

# **CHAPTER–III**

## **Oversight Role of the Comptroller and Auditor General of India-Audit of Accounts of PSUs**



## CHAPTER-III

### Oversight Role of the Comptroller and Auditor General of India-Audit of Accounts of PSUs

#### Introduction

**3.1** This Chapter covers significant comments issued as a result of supplementary audit of the financial statements of the State Public Sector Undertakings (PSUs) conducted by the Comptroller and Auditor General of India (CAG) for the year 2021-22 (or of earlier years which were finalised during the current year). This Chapter also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations.

#### *Audit of State Public Sector Undertakings, provisions of law etc.*

**3.1.1** The CAG appoints the Statutory Auditors of a Government Company and Government controlled other Company under Section 139 (5) and (7) of the Companies Act, 2013. The CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

#### Appointment of Statutory Auditors of Public Sector Undertakings by the CAG

**3.2** Sections 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government controlled other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Further, Section 139 (7) of the Companies Act, 2013 provides appointment of first Statutory Auditors by the CAG within 60 days from the date of registration of Government Company or Government controlled other Company.

#### Submission of accounts by Public Sector Undertakings

#### *Need for timely submission*

**3.3.1** According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before both the Houses of Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies/Corporations from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It also provides that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company

responsible for non-compliance with the provisions of the Companies Act, 2013.

Of the total 114 PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations), there were 72 functional PSUs (53 Government Companies, 13 Government controlled other Companies and six Statutory Corporations) and 42 non-functional PSUs (40 Government Companies and two Government controlled other Companies) under the purview of CAG in Uttar Pradesh as of 31 March 2022. The status of timeliness followed by the PSUs in preparation of accounts is as follows:

***Timeliness in preparation of accounts by PSUs***

**3.3.2** Accounts for the year 2021-22 were required to be submitted by all the PSUs by 30 September 2022.

- Out of 66 functional Government Companies (53 Government Companies and 13 Government controlled other Companies), only 11 PSUs<sup>1</sup> (10 Government Companies and one Government controlled other Company) submitted their accounts upto 30 September 2022 for the year 2021-22 for audit by the CAG. Resultantly, accounts of 55 functional PSUs (43 Government Companies and 12 Government controlled other Companies) were in arrears.
- Out of six Statutory Corporations, the CAG is the sole auditor in four Statutory Corporations (Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam and Uttar Pradesh Forest Corporation). These four Statutory Corporations had nine accounts<sup>2</sup> in arrears as of 30 September 2022. Further, none of the Statutory Corporations has submitted accounts for the year 2021-22 upto 30 September 2022 for audit by the CAG.

Details of arrears in submission of accounts by the State PSUs as on 30 September 2022 are given in **Table 3.1**.

**Table 3.1: Position relating of submission of accounts by PSUs**

Particulars	Position relating to submission of Accounts			
	Government Companies	Government controlled other Companies	Statutory Corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31 March 2022	93	15	06	114
Less: New PSUs from which accounts for 2021-22 were not due	-	-	-	-

<sup>1</sup> Madhyanchal Vidyut Vitran Nigam Limited, Purvanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited, Uttar Pradesh Power Corporation Limited, Uttar Pradesh Power Transmission Corporation Limited, Uttar Pradesh Metro Rail Corporation Limited, NOIDA Metro Rail Corporation Limited and Uttar Pradesh Export Promotion Council (Government Companies) and Agra Smart City Limited (Government controlled other Company).

<sup>2</sup> Accounts of (i) Uttar Pradesh State Road Transport Corporation for the years 2020-21 & 2021-22; (ii) Uttar Pradesh Avas Evam Vikas Parishad for the year 2021-22; (iii) Uttar Pradesh Jal Nigam for the years 2017-18 to 2021-22 and (iv) Uttar Pradesh Forest Corporation for the year 2021-22.

Particulars		Position relating to submission of Accounts			
		Government Companies	Government controlled other Companies	Statutory Corporations	Total
Less: PSUs under liquidation from which accounts for 2021-22 were not due		12	01	-	13
Number of PSUs from which accounts for 2021-22 were due		81	14	06	101
Number of PSUs which presented the accounts of 2021-22 by 30 September 2022 for CAG's audit		10	01	-	11
Number of PSUs whose accounts were in arrears		81 <sup>3</sup>	14	06	101 <sup>4</sup>
Number of accounts in arrears		929	55	22	1006
Break-up of Arrears	(i) Under Liquidation	112	08	-	120
	(ii) Non-functional	551	27	-	578
	(iii) First accounts not submitted	53	-	-	53
	(iv) Others	213	20	22	255
Age-wise analysis of arrears against 'Others' category	One year (2021-22)	07	07	02	16
	Two years (2020-21 and 2021-22)	12	06	02	20
	Three years and more	194	07	18	219

Government of Uttar Pradesh (GoUP) had provided Equity of ₹ 2,035.05 crore to one<sup>5</sup> out of six power sector PSUs, accounts of which upto the year 2021-22 had not been finalised by 30 September 2022 whereas no investment was made in the remaining five power sector PSUs during the period for which accounts were in arrears.

Further, GoUP had also provided ₹ 6,575.47 crore (Equity: ₹ 1,432.02 crore, Loan: ₹ 1,187.47 crore, Grant: ₹ 3,542.47 crore and Subsidy: ₹ 413.51 crore) to 37 out of 95 other than power sector PSUs, accounts of which upto the year 2021-22 had not been finalised by 30 September 2022 whereas no investments were made in the remaining 58 other than power sector PSUs during the period for which accounts were in arrears. PSU-wise details of investment made by State Government during the years for which accounts were in arrears are shown in **Appendix-3.1**.

The administrative departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned departments were informed regularly regarding arrears in accounts.

### ***Impact of non-finalisation of accounts of State Public Sector Undertakings***

**3.3.2.1** Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the

<sup>3</sup> 93 (Total PSUs) – 12 (10 PSUs submitted accounts for 2021-22 and two PSUs under liquidation whose accounts were not in arrears).

<sup>4</sup> It excludes two PSUs namely Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited and Uttar Pradesh (Rohilkhand Tarai) Ganna Beej Evam Vikash Nigam Limited which are under liquidation for which no accounts were in arrear upto the date of going into liquidation.

<sup>5</sup> Uttar Pradesh Rajya Vidyut Utpadan Nigam Ltd.

Companies Act, 2013. In view of the above status of arrears of accounts, the actual performance including loss incurred/profit earned and contribution of these 101 PSUs<sup>6</sup> to State GDP during the period of arrear accounts could not be ascertained/reported to the State Legislature. In the absence of finalisation of accounts by these PSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government. This issue is of greater concern in case of those Statutory Corporations where the entire responsibility for certification lies on the CAG as the sole auditor.

