

**GOVERNMENT OF ANDHRA PRADESH  
FINANCE (IF) DEPARTMENT**

**Lr.No.09/160/Fin.IF/2013**

**Date: 15.01.2013.**

From  
Pushpa Subrahmanyam, I.A.S.,  
Principal Secretary to Government,  
Finance (IF) Department,  
'D' Block; 2<sup>nd</sup> Floor,  
A.P. Secretariat,  
Hyderabad- 500 022.

To  
Chief Executive Officer/ Managing Directors  
of all Welfare Corporations,  
*Public Sector Undertakings.*

Sir,

Sub: Adoption of better financial management procedures by all corporations registered under AP Cooperative Societies Act 1964/ Companies Act 1956 - Reg:

Ref: Irregularities noticed in the funds management of AP Minorities Finance Corporation (APSMFC).

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The following irregularities have been brought to the notice of the Government in the financial management of the AP Minorities Finance Corporation (APSMFC).

- i. In contradiction to the instructions issued Vide Go.Ms.No.124 dt.23.04.2009 of Finance (IF) Department, APSMFC opened bank accounts with 28 bank branches and kept term deposits in 16 banks.
- ii. Comparative quotations of rates of interest offered by different banks were not obtained before placing fixed/ term deposits with banks.
- iii. Private individuals were allowed to deal with banks on behalf of the corporation and valuables such as cheques / Term Deposits Receipts of banks/ letters of authorization / correspondence with banks were allowed to be freely handled by such unauthorized persons.
- iv. The statement of accounts sent by banks periodically, were not verified with the books of accounts of the Corporation at any point of time. Reconciliation of accounts was never attempted by APSMFC.

2. It is hereby reiterated that all the Corporations/ Institutions established by the Government under AP Cooperative Societies Act 1964/ Companies Act 1956 should strictly comply with the provisions of the concerned Act in their functioning. The bye-laws/ Memorandum & Articles of Association, framed by the individual Corporation/ Institution should also be in consonance with the said Acts.

3. In this connection, it should be ensured that the following steps are initiated by each of the Institutions/Corporations/Societies for effective financial control:

- Maintenance of books of accounts as prescribed, should be up-dated on daily basis and authenticated by the official entrusted with the responsibility of accounts maintenance.
- Reconciliation of bank accounts should be done each month and any discrepancies between the Institution/Corporation's records and bank accounts should be got investigated and rectified immediately.
- The accounts of the institution/corporation/society should be got audited each year and financial statements viz; Income and Expenditure statement and balance-sheet should be got certified by the auditors.
- There should be clarity of role and responsibilities for each level of staff working in the institution/corporation, as decided by its Board.
- Segregated duties to be allocated to the officials to allow for checks and balances.
- Maintenance of proper and accurate records to be ensured to facilitate periodical inspection.
- Supervisory control to be strengthened to detect irregularities and take corrective action. Any irregularities observed should be brought to the notice of the Board.
- The Board should review the above control systems at Half-Yearly intervals and suggest improvements warranted.

**Placement of Funds with banks:**

While keeping funds with banks, instructions conveyed vide GO.Ms.No.124 dt.23.04.2009 should be strictly complied with. It should be noted that 'one scheme-one bank' should be strictly followed while opening accounts with banks as envisaged in GO.Ms.113 dt 10-05-2007.

4. The CEO/MD of the State Level Institutions/Corporations/Societies are advised to note the above instructions for strict compliance.

5. The Audit Report of the institution/corporation/society should contain comments on the compliance of the above instructions by the auditor.

Yours faithfully,

Principal Secretary to Government.