

कार्यालय प्रधान महालेखाकार (लेखापरीक्षा-II), उत्तरप्रदेश
ऑडिट भवन, टी सी-35-V-1, विभूति खण्ड, गोमती नगर, लखनऊ -226010

सं- प्र०म०ले०(ले०प०-II)/IT CELL/55/TR-

दिनांक: / /2021

कार्यालय ज्ञापन

विषय: Circulation of Standard Operating Procedure (SOP) guidelines for processing of Draft comments / Draft Separate Audit Report on Annual Financial Statements.

तकनीकी सहायता प्रकोष्ठ के पत्र सं०- PAG (Audit-II)/AMG-III/TSC/SOPs/2021-22/TR227 दिनांक 27.08.2021 के क्रम में तकनीकी प्रकोष्ठ* द्वारा तैयार की गयी विषयांकित SOP जो प्रधान महालेखाकार (ले०प०-II), उ०प्र० द्वारा 30.07.2021 को अनुमोदित की गयी, की softcopy आई०टी० प्रकोष्ठ द्वारा email के माध्यम से 163 अधिकारियों/ कर्मचारियों के आधिकारिक email-id पर दिनांक 31.08.2021 को प्रेषित की जा चुकी है। इसके अतिरिक्त उक्त SOP को कार्यालय की आधिकारिक website पर दिनांक 31.08.2021 को host किया जा चुका है जिसे Link (<https://cag.gov.in/uploads/media/Approved-SOP-for-processing-Annual-Financial-Statements-20210831164119.pdf>) से भी download किया जा सकता है। उल्लेखनीय है कि उक्त SOP में निम्नलिखित महत्वपूर्ण खंडों के अंतर्गत मार्गदर्शक बिन्दुओं को समाहित किया गया है:

- 1) Standard Operating Procedure for processing of AFS and maintenance of records.
- 2) SOP for Audit Teams assigned the supplementary audit / audit of AFS of PSU/AB.
- 3) Standard Operating Procedure for AFS of Power Sector PSUs.
- 4) Approach for verification of FDRs.
- 5) Approach for verification of Bank Balances.

उक्त SOP का अनुपालन सम्बन्धित नियंत्रक अधिकारियों द्वारा सुनिश्चित किया जाना अपेक्षित है और की गयी अनुपालनात्मक कार्यवाही की आई०टी०ए० द्वारा भी सम्बन्धित अनुभागों की लेखापरीक्षा के दौरान समीक्षा की जाएगी।
यह कार्यालय ज्ञापन, प्रधान महालेखाकार के अनुमोदन के पश्चात निर्गत किया गया है।

—हस्ता—

वरिष्ठ लेखापरीक्षा अधिकारी (आई०टी० प्रकोष्ठ)

सं- प्र०म०ले०(ले०प०-II)/IT CELL/55/TR- 49

दिनांक: 01/09/2021

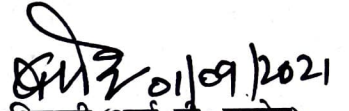
प्रतिलिप निम्नलिखित को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित।

- 1) वरिष्ठ उप महालेखाकार / Admin & AMG-IV
- 2) उप महालेखाकार / AMG-II & III
- 3) वरिष्ठ लेखापरीक्षा अधिकारी /Accounts, AMG-II,III,IV

*श्री आर० के० वर्मा, वरिष्ठ लेखापरीक्षाधिकारी, कार्यालय प्रधान महालेखाकार(ले०प०-II), उ०प्र०, लखनऊ
*श्री शैलेश शुक्ला, वरिष्ठ लेखापरीक्षाधिकारी, कार्यालय प्रधान महालेखाकार(ले०प०-II), उ०प्र०, लखनऊ
*श्री विकास भाटे, वरिष्ठ लेखापरीक्षाधिकारी, कार्यालय प्रधान महालेखाकार(ले०प०-I), उ०प्र०, प्रयागराज

Cont'd...

- 4) आई०टी०ए० अनुभाग, लखनऊ
- 5) वरिष्ठ लेखापरीक्षा अधिकारी/ RAP, पंचम तल, ऑडिट भवन लखनऊ, कार्यालय प्रधान महालेखाकार (ले०प०-I), उ०प्र०, प्रयागराज, इस सूचना को आगे प्रसारित करने के अनुरोध के साथ।
- 6) वरिष्ठ लेखापरीक्षा अधिकारी/Admin, लखनऊ
- 7) वरिष्ठ लेखापरीक्षा अधिकारी /प्रोग्राम/कंट्रोल, AMG-II,III एवं IV को इस अनुरोध के साथ कि इस ज्ञापन को फील्ड में कार्यरत अधिकारियों / कर्मचारियों को संचारित करने का कष्ट करें।
- 8) वरिष्ठ लेखापरीक्षा अधिकारी/ तकनीकी सहायता प्रकोष्ठ
- 9) वरिष्ठ लेखा परीक्षा अधिकारी / समन्वय, AMG-IV, लखनऊ
- 10) नोटिस बोर्ड


वरिष्ठ लेखापरीक्षा अधिकारी (आई०टी० प्रकोष्ठ)

Standard Operating Procedure (SOP) for processing Annual Financial Statements

(This SOP is based on current prevailing practices which aims to improve/streamline in processing of draft comments/draft SARs on the Annual Financial Statements (AFS) at headquarters of O/o PAG (Audit-II) U. P., Lucknow. This SOP conforms with provisions of respective Acts, Rules, orders/guidelines of Ministry of Corporate Affairs, GoI & guidance notes/opinion/Ind AS etc. issued by ICAI and orders issued by C&AG's office but does not supersede them. The SOP is subject to amendment/modification/alteration as and when circumstances require.



**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II)
UTTAR PRADESH, LUCKNOW**

2020

Prepared By:

R . K. Verma, SAO

Shailesh Shukla, SAO

Vikas Bhate, SAO

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Standard Operating Procedure for processing of AFS and maintenance of records

One of the most important function assigned to this office is the preparation and issue comments the Comptroller and Auditor General of India (CAG) on the Annual Financial Statements (AFS) of Government Companies and Separate Audit Report on AFS of Statutory Corporations/Autonomous Bodies (ABs) under Companies Act, 2013 (erstwhile Companies Act, 1956) and respective governing Acts of Statutory Corporations/ ABs respectively. The Audit Mandate given to the CAG for audit of AFS of Government Companies, Statutory Corporations and ABs under respective Acts is given below:

- (I) **Government Companies:** The CAG of India conducts Supplementary Audit of AFS of Government Companies under Section 143(6)(a) of the Companies Act, 2013.
- (II) **Statutory Corporations/ABs:** The CAG conducts audit of AFS of the Statutory Corporations/ABs as per provisions of their governing Acts detailed below:
 - (i) **Uttar Pradesh Avas Evam Vikas Parishad (Parishad):** The CAG of India conducts audit of AFS of the Parishad under Section 63(3) of the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam 1965 read with Section 19(3) of the CAG'S (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of the Parishad and issues Separate Audit Report (SAR).
 - (ii) **Uttar Pradesh Jal Nigam (Jal Nigam):** The CAG of India conducts audit of AFS of the Jal Nigam under Section 50(3) of the Uttar Pradesh Water Supply and Sewerage Act, 1975 read with Section 20(1) of the CAG'S (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of the Jal Nigam and issues SAR.
 - (iii) **Uttar Pradesh State Road Transport Corporation (UPSRTC):** The CAG of India conducts audit of AFS of the UPSRTC under Section 50(3) of the Road Transport Corporation Act, 1950. The CAG acts as a sole auditor of the UPSRTC and issues SAR.
 - (iv) **Uttar Pradesh Financial Corporation (UPFC):** The statutory audit of AFS of the UPFC is done by the Auditors appointed by the shareholders out of the panel of Auditors approved by the Reserve Bank of India under Section 37(1) of the State Financial Corporation Act, 1951 (SFC Act). The CAG of India conducts a supplementary audit of AFS of the UPFC under Section 37(6) of the SFC Act.
 - (v) **Uttar Pradesh State Warehousing Corporation (UPSWC):** The statutory audit of AFS of the UPSWC is done by the Auditors appointed by the Government on the advice of the CAG of India under Section 31(3) of the Warehousing

Corporation Act, 1962. The CAG of India conducts a supplementary audit of AFS of the UPFC under Section 37(6) of the State Financial Corporation Act, 1951.

- (vi) **Uttar Pradesh Forest Corporation:** The CAG of India conducts audit of AFS of the Uttar Pradesh Forest Corporation (Corporation) under Section 23(3) of the U. P. Forest Corporation Act, 1974 as amended in 2008 and Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of the Corporation and issues SAR.
- (vii) **Uttar Pradesh Electricity Regulatory Commission (UPERC):** The CAG of India conducts audit of AFS of the UPERC under Section 104(2) of the Electricity Act, 2003 and Section 43(2) of the Uttar Pradesh Electricity Reforms Act, 1999 and Section 14(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of the UPERC and issues SAR.
- (viii) **Uttar Pradesh Expressway Industrial Development Authority (UPEIDA):** The CAG of India conducts audit of AFS of the UPEIDA under Section 22(2) of the Uttar Pradesh Industrial Area Development Act, 1976 and Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of UPEIDA and issues SAR.
- (ix) **Uttar Pradesh Real Estate Regulatory Authority (UPRERA):** The CAG of India conducts audit of AFS of the UPRERA under Section 77(2) of the Real Estate (Regulation and Development) Act, 2016 and Section 19(2) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The CAG acts as a sole auditor of the UPRERA and issues SAR.

A. Timeline:

Section 143 (6) (a) (b) of the Companies Act, 2013 provide sixty days for issue of CAG's comments on AFS of PSU (Government Company) from the date of receipt of audit report on AFS of PSU (Government Company). For SAR of ABs, if otherwise not provided in their respective Act, the time taken for issue of SAR will be 4.5 months from the date of receipt of AFS as per provisions of para 10.08 of Manual of ABs. To ensure timelines, PAG approved the following timeline for issue of CAG's comments to PSUs **and in the same way, timeline for issue of SAR for ABs is also proposed for approval by PAG/AG** in the table below:

Sl. No.	Activities	Days for AFS of PSU	Days/Months for AFS of ABs
1	After receipt of AFS, completion of supplementary audit/audit of AFS of PSU/AB by Audit Team and Issue of draft comments (with approval of GO) to Management and/or	20	Two months

	Statutory Auditor of PSU/AB		
2	Receipt of replies and their vetting, convening of meeting with management (if required), preparation of Aide memoire, forwarding of draft comments/draft SAR to the Headquarters with or without incorporating replies of the Management/Auditors for approval.	25	21 days
3	Sending approved Comments/SAR to field office by Headquarters' office	12	One month
4.	Issue of final comments/SAR to the Management/Government	3 days	10 days
5.	Issue of Hindi version of final SAR	NA	15 days
	TOTAL	60 days	4.5 months

Note: It includes three days for receipt of replies to draft comments from the Management and Statutory Auditors, as also stipulated in Para 65 of Regulations on Audit and Accounts (Amendments) 2020 provides three days from the date of issue of Draft comments for replies by management/statutory auditors.

B. Basis for selection of Accounts, periodicity of audit (Annual, Triennial and Once in five years), Procedure to be followed for issuing Non Review Certificate, audit of 1st account of company/AB is as per extant HQ circular no, 1128-34/CR/MISC/13-14 dated 24 July 2014 (copy enclosed). The periodicity of selection of accounts of PSUs/ABs for supplementary audit is detailed below:

Sl. No.	Periodicity of selection	Criteria
1.	Annual	Paid up Capital above Rs 50 crores or Capital employed above Rs 200 crore or Turnover above Rs 500 crore whichever is applicable
2.	Triennial	Paid up Capital Rs 20 to 50 crores or Capital employed Rs 100 to 200 crore or Turnover Rs 200 to 500 crore whichever is applicable
3.	Once in five years	Others not covered in Sl no. 1 and 2 above.

C. Accounts Section

There is generally a separate accounts section in the coordination/functional wing consisting of Assistant Audit Officers (AAOs) along with other supporting staffs and supervised by Senior Audit Officer (SAO) of the Commercial cadre. This section does vetting of Accounts comments/SAR received from field parties. SAO (Accounts) puts up the file to the concerned Group Officer with his comments in the form of Aide memoire which are then put up to PAG/AG for final approval before sending of Draft comments/SAR to HQ.

MIS for Accounts- Progress Register and Compendium for Accounts

The AAO of Accounts Section shall maintain Progress Register of Accounts which will show PSU/AB wise details of date of receipt of AFS, Name of the Statutory Auditors, date of start and completion of audit of AFS, date of issue of draft comment/draft SAR to the Management and/or Statutory auditors, date of submission of account audit file along with all KDs duly cross referenced by the Audit Team in the accounts section, date of receipt of replies from management and/or statutory auditor, status of processing of draft comments/ draft SAR on AFS by this office, date of sending of draft comments/draft SAR to Headquarters' office for approval, status/date of receipt of approved comment/SAR from Headquarters' and date of issue of CAG's comment/SAR to Management etc. B

The Progress Register is maintained by the Auditor/Sr. Auditor and it is submitted by the AAO to SAO and Group Officer on monthly basis and quarterly to the PAG. Besides, the Auditor/Sr. Auditor also maintains file relating to appointment of statutory auditors.

The comments issued may be sent to the IT wing for updation of Compendium of accounts on monthly basis.

D. Role and responsibilities of Accounts Processing Section (APS):

The roles and responsibilities of APS can be categorized under following heads:

(i) Preliminary checks and compliance on receipt of terms and conditions for appointment of Auditor:

The compliance of the terms and conditions of appointment letter of auditor(s) may be ensured in the following manner:

- 1. Section 139 sub-section 5 of the Companies Act, 2013 stipulates**
"Notwithstanding anything contained in sub-section (1), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor

duly qualified to be appointed as an auditor of companies under this Act, within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the conclusion of the annual general meeting."

Under the aforesaid section, the CAG of India appoints auditors (Statutory and Branch auditor). The letter of appointment contains terms and condition for company as well as for auditor(s). Auditor(s) has to convey the acceptance of the terms and conditions of appointment letter in writing to PAG/AG within 3 weeks of receipt of this appointment letter to company, CAG office and PAG/AG.