***Non-functional Public Sector Undertakings***

**3.3.2.2** As on 31 March 2022, 42 State PSUs (40 Government Companies and two Government controlled other Companies) were non-functional having a total investment of ₹ 1,554.19 crore in the form of capital (₹ 977.48 crore) and long-term loans (₹ 576.71 crore). Of these, significant investments were in Uttar Pradesh State Textile Corporation Limited (₹ 289.15 crore), Nandganj-Sihori Sugar Company Limited (₹ 256.80 crore) and Ghatampur Sugar Company Limited (₹ 152.17 crore). Out of 42 non-functional PSUs, 13 PSUs (12 Government Companies and one Government controlled other Company) are under liquidation while remaining 29 non-functional PSUs have closed their operation during the period from June 1990 to September 2019. The State Government may review the status of these non-functional PSUs.

***Arrear accounts of non-functional PSUs***

**3.3.2.3** Out of 42 non-functional PSUs (including 13 PSUs under liquidation), 698 accounts of 40 non-functional PSUs (38 Government Companies and two Government controlled other Companies) were in arrears as on 30 September 2022. The age-wise analysis of arrear accounts of these PSUs is given in **Table 3.2**.

**Table 3.2: Age-wise analysis of arrear in accounts of non-functional PSUs**

		Age wise analysis of arrears				Total
		1-5 years	6-10 years	11-20 years	21 years and above	
Non-functional PSUs with arrear in accounts	Under liquidation	4	1	5	1	11
	Others	6	3	5	15	29
Number of Accounts in arrear	PSUs under liquidation	9	8	74	29	120
	Other Non-functional PSUs	16	22	67	473	578

**CAG's oversight - Audit of Accounts and Supplementary Audit**

***Financial reporting framework***

**3.4.1** Companies are required to prepare the financial statements in the format laid down in Schedule-III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and adhering to any other specific provision relating to accounts in the Act governing such corporations.

<sup>6</sup> 6 power sector PSUs and 95 other than power sector PSUs.

### ***Audit of Accounts of Public Sector Undertakings by Statutory Auditors***

**3.4.2** The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of Public Sector Undertakings with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013; and
- supplement or comment upon the Statutory Auditor's Report under Section 143 (6) of the Companies Act, 2013.

### ***Supplementary Audit of Accounts of Public Sector Undertakings***

**3.4.3** The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by the CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM of the Company.

### **Result of CAG's oversight role**

### ***Audit of accounts of Public Sector Undertakings under Section 143 of the Companies Act, 2013***

**3.5.1** Financial statements for the year up to 2021-22 were received from 44 PSUs<sup>7</sup> by 30 September 2022 (during the period from 01 December 2021 to 30 September 2022) as detailed in **Appendix-3.2**. Accounts of 44 PSUs<sup>8</sup> were reviewed and commented upon during the above mentioned period in audit by the CAG, as detailed in **Appendix-3.3**. The results of the review are detailed below:

<sup>7</sup> 32 Government Companies, nine Government controlled other Companies and three Statutory Corporations.

<sup>8</sup> 32 Government Companies, 10 Government controlled other Companies and two Statutory Corporations.

***Amendment of Financial Statements***

**3.5.2** There were no cases where any Government Company or Government controlled other Company or Statutory Corporation amended its Financial Statements before laying the same in the AGM/legislature.

***Revision of Auditors' Report***

**3.5.3** There were no such cases where Statutory Auditors of any Government company or Government controlled other company or Statutory Corporation has revised their Report.

***Significant comments of the CAG issued as supplement to the Statutory Auditors' reports in Government Companies and Government controlled other Companies and as sole auditor on the accounts of Statutory Corporations***

**3.5.4** Subsequent to the audit of the financial statements for the year upto 2021-22 by Statutory Auditors, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government controlled other Companies. The list of PSUs in respect of whom comments were issued is given in **Appendix-3.3**. Some of the significant comments issued on financial statements of Government Companies and Government controlled other Companies, the financial impact of which on the profitability was ₹ 1,849.41 crore and on assets/liabilities was ₹ 1,930.41 crore, have been tabulated below:

**(A) Government Companies**

**1. Comments on Profitability**

Sl. No.	Name of the Company	Year of account	Comment
1	Madhyanchal Vidyut Vitran Nigam Limited	2018-19	1. 'Revenue from Operation' is overstated by a net amount of ₹ 1.56 crore (₹ 6.33 crore - ₹ 4.77 crore) due to excess/short booking of revenue from operation (sale of power to Railway Traction) by three divisions. As a result, 'Revenue from Operation' as well as 'Trade Receivables' were overstated and 'Loss for the year' was understated by ₹ 1.56 crore.  2. An amount of ₹ 8.99 crore on account of electricity internally consumed by six divisions is not included in 'Revenue from Operation'. This resulted in understatement of 'Revenue from Operations' and 'Administrative General & Other Expenses' by ₹ 8.99 crore each.
2	Madhyanchal Vidyut Vitran Nigam Limited	2019-20	1. As per Significant Accounting Policy transmission charges are accounted for on accrual basis on bills raised by the UP Power Transmission Corporation Limited (UPPTCL) at the rates approved by UPERC. In contravention to the Accounting policy, unaccrued transmission charges of ₹ 245.38 crore related to next year has been accounted for in the current year. This resulted in overstatement of 'Cost of Power Purchased' and 'Current Liabilities' by ₹ 245.38 crore each. Consequently 'Loss for the year' is also overstated by the same amount.



