PREFACE

This is the revised edition 2018 of the Manual of Commercial Audit. It contains (in Chapters I to VI) basic instructions of the Comptroller and Auditor General of India in relation to Commercial Audit Procedures, as updated. The broad principles that should be followed in conduct of audit in any commercial organisation and special points which are important for audit of particular type of organisation have in incorporated in the chapters of this Manual. The recent circulars/ guidelines/instructions of the Comptroller and Auditor General of India have also been incorporated in the manual.

The release of this revised edition 2018 of the Manual of Commercial Audit is the result of structured and diligent process of internal consultation at various levels.

Sd/-

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30.10.2018

Contents

SECTION-I

CHAPTER-I

INTRODUCTION

1.1 MANDATE

1.1.1 Basic authority for audit

The powers of the Comptroller and Auditor General of India (C&AG) are derived from the provisions of the Articles 149 to 151 of the Constitution of India. The CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 (Act No. 56 of 1971) was passed in 1971 (amended in 1976, 1984 and 1987) under Articles 148(3) and 149 of the Constitution to regulate the duties, powers and conditions of service of the CAG. The mandate of CAG for systems Audit is governed under sections 13, 14, 16, 17, 18, 19 and 20 as the case may be, read with section 23 of this Act.

Section 23 of the Act authorised the CAG to make regulations for carrying into effect the provisions of the Act in so far as they relate to the scope and extent of audit including lying down for the guidance of the Government Departments the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure. In pursuance to this Section, the Regulations on Audit and Accounts, 2007 have been framed and notified in the Gazette of India on 20 November 2007. These regulations apply to the officers and staff of the Indian Audit and Accounts Department and all ministries and departments of the Union Government, State Government and Union Territory Governments as well as bodies, authorities and enterprises, to which the audit or accounts jurisdiction of the CAG extend.

No law of a State Legislature can cast any duties or confer any power on the CAG or his representatives. Likewise, the duties and powers of the CAG prescribed by law made by Parliament cannot be superseded or abridged by or under any law made by any State Legislature.

1.1.2 Role of the CAG in regard to audit

CAG is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. It is the duty of the CAG to audit receipts and expenditure of the Union and each State and the Union Territory Governments. The audit reports of the CAG are placed before the Parliament or the Legislature of the State or the Union Territory, as the case may be.

The duties of the CAG also extend to audit of Government Companies and corporations and bodies and authorities in accordance with the laws made by the legislature and rules made thereunder.

1.1.3 Broad objectives of audit

The broad objectives of audit are to ensure legality, regularity, economy, efficiency and effectiveness of financial management and public administration mainly through assessment as to:

(1) Whether the financial statements are properly prepared, are complete in all respects and are presented with adequate disclosures (financial audit);

(2) whether the provisions of the Constitution, the applicable laws, rules and regulations made thereunder and various orders and instructions issued by competent authority are being complied with (compliance audit); and

(3) the extent to which an activity, programme or organisation operates economically, efficiently and effectively (performance audit).

1.1.4 Authority of CAG in regard to audit

Under Section 18 read with Section 2(e) of the Act, the Comptroller and Auditor General has the authority:

(a) to inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a legislative assembly;

(b) to require that any accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and

(c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.

The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

1.1.5 Power to dispense with detail audit

Under Section 24 of the Act, the Comptroller and Auditor General may, when circumstances so warrant, dispense with any part of detailed audit of any accounts or class of transactions and apply such limited check in relation to such accounts or transactions as he may determine.

1.2 AUDIT OF GOVERNMENT COMMERCIAL UNDERTAKINGS

1.2.1 Mandate of CAG in regard to audit of Government companies

The Section 19(1) of the CAG's (DPC), Act 1971 provides that the audit of the accounts of Government companies shall be performed and exercised in accordance with the provisions of Section 619 of the Companies Act, 1956.

The accounts certified by the Chartered Accountants appointed by the CAG under Section 619(2) the Companies Act, 1956 are subjected to supplementary or test audit under Section 619(3) (b) the Companies Act, 1956 by the CAG of India. The Section 619(3) (a) of the Companies Act, 1956 empowers the CAG to issue directions to the Chartered Accountants on the manner in which the Company's accounts shall be audited. The CAG gives his comments or supplements the report of the Chartered Accountants under Section 619(4) the Companies Act, 1956.

1.2.2 Audit of corporations set up by or under law made by parliament

The Section 19(2) of the CAG's DPC, Act 1971 provides that the CAG in relation to the audit of the accounts of Corporation established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

1.2.2 Audit of State corporations and other bodies entrusted to CAG

Section 19(3) of the Act ibid provides that the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

1.3 GUIDING PRINCIPLES IN AUDIT OF PUBLIC SECTOR UNDERTAKINGS

The guiding principles for public Sector Undertakings (PSU) is "Efficiency cum Performance Audit" rather than verifying regularity of expenditure against sanctions or appropriations. The main object of audit is to see how far the auditee organisation has achieved the objectives for which it has been established and whether the operations are being carried on efficiently with due regard to the economy. In this process, audit has to appraise the soundness or otherwise of various decisions of the management, in regard to the construction and operation of undertakings. By its very nature, it is not and cannot be a purely financial audit.

(CAG's letter No. 626/CA IV/8, dated 25. 11. 1969)

The auditee units coming kinder the audit control of Commercial Audit wing have generally an organised financial accounting system. In Government companies as well as in some statutory corporations, the accounts are audited by the statutory auditors. In such undertakings commercial audit wing may not cover the same field as covered by the internal auditors or statutory auditors and may be limited to some percentage of audit checks on various types of transactions.

The routine checks are exercised by the Accounts and Internal Audit wing of the undertakings. However, it has to be seen that internal audit adequately covers the entire field of operations that is functioning effectively, that its reports are properly considered at appropriate level and that necessary action is taken on them. In such cases of routine audit, if it is taken up at all, will be of negligible quantum and the main purpose in such cases would be to see how far internal check operates effectively. Audit in this regard should be confined to efficiency-cum-propriety audit, the broad principles of which have been laid down in Manual of Standing Orders (Audit).

These apart, the statutory auditors are required to submit a special report, on completion of their audit of a Government Company, on the various points, covered by the directions of the CAG issued to them. The report not only gives information on various matters but also secures that the statutory auditors have discharged their functions well and with reasonable degree of efficiency. In view of this, there is no necessity to cover the entire field again particularly on application of routine audit checks.

The annual accounts of these concerns (particularly Balance Sheet, Profit and Loss Accounts and subsidiary schedules) are certified by the statutory auditors. Since the routine check have already been exercised by the internal auditor/statutory auditors, it is not necessary that similar checks should be exercised by our audit. However, while certifying the correctness of annual accounts, certain checks will have to be conducted. It will be necessary to see that annual accounts have been properly drawn up on the basis of records, already checked.

(CAG's letter No. 2l6/CA/6l-1965, dated 02.02.1966)

Commercial Audit Wing performs its audit functions in harmony with the Auditing Standards promulgated by the CAG, which are consistent with the International Organisation of Supreme Audit Institutions (INTOSAI) Auditing Standards. CAG's Auditing Standards 4.9 in chapter I (corresponding INTOSAI Auditing Standards 1.0.38) defines the scope of audit as under:

The term 'Audit' includes financial audit, regularity audit and performance audit. It further adds that in pursuance of the constitutional responsibility, the CAG is empowered to decide the nature, scope, extent, and quantum of audit to be conducted by him or on his behalf.

Further, the objectives of audit of accounts or audit of receipts & expenditure of Government Companies/Bodies and authorities under Sections 14, 19 and 20 of the Act are three-fold. The first is to check that transactions comply with relevant laws, rules and regulations, (Compliance Audit), the second is concerned with the certification of annual accounts (Financial Audit), and third is to conduct Performance audit to assess economy, efficiency and effectiveness of various activities/programmes undertaken by these

Government Companies/Bodies and authorities (Performance Audit). The scope of audit under all these Sections can cover all these objectives depending on the facts of each case. In practice, however, the certification of annual accounts is undertaken only under the provisions of Sections 19 and 20.

