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Ministry of Health and Family Welfare
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National Rural Health Mission:

Guidelines on financial, accounting, auditing, fund flow and banking arrangements as approved by Empowered Programme Committee of NRHM

The National Rural Health Mission (NRHM) has provided an umbrella under which the existing Reproductive and Child Health Programme (RCH) and National Disease Control Programmes (NDCPs) have been repositioned. In addition, the Mission has tried to fill the gaps in the existing programmes with respect to infrastructure and service delivery through 'Additionalities under NRHM'. Under the Mission the States/UTs would reflect their requirements in a consolidated NRHM State sector Programme Implementation Plan (PIP) PIP having various sections for individual programmes under Parts - (A) RCH, (B) Additionalities under NRHM, (C) Immunization, (D) RNTCP (E) NVBDCP (F) Other NDCPs & (G) Inter-Sectoral issues. The funding would be provided on the basis of approval of these PIPs by GOI. When the programmes have been repositioned under one umbrella, it is pertinent that the financial processes are also restructured to reflect the aspirations of the Mission.

2. At present the funds to State Health Societies (SHSs) are disbursed from the Centre in a disjointed manner by each Programme Division sending grants individually. As a corollary, the reporting of utilization by SHSs is also done separately to each concerned Division. The fragmented approach is expected to pose problems in arriving at the total funds disbursed to State Health Societies and the total utilisation by them under the Mission at any given time at the Central level. Similarly, at the SHS and District Health Society (DHS) levels, it is difficult to find the fund utilisation details at a common point, with each Programme Officer managing his/her own funds. In this scenario centralised financial management of NRHM as a whole at all levels is, thus, not possible.

3. The roadmap for realigning the financial processes was, therefore, considered by the Empowered Programme Committee (EPC) of NRHM at its 5th Meeting on 9th October, 2006. It was decided to put in place the following financial management and fund flow processes at Central, State and District levels under NRHM. The guidelines with respect to State and District Health Societies will become effective from 1st of April, 2007.

4. While there are obvious advantages in financial integration through a common budget and common financial processes, the progress towards it can only be gradual. Many of the disease control programmes are funded by donors and therefore require separate accounts for the purpose of seeking reimbursements. Moreover, the workforce under the various vertical health programmes have worked hitherto in isolated manner. Bringing them into a common fold has necessarily to be a gradual step by step process.

5. Arrangements at the Central Level:

- i. Director (RCH-Finance) will be redesignated as Director (NRHM-Finance).
- ii. A 'NRHM-Finance Division' will be created to support Director (NRHM-Finance) with one Under Secretary, one Section Officer, two Accounts Officers, one Assistant, one LDC and one Group 'D'.
- iii. The mandate of the Financial Management Group (FMG), presently looking after mainly RCH-Finance, would be expanded to look after the finances of NRHM. More consultants may be hired to strengthen the group to take additional responsibilities under NRHM. A hall of at least 700 sq. feet needs to be provided for the 'NRHM-Finance Division' and 'FMG' to function properly in its enlarged role. The secretariat will be fully automated in terms of computers, printers, fax machine, Xerox machine, STD telephone connectivity, etc. for interacting with States on day to day basis and for faxing Sanction Letters and monitoring expenditure reporting,
- iv. All finance related manpower available with the National Disease Control Programmes (NDCPs) will be part of the larger FMG, though they will continue to be located within and report to their respective programme divisions. They, however, will hold regular consultation meetings with Director (NRHM-Finance) for financial monitoring of the NDCPs on a fortnightly/monthly basis.
- v. The respective Programme Divisions would process their proposals for fund releases. The Sanction Orders would also be issued by the Programme Divisions concerned. After the issue of sanction letter the concerned Programme division will send the bill, through the concerned Cash Section, to the concerned PAO for issue of cheques. Thereafter the cheques along with the Sanction Orders would be handed over by the Programme Divisions to the FMG for transferring them to State Societies electronically.
- vi. However, as regards the Mission Flexible Pool and RCH Flexible Pool, keeping all other processes outlined above intact, the Sanction Orders would be prepared by the respective Programme Divisions but would be issued by NRHM-Finance Division.
- vii. All the concerned PAOs will be covered under the Office of CCA's Office Memorandum concerning electronic transfer of funds, presently applicable to PAO (Secretariat).
- viii. The FMG will centrally transfer funds electronically to State Health Societies for all programmes under NRHM through the Interface Bank and maintain centralised data base of releases and utilisations under all components of the Mission Flexible Pool viz. parts (A) RCH, (B) Additionalities under NRHM, (C) Immunization and (D) RNTCP, (E) NVBDCP, (F.1) National Blindness Control Programme, (F.2) Iodine Deficiency Disorder Control Programme, (F.3) National Leprosy Eradication Programme, and (F.4) Integrated Disease Surveillance Programme.
- ix. For NDCPs, State Health Societies would be required to send SOEs, UCs and relevant portion of Audit Reports to the respective Programme Divisions, in addition to the FMG.