Sl. No.	Name of the Company	Year of account	Comment
			<p>2. Finance Cost does not include interest amounting to ₹ 43.82 crore on Loan provided for R-APDRP scheme by Power Finance Corporation (PFC). This resulted in understatement of Finance Cost and Current Liabilities by ₹ 43.82 crore. Consequently 'Loss for the year' is also understated by the same amount.</p> <p>3. Depreciation and Amortization Expenses does not include depreciation amounting to ₹ 58.44 crore on the assets capitalised under RGGVY 11<sup>th</sup> and 12<sup>th</sup> Plan schemes. As all the works of both schemes had already been completed by March 2019, the depreciation for the whole year should have been provided in the accounts. This resulted in understatement of the Depreciation &amp; Amortization Expenses as well as Loss for the year and overstatement of Property Plant &amp; Equipment by ₹ 58.44 crore each.</p>
3	Paschimanchal Vidyut Vitran Nigam Limited	2018-19	<p>1. Revenue from Operation does not include an amount of ₹ 28.19 crore receivable from the consumers under the categories of Public Lighting (Lamps)- ₹ 7.86 crore, Public Water Works- ₹ 15.07 crore and State Tube Wells &amp; Pumped Canals- ₹ 5.26 crore related to four divisions of company where billing was done on manual basis. This resulted in understatement of Revenue from Operations and Trade Receivables by ₹ 28.19 crore each. Consequently, Loss for the year is also overstated by the same amount.</p> <p>2. Revenue from Operation does not include an amount of ₹ 123.23 crore in respect of energy internally consumed as against ₹ 338.70 crore (intimated by holding company) only ₹ 215.47 crore has been accounted. This resulted in understatement of 'Revenue from Operations' and 'Administrative General &amp; Other Expenses' by ₹ 123.23 crore each.</p> <p>3. Administrative, General &amp; Other Expenses includes ₹ 33.48 crore being license fee booked in accounts against demand of UPERC of ₹ 21.79 crore for the period 2011-12 to 2018-19. This resulted in overstatement of 'Administrative, General &amp; Other Expenses' and 'Other Current Liabilities' by ₹ 11.69 crore each. Consequently, 'Loss for the year' is also overstated by the same amount.</p> <p>4. Administrative, General &amp; Other Expenses includes ₹ 150.33 crore towards advances and expenses paid to the contractors and consultants for works/consultancy services for execution of capital works under SAUBHAGYA scheme. This resulted in overstatement of 'Administrative, General &amp; Other Expenses' and understatement of 'Capital Works in progress' by ₹ 150.33 crore each. Consequently, 'Loss for the year' is also overstated by ₹ 150.33 crore.</p>

Sl. No.	Name of the Company	Year of account	Comment
4	Dakshinanchal Vidyut Vitran Nigam Limited	2018-19	<p>'Revenue from Operation' is understated by a net amount of ₹ 59.30 crore (₹ 62.38 crore - ₹ 3.08 crore) due to short/ excess booking of revenue from operation (Public Water Works) by three divisions.</p> <p>As a result, 'Revenue from Operation' as well as 'Trade Receivables' are understated and 'Loss for the year' is overstated by ₹ 59.30 crore.</p>
5	Dakshinanchal Vidyut Vitran Nigam Limited	2019-20	<p>Other Income includes additional subsidy of ₹ 516.96 crore received from the Government of Uttar Pradesh (GoUP) against previous year (2018-19) losses under Ujjwal DISCOM Assurance Yojna (UDAY). As per tripartite Memorandum of Undertaking (MoU) dated 30 January 2016 signed among the Ministry of Power, Government of India (GoI), Government of Uttar Pradesh (GoUP) and Uttar Pradesh Power Corporation Limited (UPPCL) (on behalf of all DISCOMs) for implementation of UDAY, the GoUP was to reimburse 25 per cent of the losses of 2018-19 in the year 2019-20. 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.</p> <p>Thus, the amount receivable against losses of 2019-20 works out to ₹ 645.48 crore (25 per cent of loss of ₹ 2,567.16 crore + excess subsidy of ₹ 14.77 crore received during 2018-19) should have been recognized as income. Due to not accounting of the same 'Other Income' and 'Other Current Assets' are understated by ₹ 128.52 crore (₹ 645.48 crore - ₹ 516.96 crore).</p>
6	Purvanchal Vidyut Vitran Nigam Limited	2019-20	<p>1. Other Income includes additional subsidy of ₹ 780.02 crore received from the Government of Uttar Pradesh (GoUP) against previous year (2018-19) losses under Ujjwal DISCOM Assurance Yojna (UDAY). As per tripartite Memorandum of Undertaking (MoU) dated 30 January 2016 signed among the Ministry of Power, Government of India (GoI), Government of Uttar Pradesh (GoUP) and Uttar Pradesh Power Corporation Limited (UPPCL) (on behalf of all DISCOMs) for implementation of UDAY, the GoUP was to reimburse 25 per cent of the losses of 2018-19 in the year 2019-20. 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.</p> <p>Thus, the amount receivable against losses of 2019-20 works out to ₹ 275.99 crore (25 per cent of loss of ₹ 988.89 crore + excess subsidy of ₹ 115.05 crore received during 2018-19) should have been recognized as income while remaining amount of ₹ 504.03 crore (₹ 780.02 crore - ₹ 275.99 crore) should have been shown under Non-Current Liabilities. This resulted in understatement of 'Loss for the year' and Non- Current Liabilities by ₹ 504.03 crore.</p>

Sl. No.	Name of the Company	Year of account	Comment
			<p>2. As per Significant Accounting Policy transmission charges are accounted on accrual basis on bills raised by the UP Power Transmission Corporation Limited (UPPTCL) at the rates approved by UPERC. In contravention to the Accounting policy, unaccrued transmission charges of ₹ 302.72 crore related to next year has been accounted for in the current year. This resulted in overstatement of 'Cost of Power Purchased' and 'Current Liabilities' by ₹ 302.72 crore each. Consequently 'Loss for the year' is also overstated by the same amount.</p> <p>3. Repair and Maintenance Expenses includes ₹ 176.05 crore being cost of energy internally consumed which has been wrongly booked as Repair and Maintenance expenses instead of Electricity Charges. This resulted in overstatement of Repair and Maintenance Expenses and understatement of Electricity Expenses by ₹ 176.05 crore each.</p>
7	Uttar Pradesh Electronics Corporation Limited	2017-18	The Empowered Committee constituted by the State Government approved (11 February 2019) increase in Dearness allowance (DA) rates from two <i>per cent</i> to four <i>per cent</i> for employees retrospectively w.e.f. 01 July 2016 and 01 January 2017. The Company accounts were approved by the Board of Directors on 02 May, 2019 <i>i.e.</i> after the approval of DA. However, provision for DA arrear as required as per Para 14 of AS 29 was not made in the accounts. This resulted in understatement of Employee Benefit Expense and Other Current Liabilities by ₹ 10.26 lakh each. Consequently, Profit is also overstated by ₹ 10.26 lakh.
8	Uttar Pradesh Development Systems Corporation Limited	2018-19	The company recognises Purchases and corresponding Revenue from Operations on back to back basis on acceptance of Goods and Services supplied by the vendors directly at the location of the customer. However, for Goods and Services amounting to ₹ 4.34 crore supplied during 2018-19 for which invoices were raised by June 2019 were not recognised in the accounts. This resulted in understatement of 'Purchases of Stock in Trade' and 'Revenue from Operations' by ₹ 4.34 crore each.
9	The Pradeshiya Industrial and Investment Corporation of U.P. Limited	2019-20	Other Income includes ₹ 2.14 crore receivable from Uttar Pradesh Financial Corporation (UPFC) against pro-rata share of 12 jointly financed cases. The aforesaid income pertains to previous years, hence, as per provision of Accounting Standard-5 same should have been shown under Prior Period Items in Profit and Loss Account. However, same is incorrectly shown under Other Income.