On receipt of the appointment letter of the statutory auditors of the Company/Corporation, from the CAG office, the directions and sub-directions as per HQs Circular is put up by the AAO to SAO and after approval of the same by the group officers, it is issued by the Accounts section to the statutory auditors for compliance.

The records/file relating to appointment of auditors are maintained by the Auditor/Sr. Auditor and it is put up to AAOs for issue of directions/sub-directions to the Statutory Auditors.

2. **Para 2 of the condition for Company** provides "the Company, as provided in Section 134 of the Companies Act, 2013, should submit to the auditors the Financial Statements/Consolidated Financial Statements duly approved by the Board of Directors for their report thereon".
3. **Para 3 of conditions for the Company** provides that "According to Section 143 (1) of the Act, the books of accounts and vouchers may be made available to the Auditors. A suitable program of audit in consultation with the statutory auditors and the concerned MAB/AG be drawn up so as to complete the audit within the prescribed time schedule. Details of transactions or explanation called for by the Statutory Auditors must be furnished expeditiously.

Para 4 of the conditions for Auditor provides "the auditor may start the audit of the Company immediately on receipt of the accounts of the Company."

Para 5 of conditions for Auditors provides that "The time schedule for conducting the audit may be drawn up with scheduling of audit i.e. indicating the period of audit of different departments/ units of the PSU and also the name of personnel & their qualification who will be deployed for audit of each unit. A copy of the time schedule so fixed may be sent to the concerned DG/PAG/AG/MAB so that they may also draw their time schedule for supplementary audit."

Para 9 of conditions for Auditor provides "Statutory auditors of the companies who have adopted SAP should deploy at least one partner/employee having ISA/CISA qualification to conduct the audit."

In view of aforesaid conditions of letter of appointment, the Company in consultation with auditor and PAG/AG draw a time schedule for conduct of audit in such a manner that audit may be completed in the prescribe time schedule. The Company may be asked to provide copy of time schedule so agreed upon. The auditor may also be asked to submit time schedule drawn for conduct of each unit of the Company as required in aforesaid Para 5 and manpower as required in Para 5 and 9 of the conditions for Auditor.

Para 6 of the conditions for Auditor provides "auditor (the Firm/LLP) must complete the audit of the units/branches allotted to them within the time schedule stipulated by the management so that the statutory time schedule for placing the accounts in the AGM could be adhered to."

Para 8 of the condition for the Company provides "the Company may intimate to CAG's office the date of commencement of audit."

Accounts section may ask the Company to intimate the date of handing over of the approved accounts to the Statutory/Branch auditors and copy of time schedule prepared with the Auditors for conduct of audit. The date of commencement of audit by the Statutory/Branch auditors may also be called for from the Company. In case of dispute in completion of audit and finalisation of Report by the Auditors or furnishing of records/information by the Company, a joint meeting with the Auditors and the Management, if required, may also be arranged by the office to resolve the disputes for timely finalisation of Auditors Reports by the Statutory/Branch auditors.

In addition to above, Accounts section may issue sector specific sub directions to the Statutory & Branch Auditors for compliance with the approval of the PAG/AG.

(ii) Receipt of Branch Auditor's Report

The following should be ensured:

1. Section 143 sub-section 5 of Companies Act, 2013 stipulates that "In the case of a Government company, the Comptroller and Auditor-General of India shall appoint the auditor under sub-section (5) or sub-section (7) of section 139 and direct such auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other

things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.”

2. As Branch Auditor is appointed by the Comptroller and Auditor-General of India under section 139 of the Companies Act, 2013 therefore, Branch Auditor may be directed to submit audit report along with certified trial balance of branch or any other document certified by them. Branch Auditor should also be directed to submit the Audit Report along with certified Trial Balance etc., as and when, the same is submitted to Statutory Auditor of the Company.

Accounts section may review the same and any important issue noticed may be put on record for inclusion in the directions being issued to the audit team before start of supplementary audit. Audit team may also review these Branch Auditors Report along with certified Trail Balance.

(iii) Preliminary checks and compliance on receipt of AFS from PSUs/ABs

After receiving annual accounts, steps to be taken by the AAOs of Accounts Section:

1. Ensure that the two ink signed Annual Financial Statements along with Statutory Auditor's Report, certified copy of minutes of Audit Committee's (AC) meeting, certified copy of minutes of Board of Director's meeting (BOD)/appropriate authority in which AFS was approved and certified copy of minutes of Annual General Meeting in which last year AFS was adopted are submitted by the Management. It is ensured by the AAO.
2. Ensure that AFS are complete and required documents are attached therewith otherwise Management may be asked to remove the shortcomings immediately and in case of non-compliance by the Management, the AFS may be returned to the Management with the approval of PAG/AG under intimation to HQ. It is ensured by the AAO.
3. After ensuring above, the AAO (Accounts) shall open a separate file for the accounts and immediately submit a note with proper justification in the light of the headquarters circulars/guidelines and governing Act/Rule of the PSU for selection of AFS for audit or non-review certificate (NRC) to SAO (Accounts)/GO. Simultaneously, one inked signed copy of AFS is sent to Headquarters' office with the approval of PAG/AG.
4. GO based on input provided by SAO (Programme) and SAO (Accounts) may assign the audit of AFS to audit party on top priority (even by diverting the audit team from compliance audit) to adhere time frame provided.

5. AAO(Accounts)/SAO (Accounts) prima-facie review the AFS along with the other documents and the issues/deficiencies, if any, noticed during review of AFS, may be appropriately included in the directions to be issued to the audit team assigned the audit of AFS for compliance.
6. The AAO (Accounts) shall prepare directions for the party conducting audit of AFS. The directions to the party must include all the similar directions issued in previous accounts audit, all directions of Headquarters 'office, directions of Principal Accountant General/Accountant General, Group Officer and any other specific issue raised by any other Section (Program Section, AIR Section etc.). The directions to party must be clear in all respect and will be given to party after its approval from competent authority i.e.Group Officer.
7. The AAO (Accounts), while issuing directions to audit party, should ensure to direct them to develop the comments of the similar nature already sent as draft comment to Headquarters' office or issued as CAG's comments. Comments issued through Management letter should also be reviewed for compliance.
8. As soon as audit team is decided, the intimation of the same may be conveyed to Management immediately with request to furnish all the requisite information and records on priority basis and in time bound manner. It should also be mentioned to Management that replies to Audit Memo should invariably be given by the next day, so that draft comments may be issued in time.
9. The AAO (Accounts) will handover complete set of documents (including AFS) to audit team along with the other required documents viz. intimation, direction, check list and copy of comments/SAR issued on the accounts for the previous year etc. and will obtain acknowledgement on note side of the file.
10. Accounts section will send monthly a copy of final comments/SARs to IT Cell in soft version for updation of compendium of comments/SARs on the accounts of PSUs/ABs and also maintain folder at sectional level to facilitate the audit team.
11. In case of new Company/AB, it should be ensured by the AAO (Accounts)that the AFS submitted to this office is auditable under the relevant Act/Rules.

(iv) Scrutiny and process on receipt of Accounts file after completion of supplementary audit/audit of PSUs/ABs and issue of draft comments/draft SAR to Management by Audit team

After completion of supplementary audit/sole audit and issue of draft comments/draft SAR (with the approval of GO) to the Statutory Auditors/Management by the audit team, it is the collective responsibility of audit team to submit the file along with draft comments/draft SAR (duly referred with Key Documents) to SAO(Accounts) on the same day for further processing by the Account section. The draft comments/draft SAR should also be provided to AAO(Accounts) as well as SAO (Accounts) in soft version. After obtaining file from the audit team, the AAOs of Accounts Section should ensure following:

1. The file submitted by the audit team is complete in all respects.
2. Draft comments/draft SAR issued is strictly in the format prescribed by Headquarters' office.
3. Draft comments/draft SAR is duly referred with Key Documents (KDs) and calculation sheet, if any.
4. KDs are duly page numbered and facts and figures used in draft comments/draft SAR should be highlighted with highlighter to facilitate smooth verification of facts and figures.
5. Audit team should quickly respond to the queries of the Accounts section.
6. Verification by AAO and cross checking by SAO of the CAG's comments w.r.t. relevant criteria and KDs.
7. Scrutiny of the proposed draft comments with the criteria applied therein and KDs.
8. AAO/SAO should ensure that contradictory comments are not proposed/obviated.
9. It should be ensured that uniformity and consistency is maintained across PSUs/Sector specific PSUs.
10. AAO/SAO shall ensure that correct format of certificate has been issued for comments/Nil comment/Non Review Certificate etc. in case of PSUs/ABs.

Formats for issuing comments as above are enclosed as Annexure---

11. Accounts section should prioritize the finalization of draft comments/draft SAR.
12. After vetting draft comment/draft SAR and replies of the Management/Statutory Auditors, AAO will prepare aide-memoire and submit the file to SAO (Accounts) for obtaining approval of GO/PAG.
13. After approval of the aide-memoire/draft comments by the PAG/AG, if the Accounts Section find that the aggregate value of statutory auditor's quantification and value of draft comments (after vetting of reply of Management and Statutory Auditor) is equal or exceeds 20 percent of net profit/loss in case of comments on profitability and/or 10 percent of the total assets/liability, the statutory auditor's opinion, if expressed as 'true and fair' should be reviewed and revised draft comments impairing "true and fair

view" should be issued to the Management as well as Statutory Auditor giving three days' time for their reply and again aide-memoire will be prepared and got approved from the PAG/AG.

14. After approval of PAG/AG on draft comments/draft SAR and aide-memoire, the same (along with other required documents) will be sent to headquarters for approval.
15. If headquarters' office approves the comment of "AFS do not give true and fair view", the special memo to statutory auditors should be issued giving seven days time to explain as to why his performance should not be assessed as unsatisfactory. Before taking any decision on performance of statutory auditor an opportunity to hear his point of view may also be given. After receipt of reply of the Auditors or expiry of seven days whichever is earlier, the annotation and speaking order should be prepared and got it approved from the PAG/AG and the same should be sent to headquarters' office along with proforma for performance of auditors.
16. The comments may be proposed through the Management Letter (ML) and approved by the PAG/AG but ML will be issued to Management at the time of issue of final comments (approved by the CAG).
17. The facts and figures of comments/SAR approved by the headquarters' office may be again rechecked by the AAO before issue to the Management/Government but no change therein should be made without approval of the headquarters.
18. As per HQ instruction dated 24 July 2014, if AFS of a Company is more than five years old, the comments may be approved by the PAG/AG and approval of headquarters is not required in such case. However, copy of final comments (approved by the PAG/AG) issued to the Management will be send to headquarters. The para no 4 of the above circular provides that the Statutory Corporations may be audited annually as we are the sole auditors and draft SARs sent to Headquarters for approval even in case of NIL comments.
19. In case of Autonomous Bodies whose accounts are in arrears for three years, SAR may be finalized by the PAG/AG and approval of headquarters is not required in such cases.
20. At the time of issue of final comments/SAR to the Management/Government, copy of the final comments/SAR, ML, if any, Auditors' performance report and other required information/desired details will be sent by the Accounts section to headquarters.

SOP for Field Audit Teams for the supplementary audit/audit of AFS of PSUs/ABs

1. The audit team, to whom the supplementary audit/audit of Annual Financial Statements (AFS) of PSU/AB is assigned, should collect the accounts audit file from accounts section and ensure that file contains AFS, Statutory Auditors Report, Branch Auditors Report (if any and if available), Directions to the party etc. and copy of intimation issued to the Company/AB.
2. Before proceeding for Audit, Audit Team will prepare a **Desk Review** and submit the same to the Group Officer. While preparing the Desk Review, Audit Team will review the documents submitted by the Company with AFS and if possible ensure whether the AFS is prima-facie auditable and it is arithmetically correct. Audit team will also review file of previous year supplementary audit/audit of AFS and take a copy of comments/SAR and Management Letter for verification of the action taken by the Management during the audit and ascertainment of current status of the case and collection of the required KDs.
3. The Audit team will have a look at the queries raised by concerned wing, PAG/AG, headquarters to avoid repetition of such queries. The compendium of CAG's comments/SAR on AFS of Company/AB maintained by the IT Cell may be reviewed to acquaint with the issues raised on the accounts of the PSUs. Statutory Auditor's Report, Significant Accounting Policies and Notes to accounts etc. annexed with the AFS should also be reviewed.
4. While conducting supplementary audit of Government Companies or other Companies, the Audit Team should keep in mind the provisions of Companies Act, 2013, Rules made thereunder, Accounting Standard (AS)/Indian Accounting Standard (Ind AS), Auditing Standard, guidance notes etc. issued by Central Government/CAG of India/Institute of Chartered Accountant of India. Besides, instructions/guidelines relating to AFS of PSUs issued by the office from time to time should also be taken care of.
5. The Audit Team should ensure compliance of the relevant provisions of CAG's Manual, Orders and Circulars relating to audit of Statutory Corporations, Autonomous Bodies while conducting audit of their AFS and finalising draft Separate Audit Reports (SARs).

6. The audit team will issue audit memo to the Management for obtaining information, KDs and confirmation of facts and figures. The time mentioned for furnishing of reply in audit memo should be generally one day and in no case be more than three days in view of the time frame provided in the Companies Act, 2013.
7. The Audit Team should issue all audit memos before the last date of completion of audit.
8. Before leaving the auditee unit, the Audit Team should collect all the essential KDs in support of facts and figures/calculations of proposed draft comments apart from information in prescribed Proforma from the Management as per directions given to the audit team.
9. Even at the stage of issue of audit memo, Audit Team should ensure that the comments on any head of Profit and Loss Account as well as of Balance-sheet should be raised on the primary head with impact on secondary head as well as impact on profit or loss, as the case may be. All the comments should, therefore, be drafted so as to indicate the impact on all the affected heads of accounts. The draft comments/SAR on the accounts should be proposed in the form and manner as prescribed by the CAG office.
10. The Audit Team conducting audit of Annual Financial Statement should analyze the comments 360° with reference to financial reporting framework.
11. Audit Team should ensure that whether directions issued to the statutory auditors under Section 143 (5) of the Companies Act 2013 have been complied with and it forms part of the Independent Auditor's Report.
12. Audit Team should obtain Branch Auditors' Report along with certified Accounts of Branch, if not submitted to this office. The significant points of Branch Auditors' Report, if any, not covered by the main Auditors in their report, the same should be commented upon.
13. While proposing the accounts comments, the comments on the accounts of other similar companies may also be considered by the audit team.
14. The FAT should verify the CAG's repeated comments afresh with the criteria and KDs. The status based on above should be communicated through file- whether

incorporated as draft comment, not incorporated, and justification in support of the decision with complete documentation.

