

To:

The Project Director,  
State AIDS Control Society,  
Union Territory of Daman & Diu,  
Primary Health Centre, Fort Area,  
Daman 396 220

### Introductory Paragraph

We have audited the accompanying financial statements of State AIDS Control Society of Union Territory of Daman and Diu under the National AIDS Control Project – Phase III (financed under World Bank Credit and DFID grant collectively referred to as "Pool Funds") as of March 31, 2011. The management of State AIDS Control Society of Union Territory of Daman and Diu is responsible for the preparation of the accompanying financial statements in accordance with applicable law and accounting standards. Our responsibility is to express an opinion on these financial statements audited in accordance with relevant Indian legal and regulatory requirements and auditing standards.

State AIDS Control Society of Union Territory of Daman and Diu (referred to as "DDSACS" or "the Society" for brevity's sake) management's policy is to prepare the accompanying statements on the cash receipts and disbursements basis in conformity with the standards prescribed by the ICAI for Cash Accounting. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred.

### 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.

As part of audit risk assessment we designed audit procedures so as to have a reasonable expectation of detecting misstatement arising from fraud or error which are material to the financial statements of as a whole. However, audit procedures that are effective for detecting a misstatement that is unintentional may not be effective for a misstatement that is intentional and is concealed particularly through forgery, collusion or management override of control systems. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. We believe that our audit provides a reasonable basis for our opinion.

### Bases for opinion

We report that -

01 DDSACS Trustees/management is/are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgment by management

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are required to assess the expected benefits and related costs of internal control structure, policies and procedures. We are neither aware of nor have we been informed of any assessment in this respect by DDSACS.

The objectives of an internal control structure include policies and procedures, among other things, are (a) to maintain records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of DDSACS;

(b) to provide management with reasonable, but not absolute assurance that transactions (including receipts and expenditures) are executed in accordance with management's authorization and recorded properly as necessary to permit the preparation of the financial statements in accordance with generally accepted accounting principles; and

(c) to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the DDSACS' assets that could have a material effect on the financial statements.

Because of inherent limitations in any internal control structure, errors, irregularities or misstatements may nevertheless occur and not be detected. Also, the projection of any evaluation of effectiveness of the structure or conclusions, based on our finding, to future periods is subject to the risk that they may become inadequate because of changes in conditions; degree of compliance or the effectiveness of the design and operation of controls with the policies and procedures may deteriorate and consequently altering the validity of such conclusions that would no longer portray the system in existence.

DDSACS continued its focused efforts to resolve long-term issues identified in its financial management processes and systems. Our evaluation of the prevailing internal control structure and its operation at DDSACS as of and for the year ended March 31, 2011 for the purpose of expressing an opinion on the financial statements disclosed weaknesses in the design or operation of the internal control structure for:

a) need to strengthen procedures for effective grant management with a central approach for accounting, management, and training for grant compliance to reduce the risks of mismanagement in grant funding;

b) formalizing arrangements in respect of grants provided to sub-recipient peripheral units to ensure accountability over sub-recipient peripheral units;

c) non-compliance with statutory provisions of Income Tax law with respect to registration under section 12A of the Income Tax Act, 1961 and filing of annual income tax returns;

d) accounting for cost-sharing and cost-allocation to different programmes with a need to formalize the system;

e) absence of formal cost-sharing arrangement for use of infrastructure;

f) timely submission of Statements of expenditure/Utilization certificates by sub-recipient NGOs and peripheral units and their timely adjustment in the financial record of DDSACS as grant expenditure;

g) records for Fixed assets (including but not limited to obsolete/discarded assets) at DDSACS, sub-recipient NGOs and peripheral units;

h) timely internal audit both at the Society as also at sub-recipient NGOs and peripheral units during FY 2010-11 resulting in inadequate control and weak governance;

i) vacancies in sanctioned staff positions not filled also resulting in inadequate control and weak governance;

j) Management has not established a road plan or formal process to change to accrual system of accounting that will facilitate improved financial reporting and increase the financial control; in the current accounting system, there are inherent limitations and constraints on the detailed review of current assets, advances and current liabilities;

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- k) Management has to design an internal control system and establish procedures for dealing with discontinuance of grants to and/or termination of tie up arrangements with sub-recipient NGOs and recoveries from sub-recipient NGOs including but not limited to assets and other materials given to sub-recipient NGOs;
- l) robust financial plans linked with operational plans need to be in place, and ensure that such plans are being delivered for ensuring value for money;
- m) suitable insurance coverage to ensure the appropriate levels and types of coverages are in place;
- n) Operational and fiscal evaluations or reviews of sub-recipient NGOs need to be enhanced in assessing NGOs/Peripheral units' internal control and compliance for purposes of achieving effective oversight instead of relying heavily on information obtained through interviews; Operational and fiscal evaluations or reviews presently not carried out should also be carried;
- o) oversight implications of non-compliance with –
- statutory obligations by DDSACS in relation to TDS on payments;
  - statutory obligations by sub-recipient NGOs /peripheral units especially in relation to Rent (and property tax thereon), Income Tax (including TDS) and labour laws; and
  - guidelines on financial and procurement systems for sub-recipient NGOs/CBOs prescribed by NACO with consequential impact on project implementation by sub-recipient NGOs/peripheral units, as the case may be;
- p) monitoring activities and financial utilization for which grants are awarded by DDSACS to sub-recipient NGOs/peripheral units where there is comingling or overlapping of other activities or there is funding received from other donor agencies;
- q) assigning roles and responsibilities to staff, imparting training and carrying out effective staff performance appraisals;
- r) accounting discrepancies, inappropriate accounting heads used and non-reconciliation of system-generated Financial Management Reports (FMRs) and other data with financial results on timely basis due to, among other things, application software-related problems; and
- s) compliance with statutory provisions of Income Tax law with respect filing of annual income tax return and with governing organizational law for charitable/non-profit entities;


that we consider to be significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect DDSACS' ability to record, process, summarize and report financial data consistent with the assertions of the management in the financial statements;

Our evaluation excluded internal controls related to IT environment and we are unable to obtain reasonable assurance about the aspects of controls that may be relevant to DDSACS' internal controls in this environment as it relates to audit of the financial statements.

These deficiencies are likely to continue to exist until internal controls are strengthened, and appropriate resources are dedicated to maintaining effective internal controls. In the interim, the Society will need to place greater emphasis on monitoring the current risks and vulnerabilities, along with the related compensating procedures, to determine whether these risks are being adequately mitigated on an ongoing basis. Successfully addressing these issues is critical to maintaining the Society's credibility;

Generally accepted accounting principles and grant management requirements, specify the grant management and control systems be documented and designed to detect errors and fraud in the normal course of business. The lack of management and control procedures leaves DDSACS vulnerable to errors and fraud in grants and to the risk of incomplete reporting and compliance with grant requirements.

02 The cost-sharing and/or cost-allocation in different programmes are done by DDSACS guided, among other things, by programme budgets and relied upon by us;

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03 Balances due to or from parties including but not limited to Advances/deposits given and Security Deposits received are subject to confirmation; there are old Credit and debit balances including those relating to vendors, advances and deposits given (including advances to employees) and unutilized grants funds from donor agencies that need to be, among other things, comprehensively reviewed and analyzed for ageing, and carry out appropriate adjustments on regular basis; their present status needs to be ascertained as legacy issues will continue to impair the Society's ability to report financial information;

04 Sub-recipient NGOs/Peripheral Units have been irregular in submitting Statements of Expenditure/Utilization certificates in respect of prior outstanding advances; DDSACS needs to strengthen mechanism for timely adjustment of advances in terms of letter no T.11025/28/2009-NACO of October 29,2010 from NACO; in respect of such expenditure and advances, owing to inadequate controls, systems, safeguards and monitoring over its use; it is not possible for us to ascertain whether the utilization is done or likely to be done in a proper manner; Additionally, DDSACS should also seek data of interest earned by peripheral units on unspent funds before releasing further advances;

05 We believe that procurement procedures have been deficient in respect of -

a) Expense Head: IEC

b) Expense Head : Office Equipments

these required compliance with appropriate procurement procedures under NACO procurement guidelines


06 Expenditure under the head "IEC" includes Rs 85,050/- incurred for awareness through folk troupes' performance and Rs 2,56,810/- for WAD celebrations in first week of December 2010 for which payment has been made in excess of the specific limits laid down in Annual Action Plan 2010-11 of DDSACS though within the overall limits for IEC; the amount of Rs 3,41,860/- is presently ineligible cost however subject to post facto approval of NACO;

07 Expenditure under the head "Miscellaneous Expenses" includes Rs 1,64,000/- incurred by State Blood Transfusion Council in last week of March 2011 and its accounting for DDSACS are questionable having regard to propriety of expenditure and compliance with procurement procedures;

08 In terms of Office Memorandum no G 25012/4/2008/NACO dated Nil from NACO referring to clarification vide DO no Coord/10(1) 2010/NACO/39576 of March 04,2011 from Central Provident Fund Commissioner, NACO and SACS are excluded from applicability of Provident Fund law to contractual employees of NACO and SACS. However, this exclusion does not extend to applicability of PF law to contractual staff employed by peripheral units and NGOs. The impact of this is nor presently ascertainable.