(C A G's Manual of Instructions for Audit of Autonomous Bodies)

1.3.1 Supplementary Audit:

- Duly adopted and audited accounts to be made available to Audit

The company shall make available the balance sheet and the profit and loss account and any other statements or documents declared under the Companies Act, 1956 to be part of or annexed to the balance sheet and the profit and loss account (called annual accounts) duly adopted by the board of directors and audited by the statutory auditor to the PAG within three months after the close of the year of accounts for timely finalisation and issue of comments of the CAG, and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 1956.

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the CAG is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and a deemed Government company by the CAG shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company. The supplementary audit of the Companies and Corporations is conducted mainly by reference to the Accounting Standards and Auditing & Assurance Standards issued by the Institute of the Chartered Accountants of India. In any area where standards are still to be put out by the Institute of Chartered Accountants of India (ICAI), the International Accounting Standards are adopted as guidelines. Further, if the accounts of the Company certified by the Statutory Auditor, have misrepresented any fact or overlooked any material fact, they are commented upon by CAG's Audit. The supplementary audit is aimed at ensuring that the accounts represent a "true and fair view" of the financial position of the Company and are in conformity with the provisions of the Companies Act. The significant and material observations made in supplementary audit shall be issued as comments of the CAG under the Companies Act, 1956 after due consideration of the views, if any, of the statutory auditor and the management of the company. The comments on the Accounts are required to be placed before the Annual General Meeting of the Company.

(Regulations on Audit and Accounts, 2007, Chapter 9)

1.3.2 Certification of accounts of autonomous bodies set up by or under law made by Parliament and Audit of State Corporations and other bodies and authorities entrusted to the C&AG

Provisions relating to audit of Statutory Corporations, Autonomous Bodies and Authorities are contained in Sections 14, 19(2), 19(3) and 20 of the CAG's DPC Act, 1971. The certification of accounts is "the independent examination of and expression of an opinion on the financial statements of an entity by an appointed auditor in pursuance of the terms of appointment and in compliance with statutory obligation"

Applicable standards and verifications required in audit of accounts

Where the CAG is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the CAG. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts

1. comply with the requirements of the applicable law(s), rules and administrative instructions;
2. comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;
3. contain adequate disclosures in respect of financial transactions; and
4. present a true and fair view of the corporation's financial position.

On the completion of financial audit the PAG (after approval of the CAG of India) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the Chief Executive Officer of the corporation after completion of accounts audit. The separate audit report and audit certificate on the accounts are required to be placed in the Assembly.

(Regulations on Audit and Accounts, 2007, Chapter 8)

1.3.3 Compliance Audit: Scope of test audit by the C&AG

In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the CAG may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.

(Regulations on Audit and Accounts, 2007, Regulation 136 of Chapter 9.)

It also covers audit against Waste and Value for Money (VFM) audit. The audit includes examination of transactions in sales, purchases, contracts, pricing, costing, material management, outstanding dues, inadequacies in control systems, comparison of performance with standards of performance laid down, improper decisions leading to waste, internal audit, productivity, financial and physical performance, attention to environmental problems, energy conservation, capacity utilisation, investment decisions, project implementation etc. Audit is not limited to financial (vouching) or compliance (regularity) audit. The scope and extent of audit is determined by the PAG (Audit), Odisha as per Manual of Standing Orders (Audit) issued by the C&AG.

1.3.4 Reporting and Follow Up:

The Audit Reports (Commercial) of the CAG, Government of Odisha are presented to the Legislative Assembly. Such reports include four Chapters on 'Overview of Government Companies and Corporation', 'Reviews relating to Government Companies', 'Reviews relating to Statutory Corporations' and 'Compliance Audit Observations'.

The Reports are examined selectively by the Committee on Public Undertakings (COPU), which is a committee of Legislative Assembly. The committee is assisted by the C&AG and / or his officers. The committee takes evidences and witnesses from Management and / or Department. It calls for Action Taken Note (ATN) from the Department and/ or Management of the Undertaking in addition to or without taking evidence, as it considers necessary. Its findings and recommendations are presented to the Legislative Assembly and are generally accepted and acted upon by the Government. The vetted documents of ATN on all the actionable points in the audit report are watched by the Commercial Audit Wing, those are examined and accepted if adequate remedial measures have been taken by the Government.

1.3.5 Authority of the C&AG to dispense with supplementary audit

The CAG may, at his discretion, dispense with supplementary audit of the accounts of a company for any particular year.

1.3.6 Preliminary audit compliance

Before taking up the detailed checking of different items of Balance Sheet and Profit and Loss Account it is to be seen:

Whether previous year's accounts along with the Auditors' Report and C&AG's comments thereon are adopted by the members in the Annual General Meeting prior to approval and authentication of current year's accounts.

Whether the accounts are approved by the Board of Directors and authenticated by the directors, as required under Section 215 of the Companies Act, 1956.

1.4 SPECIAL AUDIT

1.4.1 Request for special audit

(1) The CAG or any officer so authorised shall give due consideration to a request for special audit of a programme, project or organisation within the audit jurisdiction provided that every such request:

(a) Is made with the approval of the Secretary to Government of the concerned department;

(b) Shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and

(c) Specify the period to be covered in the special audit.

(2) The decision of the CAG or any officer so authorised in regard to the special audit shall be final.

(Regulations on Audit and Accounts, 2007, Regulation No l7 of Chapter 3)

Sometime the PAG may receive requests from the State Government or Management of the Government companies/Corporation to undertake special audit. The following principles may be followed in such cases:

State Government Companies

In terms of Section 233A of the Companies Act, 1956 where the Central Government is of opinion (a) that the affairs of the Company are not being managed in accordance with sound business principles or prudent commercial practices; or (b) that any company is being managed in a manner likely to cause serious injury or damage to the interest of trade, industry or business to which it pertains; or (c) that the financial position of any company is such as to endanger its solvency; the Central Government at any time by order direct that a special audit of the company's accounts for such period or periods as may be specified in the order, shall be conducted. However, audit in depth of the transactions can be conducted under Section 619(3) (b) of the Companies Act, 1956. In the course of the audit, it should be possible to cover any particular transaction referred to by respective Government or the management of the company for special audit. Normally request for special audit as such need not be entertained. If such request is received and pressed for, it should be examined on the merits and proposals for conducting audit in depth of the concerned company under section 619(3)(b) of the Companies Act, be referred to CAG for clearance and approval.

Statutory Corporations

The position varies from corporation to corporation. In certain corporations, audit by CAG is supplementary to the audit conducted by the statutory auditors, while in others, CAG is the sole auditor. The requests, if any, for special audit relating to corporations are required to be examined with reference to provisions contained in the relevant Acts and after taking into account other relevant factors. In each case, CAG will be approached for prior approval with recommendations of A.G.

(CAG's letter no. 119/CA-IV/Tech/l-80, dt. 25.01.1980)

Section-II

Chapter-I

1.1 An overview of Economic Sector Wing:-

The Economic Sector Wing is mainly divided into two groups i.e. Economic Sector-I and Economic Sector-II.

Economic Sector-II office situated at Puri and functioning separately from ES-I group.

The Economic Sector Wing-I of Office of the Pr. Accountant General (Economic & Revenue Sector Audit), Odisha, Bhubaneswar has been constituted mainly to conduct audit of Government Commercial Enterprises, Statutory Corporations / Boards formed under separate Acts of Legislature and Supplementary Audit of Government Enterprises under section 139 (5) & (7) of the Companies Act 2013 and to review and comment upon the published annual accounts of concerns in which Government hold investments.