15. FAT should ensure that uniformity and consistency is maintained in the like issues and no contradictory comments are proposed.
16. FAT should ensure that complete KDs are available in the Accounts file in r/o CAG's repeated comments.
17. After completion of Audit, Audit Team may conduct a meeting with Statutory Auditors' for discussion of draft comments being proposed and document its minutes in the Accounts file.
18. While conducting the audit, Audit Team should comply with all the directions given by the office. Compliance report of the directions to Audit Team will be submitted by the Audit Team along with accounts audit file.
19. On the next working day following the date of conclusion of Audit, Audit Team will submit draft comments to the GO for approval and GO may approve the Draft Comments latest by next working day. The Inspecting Officer/ Head of the Audit Party will issue the draft comments to the Management / Statutory Auditors after approval of the GO. The Management/Statutory Auditors should be specifically asked to furnish reply of the draft comments within three days. The draft comment should be precise and contain the criteria, facts and conclusion indicating impact on the profitability and Balance sheet.
20. Before submitting the accounts audit file to accounts section, Audit Team should ensure that file should be page numbered, draft comments are cross referenced with Audit Memo and KDs and calculation sheet, if any, is also cross referenced.
21. Some other important issues on which comment may be developed are discussed below:
 - (i) Interest earned by the PSUs on the Government funds are accounted for as their own income whereas as per Government orders issued from time to time, it should be shown as liability to the Government or credited to the concerned Work/Project. However, in case of receipt of fund against the Share Capital, the interest earned on such fund till the date of allotment of shares should only be credited/shown as liability to Government. Thereafter any interest or income

earned on such fund will be of the PSUs. Deviation from the above treatment in the accounts by the PSU may be proposed as a comment.

- (ii) The accounting policy adopted by the PSUs for providing depreciation on the fixed assets and rate of depreciation charged may be reviewed in the light of provisions of Companies Act or governing Act of the PSU and actual depreciation provided for in the Profit and Loss account may be examined and suitably commented upon, if required.
- (iii) The detailed list of the works/projects shown under Capital Work in Progress or Progress Report of works/projects may be obtained and reviewed to pin point the works/projects completed and put to use but not capitalised for one or the other reason. Such cases may be commented upon highlighting their impact on Fixed Assets, Depreciation and Profit or Loss.
- (iv) Comment on liabilities/disclosure for non-deduction of TDS on account of Labour Cess, GST and Income Tax etc. and interest/penalty imposable under the provisions of respective Act/Rules may be developed and suitably commented upon.

The illustrative comments on the above matters as issued on the accounts of the PSUs are given below:

Sl. No	Audit Criteria/Affected head of accounts	Comment/Audit Findings	Suggestions for further improvement/ action to be taken by the FAT	Name of the PSUs/Year of Accounts
1.	U P Government Order dated 29.05.2015	The interest earned by the Company during the year on Government Grants which were invested in Savings bank accounts and in Fixed deposit accounts by the Company has been treated as the Company's income in violation of the State Government's direction for crediting interest earned on grants to the respective grants. This has resulted in understatement of Other Long Term Liabilities and Loss by 12.43 crore each.	No	UP Schedule Caste Finance & Development Corporation (2014-15) U.P. electronics Corporation (2016-17)
2.	Appointment Letter issued by the CAG to the	The appointment letter of statutory auditors stipulates a condition that "in case audited accounts of the previous years has been considered	No	Allahabad City Transport Services (2013-14)

	Statutory Auditors	but finally not adopted by the shareholders, the auditor can certify the accounts of the succeeding year indicating the fact of the non-adoption of the previous year's accounts in their report." The accounts for the year 2012-13 as well as report of supplementary audit were not adopted by the shareholders i.e. Annual General Meeting, however, statutory auditor failed to report the same in his report.		
3.	Companies Act, 2013	As per Section 143 (5) of the Companies Act 2013, the directions/sub directions issued by the C&AG of India shall form part of the Statutory Auditor's report. It was noticed that the Auditor's report does not contain the compliance report on directions/sub directions issued by the C&AG of India	No	Lucknow Metro Rail Corporation (2015-16), U.P. Development Systems Corporation (2016-17), Shretron India Limited (2016-17), Noida Metro Rail Corporation (2015-16)
4.	Companies Act, 2013	Section 173 of the Companies Act, 2013, stipulates that every company shall hold a minimum number of four meetings of its Board of Directors every year. The Company however, held only three Board meetings during the year in contravention of the above provisions of the Companies Act, 2013.	No	Uttar Pradesh Development Systems Corporation (2016-17), U.P. State Bridge Corporation (2015-16)
5.	Accounting Standard-2	Accounting Standard-2 "Valuation of Inventories" issued by the Institute of Chartered Accountants of India provides that inventories should be valued at the lower of cost or net realizable value. The Significant Accounting Policies (e) of the Company provides that the raw material and component and spares are valued at cost (weighted average). Thus, the accounting policy of the Company in respect of valuation of inventories is in violation of Accounting Standard - 2.	No	Shretron India Limited (2014-15)

6.	Accounting Standard-29	A reference is invited to Significant Accounting Policy no.7 (III) wherein it has been stated that <i>balance</i> of salary of the suspended employees is accounted for, if reinstated, in the year of decision. The Accounting policy is in contravention of AS-29 which stipulates that all contingent losses/liabilities should be suitably disclosed in the Balance Sheet by way of Notes to Account. Despite similar comment issued on the accounts for the year 2012-13, no corrective action has been taken by the Management in the 2013-14 accounts.	No	U.P. Schedule Caste Financial & Development Corporation (2013-14)
7.	Accounting Standard 3	The cash flow statement attached with the Annual Accounts is not prepared in accordance with the Accounting Standard 3 issued by the Institute of Chartered Accountants of India. As per Para 45 of the Accounting Standard 3 "an enterprise should disclose, together with a commentary by management, the amount of significant cash equivalent balances held by the enterprise not available for use by it." It was observed that cash and cash equivalent amounting to ₹ 23.35 crore were not available for use by the company. This fact has not been disclosed by way of commentary in Cash Flow Statement as required under AS-3. Thus Cash Flow Statement is deficient to that extent.	No	UP State Bridge Corporation (2014-15)
8.	Accounting Standard-29	Contingent Liabilities (Note 21) Lucknow Nagar Nigam raised the demand of water tax of ₹ 1.15 crore up to 2012 but the corporation did not make the payment thereof and matter is still under litigation. However, the corporation has not disclosed the above liabilities as contingent liabilities in Notes on Accounts.	No	The Pradeshia Industrial and Investment Corporation of U.P. Limited (2014-15)
9.	Accounting Standard 12	The Company failed to disclose the accounting policy adopted for Government Grants including the	No	Lucknow Smart City Limited (2016-17)

		methods of presentation in the Financial Statements and the nature and extent of Government Grants as required under Accounting Standard 12- Accounting for Governments Grants.		
1.	Revenue from Operation	The above does not include electricity internally consumed. This resulted in <u>understatement of revenue from operation and overstatement of loss (in DVVNL)/understatement of revenue from Operation and understatement of 'Administrative General and Other Expenses (in MVVNL)</u>	<p>Comments from 1 to 14</p> <p>There are generally two situation in case of revenue from operations: (i) revenue from operation is short booked and (ii) revenue from operation is excess booked. In these situations, the comments should be concluded as under:</p> <ul style="list-style-type: none"> • Revenue from operation is short booked: "Resulted in understatement of revenue from operations and understatement of trade receivable/sundry debtors as well as overstatement of loss/understatement of profit. • Revenue from operation is excess booked: "Resulted in overstatement of revenue from operations and overstatement of trade receivable/sundry debtors as well as understatement of loss/overstatement of profit. 	DVVNL:15-16, MVVNL:16-17
	Revenue from Operation	<u>This includes amount on account of energy consumed internally but the units did not book the amount of energy consumed internally as expenditure. This resulted in overstatement of Trade Receivable and understatement of Administrative, General & Other Expenses as well as loss</u>	DO	PVVNL:15-16; CFS:15-16

		The revenue amounting to ` 14.52 crore was wrongly booked as ` 8.24 crore. This resulted in <u>understatement of Revenue from Operations as well as Trade Receivables</u>	DO	DVVNL: 16-17
		Sale of power in two divisions was accounted for in excess of the amount reported in the Revenue Register. This resulted in overstatement of Current Assets as well as understatement of loss.	DO	PuVVNL:15-16; CFS:15-16
		Omission of energy sold but not billed resulted in understatement of Revenue from operations as well as overstatement of Loss .	DO	DVVNL:15-16, CFS:15-16
		Short booking of revenue against sale of power to Consumers (Traction, HV Consumers) resulted in understatement of revenue from operation/overstatement of losses and understatement of sundry debtors.	DO	MVVNL: 15-16, 16-17 PuVVNL:16-17, CFS:15-16
		Excess booking of sale of power to traction consumer resulted in understatement of loss and overstatement of sundry debtors.	DO	MVVNL: 14-15
		Non inclusion of demand charges assessed in bills of Large and Heavy Consumers resulted in understatement of Sundry Debtors and overstatement of Loss. Omission of energy sold but not billed resulted in understatement of Revenue from operations as well as overstatement of Loss	DO	PVVNL:14-15
	Revenue from Operations: Other Misc. Charges	This includes the meter box charges recovered from consumers. Since the meter box charges are recovered from consumers as Fixed Line Charges, the same should have been shown under consumers' contribution under the head Capital Reserve. This resulted in understatement of both Loss for the period as well as Capital Reserve.	DO	PuVVNL 15-16, 16-17, 17-18; CFS:15-16

Disclosed Accounting policy/Other Income (in MVVNL)/ Revenue from Operation (in PuVVNL)	Inclusion of late payment surcharge on assessment basis in contravention to the Company's policy for accounting of late payment surcharge on cash basis resulted in overstatement of other income and sundry debtors.	<p>Other Income</p> <ul style="list-style-type: none"> Short booked <u>may be concluded as:</u> Resulted in understatement of other income and understatement of trade receivable as well as overstatement of loss/understatement of profit. Excess booked may be concluded as: Resulted in overstatement of other income and overstatement of trade receivable as well as understatement of loss/overstatement of profit. 	MVVNL: 15-16, 16-17, PuVVNL: 16-17 CFS:15-16
Disclosed Accounting policy/ Current Assets	In contravention of accounting policy of accounting of late payment surcharge on cash basis, the late payment surcharge was booked under 'Trade receivable'. This has resulted in overstatement of Trade Receivable and understatement of loss for the year.		PVVNL:16-17
Other Non-operating Income	Penalty deducted /forfeited amount from the contractors/Interest earned on pre commercial operation under the different schemes was treated as incomes instead of crediting the respective project cost. This resulted in understatement of Loss and overstatement of Capital Work in progress.		DVVNL:15-16, 16-17 JVUNL:17-18 KESCO:16-17; CFS:15-16
Other Income	Government order (31 July, 2002) stipulates that interest earned on fund released by Government for construction work should be adjusted against construction cost of the project. It may not be treated as income of the company. The Company instead of accounting for interest earned as Capital Reserve (to be utilized for these projects), accounted the same as Other Income in Accounts. This has resulted in overstatement of Profit and understatement of Capital Reserve and Accumulated Losses.	<p>Other Income</p> <p>The comments may be concluded as 'Resulted in overstatement of other income and understatement of Other Current Liabilities (State Government./respective scheme fund) as well as understatement of loss/overstatement of profit'.</p>	UPJVNL:14-15, 15-16, 16-17

	Other Income	Interest received on loan received by the State Government under RGGVY/unutilised funds of Gol has been treated as income instead of crediting to the same to the State Government./respective scheme fund. This has resulted in understatement of both Loss for the period and Other Current Liabilities.		PuVVNL:15-16, 16-17, 17-18 ● CFS:15-16
	Other Income	As per the tripartite MoU among the MoP, Gol; GoUP and UPPCL (on behalf of all DISCOMs) for implementation of UDAY scheme and credit note sent by UPPCL, GoUP was to refund five <i>per cent</i> of losses of 2016-17 in the year 2017-18. As per IND AS 20, Government grant for losses already incurred should be recognised in the statement of profit and loss for the year in which it becomes receivable. Thus, the amount receivable against losses of 2016-17 should have been recognised as income while the remaining amount should have been shown as deferred income in the Non- Current Liabilities. However, the Company accounted the total received amount as income in the statement of profit and loss for the year 2017-18. Thus, the Loss and Non- Current Liabilities are understated.		PuVVNL:17-18
	Expenses	Provision of arrears under 6 th Pay Commission pertaining to previous arrear was booked in the current year resulted in overstatement of Employee Benefit Expenses and Other Current Liabilities.	<p>Expenses</p> <p>Short provision may be concluded as:</p> <p>Resulted in understatement of Expenses and understatement of Other Current Liabilities/overstatement of Current Assets (as the case may be) as well as understatement of loss/ overstatement of profit</p> <p>Excess provision may be concluded as:</p> <p>Resulted in overstatement of Expenses and overstatement of Other Current Liabilities as well as overstatement of</p>	DVVNL: 16-17

			loss/understatement of profit.	
	Employee Benefit Expenses	Non Provision of arrears to be paid under 7 th Pay Commission resulted in <u>understatement of Employee Benefit Expenses and Other Current Liabilities</u>	Do	DVVNL: 16-17
	Employee Benefit Expenses	Non provision for gratuity for employees covered under CPF scheme and non provision for pension and gratuity on increased salary as per 7 th Pay Commission resulted in <u>understatement of Loss and Current Liabilities & Provisions</u>	Do	MVVNL:16-17 PVVNL:16-17,
	Other Financial Liabilities	The company has not made provision for pension and gratuity towards GPF employee and Employer's Contribution towards CPF employees in respect of 7 th Pay Commission arrear. This has resulted in understatement of Other Financial Liabilities and also <u>understatement of Employee Cost as well as Loss.</u>	No	UPPCL:16-17
	Employee Benefit Expenses/Cost	The provision for leave encashment was wrongly worked out and excess provision was made. This resulted in overstatement of employee cost and other current liabilities.	No	KESCO: 16-17 MVVNL: 15-16 CFS:15-16
	Other Current Liabilities	No provision for payment of interest on unpaid amount to U P Power Sector Employees Trust was made for the years 2011-12 to 2014-15 which resulted into understatement of liability as well as "Employee cost."	No	DVVNL:14-15,; MVVNL:14-15, 15-16
	Other Current Liabilities	This does not include interest payable on delay/non deposit of GPF, Pension and Gratuity as worked out in UP Power Sector Employees Trust, resulted in understatement of Current Liabilities and Accumulated Losses.	No	UPPCL:14-15, 15-16, 16-17 CFS:15-16

