

File No. G.25012/6/08-NACO
Ministry of Health & Family Welfare
National AIDS Control Organisation

9th Floor, Chandralok Buliding,
36, Janpath, New Delhi-110001
Dated the 1st December 2008

OFFICE MEMOREMDUM

Subject: Statutory Audit Report in respect of State AIDS Control Societies for the year 2007-0

In continuation of Ministry of Health & Family Welfare National AIDS Control Organisation's O.M.of even no. dated 20th November, 2008, forwarding first batch of Statutory Audit Report in respect of the following 23 State AIDS Control Societies, the undersigned is directed to forward herewith Statutory Audit Report in respect of the following 12 State AIDS Control Societies for information and necessary action.

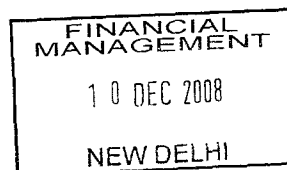
- (i) Assam
- (ii) Punjab
- (iii) Haryana
- (iv) Arunachal Pradesh
- (v) Delhi
- (vi) Andhra Pradesh
- (vii) Daman & Diu
- (viii) Mumbai
- (ix) ✓ Karnataka
- (x) Maharashtra
- (xi) Uttarakhand
- (xii) Uttar Pradesh

2. In so far as NACO is concerned audit observations of Director General of Audit, Central Revenues, along with NACO's reply to these are enclosed.

3. Next batch of Statutory Audit Reports would be sent by the end of next week.

4. It is informed that a consolidation of audit remarks and compliance report is being compiled and would be sent separately.

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IRIS



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DEPARTMENT OF HEALTH AND FAMILY WELFARE

KARNATAKA STATE AIDS PREVENTION SOCIETY

No. 4/13-1, Crescent Road, High Grounds, Bangalore – 560 001

File No. KSAPS/UC/Pool Fund/2007-08

Dated: 20.11.2008

To
The Director (Finance)
National AIDS Control Organisation
Chandralok Building, 9th Floor,
No. 36, Jan Path,
NEW DELHI-110 001.

Sir,

Sub: **Submission of Utilization Certificates & Audited
Statement of Accounts in respect of WBAP (Pool Fund)
for the year 2007-08.**

Please find herewith enclosed booklet containing the following Audited Statements of Accounts pertaining to **WBAP (Pool Fund)** in respect of **KARNATAKA SACS** for the year **2007-08**:-

1. Balance Sheets
2. Income & Expenditure Accounts
3. Receipts & Payment Accounts
4. Utilisation Certificates

This for your kind information & further needful.

Yours faithfully,


Project Director
KSAPS, Bangalore.



Bodari, Madhusudan & Srinivas
CHARTERED ACCOUNTANTS

132, Kantha Court, II Floor, Lalbagh Road, Bangalore - 560 027 Tel: 22277714, 41 41 41 Fax: 22277715
E-mail: bodari@rediffmail.com, bodari@ca.org.in

Audit Report

We have audited the attached Balance Sheet of **Karnataka State AIDS Prevention Society(Regd), Bangalore** as at 31st March 2008 and the Income & Expenditure Account and Receipts & Payment Statement for the year ended on that date. These financial statements are the responsibility of the Society's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in 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 and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. Accounts for the years 2005-06 and 2006-07 are yet to be adopted by the General Body at the Annual General Meeting. Pending adoption, closing balances as per audited balance sheet as at 31.03.2007 is reckoned as opening balance for the year 2007-08.

4. Financial statements of the Society for the year 2007-08 and Balance Sheet as at 31.3.2008 includes State Fund accounts for the period from 1.4.2003 to 31.3.2007 also, as the same was omitted to be included in the statement of accounts up to 31.3.2007.

5. We report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account have been kept by the Society so far as appears from our examination of those books;
- (c) The Income & Expenditure Account, Receipts & Payment Statement and Balance Sheet are in agreement with the books of account;
- (d) In our opinion and to the best of our information and according to the explanations given to us, subject to:
 - (i) *Rs 494.32 lakhs being accounted as Grants in Transit under various Funds based on the sanction orders issued prior to 31.3.2008 vide Accounting Policy No. 2.02 and Note No. 7.01 on the Accounts;*