Arrangement in States/UTs:

Advent of an integrated State/District Health Society

6. Most of the States/UTs have already merged their multiple societies to create integrated Health Societies at State and District levels. This is in tandem with the objective of creation of a single budget head for NRHM at the Central level and will ultimately pave the way for single window receipt of funds from Centre, single Financial Management Reporting to Centre, single Utilization Certificate to GOI, and a consolidated audit for all the programmes run by the SHS and DHS.

The establishment of Programme Management Support Units and their role in the new system

7. Creation of a common Programme Management Support Unit (PMSU) manned by professional staff would be the first step towards the goal of integration. PMSUs at State and District levels have already been established in most of the States and being established in rest of them. These PMSUs would support not only RCH but the entire gamut of activities under NRHM. The main features of the arrangements would be as follows:

- i. A Financial Management Group (FMG) will be created in each PMSU. The FMGs of the PMSUs at SHS and DHS levels will do centralised processing of funds releases, accounting for the expenditure reported by subordinate units and monitoring of Utilisation Certificates and audit arrangements. They will also be responsible for collecting, compiling and submitting SOEs, FMRs, UCs, audit reports from the DHSs to SHSs and from SHSs to GOI.
- ii. Various finance and accounts related personnel presently engaged under various programmes like RCH and individual NDCPs at State level and especially at District level should be made part of the larger FMG, though they will also continue to handle their respective duties within the programme divisions. They would continue to be located within their programme divisions, and report to their respective programme manager. Even though the funds for NDCPs would be kept in separate accounts, the pooled accounts and finance related manpower from respective programmes will assist the State Finance Manager/State Accounts Manager and District Accounts Manager in discharging the larger role of the FMG/PMSU.
- iii. The FMGs of the PMSUs both at the SHS and DHS levels will also be responsible for managing all bank accounts under which funds are received under the NRHM.

THE DETAILED PROCEDURE TO OPERATIONALISE THE ABOVE ARRANGEMENTS:

8. At State Health Society Level:

To facilitate electronic transfer of funds, the state societies have been asked to open their bank accounts in the ICICI Bank. Many States have already done so. Some have not been able to do so because ICICI Bank does not have branches in that State. A few States have not opened their accounts even though ICICI Bank has its branches in the State. Till such time that all the State Health Societies have their account in ICICI Bank, each of the above three categories would have somewhat different arrangements. These are described below:

A. Banking arrangements in States where State Health Societies have already opened their account in ICICI Bank:

- i. ICICI Bank allows the facility of a Group Account which can have separate sub accounts. Therefore, the States where SHS has its account in ICICI Bank (at present 17 States), the State Health Society will have one group bank account for all funds flowing from the Mission Flexible Pool pertaining to Parts (A) RCH, (B) Additionalities under NRHM, (C) Immunization and (D) RNTCP (E) NVBDCP and (F.1) National Blindness Control Programme, (F.2) Iodine Deficiency Disorder Control Programme, (F.3) National Leprosy Eradication Programme, and (F.4) Integrated Disease Surveillance Programme.
- ii. However, at present the SHSs already have a single bank account for Parts (A), (B) and (C). This single bank account for Parts (A) RCH, (B) Additionalities under NRHM and (C) Immunization will continue and there is no need to open separate sub-accounts for them. The group accounts for individual NDCPs will be opened in conjunction with this main bank account in ICICI Bank.
- iii. All funds transfers for all programmes under NRHM from GOI will be electronically credited into these bank accounts. To summarise, the funds for (A) RCH, (B) Additionalities under NRHM and (C) Immunization would be credited into one single bank account; while funds meant for (D) RNTCP (E) NVBDCP, (F.1) National Blindness Control Programme, (F.2) Iodine Deficiency Disorder Control Programme, (F.3) National Leprosy Eradication Programme, and (F.4) Integrated Disease Surveillance Programme would flow into their respective programme specific sub-account of the group account.
- iv. The existing bank accounts being maintained for individual National Disease Control Programmes will be closed on 31st March 2007 after transferring the balance amount to the respective accounts in the group account of State Health Society.

B. Banking arrangements in States where ICICI Bank is there but SHS have not opened their account with this bank:

- i. There are 8 States where the ICICI Bank, the Interface Bank of the MOHFW, GOI, is present at the State Capital. However, the State Health Societies have not opened their bank account in this bank despite instructions to do so by Government of India. These States are Bihar, Maharashtra, Jammu & Kashmir, Assam, Karnataka, Jharkhand, Goa, and Meghalaya. These States will immediately open the bank accounts of the State Health Society in ICICI Bank. The banking instruction detailed in points **A. (i) to (iv)** above will be applicable on these States.

C. Banking arrangements in States where ICICI Bank does not have presence:

- i. There are 10 States/UTs where ICICI Bank is not present. These States/UTs are Mizoram, Arunachal Pradesh, Daman & Diu, Lakshadweep, Manipur, Nagaland, Dadra & Nagar Haveli, Andaman & Nicobar, Tripura and Sikkim. In case the bank, in which the main account of RCH-II / Additionalities under NRHM / Immunization is kept,

has the facility for opening of group accounts, sub-accounts for individual NDCPs should be opened in that bank under one group account. If this facility is not available in the bank then the State Health Society should open separate bank accounts for individual NDCPs in the same bank in which the main bank account is being maintained. In addition, the SHS should impress upon the bank to make the branch RTGS (Real Time Gross Settlement) enabled to facilitate electronic transfer of funds. The fund transfer for the Parts (A), (B), & (C) would take place to the single account meant for them. However, the transfer of funds for parts (D), (E) & (F) would take place in their individual accounts. The SHSs in these States would chose a bank which has RTGS (Real Time Gross Settlement) facility for electronic transfer of funds.

- ii. As and when ICICI Bank opens a bank branch in these States, the State Health Societies are advised to open account in this bank and the processes outlined in points A (i) to (iv) above will be applicable. The bank is going to open its branches shortly (by February, 2007) at Dimapur (Nagaland), Selvassa (Dadra & Nagar Haveli), Gangtok (Sikkim) and Agartalla (Tripura).

