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Government of India  
Ministry of Rural Development  
Department of Rural Development  
(Rural Livelihoods)

7<sup>th</sup> Floor, NDCC Building-II  
Jai Singh Road, New Delhi-01  
Dated: 20<sup>th</sup> February, 2024

To,

The State Mission Directors/Chief executive Officers, State Rural Livelihood  
Mission, All States/ UTS

Subject: Manual on Internal Audit of CBOs.

Sir/Madam,

As you are aware, Writeshop of Model CLF was conducted at Delhi during 18<sup>th</sup> to 21<sup>st</sup> Dec 23. During the writeshop participants from different States/ UTs along with the NRPs have provided inputs to finalize different advisories and training materials.

Out of those, the Manual on Internal audit of CBOs is finalized and attached here.

States/ UTs are requested to orient the Mission Staff on the Manual and develop pool of community auditors. State/ UTs may develop a pool of State Resource person with support of services of the NRPs/ RPs supporting for Model CLF. These State Resource Persons may further orient and develop the pool of community auditors at States.

Yours faithfully,



(Mahesh Gahlawat)

Senior Statistical Officer (RL)

Encl: As mentioned above

Copy to: The SPMs, IBCB/ CF/ FI and Nodal Person for Model CLF.



MANUAL ON  
INTERNAL AUDIT OF SHG, VOs & CLFs

### 1. Introduction

DAY NRLM aims to address rural poverty by promoting sustainable livelihoods for the rural poor. To achieve this objective, the poor are organized into Self self-help groups (SHGs), VO/PLF, and CLF/SLF. Till 31st Jan 2024, DAY-NRLM has mobilized more than 9.98 crore rural women into 90.40 lakh SHGs covering 7,116 blocks, 742 districts, and 34 states & UTs. These SHGs have been federated into 5.03 lakh Primary/Village level organizations and 32,205 Secondary/Cluster level federations. Each of these institutions performs a specific role. These institutions generate revenue from their operations and also leverage funds from the mission, line departments, and other financial institutions. Hence, DAY-NRLM gives utmost importance to the maintenance of Books of Accounts at all levels of community institutions. To ensure authenticity and transparency in bookkeeping and effective fund management, it is important to have an audit mechanism-internal as well as external, in place. In view of this, this manual is issued, and all States are advised to take necessary actions and ensure audits are carried out accordingly.

### 2. Community-based Auditor vis a vis Community Audit system

A community-based Auditor vis a vis Community audit system emphasizes *engaging community members with some essential skills as internal auditors*, engaged by the community institutions directly and paid by them for their services, *thereby creating a self-sustainable & independent system around internal audit*. However, SRLMs being the promoting agencies are expected to establish a system of coordination across all CBOs in the state with necessary checks and balances. Hence Like other interventions, *SRLMs are expected to handhold the CBOs in this regard until internal audit becomes a truly community-managed, independent & institutionalised system*.

### 3. Objectives of the Community Audit System

Internal Audit system is considered to be one of the pillars of governance of any institution. The internal audit is more focused on exercising internal control, identifying deviations during the course, and taking corrective actions. Thus, giving scope for mid-course corrections.

The objectives of internal audit for SHGs and their federations are as follows:

- Enhancing members' education on the health of the institution and standard practices of financial management that leads to the sustainability of the institution;
- Streamlining the accounting system, ensuring numerical accuracy and proper maintenance of books and records;
- Identifying areas of mid-course correction; for example, reducing their expenditures and enhancing incomes.
- Suggesting improvements and adding value to the governance mechanism for further strengthening;
- Strengthening the internal control and risk management capabilities;

### 4. Components of Audit:

Internal audit should cover-

1. Physical audit,
2. Financial audit, and
3. Management audit

**Physical Audit:** The objective of the physical audit is to do the physical verification of the activities and physical assets created through inspection and field visits. Conducting physical audits is essential as the CLFs are generating a lot of physical assets ex – Computers, printers, projectors, etc., and stocks such as printed Registers, Agriculture inputs, equipment, etc.

**Financial Audit:** Financial audit includes vouching of books of accounts, supporting documents like bills, receipts, cash memos, supporting letters, meeting minutes, bank passbooks, confirmation statements from banks and other partnering agencies, etc. to ensure proper utilization of funds.

**Management Audit:** This includes an assessment of the practice of rules, norms, policies, and procedures for ensuring transparency, equity, compliance, and good governance. Federations (CLFs and VOs) will have to define their policies (Financial, Governance, and Human Resource Policies). In line with the defined policies of these institutions, management audits will be organized.

## 5. Frequency of Internal Audit

SRLMs shall ensure that internal audit of books of accounts of a year should be carried out as under:

S. No.	CBOs	Audit Frequency	Period to cover	Timeline
1	SHGs	Annually	Apr to March	By October
2	VOs	Half-yearly	Apr to September	By November
			October to March	By the May of next Financial Year
3	CLFs	Quarterly	Apr to June	By July
			July to September	By October
			October to December	By January
			January to March	By April of the next Financial Year

## 6. Selection Process for Community Auditors:

*The selection process of community auditors will have the following processes.*

### 6.1 Notification for Empanelment of Community Auditors

- The notification of community auditors' selection for SHGs, VOs, and CLFs shall be displayed in the Notice Boards of all the BMMUs, CLFs, and VOs offices.
- The information on impaneling the community auditors also needs to be announced in the SHG, VO, and CLF meetings.
- For community auditors' selection, the suggestive Screening process shall involve the following steps:
  1. Written exam (CBO functioning, Numerical ability, logical ability, analytical ability- Multiple Choice Question, descriptive questions - minimum of 1 hour)
  2. An interview could also be organized to assess the technical understanding of candidates
  3. Demonstration of sharing of the audit report by the shortlisted candidate (to test the communication ability with communities)

### 6.2 For SHG auditors:

- CLF shall estimate the number of SHG auditors required and prepare a plan of action for onboarding them;
- CLF level Steering committee shall be constituted with CLF EC members, CLF Manager, CLF Accountant
- SHG auditors shall be selected by the CLF with the technical support of the concerned SRLM through BMMU
- Preliminary screening shall be done by VO and shortlisted candidates will be sent for further screening by the CLF-level Steering committee;

### 6.3 For VO Auditors:

- The steering Committee, at the CLF level, will be constituted with EC representatives CLF in the Block, BMM, and Block Level BMMU Accountant. BMMU shall provide necessary secretarial support for the selection
- The steering committee shall estimate the number of internal auditors required for VO audit in the block and prepare a plan for onboarding them;
- Applications from candidates shall be submitted to the respective CLFs.
- VO auditors shall be selected by the Steering Committee at the level;
- Preliminary scrutiny shall be done by CLF and shortlisted candidates will be sent for further screening by the block-level Steering Committee;

### 6.4 For CLF Auditors:

- The Steering Committee, at the district level, shall be constituted with representatives of each CLF in the district, DMM, and DMMU Accountant. DMMU shall provide necessary secretarial support for the selection;
- The steering committee shall estimate the number of internal auditors required for CLF audit in the district and prepare a plan for onboarding them;
- Applications from candidates shall be submitted to the respective BMMUs.
- CLF auditors shall be selected by the Steering Committee at the DMMU level;
- Preliminary scrutiny shall be done by BMMU and shortlisted candidates will be sent for further screening by the district-level Steering Committee;

S.no.	Aspects	SHG-level community Auditor	VO-level community Auditor	CLF-level community Auditor
1	<b>Responsibility of selection</b>	CLF E.C. in consultation with VO E.C.	CLF E.C. in consultation with VO E.C.	CLF E.C.
2	<b>Eligibility</b>	10th Pass	10th Pass	12th Pass
		Experience of Minimum one year of record keeping at SHG level	Experience of Minimum 3 years of record-keeping at SHG level <i>Or</i> 1 Year Experience in Internal audit at SHG level	Experience of Minimum 3 years of record-keeping at VO level
4	<b>Notification</b>	Printed Notifications are to be placed in conspicuous places in the CLF office and the VO office	Printed Notifications to be placed at conspicuous places in the CLF office and in the VO office	Printed Notifications to be placed at conspicuous places in the CLF office and in the VO office
5	<b>Timeline for Application</b>	Within 30 Days from the date of notification	Within 30 Days from the date of notification	Within 30 Days from the date of notification
6	<b>Selection Process</b>	1- <b>Written Exam</b> (CBO functioning, Numerical ability, logical ability, analytical ability- Multiple Choice Question, descriptive questions - <b>100 Marks</b> )	1- <b>Written Exam</b> (CBO functioning, Numerical ability, logical ability, analytical ability- Multiple Choice Question, descriptive questions - <b>100 Marks</b> )	1- <b>Written Exam</b> (CBO functioning, Numerical ability, logical ability, analytical ability- Multiple Choice Question, descriptive questions - <b>100 Marks</b> )
		2- <b>Interview</b> - Around Technical acumen related to record keeping	2- <b>Interview</b> - Around Technical acumen related to record-keeping <i>or</i> technical acumen related to Internal audit of SHGs	3- <b>Interview</b> -Technical acumen related to Internal audit of VOs
		3- Demonstration of Community interaction ( to assess the ability to establish interactive communication with collectives)	3- Demonstration of Community interaction ( to assess the ability to establish interactive communication with collectives)	3- Demonstration of Community interaction ( to assess the ability to establish interactive communication with collectives)
		CBO structure SHG management Books of accounts Need for internal audit Role of Community Auditors Financial Policies Charts of accounts	CBO structure SHG management Books of accounts Need for internal audit Role of Community Auditors Financial Policies Charts of accounts	CBO structure SHG management Books of accounts Need for internal audit Role of Community Auditors Financial Policies Charts of accounts
		1-Chart of accounts 2- Financial Management 3- Loan management 4- Internal audit process of SHGs	1-Chart of accounts 2- Financial Management 3- Loan management 4- Internal audit process of VOs	1-Chart of accounts 2- Financial Management 3- Loan management 4- Internal audit process of CLF

		1- Sharing the experience of the practice of internal audit 2- Training around financial statements	1- Sharing the experience of the practice of internal audit 2- Training around financial statements	1- Sharing the experience of the practice of internal audit 2- Training around financial statements
		Every 2 months	Every 3 Months	Every 3 Months

### 7.1 Onboarding & Capacity Building of SHG Auditors:

- CLF level office bearers (OB members) with the support of the CLF manager, in coordination with the BMMU, will arrange for orientation and onboarding within 7 days of joining around-
  - CBO structure
  - SHG management
  - Books of accounts
  - Need for internal audit
  - Role of Community Auditors
  - Financial Policies
  - Charts of accounts
- CLF level office bearers (OB members) with the support of the CLF manager, in coordination with the BMMU, will arrange for capacity building of SHG Auditors within 3 months of onboarding;
  - Chart of accounts
  - Financial Management
  - Loan management
  - Compliance Management
- Regular training cum review meetings of SHG internal auditors need to be conducted by CLF in coordination with BMMU at least once in 2 months.

### 7.2 Onboarding & Capacity Building of VO Auditors:

- CLF-level office bearers (OB members) with the support of the CLF manager responsible for the capacity building of VO Auditors;
- CLF level office bearers (OB members) with the support of the CLF manager, in coordination with the BMMU, will arrange for orientation and onboarding within 7 days of joining around-
  - CBO structure
  - SHG management
  - Books of accounts
  - Need for internal audit
  - Role of Community Auditors
  - Financial Policies
  - Charts of accounts
- CLF level office bearers (OB members) with the support of the CLF manager, in coordination with the BMMU, will arrange for capacity building of SHG Auditors within 3 months of onboarding;
  - Chart of accounts
  - Financial Management
  - Loan management
  - Compliance Management
- CLF level office bearers (OB members) with the support of the CLF manager, in coordination with the BMMU, will arrange for capacity building of VO Auditors periodically;
- Regular training cum review meetings of VOAuditors need to be conducted by CLF's Executive Committee (EC Members) with the support of CLF managers/accountants at least once in 2 months.