- (ii) *Unspent grants in the earlier years being wrongly classified as General Fund in the balance sheet as at 31.3.2007 and the same ceasing to exist on account of unspent grants being reflected as current liability vide Accounting Policy No. 2.03 and Note No. 4.01 on the accounts;*
- (iii) *Reduction of Rs 9346475 from the Fixed Assets Fund, being the amount spent towards supply of Blood Bank Equipments to Blood Banks under Pool Fund and wrongly capitalized in the earlier years vide accounting Policy No. 4.06 and Note No. 5.01 & 13.01 on the accounts;*
- (iv) *Non maintenance of Fundwise Fixed Asset Register complete in all respects and non reconciliation of the physical balance with book balance vide Note No. 6.01 & 6.02 on the accounts;*
- (v) *Non charging of depreciation on the assets acquired up to 8.11.1999, from 1.04.2003 and assets acquired from 1.04.2005 under the Project for the Prevention and Control of AIDS – Phase III vide Accounting Policy No. 5.02;*
- (vi) *Interest earned on the amount advanced to District Hospitals for procurement of assets and held in Bank account pending utilization for the purpose for which it was given being recognized while admitting Statement of Expenditure/Utilization Certificate rendered by the recipients of advance vide Note No. 8.02 on the accounts;*
- (vii) *Non availability of Unitwise break up for infrastructure advance of Rs 3636590 under GFATM II and Rs 314267 under GFATM III given to Peripheral Units, in view of transactions with the individual units being routed through a control account, vide Note No. 8.04 on the accounts;*
- (viii) *Number of old advances including opening balances of earlier years continuing unadjusted for want of submission of Statement of Expenditure/Utilization Certificate and agewise classification of such advances under preparation and pending review of the individual advance accounts, Society considering all the outstanding advances good for recovery, vide Note No. 8.05 on the accounts;*
- (ix) *Expenditure incurred by the Peripheral Units being accounted as Programme expenditure on the basis of self certified statement of expenditure submitted by the concerned units with vouchers and other related documents in support of the expenditure being held by the Peripheral Units themselves and the same having not been subjected to internal audit for 2007-08 vide Note No. 9.03 on the accounts;*
- (x) *Change in the policy for accounting of amounts released to the Peripheral Units from treating releases towards recurrent costs as expenditure to treating the same as advance for adjustment on the basis of statement of expenditure vide Note No. 9.01 on the accounts;*
- (xi) *In accounting for expenditure incurred by the Peripheral Units, recognition of an amount equivalent to the difference between the closing balance as per the statement of expenditure submitted up to 31.3.2008 by the Peripheral*



Units and advance against the name of the Peripheral Unit in the Society books, so as to match the closing balance as per Society books with that of the statement of expenditure, resulting in current year programme expenditure being netted off to the extent of unspent amount with the Peripheral Unit as at 1.4.2007, interest and user charges realized by the PUs as reduced by the Bank charges incurred by them vide Note No. 9.02 on the accounts. Amount on this account is not quantifiable but this has no effect on the net amount of grant utilization towards programme expenditure in the year;

- (xii) *Balances under advances, deposits and other liabilities under Current Assets and Current Liabilities being subject to confirmation vide Note No. 12.01 on the Accounts;*
- (xiii) *Accounts received for Rs 13911435 in the year for the advances paid to the Peripheral Units up to 31.3.2007 being reflected as Prior Period Expenses - Rs 2063926 under Targetted Interventions(TI), Rs 4744223 under Priority Interventions(PI) and Rs 7103286 under Institutional Support(IS) – though expenditure was incurred in 2007-08, in view of closure of Phase II National AIDS Control Programme on 31.3.2007, as per NACO guidelines vide Note No. 14.01 on the Accounts*

the said accounts together with the schedules attached thereto and read with significant accounting policies and notes give a true and fair view:

- (i) In the case of Balance Sheet, of the state of affairs of the Society as at 31st March, 2008;
- (ii) In the case of Income and Expenditure account, of the Income and Expenditure for the year ended on that date;
- (iii) In the case of Receipts and Payment Statement, of the Receipts and Payment for the year ended on that date

x

**For Badari, Madhusudhan & Srinivasan
Chartered Accountants**


**(T.V. Sudarshan)
Partner**

**Place : Bangalore
Date : 20.11.2008**



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DEPARTMENT OF HEALTH AND FAMILY WELFARE
KARNATAKA STATE AIDS PREVENTION SOCIETY
No. 4/13-1, Crescent Road, High Grounds, Bangalore – 560 001

