

**REVISED NATIONAL TB CONTROL PROGRAMME**

**BOOKLET**

**ON**

**ACCOUNTING POLICIES & PROCEDURES,  
MAINTAINENCE OF BOOKS OF ACCOUNTS & RECORDS  
AND  
INTERNAL CONTROL**

**THE CENTRAL TB DIVISION  
DGHS, NEW DELHI**

## **ACCOUNTING POLICIES, SYSTEM AND PROCEDURES**

### **I.1 ACCOUNTING CENTRES**

The accounting centers are the offices where the basic accounting in respect of expenditure on the RNTCP-II activities shall be carried out and which are responsible for maintaining the books of accounts, opening and operating bank accounts etc. The accounting centers for the project shall be as follows:

- a) Central TB Division (CTD): The overall project monitoring office
- b) The State TB Cell (STC) which functions as the secretariat of the State Health Society or State TB Control Society (STCS) for all functions pertaining to RNTCP at the State level.
- c) The District TB Centre (DTC) which functions as the secretariat of the District Health Society or District/Municipal TB Society (DTCS/MTCS) for all functions pertaining to RNTCP at the District/Municipal level.

It may be noted that the State TB Training & Demonstration Centre (STDC), National Task Force (NTF), Zonal Task Force (ZTF), State Task Force (STF), TB Units (TUs) etc. are not accounting centers

### **1.2 SIGNIFICANT ACCOUNTING POLICIES:**

It is essential that the financial statements should give a true and fair view of the Sources and Application of Funds and the financial position of the Organization. This purpose cannot be fulfilled unless the Accounting Policies followed for preparation of Accounts are not disclosed and appended to the Final Accounts prepared for the period. The approved Accounting Policies are given in Para 4.2 and Annexure II of the Financial Management Guidelines/Manual and are as follows:

#### **I.2.1 BASIS OF ACCOUNTING**

Accounting shall be done on cash basis i.e. a transaction shall be accounted for at the time of receipt or payment only. All transactions are to be recorded as rounded off to the nearest rupee, i.e., all paise figures between 00 and 49 paise shall be excluded, while all paise figures between 50 and 99 paise shall be rounded off to the next rupee.

#### **1.2.2 TREATMENT OF GRANT-IN-AID FROM CENTRE/STATE**

Grant-in-aid shall be taken into account **on actual receipt** from CTD/STCS/others. However, the Grant sanctioned /funds transferred by Government of India/State Society during the year (usually year end of the year) but actually received by the Society after the close of the year shall be credited to Grant-in-aid by debit to the head **“Funds in transit A/c”**

#### **I.2.3 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;

### **1.2.3.1 General**

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

### **1.2.3.2 Grant-in-Aid to NGO(s)**

Funds released to the NGO(s) are booked as expenditure. The utilization of funds will be monitored by the guidelines applicable to NGOs. Unutilized amount of grant-in-aid when received from the NGO is set-off against any expenditure in the NGO head during the period of its receipt.

### **1.2.3.3 For Civil Works**

Funds deposited with Public Works Department /Contractor shall be treated as advance at the time of release. On the receipt of certificate of the stage of completion, it is booked as expense to the extent it is certified by PWD/ to the extent it is due to the contractor based on the stage of completion/terms of agreement.

Funds deposited with Public Works Department/ contractor is treated as advance at the time of release. On receipt of certificate of stage of completion and part bill from contractor, it is booked as expense to the extent it is certified by PWD/ to the extent due to the contractor based on the stage of completion / the terms of agreement. An advance payment shall continue to be treated as an advance until its final adjustment as per the above guideline. 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 STCS and DTCS. All outstanding advances above six months' duration shall be brought to the notice of the Chairman, STCS in writing, and will be reported to CTD along with the consolidated SOE. An advance register must be maintained to record and monitor all advances.

### **1.2.3.4 Treatment of Purchase of Material (e.g. IEC material, stationery, Medicines & lab consumables etc.)**

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

### **1.2.4 Treatment of Fixed Assets and Depreciation**

Assets acquired under the project shall be valued at historical 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. All assets acquired with RNTCP funds should be shown in the balance sheet and valued at its full cost. **No depreciation shall be charged on fixed assets** in the project financial statements as its full value on purchase is already considered for reimbursement by the funding organization.