### 7.3 Onboarding & Capacity Building of CLF (Internal) Auditors:

- District Mission Management Unit (DMMU) will primarily be responsible for organizing training for CLF internal auditors
- BMMU, in consultation with DMMU and CLFs, will arrange for orientation and onboarding within 7 days of joining around-
  - CBO structure
  - SHG management
  - Books of accounts
  - Need for internal audit
  - Role of Community Auditors



- Financial Policies
- Charts of accounts
- BMMU, in consultation with DMMU and CLFs, will arrange for capacity building of SHG Auditors within 3 months of onboarding;
  - Chart of accounts
  - Financial Management
  - Loan management
  - Compliance Management
- Subsequently, as and when changes are made in the financial policies, accounting system, etc. DMMUs need to arrange for refresher training.
- Regular training cum review meetings of CLF Auditors need to be conducted by DMMU at least once in 2 months.
- Any changes in the legal environment that affect the financial management and accounting practices need to be followed up by DMMU & SMMU and CLF(internal) auditors need to be oriented on such changes through training and also through memos, circulars, etc.

#### Summary of Training to the Auditors

S. No.	Name of Training	Duration	Stakeholder
1	Basic orientation	7 days	SHG Auditor
			VO Auditor
			CLF Auditor
2	Financial Management Training	3 Days	SHG Auditor
			VO Auditor
			CLF Auditor
4	SHG Audit Training	2 Days	SHG Auditors
5	VO & CLF Audit Training	3 Days	VO & CLF Auditors

### 8. Deployment of Community Auditors

#### 8.1 Deployment of SHG Auditors:

- CLF EC will plan for the deployment of SHG auditors depending on the number of SHGs, age, volume of transactions, and their geographic location.
- If CLF is not formed in any area, the respective BMMU is responsible for onboarding and deployment of SHG Auditors as mentioned
- It is suggested that each SHG auditor/ Team (consisting of 2 auditors) should be allotted at least 100 SHGs but not more than 300 SHGs. The SHG audit may be completed by October of the Year.
- However, each SHG should follow the same audit cycle year after year.
- If one SHG has not completed one year of its promotion also carry out an audit for the Financial Year.

#### 8.2. Deployment of VO Auditors:

- CLFEC will plan for the deployment of VO auditors depending on the number of VOs, age, the volume of transactions, and their geographic location.
- If CLF is not formed in any area, the respective BMMU is responsible for the empanelment and deployment of VO Auditors as mentioned.
- It is suggested that each VO auditor should be allotted a minimum of 20 VOs but not more than 50 VOs. ***The VO audit may be spread across twice a year.***
- However, each VO should follow the same audit cycle year after year.
- If one VO completes one Year in the Year (Ex: June 2022) the audit should be carried out in the next Financial Year

#### 8.3. Deployment of CLF (Internal) Auditors

- DMMU will plan for the deployment of CLF auditors depending on the number of CLFs, age, volume of transactions, and their geographic location.
- If CLF is not formed in any area, the respective DMMU is responsible for onboarding and deployment of VO Auditors as mentioned.
- It is suggested that each CLF auditor should be allotted a minimum of 5 CLFs but not more than 10 CLFs. The CLF audit will happen every quarter.
- However, each CLF should follow the same audit cycle year after year. If the CLF is audited in the mid-year, (Ex: June 2022), the Books of Accounts (BoA) and financial statements until that month (June 2022) as well as the previous financial year (April 2021 to March 2022) need to be vouched by her/him separately.

#### 8.4. Deployment of community Auditors in Other works-

- In general, Community Auditors should not be deployed in other CRP functions, internal audit is a very specified role and must not be diluted by deploying internal auditors in other miscellaneous roles of SRLM or CBOs.
- If the community auditor has completed her assigned quota of work (internal audit) within the defined time frame and still there is remaining time in the financial year in which her skills could be utilized, she could be engaged as a resource person for delivering training around bookkeeping and CBO accounts.
- **For this additional work as a resource person, community auditors have to be compensated as per the norm of SRLM/CLF**

### 9. SHG Audit Process

#### 9.1 Planning of SHG Audit:

- The SHG-level audit should be **planned by the CLF** and an **annual calendar of internal audit** events should be prepared CLF has to assign the SHGs to the empanelled auditors.
- Depending upon the number of SHGs under the CLFs, the calendar has to be prepared in such a way that not more than 2 SHGs can be audited in a single day by an auditor.
- Keeping the annual calendar as a reference, the monthly calendar with specific dates needs to be prepared and communicated to the respective auditors and the SHGs.
- **The CLF-level monitoring subcommittee needs to review the internal audit process** – plan against achievement, major observations from the audit reports of internal auditors, action taken, etc. If required, capacity building of SHG bookkeepers should also be planned.
- CLF needs to communicate the date and time of the audit well in advance to the SHGs and VOs as well as to the deployed Auditors;
- Internal Audit for a period should start immediately after the end of the previous year.

#### 9.2- Execution of SHG Audit:

- Internal audit needs to be executed as per the audit calendar. In case of any change, it has to be communicated to the respective Community Institution and all the deployed Internal Auditors (IA);
- CLF EC should give the responsibility to the CLF Manager/ CLF Auditor to ensure the internal audit of SHGs also needs to coordinate with the BMMU to complete the audit timely. CLF Subcommittee reviews and sees that the CLF manager ensures the internal audit as per the calendar.
- SHG internal audit needs to be carried out at VO's office. All SHGs must be informed to update their books of accounts and to make them available to the Internal Audit team on the specified date and time.
- The audit should be done in the presence of the concerned accountant/bookkeeper and all SHG members.
- While conducting internal audits **irrespective of SHG**, as part of management audit, the internal auditors must verify whether **SHG** are regularly follows respective policies, guidelines, and norms set by them, CLFs and states. If there are deviations, such observations must be reported in the audit observation report.
- As part of a physical audit **irrespective of SHGs, VOs & or CLFs**, the internal auditors need to check the possession and status of physical assets purchased/created by **SHGs, VOs & and CLFs**. For physical verification purposes, the Internal Auditors must visit at least **20%** of SHG members' houses. Physical verification shall also include the assets procured/created for use in **SHG, VO, and CLF offices**. This process shall ensure the utilization of the loan amount/fund for which it was sanctioned/granted;
- The books and other documents need to be kept in safe custody until they get audited.
- After auditing, the books and documents of the SHGs shall be taken back by the concerned SHGs' Office Bearers(OB) through an acknowledgment to the VO and the Internal Auditor;
- If there are no major rectifications needed that would not affect the financial statements, the internal audit team can certify the financial statements.
- If major rectifications are to be done, all those observations must be recorded in the internal audit (IA) report.
- In case of rectifications/actions, a plan of action needs to be finalized together by the bookkeeper in front of the SHG members.
- **By the end of the IA process, a special meeting with all SHG members needs to be convened, and the observations, financial status, and analysis need to be shared with the SHG members**. This could be done preferably on the same day as the completion of the audit process.

### 10. Voluntary Distribution of Dividends to be added to members' savings (Only for SHGs & and their members)

Dividend distribution can be an important source of income and financial empowerment for rural women who may otherwise have limited access to formal financial services. By pooling their resources and sharing profits, SHGs can help their members achieve financial stability and independence. In the context of SHGs, dividend distribution usually refers



to the sharing of surplus income over expenditure (profits) among the members of the group. This is done at the end of a financial cycle, which would be annually for the SHGs. (Process and Format are attached in Annexure- 2.3.

**Note- Dividend distribution is not being proposed for VOs and CLFs at present**

#### **11.1 Method of Dividend Distribution (Annexure 1.5)**

- Out of the surplus income over expenditure of the SHGs, at least 50% of the amount (**which will be called reserve fund**) would added to the corpus of the SHGs which would further be used for lending purposes. If SHG members are willing, this whole amount could also be added to the corpus of SHG.
- The Remaining 50 % of surplus income over expenditure (Profit), would be distributed among the members. But it **will not be disbursed to members either in cash/bank or kind** rather it would be **added to member's savings – a decision in the hands of SHG. Dividend distribution in the ratio of their existing savings, their attendance at SHG meetings, and also on on-time repayment rate of a member.** The detailed calculations and format has been provided in **Annexure 2.3** which suggests that the remaining 50% will be distributed in equal ratios (25% each) of member's attendance in the meetings and their total savings.

#### **12 SHG Audit Reports and Subsequent Processes(Annexure 1 to 1.4)**

- At the end of each audit, **internal auditors shall prepare financial statements- Receipt & and payment', Income and expenditure, and Balance Sheets and share their observations in writing in a meeting where all the members of the SHG shall be present.**
- The internal auditors need to submit a copy of their report to the concerned SHG, VO, and CLF. The CLF manager, in turn, will submit the consolidated report of all SHGs, VOs, and CLF to the BMMU.
- On receipt of internal audit reports, CLF CIF and Audit committee with the support of the CLF manager shall follow up with the respective SHGs and VOs, through the concerned VO and SHG Accountant/ Bookkeeper and shall ensure that the rectification of error is done within a month.
- If required, the CLF accountant shall help in rectifying the errors. Once it is done, CLF shall submit the action taken report along with the audit report to the BMMU and the concerned internal auditor.
- Internal Auditor shall verify the action taken report submitted to her/him and certify the financial statements and then only the internal audit would be considered as completed.

##### **12.1- SHG Audit Reporting:**

- The internal auditor should record their audit findings in a prescribed format(**Annexure-1& Annexure-1.1**).
- SHG needs to take necessary action for rectification based on the internal audit observations within 2 months and the action taken report to be prepared by the SHG bookkeeper.
- Action taken report on the audit observations and respective audit evidence needs to be verified at the beginning of the next internal audit.
- The IA team needs to submit a copy of their report to the concerned SHG, VO, and CLF. The CLF manager in turn submits a consolidated report of all SHGs to the BMMU.
- In any case, the Internal Auditors should not be engaged in writing books of accounts books or rectification of errors which should be done only by the SHG bookkeepers.

##### **12.2 Review of audit observations:**

The CLF and its concerned Subcommittee will ensure the completion of the internal audit and also will ensure the mid-course correction is carried out based on the audit observations in all the SHGs. Subsequently, the CLF/VO EC will meet once a quarter to plan and review the internal audit plan and progress, to discuss important findings from audit observations made by the IAs in the block and to plan around if there is any dropout.

##### **12.3 Follow and Course Correction:**

- On receipt of SHG-wise audit report/observations, the CLF manager, through the concerned VO shall follow up with the respective SHGs, and ensure that rectification of error is done as recommended in the audit report.
- If required, the CLF accountant shall help the concerned SHG in rectifying the errors. Once it is done, CLF shall submit the action taken report along with the audit report to the BMMU and the concerned internal auditor.
- Internal Auditor shall verify the action taken report so submitted to her/him and certify the financial statements and then only the\* internal audit would be considered as completed.

#### **13 VO Audit process**

##### **13.1 Planning of VO Audit**

- VO audit should be planned by the CLF EC with the support of the CLF manager.
- A comprehensive annual calendar of internal audit events should be prepared, and internal auditors should be assigned specific VOs by the CLF EC with the support of the CLF manager.