D. Issue of sanction & signing of cheques

- i. The GOI will shortly issue detailed generic guidelines on delegation of administrative and financial powers at each implementation level in the SHS. It will prescribe substantive delegation of powers to the State Programme Officers. Each State Programme Officer looking after individual National Disease Control Programmes and RCH, Immunization, Additionalities under NRHM, etc. will process the files for making expenditure under their respective programmes as in the existing system based on the delegated powers. If the expenditure is within their own powers, they may issue the sanction letter at their own level. However, if the instant expenditure is beyond their delegated powers, they will submit the files to the concerned authorities for taking required approvals. After approval, the Programme Division would issue sanction letters, a copy of which will be marked to the FMG functioning under the State PMSUs. Thus, the issue of sanction order would be the exclusive responsibility of the Programme Divisions.
- ii. The issue of sanction orders and cheque signing process will be de-linked. Cheque signing will be an in-house affair of the Secretariat of the Mission Director (i.e., the State PMSU). The signing of cheques/electronic transfer would be done under joint signatory/authority for all the components under NRHM. The mechanism of the release of funds, whether for RCH-II or NRHM Additionalities or NDCPs would, therefore, be the same.
- iii. Three Joint Signatories would be notified: (i) the Mission Director (in whatever capacity s/he is in the SHS); (ii) a member from the State PMSU (either the State Finance Manager or the State Accounts Manager or the State Programme Manager); and (iii) the in-charge of the Programme Division at the State level. (The authority of an in-charge of a Programme Division to sign a cheque/authorise electronic transfer of funds would be linked to his/her own programme/sub-account). Of these, two signatories would be sufficient with the provision that the

member of the State PMSU must be a signatory. However, in the States where the PMSUs are under the process of being established, the Joint Signatories may be the (i) Mission Director (in whatever capacity s/he is in the SHS) or his/her nominee and (ii) In-charge of the Programme Division.

- iv. On receipt of the Sanction Letter the FMG of the State PMSU will issue cheques/Demand Drafts/electronic funds transfer through e-Banking within two working days. Funds to District Health Societies will be sent to the respective bank account maintained for individual programmes, i.e. for parts (A) RCH, (B) Additionalities under NRHM, (C) Immunization to the main bank account and for NDCPs to the individual bank accounts maintained for them.
- v. The FMG will maintain separate ledger accounts for each activity separately for parts (A) RCH, (B) Additionalities under NRHM, (C) Immunization (D) RNTCP (E) NVBDCP (F) Other National Disease Control Programmes. Registers and ledgers for Parts (D) to (F) shall further be detailed under separate registers and ledgers under individual disease control programmes according to their respective guidelines and (F) would further be sub-divided into (F.1) National Blindness Control Programme, (F.2) Iodine Deficiency Disorder Control Programme, (F.3) National Leprosy Eradication Programme, and (F.4) Integrated Disease Surveillance Programme.
- vi. All funds transfers to District Health Societies for all the programmes under NRHM will be centrally done by the State PMSU as per the approved NRHM PIP and Annual District Plans as approved by the Governing Body/Executive Body of the SHS.
- vii. The FMG will compile the funds transfer/expenditure data centrally for all programmes. Wherever possible, the respective Programme Officers will be entitled to have electronic viewing rights to their bank account. In addition, they will get a printed copy of the bank statement. The FMG will also share the expenditure/funds transfers to districts details with all programme officers on a regular basis.
- viii. All accounting for all programmes will be the responsibility of the FMG. It will also be responsible to send all the Financial Monitoring Reports, Utilisation Certificates and Audited Reports for entire NRHM to the Central FMG at GOI level. In case of NDCPs, the State FMG will also send FMRs, UCs, ARs etc as per the requirement of specific programmes to their respective programme divisions.

9. At the District Health Society Level:

- i. The District Health Society will continue to have a single bank account for Parts (A) RCH, (B) Additionalities under NRHM, and (C) Immunization. In addition they will continue to have separate individual bank accounts for individual National Disease Control Programmes as is the arrangement in vogue.
- ii. Wherever the ICICI Bank, the Interface Bank of the Ministry of Health and Family Welfare, GOI, is present at the District Head Quarters, all the bank