1.2 Group Function of Economic Sector –I:-

The Commercial Audit wing (CAD) now ES-I is under the supervisory charge of a Group Officer (i.e. Deputy Accountant General) who is assisted by five Sr. Audit Officers and six Assistant audit Officers besides a number of officers and staff in the field.

1.3 Man power:-

The present sanctioned strength of this wing is as follows:-

Sl No		(As on 31st January 2018)			
		SAOs/AOs	AAOs	Auditors	Clerks
1	Coordination & Vetting-II	2	1	8	0
2	Vetting-I	1	1	5	0
3	Inspection Parties	10	8	7	0
4	ES-I Technical	1	2	5	0
5	Report Section	1	2	1	0
	Total	15	14	26	0

1.4 Headquarters:-

The ES-I group is divided into five sections. The five different sections at Headquarters and headed by five Asst. Audit Officers are under five Branch Officers as under:

1. Co-ordination, 2. Vetting-I, 3. Vetting II, 4. Report (Coml.) and 5. Technical,

The functions of these sections are indicated below:

1.4.1 Coordination Section:-

This is the controlling section. The duties of this section are inter-alia the following:-

- Maintenance of list of Government Commercial or Quasi-Commercial undertakings, Government Companies, Companies attracting provisions under section 139 (5) & (7) of the Companies Act 2013 as amended, statutory & autonomous bodies, state and central which are audited by the Commercial Audit wing.
- Preparation of tour programme of parties and reviewing officers in such a way as to cover, as far as practicable, all the items included in the annual audit plan and to make available supervision of the audits on the last working day, as far as practicable.
- Watching the receipt of tour diaries, T.A. bills, scrutinizes the tour diaries with reference to the approved tour programme, maintenance of leave accounts and processing of tour advances with reference to tour programme.
- Watching the receipt of Inspection Reports and distribution thereof to concerned Sections including Maintenance of Progress Register of Audits.
- Issue of general nature correspondences and circulars etc.
- Keeping liaison with all field parties.
- Matters relating to posting of field personnel.
- Maintenance of ES-I library.
- Consolidation of progress reports of ES-I as a whole.

- Preparation of Annual programme for in-house training and organise in-house training for the wing, correspondence on RTI and selection of participants, organising training (theoretical) for SAS Part I & II Candidates

- Preparation and submission of contribution of paras by party personnel, half-yearly returns on rotation of commercial .AAOs/AOs/Sr. AOs among different offices.

- Annual Return on Ranking of the Performance of Audit Offices.

- Preparation of Corporate Plan including identification of items selected for biennial/triennial audit to be sent to Headquarters Office by January of every year.

[Hdqrs. letter No.491/CA II/Coordn./Corporate Plan/Major Parameters/123-2002 dated 26.05.2003]

- Preparation of MIS returns to be sent to Headquarters Office by 15th of the month following the end of each quarter. {Headquarters vide letter no. 191/CA-II/Coordn./Rationalisation/Returns/38-2009 dated 06.04.2009 has introduced MIS return to be sent quarterly and has replaced nine returns *viz*. (i) settlement of old outstanding IRs/paras, (ii) reconcialiation of figures between audit report and finance accounts, (iii) target and achievement of audit plan, (iv) Group officers field supervision, (v) monthly organizational ch/SOs, (vii) high value contracts, (viii) audit of fraud and corruption and (ix) performance report, (xxi) Maintain audit profile and risk assessment data of auditees.

While finalising the targets for 2008-09 Headquarters office directed (Circular No.335-CA-II/Coordn./AP-08-09/2-2008 dtd.24.09.2008) to adopt '*Risk Based Approach'* for planning Performance Audit included in the Corporate Plan. On the basis of risk analysis to be done in the methodology prescribed, a topic is to be proposed to Headquarters along with brief write of on the auditees objectives, finances, likely areas for audit examination and likely value addition (Source: 431/CA-II/Co-ordn./AP-08-09/28-2008 dtd.19.11.2008)

1.4.2 Vetting –I:-

The duties of this section are inter-alia the following:-

- Scrutiny of draft inspection report of F&ARD, SDTE, Energy and MSME. And autonomous bodies and all connected work done by Vetting section.

- Review of outstanding paras of old inspection reports relating to autonomous bodies/departmental undertakings and issuing half yearly Statements to the Administrative Departments/Heads of Offices. Utmost importance should be given for pursuance and clearance of objections.

- Furnishing information relating to Government Companies to ES-I Technical Section for preparation of synoptic Statement for the Audit Report.

- Sending of extracts of important points noticed in local audit with relevant keys as submitted by the audit party to ES-I (Co-ordination) Section for preparation of draft note.

- Obtaining of Agenda, Memorandum and the minutes of Board of Directors meetings of the Companies for scrutiny at Headquarters/ maintenance of Special Point Register
- Maintenance of Contract Register

- Coordinating with Management and Departments for arranging TC meetings for settlement of old outstanding paras.

- Settlement of IR Paras pertaining to period upto 2003-04 in the manner prescribed in Headquarters letter No. 254-CA-II/Co.ord./Instrucntion/2—8-09/82-2005/Vol-II dated 15.5.2009.

1.4.3 Vetting-II:-

It is formed under Coordination section. Vetting of Draft inspection report, ranking/grading of IR and Scrutiny of draft audit report of Industries dept., Handloom Textile and Handicraft dept. and Tourism dept. alongwith the functions same as Vetting I section.

1.4.4 Report Section:-

Report Section is now with two Asst. Audit Officer and one Senior Auditor/Auditor under the supervision of an Audit Officer/ Sr. Audit Officer. The section is under the direct control of the Dy. Accountant General (E&RSA). The first Audit Report – Commercial i.e. The Report of the Comptroller & Auditor General of India for the year 1972-73 (Commercial) Government of Orissa was published during 1974.

The main functions of the Section are to examine the Draft notes/Reviews with reference to the key documents etc. received from ES-I wing and modify/ revise the material wherever necessary and finalise the draft reports in different stage for submission to Headquarters office for approval of the Comptroller & Auditor General of India. Besides the above works, matters relating to printing of Audit Reports, discussion of Audit Reports by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC), furnishing monthly, quarterly and annual returns to Headquarters/ Government etc. are also dealt with in this Section. Instructions/guidelines contained in the Manual of Report Section (Civil) will apply mutatis mutandis in respect of the following matters and other works connected therewith.

Duties and responsibilities of Report Section;

- Processing of material for the Audit Report (commercial), procedure for dealing with the comments of Comptroller & Auditor General of India, Preparation of overview, Highlights, Dropping of approved paras, signature/counter-signature of Accounts General Comptroller & Auditor General of India in the Printed Audit Report;
- Printing of Audit Report (Commercial) as per instruction of Headquarters from time to time. The latest instruction received is under Headquarters DO. Letter No.667 CA-II/48-99 KW-II Dated 1.9.99, No.864-CA-II/118/94 Dated 9.12.99, and general circular No.1 of 2000 No.67-…….(5)/90-99 dated 25 January 2000, 04-rep(s)/3-98 dt.11.01.01, 72/CA II/398-99 dt 18-0101, Hdqrs. letter No.928/Rep(S)/3-98 dated 10.07.2000, Hdqrs. letter No.483/Rep(S)/89/88 dated 07.05.1990, Hdqrs. letter No.666/CA II/398-99 dated 02.08.2000.
- Procedure for consideration of the report presented to the Legislature;
- Attending the meetings of PAC/COPU;
- Delay in considering the reports by the PAC/COPU;
- Preparation of Memo of Important points of the PAC/COPU;
- Examination of the reply furnished by Government to PAC/COPU;
- Matters relating to the recommendations of PAC/COPU and
- Procedure to be followed by the Executive Government in dealing with the reports of PAC/COPU.