- Keeping the annual calendar as a reference, the monthly calendar with specific dates needs to be prepared and communicated to the respective internal auditors and the VOs.
- CLF-level EC needs to review the internal audit process at VO. The review would focus on the plan against achievement, major observations from the audit reports of internal auditors, actions taken, etc. If required, capacity building of VO accountants/bookkeepers also should be planned.
- CLF needs to communicate the date and time of the internal audit well in advance to the VOs as well as to the IA team members.
- Internal Audit for a period should start immediately after the end of the period. For example, VO internal audit needs to be done on a half-yearly basis. Hence, the first half-year internal audit needs to be done in the first month of the second half-year (Oct) and so on. In case of large numbers, it may be planned to be extended to the next months.

### 13.2 Execution of VO Audit

- Internal audit needs to be executed as planned in the audit calendar. In case of any change, it has to be communicated to the respective VO and the IA team.
- CLF is responsible for ensuring the internal audit of VOs.
- ***VO internal audit needs to be carried out in the respective VO office only.***
- All VOs must be informed to make their books of accounts and financial statements available to the IA team on the specified date and time.
- It should be done in the presence of the concerned accountant/bookkeeper and all EC members of VO.
- The books and other documents need to be kept in safe custody until they get audited.
- After auditing, the internal auditors must hand over the books and documents of the VOs and acknowledgment must be obtained.
- If there are no major rectifications needed that would not affect the financial statements, the IA team can certify the financial statements.
- If major rectifications are to be done, all those observations must be recorded in the IA report.
- In case of rectifications/actions, a plan of action needs to be finalized together by the bookkeeper in front of the VO EC.
- By the end of the IA process, a Special Meeting of all EC members of VO needs to be convened and the observations, financial status, and analysis need to be shared with them.

### 13.3 VO Internal Audit Reporting: (Annexure 2 to 2.4)

- At the end of each audit, ***internal auditors shall prepare financial statements- Receipt & and payment', Income and expenditure, and Balance Sheets and share their observations in writing in a meeting where all the members of the VO shall be present.***
- ***A special meeting of VO would be organized (its date has to be planned at least 15 days before) in which VO's internal auditor would present her findings of the VO audit.***
- *Minutes of this special meeting will be minuted in the meeting register of VO*
- *VO EC will ratify the findings shared by internal auditors*
- The concerned VO needs to take necessary action for rectification based on the Internal Audit observations within 15 days and the action taken report is to be prepared by VO Accountant/ Bookkeeper.
- Action taken report on the audit observations and respective audit evidence needs to be verified at the beginning of the next internal audit then only Internal Audit can be considered as complete.
- The Internal Audit team needs to submit a copy of their report to VO and CLF. The CLF manager in turn submits a consolidated report to the BMMU.
- The Internal Audit team should not be engaged in the writing of accounts books or rectification of errors.

### 13.4 Review of VO audit observations:

The CLF manager needs to follow up with the respective VO and ensure that errors are mentioned in the Internal Audit Reports (Annexure-2& Annexure-2.1). get rectified. Once it is done, the same needs to be verified by the concerned Internal Audit team for their final vouching. Only then the Internal Audit would be considered as complete.

- The CLF EC needs to review the internal audit of VOs and ensure payment of audit fees by the CLFs to the auditors in time.
- The CLF with the support of the CLF accountant needs to ensure that any amendments in the larger financial policies and updates are communicated from time to time to the relevant level of internal auditors and they are oriented on such updates

### 13.5 Follow-up and course corrections:

- On receipt of VO-wise audit report/observations, the CLF Manager/Accountant/Cluster Facilitator shall follow up with the respective VOs, and ensure that rectification of error is done as recommended in the audit report.
- If required, the CLF accountant shall help the concerned VO in rectifying the errors. Once it is done, the VO shall submit the action taken report along with the audit report to the CLF and concerned internal auditor.

- Internal Auditor shall verify the action taken report so submitted to her/him and certify the financial statements and then only the internal audit would be considered as completed.

#### 14 CLF (Internal) Audit process

##### 14.1 Planning of CLF (Internal) Audit:

- Internal audit of CLFs should be planned by the district mission management unit (DMMU) every quarter;
- A comprehensive annual calendar of internal audit events should be prepared and empanelled internal auditors should be assigned with specific CLFs by DDMU in consultation with BMMU.
- Keeping the annual calendar as a reference, the monthly calendar with specific dates needs to be prepared and communicated to the respective internal auditors and the CLFs.
- Internal Audit for a period should start immediately after the end of the period. For example, the CLF internal audit needs to be done quarterly. Hence, the first quarter internal audit needs to be done in the first month of the second quarter (July) and so on. In case of large numbers, it may be planned to be extended to the next months.

##### 14.2 Execution of CLF Internal Audit

- Internal audit needs to be executed as planned. In case of any change, it has to be communicated to the respective CLF and the internal audit team.
- **Every CLF's CLF manager and CLF accountant in consultation with EC members (CLF's monitoring Sub Committee) is responsible for ensuring quarterly internal audit of CLFs. SRLMsDPM/DM community finance/ IBCB/SMIB is responsible for ensuring the internal audit of CLFs;** also needs to coordinate with the district-level steering committee to complete the quarterly IA of CLFs.
- CLF internal audit needs to be carried out in the respective CLF office only.
- All CLFs must be informed to make their books of accounts and financial statements available to the Internal audit team on the specified date and time.
- It should be done in the presence of the concerned accountant/bookkeeper and all EC members of CLF
- The books and other documents need to be kept in safe custody until they get audited.
- After auditing, the internal auditors must hand over the books and documents of the CLFs and acknowledgment must be obtained.
- If there are no major rectifications needed that would not affect the financial statements, the IA team can certify the financial statements.
- If major rectifications are to be done, all those observations must be recorded in the IA report.
- In case of rectifications/actions, a plan of action needs to be finalized together by the bookkeeper in front of the CLF EC.
- By the end of the IA process, a Special Meeting of all EC members of CLF and MCLF staff needs to be convened and the observations, financial status, and analysis need to be shared with them. How Income could be enhanced and expenditures could be minimized.

##### 14.3 CLF Internal Audit Reporting: (Annexure 3 to 3.4)

- At the end of each audit, **internal auditors shall prepare financial statements- Receipt & and payment', Income and expenditure, and Balance Sheets and share their observations in writing in a meeting where all the EC members of the CLF shall be present.**
- CLF needs to take necessary action for rectification based on the Internal Audit observations within 15 days and a rectification report to be prepared by the CLF Accountant.
- Action taken report on the audit observations and respective audit evidence needs to be verified at the beginning of the next internal audit then only Internal Audit can be considered as complete.
- The Internal Audit team needs to submit a copy of their report to CLF and BMMU. The BMM in turn submits a consolidated report to the DMMU.
- The Internal Audit team should not be engaged in the writing of accounts books or rectification of errors.

##### 14.4 Review of CLF Audit Observations

- The BMM needs to follow up with the respective CLFs and ensure that errors mentioned in the Internal Audit Reports (Annexure-3&3.1) get rectified. Once it is done, the same needs to be verified by the concerned Internal Audit team for their final vouching. Only then the Internal Audit would be considered as complete.
- CLF EC with the support from the CLF manager and CLF accountant needs to review the internal audit of CLFs and ensure payment of audit fees by the CLFs to the auditors in time.
- The SMMU needs to ensure that any amendments in the larger financial policies and updates are communicated from time to time to the relevant level of internal auditors and they are oriented on such updates.

##### 14.5 Follow-up and course corrections:

- i. On receipt of CLF-wise audit report/observations, the DMM, through the concerned BMMU shall follow up with the respective CLFs, and ensure that rectification of error is done as recommended in the audit report.
- ii. If required, the BMMU accountant shall help the concerned CLF in rectifying the errors. Once it is done, the BMMU shall submit an action taken report along with an audit report to the DMMU and the concerned internal auditor.

- iii. Internal Auditor shall verify the action taken report so submitted to her/him and certify the financial statements and then only the internal audit would be considered as completed.

## **11. Payment of Internal Audit Fee (Detail has been provided in Annexure 4)**

### **11.1 Payment of SHG Audit Fee**

- Internal Audit fees of SHGs under a CLF should be fixed by the respective CLF in consultation with BMMU and DMMU.
- The fee to the internal auditors needs to be paid by the respective SHGs through VO.
- States are advised to help the CLFs work out the specific fee based on the age, volume of transactions, and level of self-sustainability of SHGs.
- The suggestive fee range proposed for the SHG internal auditors is Rs.150 to 300/- per SHG (Annexure 4). However, the fee can be worked out by the CLF management in consultation with the DMMU and BMMU.
- If an internal audit is not done for more than two years, the fees could be revised based on the volume of cash flow and the intensity of transactions.
- The SHGs need to pay their internal audit fee to the VO by cheque/bank transfer positively at least 7 days before the commencement of its internal audit and treat it as an expenditure in its books of accounts or Once a year VO can collect this fee /service charge along with other service charges by April 1st week
- **On completion (Audit of financial transaction + disseminating findings of audit to SHG)** of audit and subsequent review by the CLF, it will be paid to the SHG auditors by cheque/bank transfer preferably within 7 days from completion of audit and review.

### **11.2. Payment of VO Audit Fee (Annexure 4)**

- **The state can issue advisories related to audit fees,** Internal Audit fees of VOs under a CLF should be fixed by the respective CLF in consultation with BMMU and DMMU.
- The fee to the internal auditors needs to be paid by the EC of the respective VOs through CLFs.
- The suggestive fee range proposed for the VO internal auditors is Rs. 300 to 600/- per VO per half year. However, the fee can be worked out by the CLFs in consultation with BMMUs and DMMUs based on the actual financial position of the VOs.
- The audit fees for the VOs Corpus below Rs 5,00,000/- is Rs.300/- to 400/- per VO.
- The audit fees for the VOs Corpus above Rs 5,00,000/- is Rs.500/- to 600/- per VO.
- If an internal audit is not done for more than a year, the fees could be revised based on the volume of cash flow and the intensity of transactions.
- The VOs need to pay their internal audit fee to the CLF in the month of April of every year before the initiation of the internal audit and CLF will pay to the VO auditors as and when they complete the audit, after reviewing their performance.
- The payment of internal audit fees by VOs to CLFs should be done through Cheque or bank transfer and the fee thus paid to the auditors should be treated as expenditure by the respective entities.
- From such fee received, the CLF would in turn make the payment of the fee to the VO auditors deployed during the month via bank transfer.

### **11.3. Payment of CLF Internal Audit Fee (Annexure 4)**

- Internal Audit fees of CLFs should be fixed by the CLFs in consultation with the respective DMMUs.
- CLF auditors should also have experience with VO and SHG audits.
- The fee to the internal auditors needs to be paid by the respective CLFs.
- States are advised to help the CLFs work out the specific fee based on the age, volume of transactions, and level of self-sustainability of Federations.
- The suggestive fee range proposed for the CLF (internal) auditors is Rs.500- 700 per CLF per quarter. However, the fee can be worked out by the CLF-level EC committee in consultation with the DMMU based on the actual financial position of the CLFs.
- If an internal audit is not done for more than two quarters, the fees could be revised based on the volume of cash flow and the intensity of transactions.
- The CLF would make the payment of the fee to the CLF (internal) auditors deployed during the month via bank transfer.
- CLF would make payments to the CLF auditors from its own income sources.