## 2. Comments on Financial position

Sl. No.	Name of the Company	Year of account	Comment
1.	Madhyanchal Vidyut Vitran Nigam Limited	2019-20	<p>1. Capital Work-in-Progress includes ₹ 2.11 crore related to APDRP scheme works. Since APDRP scheme works were completed in June 2008, non-capitalisation of the same has resulted in overstatement of Capital Work-in-Progress and understatement of Property, Plant and Equipment.</p> <p>2. Capital Work-in-Progress includes ₹ 1,182.79 crore pertaining to different works of SAUBHAGYA and RGGVY (10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> plan) schemes. As these works have already been completed till December 2018, the same should have been capitalised under the Property Plant and Equipment. This resulted in overstatement of Capital Work in Progress and understatement of Property, Plant and Equipment by ₹ 1,182.79 crore each.</p> <p>3. Capital Work-in-Progress includes ₹ 22.26 crore being cost of computer and printers procured for Headquarters. However, the same has not been capitalised. This resulted in overstatement of Capital Work in Progress and understatement of Property, Plant &amp; Equipment by ₹ 22.26 crore each.</p>
2.	Paschimanchal Vidyut Vitran Nigam Limited	2018-19	<p>1. Property Plant and Equipment includes interest of ₹ 114.27 crore on loans for projects under R-APDRP which has been incurred after completion (Closure reports were sent to Power Finance Corporation by March 2018) of all the projects under R-APDRP scheme. The Company capitalized the aforesaid interest instead of charging it as Expenditure. This resulted in overstatement of 'Property, Plant and Equipment' and understatement of 'Finance Cost' by ₹ 114.27 crore each. Consequently, 'Loss for the year' is also understated by ₹ 114.27 crore.</p> <p>2. The Statutory Auditors in their report under Emphasis of Matters commented that interest payable to Power Finance Corporation (PFC) amounting to ₹ 313.69 crore has been considered as contingent liability. The interest of ₹ 313.69 crore (₹ 64.27 crore for current year and ₹ 249.42 crore for previous year) was payable to PFC. The demand for payment for the interest is regularly being made by the PFC, however, no liability for the same has been provided in the accounts. This resulted in understatement of 'Current liabilities' by ₹ 313.69 crore, Finance Cost by ₹ 64.27 crore and 'Property, Plant and Equipment' by ₹ 249.42 crore. Consequently, 'Loss for the year' is also understated by ₹ 64.27 crore.</p>
3.	Dakshinanchal Vidyut Vitran Nigam Limited	2018-19	<p>1. Capital Work-in-Progress includes ₹ 3.87 crore related to APDRP works which were already completed in June 2008, but same were not capitalised. This resulted in overstatement of</p>

Sl. No.	Name of the Company	Year of account	Comment
			<p>'Capital Work-in-Progress' and understatement of Property, Plant and Equipment (Assets).</p> <p>2. The Private Tube Well (PTW) consumers are exempted from Electricity Duty (ED). However, the Company has accounted for ₹ 19.72 crore in 2017-18 as ED receivable from PTW consumers. This resulted in overstatement of 'Trade Receivables' as well as 'Other Current Liabilities' by ₹ 19.72 crore.</p>
4.	Shreetron India Limited	2019-20	Trade Receivable includes an amount of ₹ 2.31 crore receivable from Bharat Sanchar Nigam Limited (BSNL) which was pending for recovery since 2001. Hon'ble High Court of Delhi has given judgement (09 December 2016) in favour of BSNL and directed to release the amount deposited by BSNL in Court. The Company has decided to challenge this order in the Hon'ble Supreme Court and made Provision for Doubtful debts of ₹ 37 lakh only. The entire amount of ₹ 2.31 crore is doubtful for recovery after decision of Delhi High Court, but provision of just ₹ 37 lakh has been made in accounts. This resulted in overstatement of 'Profit' as well as 'Trade Receivable' by ₹ 1.94 crore each.
5.	U.P. Handicrafts Development and Marketing Corporation Limited	2008-09	The Company had a liability of ₹ 2.10 crore towards dues payable to M/s Aman Agency Lucknow (Agency) for sale of Handicraft and Handloom Goods in Gangotri Exhibition Centre, Mumbai pertaining to the period 1999-2000. As per the order passed by Hon'ble High Court on 8 May 2008, the Company was liable to pay the total dues of the Agency within 30 days. However, the Company has neither made provision against the amount payable to the Agency nor accounted for the same under Liabilities. This has resulted in understatement of Loss for the year and 'Current Liabilities' by ₹ 2.10 crore each.
6.	Noida Metro Rail Corporation Limited	2020-21	As per Note and Explanatory Note of Balance Sheet, the Company has obtained leasehold land worth ₹ 339.00 crore from Noida and Greater Noida Authority for a period of 90 years at a nominal lease rent of ₹ 1 per annum. As per the Registration Act, 1908 the lease of immovable property for a period exceeding one year is required to be registered, however, the Company did not register the lease and the resultant liability towards stamp duty and registration fees has not been provided for by the Company. This resulted in understatement of 'Other Current Assets' and 'Other Current Liabilities' by ₹ 27.12 crore.
7.	Uttar Pradesh Rajkiya Nirman Nigam Limited	2014-15	Trade Receivables include an amount of ₹ 3.99 crore inadmissible centage charged on Bought Out Items in the works of 'Dr. Shakuntala Mishra Rashtriya Punarvas Vishvvidyalaya, Lucknow' (executed by Unit-10A Lucknow) during 2009-10 to 2013-14. The above mentioned centage was not allowed by Government (client). Therefore, the same should have been written back in the accounts of 2014-15 which was not done. This has resulted in overstatement of Trade

Sl. No.	Name of the Company	Year of account	Comment
			Receivables, as well as Prior period Income by ₹ 3.99 crore each.
8.	Uttar Pradesh State Sugar Corporation Limited	2016-17	The Capital work in progress includes ₹ 29.67 crore being unadjusted interest bearing mobilisation advances. As unadjusted advances is to be adjusted against capital work to be carried out therefore it should have been shown as Loans and Advances. This resulted in overstatement of Capital Work-in-Progress and understatement of Loans and Advances by ₹ 29.67 crore each.