Certain important orders/instructions issued by the Comptroller & Auditor General of India in regard to preparation of Audit Report (Commercial) are brought out in **Chapter –IV.**

1.4.5 Technical Section:-

- A separate Technical Section was formed in ES-I group entrusted with the following items of work.
- Expeditious finalisation of comments under Section 139 (5) of the Companies Act 2013. Selection procedure of accounts and sending copy of auditors report to HQ.
- Initiation of appointment of Statutory Auditors to the Government Companies
- Watching the submission of reports under section 139 (4) of the Companies Act 2013 by the Statutory Auditors
- To keep constant vigil and liaison with Management and Statutory Auditors of various Government Companies as regards to finalisation of audit/completion of accounts.
- Arranging tripartite meetings between management/Statutory Auditors and the Accountant General.
- Preparing the Epitome of important comments and circulating among other States. Circulating among commercial staff Epitome of important comments received from other States. (Source: Prospective plan)
- Finalisation of accounts of Statutory Corporations i.e., OSFC, OSWC and OSRTC e.t.c. and issue of SARs
- Watching the placement of Annual Report in OLA and sending the Annual Reports to HQ.
- Updation and collection of information relating to Guarantee given by State Government to various companies/statutory bodies and furnishing information to the Report (Coml.) Section for inclusion in Chapter-I, Annexure-III of Audit Report (Coml.).
- Preparing the Chapter-I for the Commercial Report.

1.5 Recovery of Audit fee:-

Under the jurisdiction of ES-I, audit fees are realisable from the Regulatory body such as OERC only. An amount of ₹ 83,265was collected during 2017-18 for financial audit (₹ 47,580) and compliance audit (₹ 35,685).

In respect of the Departmental Undertakings the amount of audit fee is calculated with reference to the instructions of the Comptroller & Auditor General and at the rates prescribed from time to time and intimated to the Undertakings for incorporation. The account is shown as a notional items in the revenue account but is not recoverable from the undertaking concerned. The cumulative amount of audit fee is shown as “un-discharged liability for Audit Fee” in the Balance Sheet of the Proforma Accounts.

As on 1.7.2005 the calculation of Audit fee is computed with reference to the following rates

Assistant Audit Officer	2140
Section Officer	1900
Senior Auditor	1610
Auditor	1280

- Gist of instructions of the Comptroller & Auditor General of India regarding calculation of Audit fee are as follows:-

Copies regarding fixation of audit fee need not be sent to the Headquarters Office. However, there is no change in the formula for working out the rates of audit fees already communicated from time to time and the accuracy of the daily rates of audit fee so calculated should continue to be checked by Internal Audit Section or Co-ordination section of the concerned office independently before the rates are approved by the Department.

In addition, the correctness of the Calculation of audit fee may also to be checked by the Inspection Party of Headquarters office at the time of the inspection of the office. (C&A G’s letter No 318-Audit2/3-90/IV-91(74) dated 3.7.1991)

- Instructions for calculation of daily rates of Audit fees in respect of audit conducted by peripatetic audit parties of non-Government funds:-

Audit fee for the recovery of cost of Audit of Non-Government funds should be calculated in accordance with instructions contained in Muthuswamy’s Compilation –Government of India, order No. 3below FR 9(31) (Muthuswamy’s compilation of FR and SR, Part – I seventh edition) reproduced below.

Average cost = Minimum + (Maximum – Minimum) x (¾ - x/60)

Where X is the length of the time scale minus 5 i.e. on the basis of direct charges calculated. Minimum means Minimum of the scale, Maximum means Maximum of the scale.

The figure of the average cost would however change when there is any revision of scale.

To the average cost determined above would be added the elements of DA ADA, HRA, CCA etc. based on the average cost wherever admissible.

Indirect charges would be calculated at 125% of total of average cost and allowances as determined above.

For working out the daily rates, the cost as worked out by adding items at items 2 & 3 above has to be multiplied by 12 and divided by the actual number of working days but not less than 255 days available in a year as in Comptroller & Auditor General's letter No. 308-PA I (RGL)7/81 dated 30.3.84 (Cr. No. 10 TA I/84).

The daily rates so worked out should be rounded to the nearest five for each post separately. (Comptroller & Auditor General letter No. 417-Audit I/233-85(50) dated 4th June 1985)

The cost of Gazetted supervision is included in 125% in "indirect charges" of the non-gazetted posts and no separate Audit Fee in respect of Gazetted supervision of the audit party should be recovered (as per enclosure to Headquarters letter No. 318-Audit-I/3-90/IV91 date 3.7.1991)

For revised calculation of daily rates of audit fees after implementation of the recommendation of 6th central pay commission was sent to HQ's on March 2009.

1.6 Restructuring:-

Introducing As stipulated in the scheme of restructuring of audit arrangements of the departments of Government of Odisha in the IA&AD, the office of the Pr.AG (CW&RA), Odisha was renamed as the O/o the Principal Accountant General (Economic & Revenue Sector Audit) with effect from 16 September 2013 after being restructured with effect from 02.04.2012 (Vide Hqrs. Circular dtd. 22 March 2012).

Audit jurisdiction of the Principal Accountant General (Economic & Revenue Sector Audit) comprises 17 departments of the Government of Odisha in Economic & Revenue Sector.

PAG discharge his duties and function with the assistance of three Group Officers, two for Economic and one for Revenue Sector Audit.

- ES-I:-

Sl. No.	**Departments**	**PSUs**	**ABs**
1.	Energy	1. GRIDCOL 2. OHPCL 3. GEDCOL 4. OPGCL 5. OPTCL 6. OTPCL 7. BWCCL 8. KBPNPL	1.OERC (Regulatory Body)
2.	Fisheries and Animal Resources Development	1. OPDCL	1. BWFDA 2. FISHFED 3. OLRDS 4. UGS 5. OPOLFED 6. SPCA 7. OMFED
3.	Industries	1. IPICOL 2. IDCOL 3. IDCO SEZ Dev. Ltd. 4. IDCOL Ferro Chrome & Alloys Ltd.	1. IDCO

		5. IDCOL Software Ltd. 6. IDCOL Kalinga Iron Works Ltd. 7. OFDCL (Film) 8. KSL 9. KJL 10. LPADF 11. PPPL 12. BRL 13. OMBADC 14. OCPL 15. PIRDCL 16. AAPL 17. OSDPC 18. IWCOL 19. OEPL	
4.	Micro Small & Medium Enterprises	1. OSFCL (Statutory Corp.) 2. OSICL	1. KBPNPL 2. OKVIB
5.	Skill Development &Technical Education		1. BPUT 2. VSSUT 3. CET 4. IGIT 5. UCE 6. IED 7. ITTC 8. PMEC 9. GEC, Kalahandi 10. GEC, KJR 11. IMIT 12. BPFTI 13. CIME
6.	Handloom , Textile &		1. SADHAC 2. SIDAC

	Handicraft		3. BOYANIKA 4. SBHCSL 5. SERIFED 6. SPINFED 7. OCCCL 8. OSTCFL
7.	Tourism	1. OTDCL 2. STDCL	

(from Sl. No. 3 to 5 were in Industry Dept. Government of Odisha at the time of restructuring)

1.6.2 ES-II:-

Sl. No.	Departments	PSUs	Abs
1.	Works	1. OBCCL	
2.	Water Resources	1. OLICL 2. OCCL	1. WALMI 2. CADA
3.	Agriculture	1. APICOL 2. OAISL 3. OSCDCL 4. OSSC	1. OUAT 2. IMAGE 3. OSSOPCA 4. OSCOSGFL 5. OHDS
4.	Cooperation	1. OSWC9(statutory corporation)	1. OSAMB 2. OSCMF 3. BCSML

1.6.3 RSA:-

Sl. No.	Departments	PSUs	Abs
1.	Finance		
2.	Commerce and Transport	1. OSRTC statutory corporation	
3.	Revenue and Disaster Management		
4.	Excise	1. OSBCL	

5.	Steel and Mines	1. OMCL 2. NCCL 3. MBCL	
6.	Forest and Environment	1. OFDCL	1. RPRC 2. SPPCB 3. CDA 4. OFSDP

An audit report on a sector may include audit observations on various departments of that sector. Whether an audit report will be on a department or on a sector or on a number of departments across more than one sector will depend on Audit planning for that period. Also, based on the audit plan, a standalone Performance Audit report may be prepared, if the topic so requires. The results of transaction audit in the form of draft paras will be included suitably.