*An illustration with an example for payment of auditors based on certain assumptions is given in Annexure-5 for reference.*

## **15. ROLES AND RESPONSIBILITIES OF VARIOUS STAKEHOLDERS**

### **15.1 Internal Auditors:**

- Participating in induction and orientation after taking up the role of Internal Auditor;
- Participation in training programs organized by CLF or Mission from time to time;
- Participating in planning and review meetings organized by CLF/ Mission related to internal audit;

- Taking complete responsibility for internal auditing of the entities assigned to her/him;
- Coordinating with the bookkeepers, Accountants, and office bearers of the respective entities and executing internal audits as per calendar;
- Asking for books of records and all relevant supporting documents required for audit;
- Noting down Audit observations and preparing IA reports in the prescribed format;
- Sharing the audit findings and analysis with the respective SHG/VO/CLF;
- Reviewing the Action Taken Report on Audit observations of previous audit before commencing subsequent audit;
- Mentioning the time required for taking action;

## 15.2 CLF Manager

- Execute the decision of the CLF Board regarding the identification and empanelment of internal auditors for the SHGs;
- Coordinate with BMMU and DMMU to engage internal auditors for SHGs, VOs, and CLF;
- Ensure that the SHG/ VO auditors are assigned with SHGs/VOs not from their village;
- Ensure training to internal auditors immediately after onboarding and conduct regular Bi-monthly refresher training and reviews in coordination with BMMU and DMMU
- In consultation with OB& EC members prepare the internal audit calendar for all the SHGs within the CLF and assign the internal auditors;
- Communicate the training calendar to the SHGs, VOs, and the respective internal auditor in advance;
- Ensure the internal audit is carried out as per the calendar;
- In case of any delays or changes in the dates, communicate to the respective entities and ensure that it is completed within a month;
- Ensure internal auditors follow the updated audit guidelines and use the appropriate template for noting the audit observations;
- Ensure that the audit reports are shared with the respective entities and higher-level CBO;
- Orientation to bookkeepers/accountants to carry out the rectifications suggested in the audit observations and to prepare action taken report and presented in the next audit;
- Special refresher training to SHG internal auditors to build their capacities;
- Create a system for compilation of all audit observations and actions taken reports for record and reference;
- Monitor the payment of prescribed audit fees by SHGs, and VOs to the CLF in time;
- Report to CLF Board and BMMU on the internal audit process, findings, and action taken;

## 15.3 CLF, VO Accountant, and SHG Bookkeeper

- Keep the updated books of accounts, other supporting documents, and audit guidelines currently followed and present them to the assigned internal auditor;
- Make available the necessary records as requested by the internal Auditor;
- Provide clarification as and when required by the internal auditors;
- Get the audit observations from the internal auditor and take corrective action as required in consultation with the concerned CBO;
- Prepare Action Taken Report and present it to the concerned CBO, and make it available to the internal auditors during the subsequent internal audit;

## 15.4 CLF EC

- Identify and engage the internal auditors in coordination with CLF Manager;
- Approve the appointment of internal auditors for CLF and ensure approval of the appointment of internal auditors by the subsidiary institutions;
- Approve the internal audit calendar prepared by the CLF manager;
- Review the internal audit plan and ensure nil or minimum deviation;
- Review the audit observations and identify patterns, outliers if any, and see if any policy or practice changes are required on the whole; hold discussions and take the required strategic decisions and arrange to communicate to all who are concerned;
- Ensure payment of audit fees to the Internal Auditors;
- Ensure retention of internal auditors by optimizing their work plan;
- Attend when internal audit happens and also during Audit observations report is presented by Internal Auditors;
- Need to take necessary actions for rectification based on Audit observations
- Organise HH visits to the Internal Audit team with the support of VO EC/CLF Manager/Accountant
- Ensure preparation of action taken report by SHG bookkeeper/VO accountant;

## 16.5 VO and SHG members

- Ensure that the internal audit takes place on time, and provide all the necessary documents required to conduct an internal audit to an internal auditor.
- Attend when internal audit happens and also during Audit observations report is presented by Internal Auditors;



- Need to take necessary actions for rectification based on Audit observations
- Organise HH visits for the Internal Audit team
- Ensure preparation of action taken report by SHG bookkeeper/VO accountant;

#### 16.6 BMMU

- Ensure selection, training, and deployment of the required number of Internal Auditors for all entities under the block;
- Ensure Internal Auditors are assigned to entities not related to the Internal Auditor's residential geography (village) in any way;
- Coordinate with DMMU and CLFs and plan to fill the vacancies when arise, train the IAs, and prepare the IA calendar of VO auditors;
- Review the Internal Audit completed against the plan and ensure that deviation is minimized.

#### 16.7 DMMU

- Coordinate with BMMUs and CLFs and estimate the person power selection, training, and deployment for internal auditing of CLFs
- Build the capacities of CLFs to identify and engage IA
- Arrange for capacity building and refresher training for internal auditors, CLF manager/ Accountant, and bookkeepers related to internal auditing
- Periodical review and monitoring of IA calendar preparation and execution by CLFs
- Provide updated audit guidelines to the CBOs as required and ensure usage of the same
- Review the fixation of the optimum amount of audit fee and ensure payment of audit fee by the respective CBOs
- Ensure Internal audit happens without Mission staff and others' interference and provide support to the IA team /CBO when any problem arises
- Random Verification of internal audit reports (1 to 2%) to ensure the quality and take necessary action.

#### 16.8 SMMU

- Build the capacities of DMMU and BMMU who in turn build the capacities of CLF EC, Manager, Accountant, and IA related to internal audit processes;
- Consolidation of audit plan at the state level and report the same with NMMU;
- Review the performance against the plan; take corrective action as and when required;
- Incentivize or recognize the best-performing CLFs related to Internal audit by way of giving priority to bank linkage, special programs, financial assistance programs, etc.;
- Conduct state-level workshops annually with select internal auditors to consult on the key processes or improvements required;
- Customize the standards and benchmarks according to the State context and review the IA performances against the standards
- Ensure Internal audit happens without Mission staff and others' interference and provide support to the IA team /CBO when any problem arises
- Making availability of all the necessary formats, advisories, SOPs, and CB material available in the local language for the IA
- Random Verification of internal audit reports(1 to 2%) to ensure the quality and take necessary action.

#### 16.9 NMMU

- Issuing Advisories on internal audits and amendments from time to time;
- Orientation to the states on Community audit systems to be established at CBOs;
- Conduct annual consultative workshop at the national level involving all states to consult key challenges and scope for improvement about internal audit process;
- Create a provision in the MIS system for the entities to report the Internal Audit processes;



# Annexures

## Annex 1. Internal Audit Report Template – SHG

To

The President,

..... SHG (Name of the SHG)

.....

.....

Madam,

**Sub:** Internal audit report for the period from 1<sup>st</sup> ..... to 31<sup>st</sup> .....

We have audited the vouchers and records of ..... SHG, at ....., ..... for the period ..... to ..... . In carrying out the audit we **verified the physical assets, policies, guidelines, and norms of the institution. Also Visited members' houses to verify loan utilization as per the annexures given.** In carrying out the audit we have emphasized reviewing the systems and procedures to ensure that the SHG can carry out its operations in a smooth way with better internal control systems. However, the clerical errors that were rectified then and there during the course of our audit and other matters, which in our opinion are not material, have not been dealt with in this report. **Detailed observations are given in Annex 1.1.**

(If any key issues are found to be rectified, then the following section can be given below:

We have conducted an internal audit and came across certain internal control weaknesses and lapses during the course of the audit, which we are highlighting in this report. The Scope of the internal audit was checking the efficiency & effectiveness of the internal controls and verification of related records. Further, we have given recommendations for rectifying/strengthening the same as follows: (Illustration only; From the annex 1, the topics for which rectification is to be done, only those points can be brought here)

S. No	Topic	The issue to be rectified
1	Cash	Cash as per cashbook and physical Cash do not match
2	Idle Cash	An amount of Rs..... is lying idle for more than ..... months
3	Loan Repayment rate	
4	No. of members with irregular Savings	
5	Expenditure	The expenditure on overheads exceeds 5% of the amount allowed in the financial policy
6	Advances	Advances to be collected are Rs.....

Detailed observations are given in Annex 1.1. We are waiting for the explanations from the SHG. We believe that the given recommendations shall improve the existing controls. Further, we hope that these recommendations are implemented as early as possible. We thank the SHG leaders, members, and bookkeepers for their cooperation in the conduct of this audit.

Sincerely,

Name of the Internal Auditor

Name of the Internal Auditor

Date:

Place:

### Annex 1.1. Internal Audit Report Template (Detailed)- SHG

(Use only those items that are applicable and add any other items as necessary)

1. Name of the SHG \_\_\_\_\_
2. Name of Federation \_\_\_\_\_
3. Date of audit \_\_\_\_\_
4. Period for which audit was undertaken \_\_\_\_\_
5. Name(s) of internal auditors \_\_\_\_\_
6. Cash in hand today \_\_\_\_\_
7. \_\_\_\_\_
8. Cash at bank/s as per pass book on last day of previous month \_\_\_\_ Cash at bank/s as per Cash Books on last day of previous month \_\_\_\_ difference \_\_\_\_\_. A Bank Reconciliation Statement (BRS) needs to be prepared (BRS should be prepared for each bank account.)

Example:

Bank balance as per passbook: Rs \_\_\_\_\_

Add remittances (for which there is a bank challan available) that have not yet been entered in the passbook: Rs \_\_\_\_\_

Subtract cheques that have been issued (for which vouchers are available) but not yet debited in our passbook): Rs \_\_\_\_\_

Therefore, bank balance should be Rs \_\_\_\_\_

The bank balance as per Cash Book is Rs \_\_\_\_\_

8. Cash on hand was more than Rs \_\_\_\_\_ on the following dates.....
9. The Cash Book was written fully till \_\_\_\_\_ (date).
10. The Cash Book entries were in pen/pencil. The opening and closing cash balances were also in pen/pencil. There was/was no overwriting in the Cash Book. (Scratch out what is not applicable.)
11. Particulars on the following receipt/payment vouchers have not been entered in the Cash Book. (List the date, voucher no., party to/from whom payment was made/received, and amount paid/received. If all vouchers have been entered, then write here that all vouchers have been entered. Mistakes in entries must be mentioned in no. 12 below.)
12. The following transactions were not reasonable/acceptable for the following reasons. (In reasons include 'no voucher', 'no signature', 'not in budget', 'no authorization', 'unreasonably high expenditure', etc)

Date	Amount	Unreasonable/ Unacceptable

13. All transactions in the Demand Collection Balance Sheet have been carried into the Cash Book and the Loan Ledger. Yes/No (If 'No', then provide relevant information.)
14. All transactions in the Cash Book were posted in the General Ledger. Yes/No (If 'No', then comment and provide details for transactions that have not been carried into General Ledger.)
15. checkbook presently in use contains serial numbers from ..... To ..... There were a few canceled cheques Sl.No.....,.....,....., not attached/shown.
16. All cheque leaves were accounted for in the Cash Book. There were \_\_\_\_ number of blank cheques with signatures. The cheque issue register was well maintained/not well maintained.
17. Fixed deposit receipts were available for all fixed deposits entered in the General Ledger. (If not, write down the amounts and dates on which FDs were made, for those without receipts.)
18. The following advances should be collected immediately. Advance other than official purposes Interest should be collected for the period for which the amount is pending.

The date on which advance was given	Name of person ('Person' includes individual and organization)	Advance amount (Rs)	Position (Office Bearer, EC member, staff, outside person, etc)

--	--	--	--

19. The following members are irregular in Savings remittances.

Name of the Member	No. of months irregular in the past 3 months	Due Amount for the past 3 months	Actual Savings done in the SHG past 3 months

20. The following members are irregular in Loan remittances.

Name of the Member	Loan Outstanding	Date of last principal payment	Loan overdue	Date of last interest payment	interest overdue

21. Interest was incorrectly collected from the following persons

Name of the Member	Date	Interest due	Interest collected

22. The total loans against each member are shown below. (Take only the loans outstanding on the last day of the month for which the audit is being carried out.) Of the total loans outstanding of Rs \_\_\_\_, \_\_\_\_ number of SHGs/PLFs have more than 20% of the total loan outstanding. That is, default by any of these will pose a high risk to the federation.