File No. **KSAPS/UC/01/2007-08**

Dated : **20.11.2008**

NATIONAL AIDS CONTROL PROJECT – PHASE III
UTILIZATION CERTIFICATE

Certified that out of an amount of Rs 999.93 lakhs (Rupees nine hundred ninety nine lakhs and ninety three thousand) only as Grants-in-Aid received during the year 2007-08 from the National AIDS Control Organization, Ministry of Health & Family Welfare, Govt. of India vide sanction letters mentioned hereunder, Rs 3.89 lakhs(Rupees three lakhs eighty nine thousand) only being the Bank Interest & Other Miscellaneous Receipts and Rs 9.59 lakhs (Rupees nine lakhs fifty nine thousand) only on account of unspent balance brought forward from the previous financial year, a sum of Rs 852.21 lakhs(Rupees eight hundred fifty two lakhs twenty one thousand consisting of Capital Expenditure of Rs 0.85 lakh and Revenue Expenditure of Rs 851.36 lakhs) only has been utilized for the purpose for which it was sanctioned, and the balance of Rs 161.21 lakhs(Rupees four hundred fifty lakhs sixty three thousand) only remaining unutilized at the end of the year, will be utilized during the financial year 2008-09.

Sl. No.	Sanction letter number and date	Amount
1.	No.T.11017/18/2007 NACO(PFMU) Dt.05.06.2007	6,01,15,000
2.	No.T-11017/48/2007-NACO(PFMU) Dt.27-09-2007	3,98,78,000
	Total	9,99,93,000

Certified that we have satisfied ourselves that the conditions in which the grants-in-aid was sanctioned have been duly fulfilled/are being fulfilled and that we 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

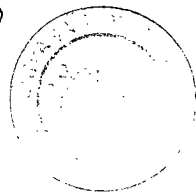
1. Sanction orders
2. Vouchers
3. Bank Statement
4. Audited Financial Statements for 2007-08


Project Director
KSAPS, Bangalore

Countersigned

For **Badari, Madhusudhan & Srinivasan**
Chartered Accountants


(T.V. Sudarshan)
Partner



Karnataka State AIDS Prevention Society
Pool Fund
Balance Sheet as at 31.03.2008

Particulars	Sch No.	As at 31.03.2008 Rs	As at 31.03.2007 Rs
SOURCES OF FUNDS			
Fixed Asset Fund		1,448,930	10,710,812
Total		1,448,930	10,710,812
APPLICATION OF FUNDS			
Fixed Assets	1	1,448,930	10,710,812
CURRENT ASSETS LOANS & ADVANCES			
Current Assets			
Cash on Hand		13,347	10,849
Cash at Bank		181,753	17,640,298
Inter Fund Transfer-UNICEF		2,234,744	
Loans and Advances			
	2	42,632,773	62,871,087
	A	45,062,617	80,522,234
Less :			
CURRENT LIABILITES & PROVISIONS			
Current Liabilities			
Unspent Grants-Pool Fund	3	16,121,405	959,464
Unspent Grants-Others	4	360,051	79,235,085
Other Liabilities	5	3,321,014	327,685
Inter Fund Transfer		25,260,147	-
	B	45,062,617	80,522,234
Net Current Assets(A - B)		-	-
Total		1,448,930	10,710,812

Schedules 1 to 11 and Significant Accounting policies & Notes form part of Accounts

Joint Director(Finance)

Additional Project Director

Project Director

Per our report of even date
for Badari, Madhusudhan & Srinivasan
Chartered Accountants

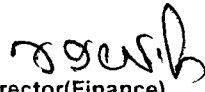
(T.V. Sudarshan)
Partner


Place : Bangalore

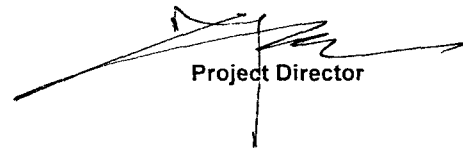
Date : 20.11.08

**Karnataka State AIDS Prevention Society
Pool Fund
Income and Expenditure Account for the year ended on 31st March 2008**

2006- 07 Rs	Expenditure	Sch no.	2007- 08 Rs	2006- 07 Rs	Sch no.	Income	2007- 08 Rs
32,059,124	IEC		7,502,891	352,399	12	Other Income	388,780
2,313,657	Surveillance		3,561,081				
4,480,167	Medicines	7	300,236	149,280,272		Grants Utilised to the Extent of Revenue Expenditure	84,746,466
50,532,379	NGO Services	8	28,818,581				
20,491,765	Kits and Other Lab Supplies	9	7,811,501				
15,996,566	Training and Workshops		10,366				
18,194,032	Salary	10	15,105,678				
1,924,443	Vehicle Maintenance		1,680,272				
3,640,538	Operational Expenses	11	6,377,025				
-	Audit fees		56,180				
-	Prior Period Expenses(TI)		2,063,926				
-	Prior Period Expenses(PI)		4,744,223				
-	Prior Period Expenses(IS)		7,103,286				
149,632,671	Total		85,135,246	149,632,671		Total	85,135,246