### 1.2.5 Treatment of Interest earned in the Bank Account.

- Each Society is to open a Savings Bank Account in a nationalized Bank as per NRHM guidelines.
- The funds are not to be kept in Fixed Deposits or any other investment.
- The interest earned on bank account may be allocated amongst various budget heads as per requirement and for the purpose for which grant was received.
- The amount of interest earned and utilized may be reflected in the Balance Sheet and UC.
- The expenditure out of the interest earned will also be subjected to the same norms and guidelines as the main grant.

### 1.2.5.3 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.

**13.8** All direct costs relating to project activities as specified in the approved project implementation Plan should only be charged to the project only at once. At the end the basis of preparation of financial reports and significant accounting policies relating to material items shall be disclosed in a proper format as per annexure II of the Financial Management Guidelines/Manual.

## **ACCOUNTING METHODS**

### **II.1 ACCOUNTING METHODS:**

The accounts of the society should be maintained on the **Double Entry System** and on **Cash Basis**. All accounting records will be maintained manually. Computerized accounting may be used as an additional facility for easy preparation of final accounts and financial management till further instructions on computerized accounting and e-banking are issued.

**Double Entry System:** Every transaction has two aspects e.g. if there is a receiver, there is a giver also; if there is a Debtor, there is a Creditor also; if something is received, something is given in lieu thereof. A System which records both the aspects of the transaction is called Double Entry System. Under this system for every Debit corresponding Credit is also recorded and vice versa. The greatest benefit of the system is that it guards against arithmetic inaccuracies in the Accounts and chances of missing entries.

The non-matching of totals of Debits with those of Credits indicates inaccuracy in the books of Accounts and demands immediate action to locate and correct the same. The importance and relevance of Double Entry System will be clearer once the preparation of voucher and Trial balance is learnt.

**Cash Basis:** The system provides for recording of transactions in the books of accounts only when inflow or outflow of money, in the form of cash or Cheque, takes

place, i.e. when cash (including Cheque) goes out (spent/advanced/lent/lost) or comes in (received as consideration/grant/donation/borrowings) This is the simplest system of maintenance of accounts and easily understood.

**Accrual Basis:** The accrual basis systems provide for recording of accrued incomes and expenditure even though may not have become due for receipt/payment during the accounting period. The most common example is the salary for the month of March paid in April and receipt of bank interest due.

### **11.2.1 ACCOUNTING FOR RECEIPTS:**

#### **a. Grants from CTD:**

The societies shall receive funds from CTD in the form of grant for the project activities. The grant 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 immediately be deposited in the savings bank account of the society.

#### **b. Other miscellaneous receipts**

The other receipts of the project offices may be on account of sale of bid documents, interest on saving bank account, donations, receipts of earnest money deposits, etc.

### **II.2.2 ACCOUNTING FOR PAYMENTS**

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

1. Cash payments and
2. Bank payments.

- Payment voucher shall be prepared by the Accountant on receiving the above supporting documents duly authorised by the competent authority. A specimen of the voucher is at **Annexure IX**. 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.
- 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.
- The cash payment shall be entered in “cash column” and payments by cheques in the “bank column” of the cash book.
- 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.

### II.2.3 Grant-in-Aid to NGO(s)

Funds released to the NGO(s) are booked as expenditure. The utilization of funds will be monitored by the guidelines applicable to NGOs. Unutilized amount of grant-in-aid when received from the NGO is set-off against any expenditure in the NGO head during the period of its receipt.

## IV. BOOKS OF RECORDS

The following Books and Registers shall be maintained by each society:

1. **Cash Book:** (For recording transactions relating to the receipt and payment of cash and or from the bank). **Annexure IV of Financial Management Guidelines (FMM)**
2. **General Ledger** (Account head wise summary of the transactions) **Annexure V of FMM**
3. **Journal :** (for Recording transactions/adjustment entries which do not involve the movement of funds), **Annexure VI of the FMM**
4. **Bank Reconciliation Register**
5. **Petty Cash Book :** (for record of receipt and payment from petty Cash balances withdrawn from bank for meeting out the day to day and small expenses of the society) **Annexure VII of FMM,**
6. **Stock Registers** for consumable, printed material and for grant of drugs (Commodity grant) **Annex. X of FMM,**
7. **Fixed Assets Register - Annexure XI of FMM**
8. **Advances Register**
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 the Grant-in-aid given to any NGOs by the District or State Society)

**IV.1 CASH BOOK:** Cash Book is maintained for recording all the transactions involving inflow and outflow of funds. It should be maintained as per the specimen given at annexure IV of the Financial Management Guidelines. It is divided into two sides. The left hand side is called Debit side as per accounting terminology and 'Receipts side' in common usage. All the receipts of cash/cheque/DD on any account are recorded on this side. The right hand side is called Credit/Payment side. As the terminology indicates, all payments made on any account are recorded on this side. Separate Amount Columns are provided for recording Cash and Bank transactions. Sometimes cash is withdrawn for use. In that case it is recorded in the Bank Column of the Credit/Payment side and in the Cash Column of the Debit/Receipt side. If Cash is deposited in the Bank, entry just opposite to the above is made on both the sides. These entries having no bearing on the total funds are called Contra Entries.