Liabilities towards UP Power Sector Employees Trust	This is understated by ` 68.01 crore due to non-provision of liability for interest on amount payable to trust by DVVNL (for the period 2011-12 to 2014-15- ` 29.44 crore) and by MVVNL (for the year 2014-15- ` 38.57 crore). This has resulted in understatement of Employee Cost by ` 68.01 crore, Loss for the year by ` 45.99 crore, Prior Period Adjustment (Expenses) by 22.02 crore and Accumulated Losses by ` 68.01 crore.		CFS:14-15
Liability for Expenses/Other current liabilities	In spite of late payment of license fees, the interest for the delayed period was not provided for in the Accounts which resulted in understatement of Liabilities for Expenses as well as Loss.	No	DVVNL:14-15, CFS-14-15; MVVNL:15-16 CFS:15-16
Other Expenses	This includes expenditure of fees paid to the Electrical Inspector for electrification work related to RGGVY. Since the expenditure is for creation of capital assets, the same should have been included as Capital Work in Progress. This, resulted in overstatement of loss for the year and understatement of Capital Work in Progress.	No	PuVVNL: 15-16 CFS:15-16
Other Expenses	The Company made short provision for doubtful receivable on the other current assets. This has resulted in understatement of Provision for doubtful receivables as well as loss and overstatement of Other Current Assets.	No	PVVNL:15-16 CFS:15-16
Bad Debts & Provisions	Amount of Mobilisation advance could not be recovered from the contractor after the termination of the agreement even after three years, therefore, keeping in view the conservatism concept of accounting, a provision should have been created in the Books of Accounts. This has resulted into understatement of loss for the year and overstatement of Current Assets.	No	PuVVNL:16-17

Current Assets	Provision should have been made against the unrecovered amount of RC after the lapse of more than four years. Non-provision of the same has resulted in understatement of provision for doubtful debts as well as loss and overstatement of Trade Receivables.	No	PVVNL:15-16 CFS: 15-16
Other Current Assets	Other current assets include "Theft of Fixed Assets pending Investigation" transferred to the Company under "Transfer Scheme 2003" which is more than 13 year old and chances of their realisation are remote. Therefore 100 per cent provision should have been made in the accounts instead of 10 per cent of the balance presently made. As a result, Other Current Assets are overstated and Loss for the period is under stated.	No	MVVNL:15-16 CFS: 15-16
Expenses	Power Purchase Liability towards firm power supply was not included in the purchase in spite of the fact the same was accepted by the Board. Thus, the current liability, power purchased as well as loss are understated.	No	UPPCL:15-16; CFS:15-16; UPPCL:16-17
Other Current Liabilities	UPPCL provided for the liability (after UPERC Order) towards LANCO for compensation against past losses and compensatory tariff. Later on Appellate Tribunal of Electricity (APTEL) set aside UPERC order. In view of the APTEL order the Company withdrew the aforesaid liability by passing the reversal entry during 2016-17. As the reversal was made against the payment of losses related upto 2015-16; and the financial statement for the year 2015-16 were approved by the BoD on 17.01.18, liability was required to be reversed back in the year 2015-16 to depict the correct position. This has resulted into overstatement of current liabilities as well as loss for the year.	No	UPPCL:15-16 CFS:15-16

Other current liabilities	This does not include amount payable to Sikand Construction Company, New Delhi as result of dismissal of Special Leave Petition (SLP) by the Hon'ble Supreme Court filed by the Company. The Company has treated it as contingent liability instead of absolute liability. This has resulted in understatement of current liability and overstatement of profit.	No	UPJVNL:14-15, 15-16
Current Assets	No provision was made against the lost/damaged material due to fire in Electricity Store Centre, Orai. This has resulted in overstatement of Inventories and understatement of Loss for the year.	No	DVVNL:14-15,15-16 CFS : 14-15, 15-16
Capital Work in Progress	The works already completed were included in the CWIP which resulted in overstatement of CWIP and understatement of Property, Plant and Equipment.	The works completed and put to use are laying in Capital Work in Progress(CWIP) may be concluded as: Resulted in overstatement of CWIP and understatement of Assets (Property, Plant and Equipment). This has also resulted in under statement of depreciation and understatement of loss/overstatement of profit.	KESCO: 14-15, 15-16, MVVNL:16-17 CFS: 15-16
Capital Work in Progress	The above includes the cost pertaining to substations which have been energized in 14-15 and 15-16 but could not be transferred from CWIP to fixed assets. Therefore, depreciation also could not be charged against these. This led to overstatement of CWIP and understatement of fixed assets as well as understatement of loss for the year.	Do	UPPTCL:15-16 CFS: 15-16
Expenses	Capitalization of employees cost and administration and general expenses is against the Accounting Standard-10. This has resulted in overstatement of Capital Work-in-Progress and understatement of Loss.	Section 185 (d) of the Electricity Act, 2003 stipulates that all rules made under sub section 1 of Section 69 of the Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or	PVVNL:14-15

			<p>modified as the case may be. Section 69 (1) of the Electricity (Supply) Act, 1948 is reproduced: the Board shall cause proper accounts and other records in relation there to be kept, including a [roper system of internal check and prepare an annual statement of accounts, including the profit and Loss, and Balance sheet in such form as the Central Government may by notification in the official Gazette, prescribe by rules made in this behalf in consultation with the Comptroller and Auditor-General of India and the State Government.</p> <p>Electricity (Supply) (Annual Accounts) Rules (ESAAR), 1985 are framed under the sub section 1 of Section 69 of the Electricity (Supply) Act, 1948. Therefore, ESAAR, 1985 is still applicable. Para 1.5 of the Annexure-V of ESAAR 1985 provides for allocation of employee cost on a percent basis.</p> <p><i>The aforesaid comments may be looked into in the light of the aforesaid provisions.</i></p>	
	Other Comments	The Policy of capitalizing employee cost to capital works on percentage basis was not in line with IND AS-16.	No	DVVNL:16-17, KESCO:16-17, UPPCL:16-17
	Non-current Assets	'Overhead line on wooden support', the cumulative depreciation charged was more than the value of gross block of the said assets resulting in negative net value of the asset	No	PVVNL:15-16, 16-17 CFS: 15-16
	Depreciation and Amortisation Expense	Company made a provision of the depreciation at more than 100% of the cost of certain fixed assets in violation to the Significant	<u>Depreciation</u> Short charged may be concluded as: Resulted in understatement	PuVVNL:15-16 CFS:15-16

		Accounting Policies. This resulted in overstatement of loss for the year and understatement of fixed assets.	of depreciation and overstatement of Assets (Gross Block) as well as understatement of loss/overstatement of profit. Excess charged may be concluded as: Resulted in overstatement of depreciation and understatement of Assets (Gross Block) as well as overstatement of loss/understatement of profit	
	Expenses/Depreciation and Amortisation Expense	The Depreciation on the computers was charged considering their useful life of 15 years instead of 3 years. <u>This resulted in understatement of loss and overstatement of the Property, Plant and Equipment (in DVVNL)/ understatement of loss as well as Depreciation and Amortization Expenses and overstatement of the Property, Plant and Equipment (in PVVNL and UPPCL)</u>	Do	DVVNL: 2016-17, PVVNL:16-17; UPPCL:16-17
	Property, Plant and Equipment	Although no depreciation is applicable on land, the Company charged depreciation on the cost of Land which resulted in understatement of Property, Plant and Equipment and overstatement of Depreciation as well as accumulated losses.	Do	DVVNL: 16-17 PVVNL:15-16, 16-17 CFS: 15-16
	Expenses	The Company has charged depreciation considering the life prescribed in the order of UPERC while as per the Accounting Policy depreciation is to be charged as per useful life of assets prescribed in the Companies Act, 2013. This resulted into overstatement of depreciation as well as loss for the year and understatement of fixed assets.	Do	PVVNL: 15-16 CFS:15-16
	Other Comments	Ind AS-1 states that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS. The Company has netted of	As per IND AS-1 entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.	UPPCL:16-17

		Liquidated Damages (L.D.) imposed on SEUPPTCL and on WUPPTCL from Power Purchased. The facts being material should have been disclosed in Notes to Accounts.		
	Other Current Assets	The receivable from customers/other PSUs was being shown after netting off from the payable. This resulted in understatement of Other Current Liabilities as well as Other Current Assets	No	DVVNL:14-15 16-17; UPPTCL:16-17
	Other Current Liabilities	The Company has shown payable to UPPTCL under Other Current Liabilities. Further, under the Short Term Loans and Advances amount has been shown as Advances to UPPTCL. These balances pertaining to same Company should have been shown after netting off. This has resulted in overstatement of Other Current Liabilities and Short Term Loans and Advances.	No	SuPPTCL:15-16, 16-17 CFS: 15-16
	Other Current Liabilities	Short deducted amount of labor cess was not accounted for which resulted in understatement of Other Current Liabilities as well as Other Current Assets	In case of non/short deduction of labour cess, the disclosure for contingent liability should be given for non compliance of the provisions of Labour Cess Act.	DVVNL:15-16, JVUNL:16-17, PVVNL:15-16; PuVVNL 15-16, 16-17 CFS:15-16
	Contingent Liabilities	The Company has neither provided for nor disclosed contingent liability of cess payable at the rate of one per cent leviable on expenditure on RGGVY and RAPDRP of as per the provisions of Building and Other Construction Workers Act, 1996.	No	DVVNL:14-15, CFS:14-15
	Finance Costs	The Company did not capitalise interest for the period before the capitalisation of assets in accordance with Accounting Policy and provisions of Accounting Standard-16. Non-capitalization of interest also led to non-charging of depreciation during the year. This resulted in	Finance Cost Short booking may be concluded Resulted in understatement of finance cost and understatement of current liabilities or overstatement of CWIP (as the case may be) as well as	UPPTCL:15-16, 16-17; CFS:15-16

		overstatement of Loss for the year and understatement of Fixed Assets.	understatement of loss/overstatement of profit. Excess booking may be concluded Resulted in overstatement of finance cost and overstatement of current liabilities or understatement of CWIP (as the case may be) as well as overstatement of loss/understatement of profit.	
	Finance Costs	Interest on loans taken for capital works under APDRP and R-APDRP schemes should have been capitalised. Non-capitalisation of the above resulted in overstatement of Loss and understatement of 'Capital Work-in-Progress'	do	MVVNL:16-17
	Finance Costs	The Finance Costs does not include of amount of interest after capitalisation on loans taken for four sub-stations, capitalised during 2014-15 and 2015-16. The interest pertaining to the period after capitalisation should have been transferred to the Statement of Profit & Loss. This resulted in understatement of Loss for the year and overstatement of Fixed Assets .	do	UPPTCL:16-17
	Finance Cost	Short Provision for interest on security deposit was made which resulted in understatement of loss and other Current Liabilities	do	MVVNL: 14-15
	Finance Cost	PuVVNL has taken loan from PFC for implementation of R-APDRP. The outstanding loan from PFC as on 1 April 2017 was ₹ 261.46 crore. The Company did not pay interest on this loan amounting to ' 23.53 crore for the year 2017-18, but made a net provision for interest amounting to ₹ 0.80 crore only. This resulted in understatement of Loss as well as Other Current Liabilities by ₹ 22.73 crore.	do	PuVVNL:17-18

	Finance Cost	<p>This does not include the interest paid against the bonds/securities issued by the Government on behalf of the DISCOMs. The State Government reimburses the interest to UPPCL/ DISCOMs. As the amount of bonds have been reflected as Loan in the Company's Accounts, the Company should have accounted for interest on these bonds as expenses and the reimbursement of the same as income.</p> <p>Further, as per the Significant Accounting policies of the Company, the subsidy is to be accounted for on receipt basis. The Company, however, also did not account for subsidy as income.</p> <p>Non-accountal of interest and subsidy resulted in overstatement of Loss and understatement of Other Current Assets.</p>	do	<p>PuVVNL:15-16, 16-17 CFS:15-16</p>
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Apart from SOP for PSUs/ABs, in power sector PSUs/ABs, the following issue may be examined in details:

1. Purchase and sale of energy in the Power Sector has vital financial value and also critical from accounting point of view in the Annual Financial Statement (AFS). The energy generated by UPRVUNL and UPJVUNL is sold to Uttar Pradesh Power Corporation Limited (UPPCL) for onward sale to the DISCOMs. Thus, it become sale of energy falling under the head revenue from operation of UPRVUNL and UPJVUNL and purchase of power for UPPCL. In the same way the entire energy purchased by UPPCL (along with energy purchase from other generators, energy exchange, unscheduled interchange (UI) etc.) and sale to DISCOMs. The cost of power purchase by UPPCL and DISCOMs and sale of energy by generator and UPPCL is critical therefore, it should be examined with reference to various MOUs, agreements, Tariff Order (TO) of UPERC and also Significant Accounting Policies (SAP) of the Company. It should be ensured that value of sale/purchase of energy is accounted for on Accrual basis and as per provisions of MOUs, agreements and Tariff Order (TO) of UPERC.
2. Adjustment bills for cost of power purchase of pervious period but submitted/ accounted for in the ensuing year's AFS should be reviewed and it should be checked that the cost of purchase is booked as per Accrual Method and as per provisions of AS-4 "Contingencies and Event Occurring After the Balance-Sheet Date".
3. Number of consumers of energy for Generator and UPPCL are very limited but in case of DISCOMs, number of consumers of energy are huge. Therefore, sale of energy to consumers of DISCOMs should be reviewed. The most important area of review of sale of energy is booking of unbilled revenue. The unbilled revenue means the energy consumed by the consumers during the period for which bill is yet to be raised by the DISCOMs. Therefore, DISCOMs book provisional sale of energy in the month of March as unbilled revenue which is reversed in next year in month of April and actual sale of energy for the month of April is booked. Thus, there would be two transaction of sale of energy (actual and provisional) in the month of the March as well as in the Month of April each year. The calculation/quantum of unbilled revenue should be reviewed carefully and SAP, if any, should also be taken into account. This