Joint Director(Finance)


Additional Project Director


Project Director

Per our report of even date
for Badari, Madhusudhan & Srinivas
Chartered Accountants



(T.V. Sudarshan)
Partner

Place : Bangalore


Date : 20.11.08

**Karnataka State AIDS Prevention Society
Pool Fund
Receipts and Payment Account for the year ended 31st March 2008**


2006- 07 Rs	Receipts	2007- 08 Rs	2006- 07 Rs	Payments	2007- 08 Rs
681	Opening Balance			Opening Balance in Cash at Bank is transferred to Respective Funds	
(3,698,473)	Cash on Hand	10,848		UNICEF	2,580,297
	Cash at Bank	17,640,297	-	Capacity Building Fund	1,419,266
	Grants				
115,760,000	Grants from NACO	99,993,000			
	Settlement of Advances			Capital Expenditure	
211,885	Advance to Others	15,289,039	4,490,781	Furniture & Fixtures	62,655
				Office Equipments	21,938
				Blood Bank Equipments	-
				Loans and Advances	
190,996	Interest from Bank Accounts	296,330	4,467,253	Advance to Staff	4,139,726
36,235	Sale of Bid/ Tender Documents	87,250	53,823,786	Advance to Peripheral Units	6,412,986
123,668	Miscellaneous Receipts	5,200	50,439,870	Advance to NGOs	34,043,782
-	Other Recoveries & Deposits	2,693,986			
1,500	Donations	-			
-	Security Deposit/EMD	83,500	9,678,804	IEC	6,468,133
-	TDS Recovery	50,481	2,033,609	Survivalance	3,298,710
			1,991,326	Medicines	241,960
			1,897,554	NGO Services	-
			9,611,463	Kits and Other Lab Supplies	4,353,235
			25,323	Training and Workshops	352,630
60,661,377	Inter Fund Transfer		12,213,998	Salary	14,859,930
	GFATM II	30,000,000	1,729,316	Maintenance Costs	1,680,272
			2,676,236	Operational Expenses	5,759,556
			557,405	Other Liabilities Paid	-
			-	Security Deposit Paid	373,350
				Inter Fund Transfer	
				GFATM II	79,886,406
				Closing Balance	
			10,848	Cash on Hand	13,347
			17,640,297	Cash at Bank	181,752
173,287,869	Total	166,149,931	173,287,869	Total	166,149,931


Joint Director(Finance)


Additional Project Director


Project Director

Per our report of even date
for Badari, Madhusudhan & Srinivasan
Chartered Accountants


(T.V. Sudarshan)
Partner

Place : Bangalore
Date : 20.11.08

Schedules forming part of Balance Sheet

Schedule-1

Fixed Assets

Particulars	As at 31.03.2007 Rs	Additions	Deletions	As at 31.03.2008 Rs
Blood Bank equipments	9,346,475	-	-	-
Furniture, Fixtures and Supplies	881,649	62,655	-	944,304
Office Equipments	225,803	21,938	-	247,741
Vehicles	256,885	-	-	256,885
Total	10,710,812	84,593	-	1,448,930

Schedule-2

Unspent Grants-Pool Fund

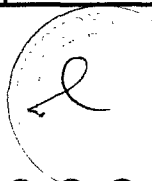
Particulars	As at 31.03.2008 Rs	As at 31.03.2007 Rs
Opening Grant in Aid	959,464	-
Add : Received during the year Grants from NACO	99,993,000	11,670,276
	100,952,464	11,670,276
Less: Utilised during the year		
Grant Utilised to the Extent of Revenue Expenditure	84,746,466	-
Grant Utilised to the Extent of Capital Expenditure	84,593	10,710,812
Total	16,121,405	959,464

Schedule-3

Unspent Grants-others

Particulars	As at 31.03.2007 Rs	Grant Received	Grant Utilised/Refunded	As at 31.03.2008 Rs
Global Fund	256,161	-	-	-
Global Fund (Loan)	74,695,008	109,886,406	184,581,414	-
Human Development Resource Centre	360,051	-	-	360,051
State Fund	-	400,833	-	-
WHO	(75,698)	203,587	127,889	-
Capacity Building for food and Drugs	1,419,266	-	-	-
UNICEF	2,580,297	-	-	-
Total	79,235,085	110,490,826	184,709,303	360,051