### 3. Comments on Disclosure

Sl. No.	Name of the Company	Year of Account	Comment
1	Madhyanchal Vidyut Vitran Nigam Limited	2018-19	As per Schedule III of Companies Act 2013, in case of Borrowings, additional disclosures relating to maturity/redemption or conversion date of bonds, repayment of term loans and other loans etc. are required to be disclosed. However, such disclosures were not included in the Financial Statements of the Company in respect of loans and bonds amounting to ₹ 11,775.60 crore.
2	Dakshinanchal Vidyut Vitran Nigam Limited	2018-19	As per Schedule III of Companies Act 2013, in case of Borrowings, additional disclosures relating to maturity/redemption or conversion date of bonds, repayment of term loans and other loans etc. are required to be disclosed. However, such disclosures were not included in the Financial Statements of the Company in respect of loans and bonds amounting to ₹ 16,987.02 crore.
3	Purvanchal Vidyut Vitran Nigam Limited	2019-20	As per Schedule III of Companies Act 2013, in case of Borrowings, additional disclosures relating to maturity/redemption or conversion date of bonds, repayment of term loans and other loans etc. are required to be disclosed. However, such disclosures were not included in the Financial Statements of the Company in respect of loans and bonds amounting to ₹ 13,692.82 crore.
4	Purvanchal Vidyut Vitran Nigam Limited	2018-19	As per Schedule III of Companies Act 2013, in case of Borrowings, additional disclosures relating to maturity/redemption or conversion date of bonds, repayment of term loans and other loans etc. are required to be given. However, such disclosures were not included in the Financial Statements of the Company in respect of loans and bonds amounting to ₹ 14,850.09 crore.
5	Jawaharpur Vidyut Utpadan Nigam Limited	2019-20	In compliance of General Instructions for preparation of Balance sheet (Schedule III of Companies Act 2013), the Company has not disclosed the information related to estimated amount (₹ 3,391 crore) of contracts remaining to be executed on capital account in the Notes to Accounts.
6	Uttar Pradesh Rajkiya Nirman Nigam Limited	2014-15	Company in its Notes to Accounts stated that in case of District Jail, Ambedkar Nagar (Work), the recovery of unadjusted advance of ₹ 673.73 lakhs against the contractor is under Arbitration. However, it did not disclose that the contractor

Sl. No.	Name of the Company	Year of Account	Comment
			had claimed ₹ 14.70 crore from the Company which is also under arbitration. Hence the 'Notes to Accounts' of the company is deficient to that extent.
7	Uttar Pradesh State Bridge Corporation Limited	2017-18	Notes to Accounts of the company do not include contingent liabilities of ₹ 146.49 crore against arbitrations cases pending for decision.
8	Uttar Pradesh Purva Sainik Kalyan Nigam Limited	2019-20	A case of embezzlement amounting to ₹ 9.54 crore by the staff of Finance Section and the Assistant General Manager of Varanasi Regional office during the period 2008-09 to 2019-20 has been reported. The case has been transferred to Economic Offence Wing for further investigation. This important fact has not been disclosed in the Notes to Accounts.
9	Uttar Pradesh Medical Supplies Corporation Limited	2018-19	As per Section 22 of Micro, Small and Medium Enterprises Act, 2006, the details of principal amount due and interest thereon due to MSME are required to be disclosed in the accounts. However, status of principal amount (₹ 35.84 crore) payable to MSME has been disclosed but interest accrued and due thereon, has not been disclosed.
10	Uttar Pradesh Schedule Caste Finance and Development Corporation Limited	2016-17	As per Notes to Accounts, the Company has allotted the share capital in the ratio of 51 <i>per cent</i> and 49 <i>per cent</i> to the State Government and the Central Government. However, out of total paid up capital amounting to ₹ 230.42 crore, ₹ 123.24 crore and ₹ 107.18 crore pertains to the State Government and Central Government respectively. Thus, the shareholding pattern of the State Government and Central Government is 53.48 <i>per cent</i> and 46.52 <i>per cent</i> respectively. Therefore, this disclosure is deficient to that extent.

#### 4. Comments on Statutory Auditor's Report

Sl. No.	Name of the Company	Year of account	Comment
1	Uttar Pradesh Power Transmission Corporation Limited	2020-21	The financial statements of the Company for the year 2020-21 were approved by Board of Directors and were certified by the Statutory Auditors before adoption of financial statements of the company for the year 2019-20 in Annual General Meeting. This fact was not disclosed by the Statutory Auditors in their Audit Report as required under Section 96 read with Section 129 (2) of the Companies Act, 2013 and point no. 4 of the 'Conditions for the Auditors' of appointment letter of auditors issued by CAG.
2	Uttar Pradesh Jal Vidyut Nigam Limited	2018-19	1. Report under section 143 (5) of the Companies Act, 2013 on the directions/ sub directions issued by the CAG was not submitted by the Statutory Auditors. 2. The financial statements of the Company for the year 2018-19 were approved by Board of Directors and were certified by the Statutory Auditors before adoption of financial statements of the company for the year 2017-18 in Annual General Meeting. This fact was not disclosed by the Statutory Auditors in their Audit Report.

Sl. No.	Name of the Company	Year of account	Comment
3	Uttar Pradesh Jal Vidyut Nigam Limited	2019-20	Disputed income tax dues pending as on 31 March 2020 has been reported as ₹ 45.29 crore in Annexure A to the Statutory Auditors' Report whereas the same has been reported as ₹ 54.40 crore in Notes to Accounts.
4	Jawaharpur Vidyut Utpadan Nigam Limited	2020-21	The financial statements of the Company for the year 2020-21 were approved by Board of Directors and were certified by the Statutory Auditors before adoption of financial statements of the Company for the year 2019-20 in Annual General Meeting. This fact was not disclosed by the Statutory Auditors in their Audit Report.
5	Uttar Pradesh Electronics Corporation Limited	2017-18	The financial statements of the Company for the year 2017-18 were approved by Board of Directors and were certified by the Statutory Auditors before adoption of financial statements of the Company for the year 2016-17 in Annual General Meeting. This fact was not disclosed by the Statutory Auditors in their Audit Report.
6	Uptron Powertronics Limited	2018-19	1. The Statutory Auditors in their Report reported under Key Audit Matters that Company has made provision for doubtful debts of ₹ 100 lakhs during the year ended on 31 March 2019. However, no such provision was made in accounts during the year. 2. Under 'Report on Other Legal and Regulatory Requirements' it is reported by Statuary Auditors that the amount of ₹ 9.91 crore is pending for disputed Statutory dues. However, the actual amount is of ₹ 20.69 crore.
7	Shreetron India Limited	2019-20	The financial statements of the Company for the year 2019-20 were approved by Board of Directors and were certified by the Statutory Auditors before adoption of financial statements of the company for the year 2018-19 in Annual General Meeting. This fact was not disclosed by the Statutory Auditors in their Audit Report as required under Section 96 read with Section 129 (2) of the Companies Act, 2013 and point no. 4 of the 'Conditions for the Auditors' of appointment letter of auditors issued by CAG.
8	U.P. State Yarn Company Limited	2020-21	Statutory Auditors in their report under basis of opinion stated that no provision has been made in respect of Short-Term Loan and advances amounting to ₹ 51.34 lakh pertaining to Banda and Rasra (Ballia) units. However, the impact of the same on accounts has not been commented.