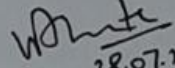
should be dealt with according to Accounting Standard-4 "Contingencies and Event Occurring After the Balance-Sheet Date"

4. In case of DISCOMs, the basis of booking of revenue from operation should be reviewed. It should be test checked that revenue from sale of power is booked on the basis of revenue register maintained at Distribution Division level and not on the Commercial Statement (CS-3 and CS-4) basis. In case of any deviation, appropriate draft comment should be issued.
5. The grouping of Other Income head may be taken and it should be checked that any component of revenue from operation (sale of energy) has not been taken in this group. If any sub-head of this group is blank or insignificant it should be reviewed.
6. The next major head in the AFS is Fixed Assets (FA). The FA is increased by amount of capitalisation drawn from head capital work in progress. Thus, the works completed and put to use during the period of AFS should have been capitalised. Therefore, progress report of schemes/execution of works should be reviewed and capitalisation should be test checked and if any assets is completed and put to use but not capitalised and vice versa should be reviewed and commented upon, if required.
7. While examining the Fixed Assets, the related component is Depreciation. Therefore, the calculation of depreciation is very important. In this reference, rate of depreciation and period for depreciation with reference to SAP and industry specific rules should be seen. The depreciation so calculated should be verified accordingly.
8. Finance cost is also a vital component in the Profit and Loss Account of the Company. Therefore, GOs for loan given by, Government of Uttar Pradesh, and loan agreements with Power Finance Corporation Ltd. (PFC), Rural Electrification Corporation Ltd. (REC) and other Financial Institutions (FIs) should be seen and demand for interest by them should be test checked with reference to the amount booked in the AFS.
9. Allocation of finance cost, administrative cost and employee cost etc. to the capital work should be done as per the industry specific rules. If there is any deviation from it due to SAP or otherwise, it should be reviewed and suitably commented upon.
10. Physical Verification Report of inventory as done by the Management should be checked with reference to amount booked in the AFS.
11. Classification of Trade Receivable should be reviewed with reference to Secured & Good, Unsecured & Good and doubtful. The amount of secured & good should be verified.

12. Para 32 to 35 of Ind AS -1 deals with the Offsetting. Offsetting means netting of two head. As per Para 32 of Ind AS-1 **“An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.”** the exception are elaborated in Para 33 to 35 of this Ind AS. It may be examined and suitably commented upon.


28.07.21
R. K. Verma
Sr. Audit Officer


28/07/21
Shailsh Shukla
Sr. Audit Officer

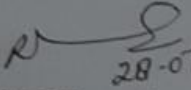

28.07.21
Vikas Bhate
Sr. Audit Officer

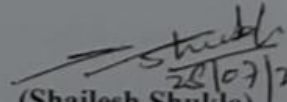
Approach for verification of FDRs

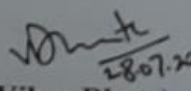
1. Obtain date-wise details of the fund invested in the FDRs by the PSU during the financial year (FY) and the FDRs lying uncashed at the close of the FY.
2. Obtain FDR register for the related period.
3. If any charge is created on the deposits or if the deposits are made under any legal requirement, it should be ensured that the fact is disclosed in the balance sheet.
4. Obtain details of the FDRs encashed during the year and verify the amount credited in the bank account of the PSU on its encashment. The interest credited by the Bank should be checked with reference to the rate of interest mentioned on the related FDR.
5. Obtain bank certificate regarding accrual of interest on the FDR during the year and cross check it with the interest on FDR shown in the financial statements (FS) of the PSU.
6. Obtain TDS certificate issued by the Bank.
7. Check source of fund which have been invested in the FDR and also go through the terms and conditions attached to the sanction/release order of such fund. The accounting treatment of interest earned on investment of such fund by the Management should be according to the terms and conditions attached to the sanction/release order of such fund and Government Order of March 2012 and May 2015, as the case may be.
8. In case the fund received from the Government has been invested in the FDR, then interest earned on such FDR will be treated as liability and it will be credited to Government account or related project/works account and in no case it will be income of the PSU as provided in the Government Order of March 2012 and May 2015
9. The interest earned on the Government fund received against share capital will be credited to the Government A/c till the date of allotment of shares and thereafter any interest earned on such fund will be treated as income of the PSU.
10. The comment on the FS may emerge in shape of short/excess accounting of interest on FDRs or misclassification of interest earned on FDRs. In this regard the comment on the financial statements (FSs) may be concluded/proposed as under:
 - (i) **In case of Short accounting of interest earned on FDR/FDRs made out of its own fund:** The profit is understated/loss is overstated due to accounting of interest earned on FDRs as ₹..... instead of ₹.....worked out for the year.

This has also resulted into an understatement of Current Assets by ₹....
(differential amount).

- (ii) **In case of Excess accounting of interest earned on FDR/FDRs made out of its own fund:** Comment will be just Reverse of (i).
- (iii) **In case of Misclassification (shown as income of the PSU) of interest earned on FDR/FDRs made out of Government fund:** The profit is overstated /loss is understated due to accounting of interest of ₹earned during the year on FDRs made out of the Government Fund as income of the Company/Corporation/Authority instead of treating it as liability as required under the provisions of Government Order of March 2012 and May 2015 (copy enclosed). This has also resulted into an understatement of Current Liabilities by ₹.....
- (iv) **In case of Short/non accounting of interest earned on FDR/FDRs made out of Government fund:** The Current Assets are understated by ₹..... due to short/non accounting of interest amounting to ₹ earned during the year on FDR/FDRs made out of Government fund. As per provisions of Government Order of March 2012 and May 2015, the interest earned on FDR/FDRs made out of Government fund should be credited to the Government account and it should not be treated as its own income. Therefore, the Current Liabilities are also understated by ₹.....
- (v) **In case of Excess accounting of interest earned on FDR/FDRs made out of Government fund:** Comment will be just Reverse of (iv).


28-07-21
(R K Verma)
Sr. Audit Officer

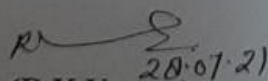

28/07/21
(Shailesh Shukla)
Sr. Audit Officer


28.07.2021
(Vikas Bhate)
Sr. Audit Officer

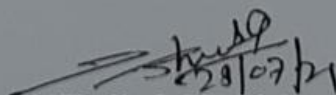
Approach for verification of bank balances

1. Take details of bank accounts existing at the close of the year showing (i) name of the Bank, (ii) Bank A/c No (iii) Type of Bank A/c (iv) Purpose of bank A/c (v) Whether operative or inoperative (vi) Closing balance in the bank a/c as per FS (vii) Date upto which Bank Reconciliation prepared.
2. The confirmation received from the banks as to the balances as on the last day of the financial year should be verified.
3. Take copy of latest bank reconciliation statements along-with details of differences between the bank balance as per Cash/ Bank and as per bank pass book/ bank statement.
4. The auditor shall also ensure that the cheques issued by the organization but not presented for payment and cheques deposited for collection but not yet collected are duly debited/credited in the subsequent period besides corrective action against the concerned party/parties.
5. In the case of cheques in transit, the auditor should verify that such cheques are duly credited in the subsequent period.
6. Sometimes, due to legal restrictions / requirements, one or more of the bank accounts of the organization may be blocked, in such cases, the auditor should ensure that the fact is disclosed in the balance sheet.
7. Some of the bank accounts may show the same balance as opening and closing balance, i.e., they may be apparently inoperative. The auditor should obtain a statement from the bank to ensure that no operation took place during the year.
8. After examination of the above issues, a suitable comment, depending on the circumstances of each case, may be proposed.
9. In case the bank reconciliation statement is pending, a suitable comment may be proposed as under:

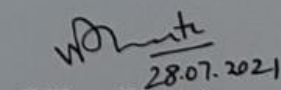
The Company/Corporation/AB is having..... (Nos.) bank accounts with the banks and out of it in ...(Nos) cases the bank reconciliation has not been prepared. As a result, the bank transactions appearing in the books of accounts of the Company/Corporation/AB could not be vouchsafed.


(R K Verma)

Sr. Audit Officer


(Shailesh Shukla)

Sr. Audit Officer


(Vikas Bhate)

Sr. Audit Officer

Annexure 1

Annexure 1

To,

The Accountant General(E&RSA),
Uttar Pradesh,
Lucknow.

Subject: **Criteria for selection of State PSUs for audit of annual accounts under Section 619(4) of the Companies Act, 1956/143(6)(a) of the Companies Act, 2013 and other instructions for timely completion of audit.**

Madam,

The existing criteria for selection of State PSUs for audit of annual accounts under Section 619(4) of the Companies Act, 1956/ Section 143(6) (a) of the Companies Act, 2013 have been revised in supersession of all earlier instructions on the subject matter. The revised criteria for selection of accounts for audit and other related instructions are as under:

1. The periodicity of selection of annual accounts of State Government Companies for supplementary audit would be as under:

Annual	Paid up Capital above Rs. 50 crore or Capital Employed above Rs. 200 crore or Turnover above Rs. 500 crore whichever is applicable.
Triennial	Paid up Capital Rs. 20 to 50 crore or Capital Employed Rs. 100 to 200 crore or Turnover of Rs. 200 to 500 crore whichever is applicable.
Once in five years	Others not covered in S.No. 1 and 2 above.

2. Annual Accounts wherein disclaimer/adverse opinions have been given by the Statuary Auditors should be taken up for supplementary audit irrespective of the applicable selection criteria.
3. First accounts of the Company should be taken up for supplementary audit irrespective of the applicable selection criteria.

म.ले.(आ.एवं रा.क्षे.ले.प.) राबिनालय, लखनऊ
AG (E&RSA) Secretariat, Lucknow

डायरी संख्या/Diary No. 321
दिनांक/Dated 05/08/14

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06.08.2014

CS/Accounts
AC. Dy No. 06
Date: 06.08.2014

हो भा / Phone : 23509600

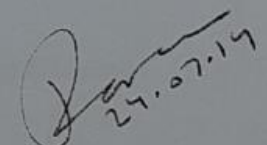
फैक्स / Fax : 91-11-23234014

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- ✓ 4. The Statutory Corporations may be audited annually as we are the sole auditors and draft SARs sent to Headquarters for approval even in case of Nil comments.
5. Notwithstanding of the above criteria, in case a PAG/AG, based on assessment risks, wishes to conduct the supplementary audit of Companies falling under the category (2) or (3) of above criteria for more than one year, they may do so without any restrictions.
6. While issuing non review certificates in respect of Companies falling under the category (2) or (3) of the above criteria, the PAG/AG must ensure that minimum checks such as arithmetical accuracy, general compliance to Accounting Standards in drawing financial statements, compliance to with earlier year observations and correctly carry forwarding the previous year's figures are done. The Headquarter Section of the Commercial Wing dealing with annual accounts comments may carry out these checkings before approval of Non review certificate by PAG/AG.
7. For timely finalisation of accounts comments, annual accounts on receipt from the Company may be immediately forwarded to the Headquarters office. Completion of Accounts Audit and finalisation of draft comments may be completed within five weeks. Only one week time may be given to the Company and Statuary Auditors for reply. Draft comments should not be delayed for non receipt of reply from the Company/Statutory Auditors. Draft Comments after approval of PAG/AG may be immediately forwarded to Headquarters through E-mail as well as post without fail.
8. As per existing instructions on delegation of powers to PAG/AG, where accounts of Companies are in arrear for more than five years the draft comments may be issued by PAG/AG without seeking approval of the Headquarters. However copy of the annual accounts and comments issued to the Company may please be forwarded to Headquarter for information.
9. These instructions would apply with immediate effect.

This issues with the approval of ADAI(CR).

Yours faithfully,

 27.07.17

(P K Tiwari)
Principal Director (CR)

Annexure 2

No. 239/CR/Comml/Company Directions/150-2014



सत्यमेव जयते

भारत के नियंत्रक-महालेखापरीक्षक का कार्यालय
9, दीन दयाल उपाध्याय मार्ग, नई दिल्ली - 110 12
OFFICE OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
9, Deendayal Upadhyaya Marg, New Delhi-110 12

दिनांक / DATE 26/02/2019

Annexure 2

To

The Principal Accountants General/
Accountant Generals
under Central Region

Subject: Revision of Directions to be issued to the Statutory Auditors under Section 143(5) of the Companies Act, 2013

Sir,

I am to invite a reference to Letter No. 1731-1737/CR/Comml/Company Directions/150-2014 dated 8 December 2015 vide which revised directions under Section 143(5) of Companies Act, 2013 to be issued to the Statutory auditors were forwarded. In this regard existing three Directions of CAG has been reviewed by Central Commercial Wing and replaced with the following new directions which will be applicable for the accounts of Government Companies from the year 2018-19 onwards: //

- AG
Hansha
28.2.19
SAG(M)ES-I
- ST. DAG/ES-I
ST. DAG/ES-III
DAG/ES-II
AAO (AK) ES-I
R 28.2.19
- i) Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.
- ii) Whether there is any restructuring of an existing loans or cases of waiver/write off of debts/loans/interest etc. made by lender to the Company due to the company's inability to repay the loan? If yes, the financial impact may be stated.
- iii) Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/utilised as per its term and conditions? List the cases of deviation.

In addition to these Directions the Field Offices should also issue Company specific sub directions to the Statutory Auditors as per instructions issued vide letter No. 823-829/CR/Comml/Company Directions/150-2014 dated 10 June 2015.

This issues with the approval of ADAI (CR).

Yours faithfully,

सचिव/सेक्रेटरी (आ. एवं रा. क्षेत्र) सचिवालय, लखनऊ

Sr. DAG/ES-I (E&RSA), Secretariat, Lucknow

CAG Diary No./सी.डी.नं. 125

Date/दिनांक 28/02/19

(ले. आ. एवं रा. क्षेत्र) सचिवालय, लखनऊ
AG (E&RSA) Secretariat, Lucknow

आयची संख्या/Diary No. 970

दिनांक/Dated 28/02/19

डू. भा. / Phone : 23509600

फैक्स / Fax : 91-11-23234014

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(D Sahu)
Principal Director (CR)

ES-I/Accounts
CAG Dy-118
ST-28/02/19

Revised Directions under Section 143(5) of the Companies Act, 2013 to be issued to the Statutory Auditors of the Government Companies applicable from the financial year 2018-19 onwards.