[Signature]
Joint Director (Finance)
KSAPS, Bangalore

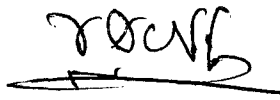


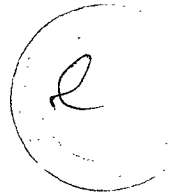
Schedule-4
Loans and Advances

Particulars	As at 31.03.2008 Rs	As at 31.03.2007 Rs
Advance to NGOs	10,330,969	7,357,682
Advance to Staff	2,140,930	1,252,641
Advance to District Authorities	7,288,664	2,151,172
Advance to District Hospitals	3,381,770	5,758,472
Advance to Others	17,830,651	45,065,681
Security Deposit	1,659,789	1,285,439
Total	42,632,773	62,871,087

Schedule-5
Other Liabilities

Particulars	As at 31.03.2008 Rs	As at 31.03.2007 Rs
Other Liabilities	3,077,292	117,295
Security/Earnest Deposit	121,460	37,960
TDS- others	50,481	100,649
TDS- salary	71,781	71,781
Total	3,321,014	327,685


Joint Director (Finance)
KSAPS, Bangalore



Schedules forming part of Income and Expenditure

Schedule-6
Medicines

Particulars	2007- 08 Rs
STI Drugs	112,555
PEP Drugs	187,681
Total	300,236

Schedule-7
NGO Services

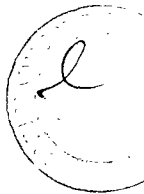
Particulars	2007- 08 Rs
NGO Services	2,221,916
NGO Services for priority Interventions	26,596,665
ICTC Centre Set Up and Maintenance	
Total	28,818,581

Schedule-8
Kits and Other Lab Supplies

Particulars	2007- 08 Rs
Other Lab Supplies	3,680,311
Blood Lab Supplies	4,131,190
Total	7,811,501

Schedule-9
Salary

Particulars	As at 31.03.2008 Rs
Salary	14,278,210
Honorarium	30,000
Leave Salary & Pension Contributions	747,779
Medical Expenses	49,689
Total	15,105,678

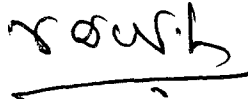


Schedule-10
Operational Expenses

Particulars	As at 31.03.2008 Rs
Travelling Expenses	1,382,766
Rent, Rates & Taxes	2,291,757
Telephone Charges	246,701
Bank Charges	4,891
Miscellaneous Expenses	660,837
Printing & Stationery	387,895
Advertisements	439,720
Water & Electricity Charges	603887
Legal Expenses	22,500
Postage/Courier	203,499
Quality Assessment	16,000
Contingency	116,572
Total	6,377,025

Schedule-11
Other Income

Particulars	As at 31.03.2008 Rs
Sale of Tender Forms	87,250
Other Receipts	5,200
Interest from Bank	296,330
Total	388,780


Joint Director (Finance)
KSAPS, Bangalore



A. Significant Accounting Policies

Accounting Concepts

1.01 Accounts have been prepared on historical cost convention basis and in accordance with the Generally Accepted Accounting Principles.

1.02 As per NACO guidelines, Society is maintaining Books of Accounts under cash system of Accounting.

Accounting for Grants/Program Funds

2.01 Grants/Programme Funds are accounted on the basis of Sanction Orders issued by the various funding agencies.

2.02 As per NACO guidelines, grants sanctioned at the close of the financial year in respect of which funds may be received after the close of the financial year, are accounted as Grants in Transit, on the basis of the sanction order issued by the funding agency.

2.03 Grants/Programme funds are held as current liability for being utilized for the specified activities under the concerned programmes. Unspent Grants are shown as current liability.

2.04 Grants to the extent utilized for procurement of assets for use by the Society are shown as grant utilization by transfer to Fixed Assets Fund.

Recognition of Income and Expenditure

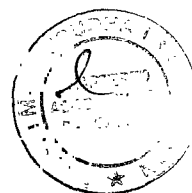
3.01 Society is a non profit making organization established for implementing programmes related to AIDS control and prevention. To the extent of programme related expenditure incurred in the year as reduced by interest on Bank accounts and other miscellaneous income like sale of tender forms etc., grants are recognized as income and transferred to the Income and Expenditure Account.

Fixed Assets

4.01 Fixed Assets are stated at cost less depreciation charged up to 31.03.2003. Cost includes expenses incidental to procurement of the asset and/or bringing the asset into existence.

4.02 As per NACO guidelines, assets procured up to 8.11.1999 for use at the Society under the Project for the Prevention and Control of AIDS – Phase I are treated as Fixed Assets.