Name of the Member	Loan 1	Loan 2	Loan 3	Total Loan Outstanding

23. The following commodities stock position was not clear, as the purchase and sale cum stock register were not maintained. (Provide details.)

24. The following assets purchased/disposed of during the last month were not entered in the Fixed Assets Register. (Give details.)

25. All borrowings from external sources in the past month were backed by resolutions of the Executive Committee and by agreements with the lender. Yes/No

26. The amount due to creditors in the past 3 months and the amounts paid are as shown below:

Particulars	Name of the Higher-level Federation/ Bank	Bank	Other
Principal Amount overdue			
Interest Amount overdue			

27. The following statements were available. They were a correct summary of the transactions that took place last month

Particulars	Receipts & Payments Statement	Income & Expenditure Statement	Trade account (Purchases and Sales)	Balance Sheet
Prepared for the month of.....				
Discussed on .....				

28. The financial statements were available / not available. We have prepared them. They are attached.

29. Profit/loss before loan loss provision since the start of the year is Rs \_\_\_\_\_

30. Profit/ Loss after loan loss provision is Rs. \_\_\_\_\_

31. The previous internal audit report pointed out the following issues, which are also being pointed out in this report. Members need to urgently take appropriate action on these.

a. ....

b. ....

c. ....

32. We have done physical verification of the following assets.

Name of the Asset	Date of Purchase	Purchase value	Condition Good/ Not working

33. We have verified the loan utilization of the following members

Name of the member	Loan amount	Date of Loan	Loan Purpose	Loan utilized for the purpose: Fully/Partially/ Not utilized

The audit was undertaken on \_\_\_\_\_ The report was sent to all members of the Executive Committee on \_\_\_\_\_ for discussion at the EC meeting of \_\_\_\_\_

Signatures of internal auditors \_\_\_\_\_

*Annexure 1.2- Receipt& Payments Statement of SHG*

<b>Receipt and Payment Report</b>					
<b>District: Xx</b>		<b>Block: Xx</b>	<b>Village: xx</b>		
<b>Panchayat: Xx</b>		<b>SHG Name: Xx</b>		<b>Formation Date: DD-MM-YYYY</b>	
<b>From Date: 1st April 2022</b>		<b>To Date: 31st March 2023</b>			
<b>Receipts</b>			<b>Payments</b>		
<b>Particulars</b>		<b>Amount (INR)</b>	<b>Particulars</b>		<b>Amount (INR)</b>
<b>Account code</b>	<b>Account name</b>		<b>Account code</b>	<b>Account name</b>	
	<b>Opening Balance</b>			<b>Interest Repaid</b>	
	Cash in Hand			Interest Paid on Loans - CBOs	
	Bank Accounts			Interest Paid on Loans - External	
	<b>Member Savings</b>				
	Savings from Members			<b>Principal Repaid</b>	
				Loan from CBOs	
	<b>Funds Receipts</b>			Training & Capacity Building Fund - Advance from CBO	
	Loan from Bank			Institution Building Fund - Advance from CBO	
	Loan from CBOs			<<other advances>>	
	Training & Capacity Building Fund - Advance from CBO			Loan from Bank	
	Institution Building Fund - Advance from CBO			<i>CIF Received from SRLM</i>	
	<<other advances>>			<b>Loans to Members</b>	
	Contribution by Members - for Investment in VO			General / Common Funds - Loan to Members	
	<i>CIF Received from SRLM</i>				
	<b>Principal Repayments by Members</b>			<b>Bank Expenses</b>	
	General / Common Funds - Loan to Members			Bank Charges	
	<b>Interest Repayment by Members</b>			<b>Group Expenses</b>	
	Interest Received on Loans - Members			Cadre Payments	
				Bookkeeper Payments	
	<b>Interest on Bank Accounts</b>			Admin / Utilities Expenses	
	Interest from Bank			Travel Expenses	
				Office Bearers' Honorarium	
	<b>Receipts from Sale of Assets (if any)</b>				
	Computer			<b>Payments on Purchase of Assets (if any)</b>	
	Furniture & Fixtures			Computer	
	Land & Building			Furniture & Fixtures	
	Vehicle			Land & Building	



	Equipment			Vehicle	
				Equipment	
	<b>Capital Receipts (if any)</b>				
	Share Capital			<b>Capital Payments (if any)</b>	
	Revolving Fund			Share Capital	
	<< other funds>>			Revolving Fund	
	Fixed Deposits (Bank)			<< other funds>>	
	Investments by SHG			Fixed Deposits (Bank)	
	Award Money			Investments by SHG	
				Savings from Members	
	<b>Other Receipts</b>			Contribution by Members - for Investment in VO	
	Membership Fees			Award Money	
	Member Contribution				
	Admission Fees - Members			<b>Other Payments</b>	
	Penalty - Members			Dividend Payment - Members	
	Income from Investments			Fees / Penalties	
	Subsidy on Interest			Grant / Donation to Members	
	Sales - Inventory			Vulnerability Reduction Fund (VRF) Expenses	
	Sales - Services / Job work			Membership Fees - Paid	
	Rent Received			Other Sundry Expenses	
	Other Income			Training & Capacity Building Expenses	
	Adjustment - Training & Capacity Building Fund			Institution Building Expenses	
	Adjustment - Institution Building Fund			<<other advances>> Expenses	
	Adjustment - <<other advances>>			Purchase of Inventory	
	Interest Received on FDs			Bad Debts	
	TDS Refund Received				
	<b>Grant &amp; Donations</b>			Expenditure - from Award Money	
	Grant - Start-up fund			TDS Paid	
	Grant - Vulnerability Reduction Fund (VRF)			<b>Closing Balance</b>	
	Grants / Donations			Cash in Hand	
				Bank Accounts	
	<b>Total</b>			<b>Total</b>	

### Annexure 1.3- SHG Income & Expenditure Report

Income and Expenditure Account					
District: Xx		Block: Xx		Village: xx	
Panchayat: Xx		SHG Name: Xx		Formation Date: DD-MM-YYYY	
From Date: 1st April 2022		To Date: 31st March 2023			
Expenditure			Income		
Particulars		Amount (INR)	Particulars		Amount (INR)
Account code	Account name		Account code	Account name	
	<b>Interest Expenditure</b>			<b>Trading Account Surplus</b>	
	Interest Paid on Loans - External				
	Interest Paid on Loans - CBOs			<b>Interest Income</b>	
				Interest Received on Loans - Members	
	<b>Operational Expenses</b>			Subsidy on Interest	
	Cadre Payments			Interest from Bank	
	Bookkeeper Payments			Interest Received on FDs	
	Admin / Utilities Expenses			<b>Operational Incomes</b>	
	Fees / Penalties			Membership Fees	
	Bank Charges			Member Contribution	
	Travel Expenses			Admission Fees - Members	
	Office Bearers' Honorarium			Penalty - Members	
	Training & Capacity Building Expenses			Sales - Services / Job work	
	Institution Building Expenses			Rent Received	
	<<other advances>> Expenses			Income from Investments	
	Expenditure - from Award Money				
	<b>Payments to Members</b>			<b>Other Incomes</b>	
	Grant / Donation to Members			Grant - Start-up Fund	
	Dividend Payment - Members			Grant - Vulnerability Reduction Fund (VRF)	
	Membership Fees - Paid			Grants / Donations	
				Other Income-	
	<b>Other Expenses</b>			Adjustment - Training & Capacity Building Fund	
	Vulnerability Reduction Fund (VRF) Expenses			Adjustment - Institution Building Fund	
	Other Sundry Expenses			Adjustment - <<other advances>>	
	Bad Debts			TDS Refund Received	
	TDS Paid				
	<b>Surplus / Deficit in I&amp;E</b>				

	<b>Total</b>			<b>Total</b>	

#### Annexure 1.4- Balance sheet SHG

<b>Balance Sheet</b>					
<b>District: Xx</b>		<b>Block: Xx</b>		<b>Village: xx</b>	
<b>Panchayat: Xx</b>		<b>SHG Name: Xx</b>		<b>Formation Date: DD-MM-YYYY</b>	
<b>As of Date: 31st March 2023</b>					
<b>Liabilities</b>			<b>Assets</b>		
<b>Particulars</b>	<b>Amount (INR)</b>		<b>Particulars</b>	<b>Amount (INR)</b>	
	<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>		<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>
<b>Liabilities</b>			<b>Assets</b>		
Loan from Bank			Cash in Hand		
Savings from Members			Bank Accounts		
Loan from CBOs			Inventory		
Training & Capacity Building Fund - Advance from CBO			Fixed Deposits (Bank)		
Institution Building Fund - Advance from CBO			General / Common Funds - Loan outstanding to Members		
<<other advances>>			Investments by SHG		
Contribution by Members - for Investment in VO			Computer		
CIF Received from SRLM			Furniture & Fixtures		
<b>Equity</b>			Land & Building		
Share Capital			Vehicle		
Revolving Fund			Equipment		
Award Money					
<< other funds>>					
<b>Surplus / Deficit in I&amp;E</b>					
<b>Total</b>	-	-	<b>Total</b>		

#### Annex. 1.5: Dividend Distribution at the SHG level

<b>Dividend Distribution at the SHG level</b>					
<b>Total Surplus after Expenditures (A1)</b>	<b>10000</b>	<b>Reserve Fund @50% of Total Surplus (A1/2) = C1</b>	<b>5000</b>	<b>Funds to be distributed as dividend (A1-C1)</b>	<b>5000</b>
<b>Total Attendance of the Members</b>	<b>450</b>	<b>Total Savings of the Members</b>	<b>120000</b>	<b>Dividends are to be distributed based on attendance</b>	<b>2500</b>

Name of SHG			Name of VO. & Village		Dividend to be distributed based upon Savings	2500
S.No	Name	Total Cumulative Savings	Total Attendance in the Audit Year	Dividend In the proportion of Savings	Member-wise Dividend In the proportion of Attendance	Total Dividend To be added to the savings
1	Kavita didi	10000	40	192.3	222.22	414.53
2	Ramiya	20000	45	384.6	250.00	634.62
3	Seema	10000	50	192.3	277.78	470.09
4	Varsha	10000	44	192.3	244.44	436.75
5	Reeta	10000	41	192.3	227.78	420.09
6	Fulma	10000	43	192.3	238.89	431.20
7	Sarita	10000	30	192.3	166.67	358.97
8	Parwati	10000	35	192.3	194.44	386.75
9	Pooja	10000	44	192.3	244.44	436.75
10	Savita	10000	23	192.3	127.78	320.09
11	Rekha	10000	32	192.3	177.78	370.09
12	Rabita	10000	23	192.3	127.78	320.09
13						
14						
15						
<b>Formulas</b>	<b>Dividend in the proportion of attendance</b>	<i>(Member's Attendance/Total Attendance of Members) * Total Dividend to be distributed based on attendance</i>		<b>Dividend in the proportion of Savings</b>	<i>(Member's Saving/Total Saving of Members) * Total Dividend to be distributed based on Savings</i>	

## Annex 2. Internal Audit Report Template –VO

To

The President,

..... VO (Name of the VO)

.....

.....