- accounts will be opened in ICICI Bank to facilitate gradual coverage of the e-Banking initiative of the Ministry.
- iii. Wherever the ICICI Bank is not present, it would be ensured that all the accounts are opened in the same bank/branch of any other scheduled commercial bank, preferably having RTGS facility for smooth electronic transfer of funds. However, in the States/UTs where e-banking initiative of the MOHFW is being implemented or will be implemented, the instructions regarding the bank with which accounts have to be opened will be as per the requirements under e-banking initiative.
 - iv. All bank accounts will be managed by the FMG of the District PMSU, which will include (i) the Main Bank Account for parts (A) RCH, (B) Additionalities under NRHM and (C) Immunization; and all individual bank accounts pertaining to (ii) Revised National Tuberculosis Control Programme, (iii) National Vector Borne Disease Control Programme, (iv) National Blindness Control Programme, (v) Iodine Deficiency Disease Programme, (vi) National Leprosy Eradication Programme, and (vii) Integrated Disease Surveillance Programme
 - v. The FMG will maintain separate ledger accounts for each activity as per the specific guidelines of the programmes, separately for parts (A) RCH, (B) Additionalities under NRHM, (C) Immunization and (D) RNTCP (E) NVBDCP (F) Other National Disease Control Programmes including (F.1) National Blindness Control Programme, (F.2) Iodine Deficiency Disorder Control Programme, (F.3) National Leprosy Eradication Programme, and (F.4) Integrated Disease Surveillance Programme.
 - vi. The GOI will shortly issue detailed generic guidelines on delegation of administrative and financial powers at each implementation level in the DHS. It will prescribe substantive delegation of powers to the District Programme Officers within the approved plans. Each District Programme Officer looking after individual National Disease Control Programmes and RCH, Immunization, Additionalities under NRHM, etc. will process the files for making expenditure under their respective programmes, as in the existing system, based on the delegated powers. If the expenditure is within their own powers, they may issue the sanction letter at their own level. However, if the instant expenditure is beyond their delegated powers, they will submit the files to the concerned authorities for taking required approvals. After approval of their files, the Programme Officer would issue sanction order, a copy of which will be marked to the FMG functioning under the District PMSUs.
 - vii. There will be a single set of three Joint signatories common for all the programmes for operating these bank accounts under NRHM, out of which any two can jointly sign cheques / issue electronic instruction for e-banking to operate all the bank accounts of the DHS. These signatories will be (i) the CMO/CDMO/CS/CMHO (in whatever capacity s/he may be in the DHS); (ii) a member from the District PMSU (preferably the District Accounts Manager or District Programme Manager) and (iii) Programme Officer. Wherever the District PMSU is set up, one of the member of the DPMU must be one of the signatories.
 - viii. The FMG will compile the funds transfer/expenditure data centrally for all programmes. The respective Programme Officers will be entitled to either have electronic viewing rights to their portion of the bank account where the

bank account is in the ICICI Bank or to have a printed copy of the bank statement made available to them by the FMG.

- ix. All accounting for all programmes will be the responsibility of the FMG. It will also be responsible to send all the Financial Monitoring Reports, Utilisation Certificates and Audited Reports for entire NRHM to the State FMG, State/Central Programme Divisions as per Guidelines of specific schemes and to also share the same with the respective programme officers at the district level.
- x. The FMG of District PMSU will liaise with the Block Programme Manager and Block Accountant and other grantee institutions to get the expenditure reports and Utilisation Certificates on a fortnightly/monthly basis for all the programmes under NRHM.
- xi. The Block Programme Manager and Accountant will liaise with the Accountant of the CHCs/PHCs to get the expenditure reports and Utilisation Certificates on a fortnightly/monthly basis for all the programmes under NRHM.