Joint Director (Finance)
KSAPS, Bangalore



4.03 Fixed Assets procured between 8.11.1999 and 31.03.2005 for use at the Society under the Project for the Prevention and Control of AIDS – Phase II have been charged off as expenditure to the concerned Programme Grant/Fund as per NACO guidelines.

4.04 As per NACO guidelines, assets procured from 1.04.2005 for use at the Society under the Project for the Prevention and Control of AIDS – Phase III are treated as Fixed Assets.

4.05 Assets acquired under programmes other than above are treated as Fixed assets and carried in the books at WDV.

4.06 Amounts released to the Peripheral Units, NGOs and other Programme Implementing Agencies towards infrastructure costs including procurement of assets are charged off as expenditure to the respective Programme Grant/Fund, as per NACO guidelines, on receipt of utilization certificate/statement of expenditure from the concerned agencies.

Depreciation

5.01 Depreciation on assets purchased up to 8.11.1999 under the Project for the Prevention and Control of AIDS – Phase I, has been charged up to 31.03.2003 at the rates specified under Income Tax Rules, 1962 on WDV basis.

5.02 As per NACO guidelines, depreciation is not being charged on the assets acquired up to 8.11.1999, from 1.04.2003 and assets acquired from 1.04.2005 under the Project for the Prevention and Control of AIDS – Phase III.

5.03 Assets acquired under programmes other than under various phases of the Project for the Prevention and Control of AIDS are depreciated at the rates and the manner provided under Income Tax Rules, 1962.

Inventories

6.01 Drugs, Consumables etc., purchased by the Society under various Programmes are directly supplied to the District Government Hospitals, NGOs and other approved implementing institutions and charged off to the respective Programme Grant/Fund. Society does not hold any inventory of such items.

Joint Director (Finance)
KSAPS, P. ...



Retirement Benefits

7.01 Officers and staff of the Society are either on deputation from the State Government or taken on contract.

7.02 Officers and staff on deputation are entitled to pay, allowances and other benefits as per terms of deputation and the same is charged off as expenditure to the Programme Grant/Fund, on payment.

7.03 Staff on contract are entitled to consolidated salary which is charged off as expenditure to the Programme Grant/Fund, on payment and no other terminal benefits are exigible to them.

B. Notes on accounts

General

1.01 Previous year's figures have been regrouped wherever necessary, to make them comparable with the current year figures and ensure better presentation of accounts.

1.02 Paises have been rounded off to the nearest rupee.

1.03 Fundwise as also consolidated statement of accounts for the Society as a whole comprising of Receipts and Payments Statement, Income and Expenditure Account and Balance Sheet are prepared.

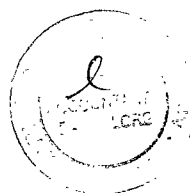
1.04 Transactions and assets & liabilities under UNICEF and Capacity Building Fund, which had been included under Pool Fund in the previous year, are now bifurcated and shown as separate fund account.

1.05 Bank balances under UNICEF and Capacity Building Fund as at 31.03.2007 included under Pool Fund in the 2006-07 accounts, are reflected as opening balance in the Receipts & Payments Statement of the respective funds for 2007-08 by transfer of such balances from the Pool Fund Receipts & Payments Statement.

Adoption of accounts for the earlier years by the General Body

2.01 Accounts for the years 2005-06 and 2006-07 are yet to be adopted by the General Body at the Annual General Meeting. Pending adoption, closing balances as per audited balance sheet as at 31.03.2007 is reckoned as opening balance for the year 2007-08.

Joint Director (Finance)
KSAPS, Bangalore



Non incorporation of State Fund accounts in the Society accounts

3.01 Society has been receiving funds from Government of Karnataka since 2003-04 for implementation of certain programmes/activities which was omitted to be included in the statement of accounts of the Society up to 31.03.2007. Funds received from Government of Karnataka and expenditure out of it up to 31.3.2207 have been brought into account during 2007-08.

3.02 State Fund accounts have been drawn up from inception up to 31.03.2008 and included in the consolidated accounts of the Society for the year 2007-08. In the Receipts and Payments Statement and Income & Expenditure Account of this Fund, receipts(Rs 69078255)/income(Rs 22314253) and payments(Rs 48802415)/expenditure(Rs 22314253) up to 31.03.2007 and for 2007-08 have been reflected separately.

General Fund

4.01 As per Accounting Policy No. 2.03, Programme Funds/Grants are held as current liability for being spent under the concerned Programme and unspent amounts do not represent General Fund of the Society. In the previous years, unspent Programme Funds/Grant was being wrongly reflected under General Fund in the Balance Sheet. Accordingly, all unspent Programme Funds/Grants are shown as current liability and amount reflected under General Fund in the Balance Sheet as at 31.03.2007 is regrouped under current liabilities while incorporating comparative figures as at 31.3.2007. Consequently, General Fund ceases to exist.