S. No.	Directions
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications. if any, may be stated.
2.	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to the Company due to the company's inability to repay the loan? If yes, the financial impact may be stated.
3.	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/utilised as per its term and conditions? List the cases of deviation.

823-824

Annexure 3

No.

/CR/Comml/Company Directions/150-2014



सत्यमेव जयते

भारत के नियंत्रक-महालेखापरीक्षक का कार्यालय
9, दीन दयाल उपाध्याय मार्ग, नई दिल्ली - 110124

OFFICE OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
9, Deendayal Upadhyaya Marg, New Delhi-110 124

दिनांक / DATE 10/06/2015

Annexure 3.

To

The Principal Accountants General/
Accountant Generals (C & RSA)
under Central Region.
Lucknow (Uttar Pradesh)

Subject: Revision of General and Company/Sector Specific Sub directions under
Section 143(5) of the Companies Act, 2013.

P.L. credit.

Sh. Sanjay, AGO

V. B. Singh
19.6.15

AG (Accounts)

Sir/Madam,

I am to invite a reference to Letter No. 1148-1152 /CR/Comml/Company
Directions/150-2014 dated 28 July 2014 on above cited subject. In terms of Section 143 (5)
of the Companies Act, 2013, the C&AG of India has power to instruct the Statutory
Auditors of Government Companies appointed under Section 139 (5) or (7) of the Act in
regard to any matter relating to the performance of their functions. Further in compliance
to the provisions of the Section 143 (5) of the Companies Act, 2013, the directions to be
given by the CAG to the Statutory Auditors, the action taken thereon and its impact on the
accounts and financial statement of the Company will form part of the Statutory Auditor's
Report.

AG

In this connection it was decided that the four general directions (Annexure-I), as
finalised by the Audit Board for Central PSUs would apply to State PSUs in toto and as
such may be issued to the Statutory Auditors for compliance in respect of the Annual
Accounts for the year 2014-15 onwards. For earlier year's accounts, existing directions
may apply.

In DA/ES-I ✓

DA/ES-II & III

In addition to four general directions, the Field Audit offices can also issue
additional Company specific directions (sub-directions) to the Statutory Auditors for
compliance. In this regard, a copy of the approved sector specific sub-directions
(Annexure-II) is enclosed. While issuing Company specific sub directions to the Statutory
Auditors Field Audit Offices need to keep in mind that the sub directions are illustrative

स.ले.(आ.एवं रा.क्षे.ले.प.) सचिवालय, लखनऊ
AG (E&RSA) Secretariat, Lucknow

कार्यारी संख्या/Diary No. 181 दूरभाष / Phone : 23509600
दिनांक/Dated 10/06/15

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CC A. J. / ES-1
In No. 17
Dt. 19/6

फैक्स / Fax : 91-11-23234014

CC A. J. / ES-1
In No. 27
Dt. 19/6/15

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only and not exhaustive in nature and may be suitably modified based upon ground realities/past experience. Further it is also important that number of sub directions issued generally should not exceed five in number and should pertain to significant matters only.

This issue with the approval of ADAI (CR).

Yours faithfully,

Chandamanti Sh

(C M Singh)

Principal Director (CR-II)

Encl.: As above

Sector Specific Sub-directions under Section 143(5) of the Companies Act, 2013

Agriculture and Allied Sector

General

1. Whether the land owned by the Company is encroached, under litigation, not put to use or declared surplus. Details may be provided.
2. Whether physical verification and valuation of standing crops/ trees was done at the end of the Financial Year in accordance with the standard industry practices?
3. Whether the stock of seeds packing/ certification materials and other items has been taken on the basis of stock records after adjustment of shortage/ excess found on physical verification and whether due consideration has been given for deterioration in the quality of old stocks which may result into overvaluation of stock?
4. Whether all the agriculture produce procured are properly stored and adequately insured. If any insurance claims are rejected, the details may be reported.
5. Whether the Company has an effective mechanism for disbursement of loans/ subsidies/ agro inputs and agriculture machineries to beneficiaries and recovery thereof (loans) along with interest, if any, from beneficiaries?
6. That grants/ subsidies received for implementing various schemes are accounted for as per the accounting standards and utilized for intended purpose.
7. Whether the cost incurred on abandoned projects has been written off?

Agriculture procurement

1. Examine and report the cases of levy of penalty for mismatch of stock of food grains with cash credit limit availed.
2. Examine and report the system for timely lodging of claims (covering all cost incidentals) in respect of delivery of food grains against Central and State Schemes.
3. Examine and report on the deficiencies in the system for assessing the health of stock and for valuation of damaged food grains.
4. Examine and report the system of reconciliation of amount recoverable/payable, in respect of gunny bales, with millers and other procuring agencies.
5. Examine the system to check the authenticity of claims shown as recoverable from FCI/State Govt.

Forest

Plantation

1. Whether requisite permission for clearing of forest/ existing plants, etc. have been obtained under the prevailing rules and regulations in compliance of Forest Conservation Act so as to protect/preserve forest cover. Has the company taken adequate steps to stop unauthorised felling of trees for conservation and spread of forest cover.
2. Whether management has monitored that by-product/ scrap is produced within the norms.

3. Whether the policy of accounting for trees felled after economic life of rubber plantation is in accordance with the standard practices followed in similar industries?
4. Whether re-plantation reserve has been utilised for the intended purposes and meet the requirement of compensatory afforestation under respective legislation.

Extraction / Utilization of Forest Produce

1. Indicate whether the Company has devised proper system for timely taking over of marked forest lots for felling, extraction of timber and its safeguard against deterioration during extraction, transportation and storage. If not losses incurred due to deterioration of timber during the year may be highlighted.
2. Whether the company has proper system to check the basis of calculation and timely payment of royalty to the Forest Department. Interest paid to the State Government on account of delay in payment of royalty may be commented.
3. Examine the system of auction to check if it is transparent enough to ensure fair realisation of value of timber.
4. Whether management has monitored that by-product produced was within the norms.
5. Whether the inventory management is effective to bridge the gap between the demand and supply to avoid distress selling of timber?
6. Report the cases of diversion of grants/subsidies received from Central/State Government or their agencies for performing certain activities.

Agro Based Industries

1. Report the cases of diversion of grants/subsidies received from Central/State Government or their agencies for performing certain activities.
2. Cases of wrong accounting of interest earned on account of non-utilization of amounts received for certain projects/schemes may be reported.
3. Examine pricing policy framed by the Company to ensure that all cost components are covered.
4. Report on the extent of utilisation of plant & machinery and its obsolescence, if applicable.

Livestock and Poultry Companies

1. Whether the Company has laid down the sale/ pricing policy for frozen semen/ fodder seed production? If so,
 - Whether the price was fixed/ revised in accordance with the policy
 - Whether the valuation of inventories is in accordance with the above policy/ standard industry practices.
2. Whether there is norm fixed for loss due to mortality?
 - Comment on the system of assessment of loss due to mortality?
 - Whether there are instances of huge loss incurred due to excessive mortality rate?
3. Review the plant capacity, actual production, underutilization of the plant in case of meat processing plant/ other plants and disclosure thereof.

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9.2.

Finance Sector

1. Whether the Company has complied with the directions issued by Reserve Bank of India for:
 - Non-Banking Finance Companies (NBFCs);
 - classification of non-performing assets; and
 - Capital adequacy norms for NBFCs.
2. Whether the Company has a system to ensure that loans were secured by adequate security free from encumbrances and have first charge on the mortgaged assets. Further instances of undue delay in disposal of seized units may be reported.
3. Whether introduction of any scheme for settlement of dues and extensions thereto complied with policy/ guidelines of Company/ Government.
4. Comment on the confirmation of balances of trade receivables, trade payables, term deposits, bank accounts and cash obtained.
5. Whether the bank guarantees have been revalidated in time?

General and Social Sector

Welfare companies

1. Whether introduction of any scheme for settlement of dues and extensions thereto complies with policy/ guidelines of Company/ Government.
2. Whether the funds received from agencies for each scheme have been accounted for as per specific guidelines of the scheme and their balances were periodically reconciled and discrepancies noticed if any have been properly accounted for in the financial statements.
3. Whether the Company has a policy for appropriation of repayments received from beneficiaries and the policy complies with the scheme guidelines under which the beneficiary had received the funds.
4. Whether the Company has received the beneficiary's share of cost in cash or as labour contribution. If the beneficiary's share of cost is received as labour contribution whether the valuation of labour contribution was properly done and accounted for in the books of Company?
5. Whether the Company had timely submitted the claims on time for grant of subsidy by Government. If the claims were filed with delay whether the same has been properly accounted for in the books of the company.

Food and Civil supplies

1. Whether the Company has lifted the quantity of food grains allotted by Government, the lifted quantities are released to fair price shops at subsidized rates and the Company has reconciled the total quantity of food grains lifted and distributed.
2. Whether the Company has preferred the claim in time for differential cost with the Government and the amount of claim accepted/ rejected has been properly accounted for in the books of the Company.
3. Comment on the existence of quality control system to check the quality of food grains to be distributed to beneficiaries. Any deficiencies resulting in supply of food grains not as per accepted quality norms shall be mentioned.

Tourism

1. Whether the grants received for development of tourism infrastructure were utilized for the intended purpose and have been properly accounted for based on the utilization certificates submitted in compliance with applicable Accounting Standards.
2. Whether outsourcing of services, leasing of tourism infrastructure, etc., was done in accordance with the policy/ guidelines issued by Government and the Company has an effective system for monitoring the contractual obligations.
3. Whether the Company is computing the cost of major operations/jobs including occupancy, products, processes and services regularly? If not, describe the failures.
4. What are the criteria for giving discounts and whether any cost benefit analysis has been done to ensure recovery of cost? In the cases of under recovery, such areas may be identified and loss incurred due to such under recovery may be commented.

Transport

1. Are there any established norms for processing of tariff fixation? The cases of under recovery of cost shall be highlighted. -
2. Does the company have a set of operational norms? Has the management measured its performance against the norms and taken suitable action in case of deviation?
3. The system for monitoring the recovery of lease rent obtained from contractors for Operation & Maintenance (O&M) of bus stands shall be examined and the non-recoveries may be quantified.
4. Cases of diversion and surrender of unutilized funds received from Centre and State Government or its agencies under different schemes be reported.
5. Details of the works completed during the year and delay in ongoing works, if any, may be reported.

Housing

1. Whether the Company follows an accounting system that enables to individually ascertain the completed cost of each construction contracts/ Projects. In the absence of any such system, it may be seen as to how the Company is ascertaining the individual cost of construction contracts?
2. Whether the Company has assessed/ estimated the losses in the ongoing contracts and the Company has made adequate provision for the losses in the accounts?
3. Evaluate and report on the system of planning, preparing estimates and awarding the work. List out the cases where the scope of work has been increased beyond 10 per cent of the original value of the contract.
4. What is system regarding payment of interest on deposits made by other government departments in terms of instructions of Finance Department of the State Government?
5. What is system of accounting for the grants/ subsidies received from Central/ State Government or its agencies for performing various activities? Comment on the cases of diversion wherein the grants were not utilized for the purpose for which these were received.

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Culture

1. Has the Company formulated Long Term/Annual Action Plan for conservation/promotion of culture and heritage? If yes, whether the plan is implemented in a holistic manner?
2. Does the Company conduct impact assessment of its schemes on promotion of cultural heritage of the State?
3. Whether eligibility and quantum of Government subsidy to the beneficiaries is in accordance of the schemes of GOI/State.

Health

1. Has the company carried out activities relating to health promotion, prevention of epidemics, community health and sanitation activities?
2. Whether the cost accounting system of the Company ensures correct accounting of costs for each category of medicines/drugs/equipments and machinery.
3. Whether the system for valuation and accounting of medicine inventory is adequate and in accordance with the standard practices of the industry?

Infrastructure Sector

1. Whether the Company has taken adequate measures to prevent encroachment of idle land owned by it. Whether any land of the Company is encroached, under litigation, not put to use or declared surplus? Details may be provided.
2. Whether the system in vogue for identification of projects to be taken up under Public Private Partnership is in line with the guidelines/ policies of the Government? Comment on deviation if any.
3. Whether system for monitoring the execution of works vis-à-vis the milestones stipulated in the agreement is in existence and the impact of cost escalation, if any, revenues/ losses from contracts, etc., have been properly accounted for in the books.
4. Whether funds received/ receivable for specific schemes from central/ State agencies were properly accounted for/utilized? List the cases of deviations.
5. Whether the bank guarantees have been revalidated in time?
6. Comment on the confirmation of balances of trade receivables, trade payables, term deposits, bank accounts and cash obtained.
7. The cost incurred on abandoned projects may be quantified and the amount actually written-off shall be mentioned.

Industrial Promotion

1. Describe the deviations from the system of payment for land acquisition including compensation under Resettlement & Rehabilitation policy of the State Government. Cases of land disputes should be mentioned.
2. Is the system of sanction, disbursement and recovery of industrial loan effective? State the cases of deviations from rules, regulations and policies in regard to rescheduling, waiver of loans/ interest and One Time Settlement schemes etc.
3. Examine and state the system of allotment of industrial plots/ sheds including recovery of instalments from the allottees. What is the system of imposing penalty due to delay in setting

- up of business or starting business other than the one for which the allotment was made.
4. The system of managing the default cases shall be examined. Have all steps to remedy the situation taken within the prescribed time limits? The cases of non-compliance to established system shall be detailed.
 5. Examine and provide the details of liability, if any, on account of delay in handing over of any project to allottees and its consequent accounting.
 6. State the cases where loans/ funds received from Central/ State Government or its agencies have been diverted from the purpose for which these were received.