**(B) Government controlled other Companies**

**1. Comments on Profitability**

Sl. No.	Name of the Company	Year of Account	Comment
1	Agra Smart City Limited	2019-20	The Other Income includes interest amounting to ₹ 58.16 lakh earned during the year on the unutilised grant received for Administrative & Other Expenses (A&OE) from GoI/GoUP. The Company instead of accounting for interest earned on the unutilised Government grant as Liability as per Para 230 (8) of General Financial Rules, 2017 and the GoUP order dated



Sl. No.	Name of the Company	Year of Account	Comment
			21 March 2012, booked the same as other income. This resulted in overstatement of Other Income and understatement of Other Current Liabilities by ₹ 58.16 lakh each. Consequently, Profit for the year was overstated by ₹ 58.16 lakh.

## 2. Comments on Financial position

Sl. No.	Name of the Company	Year of Account	Comment
1	Bareilly Smart City Limited	2019-20	The Government of India (GoI) under Smart City Mission sanctions Administrative & Operative Expenses (A&OE) Grant for meeting expenses of the Smart City Company from the stage of Smart City proposal to its daily operation and Project Grant for meeting Project Expenses. The Company accounted ₹ 52.23 crore as Project grant, ₹ 1.26 crore as Grant for pre-operative expenses and ₹ 3.31 crore as A&OE grant inclusive of interest earned on grant received from GoI as shareholder's funds instead of accounting the same under Current Liabilities. This resulted in overstatement of 'Shareholder's Funds' and understatement of 'Current Liabilities' by ₹ 56.80 crore each.
2	Saharanpur Smart City Limited	2020-21	The Government of India (GoI) under Smart City Mission sanctions Administrative & Operative Expenses (A&OE) Grant for meeting expenses of the Smart City Company from the stage of Smart City proposal to its daily operation and Project Grant for meeting Project Expenses. Further, the State Government is required to contribute matching grant as contributed by the GoI. The Company has accounted ₹ 129.27 crore as Government grant received from GoI and State Government inclusive of interest earned on the unutilised grant fund (Project grant: ₹ 100 crore, A&OE grant: ₹ 19 crore and Interest earned: ₹ 10.27 crore) under Reserve & Surplus instead of accounting the same under Current Liabilities. This resulted in overstatement of Reserves & Surplus and understatement of Current Liabilities by ₹ 129.27 crore each.
3	Aligarh Smart City Ltd.	2019-20	The Short term Provisions includes an amount of ₹ 20.81 crore being payment made to M/s Efkon India Private Limited and M/s ABM Knowledge Ware Limited against the work of Master System Integrator (MSI) for implementation of Integrated Command & Control Centre (ICCC) and E-Governance based Smart City solution at Aligarh. The said work is under progress, but shown as other Current Assets instead of Capital Work-in-Progress. Due to wrong classification, Other Current Assets is overstated by ₹ 20.81 crore and Capital Work-in-Progress is understated to the same extent.

### 3. Comments on Disclosure

Sl. No.	Name of the Company	Year of Account	Comment
1	Moradabad Smart City Limited	2019-20	As per Mission Statement Guidelines for smart cities issued by the Government of India (GoI) the State Government is required to contribute matching grant as contributed by GoI. Up to 2019-20 GoI released ₹ 60 crore as Grant in Aid for A&OE and Project expenditure against which Government of Uttar Pradesh has not released matching contribution. This material fact has not been disclosed in Notes to Accounts.
2	Noida International Airport Limited	2019-20	Clause 4 (C) of the MoU (dated 29 May 2018) amongst the parties (i.e. Government of Uttar Pradesh (GoUP), New Okhla Industrial Development Authority (NOIDA), Greater Noida Industrial Development Authority (GNIDA) and Yamuna Expressway Industrial Development Authority (YEIDA)) provides that the project development expenditure shall be reimbursed to these parties after formation of the JV Company or adjusted against the equity contribution of respective parties. The above entities incurred total project development expenditure (towards land acquisition) of ₹ 3,607.12 crore as on 31 March 2020. The Company has neither reimbursed the total expenditure incurred by the respective entities nor adjusted the same as equity contribution. This material fact has not been disclosed in the Notes to Accounts.

### 4. Comments on Statutory Auditor's Report

Sl. No.	Name of the Company	Year of account	Comment
1	Bareilly Smart City Limited	2019-20	Report under Section 143 (5) of the Companies Act, 2013 on the directions/ sub directions issued by the CAG was not submitted by the statutory auditors.

#### Statutory Corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of Statutory Corporations where the CAG is the Sole Auditor are detailed below:

#### 1. Uttar Pradesh Avas Evam Vikas Parishad (2018-19)

- Interest on Saving Bank/Flexi Accounts includes ₹ 8.59 crore being the interest earned by 18 field units of the Parishad on the funds provided by the Government for execution of deposit works and not credited to deposit account. This resulted in an overstatement of Income and Surplus and understatement of Current Liabilities by ₹ 8.59 crore each.
- Public Loans under Sundry Receivables includes ₹ 6.38 crore disbursed by the Parishad during 1984-1996 which was under investigation by Economic Offence Wing (EOW) of the State Government and in the Court. Recovery Certificates issued to the loanees were returned to the Parishad due to invalid addresses of the loanees. However, no provision has been made in the accounts. This resulted in understatement of

Provision for unrealised amount and overstatement of Sundry Receivables by ₹ 6.38 crore each. Consequently surplus is overstated by ₹ 6.38 crore.