Madam,

**Sub:** Internal audit report for the period from 1<sup>st</sup> ..... to 31<sup>st</sup> .....

We have audited the vouchers and records (list of books and records in Annex-1) of ..... VO, at ..... , ..... for the period ..... to ..... . In carrying out the audit we **verified the physical assets, policies, guidelines, and norms of the institution. Also Visited SHGs and members' houses to verify loan utilization as per the annexures given.** In carrying out the audit we have emphasized reviewing the systems and procedures to ensure that the VO can carry out its operations in a smooth way with better internal control systems. However, the clerical errors that were rectified then and there during the course of our audit and other matters, which in our opinion are not material, have not been dealt with in this report. Detailed observations are given in Annex 2.1.

(If any key issues are found to be rectified, then the following section can be given below:

We have conducted an internal audit and came across certain internal control weaknesses and lapses during the course of the audit, which we are highlighting in this report. The Scope of the internal audit was checking the efficiency & and effectiveness of the internal controls and verification of related records. Further, we have given recommendations for rectifying/strengthening the same as follows: (Illustration only; From the annex 2, the topics for which rectification is to be done, only those points can be brought here)

S.No	Topic	The issue to be rectified
1	Cash	Cash as per cashbook and bank passbook and physical Cash do not match
2	Idle Cash	An amount of Rs..... is lying idle for more than ..... months
3	Loan Repayment rate	
4	No. of members with irregular Savings	
5	Expenditure	The expenditure on overheads exceeds 5% of the amount allowed in the financial policy
6	Advances	Advances to be collected are Rs.....

Detailed observations are given in Annex 2.1. We are waiting for the explanations from the VO. We believe that the given recommendations shall improve the existing controls. Further, we hope that these recommendations are implemented as early as possible. We thank the VO Board and staff for their cooperation in the conduct of this audit.

Sincerely,

**Name of the Internal Auditor**

**Name of the Internal Auditor**

Date:

Place:

### Annex 2.1 Internal Audit Report Template (Detailed)- VO

(Use only those items that are applicable and add any other items as necessary)

1. Name of VO \_\_\_\_\_
2. Date of audit \_\_\_\_\_
3. Month for which audit was undertaken \_\_\_\_\_
4. Names of internal auditors \_\_\_\_\_
5. Cash in hand today \_\_\_\_\_
6. Cash as per Cash Book \_\_\_\_\_
7. Cash at bank/s as per pass book on last day of previous month \_\_\_\_\_ Cash at bank/s as per Cash Books on last day of previous month \_\_\_\_\_ difference \_\_\_\_\_ Explain differences, if any, with dates of remittance/ withdrawal. (Note down separately for each bank account.)

Example:

Bank balance as per passbook: Rs \_\_\_\_\_

Add remittances (for which there is a bank challan available) that have not yet been entered in the passbook: Rs \_\_\_\_\_

Subtract cheques that have been issued (for which vouchers are available) but not yet debited in our passbook): Rs \_\_\_\_\_

Therefore, bank balance should be Rs \_\_\_\_\_

The bank balance as per Cash Book is Rs \_\_\_\_\_

8. Cash on hand was more than Rs \_\_\_\_\_ on the following dates.....
9. The Cash Book was written fully till \_\_\_\_\_ (date).
10. The Cash Book entries were in pen/pencil. The opening and closing cash balances were also in pen/pencil. There was/was no overwriting in the Cash Book. (Scratch out what is not applicable.)
11. Particulars on the following receipt/payment vouchers have not been entered in the Cash Book. (List the date, voucher no., party to/from whom payment was made/received, and amount paid/received. If all vouchers have been entered, then write here that all vouchers have been entered. Mistakes in entries must be mentioned in no. 12 below.)
12. The following transactions were not reasonable/acceptable for the following reasons. (In reasons include 'no voucher', 'no signature', 'not in budget', 'no authorization', 'unreasonably high expenditure', etc)

Date	Amount	Unreasonable/ Unacceptable

13. All transactions in the Demand Collection Balance Sheet have been carried into the Cash Book and the Loan Ledger. Yes/No (If 'No', then provide relevant information.)
14. All transactions in the Cash Book were posted in the General Ledger. Yes/No (If 'No', then comment and provide details for transactions that have not been carried into General Ledger.)
15. All cheque leaves were accounted for in the Cash Book. There were \_\_\_\_\_ number of blank cheques with signatures. The cheque issue register was well maintained/not well maintained.
16. Fixed deposit receipts were available for all fixed deposits entered in the General Ledger. (If not, write down the amounts and dates on which FDs were made, for those without receipts.)
17. The following advances should be collected immediately. Interest should be collected for the period for which the amount is pending.

The date on which advance was given	Name of person ('Person' includes individual and organization)	Advance amount (Rs)	Position (Office Bearer, EC member, staff, outside person, etc)



18. The following members are irregular in Savings remittances.

Name of the SHG	No.of months irregular in the past 3 months	Due Amount for the past 3 months	Actual Savings done in the VO/CLF past 3 months

19. The following members are irregular in Loan remittances.

Name of the SHG	Loan Outstanding	Date of last principal payment	Loan overdue	Date of last interest payment	interest overdue

20. Interest was incorrectly collected from the following SHGs

Name of the SHG	Date	Interest due	Interest collected

21. The total loans against each member-SHG/PLF are as shown below. (Take only the loans outstanding on the last day of the month for which the audit is being carried out.) Of the total loans outstanding of Rs \_\_\_\_\_, \_\_\_\_\_ number of SHGs/PLFs have more than 20% of the total loan outstanding. That is, default by any of these will pose a high risk to the federation.

Name of the SHG	Loan 1	Loan 2	Loan 3	Total Loan Outstanding

22. The following commodities stock position was not clear, as the purchase and sale cum stock register were not maintained. (Provide details.)

23. The following assets purchased/disposed of during the last month were not entered in the Fixed Assets Register. (Give details.)

24. All borrowings from external sources in the past month were backed by resolutions of the Executive Committee and by agreements with the lender. Yes/No

25. The amount due to creditors in the past 3 months and the amounts paid are as shown below:

Particulars	Name of the Higher-level Federation	Bank	Other
Principal Amount overdue			
Interest Amount overdue			

26. The following statements were available. They were a correct summary of the transactions that took place last month

Particulars	Receipts & Payments Statement	Income & Expenditure Statement	Trade account (Purchases and Sales)	Balance Sheet
Prepared for the month of.....				
Discussed on .....				

27. The financial statements were not available. We have prepared them. They are attached.

28. Profit/loss before loan loss provision since the start of the year is Rs \_\_\_\_\_
29. Profit/ Loss after loan loss provision is Rs. \_\_\_\_\_
30. The previous internal audit report pointed out the following issues, which are also being pointed out in this report. Members need to urgently take appropriate action on these.
- a. ....
- b. ....
- c. ....

31. We have done physical verification of the following assets.

Name of the Asset	Date of Purchase	Purchase value	Condition Good/ Not working

32. We have verified the loan utilization of the following members

Name of the member	Loan amount	Date of Loan	Loan Purpose	Loan utilized for the purpose: Fully/Partially/ Not utilized

The audit was undertaken on \_\_\_\_\_ The report was sent to all members of the Executive Committee on \_\_\_\_\_ for discussion at the EC meeting of \_\_\_\_\_

Signatures of internal auditors \_\_\_\_\_

## Annexure 2.2- Receipt & Payments Statement for VO

Receipt and Payment Report								
District: Xx			Block: Xx			Village: xx		
Panchayat: Xx			VO Name: Xx			Formation Date: DD-MM-YYYY		
From Date: 1st April 2022			To Date: 31st March 2023					
Receipts					Payments			
Particulars			Amount (INR)		Particulars			Amount (INR)
Account code	Account name				Account code	Account name		
	Opening Balance					Interest Repaid		
	Cash in Hand		80,000			Interest Paid on Loans - External		10,000
	Bank Accounts		1,80,000			Interest Paid on Loans - CBOs		14,000
						Interest Paid on Savings to Member SHG		21,000
	Member SHG Savings					Interest Paid on Deposits		23,000
	Savings from Member SHG		54,000					
						Principal Repaid		
	Funds Receipts					Loan from CBOs		81,000
	Loan from Bank		43,000			Revolving Fund - Received from CLF - for pass-through		21,000
	Loan from CBOs		1,01,000			Training & Capacity Building Fund - Advance from CBO		10,000
	Revolving Fund - Received from CLF - for pass-through		14,000			Institution Building Fund - Advance from CBO		14,000
	Training & Capacity Building Fund - Advance from CBO		10,000			<<other advances>>		23,000
	Institution Building Fund - Advance from CBO		17,000			Loan from Bank		23,000
	<<other advances>>		18,000			CIF Received from SRLM		10,000
	Investments by CBOs		20,000			Loans and Advances to Member SHGs		
	CIF Received from SRLM		45,000			Loan to Member SHG		1,44,000
	Principal Repayments by Member SHGs					Advance to Member SHG		19,000
	Loan to Member SHG		1,22,000					
	Advance to Member SHG		13,000			Other Payments to CBOs		
						Savings from Member SHG		11,000
	Interest Repayment by					Investments by CBOs		

	<b>Member SHGs</b>				16,000
	Interest Received on Loan to Members SHG	45,000			
				<b>Bank Expenses</b>	
	<b>Other Interest Income</b>			Bank Charges	14,000
	Interest Received - on FDs	46,000			
	Interest Received - others	23,000		<b>Group Expenses</b>	
	Interest from Bank Account	16,000		Cadre Payments	14,000
	<b>Receipts from Sale of Assets (if any)</b>			Bookkeeper Payments	21,000
	Computer	9,000		Admin / Utilities Expenses	23,000
	Furniture & Fixtures	13,000		Travel Expenses	23,000
	Land & Building	17,000		Office Bearers' Honorarium	21,000
	Vehicle	9,000			
	Equipment	7,000		<b>Payments on Purchase of Assets (if any)</b>	
				Computer	17,000
	<b>Capital Receipts (if any)</b>			Furniture & Fixtures	9,000
	Share Capital	23,000		Land & Building	7,000
	Capital Contribution	56,000		Vehicle	24,000
	Fixed Deposits (Bank)	12,000		Equipment	7,000
	Investments by VO	33,000			
				<b>Capital Payments (if any)</b>	
	<b>Other Receipts</b>			Share Capital	6,000
	Membership Fees	25,000		Capital Contribution	49,000
	Member SHG contribution	27,000		Fixed Deposits (Bank)	13,000
	Admission Fees - Member SHG	13,000		Investments by VO	29,000
	Penalty - Member SHG	18,000			
	Income from Investments	33,000		<b>Other Payments</b>	
	Subsidy on Interest	29,000		Fees / Penalties	10,000
	Sales - Inventory	13,000		Rent	14,000
	Sales - Services / Job work	18,000		Electricity Charges	21,000

	Rent Received	30,000		Communication Expenses	23,000
	Adjustment - Training and Capacity Building Fund	10,000		Training & Capacity Building Expenses	10,000
	Adjustment - Institution Building Fund (IBF)	14,000		Institution Building Expenses	14,000
	Adjustment - Revolving Fund - given to Member SHGs	21,000		<<other advances>> Expenses	23,000
	Adjustment - <<other advances>>	23,000		Purchase of Inventory	10,000
	TDS Refund Received	25,000		Bad Debts	10,000
	Start-up Fund (Recurring)	13,000		Revolving Fund - given to Member SHG	21,000
	Grants / Donations	18,000		Dividend Payment - Member SHG	21,000
	Other Income	27,000		Grant / Donation	14,000
				Audit Charges	23,000
				TDS Paid	18,000
				AGM & Other Meeting Expenses	10,000
				Other sundry expenses	10,000
				<b>Closing Balance</b>	
				Cash in hand	2,97,000
				Bank Accounts	1,17,000
	<b>Total</b>	<b>13,83,000</b>		<b>Total</b>	<b>13,83,000</b>