This restructuring will increase the scope for the Principal Accountant General to innovate with the audit products. The audit products need not be limited to a predetermined number. The observations can also be reported in smaller products but in a timely manner, without the delay of waiting for one omnibus report to be finalised. Some minimal formats and standard structures for the reports will progressively have to be prepared, but these need not take away the flexibility of individuals to innovate.

In the process of Audit findings the audit product such as PSUs audit is having 17 departments included 7 departments with 18 working PSUs in ES-I and balance was transferred to RSA and ES-II Puri.

1.7 Risk Analysis

1.7.1 Auditors should perform a risk assessment:-

In the light of the audit criteria, audit scope and characteristics of the auditable entity, auditor should perform a risk assessment to determine the nature, timing and extent of the audit procedures to be performed. The identification of risks of non-compliance and their potential impact on the audit procedures should be considered throughout the audit process. As part of risk assessment, the auditor should evaluate any known instances of non-compliance in order to determine their materiality.

1.7.2 Audit Risk Assessment:-

- Inherent risk: The risk that the possibility of error in the accounts is inherent to the accounting environment;
- Control risk: this is the risk that the internal control mechanism of the entity cannot detect in the account;
- Detection risk: the risk that material errors would remain undetected even by Audit and reflects on the audit approach adopted.

1.7.3 The risk assessment methodology should include a review of the following:-

- Latest socio-economic survey of the Centre/ State;
- Current Budget & Demands for Grant;
- Outcome budgets;
- Annual/ Performance/ Activity Reports of Ministries / Departments/ Companies and other information on Government websites;
- Major policy announcements/initiatives of Government;
- VLC data & Report on State Finances;
- Finance & Appropriation Accounts;
- Geographical location;
- Past audit coverage;
- PAC/COPU suggestions;
- Court orders;
- Audit Advisory Board suggestions;
- Reports of Legislative Committees;
- Changes in legislation;
- Replies to questions given to the Legislature;
- Past Audit findings/ Inspection Reports;
- Media reports and visibility of topics;
- Trend of expenditure and /or receipt;

The field offices should carry out an independent risk assessment and prioritize their audit planning accordingly. This should include consideration of any information received from the public or media on suspected cases of fraud and corruption. The audit plans should focus on high risk areas

The auditor should have a complete understanding of the audited entity including the environment in which the entity operates, the level of internal control and the past performance of the audited entity especially previous instances of fraud and corruption

Since many records are produced by computers in IT environment, auditors should understand how to collect and handle those records as in the entire process including audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

Chapter- II

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2. Types of Audit:-

A. Compliance Audit
B. Performance Audit
C. Thematic Audit (TA)
D. Finance Audit i.e. Annual Accounts Audit of PSU's or any Organizations
E. Sectoral review

2.1 Compliance Audit:-

The concept of compliance audit is embedded in the description of the purpose of public sector audit in the Lima Declaration of Guidelines on Auditing Precepts:

> ***' ...Audit is not an end in itself, but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent or at least render more difficult, such breaches'.***
>
> ***Compliance audit deals with the degree to which the audited entity follows rules, laws and regulations, policies, established codes, or agreed upon terms and conditions, etc. Compliance auditing may cover a wide range of subject matters.***

Regularity-which the subject matter of the audit adheres to formal criteria emanating from the relevant laws, regulations and agreements which are applicable to the auditable entity.

Propriety- that general principles of sound public sector financial management and ethical conduct have been adhered to, legality and competence are ensured.

"Performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces

2.1.1 Auditors should consider audit risk throughout the audit process:-

Audits should be conducted in such a way as to manage, or reduce the audit risk to an acceptable level. Audit risk is the risk that the audit report - or more specifically the auditor's conclusion - will be inappropriate in the circumstances of the audit.

2.1.2 Auditors should understand the control environment

An understanding of the auditable entity and/or the subject matter relevant to the audit scope depends on the auditor's knowledge of the control environment and the system of internal controls. The control environment - encompassing the attitude and measures adopted by the management in the form of policies and procedures to instills a culture of honesty and ethical behavior- forms the basis for the system of internal controls. In compliance auditing, a control environment that focuses on achieving compliance is of particular importance. The particular type of controls which the auditor focuses on will depend on the nature of subject matter, nature and scope of the audit. In evaluating internal controls, the auditor should assess the risk that they may not prevent or detect material instances of non-compliance. The auditor should consider whether the internal controls are in harmony with the control environment so as to ensure compliance with the authorities and criteria in all material respects.

2.1.3 Auditors should perform a risk assessment

In the light of the audit criteria, audit scope and characteristics of the auditable entity, auditor should perform a risk assessment to determine the nature, timing and extent of the audit procedures to be performed. The identification of risks of non-compliance and their potential impact on the audit procedures should be considered throughout the audit process. As part of risk assessment, the auditor should evaluate any known instances of non-compliance in order to determine their materiality.

2.1.4 Corporate social responsibility

- Verify whether corporate social responsibility framework is as per regulatory approvals.
- Verify whether activities of corporate social responsibility are as per corporate policy.
- Verify whether the corporate policy is in consonance with relevant regulations and DPE guidelines

2.1.5 Materiality

Materiality consists of both quantitative and qualitative factors. Materiality is often considered in terms of monetary value but the inherent nature or characteristics of an item or group of items may also render a matter material. As mentioned in Chapter 2, determining materiality is a matter of professional judgement and depends on the auditor's interpretation of the users' needs. A matter can be judged material if knowledge of it is likely to influence the decisions of the intended users. The CAG's Regulations on Audit and Accounts, 2007 state that in formulating audit opinion or report, the auditor should inter-alia give due regard to the materiality of the matter keeping in view the amount, nature and context. In performing compliance audits, materiality is determined for

- Planning purposes;
- Purposes of evaluating the evidence obtained and the effects of identified instances of non-compliance; and
- Purposes of reporting the results of the audit work

During the planning process, information is gathered about the entity in order to assess risk and establish materiality levels for designing audit procedures. Issues that may be considered material even if the monetary value is not significant would include the following:

- Fraud;
- Intentional unlawful acts or non-compliance;
- Incorrect or incomplete information to executive, the auditor or to the legislature (concealment);
- Intentional disregard to the executive, authoritative bodies or auditors; and
- Events and transactions made despite knowledge of the lack of legal basis to carry out the particular event or transaction.

2.1.6 Audit evidence

Audit evidence is the information used by the auditor for arriving at the audit conclusions. Auditors design and apply appropriate audit procedures to obtain sufficient and appropriate audit evidence in order to form a conclusion or opinion as to whether a subject matter complies, in all material respects, with established criteria.

> ***The CAG's Regulations on Audit and Accounts, 2007 state that the auditor shall verify compliance with applicable laws, rules and regulations and highlight deviations, if any (Regulation 29(4)). Further, the auditor has to obtain competent, relevant and reasonable evidence to support his/her judgement as well as conclusions regarding the organisation, programme, activity or function under audit (Regulation 168).***

The evidence gathering and evaluation process should continue until the auditor is satisfied that sufficient and appropriate evidence exists to provide a basis for the auditors' conclusion.