09 The management is responsible for complying with laws and regulations applicable to the Society. We performed tests of its compliance with certain provisions of laws and regulations; we limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to DDSACS. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

10 There is no IT/EDP systems audit nor review for security/application controls and we have not performed any additional testing on financial or other data; also there are inherent limitations in financial system software and our reliance on the data validated by management/ others as part of the audit process; we did not rely on any other systems other than to make selections for testing purposes

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11 We have not been able to review whether there is any Business Continuity Plan (BCP) and Disaster recovery policy/ procedures (DRP)

12 We have attested these financial statements as statutory auditors subject to the approval of (i) our appointment by Executive Committee/ Governing Body and (ii) the financial statements by Executive Committee/ Governing Body; Similarly the financial statements for FY 2007-08, 2008-09 and 2009-10 are not approved by the Executive Committee and the Governing Body of DDSACS and we have attested these financial statements as statutory auditors subject to our appointment of earlier years also being ratified by the Governing Body;

13 The Executive Committee and Governing Body of DDSACS have to enhance their functional effectiveness to comply with the laid down rules and regulations of DDSACS including but not limited to hold meetings regularly and maintain up to date Minutes Books as also in particular approve/ ratify deeds/actions which though may be in accordance with the guidelines/directions of donor agencies but nevertheless may be inconsistent with the rules and regulations of DDSACS; we are unable to ascertain precisely all such inconsistencies that may be existing and the impact, if any, on the financial statements of DDSACS;

14 In respect of Fixed Assets -

a) in the past as also in the current year, DDSACS incurred expenditure on civil works by construction/extension of building structures at various locations reflected as "Fixed asset" in the financial statements; in the absence of documents establishing title or any other formal arrangement transferring title in favour of DDSACS, we are unable to comment on the carrying value of such assets in the financial statements;

b) Having regard to the accounting treatment consistently followed during the year and in earlier years of charging certain capital expenditure as utilization of grant, inventory records for fixed assets are to be updated and do not reconcile to the general ledger;

c) to the extent identified during audit, fixed assets (hitherto not written off) having cost of Rs 5,69,320/- (Last Year: Rs 2,82,880/-) are not in working condition; however, no provision has been made for this as required under accounting standards;

d) identification and subsequent physical verification of fixed assets and reconciliation of discrepancies, if any, with up-dated records has not been done by the management.

e) Inventory records need to be maintained and periodical physical verification be carried out by persons other than custodians;

In the circumstances, we are unable to comment on the value of assets reflected in the financial statements;

15 In respect of payments to employees -

a) service book/record of employees on deputation from Government since repatriated back were not available to audit;

b) documents related to selection process of new appointees was not available to audit;

c) there are several positions vacant affecting the discharge of effective procurement functions and segregation of duties by employees in overall functioning of DDSACS;

d) Rs 13,51,348/- (Last Year : Rs 15,42,104/-) being ineligible program costs to the following employees -

Name of employee	Program Designation	Actual Designation (as per Service book)	Last posting	Additional comments
Nazir M. Girach	Stores Officer	Refrigeration Mechanic	Diu	Not possessing requisite qualifications
Dr. N. N. Singh	Dy Director (Blood Bank Safety/QA)	Medical Officer	Diu	No blood bank in Diu; no duties performed at Daman

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Jamal Mansuri	Finance Asst	Peon	Diu	Not possessing requisite qualifications; as post adjusted on continuity basis from NACP I
Dilip Patel	Asst Director (Procurement)	Statistical Asst	Daman	Not signing in regular muster at DDSACS; no evidence of duties performed for DDSACS; as post adjusted on continuity basis from NACP I
Girish Vaghela	Quality Manager	Drugs Inspector	Daman	Not signing in regular muster at DDACS; no evidence of duties performed for DDSACS

Also, as regards above staff on deputation purportedly posted at Diu, based on our visit during audit, apparently no functions are/were performed by the staff posted at Diu for DDSACS commensurate with programmatic activities. As regards the above staff, subsequent to the year-end, DDSACS has initiated steps to rectify the position.

16 Based on our visit to two NGOs and limited review performed, discrepancies in payments/ expenses recognized for NGO Services were identified as follows –

Name of NGO	Expense head	Amount	Observations
Adivasi Yuva Sangh, Daman Core Composite Group	Not applicable	Rs 2,70,000/-	DDSACS noted that NGO had wrongfully withdrawn this amount on 14-10-10 out of 1 <sup>st</sup> instalment of Rs 5,78,800 released on 25-09-10 and the amount was since restituted
Adivasi Yuva Sangh, Daman Core Composite Group	Rent	Amount not adjusted as SOE up to March 2011 is awaited	There is no rent agreement available at the time of visit; budgeted rent is Rs 4,000/- pm
Sargam Yuva Mandal, Diu Core Composite Group	Rent	Amount not adjusted as SOE up to March 2011 is awaited	There is no rent agreement available at the time of visit; budgeted rent is Rs 8,000/- pm

17 Grants utilized to the extent of "Expenditure for NGO Services" Rs 29,54,088/- (Last Year: Rs 15,70,455) relate to adjustment of Advances given to NGOs on the basis of Statements of Expenditure received without any independent verification of such statements and which we were unable to audit; the Internal Audit at NGOs and Peripheral Units is also not performed for FY 2007-08 to FY 2010-11;

18 DDSACS' operating plans have been entirely reliant on external financial support with no other plans for sustainable funding to ensure continuance of activities on self-supportive basis. In the event that external financial support was to get delayed or discontinued, there is uncertainty as to DDSACS' ability to continue with the operating plans and activities. These financial statements are prepared on the assumption that sufficient financing will continue to be provided to DDSACS to enable it to continue with its plans and activities.

19 These financial statements are prepared by DDSACS management generally in accordance with financial guidelines prescribed by National AIDS Control Organization (NACO) and do not strictly comply with the requirements of accounting standards prescribed by the Institute of Chartered Accountants to the extent applicable and in the manner required. The

effects on the financial statements of the variances between accounting practices adopted and accounting standards, although not reasonably determinable, are presumed to be material.

20 The audit is performed on the basis on information/data furnished or made available to audit and is not responsible for misinformation and/or non-submission of information/data.

21 We did not audit management's comments, where provided, and accordingly, we express no opinion on additional inputs provided therein by management on them.

22 We are unable to examine compliance with the following applicable financial rules issued under General Financial Rules, 2005 (GFR) by the Government of India –

GFR no	Requirement of rule
208(iii)	Autonomous organisations, new or already in existence should be encouraged to maximise generation of internal resources and eventually attain self sufficiency
209(6)(v)	In making grants to non-government or quasi-government Institutions or Organisations, a condition should be laid down that assets acquired wholly or substantially out of Government grants, except those declared as obsolete and unserviceable or condemned in accordance with the procedure laid down in the General Financial Rules, shall not be disposed of without obtaining the prior approval of the authority which sanctioned the grants-in aid.
209(6)(vi)	The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with grants-in-aid may vest with Government or the grantee Institution or Organisation. Where the ownership is vested in the Government, the grantee Institution or Organisation may be allowed to occupy the building as a lessee. In such cases suitable record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Department. In all cases of buildings constructed with grants-in-aid, responsibility of maintenance of such buildings should be laid on the grantee Institution or Organisation.
209(6)(xi)	The stipulation in regard to refund of the amount of grant-in-aid with interest thereon should be brought out clearly in the letter sanctioning the grant as well as in the bond so required to be executed.
212(2) read with OM no F No 13(9)/E.II-A/ 2007 of April 10,2010	In the case of private and voluntary organizations receiving recurring grants-in-aid from Rs 10 lakhs to Rs 25 lakhs, all the Ministries or Departments of Government of India should include in their annual report a statement showing the quantum of funds provided to each of those organizations and the purpose for which they were utilized, for the information of Parliament. The annual reports and accounts of private and voluntary organizations receiving recurring grants-in-aid to the tune of Rs 25 lakhs and above should be laid on the Table of the House within nine months of the close of the succeeding financial year of the grantee organisations.
212(4)	A Register of Grants shall be maintained by the sanctioning authority in the format given in Form GFR - 39.

23 Significant Accounting Policies are disclosed as required under AS-1 in Schedule to the financial statements;;

24 As regards the matters referred to above in paragraphs 01 to 24 above and - owing to the limitations explained therein; and/or

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- our inability to comment on the eventual outcome; and/or  
- in the absence of an adequate system, which we could rely on, and consequently our inability to perform satisfactory audit procedures; and/or  
- such adjustments (not presently ascertainable) as might have been found to be necessary had we been able to satisfy ourselves as to the matters referred therein;  
the financial results of DDSACS as of and for the year ended March 31, 2011 may vary in step with the final determination/resolution of the issues involved. We are unable to express an opinion on such matters and the consequential effect, if any, on the financial statements of DDSACS.

### Opinion Paragraph

In our opinion, the financial statements, subject to the foregoing observations with such subsequent adjustments that may be necessary (presently not ascertainable), give a true and fair view of the Sources and Application of Funds and the financial position of State AIDS Control Society of Union Territory of Daman and Diu for the year ended March 31, 2011, in accordance with consistency applied accounting standards.

In addition, subject to the foregoing observations (a) the financial statements have been prepared with respect to Interim Financial Reporting Statements (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.

We further report that subject to the aforesaid observations –

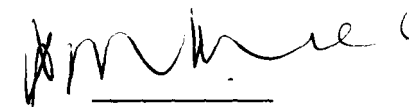
- All funds sent by GOI/ State Society as grant-in-aid have been used in accordance with the conditions as laid down in the Project Implementation Plan and World Bank agreements as well as the GFATM agreement and only for the purposes for which the funds were provided;
- All funds have been used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- All expenditure, including procurement of goods and services have been carried out as per the procurement manual of the program;
- All the goods procured and issues are supported by valid receipt and issue documents and are recorded in the stock/ inventory registers and the closing balances worked out correctly; and
- The expenditures reported as per the quarterly FMR also are in agreement with the audited expenditure / books of accounts and variances are documented

This report is intended solely for the information and use of the World Bank, DFID and National AIDS Control Organisation of the Government of India as funding agencies of the National AIDS Control Program – Phase III and for submission to these funding agencies and should not be used by anyone other than these specified parties for any other purpose.

Mumbai  
December 22, 2011



For V. J. CHOKSI & CO.,  
Chartered Accountants  
FRN: 101904W

  
M V Choksi/Partner  
Membership No. 042642



**Balance Sheet**

**For The Period From : 01-Apr-2010 To :31-Mar-2011**

Figures for the previous Period (Rs.)	LIABILITIES	Schedule Reference	Figures for the current Period (Rs.)	Figures for the previous Period (Rs.)	ASSETS	Schedule Reference	Figures for the current Period (Rs.)
3,202,212.13	GENERAL FUND	01	13,249,672.13	8,016,149.00	FIXED ASSETS	02	8,295,724.00
8,016,149.00	FIXED ASSET FUND		8,295,724.00		CURRENT ASSETS, LOANS AND ADVANCES		
				1,420,329.63	CURRENT ASSETS	0301	10,088,608.63
				1,781,882.50	LOANS AND ADVANCES	0401	3,161,063.50
<b>11,218,361.13</b>			<b>21,545,396.13</b>	<b>11,218,361.13</b>			<b>21,545,396.13</b>

As per our report attached

*V. J. Choksi*  
**V. J. CHOKSI & CO.**

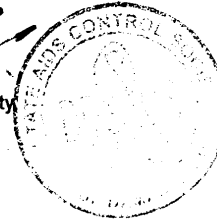
Auditor

22 DEC 2011



FC/PM/EO

Asstt. Director (Fin.)  
 State AIDS Control Society  
 Daman & Diu, Daman.