Fixed Asset Fund

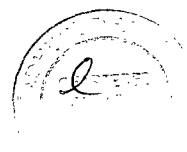
5.01 Rs 9346475 spent towards supply of Blood Bank Equipments to Blood Banks under Pool Fund and wrongly capitalized in the earlier years with equivalent amount shown under the Fixed Assets Fund has been reduced from the Fixed Assets Fund in the current year, as detailed at Note No. 13.01.

Fixed Assets and depreciation

6.01 Fixed Asset Register has been maintained but it is not complete in all respects and itemwise break up is not available for the cost/written down value reflected in the accounts under the head Fixed Assets. Fundwise maintenance of Assets Register and reconciliation with the financial records is not caused.

6.02 Physical verification of assets has been made as at 31.03.2008, but pending reconciliation of the physical balance with book balance, difference between book and physical balance is not ascertainable.

6.03 Depreciation of Rs 95233 has been charged on the assets acquired under State Fund up to 31.03.2008 including arrears of depreciation of Rs 88533 for earlier years, consequent to incorporation of State Fund accounts from inception to 31.3.2008, in the financial statements.



Grants in transit

7.01 As per NACO guidelines and Accounting Policy No 2.02, as at 31.3.2008 following amounts are shown as Grants in Transit, based on the sanction orders issued by the NACO, in respect of which funds have been received during April 2008 to the credit of Society accounts:

Sl. No.	S.O. Ref. & date	Fund under which sanctioned	Amount (Rs in lakhs)
1	M-18017/12/2007-NACO(GFATM) dated 25.3.2008	GFATM II	65.77
2	M-18017/24/2007-NACO(GFATM) dated 25.3.2008	GFATM III	79.60
3	M-18017/60/2005-NACO(GFATM) dated 29.3.2008	GFATM IV	191.25
4	M-18017/38/2007-NACO(GFATM) dated 24.3.2008	GFATM VI	122.67
5	X-19020/71/2006-NACO(IEC) dated 25.3.2008	GFATM II	35.03
	Total		494.32

Advances to various institutions

8.01 Advances to Autonomous Bodies as at 31.03.2008 include advance of Rs 40105879 to Karnataka State Drugs and Logistics Society for procurement of various equipments and drugs.

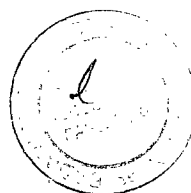
8.02 Advances to District Hospitals and Authorities as at 31.03.2008 includes Rs 42520000 advanced towards provision of vehicles, computers and other infrastructure to the Peripheral Units. These advances held in separate Bank accounts by the recipients and pending utilization by complying with the procurement procedures, have been earning interest which shall be recognized while admitting Statement of Expenditure(SoE)/Utilization Certificate(UC) rendered by the recipients of advance.

8.03 Advances paid to NGOs, District Hospitals, Autonomous bodies etc., have been squared off to the extent of audited/unaudited Statement of Expenditure(SoE)/Utilization Certificate(UC) received from the concerned generally up to end June 2008 and verified for admittance.

8.04 Unit wise break up is not available for infrastructure advance of Rs 3636590 under GFATM II and Rs 314267 under GFATM III given to Peripheral Units, as all the transactions with the individual units are routed through a control account.

8.05 A number of old advances including opening balances of earlier years are continuing unadjusted for want of submission of Statement of Expenditure(SoE)/Utilization Certificate(UC). Agewise classification of such advances are being prepared for review besides initiating necessary follow up action with the recipients of advance for obtaining accounts. Pending completion of this process, Society considers all the outstanding advances good for recovery.

Joint Director (Finance)
KSAPS, Bangalore



Advances to Peripheral Units and accounting for the SoEs received from them

9.01 Up to 31.03.2007, amounts released to PUs for salary and other recurrent costs were being charged off as expenditure to the concerned Programme Grant/Fund while amount released for infrastructure including procurement of assets was treated as advance and pooled in a control account for adjustment on the basis of SoEs to be submitted by them. However, from 1.04.2007 amounts released for salary and other recurrent costs are debited to the advance account of the concerned PU and adjusted on receipt of SoE.