### Annexure 2.3- Income & Expenditure Statement for VO

Income and Expenditure Account					
District: Xx		Block: Xx		Village: xx	
Panchayat: Xx		VO Name: Xx		Formation Date: DD-MM-YYYY	
From Date: 1st April 2022		To Date: 31st March 2023			
Expenditure			Income		
Particulars		Amount (INR)	Particulars		Amount (INR)
Account code	Account name		Account code	Account name	
	<b>Interest Expenditure</b>			<b>Trading Account Surplus</b>	
	Interest Paid on Loans - External				
	Interest Paid on Loans - CBOs			<b>Interest Income</b>	
	Interest Paid on Savings to Member SHG			Interest Received on Loan to Members SHG	
	Interest Paid on Deposits			Interest Received - on FDs	
				Interest Received - others	
	<b>Operational Expenses</b>			Subsidy on Interest	
	Cadre Payments			Interest from Bank Account	
	Bookkeeper Payments			<b>Operational Incomes</b>	
	Admin / Utilities Expenses			Membership Fees	
	Fees / Penalties			Member SHG contribution	
	Bank Charges			Admission Fees - Member SHG	
	Travel Expenses			Penalty - Member SHG	
	Office Bearers' Honorarium			Sales - Services / Job work	
	Training & Capacity Building Expenses			Rent Received	
	Institution Building Expenses				
	Revolving Fund - given to Member SHG			<b>Other Incomes</b>	
	<<other advances>> Expenses			Income from Investments	
	Audit Charges			Start-up Fund (Recurring)	
	AGM & Other Meeting Expenses			Grants / Donations	
	Rent			TDS Refund Received	
	Electricity Charges			Other Income	
	Communication Expenses			Adjustment - Training and Capacity Building Fund	



	TDS Paid			Adjustment - Institution Building Fund (IBF)	
				Adjustment - Revolving Fund - given to Member SHGs	
	<b>Other Expenses</b>			Adjustment - <<other advances>>	
	Dividend Payment - Member SHG				
	Bad Debts				
	Grant / Donation				
	Other Sundry Expenses				
	<b>Surplus / Deficit in I&amp;E</b>				
	<b>Total</b>			<b>Total</b>	

#### Annexure 2.4- Balance sheet of VO

<b>Balance Sheet</b>					
<b>District: Xx</b>		<b>Block: Xx</b>		<b>Village: xx</b>	
<b>Panchayat: Xx</b>		<b>VO Name: Xx</b>		<b>Formation Date: DD-MM-YYYY</b>	
<b>As of Date: 31st March 2023</b>					
<b>Liabilities</b>			<b>Assets</b>		
<b>Particulars</b>	<b>Amount (INR)</b>		<b>Particulars</b>	<b>Amount (INR)</b>	
	<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>		<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>
<b>Liabilities</b>			<b>Assets</b>		
Loan from Bank			Cash in Hand		
Savings from Member SHG			Bank Accounts		
Loan from CBOs			Inventory		
Revolving Fund - Received from CLF - for pass-through			Fixed Deposits (Bank)		
Training & Capacity Building Fund - Advance from CBO			Loan to Member SHG		

Institution Building Fund - Advance from CBO			Advance to Member SHG		
<<other advances>>			Investments by VO		
Investments by CBOs			Computer		
CIF Received from SRLM			Furniture & Fixtures		
<b>Equity</b>			Land & Building		
Share Capital			Vehicle		
Capital Contribution			Equipment		
Surplus / Deficit in I&E					
<b>Total</b>	<b>9,40,000</b>	<b>7,32,000</b>	<b>Total</b>	<b>9,40,000</b>	<b>7,32,000</b>

### Annex 3 Internal Audit Report Template –CLF

To

The President,

..... CLF (Name of the CLF)

.....

.....

Madam,

**Sub:** Internal audit report for the period from 1<sup>st</sup> ..... to 31<sup>st</sup> .....

We have audited the vouchers and records of ..... CLF, at ....., ..... for the period ..... to ..... . In carrying out the audit we **verified the physical assets, policies, guidelines, and norms of the institution. Also Visited VOs, SHGs, and members' houses to verify loan utilization as per the annexures given.** In carrying out the audit we have emphasized reviewing the systems and procedures to ensure that the CLF can carry out its operations in a smooth way with better internal control systems. However, the clerical errors that were rectified then and there during the course of our audit and other matters, which in our opinion are not material, have not been dealt with in this report. **Detailed observations are given in Annex 3.1.**

(If any key issues are found to be rectified, then the following section can be given below:

We have conducted an internal audit and came across certain internal control weaknesses and lapses during the course of the audit, which we are highlighting in this report. The Scope of the internal audit was checking the efficiency & and effectiveness of the internal controls and verification of related records. Further, we have given recommendations for rectifying/strengthening the same as follows: (Illustration only; From the annex 3.1, the topics for which rectification is to be done, only those points can be brought here)

S. No	Topic	The issue to be rectified
1	Cash	Cash as per cashbook and bank passbook and physical Cash do not match
2	Idle Cash	An amount of Rs..... is lying idle for more than ..... months
3	Loan Repayment rate	
4	No. of members with irregular Savings	
5	Expenditure	The expenditure on overheads exceeds 5% of the amount allowed in the financial policy
6	Advances	Advances to be collected are Rs.....

Detailed observations are given in Annex 3.1. We are waiting for the explanations from the CLF. We believe that the given recommendations shall improve the existing controls. Further, we hope that these recommendations are implemented as early as possible. We thank the CLF Board and staff for their cooperation in the conduct of this audit.

Sincerely,

Name of the Internal Auditor

Date:

Name of the Internal Auditor

Place:

### Annex 3.1 Internal Audit Report Template (Detailed)- CLF

(Use only those items that are applicable and add any other items as necessary)

1. Name of CLF \_\_\_\_\_
2. Date of audit \_\_\_\_\_
3. Month for which audit was undertaken \_\_\_\_\_
4. Names of internal auditors \_\_\_\_\_
5. Cash in hand today \_\_\_\_\_
6. Cash as per Cash Book \_\_\_\_\_
7. Cash at bank/s as per pass book on last day of previous month \_\_\_\_\_ Cash at bank/s as per Cash Books on last day of previous month \_\_\_\_\_ difference \_\_\_\_\_ Explain differences, if any, with dates of remittance/ withdrawal. (Note down separately for each bank account.)

Example:

Bank balance as per passbook: Rs \_\_\_\_\_

Add remittances (for which there is a bank challan available) that have not yet been entered in the passbook: Rs \_\_\_\_\_

Subtract cheques that have been issued (for which vouchers are available) but not yet debited in our passbook): Rs \_\_\_\_\_

Therefore, bank balance should be Rs \_\_\_\_\_

The bank balance as per Cash Book is Rs \_\_\_\_\_

8. Cash in hand was more than Rs \_\_\_\_\_ on the following dates.....
9. The Cash Book was written fully till \_\_\_\_\_ (date).
10. The Cash Book entries were in pen/pencil. The opening and closing cash balances were also in pen/pencil. There was/was no overwriting in the Cash Book. (Scratch out what is not applicable.)
11. Particulars on the following receipt/payment vouchers have not been entered in the Cash Book. (List the date, voucher no., party to/from whom payment was made/received, and amount paid/received. If all vouchers have been entered, then write here that all vouchers have been entered. Mistakes in entries must be mentioned in no. 12 below.)
12. The following transactions were not reasonable/acceptable for the following reasons. (In reasons include 'no voucher', 'no signature', 'not in budget', 'no authorization', 'unreasonably high expenditure', etc)

Date	Amount	Unreasonable/ Unacceptable

13. All transactions in the Demand Collection Balance Sheet have been carried into the Cash Book and the Loan Ledger. Yes/No (If 'No', then provide relevant information.)
14. All transactions in the Cash Book were posted in the General Ledger. Yes/No (If 'No', then comment and provide details for transactions that have not been carried into General Ledger.)
15. All cheque leaves were accounted for in the Cash Book. There were \_\_\_\_\_ number of blank cheques with signatures. The cheque issue register was well maintained/not well maintained.
16. Fixed deposit receipts were available for all fixed deposits entered in the General Ledger. (If not, write down the amounts and dates on which FDs were made, for those without receipts.)
17. The following advances should be collected immediately. Interest should be collected for the period for which the amount is pending.

The date on which advance was given	Name of person ('Person' includes individual and organization)	Advance amount (Rs)	Position (Office Bearer, EC member, staff, outside person, etc)

--	--	--	--

18. The following members are irregular in Savings remittances.

Name of the SHG/VO	No. of months irregular in the past 3 months	Due Amount for the past 3 months	Actual Savings done in the VO/CLF past 3 months

19. The following members are irregular in Loan remittances.

Name of the SHG/VO	Loan Outstanding	Date of last principal payment	Loan overdue	Date of last interest payment	interest overdue

20. Interest was incorrectly collected from the following persons

Name of the VO/SHG	Date	Interest due	Interest collected

21. The total loans against each member-SHG/PLF are as shown below. (Take only the loans outstanding on the last day of the month for which the audit is being carried out.) Of the total loans outstanding of Rs \_\_\_\_\_, \_\_\_\_\_ number of SHGs/PLFs have more than 20% of the total loan outstanding. That is, default by any of these will pose a high risk to the federation.

Name of the SHG/VO	Loan 1	Loan 2	Loan 3	Total Loan Outstanding

22. The following commodities stock position was not clear, as the purchase and sale cum stock register were not maintained. (Provide details.)

23. The following assets purchased/disposed of during the last month were not entered in the Fixed Assets Register. (Give details.)

24. All borrowings from external sources in the past month were backed by resolutions of the Executive Committee and by agreements with the lender. Yes/No

25. The amount due to creditors in the past 3 months and the amounts paid are as shown below:

Particulars	Name of the Higher-level Federation	Bank	Other
Principal Amount overdue			
Interest Amount overdue			

26. The following statements were available. They were a correct summary of the transactions that took place last month

Particulars	Receipts & Payments Statement	Income & Expenditure Statement	Trade account (Purchases and Sales)	Balance Sheet
Prepared for the month of.....				
Discussed on .....				

27. The financial statements were not available. We have prepared them. They are attached.
28. Profit/loss before loan loss provision since the start of the year is Rs \_\_\_\_\_
29. Profit/ Loss after loan loss provision is Rs. \_\_\_\_\_
30. The previous internal audit report pointed out the following issues, which are also being pointed out in this report. Members need to urgently take appropriate action on these.
- a. ....
- b. ....
- c. ....