Project Director

Project Director  
 State AIDS Control Society  
 UT of Daman & Diu

General Fund

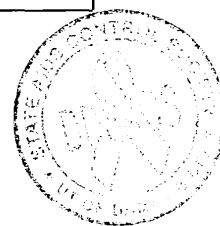
Schedule 01

Figures in Rupees

Particulars	2011-12	2010-11
<b>Opening grant in aid</b>	<b>3,202,212.13</b>	<b>4,694,500.63</b>
<b>Add: Received during the year</b>		
Grant from NACO to SACS	20,281,000.00	7,500,000.00
<b>Less: Utilised during the year</b>		
Grants utilised to the extent of revenue expenditure	9,953,965.00	8,650,903.50
Grants utilised to the extent of fixed asset expenditure	279,575.00	341,385.00
<b>Closing grant in aid</b>	<b>13,249,672.13</b>	<b>3,202,212.13</b>

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Signed for Accountant General  
V. J. CHOKSI & CO.  
By: *[Signature]*

**Fixed Asset**

**Schedule 02**

Figures in Rupees


Particulars	Opening Balance	Grant Received	Grant Utilised/Refunded	Closing Balance
Blood Bank Equipments (2203)	756,793.00	0.00	0.00	756,793.00
Civil Works (2201)	3,061,183.00	78,375.00	0.00	3,139,558.00
Equipment (Other) (2204)	847,865.00	0.00	0.00	847,865.00
Furniture , Fixtures & Supplies (2202)	1,625,375.00	40,050.00	0.00	1,665,425.00
Office Equipment (2206)	1,260,003.00	161,150.00	0.00	1,421,153.00
Vehicles (2205)	464,930.00	0.00	0.00	464,930.00
<b>Grand Total</b>	<b>8,016,149.00</b>	<b>279,575.00</b>	<b>0.00</b>	<b>8,295,724.00</b>

**Funds from Other Sources**

**Schedule 03**

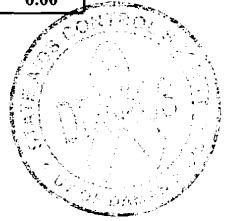
Figures in Rupees

Particulars	Opening Balance	Grant Received	Grant Utilised/Refunded	Closing Balance
Ministry of H & FW (01)	0.00	0.00	0.00	0.00
<b>Grand Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Signed for identification  
V. J. CHOKSY & CO.  
By: 



*Dover*



CURRENT ASSETS

Schedule 0301

Figures in Rupees

Bank 3	10,088,608.63	1,420,329.63
<b>Total</b>	<b>10,088,608.63</b>	<b>1,420,329.63</b>

LOANS AND ADVANCES

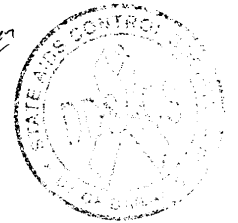
Schedule 0401

Figures in Rupees

Particulars	31-Mar-11 RS	31-Mar-10 RS
Advance to NGOs	2,839,712.50	1,618,040.50
Advance to Autonomous Bodies	320,032.00	100,000.00
Advance to District Authorities	1,319.00	63,842.00
<b>Total</b>	<b>3,161,063.50</b>	<b>1,781,882.50</b>

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Signed for identification  
V. J. CHOKSI & CO.  
By *[Signature]*



Daman & Diu SACS - POOL FUND

Primary Health Centre, Fort Area, Moti Daman - 396220

National AIDS Control Project - Phase III

C13

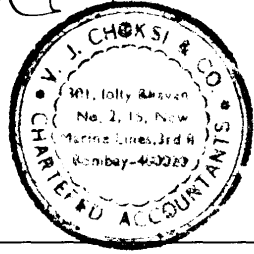
Income And Expenditure Account
For The Period From : 01-Apr-2010 To :31-Mar-2011

Table with columns: Figures for the previous Period (Rs.), EXPENDITURE, Schedule Reference, Figures for the current Period (Rs.), Grants for the current Period (Rs.), INCOME, Schedule Reference, Figures for the current Period (Rs.). Rows include IEC, Surveillance, (PI)Non Reimbursable prior period expensable, Kits and Other Lab Supplies, Training and Workshops, NGO Services, Salary (Pay and Allowances), Maintenance Costs, Operational Expenses, and a total row.

As per our report attached

V. J. CHOKSI & CO.

22 DEC 2011



Asstt. Director (Fin.)
State AIDS Control Society
Daman & Diu, Daman.



Project Director
State AIDS Control Society
UT of Daman & Diu

Other Income

Schedule 28

Interest from Bank	295,438.00	160,050.00
<b>Total</b>	<b>295,438.00</b>	<b>160,050.00</b>

Kits and Other Lab Supplies

Schedule 06

Particulars	As at 31-Mar-11 (Rs)	As at 31-Mar-10 (Rs)
Consumable Items	33,256.00	19,192.00
<b>Total</b>	<b>33,256.00</b>	<b>19,192.00</b>

Training and Workshops

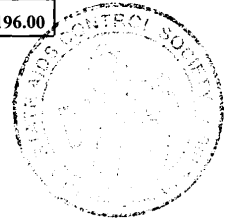
Schedule 08

Particulars	As at 31-Mar-11 (Rs)	As at 31-Mar-10 (Rs)
Training	324,898.00	158,196.00
<b>Total</b>	<b>324,898.00</b>	<b>158,196.00</b>

Signed for Identification  
V. J. CHOKSI & CO.  
By *[Signature]*

*[Signature]*

*[Signature]*



NGO Services

Schedule 11

Particulars	As at 31-Mar-11 (RS)	As at 31-Mar-10 (RS)
NGO Services for Priority Interventions	2,954,088.00	1,570,454.50
<b>Total</b>	<b>2,954,088.00</b>	<b>1,570,454.50</b>

Salary (Pay and Allowances)


Schedule 13

Particulars	As at 31-Mar-11 (RS)	As at 31-Mar-10 (RS)
Salary	4,585,126.00	4,887,458.00
Honorarium	94,532.00	100,559.00
Medical Expenses	32,833.00	61,610.00
<b>Total</b>	<b>4,712,491.00</b>	<b>5,049,627.00</b>

Maintenance Costs

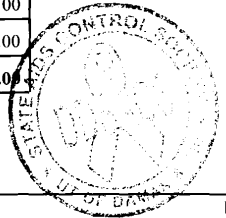
Schedule 14

Particulars	As at 31-Mar-11 (RS)	As at 31-Mar-10 (RS)
Equipment Maintenance	76,823.00	105,907.00
Vehicle Maintenance	54,286.00	182,962.00
<b>Total</b>	<b>131,109.00</b>	<b>288,869.00</b>

Signed for Identification  
 V. J. CHOYSI & CO.  
 By: 







Operational Expenses

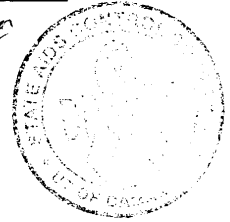
Schedule 15

Travelling Expenses	121,665.00	112,210.00
Telephone/Communication Expenses	63,295.00	67,169.00
Bank Charges	2,496.00	2,160.00
Miscellaneous Expenses	290,772.00	28,289.00
Printing & Stationery	30,407.00	58,745.00
Advertisement (Other than IEC)	40,344.00	7,794.00
Audit Fees	39,708.00	33,090.00
Postage/Courier	391.00	881.00
Contractual Services - Companies	56,750.00	36,736.00
<b>Total</b>	<b>645,828.00</b>	<b>347,074.00</b>

Signed for identification  
V. J. CHORRI & CO.  
By *[Signature]*

*[Handwritten Signature]*

*Down*







Daman & Diu SACS - POOL FUND

Primary Health Centre, Fort Area , Moti Daman - 396220

National AIDS Control Project - Phase III

Receipt And Payment Account

For The Period From : 01-Apr-2010 To :31-Mar-2011

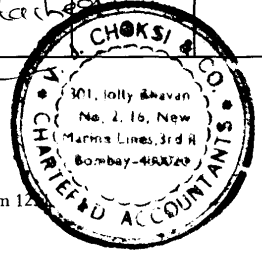
17

Figures for the previous Period (Rs.)	RECEIPTS	Schedule Reference	Amount for the previous Period (Rs.)	Amount for the current Period (Rs.)	PAYMENTS	Schedule Reference	Amount for the current Period (Rs.)
	<b>Opening Balance:</b>			3,062,986.00	LOANS AND ADVANCES	17	4,751,760.00
0.00	Cash in hand		0.00	341,385.00	FIXED ASSETS	16	278,007.00
3,966,037.63	Balance with Bank	30	1,420,329.63	324,217.00	CURRENT LIABILITIES	32	194,487.00
7,500,000.00	GENERAL FUND	29	20,281,000.00	19,192.00	Kits and Other Lab Supplies	18	33,256.00
160,050.00	Other Income	56	295,438.00	119,838.00	Training and Workshops	20	324,898.00
				4,733,557.00	Salary (Pay and Allowances)	25	4,533,045.00
				288,869.00	Maintenance Costs	26	131,109.00
				344,432.00	Operational Expenses	27	365,652.00
				971,282.00	IEC		1,178,917.00
				0.00	Surveillance		117,028.00
					<b>Closing Balance:</b>		
				0.00	Cash in hand		0.00
				1,420,329.63	Balance with Bank	31	10,088,608.63

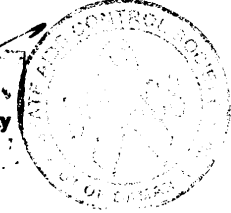
As per our report attached

V. J. CHOKSI & CO.

22 DEC 2011



Asstt. Director (Fin.)  
State AIDS Control Society  
Daman & Diu, Daman.



