Dear All,

The National Urban Health Mission was launched in May, 2013 to address the health concerns of the urban poor population by strengthening the primary health care system in cities & towns. It also promotes participation of Municipal Corporations/ Urban Local Bodies through convergence in planning and management of the urban health programmes.

During the Video Conference/Workshops held with the States on NUHM, the States/UTs expressed the need for having guidelines related to financial management under NUHM. Therefore, the States/UTs have expressed their desire for a separate financial management guidelines under NUHM.

In view of the above, the Ministry has prepared a guideline for Financial Management under NUHM which is enclosed herewith for your ready reference. The guidelines have been made in consultation and inputs from some of the States. These guidelines may be referred regarding implementation of financial management under NUHM.

This issues with the approval of competent authority.

Yours Sincerely,

(Kavita Singh)

Mission Director of 35 States/UTs (except Lakshadweep)

Copy to: Principal Secretaries (Health) of 35 States/UTs (except Lakshadweep)
**Introduction**

1) Operational Guidelines for Financial Management were issued by the Ministry of Health and Family Welfare (MoHFW) in 2012 which governs the financial management system of National Rural Health Mission (NRHM) program run by the MoHFW. The guidelines cover various aspects of the financial management activities including Planning, Budgeting, Funds Flow, Accounting, Financial Reporting, Internal Controls and Audit.

2) These guidelines are also applicable to NUHM, however during the last 3 years of implementation of NUHM it has been noticed that there are certain issues that have arisen and needs further clarification.

3) This document has been prepared as a guidance note for the States and Cities to cater to such issues.

**Structure of NUHM**

4) The structure of Programme Management under NUHM is as follows:
   - At the central level, for effective implementation and monitoring of NUHM, a National Programme Management Unit (NPMU) will be set up at the central level. The NPMU will also be expected to provide technical assistance to the Urban Health Division of the Ministry.
   - At the state level, for improving the Program Management under NUHM, a State Program Management Unit (SPMU) will be set up, which would essentially be an extension of the NHM SPMU, with a separate Urban Health Cell, reporting to the State Mission Director.
   - At the City level, the States may decide to constitute a separate City Urban Health Missions/ City Urban Health Societies (under the overall guidance and control of ULBs). It is to be noted here that Urban Local Bodies (ULBs) have a major role to play at the city level and should drive the implementation at the city level. The ULBs should decide the appropriate strategy for implementation including setting up of implementation structure and flow of funds so that program activities and expenditure can be done without any delay. The ULB should appoint a Health/Medical Officer or any other senior officer as the Nodal Officer for NUHM who shall be responsible for all activities and co-ordination related work for UPHCs/UCHCs at the city level.
   - The City PMU has an important role to play in the overall financial management related activities. The accounts personnel at the City PMU level may take overall guidance from the State Finance officials on the processes/procedures followed under NHM. He/She shall also provide all financial data to the Health/Medical Officer/Nodal officer of ULB and State finance officials.
   - At the District level, the existing structure of the District Health Society/ Mission under NHM may be used for implementation of the programme with additional stakeholder members.
Planning & Budgeting

5) For NUHM, the PIPs developed by the States/ UTs should include inputs from all stakeholders including cities (for NUHM). It must be ensured that in no case, the budget allocated to cities and other entities under NUHM, is less than the approval (in ROP).

6) Since, separate ROPs are issued for the Municipal Corporations in seven metro cities, after dissemination of ROPs, the ULBs are authorized to implement the approved activities and need not to come to State for approvals again.

Fund Flow and Banking Arrangements

7) There are variations in the fund flow structure followed in different States under the Mission. In some States, the funds received by the States are further disbursed to the Urban Local Bodies (at the City level), or to District Health Societies which then makes the expenditure. The suggested fund flow mechanism under NUHM is as under, however the actual fund flow mechanism may differ between States:

- For States which are implementing the programme through Urban Local Bodies:

![Fund Flow Diagram](image-url)
• For States which are directly implementing the NUHM programme themselves:

![Diagram of funding flow]

Banking Arrangements:

8) All the implementing units should open separate bank accounts for the NUHM funds. Some issues have been noticed at the urban health facilities with regard to the availability of joint signatories especially when the facilities are manned only by contractual staff. However, it must be ensured that all the bank accounts under NHM should be operated under joint signature with both the signatories preferably from the regular Government service. However, in absence of regular Govt. service officials/ staff of sufficient seniority, at least one person must be from regular service. The following table provides the list of suggested joint signatories of the bank account at each level:

<table>
<thead>
<tr>
<th>Level</th>
<th>Signatories</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Health Society (CHS)</td>
<td>• Health Officer (ULB)/ Any other designated regular official&lt;br&gt;• City Finance Manager/ City Programme Manager</td>
</tr>
<tr>
<td>Urban Primary Health Centers (UPHC)</td>
<td>• Medical Officer in Charge (of a nearby block PHC)/&lt;br&gt;ADMO (Public Health)/ Deputy Superintendent (Nearby District Hospital)/ Additional Chief Medical Officer (District level) (regular official)&lt;br&gt;• Medical Officer of the UPHC (contractual staff)</td>
</tr>
<tr>
<td>Urban Community Health Centres</td>
<td>• Medical Officer of the UCHC/ Medical Officer in Charge</td>
</tr>
</tbody>
</table>
Public Financial Management System (PFMS):

