the TOR provided in the FM Manual/ RFP? b. Has the auditor(s) been appointed for State and District Societies for the year 2006-07? c. If yes/no, what was the process of selection of auditors? For 2006-07 were they from the short-list circulated by FMG? d. Was a tendering processes were followed /will follow to appoint the Auditors? e. Are the bids evaluated for contracting auditors based on technical inputs or are they cost based? f. What are the fee rates, the coverage and the time period for which auditors have been contracted? g. Has a single audit firm been appointed or have districts been divided amongst firms? h. Is there a concept of lead auditor to quality assure the audit? i. Has SPMU received the model audit report sent by FMG? j. Have the audit observations on the audit report for previous FY been shared by the FMG? k. What is the practice for follow up on audit observations? l. Did the auditor visit the districts or districts offi- 	

S. No.	Item	Remarks/ Response
	<p data-bbox="370 268 927 348">cials were called at the State along with the records?</p> <p data-bbox="321 411 431 443"><u>Internal:</u></p> <p data-bbox="321 457 997 537">m. Does the State have a system of internal/ concurrent audit?</p> <p data-bbox="321 548 1003 627">n. Does State plan to have internal or concurrent audit on monthly or quarterly basis?</p> <p data-bbox="321 638 959 718">o. Are internal audit observations being received regularly and being acted upon?</p>	