Project Director  
State AIDS Control Society  
UT of Daman & Diu

GENERAL FUND

Schedule 29

Grant from NACO to SACS	20,281,000.00	7,500,000.00
<b>Total</b>	<b>20,281,000.00</b>	<b>7,500,000.00</b>

Balance with Bank

Schedule 30

Particulars	As at 01-Apr-10 (Rs)	01-Apr-09 (Rs)
Bank 3	1,420,329.63	3,966,037.63
Cheque in Transit	0.00	0.00
<b>Total</b>	<b>1,420,329.63</b>	<b>3,966,037.63</b>

Other Income

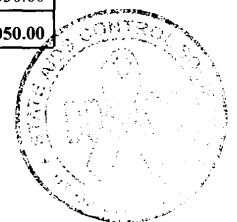
Schedule 56

Particulars	As at 31-Mar-10 (Rs)	31-Mar-09 (Rs)
Interest from Bank	295,438.00	160,050.00
<b>Total</b>	<b>295,438.00</b>	<b>160,050.00</b>

Signed for identification  
V. J. CHOKSI & CO.  
By *[Signature]*

*[Handwritten mark]*

*[Handwritten mark]*



LOANS AND ADVANCES

Schedule 17

Advance to NGOs	4,175,760.00	2,826,628.00
Advance to Staff	21,000.00	66,358.00
Advance to Autonomous Bodies	500,000.00	100,000.00
Advance to District Authorities	55,000.00	70,000.00
<b>Total</b>	<b>4,751,760.00</b>	<b>3,062,986.00</b>

FIXED ASSETS

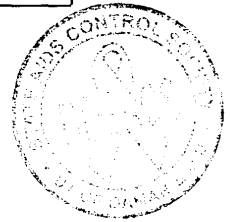
Schedule 16

Particulars	31-Mar-11 (RS)	31-Mar-11 (RS)
Civil Works	76,807.00	0.00
Furniture , Fixtures & Supplies	40,050.00	0.00
Blood Bank Equipments	0.00	341,385.00
Office Equipment	161,150.00	0.00
<b>Total</b>	<b>278,007.00</b>	<b>341,385.00</b>

Signed for identification  
V. J. CHOKSI & CO.  
By *[Signature]*

*[Handwritten mark]*

*[Handwritten mark]*



**CURRENT LIABILITIES**

**Schedule 32**

TDS (Salary)	178,476.00	315,576.00
TDS (Others)	16,011.00	8,641.00
Stale Cheques	0.00	0.00
<b>Total</b>	<b>194,487.00</b>	<b>324,217.00</b>

**Kits and Other Lab Supplies**

**Schedule 18**

Particulars	As at 31-Mar-11 (RS)	As at 31-Mar-10 (RS)
Consumable Items	33,256.00	19,192.00
<b>Total</b>	<b>33,256.00</b>	<b>19,192.00</b>

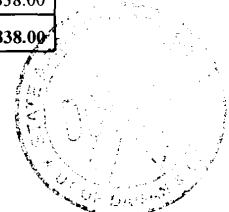
**Training and Workshops**

**Schedule 20**

Particulars	As at 31-Mar-11 (RS)	As at 31-Mar-10 (RS)
Training	324,898.00	119,838.00
<b>Total</b>	<b>324,898.00</b>	<b>119,838.00</b>

*[Handwritten signature]*

*Datta*



Signed for Identification  
 V. J. CHOKSI & CO.  
 By: *[Signature]*

Salary (Pay and Allowances)

Schedule 25

Salary	4,413,850.00	4,579,082.00
Honorarium	86,362.00	92,865.00
Medical Expenses	32,833.00	61,610.00
<b>Total</b>	<b>4,533,045.00</b>	<b>4,733,557.00</b>

Maintenance Costs

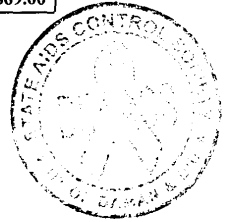
Schedule 26

Particulars	2011-12	2010-11
Equipment Maintenance	76,823.00	105,907.00
Vehicle Maintenance	54,286.00	182,962.00
<b>Total</b>	<b>131,109.00</b>	<b>288,869.00</b>

Signed for Identification  
 V. J. CHAKSI & CO.  
 By *[Signature]*

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*[Handwritten mark]*



## Operational Expenses

Schedule 27

Travelling Expenses	121,665.00	112,210.00
Telephone/Communication Expenses	63,295.00	64,632.00
Bank Charges	2,288.00	2,055.00
Miscellaneous Expenses	10,804.00	28,289.00
Printing & Stationery	30,407.00	58,745.00
Advertisement (Other than IEC)	40,344.00	7,794.00
Audit Fees	39,708.00	33,090.00
Postage/Courier	391.00	881.00
Contractual Services - Companies	56,750.00	36,736.00
<b>Total</b>	<b>365,652.00</b>	<b>344,432.00</b>

## Balance with Bank

Schedule 31

Particulars	As at 31-MAR-11 (RS.)	As at 31-MAR-10
Bank 3	10,088,608.63	1,420,329.63
Cheque in Transit	0.00	0.00
<b>Total</b>	<b>10,088,608.63</b>	<b>1,420,329.63</b>

Signed for Identification  
V. J. Choudhary  
By

*R*

*Dinesh*



Printed : System Administrator on 21/12/2011 12:52:43 from 1231

(For the Location)

Sources and Uses of Funds

As on: 31-Mar-2011

Year----->

Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance of Net Current Assets	Balance in Bank (01)	0.00	1,855,991.46	5,066,224.46	3,966,037.63	1,420,329.63
	Advances (02)	0.00	4,346,808.00	1,861,304.64	728,463.00	1,781,882.50
	(-) Current Liabilities (03)	0.00	563,440.00	0.00	0.00	0.00
Sources of funds	Pool Fund - World Bank	13,075,523.46	14,973,000.00	9,227,000.00	7,500,000.00	20,281,000.00
	Miscellaneous Receipts (04)	0.00	65,748.00	51,093.12	160,050.00	295,438.00
Utilisation of funds	Expenses (05)	0.00	13,658,278.36	11,364,821.59	8,810,953.50	10,249,403.00
	Fixed Assets (06)	7,436,164.00	92,300.00	146,300.00	341,385.00	279,575.00
Closing balance of Net Current Assets	Balance in Bank (07)	1,855,991.46	5,066,224.46	3,966,037.63	1,420,329.63	10,088,608.63
	Advances (08)	4,346,808.00	1,861,304.64	728,463.00	1,781,882.50	3,161,063.50
	(-) Current Liabilities (09)	563,440.00	0.00	0.00	0.00	0.00

Signed  
V. J. [Signature]  
By

[Signature]

Daman



**Daman & Diu SACS**

(24)

Year----->

Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Balance in Bank (01)</b>	Bank 3	0.00	1,855,991.46	485,224.46	3,966,037.63	1,420,329.63
	Cheque in Transit	0.00	0.00	4,581,000.00	0.00	0.00
	<b>Total</b>	<b>0.00</b>	<b>1,855,991.46</b>	<b>5,066,224.46</b>	<b>3,966,037.63</b>	<b>1,420,329.63</b>
<b>Advance (02)</b>	Advance to District Authorities	0.00	0.00	0.00	70,501.00	63,842.00
	Advance to Autonomous Bodies	0.00	500,000.00	500,000.00	296,095.00	100,000.00
	Advance to NGOs	0.00	3,846,808.00	1,361,304.64	361,867.00	1,618,040.50
	<b>Total</b>	<b>0.00</b>	<b>4,346,808.00</b>	<b>1,861,304.64</b>	<b>728,463.00</b>	<b>1,781,882.50</b>
<b>Current Liabilities (03)</b>	Funds from Other Sources	0.00	562,000.00	0.00	0.00	0.00
	Stale Cheques	0.00	1,440.00	0.00	0.00	0.00
	<b>Total</b>	<b>0.00</b>	<b>563,440.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Miscellaneous Receipts (04)</b>	Interest from Bank	0.00	65,748.00	51,093.12	160,050.00	295,438.00
	<b>Total</b>	<b>0.00</b>	<b>65,748.00</b>	<b>51,093.12</b>	<b>160,050.00</b>	<b>295,438.00</b>
<b>Expenses (05)</b>	(PI) Non Reimbursable prior period expensable	0.00	0.00	203,905.00	296,095.00	0.00
	(TI) Non Reimbursable prior period expensable	0.00	2,325,867.18	0.00	0.00	0.00
	Advertisement (Other than IEC)	0.00	94,105.00	33,818.00	7,794.00	40,344.00

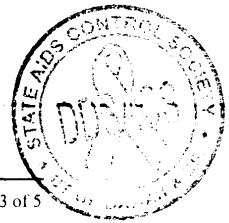
Signed for submission  
V. J. Choudhary  
21/12/2011

*[Handwritten signature]*



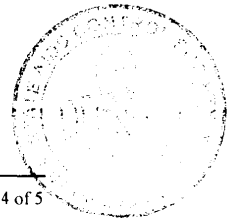


	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Expenses (05)</b>					
<b>Audit Fees</b>	0.00	33,708.00	28,090.00	33,090.00	39,708.00
<b>Bank Charges</b>	0.00	11,115.00	2,660.00	2,160.00	2,496.00
<b>Blood Lab. Supplies</b>	0.00	0.00	35,172.00	0.00	0.00
<b>Consultants and Consultancy Services</b>	0.00	51,123.00	60,696.00	0.00	0.00
<b>Consumable Items</b>	0.00	0.00	0.00	19,192.00	33,256.00
<b>Contractual Services - Companies</b>	0.00	0.00	13,484.00	36,736.00	56,750.00
<b>Equipment Maintenance</b>	0.00	95,798.00	138,202.00	105,907.00	76,823.00
<b>HIV Kits</b>	0.00	0.00	4,764.00	0.00	0.00
<b>Honorarium</b>	0.00	36,000.00	36,000.00	100,559.00	94,532.00
<b>IEC</b>	0.00	1,415,659.00	2,185,574.00	1,081,446.00	1,330,705.00
<b>Leave Salary &amp; Pension Contributions</b>	0.00	334,988.00	0.00	0.00	0.00
<b>Medical Expenses</b>	0.00	38,351.00	0.00	61,610.00	32,833.00
<b>Miscellaneous Expenses</b>	0.00	214,705.00	30,500.00	28,289.00	290,772.00
<b>NGO Services for Priority Interventions</b>	0.00	4,476,078.18	3,637,528.59	1,570,454.50	2,954,088.00
<b>PEP Drugs</b>	0.00	0.00	4,726.00	0.00	0.00