9) The Controller General of Accounts (CGA), New Delhi, has developed the Public Financial Management System (PFMS), formerly known as CPSMS. It is a web based on line transaction system enabled to make Direct Benefit Transfer (DBT) and effect payments directly to the bank of accounts of intended beneficiaries. The system provides on line status of fund availability and utilization on a real time basis and thus serves as better decision support system for plan and Non-plan schemes being implemented by the States for which Government of India is disbursing funds. One of the main benefits of PFMS is that funds can be tracked on a real time basis upto the beneficiary level.

10) It is advised that all bank accounts under NUHM, at all levels (including ULBs), are mapped to the PFMS so that all releases can be tracked easily. All the funds transferred from the SHS till the UPHC level should be done through bank accounts mapped under PFMS. This will also enable tracking of dates for releases and idle funds lying at all levels.

**Delegation of Financial Powers**

11) Since the framework of NUHM provides for convergence with the Municipal Corporations/ Urban Local Bodies for implementation of the programme. Therefore, the Municipal Corporations/ULBs must also have separate Delegation of Financial Powers for the NUHM funds.

12) For better financial discipline, the States may issue a separate Delegation of Financial Powers for the Municipal Corporations for NUHM funds after approval of Executive Committee.

**Accounting**

13) The Operational Guidelines for Financial Management issued under NRHM may be followed by the UPHCs and UCHCs and the RKS formed under them.

14) IT based accounting system should be followed in long run by the State.

**Internal Control**

15) The State must ensure competitive bidding in case of procurement of goods, articles, services etc.

16) All sort of Procurements should be in accordance with the new GFR, State Finance Rules/ specific arrangement entered into with the funding agencies or donors, as the case may be. Where DGS&D rates are available, the State may follow the same. State are also
advised to take advantage of Government ‘E Marketing’ (GEM), which is online marketing system for common-use goods.

17) The State may also follow the CVC guidelines for tendering process to improve internal control mechanism.

### Financial Reporting and Monitoring

18) All the units need to report their performance periodically on various financial parameters, to their supervisory units. However, it has been noticed, that in many cases there is delay in submission of FMR by the implementing units or from the districts and cities. It is, therefore, reiterated that the cities under NUHM need to develop their own timelines which are in line with NRHM’s reporting guidelines for timely submission of the financial reports to the Ministry. It should also be ensured that both physical as well as financial progress is reported by the cities.

19) Further, rigorous monitoring system should be introduced at all levels to avoid accumulation of unadjusted advances post completion of activities/civil works.

20) Online reporting format should be followed by States in long run.

### Audit

21) The Statutory and Concurrent audits for the SHS and DHS also need to cover the NUHM program. The same set of auditors should also audit the City Urban Health Societies (CUHS), UPHCs/UCHCs wherever formed/operational.

### Financial Matters related to Certain Key Schemes

Rogi Kalyan Samitis:

22) Rogi Kalyan Samiti (RKS)/Patient Welfare Committee/Hospital Management Society is required to be formed at the level of Urban Primary Health Centres (UPHC) and Urban Community Health Centres (UCHC) under the NUHM by all the States/UTs on the basis of the urban population specified in the framework of the NUHM programme. A separate bank account for RKS should be opened. The flow of funds for the untied grant to RKS may differ between States/UTs as indicated in point 7 above.

23) Bank accounts of the RKS at UPHCs and UCHCs should be opened in Savings Bank Accounts of a nationalized bank. The interest earned in the bank account should be utilized for the purposes of the RKS.

24) Uses of funds collected at UPHC level: In some States, the UPHCs collect a registration fee, although a small amount, but its usage need to be specified. These funds ideally should be deposited with the RKS at the UPHC level, which can decide on its utilization. However, in case no RKS has been formed at the UPHC, the funds can be kept with the ULB and shall be made available to the RKS as and when it is formed and deposited in its bank account at least on a weekly basis.
25) Suggested areas for utilization of the untied grant for RKS are mentioned in Annexure X of the Guidelines for Rogi Kalyan Samitis in Public Health Facilities issued under NHM in June, 2015.

Operational Expenses of UPHC/UCHC:

26) UPHCs/ UCHCs are given approvals for office expenses which can be spent by these units on recurring expenses such as electricity, stationery, etc.

Inter-pool re-appropriation/ temporary loan of funds:

It may be ensured that Inter-pool re-appropriation on a temporary loan basis is allowed only in exigency situations which should ideally be recouped within a financial year. Further, expenditure should be settled through UC on the basis of actual utilization incurred in the original pool against approvals.

Mahila Arogya Samiti (MAS):

27) MAS’s receive untied funds from the Ministry under NUHM. These needs to be spent as per guidelines issued in this regard.