2.1.7 Factors

- Extent and importance of amounts involved, which include both monetary values and other quantitative measures;
- Nature of the non-compliance;
- Cause leading to the non-compliance;
- Possible effects and consequences of the non-compliance;
- Visibility and sensitivity of the program in question; and
- Needs and expectations of the legislature, public and other users of audit reports

Some of the broad characteristics of working papers are set out below:

- Completeness and accuracy: Provide support to audit conclusions.
- Clarity and conciseness: Facilitates understanding the entire audit process without need for any supplementary examination.
- Legibility and neatness: Applies particularly to photocopies.
- Relevance: Working papers should be restricted to matters, which are important, pertinent and useful for the intended purpose.
- Ease of reference: Working papers may be organised in volumes in a manner that facilitates easy reference. An omnibus, easy to follow, index may be created for all the volumes with a proper narration to broadly explain their contents. Each of the volumes may further be internally indexed.

2.2 Finance Audit i.e. Annual Accounts Audit of PSU's or any Organizations:-

A **financial audit** is supplementary to Statutory Auditor which is an independent, objective evaluation of an organization's financial reports and financial reporting processes (Under section 143 (6)(b) and 129 (4) of The Company Acts 2013).

Discussed under Chapter-IV

2.3 Performance Audit:-

"Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively. (Regulation 68 of Regulations on Audit and Accounts, 2007).

The performance audit as under:

“Performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces:

Two basic questions

Performance auditors may find answers to the following two basic questions:

- Are things being done in the right way?
- Are the right things being done?

2.3.1 Economy

Economy occurs where equal-quality resources are acquired at lower prices i.e., spending less.

Recourses (human, financial and material),

Do the means chosen represent the most or at least a reasonable economical use of public funds?

2.3.2 Efficiency

Output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output, i.e., spending well.

Whether the resources have been put to optimal or satisfactory use?

2.3.3 Effectiveness

Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

Effectiveness is essentially a goal-attainment concept.

2.3.4 In performance audits, while selecting themes and issues/sub-issues, the vulnerability to fraud and corruption should be given due consideration.

Auditors should maintain effective and proper communication with the audited entities and other parties sharing the responsibility of the subject matter throughout the audit process and define the content, process and recipients of communication for each audit.

Auditors should document the audit in accordance with the particular circumstances thereof. Information should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations,.

The selection of audits to be taken up requires serious deliberations as the potential areas for audit could be considerable and the Department's capacity in terms of effort and time is limited. This means that choices must be made with care.

Some considerations for selection of subjects are:

2.3.5 Materiality and Significance

Auditors should consider materiality in all stages of the audit process and in doing so consider not only financial, but also social and political aspects of the subject matter and how to add the most value possible through the audit. Significance of a topic is its importance in the context of the organization, programme or subject. A topic will have a high significance if the project or activity it addresses is central to the functioning of the entity.

2.3.6 Estimated impact

The performance audit is also a criterion for prioritisation. This could be the impact of improved economy, efficiency and effectiveness of the entity, project or activity which is the subject of performance audit. Impact can be assessed through an understanding of the entity's risk profile and the areas proposed to be addressed by the topic.

2.3.7 Coverage area & period

It refers not only to previous audit coverage by the Department but also to other independent reviews of the activity.

It should also be kept in mind when assessing management performance.
This process would provide the Accountant General with a list of subjects which may be taken up for performance audits for the period under consideration.

2.3.8 Audit objectives

Defining the audit objectives means the basic audit questions about performance *i.e.,* achievement of economy, efficiency and effectiveness of an entity, programme or activity under audit that performance auditors seek answers to. The audit objectives should be defined in a concise manner.

Audit objectives are the reasons for conducting audit and therefore should be clearly spelt out. The objectives should be limited in numbers, ideally three to five, to provide appropriate focus to the audit. They must be defined in a way that will allow the audit team at the end of the audit to conclude against each of the objectives. Since, the entire audit effort is directed toward answering the questions raised in the objectives, these should be, therefore, be defined as precisely as possible. Objectives should not be expressed in broad terms, as it makes them difficult to achieve. Once detailed design of the audit begins, the team should identify the full hierarchy of issues and sub-issues that need to be covered against each audit objective.

2.3.9 Scope of audit

The scope is the boundary of audit Defining scope focuses the extent, timing and nature of the audit. Answers to the following four questions help in defining the audit scope:

What?
What specific questions or hypotheses are to be examined? What kind of audit approach and methods seem to be appropriate?

Who?
Who are the key players involved and the audited unit(s)?

Where?
Which are the selected units/locations to be covered? Often the entity, programme or activities under performance audit may be broad. Where it is not feasible to analyse the entire population, sampling techniques have to be used. Sample size may be selected statistically, as far as it is feasible.

Which period?
Which is the period to be covered under audit?

Scope determined on the basis of the above aspects would have following important implications:

- Audit programmes generally increase in size and complexity (more detailed procedures, questionnaires and checklists) with increases in the scope of the audit and size of the programmes to be audited;

- Dispersion and location of sites to be visited can markedly affect the audit programme. Detailed procedures may be required to ensure consistency when different personnel are carrying out the same audit at different locations; and
- Sample size has an impact on scope of audit as the selected sample may have different geographic locations and the risk perceptions.

2.3.10 Determining the audit criteria

Audit criteria give direction to the assessment Audit criteria are standards used to determine whether a program meets or exceeds expectations. Audit criteria are reasonable and attainable standards of performance against which economy, efficiency and effectiveness of programmes and activities can be assessed. The criteria which may be general or specific and should be accepted by the management

management systems, especially financial management systems;

- a result-oriented approach, which assesses whether the outcome objectives have been achieved as intended or whether programs or services are operating as intended; and
- a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

2.3.11 Audit Design Matrix

The Audit Design Matrix is prepared on the basis of information and knowledge obtained in the planning phase during the course of pilot study. Audit teams are encouraged to update the Audit Design Matrix as and when it acquires more in-depth knowledge of the audit subject matter. A well-designed Audit Design Matrix leads to efficient planning and resultant effective audits thereby providing highest assurances to the audited entities and those charged with governance. It is desirable to prepare ADM for each of the audit objectives.

2.3.12 Assessing risks:

- **Materiality regarding IT Environment**

  Collecting computer evidence requires careful planning and execution. Audit teams/ officers of the work of audit personnel shall be exercised in accordance with the Auditing Standards of the **Supervision and review Comptroller and Auditor General** of India and instructions issued from time to time in works under IT environment.

- **Materiality and Significance:**

  Visibility of a subject is an assessment of the interest it generates in the general public and the legislature. While no uniform index of visibility can be prescribed, legislative debates, media reports or articles and subjects of workshops and seminars could serve as an index of visibility.

- **Past audits**

Past financial and performance audits on the entity provide a major source of information and understanding. Follow-up requirements, perceived non-compliance to recommendations and increased risk and materiality may also provide significant inputs;

- **Estimated impact**

This could be the impact of improved economy, efficiency and effectiveness of the entity, project or activity which is the subject of performance audit. Impact can be assessed through an understanding of the entity's risk profile and the areas proposed to be addressed by the topic.

2.3.13 Entry conference

Entry conference at the commencement of performance audit is to be held with Secretary of the department concerned by the Accountant General. The purpose of this conference is to inform the entity about the areas to be audited along with audit objectives, the audit approach and the time-frame within which the audit is expected to be carried out. Audit criteria/parameters/norms against which performance audit will be benchmarked should be also discussed. The entry conference should be followed by preparing minutes of the proceedings which should be shared with the audited entity and acknowledgement requested.

2.3.14 Coverage/ scope/ area

It refers not only to previous audit coverage by the Department but also to other independent reviews of the activity. Such reviews may have been conducted by internal audit, external consultants or government committees or the activity could have been subject to programme evaluation.

2.3.15 Data Collection

The types of data to be obtained should be explainable and justifiable in terms of sufficiency, validity, reliability, relevance and reasonableness. A great deal of data (material produced by others specifically by the audited entity) is often used however the auditors may also produce certain data (its own source material) with the aid of questionnaires, surveys and direct observation.