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	2006-07	2007-08	2008-09	2009-10	2010-11	
<b>Expenses (05)</b>	Postage/Courier	0.00	6,422.00	5,435.00	881.00	391.00
	Printing & Stationery	0.00	48,994.00	48,812.00	58,745.00	30,407.00
	Salary	0.00	3,583,348.00	4,353,142.00	4,887,458.00	4,585,126.00
	STI Drugs	0.00	81,760.00	0.00	0.00	0.00
	Surveillance	0.00	151,175.00	54,638.00	0.00	117,028.00
	Telephone/Communication Expenses	0.00	63,593.00	79,170.00	67,169.00	63,295.00
	Training	0.00	0.00	12,513.00	158,196.00	324,898.00
	Travelling Expenses	0.00	236,319.00	235,988.00	112,210.00	121,665.00
	Vehicle Maintenance	0.00	359,170.00	160,004.00	182,962.00	54,286.00
	<b>Total</b>	<b>0.00</b>	<b>13,658,278.36</b>	<b>11,364,821.59</b>	<b>8,810,953.50</b>	<b>10,249,403.00</b>
<b>Fixed Assets (06)</b>	Blood Bank Equipments	415,408.00	0.00	0.00	341,385.00	0.00
	Civil Works	3,061,183.00	0.00	0.00	0.00	78,375.00
	Equipment (Other)	847,865.00	0.00	0.00	0.00	0.00
	Furniture, Fixtures & Supplies	1,625,375.00	0.00	0.00	0.00	40,050.00
	Office Equipment	1,021,403.00	92,300.00	146,300.00	0.00	161,150.00
	Vehicles	464,930.00	0.00	0.00	0.00	0.00



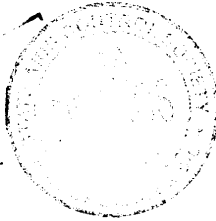
*K*

*D*

		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Fixed Assets (06)</b>	<b>Total</b>					
<b>Balance in (07)</b>	<b>Bank 3</b>	1,855,991.46	485,224.46	3,966,037.63	1,420,329.63	10,088,608.63
	<b>Cheque in Transit</b>	0.00	4,581,000.00	0.00	0.00	0.00
	<b>Total</b>					
<b>Advance (08)</b>	<b>Advance to District Authorities</b>	0.00	0.00	70,501.00	63,842.00	1,319.00
	<b>Advance to Autonomous Bodies</b>	500,000.00	500,000.00	296,095.00	100,000.00	320,032.00
	<b>Advance to NGOs</b>	3,846,808.00	1,361,304.64	361,867.00	1,618,040.50	2,839,712.50
	<b>Total</b>	<b>4,346,808.00</b>	<b>1,861,304.64</b>	<b>728,463.00</b>	<b>1,781,882.50</b>	<b>3,161,063.50</b>
<b>(-) Current Liabilities (09)</b>	<b>Funds from Other Sources</b>	562,000.00	0.00	0.00	0.00	0.00
	<b>State Cheques</b>	1,440.00	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>563,440.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Signed & Certified by  
 V. J. CHOUDHARY & CO.  
 Chartered Accountants

*[Signature]*  
 Asstt. Director (Fin.)  
 State AIDS Control Society  
 Daman & Diu, Daman.



*[Signature]*  
 Project Director  
 State AIDS Control Society  
 UT of Daman & Diu

### Utilisation Certificate

Certified that an amount of Rs. **20,281,000.00** received as grants-in-aid received from Department of AIDS Control (NACO) during the Fin.Year **2010-11** vide letter No. given below and opening Cash/Bank Balance Rs. **1,420,329.63** (and Current Liabilities of Rs.**0.00**)and outstanding Advances for Rs. **1,781,882.50** on account of unspent balance brought forward from the previous financial year, and Bank Interest and Miscellaneous Receipts of Rs. **295,438.00**. a sum of Rs. **10,528,978.00** has been utilized for the purpose for which it was sanctioned and the Cash/Bank balance of Rs. **10,088,608.63** (and Current Liabilities of Rs. **0.00** )and outstanding advances of Rs.**3,161,063.50**. remaining unutilized at the end of the year will be adjusted towards the grants-in-aid payable during the next year .

Sl. No.	Sanction letter Number and Date	Amount
1.	T-11017/48/2009 - NACO/2 07.05.10	1,44,39,000
2.	T-11017/46/2009 - NACO(F) 10.02.11	58,42,000
	<b>Total</b>	<b>20,281,000.00</b>

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned.

**Kinds of checks exercised**

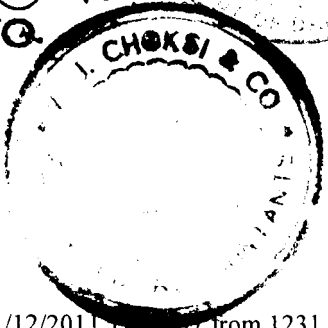
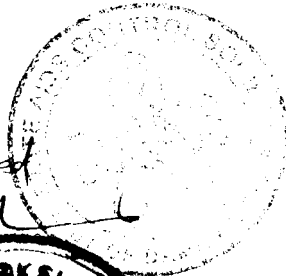
1. Statement of Expenditures
2. Annual Financial Statements

As per our report attached

Countersigned  
**V. J. CHOKSI & CO.**

(Chartered Accountant)

**22 DEC 2011**



*(Signature)*  
 (Project Director)  
 (Dr. D. K. Makwana)  
 Project Director  
 State AIDS Control Society  
 UT of Daman & Diu

Open Balance of Non Current Assets	Amount (Rs.)
Bank 3	1,420,329.63
Advance to NGOs	1,618,040.50
Advance to Autonomous Bodies	100,000.00
Advance to District Authorities	63,842.00
	<u>3,202,212.13</u>

Sources of funds	Amount (Rs.)
Grant from NACO to SACS	20,281,000.00
	<u>20,281,000.00</u>

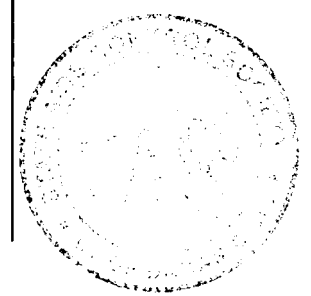
Utilisation of fund	Amount (Rs.)
IEC	1,330,705.00
Training	324,898.00
Salary	4,585,126.00
Equipment Maintenance	76,823.00
Vehicle Maintenance	54,286.00
Travelling Expenses	121,665.00
Telephone/Communication Expenses	63,295.00
Honorarium	94,532.00
Bank Charges	2,496.00
Miscellaneous Expenses	290,772.00
Printing & Stationery	30,407.00
Advertisement (Other than IEC)	40,344.00
Medical Expenses	32,833.00
Audit Fees	39,708.00
NGO Services for Priority Interventions	2,954,088.00
Surveillance	117,028.00
Postage/Courier	391.00
Contractual Services - Companies	56,750.00
Consumable Items	33,256.00
Civil Works	78,375.00
Furniture , Fixtures & Supplies	40,050.00
Office Equipment	161,150.00
	<u>10,528,978.00</u>

Bank Interest & Miscellaneous Receipts	Amount (Rs.)
Interest from Bank	295,438.00
	<u>295,438.00</u>

Signature for authentication  
 V. J. CHOKSI & CO.  
 By *[Signature]*

Closing balance of Net Current Assets	Amount (Rs.)
Bank 3	10,088,608.63
Advance to NGOs	2,839,712.50
Advance to Autonomous Bodies	320,032.00
Advance to District Authorities	1,319.00
	<u>13,249,672.13</u>

*[Signature]*  
**Project Director**  
 State AIDS Control Society  
 UT of Daman & Diu



Notes forming part of the financial statements for the year ended March 31, 2011 - Schedule

A. SIGNIFICANT ACCOUNTING POLICIES.

A.1. The accounting principles and policies, recognized as appropriate for measurement and reporting of the financial performance and financial position on cash basis except as otherwise disclosed, using historical costs (ie., not taking into account changing money values/impact of inflation) are applied in the preparation of the financial statements and those which are considered material to the affairs are suitably disclosed. The statement on Significant Accounting Policies excludes disclosures required as per Accounting Standards in respect of which there were no material transactions or where compliance with such standards is not mandatory for the Society. The financial statements are in accordance with the requirements of the law applicable to the Society.

A.2. Method of Accounting

The Society has generally followed cash basis of accounting in accordance with financial guidelines issued by National AIDS Control Organization (NACO) whereby assets and liabilities are accounted for only on realization/payment. On this basis, certain items of receipts and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Grants/contributions received are considered as contribution to General Fund and the expenditure incurred with specific directions are considered on net basis.

There are no changes in the accounting policies of the Society from that followed in previous year.

A.3 Fixed Assets.

Fixed assets including, land, building, plant and equipment's, lifts electrical installations, etc, are stated at their composite cost estimated on the basis of the price paid for by original purchasers of premises from the builders. Fixed assets are stated at their cost of acquisition when purchased or cost of construction when these are constructed. No depreciation is provided on fixed assets. Certain Fixed Assets acquired under grants for use by the Society and/or peripheral units/NGOs are charged as Grant utilized and not capitalized.

A.6. Inventories

Medicines, testing kits, condoms and IEC materials are acquired either free of cost or purchased. These are not carried as inventories but are charged to revenue in the year of purchase, when purchased by the Society, as these are not purchased with the intention to sell. The Society is in process of maintaining and updating records in this respect.

A.5. Retirement benefits

Contributions are made to defined contribution retirement benefit plan viz., Provident Fund in respect of employees on deputation which are recognized as expenses as and when they are made. Leave salary payments are accounted for by the Society as and when any payment is made/to be made. The above expenditure is debited to Income & Expenditure Account.

