

## PREFACE

The accounts of Government Companies set up under the provisions of the Companies Act (including Companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The statutes governing some Corporations and authorities require their accounts to be audited by the CAG and reports to be given by him. In respect of five such Corporations *viz.* Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation, the relevant statutes designate the CAG as their sole auditor. In respect of one Corporation *viz.* Central Warehousing Corporation, the CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statutes governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. The Audit Board mechanism was restructured during 2006-07 under the supervision and control of the CAG. The Board, which is permanent in nature, is chaired by the Deputy Comptroller and Auditor General (Commercial) and consists of senior officers of the CAG. Two technical experts are inducted as special invitees, if necessary. The Director General (Commercial) of the CAG's Office is the Member, Secretary to the Board. The Board approves the topics recommended for performance audit. It also approves the guidelines, audit objectives, criteria and methodology for conducting performance audits. The Board finalises the stand alone performance audit reports after discussions with the representatives of the Ministry and Management.

5. Annual reports on the accounts of the Central Government Companies and Corporations are issued by the CAG to the Government. For the year 2009-10, these are:

### **Compliance Audit Reports**

**Report No. 2-** Financial Reporting by Central Public Sector Undertakings (CPSUs): This gives an overall picture of the quality of financial reporting by CPSUs and appraisal of the performance of the Companies and Corporations as revealed by their accounts.

**New Initiative:** The CAG has introduced more intensified, innovative, focused and result oriented approach to financial audit by the system of 'Three Phase Audit' in selected Central Public Sector Undertakings falling under categories of 'Listed', 'Navratna', 'Miniratna' and 'Statutory Corporations' for the financial statements of 2008-09 on

consensus basis after discussion on the objectives and methodology of new audit approach with the management and statutory auditor concerned. Same initiative has been extended to other important companies in 2009-10 also. The outcome of this initiative has been included in the above Report No. 2.

6. The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the Central Government can appoint the CAG, at any time, as the auditor to examine and report upon the accounts of these Corporations. No such appointment was made during 2009-10.

7. The accounts of the Central Public Sector Undertakings reviewed in this Report cover the accounts for the years, 2007-08 ,2008-09 and 2009-10 (to the extent received). In respect of CPSUs where any particular year's accounts were not received before 30 September 2009, the figures of the last audited accounts have been adopted.

8. In respect of some CPSUs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report No. 2 of 2009-10, owing to replacement of provisional figures by audited/ revised figures.

9. Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of Central Government Companies conducted by the CAG for the year 2009-10 (or earlier years as are finalised during the current year), and significant findings reported by the Statutory Auditors while certifying the financial statements of the CPSUs are given in this Report. The report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor. Besides, a resume of the reports submitted by the Statutory Auditors in compliance with the directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956, is also given in this Report.

10. The Report also enumerates composition and functioning of the Audit Committee in the listed government companies.

11. All references to 'Government Companies/Corporations or CPSUs' in this report may be construed to refer to 'Central Government Companies/Corporations' unless the context suggests otherwise.