**AUDIT REPORT**

The Mission Director  
National Rural Health Mission – Tamilnadu

**Introduction**

We have audited the attached Balance Sheet as at 31.03.2016, Income and Expenditure Account for the year ended 31.03.2016 and Receipt and Payment Account for the period from 01.04.2015 to 31.03.2016 of Revised National Tuberculosis Control Program-II (RNTCP) (Consolidated) implemented through the State Health Society – Tamilnadu financed under **IDA Credit No. 5376 IN**.

The Management is responsible for preparation of these Financial Statements that gives true and fair view of the financial position, financial performance of the Revised National Tuberculosis Control Program-II (RNTCP) of State Health Society, Tamil Nadu in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the standards of auditing 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 mis-statement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
A. QUALIFICATIONS:

1 The Vertical Society has not prepared Cash Flow Statement as per AS-3. As per ICAI, NPO should also prepare a Cash Flow Statement in accordance with Accounting Standard (AS) -3 where the gross receipts of the NPO exceed Rs.50 Crores. (Reference Technical Guide on Accounting and Auditing in Not for Profit Organisations* published by ICAI page no. 152, Para 3.38).

2 The accounting policy A-4 on Depreciation, states that no depreciation is provided on Fixed Assets. The Vertical Society is following the applicable accounting standards issued by the Institute of Chartered Accountants of India as clearly mentioned in Accounting Policy A-1 “Basis for preparation of Financial Statements”. Not charging of depreciation on depreciable Fixed Assets is non-compliance of Accounting Standard (AS) – 6 “Depreciation Accounting”. Effect of the same on the Financial Statements is not ascertainable.

3 The Accounting Standard (AS) -12 “Accounting for Government Grants” prescribes two methods for presentation of grants in the financial statements, meant for acquisition of fixed assets. Under one method, the grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge.

Under the other method, grants related to depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportion in which depreciation on related assets is charged. Grants related to non-depreciable assets are credited to capital reserve under this method, as there is usually no charge to income in respect of such assets.

In case of the Vertical Society, none of the above two methods have been followed for presentation of grants in the financial statements. Fixed Assets are appearing at Original Cost and on the liability side, equal amount is shown under the head “Fixed Assets Reserve Fund A/c” in every Financial Statement. This presentation of Government Grant and Fixed Assets in the Financial Statement is not in-consonance with Para 8.3 and 8.4 of AS-12. Effect of the same on the Financial Statements is not ascertainable. However, the said Standard does not deal with Government participation in the ownership of the enterprise.

B. OBSERVATIONS:

The concurrent audit system needs to be strengthened at District level to commensurate with the size and nature of Vertical Society’s activities.
Audit Opinion:

i. Subject to the Qualifications and observations given hereinabove, in our opinion, proper books of account as required by law have been maintained by the Vertical Society, so far as appears from our examination of those books:

ii. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our examination;

iii. The Balance Sheet, Income & Expenditure Account and Statement of Receipts and Payments dealt with by this report are in agreement with the books of account;

iv. In our opinion and to the best of our information and according to the explanation given to us and subject to our Qualifications in Part-A [1] to [3] mentioned above and Observations in Part-B above, the said consolidated financial statement of Revised National Tuberculosis Control Program-II (RNTCP) of State Health Society, Tamil Nadu, Management Report annexed herein give the information in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) In the case of Balance Sheet of the state of affairs of RNTCP of the Society as at 31st March 2016;

   b) In the case of Income & Expenditure Account, of the excess of income over expenditure for the year ended on that date; and

   c) In the case of Receipts and payment Account, the receipts and payments for the period from 01.04.2015 to 31.03.2016.

In addition, (a) with respect to FMR/SOE, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; (b) which expenditures are eligible for financing under the Loan/Credit Agreement "Certified that Control over payment of contractual staff is adequate and the expenditure is eligible for financing under IDA Credit No. 5376 IN"; and (c) procurement of goods and services has been carried out as per the procurement manual by the Central TB Division, GOI.

Place: Chennai
Date: November 25, 2016

For Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 302137E

CA Dhanraj Baid
Partner
M.No.010517