

AUDIT REPORT (DBS)

The Project Director
CHANDIGARH STATE AIDS Control Society,
CHANDIGARH.

Introductory Paragraph

We have audited the accompanying Utilization certificate of the Chandigarh AIDS Control Project - Phase III (financed under World bank credit No 3242 -IN/IDA) as of March 31, 2016. Our responsibility is to express our opinion on these financial statements based on our audit.

Scope Paragraph

We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, review of internal controls and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

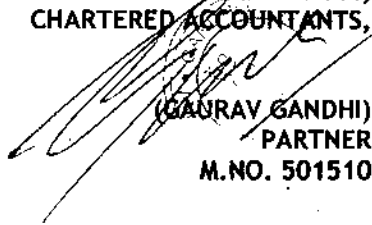
Opinion Paragraph

In our opinion, the financial statements, read with observations given in Annexure-I, listing of ineligible claims comments in management letter give a true and fair view of the Application of Funds and the financial position of Chandigarh State Aids Control Society for the year ended March 31, 2016, in accordance with consistency applied accounting standards.

In addition subject to our observations in Annexure-I, listing of ineligible claims (Annexure-II) & comments in management letter (a) with respect to IFRs, adequate supporting documentation has been maintained to support the IFRs; (b) which Expenditures are eligible for financing under the Credit/Grant Agreement (c) procurement of goods and services has been carried out as per the procurement manual issued by NACO, GOI and NGO/CBO guidelines.

PLACE: CHANDIGARH
DATE: 04.07.2016

FOR GANDHI MINOCHA & CO.,
CHARTERED ACCOUNTANTS,


(GAURAV GANDHI)
PARTNER
M.NO. 501510

ANNEXURE-1 (DBS)

1. As per guidelines of NACO, no deprecation has been provided on the fixed assets.
2. The books of accounts have been maintained on cash basis, no provision for accrued expenses like electricity, rent, audit fees etc. have been provided.
3. As reported unutilized amount of Rs.5628303.03 is property of NACO although reflected in our balance sheet as general fund.
4. Employee Fidelity insurance, cash insurance has not been taken by the society.
5. The society has not recognized its vendor in following categories micro, medium and small enterprises, as required under MEDIUM SMALL AND MICRO ENTERPRISES ACT. In the absence of information regarding categorization, any liability of penal interest under the act could not be ascertained. The liability of interest on the society could be very high as the society takes considerable time in clearance of payments.
6. **FIXED ASSET REGISTER:**
 - i. It has not been maintained as per the guidelines issued in operation manual. It lacks information in terms of proper balancing, inspection date, current condition, repair & maintenance, warranty etc.
 - ii. No details regarding physical condition of assets, recommended replacement date, servicing time table.
 - iii. As reported the instruction of the NACO, the fixed assets register is to be maintained for Assets costing above Rs. Two lakhs & rest other assets are to be taken as stores, but all are being taken in assets register.
 - iv. As per the NACO guidelines it is mandatory to conduct physical verification of assets annually but no physical verification report was produced before us for verification.
7. It was observed that Society is following the Accounting norms as per the guidelines of NACO. Following the norms has resulted in contravention of AS-6(Deprecation), AS-10(fixed assets) and AS-29(Accounting of contingent liability).
8. The office of SACS is located in building owned by Chandigarh administration and provided to society for operations free of rent.
9. It is observed that the organization is making payment to security/office boys who are on contract basis though total payment has been made to their contractor but the total amount includes provident fund also which is paid by the contractor, in respect of employees as direct contract with the society no PF payments are to be made. As per the instructions of NACO no provident fund is being paid to employees on contract. It is advised to obtain legal opinion regarding liability of society keeping in view the Provident Fund Act viz-a-viz NACO guidelines.
10. The physical verification report of assets at peripheral units was also not provided to us.
11. Establishment register was not maintained by the CSACS. As per NACO guidelines Establishment register should be maintained as per latest format.
12. Reports of Internal audit for the period October 2015 to March 2016 is still pending.



13. There is a difference in the closing balance as per advance sheet given by CSACS and Closing balance of UC's of NGOs. The following are:-

S.No.	Parties Name	Amount as per Advance Sheet	Amount as per UCs of NGOs
1.	Regional STI Centre	326278	1278

14. There is a difference in the closing balance as per advance sheet given by CSACS and Opening balance of UC's of NGOs. The following are:-

S.No.	Parties Name	Amount as per Advance Sheet	Amount as per UCs of NGOs
1.	Regional STI Centre	317647	113647