9.02 Due to amounts released prior to 1.04.2007 towards recurrent costs being charged off as expenditure in the Society books, as explained at 9.01 above, but PUs accounting for the expenditure, as and when it is incurred, closing balance shown by the PUs in the SoEs(after accounting for interest earnings on SB account and user charges collected by them) was at variance with the balance shown in the books of Society against the name of the PU. Society has recognized as programme expenditure an amount equivalent to the difference between the closing balance as per SoE submitted up to 31.3.2008 and advance against the name of the PU in its books, so as to match the closing balance with that of the SoE balance, resulting in current year programme expenditure being netted off to the extent of unspent amount with the PU as at 1.4.2007, interest and user charges realized by the PUs as reduced by the Bank charges incurred by them. Amount on this account is not quantifiable but this has no effect on the net amount of grant utilization towards programme expenditure in the year.

9.03 Expenditure incurred by the PUs is brought into the books of the Society as Programme expenditure on the basis of self certified SoE submitted by the PU Incharge. All vouchers and other related documents in support of the expenditure are held by the PUs and are yet to be subjected to internal audit for 2007-08.

Inter Funds Transfer

10.01 Funds transfer between Programmes are treated as Inter Funds Transfer and reflected as Current Assets/Current Liability, as the case may be, in the respective Fund/Programme Balance Sheet and is squared off as contra in the consolidated Balance Sheet of the Society.

10.02 Rs 15000000 was transferred from Pool Fund to GFATM II on 31.03.2007. While the transaction was reflected as Inter Fund transfer in the Pool Fund account on 31.03.2007, contra Inter Fund receipt was not reflected in the GFATM II account on 31.03.2007. Accordingly, this is treated as Inter Fund transfer in GFATM accounts for 2007-08.

Other Liabilities

11.01 Other Liabilities include Rs 256161 under Pool Fund and Rs 290763 under State Fund for which details are being ascertained for necessary adjustment.

Joint Director (Finance)
KCAPS



Confirmation of balances

12.01 Balances under advances, deposits and other liabilities under Current Assets and Current Liabilities are subject to confirmation.

Expenditure on assets of Peripheral Units

(a) Under Pool Fund

13.01 As per NACO guidelines, expenditure incurred on providing assets/infrastructure to the PUs is to be charged off as revenue expenditure under the concerned Programme Fund/Grant, since ownership of these assets do not vest with the Society. However, Rs 9346475 was wrongly capitalized under the head "Blood Bank Equipments" in respect of equipments provided to the Peripheral Units in the earlier years up to 31.03.2007, with equivalent amount having been transferred from unspent grants to Fixed Assets Fund in the respective years. This has been rectified in the current year, by setting off the expenditure on procurement of assets against the Fixed Assets Fund, to be in conformity with the NACO guidelines.

(b) Under Global Fund

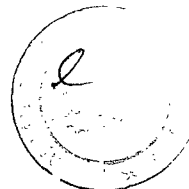
13.02 Rs 8457474 incurred on providing assets/infrastructure to the PUs in the current year, has been treated as revenue expenditure and set off against the Programme Grant/Fund, as per NACO guidelines.

(c) Under State Fund

13.03 Rs 2148547 spent on providing assets/infrastructure to TB, CCC and VCTCs including Rs 807127 for the period up to 31.03.2007, under the State Fund provided by the Government of Karnataka, in the absence of specific guidelines on the treatment of such expenditure in the Society accounts, has been charged off as Programme expenditure, by adopting the same accounting procedure as that of NACO guidelines wherein expenditure on assets provided to PUs are treated as revenue expenditure since ownership of such assets do not vest with the Society.

Prior Period Expenses


14.01 Since NACP Phase II ended on 31.3.2007, accounts received for Rs 13911435 in the current year for the advances paid to the Peripheral Units up to 31.3.2007 are reflected as Prior Period Expenses - Rs 2063926 under Targeted Interventions(TI), Rs 4744223 under Priority Interventions(PI) and Rs 7103286 under Institutional Support(IS) - as per NACO guidelines.




Joint Director (Finance)
KSAPS, Bangalore

Others

15.01 Society is working for the cause of prevention and control of AIDS in the interests of general public and fully funded by the multilateral agencies and State Govt. towards Programme related activities and has no income of its own. Society is taking steps to obtain renewal of exemption as a charitable institution under the relevant provisions of the Income Tax Act, 1961 and is of the view that it is not exigible to Income Tax.


Joint Director (Finance)
KSAPS, Bangalore


Addl. Project Director
KSAPS, Bangalore


Project Director
KSAPS, Bangalore

Place: Bangalore
Date: 20-11-2008

Per our report of even date
For Badari, Madhusudhan & Srinivasan,
Chartered Accountants


(T.V. Sudarshan)
Partner