## 2. Uttar Pradesh Avas Evam Vikas Parishad (2019-20)

- As per the provisions of the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam (Act), the State Government has power to direct the Parishad to undertake activities in furtherance of the objectives of the Act. However, there is no provision whereby the State Government can direct the Parishad to undertake expenditure on its behalf in Metro Rail Projects, other than sanctioning it through the Infrastructure Fund. The Parishad paid from its fund ₹ 145 crore and ₹ 324.91 crore to UP Metro Rail Corporation Limited (erstwhile Lucknow Metro Rail Corporation Limited) and Ghaziabad Development Authority (for metro project in Ghaziabad) respectively upto 2019-20 on the direction of the State Government, which was in violation of the provisions of the Act. The above expenditure was made from Parishad Fund instead of Infrastructure Fund. As such, Parishad Fund is understated and Infrastructure Fund is overstated by ₹ 469.91 crore each.
- CPF Fund/GIS includes an amount of ₹ 40.82 crore on account of Parishad's contribution to GPF with interest as on 31 March 2020. Since, Parishad has switched over to GPF after granting Pension facility to its employees, the Parishad's contribution should be credited to Pension Fund (yet to be created) instead of GPF Fund. It was noticed that no corresponding expenditure of employer's contribution was booked in the Income & Expenditure account. As such, GPF Fund is overstated, Pension Fund is understated and Expenditure (Contribution to Pension Fund) is understated by ₹ 40.82 crore. Consequently, Surplus is also overstated to that extent.
- As per Compilation of details of Fresh Offer & Allotments and Inventory the value of closing stock of Inventory/properties for Vrindavan Yojna and Awadh Vihar Yojna was ₹ 103.71 crore and ₹ 660.11 crore respectively. However, as per the records these were ₹ 1,355.08 crore and ₹ 989.68 crore respectively. Thus, figures of Inventory are being over reported by ₹ 1,580.94 crore.

## 3. Uttar Pradesh Forest Corporation (2020-21)

- The Forest Development Activities does not include ₹ 1.75 crore payable to the Tourism Department for organizing International Cycle Rally (ICR) from Etawah (Saifai) to Agra on 26 & 27 November 2016. Total budget allocation for ICR was ₹ 3.50 crore. As against total budget allocation of ₹ 3.50 crore, ₹ 1.75 crore was released to the Tourism Department by the Corporation while remaining amount of ₹ 1.75 crore was not released but liability for the same was not provided in the accounts. This resulted in understatement of Current Liabilities & Provision and overstatement of Profit by ₹ 1.75 crore.

**Non-compliance with provisions of Accounting Standards/Ind AS**

**3.6** In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Companies Act, 2013, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and amendments from time to time.

The Statutory Auditors reported that 24 companies as detailed in **Table 3.3** did not comply with mandatory Accounting Standards/Ind AS:

**Table 3.3: Details of Non-compliance with provisions of Accounting Standards/Ind AS commented by Statutory Auditors**

Sl. No.	Name of the Company	Year of Account	AS/Ind AS not followed
<b>A. Government Companies</b>			
1	Madhyanchal Vidyut Vitran Nigam Limited	2020-21	Ind AS 2 & Ind AS 16
		2021-22	Ind AS 1, Ind AS 2, Ind AS 16, Ind AS 19, Ind AS 20 & Ind AS 109,
2	Paschimanchal Vidyut Vitran Nigam Limited	2020-21	Ind AS 1, Ind AS 2, Ind AS 16, Ind AS 19, Ind AS 20, Ind AS 23, Ind AS 36, Ind AS 37 & Ind AS 109
		2021-22	Ind AS 1, Ind AS 2 Ind AS 16, Ind AS 19, Ind AS 20, Ind AS 23, Ind AS 36, Ind AS 37 & Ind AS 109
3	Dakshinanchal Vidyut Vitran Nigam Limited	2020-21	Ind AS 2, Ind AS 7, Ind AS 16, Ind AS 19, Ind AS 20, Ind AS 23, Ind AS 36, Ind AS 37, Ind AS 38, Ind AS 109 & Ind AS 115
		2021-22	Ind AS 115
4	Purvanchal Vidyut Vitran Nigam Limited	2020-21	Ind AS 2, Ind AS 36 & Ind AS 37
5	Kanpur Electricity Supply Company Limited	2020-21	Ind AS 2, Ind AS 16, Ind AS 19 & Ind AS 36,
		2021-22	Ind AS 2, Ind AS 16, Ind AS 19 & Ind AS 36,
6	Uttar Pradesh Power Corporation Limited	2020-21	Ind AS 1, Ind AS 16, Ind AS 19, Ind AS 36, Ind AS 109, Ind AS 115 & Ind AS 116
		2021-22	Ind AS 1, Ind AS 2, Ind AS 16, Ind AS 19, Ind AS 36, Ind AS 107 & Ind AS 109
7	Uttar Pradesh Power Transmission Corporation Limited	2020-21	Ind AS 1, Ind AS 2, Ind AS 16, Ind AS 19, Ind AS 20, Ind AS 36 Ind AS 109 & Ind AS 116
		2021-22	Ind AS 1, Ind AS 2, Ind AS 16, Ind AS 19, Ind AS 20, Ind AS 36, Ind AS 107, Ind AS 109 & Ind AS 116
8	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	2020-21	Ind AS 19
9	Uttar Pradesh Jal Vidyut Nigam Limited	2020-21	AS 2, AS 22 & AS 28
10	Shreetron India Limited	2020-21	AS 13 & AS 15
11	Uptron Powertronics Limited	2019-20	AS 5 & AS 10,
		2020-21	AS 2
12	U.P. Electronics Corporation Limited	2019-20	AS 13 & AS 15
13	Uttar Pradesh Metro Rail Corporation Limited	2020-21	Ind AS 21 & Ind AS 109

Sl. No.	Name of the Company	Year of Account	AS/Ind AS not followed
14	Uttar Pradesh Purva Sainik Kalyan Nigam Limited	2020-21	AS 15
15	Uttar Pradesh Small Industries Corporation	2011-12	AS 3, AS 15, AS 22 & AS 29
16	Uttar Pradesh Police Avas Nigam Limited	2019-20	AS 2, AS 7 & AS 29
17	Uttar Pradesh Scheduled Caste Financial And Development Corporation Limited	2016-17	AS 1, AS 3, AS 5 & AS 29
18	Uttar Pradesh Handicrafts Development & Marketing Corporation Limited	2008-09	AS 2, AS 12, AS 15, AS 22 & AS 29
19	Uttar Pradesh State Sugar Corporation Limited	2016-17	Ind AS 1, Ind AS 2, Ind AS 10, Ind AS 12, Ind AS 19, Ind AS 24, Ind AS 27, Ind AS 36, Ind AS 105 & Ind AS 112
20	Chhata Sugar Company Limited	2017-18	AS-15 & AS-28
<b>B. Government controlled other Companies</b>			
1	Bareilly Smart City Limited	2019-20	AS 12
2	Saharanpur Smart City Limited	2020-21	AS 3 & AS 10
3	Jhansi Smart City Limited	2019-20	AS 12
4	Moradabad Smart City Limited	2020-21	Ind AS 20

During the course of supplementary audit, the CAG observed that the following Companies had also not complied with the Accounting Standards/Ind AS, which was not reported by their statutory auditors as detailed in **Table 3.4**.