Manufacturing Sector

1. Whether the Company's pricing policy absorbs all fixed and variable cost of production as well as the allocation of overheads?
2. Whether the Company has utilized the Government assistance for technology up gradation/ modernization of its manufacturing process and timely submitted the utilization certificates.
3. Whether the Company has fixed norms for normal losses and a system for evaluation of abnormal losses for remedial action is in existence.
4. What is the system of valuation of by-products and finished products? List out the cases of deviation from its declared policy.
5. Whether the effect of deteriorated stores and spares of closed mills been properly accounted for in the books.
6. Whether the company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage/ excess noticed during physical verification.
7. State the extent of utilization of plant and machinery during the year vis-a-vis installed capacity.
8. Report on the cases of discounts/ commission in regard to debtors and creditors where the company has deviated from its laid down policy.

Mining

1. Whether the company has taken adequate measures to reduce the adverse affect on environment as per established norms and taken up adequate measures for the relief and rehabilitation of displaced people.
2. Whether the Company had obtained the requisite statutory compliances that was required under mining and environmental rules and regulations?
3. Whether overburden removal from mines and backfilling of mines are commensurate with the mining activity?
4. Whether the Company has disbanded and discontinued mines, if so, the payment of corresponding dead rent there against may be verified.
5. Whether the Company's financial statements had properly accounted for the effect of Rehabilitation Activity and Mine Closure Plan?

Power Sector

1. Adequacy of steps to prevent encroachment of idle land owned by Company may be examined. In case land of the Company is encroached, under litigation, not put to use or declared surplus, details may be provided.
2. Where land acquisition is involved in setting up new projects, report whether settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.
3. Whether the Company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the applicable Accounting Standards?
4. How much cost has been incurred on abandoned projects and out of this how much cost has been written off?

Generation

1. In the cases of Thermal Power Projects, compliance of the various Pollution Control Acts and the impact thereof including utilisation and disposal of ash and the policy of the company in this regard, may be checked and commented upon.
2. Has the company entered into revenue sharing agreements with private parties for extraction of coal at pitheads and it adequately protects the financial interest of the company?
3. Does the company have a proper system for reconciliation of quantity /quality of coal ordered and received and whether grade of coal/ moisture and demurrage etc., are properly recorded in the books of accounts?
4. How much share of free power was due to the State Government and whether the same was calculated as per the agreed terms and depicted in the accounts as per accepted accounting norms?
5. In the case of Hydroelectric Projects the water discharge is as per policy / guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/payable may be reported.

Transmission

6. Is the system of evacuation of power commensurate with power available for transmission with the generating company? If not, loss, if any, claimed by the generating company may be commented.
7. How much transmission loss in excess of prescribed norms has been incurred during the year and whether the same been properly accounted for in the books of accounts?
8. Whether the assets constructed and completed on behalf of other agencies and handed over to them has been properly accounted for in the financial statements.

Distribution

9. Has the company entered into agreements with franchise for distribution of electricity in selected areas and revenue sharing agreements adequately protect the financial interest of the company?
10. Report on the efficacy of the system of billing and collection of revenue in the company.

11. Whether tamper proof meters have been installed for all consumers? If not then, examine how accuracy of billing is ensured.
12. Whether the Company recovers and accounts, the State Electricity Regulatory Commission (SERC) approved Fuel and Power Purchase Adjustment Cost (FPPCA)?
13. Whether the reconciliation of receivables and payables between the generation, distribution and transmission companies has been completed. The reasons for difference may be examined.
14. Whether the Company is supplying power to franchisees, if so, whether the Company is not supplying power to franchisees at below its average cost of purchase.
15. How much tariff roll back subsidies have been allowed and booked in the accounts during the year? Whether the same is being reimbursed regularly by the State Government shortfall if any may be commented?

Services Sector

1. Whether the Company's pricing policy absorbs all fixed and variable cost of production and the overheads allocated at the time of fixation of price?
2. Whether the Company recovers Commission for work executed on behalf of Government/ other organizations that is properly recorded in the books of accounts? Whether the Company has an efficient system for billing and collection of revenue.
3. Whether the Company regularly monitors timely receipt of subsidy from Government and it is properly recording them in its books?
4. Whether interest earned on parking of funds received for specific projects from Government was properly accounted for?
5. Whether the Company has entered into Memorandum of understanding with its Administrative Ministry, if so, whether the impact thereof has been properly dealt with in the financial statements.

Trading

1. Whether the Company has an effective system for recovery of dues in respect of its sales activities and the dues outstanding and recoveries there against have been properly recorded in the books of accounts?
2. Whether the company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage/ excess noticed during physical verification.
3. The effectiveness of the system followed in recovery of dues in respect of sale activities may be examined and reported.

Miscellaneous Sector

Technology Oriented

1. Examine and report the cases of dispute if any on the contract relating to supply of hardware as well as software. In the event of such assets remaining with the company, please report on its valuation and accounting in the books.
2. What is the system of recovering fees/ charges in regard to providing manpower to various agencies? Report the cases where no such recovery has been affected and accounted for.
3. What is the system of receiving revenue share from the franchise?

4. Report the cases wherein software, hardware or IT enabled system is lying redundant/ outdated.
5. What is system of accounting of grants/ subsidies received from Central/ State Government or its agencies for performing certain activity? Comment on the cases of diversion wherein the grants were not utilized for the purpose for which these were received.

Others

1. Examine the system of effective utilisation of Loans/Grant-in-Aid/ Subsidy. List the cases of diversion of funds.
2. Examine the cost benefit analysis of major capital expenditure/ expansion including IRR and payback period.
3. If the audited entity has computerised its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information, pay roll, inventory etc. have been computerised and the company has evolved proper security policy for data/ software/ hardware?

Annexure 4

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Date: 23-08-18 04:36 PM
From: Vijay Dogra <saocrd4@cag.gov.in>

Revision in Format of certificates for issue of Comments etc. under the Companies Act.

agaumadhyapradesh2@cag.gov.in, agauchhattisgarh@cag.gov.in,
agaumadhyapradesh2@cag.gov.in, agaubihar@cag.gov.in,
agaumadhyapradesh1@cag.gov.in, agaujharkhand@cag.gov.in,
agaumadhyapradesh1@cag.gov.in
Cc: saocrd5@cag.gov.in

Forwarding revised formats23082018.pdf (447kB)

Revised formatsCos_23082018.pdf (9.1MB)

Office of the Comptroller and Auditor General of India
Central Region

Annexure 4

Respected Sir,

I am directed to attach letter from PD (CR) and revised format on above cited subject for further necessary action.

V K Dogra
SAO/CR

We need to discuss -
Schedule meeting on 27/8.

DAG/ES-I

DAG/ES-TII

SA/ES-II ✓

ACS

Sd/-
24/8/18

4/ES II py no 58-
24-8-18

discuss today.
Pls. put up

Discussed. May bring on file
and implement from
immediate effect.

Sd/-
24/8

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24/8/18

FORMATS OF CERTIFICATE FOR ISSUE OF COMMENTS, NIL COMMENTS and NON-REVIEW ON FINANCIAL STATEMENTS OF GOVERNMENT COMPANIES

A: (Format of certificate for conducting supplementary audit of financial statements and issue of comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

- A. Comments on Profitability
 - B. Comments on Financial Position
 - C. Comments on Cash Flow
 - D. Comments on Disclosure
 - E. Comments on Auditors' Report
 - F. Other Comments
- (may be arranged in order of decreasing importance)

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

B: (Format of certificate for conducting supplementary audit of financial statements and of Nil comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently, without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

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C: (Format of certificate for not conducting supplementary audit of financial statements)

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)
(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company)
FOR THE YEAR ENDED 31 MARCH (year)**

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143 (6)(a) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

D: (Format of certificate for conducting supplementary audit of financial statements, revision of financial statements and consequent issue of Nil Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision(s) made in the financial statements by the management, as indicated in Note No..... of the financial statements, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

(Format of certificate for conducting supplementary audit of financial statements, revision of financial statements and consequent issue of Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. The financial statements of the Company have been revised by the management, as indicated in Note No.....of the financial statements, to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report
- F. Other Comments

(may be arranged in order of decreasing importance)

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

FORMATS OF CERTIFICATE FOR ISSUE OF COMMENTS, NIL COMMENTS and NON-REV.
CONSOLIDATED FINANCIAL STATEMENTS OF GOVERNMENT COMPANIES

F: (Format of certificate for conducting supplementary audit of consolidated financial statements and issue of comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ read with section 129 (4) of the Act is/are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)² for the year ended on that date. Further, section 139(5) and 143 (6) (a) of the Act are not applicable to (name of the subsidiary/ joint venture/ associate company) being private entity(ies)/ entity(ies) incorporated in Foreign country(ies) under the respective laws for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Consolidated Profitability
 - B. Comments on Consolidated Financial Position
 - C. Comments on Consolidated Cash Flow
 - D. Comments on Disclosure
 - E. Comments on Auditors' Report on Consolidated Financial Statements
 - F. Other Comments
- (may be arranged in order of decreasing importance)

Place

Date

For and on behalf of the
Comptroller & Auditor General of India

Signature
Name of the MAB/AG

Note: A disclaimer about private/foreign entities has been incorporated which is depicted as bold and underlined. This may be incorporated in the comments certificate, to the extent applicable.

¹ In case of first auditor appointed by the C&AG

² If the number exceeds three, the same may be listed as annexure

Q: (Format of certificate for conducting supplementary audit of consolidated financial statements and issue of Nil comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ read with section 129 (4) of the Act is/are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities); but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)² for the year ended on that date. Further, section 139(5) and 143 (6) (a) of the Act are not applicable to (name of the subsidiary/ joint venture/ associate company) being private entity(ies)/ entity(ies) incorporated in Foreign country(ies) under the respective laws, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

Note: A disclaimer about private/foreign entities has been incorporated which is depicted as bold and underlined. This may be incorporated in the comments certificate, to the extent applicable.

¹ In case of first auditor appointed by the C&AG

² If the number exceeds three, the same may be listed as annexure

H: (Format of certificate for not conducting supplementary audit of consolidated financial statements)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)
(b) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED
FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ read with section 129 (4) of the Act is/are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the consolidated financial statements of (Name of the company) for the year ended 31 March (year) under section 143 (6) (a) read with section 129(4) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

1: (Format of certificate for conducting supplementary audit of consolidated financial statements, revision of consolidated financial statements and consequent issue of NIL comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ read with section 129 (4) of the Act is/are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)² for the year ended on that date. Further, section 139(5) and 143 (6) (b) of the Act are not applicable to (name of the subsidiary/ joint venture/ associate company) being private entity(ies)/ entity(ies) incorporated in Foreign country(ies) under the respective laws, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision(s) made in the consolidated financial statements by the management, as indicated in Note No..... of the financial statements, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report, under section 143 (6) (b) read with section 129(4) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

Note: A disclaimer about private/foreign entities has been incorporated which is depicted as bold and underlined. This may be incorporated in the comments certificate, to the extent applicable.

¹ In case of first auditor appointed by the C&AG

² If the number exceeds three, the same may be listed as annexure

J: (Format of certificate for conducting supplementary audit of consolidated financial statements, revision of consolidated financial statements and subsequent issue of Comments of the Comptroller and Auditor General of India under section 143(6) read with section 129 (4) of the Companies Act, 2013 on the consolidated financial statements of (Name of the company) for the year ended 31 March (year))

The preparation of consolidated financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ read with section 129 (4) of the Act is/are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of (name of the company, subsidiary, associate companies and jointly controlled entities), but did not conduct supplementary audit of the financial statements of (name of subsidiaries, associate companies and jointly controlled entities)² for the year ended on that date. Further, section 139(5) and 143 (6) (b) of the Act are not applicable to (name of the subsidiary/ joint venture/ associate company) being private entity(ies)/ entity(ies) incorporated in Foreign country(ies) under the respective laws, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

The consolidated financial statements of the company have been revised by the management, as indicated in Note No. of the financial statements, to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the consolidated financial statements and the related audit report:

- A. Comments on Consolidated Profitability
- B. Comments on Consolidated Financial Position
- C. Comments on Consolidated Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report on Consolidated Financial Statements
- F. Other Comments

(may be arranged in order of decreasing importance) For and on behalf of the
Comptroller & Auditor General of India

Place
Date

Signature
Name of the MAB/AG

Note: A disclaimer about private/foreign entities has been incorporated which is depicted as bold and underlined. This may be incorporated in the comments certificate, to the extent applicable.

¹ In case of first auditor appointed by the C&AG

² If the number exceeds three, the same may be listed as annexure

new format

641

36

K: (Format of certificate for conducting supplementary audit of financial statements, revision of Statutory Auditor's Report and consequent issue of Comments)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company) FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. The Audit Report has been revised by the statutory auditor to give effect to some of my audit observations raised during supplementary audit.

In addition, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

- A. Comments on Profitability
- B. Comments on Financial Position
- C. Comments on Cash Flow
- D. Comments on Disclosure
- E. Comments on Auditors' Report
- F. Other Comments

(may be arranged in order of decreasing importance)

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature

Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

New Format

L: (Format of certificate for conducting supplementary audit of financial statements
of Statutory Auditor's Report and consequent issue of Nil Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143
(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF (Name of the company)
FOR THE YEAR ENDED 31 MARCH (year)

The preparation of financial statements of (Name of the company) for the year ended 31 March (year) in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7)¹ of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated (date of the revised report) which supersedes their earlier Audit Report dated (date of the report).

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of (Name of the company) for the year ended 31 March (year) under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision(s) made in the statutory auditor's report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Place

Date

Signature
Name of the MAB/AG

¹ In case of first auditor appointed by the C&AG

No 119-1125-Annexure 5
CR/PSUs/SAR Format/ 104-2016(ii)



सत्यमेव जयते

भारत के नियंत्रक-महालेखापरीक्षक का कार्यालय
9, दीन दयाल उपाध्याय मार्ग, नई दिल्ली - 110 124
OFFICE OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
9, Deendayal Upadhyaya Marg, New Delhi-110 124

दिनांक / DATE 09-08-2015

Annexure 5

To

The Principal Accountants General/ Accountants General
under Central Region

Sub.: Format of Separate Audit Report on the Accounts of Statutory
Corporations and Autonomous Bodies

Sir,

In order to improve the quality of Separate Audit Report (SAR) on the
Accounts of Statutory Corporations (SCs) and Autonomous Bodies (ABs), ADAI (CR)
has approved the enclosed revised format for issue of SARs on the accounts of
SCs/ABs.