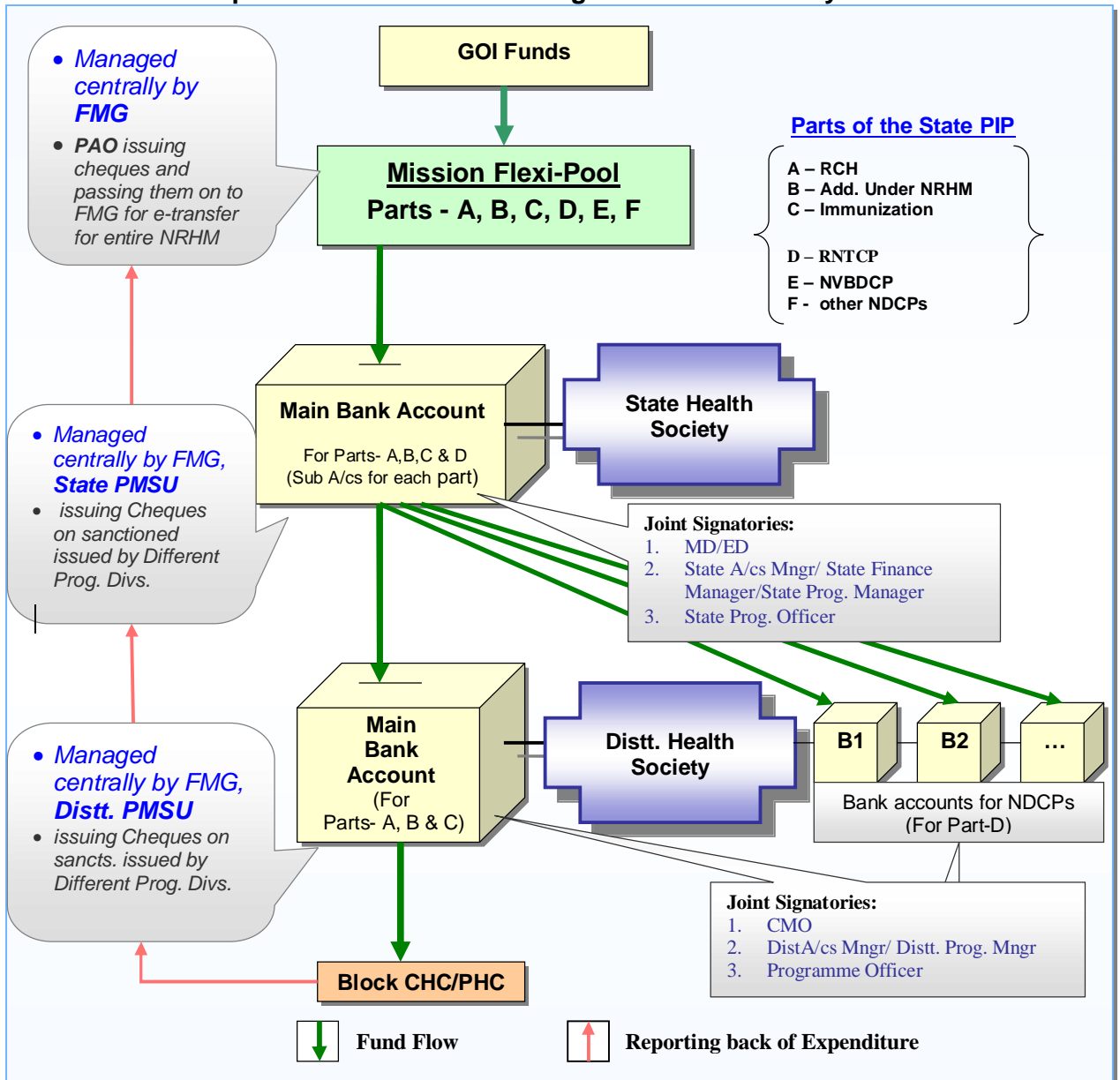
10. **Audit arrangements**

- i. Single (Common) Auditor would be appointed for the SHS and DHS from the list of auditors provided by GOI. This Auditor will be for all the programmes under NRHM at the SHS and DHS level. Therefore, selection of auditor for NRHM will be one time process, which will take care of the entire programme.
 - ii. The Auditor may bring out separate detailed part-reports or annexures (schedules containing cash flow details) for each of the programmes, as per the specific guidelines of the programmes. Each chapter or part-report (for each programmes) can be sent separately as and when they are complete so that the releases under those programmes are not withheld or delayed due to non-receipt of audit report. In addition to these individual part-reports, the auditor would furnish a complete audit report of SHS and DHS, which would contain separate chapters for various programmes.
11. These Guidelines will be implemented from 1.4.2007 and will be reviewed after a period of 6 months based on the feedback from the Programme Divisions and from the States on their experience of implementation of the above Guidelines.