A.7. Contingencies and events occurring after balance sheet date

Loss may be recorded if the likelihood of occurrence is probable and the amount is reasonably estimable. Management considers each legal action using this guidance. The management believes that current assumptions and other considerations used to estimate potential liability for litigation are appropriate. While it is not possible to know with certainty the ultimate outcome of these claims or lawsuits, management does not expect them to have a material effect on financial condition, liquidity or results of operations.

A.8. Material events occurring after the Balance Sheet date

There have been no material changes of events since the date of the Balance Sheet affecting the financial statements as on the Balance Sheet date. Further, other than matters disclosed in the Notes, till the date of the Balance Sheet, no events or circumstance have occurred, though properly

STATE AIDS CONTROL SOCIETY,  
UNION TERRITORY OF DAMAN & DIU  
BY \_\_\_\_\_

Notes forming part of the financial statements for the year ended March 31,2011 - Schedule excluded from the accounts, are of such an importance that they should be disclosed through any other medium.

**A.9 Provisions, Contingent Liabilities and Contingent Assets**

Contingent liabilities are not provided for but are disclosed after a careful evaluation of the facts and legal aspects of the matter involved. Subject to the method of accounting followed by the Society, a provision is recognized when the Society has a present obligation as a result of past event and it is probable that an outflow of resources is required to settle the obligation, in respect of which a reliable estimate can be made based on technical evaluation and past experience. Future cash outflows are determinable only on occurrence of uncertain future events particularly availability of grants.

Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

**A.10 Accounting for taxes on income:-**

Provision for taxation, if any, on income from charitable activities is not made having regard to the nature of activities carried out and as the Society intends to avail of tax reliefs and benefits and any tax payments are accounted for, as and when made.

**A. Impairment of Assets**

The carrying value of fixed assets is evaluated whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. There is no impairment loss recognized or identified during the reporting period except as disclosed in the Notes.

**B. NOTES TO THE ACCOUNTS.**

**B.1. Contingent liabilities in respect of :**

Claim against Society not acknowledged as debt

Rs. Nil (Previous Year Rs Nil)

While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse decision, the Society believes that the defences to all these various claims are meritorious both on the law and the facts, and a vigorous defence is being made everywhere. If an adverse judgment were entered against the Society in any case, an appeal would be made. Such appeals could require the appellant to deposit amounts, if any demanded or furnish substitute security in amount which could in some cases equal or exceed the amount demanded. The impact of the action initiated/to be initiated is not presently ascertainable.

In respect of demands and claim on the Society disclosed under "Contingent Liabilities", if the liabilities is finally ascertained or crystallized as payable, such amounts would be borne and recoverable by the Society, entirely or in part, from the members as reimbursement will be claimed from the members; during the year the Society has on such basis provided for Rs 100.00 lacs on account of Contingencies for Income Tax liability to recoup the payments deposited in respect of disputed tax demands and Sinking Fund.

B.2 The Society has carried out Civil Work extension on existing property of the administration of Union Territory and is sharing its infrastructure and the infrastructure of the administration of Union Territory with common health and medical services. There is no formal arrangement entered into with the administration in this respect.

B.3. Advances to NGOs and peripheral units are subject to confirmation and reconciliation. The necessary adjustments, if required, will be made when statement of expenditure/utilization certificate(s) are received or settled.

Further, the internal audit at NGOs for financial years 2007-08, 2008-09, 2009-10 and 2010-11 by external auditors, to be appointed by the Society in consultation with NACO, is pending to be completed.

Signed for Certification  
M. J. CHUGH & CO.  
10/11/2011

Notes forming part of the financial statements for the year ended March 31, 2011 - Schedule  
These financial statements are subject to any comments in respect of internal audit at NGOs for financial years 2007-08, 2008-09, 2009-10 and 2010-11 and the effect, thereof, if any, on these financial statements is not presently ascertainable.

In the opinion of the management, the balances reflected in the accounts are recoverable and no adjustment is presently required pending .

**B.4 Payments to employees -**

a) include release of instalment of arrears paid to deputation staff consequent to implementation of recommendations of Sixth Pay Commission;

b) exclude balance amount of arrears payable

Future cash outflows in respect of the above matters at b) are determinable only on resolution of the matters pending before various authorities.

Having regard to these matters and the method of accounting followed, the Society (i) does not consider it appropriate to make any provision in respect of the obligation and (ii) does not believe that the ultimate outcome of this will significantly impair the financial condition of the Society.

**B.5 Fixed Assets** record at the Society is maintained as per past practice. However, we have not maintained detailed records showing full and complete quantitative particulars of fixed assets including their location and it is difficult to compile past data; Depreciation is not provided on fixed assets as per practice consistently followed. No physical verification is carried out of fixed assets of the Society including but not limited to Fixed assets acquired out of grant funds for own use or for use by beneficiaries.

The effect of this on the financial statements will be known on its updation of records, physical verification, scrutiny, reconciliation and adjustment. In the opinion of the Society, the difference/ discrepancies are not likely to be of a material amount considering the size of the Society and the nature of its operations.

**B.6** The Society is yet to apply for and obtain Income tax permanent account number (PAN) and approval under section 12A of the Income Tax Act, 1961. In view of these factors, Income tax return(s) have not been submitted.

The Society has obtained Tax Deduction Account number for deduction of tax at source during the year and there is substantial compliance since then. However, during audit, certain cases of short-deduction and non-deduction of tax have been observed. The Society will initiate process for compliance. The impact of the action initiated/to be initiated is not presently ascertainable.

**B.7** Disclosures under section 22 of Micro, Small and Medium Enterprises Development Act, 2006 have not been made and can be considered on receiving relevant information from suppliers who are covered under the Act is received from such suppliers. Presently, no such information is available with the Society

**B.8 Responsibility Statement of Management**

The following statement, which should be read in conjunction with the statement of Auditor's responsibilities set out in the Audit Report, is made with a view to distinguishing the respective responsibilities of the Society and auditors in relation to the accounts/financial statements.

It is represented and confirmed by the management that subject to disclosures in the Notes -

a) In the preparation of the financial statements, the applicable standards and principles have been followed which require management to -

- select suitable accounting policies and then apply them consistently and

- make judgments, estimates and assumptions that are reasonable and prudent.

These may however affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include carrying value of fixed assets; utilization/realization of grants given, potential litigation claims in which the Society may be involved and their outcome as well as resolution of issues and matters with government authorities, sustainability of funding from donor agencies and obligations related to employee benefits; although these estimates are based on management's

Signed for the organization  
V. J. CHOKRE & CO.  
BY



**STATE AIDS CONTROL SOCIETY, UNION TERRITORY OF DAMAN & DIU**

Notes forming part of the financial statements for the year ended March 31,2011 - Schedule historical experience and best knowledge of current events and actions, actual results may actually differ from those estimates; any revision to accounting estimates is recognized prospectively in current and future periods.

- b) Except as disclosed, there are no material departure from the applicable accounting standards and principles as applicable to societies;
- c) Proper and sufficient care has been taken to the best of our knowledge and ability for the maintenance of adequate accounting records for safeguarding the assets and for preventing and detecting fraud and other irregularities;
- d) The accounts have been prepared on a going concern;
- e) The fair values of the assets and liabilities is not materially different from their carrying values; Subject to the other notes and the method of accounting followed by the Society, provision for depreciation and for all known liabilities is adequate and not in excess of the amounts reasonably necessary; and there are no contingent liabilities except those disclosed in the notes;
- f) The Balance Sheet and the Income & Expenditure Account together with schedules to the financial statements and notes thereon are drawn up so as to give a true and fair view of the state of affairs as at the end of and the results for the reporting period.
- g) The Society has complied with all the laws, order, regulations and other legal requirements of the Central, State and other Governments, local Authorities, etc., concerning the affairs of the Society and in particular, there has been no breach by the Society and in particular, there has been no breach by the Society of any of the provision of the fiscal, commercial, labour and environmental legislations governing/applicable to the Society; and
- h) The transactions of the Society, including payments and expenditure (revenue and capital), retirement, sale, etc., of assets, where applicable, have been within the powers of the Society having been done in accordance with Society's polices/guidelines and / or past practice, where laid down, and with the knowledge and authorization of the appropriate sanctioning authority. Except as disclosed in the Notes, there are no transactions ultra vires the powers of the Society and/or its management that are required to be brought to the notice of any authority.

B.9 The Society has a policy of authorizing and accounting transactions based on reasonable checks and controls (appropriate to the size and nature of its operations) having regard to the Society's needs and exigencies. Where such transactions have not been susceptible to independent audit verification owing to inadequacy or lack of evidence supporting the transactions, the amounts and/ or disclosures in the financial statements, management representations to audit enquiries have been made confirming the incurrence of transactions exclusively and necessarily for the purpose of the Society's operations. The representations and assertions made by the management for such transactions/ expenses have been relied upon by the auditors.

The Society will continue to review its internal controls and procedures and consider such changes, particularly increased compliance as the activities grow in size, in future evaluations of the effectiveness of controls and procedures, as it deems appropriate.

There has been no significant change in our internal control over financial reporting or other factors during the reporting period that has significantly or materially affected or is reasonably likely to materially affect our internal control over financial reporting.

B.10 Comparative figures of last year have been regrouped/ recast wherever necessary to conform to current year's classification or presentation without affecting surplus/deficit.

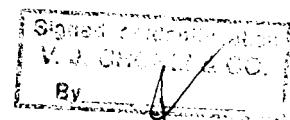
B.11 The schedules and the Notes on the Accounts form an integral part of the financial statements and are duly authenticated.

Moti Daman  
December 22,2011



*[Signature]*  
Head (Finance Unit)  
Asstt. Director (Fin.)  
State AIDS Control Society  
Daman & Diu, Daman.

*[Signature]*  
Project Director  
State AIDS Control Society  
UT of Daman & Diu



December 22, 2011

To:  
The Governing Board,  
State AIDS Control Society,  
Union Territory of Daman & Diu,  
Primary Health Centre, Fort Area,  
Moti Daman 396 220

Gentlemen/Ladies:

**Re: Statutory Audit 2010-11 : Management Letter**

**01 Purpose, Responsibilities and Scope**

The purpose of this Management Letter (the letter) is to summarize the key issues arising from the audit work that we have carried out as Statutory Auditors for financial year 2010-11 at State AIDS Control Society (DDSACS) as part of a continuing dialogue between ourselves and DDSACS.