The Cash Book should be balanced and closed daily and authenticated by STO/DTO or any Gazetted Officer authorized for the purpose.

Before the entry is made in the Cash Book, Cash/Petty Cash vouchers have to be prepared for each transaction involving movement of money.

### **IV.1.2 Preparation of Cash/Petty Cash Voucher**

The financial Management Guidelines provides for preparation of **Cash/Petty Cash Voucher** by the Accountant on receipt of supporting documents for any Payment / Receipt of amount at **Annexure – IX of FMMs**

To learn preparation of Cash/Petty Cash voucher one will have to be familiar with the application of basic Accounting Principles.

#### **Accounting Principles are:-**

- 1                    i) Debit (Dr.) what comes in and  
                         ii) Credit (Cr.) what goes out?
  
- 2                    i) Debit (Dr.) the receiver and  
                         ii) Credit (Cr.) the giver
  
3.                    i) Debit all payments/ expenses/assets/losses and  
                         ii) Credit all receipts/incomes/liabilities/gains

### **IV.2 GENERAL LEDGER**

After recording all the transactions in the Primary Books of Accounts Viz. Cash Book and Journal, it becomes necessary to prepare an account head-wise summary to check the arithmetic accuracy of the books of Accounts, to get a meaningful view of the financial position at any point of time and to finalise the Accounts at the end of the accounting period. **The book which maintains account head-wise summary of transactions is called General Ledger.** The format of General Ledger is given at **Annexure –V of FMM.**

#### **Steps to write the General Ledger**

1. Allot separate page for each head of Account.
2. Post the Debit /Receipt side of the Cash Book on the Credit side of individual head of account and vice-a-versa
3. Indicate cash book page number under column 'folio' of Ledger and Ledger page number under column 'Ledger folio' of Cash Book against each entry for cross referencing.
4. Calculate balance after every entry in the ledger and indicate the same against it under the column Balance with the word Dr./Cr. whichever is applicable.

### **IV.3. BANK RECONCILIATION REGISTER (for preparing Bank Reconciliation Statements)**

The Bank Reconciliation Statement is a statement prepared periodically to reconcile the difference if any in the balance of the Bank Column of the Cash Book and Bank Pass Book/ Statement on a particular date.

The Bank Reconciliation Statement	is a Statement
When prepared?	periodically – Weekly/Bi-weekly/Monthly
Purpose?	to reconcile
What?	the difference
Between?	The balance of the Bank column of the Cash Book and the Bank Pass Book on a particular date.

A Bank Reconciliation Statement has to be prepared by 5th of each month in order to reconcile the bank balance as per the cash book balance. If the balances as per of Cash Book/ Bank statement (pass book) do not tally, it may require certain adjustments to be reflected in the Bank Reconciliation Statement by the Society as per Annexure VIII of the FMM.

The differences in the balances of Cash Book and Bank Book may be due to the following:

1. Cheques issued are not presented to the bank for payment.
2. Cheques deposited but not yet credited by the bank.
3. Interest credited by bank but not yet recorded in the Cash Book.
4. Bank charges/ Interest charged by the bank but not yet entered in the Cash Book
5. Debits/Credits against standing instructions for payment of Insurance premium, electricity bills, telephone bills etc and receipt of dividend, Interest etc.

Other reasons for difference :- Even after considering the above, if the balance does not reconcile it could only be due to any error/omission in the Pass Book or Cash Book which could be located by comparison of the entries.

#### **IV.4. STOCK REGISTERS FOR CONSUMABLES/NON-CONSUMABLES – Annexure – X – FMM**

A Stock Register has to be maintained as per SDS Manual for drugs, laboratory consumables, printed material etc. It contains the following seven columns:-

1-Date, 2-Particulars, 3-Voucher Number/Issue slip No. 4-Receipt Column, 5-Issue Column, 6 - Balance Column and 7 - Signature column.

Page number of the Stock Register is to be given on the vouchers and the voucher reference must be given on the Stock Register page. The page number of the stock register is also to be given on the consignment receipt when receiving Consumables/Drugs/Printing Materials.