**Table 3.4: Details of Non-compliance with provisions of Accounting Standards/Ind AS commented by CAG**

Accounting Standard/ Ind AS	Name of the Company	Year of Account	Deviation
AS-3 Cash Flow Statements	Shretron India Limited	2019-20	The cash and cash equivalent includes ₹ 36.42 lakh which is pledged by the Company against the Performance Security/Bank Guarantee in two Departments. Hence, the said amount was not available for use by the company. This fact has not been disclosed with a commentary by the management in Cash Flow Statement as required under AS.
AS-12 Government Grants	Uttar Pradesh Medical Supplies Corporation Limited	2018-19	The Company received Government grant of ₹ 390.46 crore for procurement of drugs and medical equipment. However, Accounting policy for the receipt and utilization of Government grants has not been adopted as per requirements of the Accounting Standard.
AS-18 Related Party Disclosures	Uttar Pradesh Jal Vidyut Nigam Limited	2018-19	The financial statements of the Company do not disclose the name and remuneration paid to key management personnel, i.e. Company Secretary and Chief

Accounting Standard/ Ind AS	Name of the Company	Year of Account	Deviation
			Finance Officer as required under AS.
<b>Ind AS-7</b>	Cash Flow Statements Dakshinanchal Vidyut Vitran Nigam Limited	2018-19	An amount of ₹ 1.13 crore has been submitted by the Company as security in Court. The same was not available for use by the Company. This fact has not been disclosed in Cash Flow Statement as per requirement of Ind AS.
<b>Ind AS-8</b>	Accounting Policies, Changes in Accounting Estimates and Errors Purvanchal Vidyut Vitran Nigam Limited	2018-19	1. The Finance Costs includes ₹ 22.73 crore on account of interest on loan taken from Power Finance Corporation Limited (PFC) relating to previous financial year. However same was not accounted for as required under Ind AS which resulted into overstatement of Finance Cost and Loss for the year. 2. The Company reduced other income by ₹ 5.95 crore on account of adjustment of wrong accountal of interest earned during previous financial year on unutilised funds of Government of India (Gol) sponsored Schemes instead of restating the comparative amount for the prior period presented in which error occurred as required under Ind AS. This resulted into overstatement of Loss for the year and understatement of other income.
<b>Ind AS-10</b>	Events after the Reporting Period Jawaharpur Vidyut Utpadan Nigam Limited	2019-20	Notes to Accounts do not disclose the date and approving authority for issue of the financial statements as required under Ind AS.
	UCM Coal Company Limited	2019-20	Notes to Accounts do not disclose the date and approving authority for issue of the financial statements as required under Ind AS.
<b>Ind AS 23</b>	Borrowing Cost Madhyanchal Vidyut Vitran Nigam Limited	2018-19	The interest after completion of works included in Capital Work in Progress instead of statement of Profit and Loss in violation of the provisions of Ind AS.
	Dakshinanchal Vidyut Vitran Nigam Limited	2018-19	1. The Company has capitalised interest of ₹ 89.19 crore on completed assets instead of booking as revenue expenditure under finance cost as required under Ind AS. 2. The Finance cost includes interest of ₹ 4.42 crore on loan

Accounting Standard/ Ind AS	Name of the Company	Year of Account	Deviation
			related to incomplet work under scheme of the GoI in violation of provision of Ind AS.

### Management Letters

3.7 One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSUs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial statements or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. During the year, CAG issued 'Management Letters' to PSUs as detailed in **Table 3.5**.

**Table 3.5: Details of PSUs to whom Management Letters issued**

Sl. No.	Name of the Company	Year of Account
<b>A. Government Companies</b>		
1	Paschimanchal Vidyut Vitran Nigam Limited	2018-19
2	Purvanchal Vidyut Vitran Nigam Limited	2018-19
3	Madhyanchal Vidyut Vitran Nigam Limited	2018-19
4	Uttar Pradesh Power Transmission Corporation Limited	2020-21
5	Uttar Pradesh Jal Vidyut Nigam Limited	2018-19
6	Jawaharpur Vidyut Utpadan Nigam Limited	2019-20 & 2020-21
7	Uttar Pradesh Development System Corporation Limited	2018-19
8	Shreetron India Limited	2019-20
9	Uptron Powertronics Limited	2019-20
10	Uttar Pradesh Police Avas Nigam Limited	2019-20
11	Uttar Pradesh State Bridge Corporation Limited	2017-18
12	Uttar Pradesh State Sugar Nigam Limited	2016-17
13	Uttar Pradesh Rajkiya Nirman Nigam Limited	2014-15
14	Uttar Pradesh State Spinning Company Limited	2018-19
15	Uttar Pradesh State Yarn Company Limited	2020-21
16	Uttar Pradesh State Textile Corporation Limited	2018-19 & 2019-20
17	Noida Metro Rail Corporation Limited	2020-21 & 2021-22
18	Uttar Pradesh Handicraft Development and Marketing Corporation Limited	2008-09
19	Uttar Pradesh Medical Supplies Corporation Limited	2018-19
20	Uttar Pradesh Purva Sainik Kalyan Nigam Limited	2019-20 & 2020-21
21	The Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited	2019-20
<b>B. Government controlled other Companies</b>		
1	Prayagraj Smart City Limited	2018-19 & 2019-20
2	Varanasi Smart City Limited	2020-21
3	Lucknow Smart City Limited	2017-18 & 2018-19
4	DMIC Integrated Industrial Township Greater Noida Limited	2020-21
5	Noida International Airport Limited	2018-19 & 2019-20
<b>C. Statutory Corporations</b>		
1	Uttar Pradesh Forest Corporation	2019-20 & 2020-21
2	Uttar Pradesh Avas Evam Vikas Parishad	2018-19 & 2019-20

The deficiencies generally related to

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit observations that could have minor effect on the financial statements and
- inadequate disclosure or non-disclosure of certain information on which management of the concerned PSUs gave assurances that corrective action would be taken in the subsequent year.

### **3.8 Conclusion**

**Out of 72 functional PSUs, only 11 PSUs had submitted their annual accounts for the year 2021-22 and remaining 61 PSUs had arrears of 308 accounts. Out of 42 non-functional PSUs, 40 PSUs had arrears of 698 accounts. GoUP had provided 8,610.52 crore (Equity: ₹ 3,467.07 crore, Loan: ₹ 1,187.47 crore, Grant ₹ 3,547.47 crore and Subsidies: ₹ 413.51 crore) to 38 State PSUs during the period in which their accounts were in arrears.**

### **3.9 Recommendation**

*The respective Administrative Department of the PSUs should strictly monitor and issue necessary directions to liquidate the arrears in their accounts and take necessary steps to resolve the constraints in preparing the accounts of the PSUs.*