Although this letter is addressed to the Governing Body of DDSACS ('you') as it is your responsibility to ensure that arrangements are in place for the conduct of DDSACS' business and to safeguard and properly account for public money, it is also intended to communicate those key issues to key external stakeholders, including members of the public.

DDSACS is solely responsible:

a) to establish and maintain a system of internal controls by putting into place appropriate arrangements to ensure the proper conduct of its financial affairs which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions;

b) to monitor their adequacy and effectiveness in practice, including:

- ensuring its financial standing is soundly based;
- the development, implementation and monitoring of adequate systems of internal control;
- ensuring its affairs are managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption; and
- ensuring its financial affairs are conducted in accordance with the laws and relevant regulations applicable to the entity

c) to ensure that arrangements are in place for the conduct of its business and to safeguard and properly account for public money; and

d) to provide us with the necessary information, explanations and documents relating to the audit

Statutory auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with

the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Our main responsibility is to carry out an audit to express an audit opinion on financial statements of DDSACS as a whole for financial year 2010-11 that meets the requirements of the generally accepted auditing standards in India

This letter summarizes the significant issues arising from this area of work and highlights the key recommendations that we consider DDSACS should be addressing.

#### 02 Overall audit approach

A comprehensive audit approach which integrates financial, compliance and value added aspects has been followed in performing the audit, with a view to providing you with an independent external audit service with an emphasis on promoting accountability, good governance and the effective, economic and efficient attainment of your goals. In addressing the financial and compliance aspects of the audit, primarily, a risk-based approach has been adopted to ensure that audit resources are clearly focused.

We collect information by interviews with your staff and review key documents to improve our understanding of your business and operations. This enables us to form a preliminary view of the strengths and weaknesses of the overall control environment. We also review the information systems controls and the controls operating over specific account balances. We use this information to identify the material risk areas. We then review judgmentally selected activities within the scope advised to us for management controls and test their operation in order to determine those on which we can place assurance, and those where we need to direct more audit effort.

We review accounting systems and management controls operated by DDSACS only to the extent we consider necessary for the effective performance of the audit. The results of all these aspects of the audit are brought together and evaluated to consider the impact on our audit opinion.

The types of controls we expect to be in place are:

- up-to-date procedure notes, so that staff are aware of the procedures they should be following.
- segregation or separation of duties, so that staff act as checks on each other's actions
- reconciliations between financial records and other records held, to confirm the accuracy of the financial records
- access to records is limited to those who require it
- effective review of exception reports and other management information
- effective supervision, so that any problems are promptly identified and addressed.

#### 03 Audit of the accounts and accounting issues

We received a good quality set of draft financial statements for the audit and issued a qualified opinion on the financial statements of DDSACS within the submission deadline set by National AIDS Control Organisation (NACO). The draft statements were provided to us on June 16, 2011 that were supported by good quality working papers. We identified a few adjustments to the accounts which you agreed to amend. The audit field work was completed on June 21, 2011.

#### 04 Internal Control

The objectives of an internal control structure include policies and procedures, among other things, (a) to maintain records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (b) to provide management with

reasonable, but not absolute assurance that transactions (including receipts and expenditures) are executed in accordance with management's authorization and recorded properly as necessary to permit the preparation of the financial statements in accordance with generally accepted accounting principles; and (c) to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

Because of inherent limitations in any internal control structure, errors, irregularities or misstatements may nevertheless occur and not be detected. Also, projections of any evaluation of effectiveness of the structure to future periods are subject to the risk that controls and procedures may become inadequate because of changes in conditions or that the degree of compliance or that the effectiveness of the design and operation of controls with the policies and procedures may deteriorate. Furthermore, the projection of any conclusions, based on our finding to future periods is subject to the risk that changes may alter the validity of such conclusions.

In planning and performing our work, we considered DDSACS' internal control over financial reporting by obtaining an understanding of the design effectiveness of DDSACS' internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of DDSACS' controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not to express an opinion on the effectiveness of DDSACS' internal control over financial reporting.

We limited our internal control testing to those controls necessary to achieve the objectives described above. We did not test all internal controls relevant to operating objectives such as those controls relevant to ensuring efficient operations.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in respect of which corrective action is yet to be fully addressed by you. Our audit opinion for this year also refers to certain deficiencies in internal control system.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

While some improvements were noticed because you have strengthened your performance management arrangements and embedded changes under NACP-III, there is still scope for you to strengthen your arrangements and our report and further collaboration with you is intended to maintain the momentum of improvement. In future, you will need to comply with both the current regulatory framework for and the requirements of donors/funding agencies. In this context, it is vital that you ensure that core systems of financial control and governance are robust.

#### 05 Audit Findings

Our findings in respect of communicating matters to those charged with governance are given in Annexure to this letter. The other findings are -

05-01 DDSACS has not developed a timely medium-term and long-term financial strategy which should seek to ensure financial stability over a challenging but realistic period of time; you have been reliant on external financial support whilst longer-term service redesign has not progressed at all.

05-02 Budget holders need to exercise effective financial control; we would like that you focus on "Value for money" approach throughout DDSACS. Value for money is about getting the maximum benefit over time with the resources available. It is about achieving the right balance among economy, efficiency and effectiveness (the '3Es'), spending less and spending wisely to achieve priorities for target population.

Over the years, value for money (particularly in relation to effectiveness) has evolved to embrace expectations that are placed on public services also underpinning considerations of the quality and effectiveness of public services

As sustainable development has risen up the agenda there is recognition that efficiency and sustainability need to be balanced within robust decision making so that outcomes are effective over time. In this context, we have drawn attention to and discussed following expenditure instances with the management -

a) The absence of an approved cost allocation plan as it increases the risk that DDSACS is not fully compensated for support provided. Failure to complete and/or adequately document cost sharing and effort requirements increases the risk of reduced reimbursements and jeopardizes the future of the grant programs.

b) procurement function needs to be strengthened with skilled personnel having strategic approach to procurement and effective management of procurement risks;

c) printing of IEC materials on need-based activities and controls over vehicle use;

d) filling up of vacancies and training and capacity building of staff; this failure impairs the effectiveness of controls;

e) administration of projects and programmatic grants was not always appropriate or adequately organized at peripheral units and NGOs. These administrations also lacked policies and procedures for the administration of programs with the level of financial and administrative control that was required; failure to maintain proper administration of programs increases the risk of non-compliance with programmatic requirements such as cost sharing and financial/technical reporting and decreases the organizational efficiencies gained by a good administration.

f) documentation to support training for program and those responsible for the administration of contracts and grants needed improvement; the training was not documented by a formalized training schedule

g) inadequate monitoring of sub-recipient activities for various reasons including due to ineffective oversight, personnel resource constraints, staff turnover, deficient and untimely responses by sub recipients, and insufficient documentation of requests sent to sub recipients; failure to monitor sub-recipient activities increases the risk of non-compliance and jeopardizes the future of the grant programs.

05-03 DDSACS also needs to look at:

- the extent to which there are shared objectives and whether the principles of value for money are applied to shared resources;
- whether partners in an area have a clear and common understanding of the public spending under their influence;
- whether partners understand delivery chains for outcomes and align resources and overcome barriers;
- whether partners recognize the extent to which spending in one sector could bring better value for money in another and lead to more effective overall resource use;
- how well partners measure and manage efficiencies and exploit the potential efficiency gains from working together; and
- how well partners understand the resources available to them and the extent to which they influence spending decisions, including to shift resources to deliver improved outcomes.

#### 06 Future developments

We note that DDSACS is likely to face the following changes over the next 6 -12 months. While they had no impact on the 2010-11 financial statements, they are likely to have a significant impact in the future.

- i) NACP III coming to a close in FY 2011-12;
- ii) Convergence with NRHM in terms of letter no X-19020/17/2009-NACO(IEC) of August 10,2010 from Secretary & Director-General, NACO; and
- iii) Release of grants from donor agencies in view of global economic conditions.

These need to be considered during the course of FY 2011-12.

#### 07 Action required by the Governing Board

You need to note the following significant matters –

- Executive Committee needs to play an effective role; system wide policies and procedures need to be developed, updated, and/or finalized for certain contracting, procurement and grant activities;
- Develop a clear vision for the future or effective leadership at DDSACS;
- Develop strategic approach to procurement that provides value for money;
- Develop strong and sustainable partnership working with NGOs and peripheral units;
- Strengthen middle management capacity with implications for strategic planning and management of change;
- Introduce adequate and timely training for staff as also performance appraisal arrangements for staff; and
- Fill up vacancies in staff positions and ensure proper segregation of duties.

It is the Board's responsibility to ensure that the DDSACS meets its statutory financial duties and to provide scrutiny and challenge on its financial performance. In doing this, it needs to address the following issues -

- Finalize and implement plans, ensure that it meets its stated objectives and develop arrangements for monitoring its delivery.
- Develop a culture of financial discipline and control throughout DDSACS and ensure that all staff understands the financial impact of their decisions.
- Ensure that budgets and associated plans are developed and agreed in advance of the financial year to which they relate.
- Review and challenge financial plans and monitoring reports to ensure that assumptions are reasonable and robust and that appropriate action is being taken to address problem areas.
- Ensure that financial risks are adequately identified, managed and monitored during the year and that contingency plans are established to address new or emerging issues.

#### 08 Management Response

It is our understanding that DDSACS management generally agrees with the findings as presented and that relevant comments from the management responsible for addressing the findings are not separately provided.

#### 09 Limitations

i) The management of DDSACS is responsible for complying with laws and regulations applicable to DDSACS. We performed tests of its compliance with certain provisions of laws and regulations; we limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to MSACAS. Providing an opinion on compliance with certain provisions of laws and regulations is neither an audit nor an objective of our audit.

ii) Domain for audit was restricted to accounting procedures at DDSACS in accordance with terms of reference in RFP for audit – any other information or transactions, financial or otherwise, generated or recorded based on decisions or otherwise taken at NACO or outside DDSACS was not within scope of our audit;

iii) During our walk through, we could not complete controls testing and compliance testing as planned where information requested has not been provided. An external impairment, among other things, might be i) non-submission of information; and ii) unreasonable restrictions on the time to complete an audit

In particular, we have not been able to consider information/data requested by us not provided including but not limited to relevant policies, instructions, procedures etc., ; consequently, we have not been able -

- to ensure adherence to management policies and directives in order to achieve the entity's objectives
- to safeguard assets
- to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records

iv) We did not audit or review –

- a) transactions prior to the period under coverage;
- b) comparison with prior expenditure or similar expenditure in the past; and
- c) where audit was performed by predecessor auditors;

v) Technical knowledge of business is not fully known to us and reliance is placed on identification of proprietary nature of items/proprietary source(s) of supply, where applicable;

vi) Our work is performed on the basis on information/data furnished or made available during our visit and is not responsible for misinformation and/or non-submission of information/data.