And if some items/material is issued, it should be entered in the issue column on the based on the issue slip duly authorized by the competent authority and reference of the issue slip to be given in the stock register in the appropriate column. **The Format of the Stock Register is given in Annexure X of the FMM.**

#### **IV.5. FIXED ASSETS REGISTER**

The fixed assets acquired by the Society are entered in the asset register and the value of the assets should tally with the value of fixed assets given in the Balance Sheet. The format is as per **Annexure – XI of the FMM.**

The Society shall conduct physical verification of the fixed assets at the regular intervals at the close of the year).

**IV.6. REGISTER OF ADVANCES** (for monitoring payment of advances for expenses and their timely adjustment /recovery). Although all the transactions should be entered in cash book and posted in the ledger also. This Register is for showing advance and their adjustments at a glance. Entries for advances & adjustment must be entered in this register instantly at the time of amount given & making the adjustment

Format:

**Register of Advances**

Date	Name of Party to whom advance given	Purpose/p articulars of advance	Amount of advance	Date(s) of adjustment	Amount adjusted (Expenditure + Refunded)		Balance remaining unadjusted/ (C/d)	Remarks

**IV.7. EXPENDITURE CONTROL REGISTER**

Expenditure Control Register to ensure that the expenditure remains within the funds allotted for any activity or head of account. Or that the expenditure does not exceed the funds allotted for. The Register gives Account head- wise figure of progressive expenditure and the balance funds available after each and every payment made.

The objective of maintaining of this Register is to control the expenditure up to the limit of the budget. Expenditure should not exceed the Budget allocated. No specific format has been prescribed in the Financial Management Manual. It is also to be maintained as per state Govt. and Central Govt. guidelines.

**INTERNAL CONTROLS & REVIEW**

**VII.1 INTERNAL CONTROLS**

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.

The Governing Body and Office Bearers of the Society in general, and the DTOs/STOs of the Society in their capacity as Member Secretary in particular, 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. In particular, the following checks shall be followed while processing the payment:

- 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) Claims of honorarium are to be paid after being duly checked by the Multi Purpose Worker/ STS, and duly verified by the Medical Officer, and entry made in the register of honorarium, and signature of payee also obtained therein.
- 11) 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.
- 12) All personal claims including TA 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.
- 13) Check that the agreement with the contractual staff has been executed and is valid for the period for which a contractual salary claim is being processed for payment, and for any increment in salary on renewal of contract, a performance report is appended.
- 14) Ensure that no second advance is given to any individual if the first advance is still not adjusted.
- 15) The vouchers to be serially numbered and kept in order. The vouchers are to be filed and retained safely for the prescribed period.
- 16) The receipt book and the Cheque books to be kept under safe custody of the STO/DTO.
- 17) No payment to be made without an expenditure sanction by the Competent authority.
- 18) Ensure that Tax Deduction at Source, wherever applicable, has been provided for, before making the payment.

## **VII.2 SAFEGUARDS PERTAINING TO BANK ACCOUNTS OF THE SOCIETY:**

- 1) Each society should maintain only one savings bank account 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) Member Secretary of the society 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) Member Secretary of the Society 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 as per format at Annex.VI and the cheque book should be submitted along with this register to the authorized signatories for their signatures.
- 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.

## **VII.3 INTERNAL REVIEW**

- 1) The overall objectives of the internal review are to:
  - (a) review the operation of the overall financial management system including the project financial statements, internal controls, and compliance with financing agreements; and
  - (b) to provide project management with timely information on financial management aspects of the project to enable follow up action.

2. Under all circumstances, the suggested Internal checks shall be followed by the DTO and the Accountant as laid down in the paragraph on Internal Controls above, while processing the payment.
3. There shall be at least two of the following three Signatories (and one of the two should be the Member Secretary/Joint Secretary under NRHM) when issuing any cheques from the society:
  - (a) Chairman
  - (b) Vice Chairman
  - (c) Member Secretary
4. The summary of the expenditure incurred in the previous half year shall be placed before the Governing Body. Governing Body of the DTCS/STCS shall review the accounts as part of program review on a six-monthly basis and approve the same.
5. Internal Review of district accounts by the STO, the State Accountant and the CTD staff on a periodic basis.
6. Internal Review of State and District Accounts will be done by the CTD on a periodic basis with a view to assess the financial management at the state level, identify weaknesses / deficiencies, and undertake capacity building and training as assessed by the review team.