31. We have done physical verification of the following assets.

Name of the Asset	Date of Purchase	Purchase value	Condition Good/ Not working

32. We have verified the loan utilization of the following members

Name of the member	Loan amount	Date of Loan	Loan Purpose	Loan utilized for the purpose: Fully/Partially/ Not utilized

The audit was undertaken on \_\_\_\_\_ The report was sent to all members of the Executive Committee on \_\_\_\_\_ for discussion at the EC meeting of \_\_\_\_\_

Signatures of internal auditors \_\_\_\_\_

### Annex 3.2 Receipt & Payment Statement CLF

Receipt and Payment Report					
District: Xx		Block: Xx	Village: xx		
Panchayat: Xx		CLF Name: Xx	Formation Date: DD-MM-YYYY		
From Date: 1st April 2022		To Date: 31st March 2023			
Receipts			Payments		
Particulars		Amount (INR)	Particulars		Amount (INR)
Account code	Account name		Account code	Account name	
	<b>Opening Balance</b>			<b>Interest Payments</b>	
	Cash in Hand			Interest Paid on Loans - External	
	Bank Accounts			Interest payable - on Loan from SRLM / other Institutions	
				Interest paid on Savings to CBOs	
	<b>Savings and Deposits from CBOs</b>			Interest Paid on Deposits	
	Investment by CBOs (VO/SHG)			Interest paid - to Others	
	Savings by VO/SHGs				
	<b>Funds Receipts</b>			<b>Principal Repaid</b>	
	Loan from Bank			Loan from Bank	
	Received from SRLM			Received from SRLM	
	Within CLF transactions (Non-Nodal)			Within CLF transactions (Non-Nodal)	
	Advance from SRLM			Advance from SRLM	
	Loan from Other Institutions			Loan from Other Institutions	
	<b>Principal Repayments by CBOs and Others</b>			<b>Loans and Advances to CBOs and Others</b>	
	Loan to VOs			Loan to VOs	
	Loan to Member SHG			Loan to Member SHG	
	Within CLF transactions (Nodal)			Within CLF transactions (Nodal)	
	Advances to VO			Advances to VO	
	Advances to Member SHG			Advances to Member SHG	
	Advances - Others			Advances - Others	
	Working Capital for PG			Working Capital for PG	
	Working Capital for PE			Working Capital for PE	
	Working Capital for CHC			Working Capital for CHC	
	<b>Interest Received from CBOs</b>			<b>Bank Expenses</b>	
	Interest Received from CBOs			Bank Charges	

	<b>Other Interest Income</b>			<b>Group Expenses</b>	
	Interest Received - on FDs			Cadre Payments	
	Interest Received - others			Bookkeeper Payments	
				Admin / Utilities Expenses	
	<b>Receipts from Sale of Assets (if any)</b>			Travel Expenses	
	Computer			Office Bearers' Honorarium	
	Furniture & Fixtures				
	Land & Building			<b>Payments on Purchase of Assets (if any)</b>	
	Vehicle			Computer	
	Equipment			Furniture & Fixtures	
				Land & Building	
	<b>Capital Receipts (if any)</b>			Vehicle	
	Share Capital			Equipment	
	Capital Contribution				
	Fixed Deposits (Bank)			<b>Capital Payments (if any)</b>	
				Share Capital	
	<b>Other Receipts</b>			Capital Contribution	
	Start-up fund (Recurring)			Fixed Deposits (Bank)	
	Grant - Viability Gap Fund			Investment by CBOs	
	Grants / Donations				
	Membership Fees			<b>Other Payments</b>	
	Admission Fees			Fees / Penalties	
	Penalty - from CBOs			Dividend payment - CBOs	
	Subsidy on Interest			Purchase of Inventory	
	Rent Received			Grant / Donation	
	Income from Investments			Audit Charges	
	Sales - Inventory			AGM & Other Meeting Expenses	
	Sales - Services / Job work			Rent	
	TDS Refund Received			Electricity Charges	
	Other Income			Communication Expenses	
	Adjustment			Taxes Paid	
				Expenditure - for a specific purpose	
	Bank interest			Other Sundry Expenses	
				Bad debts	
				<b>Closing Balance</b>	
				Cash in hand	
				Bank Accounts	
	<b>Total</b>			<b>Total</b>	



### Annex 3.3 Income & Expenditure Statement CLF

<b>District:</b> <b>Xx</b>		<b>Block: Xx</b>		<b>Village: xx</b>	
<b>Panchayat :Xx</b>		<b>CLF Name: Xx</b>		<b>Formation Date:</b> <b>DD-MM-YYYY</b>	
<b>From Date: 1st April 2022</b>		<b>To Date:</b> <b>31st March 2023</b>			
<b>Expenditure</b>			<b>Income</b>		
<b>Particulars</b>		<b>Amount (INR)</b>	<b>Particulars</b>		<b>Amount (INR)</b>
<b>Account code</b>	<b>Account name</b>		<b>Account code</b>	<b>Account name</b>	
	<b>Interest Expenditure</b>			<b>Trading Account Surplus</b>	
	<b>Interest Paid on Loans - External</b>				
	<b>Interest payable - on Loan from SRLM / other Institutions</b>			<b>Interest Income</b>	
	<b>Interest paid on Savings to CBOs</b>			<b>Interest Received from CBOs</b>	
	<b>Interest Paid on Deposits</b>			<b>Interest Received - on FDs</b>	
	<b>Interest paid - to Others</b>			<b>Interest Received - others</b>	
				<b>Subsidy on Interest</b>	
	<b>Operational Expenses</b>				
	<b>Cadre Payments</b>			<b>Operational Incomes</b>	
	<b>Bookkeeper Payments</b>			<b>Membership Fees</b>	
	<b>Admin / Utilities Expenses</b>			<b>Admission Fees</b>	
	<b>Fees / Penalties</b>			<b>Penalty - from CBOs</b>	
	<b>Bank Charges</b>			<b>Rent Received</b>	
	<b>Travel Expenses</b>			<b>Sales - Services / Job work</b>	
	<b>Office Bearers' Honorarium</b>				
	<b>Expenditure - for a specific purpose</b>			<b>Other Incomes</b>	
	<b>Audit Charges</b>			<b>Adjustment</b>	
	<b>AGM &amp; Other Meeting Expenses</b>			<b>Start-up fund (Recurring)</b>	
	<b>Rent</b>			<b>Grant - Viability Gap Fund</b>	
	<b>Electricity Charges</b>			<b>Grants / Donations</b>	

	<b>Communication Expenses</b>			<b>Income from Investments</b>	
	<b>Taxes Paid</b>			<b>TDS Refund Received</b>	
				<b>Other Income</b>	
	<b>Other Expenses</b>				
	<b>Dividend payment - CBOs</b>				
	<b>Grant / Donation</b>				
	<b>Bad debts</b>				
	<b>Other Sundry Expenses</b>				
	<b>Surplus / Deficit in I&amp;E</b>				
	<b>Total</b>			<b>Total</b>	

Annexure 3.4 Balance Sheet CLF

<b><u>Balance Sheet</u></b>					
<b>District: Xx</b>		<b>Block: Xx</b>		<b>Village: xx</b>	
<b>Panchayat: Xx</b>		<b>CLF Name: Xx</b>		<b>Formation Date: DD-MM-YYYY</b>	
<b>As of Date: 31st March 2023</b>					
<b>Liabilities</b>			<b>Assets</b>		
<b>Particulars</b>	<b>Amount (INR)</b>		<b>Particulars</b>	<b>Amount (INR)</b>	
	<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>		<b>As on 31st March 2023</b>	<b>As on 31st March 2022</b>
<b>Liabilities</b>			<b>Assets</b>		
<b>Loan from Bank</b>			<b>Cash in Hand</b>		
<b>Received from SRLM</b>			<b>Bank Accounts</b>		
<b>Within CLF transactions (Non-Nodal)</b>			<b>Inventory</b>		

<i>Advance from SRLM</i>			<i>Fixed Deposits (Bank)</i>		
<i>Investment by CBOs</i>			<i>Loan to VOs</i>		
<i>Loan from Other Institutions</i>		-	<i>Loan to Member SHG</i>		
<i>Equity</i>			<i>Within CLF transactions (Nodal)</i>		
<i>Share Capital</i>			<i>Advances to VO</i>		
<i>Capital Contribution</i>			<i>Advances to Member SHG</i>		
			<i>Advances - Others</i>		
			<i>Working Capital for PG</i>		
			<i>Working Capital for PE</i>		
			<i>Working Capital for CHC</i>		
<i>Surplus / Deficit in I&amp;E</i>	<i>1,03,000</i>	-	<i>Computer</i>		
			<i>Furniture &amp; Fixtures</i>		
			<i>Land &amp; Building</i>		
			<i>Vehicle</i>		
			<i>Equipment</i>		
<i>Total</i>					

**Annexure 4- Payment of Auditor**

<b>CBO</b>	<b>Minimum Assigned Work per annum (Units)</b>	<b>Maximum Assigned Work per annum (Units)</b>	<b>Wages Range (Rupees)</b>	<b>Frequency</b>	<b>Paid By</b>
SHG	100	300	Rs 150-Rs 300 OR depends on the volume of transaction as furnished below; If- <b>&lt; Rs.100000</b> – Rs.150; <b>Rs.100001 to Rs.300000</b> - Rs.200; <b>Rs.300001 to Rs.500000</b> - Rs.250; <b>&gt; Rs.500000</b> - Rs.300;	Annual	SHG
	If the Audit is Pending For more than 3 years If the SHGs are defunct/ default/ revived shall be audited		Based on the volume SHG may fix the amount either yearly basis or a lump sum		SHGs
VO	20	50	Depends on the volume of the transaction as furnished below. <b>&lt; Rs.1000000</b> – Rs.300. <b>Rs.1000001 to Rs.2500000</b> - Rs.400. <b>Rs.2500001 to Rs.5000000</b> - Rs.500. <b>&gt; Rs.5000000</b> - Rs.600;	Bi-Annual & Annual	VO
CLF	5	10	depends on the volume of transactions as furnished below; <b>&lt; Rs.1000000</b> – Rs.500; <b>Rs.1000001 to Rs.2500000</b> - Rs.650; <b>Rs.2500001 to Rs.5000000</b> - Rs.800; <b>&gt; Rs.5000000</b> - Rs.1000;	Quarterly & Annual	CLF

## Annexure - 5

### Illustration of Payments for States

#### I. Basic Assumptions

Particulars	No. of CBOs in a State	Frequency	No. of Audits per annum	Audit Fee	Per unit
No. of SHGs	2,40,000	Once a Year	2,40,000	Rs 150-Rs 400	Per SHG Audit
No. of Vos	12,000	Twice a Year	24,000	Rs 300- 700	Per VO Audit
No. of CLFs	600	Quarterly	2,400	Rs 500-1500	Per CLF Audit
No. of SHGs per annum per SHG auditor	240		240	60,000	per auditor per annum
No. of VOs per annum per VO Auditor*	120		240	84,000	per auditor per annum
No. of CLFs per Annum per CLF Auditor*	60		240	1,08,000	per auditor per annum

#### II. Projection for a Year

##### i. Institution-wise Internal Audit Plan (stick on to the month of completion i.e. Number of SHGs, VOs, and CLFs can be divided)

Internal Audit Plan – Month-wise	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
No. of SHGs- Annual Audit	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	2,40,000
No. of VOs - Half-Yearly Audit	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	12,000
No. of CLFs - Quarterly Audit	200	200	200	200	200	200	200	200	200	200	200	200	600

##### ii. Internal Audit Workload for one Internal Auditor in a month

Particulars	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
No. of SHGs per one IA	20	20	20	20	20	20	20	20	20	20	20	20	240
No. of VOs per one IA	20	20	20	20	20	20	20	20	20	20	20	20	120
No. of CLFs per one IA	20	20	20	20	20	20	20	20	20	20	20	20	60

##### Internal audit Fee - Overall Month wise (Amount Rs.in Lakhs)

Particulars	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
SHGs	50	50	50	50	50	50	50	50	50	50	50	50	600
VOs	7	7	7	7	7	7	7	7	7	7	7	7	84

CLFs	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	10.80
<b>Total</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>694.80</b>

iv. Audit fee per Internal Auditor – Month wise (Amount in Rs.) also may change depending on the table (i)

Particulars	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
SHG Auditor – fee per month	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
VO Auditor – fee per month	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	9,000	7,000	7,000	84,000
CLF Auditor – fee per month	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	1,08,000