Encl: Flow Charts – 1, 2 & 3.

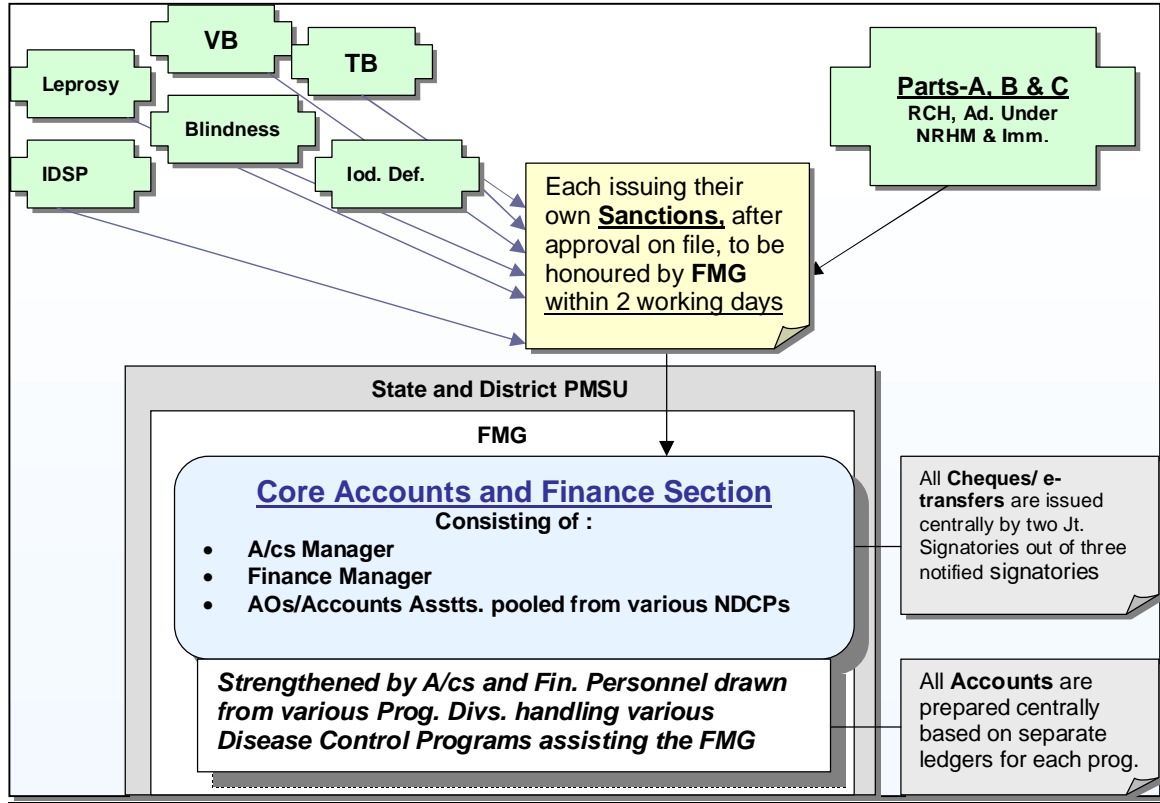
Flow Chart-1

Pictorial Representation of Fund Management in the new system



Flow-Chart-2:

Redefined Sanction Issuing and Cheque signing/e-transfer processes in SHS and DHS levels



Flow Chart-3:

Proposed Funds Flow and Reporting Processes under NRHM