We rely on the reliability or accuracy of information provided or obtained in the course of our work and further, audit procedures that are effective for detecting a misstatement that is unintentional may not be effective for a misstatement that is intentional and is concealed particularly through forgery, collusion or management override of control systems.

vii) In selecting our samples and other data for audit, we relied on the data provided by the management from the financial system by utilizing excel spreadsheets that has neither been subjected to IT/EDP systems audit nor reviewed for security/application controls and have not performed any additional testing on such data; such spreadsheets are prone to conversion, input and formulaic errors

viii) Inherent limitations, if any, in financial system software and our reliance on the data validated by others as part of the audit process; we did not rely on any other systems other than to make selections for testing purposes.

ix) Our work did not involve a detailed review of all aspects of the systems including but not limited to the financial system in CPFMS, and cannot be regarded as a comprehensive statement of all weaknesses that might exist, or of all improvements that might be made/required. In particular, the financial system (CPFMS) has neither been subjected to IT/EDP systems audit nor reviewed for security/application controls by us

x) Balances due to and from parties including old balances and deposits are subject to confirmation

xi) Except for visit to two NGOs viz., Adivasi Yuva Mandal, Daman and Sargam Yuvak Mandal, Diu, we did not visit sub-recipient offices and other operational areas/sites for present audit work.

xii) We did not audit management's comments, where provided, and accordingly, we express no opinion on additional inputs/response provided by management.

#### 10 Closing remarks

This letter has been discussed and agreed with your finance management. Our aim is to deliver a high standard of audit, which makes a positive and practical contribution that supports your own agenda. You have taken a positive and constructive approach to our audit and inspection and we recognize the value of your co-operation and support. We would like to take this opportunity to express our appreciation for the support, assistance and co-operation during the audit.

We will seek to ensure, wherever possible, that our work relates to the improvement priorities when planning our programme of work for 2011-12. We will seek to reconsider, with you, your improvement priorities in the light of the assessment and your own analysis, and develop an agreed programme by March 31,2012.

#### 11 Status of our reports to DDSACS

Our audit management letter is prepared in the context of: the responsibilities of statutory auditors and DDSACS management. The matters raised in this letter are only those that came to our attention during the course of our audit and are not necessarily a comprehensive statement of all inefficiencies, errors and weaknesses that exist in your systems and practices or of all improvements that might be made/required.



Our work did not involve a detailed review of all aspects of the systems, and cannot be regarded as a comprehensive statement of all weaknesses that might exist, or of all improvements that might be made.

You should assess our recommendations for improvement for their full commercial implications before they are implemented. In particular we would emphasize that we are not responsible for the adequacy and appropriateness of the monitoring and evaluation study data and methodologies.

DDSACS operates in a continually changing environment and DDSACS and its operations are subject to a number of uncertainties and other factors, many of which are outside our control. We undertake no obligation to revise or update this information whether as a result of new information, future events or otherwise.

12 The information in this report was prepared by V J Choksi & Co in connection with the statutory audit service provided to DDSACS, the audited body, and was therefore prepared specifically for the purposes of those services and solely for the benefit of DDSACS, the fund-awarding agencies and pass-through entities. V J Choksi & Co neither owes nor accepts any duty of care to any third party and shall not be liable for any loss, damage and/or expense, which is caused by any reliance that any other party may place on this information.

For your convenience, this document has been made available to you in electronic format. Multiple copies and versions of this document may therefore exist in different media - in the case of any discrepancy the final signed hard copy should be regarded as definitive. Earlier versions are drafts for discussion and review purposes only.

Thank you,

Yours truly,



V J CHOKSI & CO

*In the event that, pursuant to a request which you have received under the Right to Information Act 2005 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made there under (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

*DDSACS may wish to publish the financial statements, including our audit report, on their web site. It is the responsibility of DDSACS to ensure that any such publication properly presents the financial information and any auditor's report. DDSACS must advise us of any intended electronic publication before it occurs, and should seek our consent to the electronic presentation of our audit report. We reserve the right to withhold consent to the electronic publication of our report if the audited financial statements or the auditor's report are to be published in an inappropriate manner. We reserve the right to withhold consent to the electronic publication of our report if the audited financial statements or the auditor's report are to be published in an inappropriate manner. DDSACS is also responsible for the controls over, and the security of their website. The examination of the controls over the maintenance and integrity of web site is beyond the scope of our audit of the financial statements.*

**Matters to be communicated to those charged with governance**

**Fraud**

We require management to acknowledge in writing its responsibility for putting in place sufficient internal controls to prevent and detect fraud. We also require management to disclose to us:

- The results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- Their knowledge of fraud or suspected fraud affecting the entity involving management, employees or others; and
- Their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

DDSACS have made this information available to us. Our audit has concluded that the risk of material misstatement arising from fraud is relatively high.

**Reliance on Internal Audit and Other Assurances**

During the audit, we could not liaise either with internal auditors of DDSACS and no audit was performed at NGOs/peripheral units to obtain assurance from the following pieces of work:

- policies and procedures
- key internal controls audit
- procurement of goods and services

**Modifications to the Auditor's Report**

A modified audit opinion has been issued by us.

**Effectiveness of Communications**

SA 260 requires us to review the effectiveness of communications between the auditors and those charged with governance. Throughout our audit, we tried to ensure that communications were effective. Due to ineffective working of Executive Committee, there was no interaction those charged with governance. However, we presented our audit strategy and the findings to the Project Director and the Head of Finance. The audit team also had regular meetings with the finance staff at DDSACS, which ensured that all issues arising were raised at the earliest possibility, resulting in swift resolutions. Overall, communications between us and DDSACS have operated effectively throughout the field work of audit but not with those charged with governance.

**Material Weaknesses in Internal Control**

A material weakness in the accounting and internal control systems is a deficiency in design or operation which could adversely affect the audited entity's ability to record, process, summarize and report financial and other relevant data and which might result in a material misstatement in the financial statements.

As external auditors, we will only formally communicate those audit matters that have come to our attention as a result of the performance of the audit.

During our audit, we reviewed the accounting systems and management controls operated by DDSACS only to the extent we considered necessary for the effective performance of the audit.

As a result, our review may not have detected all weaknesses that exist or all improvements that could be made. Our findings in respect of the management control environment and material weaknesses in the design or operation of the internal control structure are given below.

- a) need to strengthen procedures for effective grant management with a central approach for accounting, management, and training for grant compliance to reduce the risks of mismanagement in grant funding;
- b) formalizing arrangements in respect of grants provided to sub-recipient peripheral units to ensure accountability over sub-recipient peripheral units;
- c) non-compliance with statutory provisions of Income Tax law with respect to registration under section 12A of the Income Tax Act, 1961 and filing of annual income tax returns;
- d) accounting for cost-sharing and cost-allocation to different programmes with a need to formalize the system;
- e) absence of formal cost-sharing arrangement for use of infrastructure;
- f) timely submission of Statements of expenditure/Utilization certificates by sub-recipient NGOs and peripheral units and their timely adjustment in the financial record of DDSACS as grant expenditure;
- g) records for Fixed assets (including but not limited to obsolete/discarded assets) at DDSACS, sub-recipient NGOs and peripheral units;
- h) timely internal audit both at the Society as also at sub-recipient NGOs and peripheral units during FY 2010-11 resulting in inadequate control and weak governance;
- i) vacancies in sanctioned staff positions not filled also resulting in inadequate control and weak governance;
- j) Management has not established a road plan or formal process to change to accrual system of accounting that will facilitate improved financial reporting and increase the financial control; in the current accounting system, there are inherent limitations and constraints on the detailed review of current assets, advances and current liabilities;
- k) Management has to design an internal control system and establish procedures for dealing with discontinuance of grants to and/or termination of tie up arrangements with sub-recipient NGOs and recoveries from sub-recipient NGOs including but not limited to assets and other materials given to sub-recipient NGOs;
- l) robust financial plans linked with operational plans need to be in place, and ensure that such plans are being delivered for ensuring value for money;
- m) suitable insurance coverage to ensure the appropriate levels and types of coverages are in place;
- n) Operational and fiscal evaluations or reviews of sub-recipient NGOs need to be enhanced in assessing NGOs/Peripheral units' internal control and compliance for purposes of achieving effective oversight instead of relying heavily on information obtained through interviews; Operational and fiscal evaluations or reviews presently not carried out should also be carried;
- o) oversight implications of non-compliance with –

- statutory obligations by DDSACS in relation to TDS on payments;
- statutory obligations by sub-recipient NGOs /peripheral units especially in relation to Rent (and property tax thereon), Income Tax (including TDS) and labour laws; and
- guidelines on financial and procurement systems for sub-recipient NGOs/CBOs prescribed by NACO with consequential impact on project implementation by sub-recipient NGOs/peripheral units, as the case may be;

p) monitoring activities and financial utilization for which grants are awarded by DDSACS to sub-recipient NGOs/peripheral units where there is comingling or overlapping of other activities or there is funding received from other donor agencies;

q) assigning roles and responsibilities to staff, imparting training and carrying out effective staff performance appraisals;

r) accounting discrepancies, inappropriate accounting heads used and non-reconciliation of system-generated Financial Management Reports (FMRs) and other data with financial results on timely basis due to, among other things, application software-related problems; and

s) compliance with statutory provisions of Income Tax law with respect filing of annual income tax return and with governing organizational law for charitable/non-profit entities;

**Other Audit Matters of Governance Interest**

SA 260 also requires us to communicate with those charged with governance any other audit matters of governance interest. These matters of governance interest have already been raised in our audit report(s).

A handwritten signature in black ink, appearing to be a stylized name, located in the lower right quadrant of the page.