**DOMESTIC BUDGET SUPPORT, CSACS
CHANDIGARH**

ANNEXURE II

S.No.	Activity	Particulars	Y	N	Remarks
1	Payments and Receipts	• Are the payments for expenditures in line with the approved annual work plan	✓		
		• Are the payments properly approved in line with the financial delegation	✓		
		• Are the supporting documents filed properly and easily accessible	✓		
		• Is there a serial control over payment ,receipt and journal vouchers	✓		
		• Are the expenditure/payments charged to the correct account code and head of expenditure	✓		
		• Is the system generated voucher used as basis for approval of payments	✓		
		• Comment on a process flow improvements that can be made			ALL PAYMENTS ARE IN LINE EXCEPT SOME DEVIATIONS
2	NGOs	• Is there a TSU to support NGO/CBO activities and does it have a finance staff			Not applicable
		• Has the financial management capacity of the NGO been assessed by the TSU and the process documented during the selection process.			
		• Are there any critical FM capacity issues identified during selection process and how are these planned to be addressed			
		• Does the contract with the NGO contain the Financial Management aspects			
		• Are the tranches releases to NGOs in compliance with the contractual obligations and in adherence to the NGO/CBO guidelines?			
		• Are funds released without settlement of previous advance or without receipt of quarterly financial report?			
		• Is the NGO/CBO timely in submitting financial report to the SACS/PSU? If not what actions are being taken to address this issue.			
		• Is the financial review of NGOs by the TSU adequate in terms of quality and frequency			
		• Are on-site visits to the NGOs made by the finance staff of the TSU?			
		• Have the annual audited financial statements received from the NGOs			
		• Carry out on site (where covered under the scope of the audit) audit of NGOs/CBOs as per TOR provided in the NGO/CBO guidelines and attach a separate report of the NGO/CBO covered. Where this is carried out by independent auditors comment on the adequacy of the actions taken by			



		SACS to address the observations of the auditors.			
3	Peripheral Units	• Has a sanction letter been issued for the proposed activity by the peripheral unit	✓		
		• Are the financial management ,financial reporting and the date of settlement of advance indicated in the sanction letter	✓		
		• Is the settlement done on time and is supported by a proper utilization certificate	✓		
		• Comment on the quality adequacy of the financial records maintained by the peripheral units (for the sample covered during the course of quarterly internal audit)-attach a separate sheet where necessary .			
4.	Overall monitoring of advances	• Are subsequent tranches released without settlement of first advance		✓	
		• Is the system for monitoring and control of advances adequate	✓		
		• Are there a large number of advances overdue		✓	
5	Operation of bank account	• Is an ageing report generated for the review by the project director on a periodic basis?	✓		
		• Is the bank reconciliation carried out on a monthly basis	✓		
		• Are there any un-reconciled or un-accounted for balances		✓	
		• Are payments made by the crossed cheques/draft?	✓		
6	Fixed Assets	• Is there adequate physical control over cash, receipt book and blank cheque books	✓		
		• Have the procurement procedures prescribed in the procurement Manual followed by the SACS for procurement of assets purchased by the SACS.	✓		
		• Are these supported by adequate and valid supporting documents.	✓		
		• Are the assets procured documented in the fixed assets register giving its location etc?	✓		
		• Carry out a sample verification of fixed assets both in SACS and peripheral units/NGOs.	✓		
		• Are assets received in kind also recorded in the fixed assets register giving the date of receipt ,location etc	✓		
		• Is a material been purchased for the activity?	✓		
7	Purchase of goods and services by SACS	• Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with the book balances?	✓		
		• Have the procurement procedures prescribed in the procurement Manual followed by the SACS for procurement of goods and services purchased by the SACS.	✓		
		• Are these supported by adequate and valid supporting documents?	✓		
		• Where goods including drugs are procured are these correctly recorded in the inventory register?	✓		



		<ul style="list-style-type: none"> Carry out a sample verification of inventory of consumables, drugs supplied to the NGO's peripheral units. 	✓		
		<ul style="list-style-type: none"> Are goods (ART drugs, test kits etc.) received in kind also recorded in the inventory register? Does the physical balance agree with the book balance? Comment on the variance if any 	✓		
8.	Accounting	<ul style="list-style-type: none"> Is the CPFMS operational & up-to-date 	✓		
		<ul style="list-style-type: none"> Are there any constraints in using the system 		✓	
9	Other Issues	<ul style="list-style-type: none"> Have the financial reports for the previous quarter generated from the CFMS send to the NACO in timely manner. 	✓		
		<ul style="list-style-type: none"> Any other issues that the firm may like to address. 			NIL

Thanking you,

FOR GANDHI MINOCHA & CO.
CHARTERED ACCOUNTANTS

(GAURAV GANDHI)
PARTNER

ANNEXURE I

DISALLOWANCE IN THE UTILISATION

The majority of the grant has been utilized through NGOs and Peripherals; we have relied on the reports of internal auditor of NGOs and Peripherals regarding the utilization. It is advised that action taken report/ show cause should be called from NGOs and Peripherals. On the basis of above the management should take a call on disallowance of utilization. On verification of the societies record, we are of the opinion that no expense incurred by the society warrants disallowance.