Audit’s response to those views in terms of any resultant changes made in the report or the basis for sustaining the audit's perspective needs to be briefly provided. When an entity disagrees with audit, mere repetition of audit's position needs to be avoided. Although sometimes no new information can be provided in response to the entity's comments, in most cases, audit should be able to explicitly state why the response of the audited entity (ies) is non-persuasive.

2.3.16 Exit conference

The performance audit should be concluded with an exit conference with the Chief executive of the audited entity *e.g.* Secretary/ Pr. Secretary to the Government of Odisha administrative department concerned. The draft Performance Audit report including the responses of the audited entity must be issued before the holding of the exit conference. The Accountant General or the Group officer should lead the exit conference. All audit findings, conclusions and recommendations are to be discussed and as far as possible. Exit conference should be recorded and endorsed to the entity with a request to acknowledge the minutes within two weeks stating that in case of non-receipt of acknowledgement with in stipulated period. In case, head of the audited entity does not respond to audit's request for holding exit conference, Accountant General should try to convince the head of the entity to hold the conference. In case, the exit conference could not be held even after pursuance, this fact should be recorded.

2.3.17 Audit Conclusion

In the PA Audit, conclusion shall be drawn by incorporating audit entity response to the findings of the audit collectively considered; they facilitate a broad audit conclusion. The broad theme emerging out of a group of such findings may be summarised in the form of an audit conclusion against an audit objective and criteria. (Recent style guide regarding conclusion).

2.3.18 Developing audit findings and conclusions

- **Recommendations**

The recommendations should be addressed based on the findings of the objectives and findings of the PA. So that audit entity may get benefit out of the PA.

- **Check list**

The following check list would facilitate monitoring the quality of drafting and presentation of audit findings and conclusions in Audit Reports particularly PA

i) Report level

Is the report's central message clear?

Is it of the appropriate length?

Does it have sufficient, clear headings?

Does it have suitable data visualization or info graphics?

ii) Paragraph level

Does the paragraph contain a topic sentence that accurately conveys the paragraph's central idea?

Does the paragraph contain enough information to support the idea expressed in the topic sentence?

Do the ideas presented in the sentences follow the envisaged structure for presentation of audit findings?

iii) Sentence level

Are all the words in the sentences necessary?

Are the sentences easy to understand?

Are the sentences in active voice?

Reporting on performance audits shall be comprehensive, convincing, timely, reader friendly and balanced

Note:

The Style Guide provides guidance for achieving the general reporting principles and consists of advice on good writing, guidance on drafting, list of conventions, common errors and care in use of words and phrases. This guidance note It is supplementary to the Style Guide issued 2nd edition and aims at providing implementation guidance on drafting and presentation of audit findings and conclusions in Audit Reports In accordance with the additional style guidelines, A Performance Audit Report should not normally exceed 25 pages and The Executive Summary of a Performance Audit Report should not, generally, exceed three pages (the guidance note on Executive Summary of standalone Performance Audit Reports may be referred to in this regard).

2.4 Thematic Audit (TA)

Thematic Audit has features of both performance audit and compliance audit. For purpose of chapterisation of audit report Thematic audit features under compliance section of the report. Under thematic audit we focus on a theme rather than on isolated instances of deviation or non-compliances, like performance auditing thematic auditing is also concerned with the audit of economy, efficiency and effectiveness.

Like ‘Performance auditing’, thematic auditing is also concerned with the audit of Economy, Efficiency and Effectiveness. However, other two principles of audit viz. regularity and propriety would also be important factors depending upon the topic of thematic audit.

Thematic Audit contained all the properties of The Performance Auditing for the three “Es”.i.e. Economy, Efficiency and Effectiveness.

2.4.1 Check list of Report Section

Enhancing the quality of drafting and presentation of audit reports would require a due diligence process to be addressed at three levels - Report, Paragraph and Sentence levels, to ensure adherence to the envisaged features and structure. The following check list would facilitate monitoring the quality of drafting and presentation of audit findings and conclusions in Audit Reports.

- **Report level**

  Is the report's central message clear?
  Is it of the appropriate length?
  Does it have sufficient, clear headings?
  Does it have suitable data visualization or info graphics?

- **Paragraph level**

  Does the paragraph contain a topic sentence that accurately conveys the paragraph's central idea?
  Does the paragraph contain enough information to support the idea expressed in the topic sentence?
  Do the ideas presented in the sentences follow the envisaged structure for presentation of audit findings?

- **Sentence level**

  Are all the words in the sentences necessary?
  Are the sentences easy to understand?
  Are the sentences in active voice?

Chapter-III

3.1 Improvement of Inspection Report

Reporting is an essential part of any audit as through this process the results of audit are presented to the intended users on the responsible party's compliance with the stated criteria. Compliance audits involve reporting the deviations from the applicable criteria and violations of the applicable rules, regulations etc., so that corrective actions may be taken, and those responsible for such deviations or violations could be held accountable for their actions.

In order to improve of the quality of DIR, The Comptroller and Auditor General of India (C&AG) has issued a circular on Audit Quality Management Framework (AQMF) for Indian Audit and Accounts Department. This Framework includes all the elements and instruments related to them that provide an assurance of quality in the audit function.

3.1.1 Inspection Report

The procedures envisaged are generally applicable to all streams of audit in the Comptroller and Auditor General of India setups.

The broad objective of compliance auditing is to enable assessment of whether the activities of auditable entities are in accordance with the authorities likes Acts, Laws, rules and regulations, budgetary resolutions, policy, contracts, agreements, PPP contracts, established codes, sanctions, supply orders.

Which should be followed in all compliance audit assignments are described in the following four sections:

- Planning compliance audits;
- Conducting audits;
- Reporting results and
- Grading of Inspection Reports.

3.2 Planning compliance audits

3.2.1 Compliance audits

The procedures that should be followed while planning compliance audits are:

3.2.2 Data Analytics: Data Analytics should be carried out by the Data Analytics Group or Reports section, which involve the following steps:

- Map (Identify) the relevant audited entity databases and third party databases (Refer the Big Data Management Policy)
- Collect the databases
- Analyse it as per data analytic guidelines (which is under preparation by the headquarters)
- The analytic results will be used as inputs for audit plan.

3.2.3 Before undertaking an audit programme the audit has to make a study of a guard file duly maintained by coordination /vetting in the field office. It should be contained Agenda Boards Minutes, Register of Important points, Press Clipping Register, Previous year's Inspection Reports, rules and regulations, policies and orders etc. that apply to the entity, Financial and Outcome budgets, important long term contracts/MoUs and internal control processes/procedures instituted by the entity (internal documents). It should also contain relevant sections of external overarching documents such as the Economic Survey, Finance Commission Reports. This guard file should be updated in every audit.

3.2.4 Desk review:

The audit party (or alternatively the SAO/ AO in charge of the audit party) identified for audit of an individual entity (or a' lead audit party identified for coordinating the audit of a group of entities) should carry out a desk review.

3.2.5 Planning audit procedures:

The SAO/ AO in charge of the audit party should prepare a plan of audit procedures for the specific entity detailing the audit objectives, scope of audit, main focus areas for audit and assignment plan for the team members, which should be approved by the respective Group Officer before the audit is undertaken. Detection of fraud is not the primary objective of audit.

3.2.6 Fraud awareness at the audit planning stage

The field offices should carry out independent risk assessment and prioritize the audit planning accordingly. The audit plans in relation to fraud and corruption should focus on high risk areas. Some of the common high risk areas (illustrative) are contracts of service/procurement, inventory and asset management, sanctions/clearances, performance information, revenue receipts, cash management, general expenditure, grants, financial statements, operating information, computerized environment, privatization of government entities and any other areas involving public interface.

Audit must, however, evaluate and report on the adequacy and competence with which the management has discharged its responsibility in relation to prevention, detection, response and follow-up/remedial measures in relation to fraud and corruption. Accordingly **Planning audit procedures must include** evaluation the procedure is given below.