It is requested that the format may be adopted for drafting of SARs with
immediate effect.

Yours Faithfully,

Yatinder Prasad

(Yatinder Prasad)
Pr. Director (CR)-I

Encl.: As above

FORMAT OF SEPARATE AUDIT REPORT ON THE ACCOUNTS OF STATUTORY CORPORATIONS AND AUTONOMOUS BODIES

SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF (NAME OF THE CORPORATION/AUTONOMOUS BODY) FOR THE YEAR ENDED 31 MARCH 2XXX

We have audited the attached Balance Sheet of *(indicate name of the corporation/autonomous body)* (Corporation/AB) as at 31 March 2XXX and the Profit and Loss Account/Income and Expenditure account/Receipt and Payment Account (strike out which is not applicable) for the year ended on that date under *(mention the relevant Section of the Governing Act of the Corporation/AB and the Section of the CAG (DPC) Act)*. These Financial Statements include the accounts of units/branches of the Corporation/AB *(strike out if not applicable)*. These Financial Statements are the responsibility of the Corporation/AB's management. Our responsibility is to express an opinion on these financial statements based on our audit¹.

This Separate Audit Report (SAR) contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms and other significant audit observations with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity nature) etc., noticed during the audit of financial statements, if any. Audit observations relating to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency cum performance aspects etc. are also reported through Inspection Report / CAG's Audit Reports separately.

¹ The preparation of Financial Statements of *(indicate name of the Corporation)* (Corporation) for the year ended 31 March 2XXX in accordance with financial reporting framework prescribed under the *(mention the relevant Section of the Governing Act and the Section of the CAG (DPC) Act)* and the Generally Accepted Accounting Principles is the responsibility of the Management of the Corporation. The Statutory Auditors appointed by the State Government on the advice of the Comptroller and Auditor General of India or the shareholders out of the panel of auditors approved by the Reserve Bank of India *(strike out whichever is not applicable)* under Section *(mention the relevant section of the Governing Act and the Section of the CAG (DPC) Act)* are responsible to express an opinion on these financial statements based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body - the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated _____ 2XXX.

In case of supplementary audit of statutory corporation, this para may be replaced with para given in foot note 1.

In case of supplementary audit of statutory corporation this para may be replaced with para given in foot note 2.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

In case of supplementary audit of statutory corporation the para Nos. i, ii, iii, v and vi are not applicable.

- i. 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;
- ii. The Balance Sheet and Profit and Loss Account/Income and Expenditure Account/Receipt and Payment Account (strike out which is not applicable) dealt with by this report are drawn up in the format approved by the *(mention the name of the authority approving the format)* under Section/Rules *(mention the relevant Section of the Governing Act of the Corporation/AB and the Section of the CAG (DPC) Act)*.
- iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Corporation/Autonomous Body as required under Section *(mention the relevant Section of the Governing Act of the Corporation/AB and the Section of the CAG (DPC) Act)* in so far as it appears from our examination of such books.²

² We, on behalf of the Comptroller and Auditor General of India, have conducted the audit of the financial Statements of the above said Corporation for the year ended 31 March 2XXX under Section *(mention the relevant section of the governing Act of the Corporation and the Section of the CAG's DPC Act)*. This audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to enquiries of the Statutory Auditors and the Corporation's personnel and selective examination of some of the accounting records. Based on our audit, we would like to highlight the following significant matters under Section *(mention the relevant section of the governing Act of the Corporation and the Section of the CAG's DPC Act)* which have come to our attention and which in our opinion are necessary for enabling a better understanding of the financial Statements and the related Audit Report issued by the Statutory Auditors.

(44)

iv. We further report that:

Comments on accounts

(A) Balance Sheet

(B) Profit & Loss Account/Income and Expenditure Account

(C) Receipt and Payment Account (applicable in case of AB)

(D) Accounting Policies

(E) General

(Note: Significant audit observations on financial statements may be classified in to above categories and non-compliance, if any, of the Accounting Standards may be mentioned under respective category referring to any mandatory requirements to follow Accounting Standards by the Corporation/Autonomous Body).

(F) Grants in Aid

Out of the grants in aid of ₹crore received during the year (₹crore was received in March 2XXX), the organisation could utilise a sum of ₹crore leaving a balance of ₹crore as unutilised as on 31 March 2XXX. *(Please mention if applicable).*

(G) Management Letter

Deficiencies which have not been included in the Audit Report have been brought to the notice of the management through a management letter issued separately for remedial/corrective action. *(This comment may be mentioned, if any management letter is being issued)*

v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Profit and Loss Account/Income and Expenditure Account/Receipt and Payment Account *(strike out which is not applicable)* dealt with by this report are in agreement with the books of accounts.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure- I *(number of annexures may be mentioned in case where there are more than one annexure to the Audit Report)* to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:

a. In so far as it relates to the Balance Sheet, of the state of affairs of the Corporation/AB as at 31 March 2XXX; and

(43)

- b. In so far as it relates to Profit and Loss Account/Income and Expenditure Account, of the Profit or Loss/Surplus or Deficit for the year ended on that date.

For and on the behalf of the
Comptroller & Auditor General of
India

Place : Principal Accountant General/Accountant
Date : General

Annexure-I to Separate Audit Report

1. Adequacy of Internal Control System

Whether internal control system is adequate and commensurate with the size and nature of the Corporation/AB? Deficiencies and weakness in the system may be reported and recommendations for improvement/strengthening of internal control system may be given.

2. Adequacy of Internal Audit System

Whether internal audit system is adequate and commensurate with the size and nature of the Corporation/AB? Deficiencies and weakness in the system may be reported and recommendations for improvement/strengthening of internal audit system may be given.

3. System of Physical verification of fixed assets

Whether fixed assets have been physically verified by the management at reasonable intervals. Whether any material deficiencies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of accounts.

4. System of Physical verification of inventory

Whether the physical verification of inventory has been carried out by the management at reasonable intervals. Whether any material deficiencies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of accounts.

5. Regularity in payment of statutory dues

Whether the entity is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Custom Duty, Cess and any other statutory dues with the appropriate authorities. If not, indicate the extent of the statutory dues outstanding at the close of financial year separately indicating the dues outstanding for more than six months from the date they became payable.

6. Other matters relating to functioning of the entity

Any other observation on the functioning of the entity which suggests a significant risk to financial reporting.

by PAB/AG

Reg. : Finalisation of SARs of ABs whose accounts are in arrears upto 3 yrs

Chapter 10

Finalisation of Separate Audit Reports

10.01: The draft SAR should be sent to the autonomous bodies concerned and their replies to various observations contained in it should be obtained.

10.02: Replies received must be taken into account and incorporated if necessary in the SAR proposed to be issued. If, however, Management disagrees to any facts in the report, their correctness should be rechecked. In case, replies are not acceptable, reasons as to why the replies are not acceptable should be clearly given in aide-memoire and rebuttal in brief incorporated in the SAR. If as a result of reply or any further observation arising subsequently any fact or figure undergoes a change in the SAR, the changed position should also be got confirmed from the management concerned. If no replies are received to the draft SAR within the stipulated period, SAR should be finalised and the fact of non-furnishing of replies should be indicated in the SAR.

10.03: The separate Audit Reports on all legal service authorities (Central, State and District levels) will be finalised by the respective Pr. Accountants General / Accountants General (Audit)/Directors General/Pr. Directors of Audit themselves. Besides, SARs on the Central & State autonomous bodies as detailed in the lists (Annexures 7 & 8), which fall within the following criteria would also be finalised by the respective field audit offices :

Central Autonomous Bodies	State Autonomous Bodies
1. Grants upto Rs.2 crore per annum	Grants upto Rs. 1 crore per annum
2. If no grants are received – expenditure amounting to Rs 5 crore & below	If no grants are received – expenditure amounting to Rs 1 crore & below
3. If certification of accounts is in arrears, - autonomous bodies with arrears upto 2 years .	✓ If certification of accounts is in arrears, - autonomous bodies with <u>arrears upto 3 years.</u>
4. All SARs on new audits may be sent for Headquarters' approval for two years and thereafter, if directed by Headquarters.	All SARs on new audits may be sent for Headquarters approval for two years and thereafter, if directed by Headquarters.

10.04: Since the authority for finalizing SARs in the cases indicated in Para 10.03 vests with respective field audit offices, all Heads of the Department concerned should bestow adequate attention to ensure that time schedule and instructions issued by Headquarters for timely finalisation and improving quality of contents of SARs are strictly adhered to. Audit Certificates/SARs should be issued to Government only under the signatures of Pr.AGs/AGs/DGAs/PDAs as per provisions of this Manual. This requirement in no case shall be further delegated.

Submission of draft separate Audit Reports to the Headquarters

10.05: Clearance of Separate Audit Reports:- In all cases except as regards the cases as indicated in Para 10.04 where the SARs are to be placed before Parliament or State Legislatures the reports and accounts as audited must be submitted to Headquarters office for prior approval before these are sent to Government concerned for being placed before Parliament/State Legislature. In all other cases, the audit reports can be finalised by the Field Audit Office concerned as per instructions contained in Para 10.04

10.06: While forwarding the draft/final separate audit report to Headquarters office, the following information/documents should invariably be furnished :-

1. Two copies of draft SAR along with aide-memoir and key linking the figures.
2. Two copies of draft audit certificates proposed to be issued.
3. One copy of authenticated annual accounts to be certified by the audit office.
4. Information in the proforma given at Annexure 9.
5. In case of the autonomous bodies having branch / units the following information may also be furnished :
 - a) Number of units of Autonomous Bodies,
 - b) Number, name/location of units selected for audit; and
 - c) Name of units whose comments have been incorporated in the SAR.

संख्या-10/2015/ए-1-502/दस-2015-10(33)/2010

प्रेषक,

मुकेश मित्तल,
सचिव,
उत्तर प्रदेश शासन।

सेवा में,

- (1) समस्त प्रमुख सचिव/सचिव,
उत्तर प्रदेश शासन।
- (2) समस्त विभागाध्यक्ष एवं प्रमुख कार्यालयाध्यक्ष,
उत्तर प्रदेश।

वित्त (लेखा) अनुभाग-1

लखनऊ : दिनांक : 29 मई, 2015

विषय :- सरकारी विभागों/उपक्रमों एवं निगमों द्वारा धनराशियों को बैंकों में जमा करना।

महोदय,

उपर्युक्त विषयक शासनादेश संख्या-ए-1-122/दस-2012-10(33)/2010, दिनांक 21 मार्च, 2012 का कृपया सन्दर्भ ग्रहण करें, जिसमें यह निर्देश है कि यदि किसी मामले में बैंक खाता खोले जाने की आवश्यकता पायी जाय तो विभाग द्वारा स्टेट बैंक ऑफ इण्डिया सहित किसी सार्वजनिक क्षेत्र के बैंक में बचत खाता खोला जाना ही प्रस्तावित किया जाये एवं वित्त विभाग की स्वीकृति के उपरान्त ही बैंक खाता खोले जाने की कार्यवाही की जाये।

2- शासन के संज्ञान में यह तथ्य आया है कि कई विभागों द्वारा वित्त विभाग की स्वीकृति के बिना ही बैंक खाते खोलकर संचालित किए जा रहे हैं। अतः इस सम्बन्ध में मुझे यह कहने का निदेश हुआ है कि समस्त विभाग/निगमों/सार्वजनिक उपक्रमों/स्थानीय निकायों द्वारा यह सुनिश्चित कर लिया जाये कि उनके यहाँ संचालित बैंक खाते वित्त विभाग की स्वीकृति के बिना तो नहीं खोले/संचालित किए जा रहे हैं। यदि बैंक खाते वित्त विभाग की स्वीकृति के बिना खोले गये हैं, तो उन्हें तत्काल बन्द करा दिये जायें।

1- यह शासनादेश इलेक्ट्रॉनिकी जारी किया गया है, अतः इस पर हस्ताक्षर की आवश्यकता नहीं है।

2- इस शासनादेश की प्रमाणिकता वेब साइट <http://shasanadesh.up.nic.in> से सत्यापित की जा सकती है।

- 3- इसके अतिरिक्त उक्त सन्दर्भित शासनादेश में यह व्यवस्था भी है कि यदि शासन द्वारा अवमुक्त धनराशियों को बैंक में रखकर ब्याज अर्जित किया गया है, तो अर्जित ब्याज संस्था की आय न होकर राज्य सरकार की आय होगी और अर्जित आय को राजकोष में जमा करा दिया जाये। अतः अपने अधीनस्थ विभागों/संस्थाओं के सम्बन्ध में ब्याज के रूप में अर्जित आय को चिन्हित करते हुये इस तथ्य की समीक्षा भी कर ली जाये कि अर्जित आय को राजकोष में जमा करा दिया गया है।

कृपया उपरोक्तानुसार कृत कार्यवाही से वित्त विभाग को अवगत कराया जाये।

भवदीय,
मुकेश मित्तल,
सचिव।

संख्या-10/2015/ए-1-502(1)/दस-2015-10(33)/2010, तद्विनांक।

प्रतिलिपि निम्नलिखित को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित :-

- (1) प्रधान महालेखाकार (लेखा एवं हकदारी)-प्रथम, उत्तर प्रदेश, इलाहाबाद।
- (2) प्रमुख सचिव/सचिव, श्री राज्यपाल, राजभवन, उत्तर प्रदेश।
- (3) प्रमुख सचिव/सचिव, विधान सभा/विधान परिषद् सचिवालय, उत्तर प्रदेश।
- (4) समस्त मण्डलायुक्त/जिलाधिकारी, उत्तर प्रदेश।
- (5) समस्त मुख्य/वरिष्ठ कोषाधिकारी, उत्तर प्रदेश।
- (6) वित्त विभाग के समस्त व्यय-नियंत्रण अनुभाग।
- (7) वित्त (आय-व्ययक) अनुभाग-1/वित्त (लेखा) अनुभाग-2.

आज्ञा से,
राजीव श्रीवास्तव,
विशेष सचिव।

1- यह शासनादेश इलेक्ट्रानिकली जारी किया गया है, अतः इस पर हस्ताक्षर की आवश्यकता नहीं है।
2- इस शासनादेश की प्रमाणिकता वेब साइट <http://shasanadesh.up.nic.in> से सत्यापित की जा सकती है।