Format for planning audit procedures

Sl No.	Description	Details
1	Name of the Entity	
2	Period of audit	
3	Duration of audit	
4	Have the documents of the Entity (such as the Financial budgets/Outcome budgets/Result Framework Documents/Annual Report/ New Policies and changes in policy, previous Inspection Reports/ Performance Audits Reports conducted earlier etc.) been desk reviewed	
5	Have documents and data from secondary sources (such as Reports of the State and Union Governments and of various Commissions/ / Census data/ Statistics put out by Government/NSSO data/digitized data available in data.gov.in, VLC data, Beneficiary data (if applicable) etc, and other sources like media reports, research reports, academic reports etc) been desk reviewed	
6	Potential risk/focus areas that emerge of the review conducted as at (4) and (5) above.	
7	List the Audit Objectives that are intended to be pursued both on regularity and propriety aspects	
8	Summaries the planned scope of audit	
9	Audit procedures that are intended to be applied (review of records, physical verification, joint inspections, external evidence collection etc)	

	Broad Assignment Plan for each party member	
	Other remarks	
Group Officer		Senior Audit Officer / Audit Officer

3.3 Conducting audits planning

During this process, monitoring the field audit parties and supervising the quality of audit and documentation of the field audit work are the most critical processes. The audit procedures that should be followed to achieve better process outcomes are:

3.3.1 Interface with Headquarters:

An effective two-way interface between field audit parties and Headquarters needs to be established during the field audit process whereby Headquarters can effectively monitor the field audit process and the audit parties can report on audit challenges being encountered and also follow up on Headquarters directions. This would involve the following:

- Technological solution such as the OPTIMA being implemented in State AG (Audit) offices need to be leveraged to enhance the quality and effectiveness of monitoring. In Odisha it is OCAMP is being implemented the help of all AGs.
- Issues emerging from Group Officer supervision should be effectively followed up and reported. A format has been devised to be provided by the field audit party as part of the Title Sheet to the Draft Inspection Report.
- Any systemic issue observed during audit should be communicated to other parties carrying out similar audits to enable a holistic assessment across all audited entities.

3.3.2 Certification of field audit process:

The SAO/AO of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing standards and Code of Ethics and that documentation requirements have been adhered to. The certification may be part of the Title Sheet that the field audit party submits along with the Draft Inspection Report. The revised format of the Title Sheet is provided as **below.**

TITLE SHEET (TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)		
	PART A Summary of audit results	
1	Name of the organization audited	
2	Name of party personnel	
	(i) Sr. Audit Officer/Audit Officer	
	(ii) Asst. Audit Officer/Supervisor	
	(iii) Senior Auditor/Auditor	
3	Period of audit	
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	
5	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes /Record of discussions. If no, provide reasons	
6	Number of potential paras (drawing reference to para nos) included in Part-IIA of the Inspection Report	
7	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc	
8	Paras relating to persistent irregularities etc that need to be brought to the notice of HOD through Management Letter.	
9	Briefly mention the challenges faced during audit (non-production of records, manpower or resource constraints, scope limitation etc) and how they were addressed during the course of audit	
10	Suggestions for overcoming such challenges in future audits	
11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. If no reasons may be indicated.	Minutes as per **Annexure A** to be enclosed.
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted within a period of 7 working days from the date of conclusion of audit)	
13	Reasons for delay in submission of draft IR etc. to Hqrs with reference to the allotted time period, if any.	
14	General remarks, if any	
Part-B (Details of Audit Process followed)		
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/AO/AAO/Sr. Auditor/Auditor) was prepared in line with the planned broad assignment plan and	Allocation of duties as per **Annexure B** to be enclosed

<table>
<tr><td></td><td colspan="4">acknowledged by the respective party members? If no reasons and justification may be provided.</td><td colspan="2"></td></tr>
<tr><td>2</td><td colspan="4">Sampling methodology adopted (Use as many rows as needed)</td><td colspan="2">List of files/vouchers/other documents reviewed may be enclosed</td></tr>
<tr><td></td><td>SI No</td><td>Section/Wing being audited</td><td>Nature of document</td><td>No selected for review</td><td>Percentage of selection</td><td>Sample method adopted</td></tr>
<tr><td></td><td></td><td>Purchase/Works / Establishment etc</td><td>Files / Vouchers etc</td><td>(Indicate actual number selected)</td><td>(Indicate percentage for each category)</td><td>Random/ Stratified/ Judgmental etc</td></tr>
<tr><td>3</td><td colspan="4">Whether focus areas identified and procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit)? If no, reasons and justification may be provided.</td><td colspan="2"></td></tr>
<tr><td>4</td><td colspan="4">Whether all issues marked for examination by Group Officer on supervision/Hqrs section have been addressed?</td><td colspan="2">Compliance to Group Officer comments on supervision to be enclosed as per Annexure C.</td></tr>
<tr><td>5</td><td colspan="4">Whether all work assigned as per allocation of duties were completed? If no, provide whether the reasons and justification are provided.</td><td colspan="2">Certificate as per Annexure D to be enclosed.</td></tr>
<tr><td>6</td><td colspan="4">Briefly indicate the potential focus areas for next audit</td><td colspan="2"></td></tr>
<tr><td>7</td><td colspan="4">Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?</td><td colspan="2">Daily Dairy as per Annexure E to be enclosed for each member</td></tr>
<tr><td>8</td><td colspan="4">Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?</td><td colspan="2">Certificate as per Annexure F to be enclosed</td></tr>
<tr><td>9</td><td colspan="4">Whether the key documents have been referenced in the para and the source of evidence has been provided as footnotes?</td><td colspan="2"></td></tr>
<tr><td rowspan="4">10</td><td colspan="4">Please indicate the position of outstanding paras of previous Inspection Reports as under.</td><td colspan="2"></td></tr>
<tr><td colspan="2">Period of Inspection Reports</td><td>No of paras outstanding (opening)</td><td>No. of paras outstanding (closing)</td><td colspan="2">Reasons for the paras remaining outstanding</td></tr>
<tr><td colspan="2">1</td><td>2</td><td>3</td><td colspan="2">4</td></tr>
<tr><td colspan="2"></td><td></td><td></td><td colspan="2"></td></tr>
<tr><td>11</td><td colspan="4">Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has</td><td colspan="2">Certificate as per Annexure F to be enclosed</td></tr>
</table>

	been provided?	
12	Whether a certificate that the audit party has complied with the Audit Quality Framework and Code of Ethics has been provided?	Certificate as per **Annexure F** to be enclosed
		dit Officer/Audit Officer

Annexure-A

Sample Format of Minutes/Record of Discussions at the conclusion of Audit

Minutes of the Minutes held on ______ to discuss audit observations to be included in the draft

inspection Report for the period ____________ relating to the Ministry of ____ /Audited

Entity _______________________-

Present:

From Ministry's side	From Audit side

(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issued to the Ministry in the shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarifications, wherever sought, were given from the Audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of ________ audit observations were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible.

The meeting ended with vote of thanks.	
(Signature)	(Signature)
(Name & Designation)	(Name and Designation)
From Ministry's side	From Audit side

Annexure-B

Proforma for Duty list of each member of the Audit Team

	Noted and signed (Acknowledgement)
SAO/AO: Name 1.	
AAO/Supervisor: Name **1.** **2.**	
Sr. Auditor/ Auditor: Name **1.** **2.**	

Annexure-C

Follow up of supervision by the Group Officer

Name of the Audited Entity	**Date of Supervision**	**Comments/Queries of the Group Officer**	**Action taken by the Audit Team on Comments/Queries**

Annexure-D

Certificate at the conclusion of Audit

We have examined all the issues as per the duty list (except the following) and necessary audit observations based on audit scrutiny, have been issued.

SI. No.	**Brief particulars of the issues which could not be seen in audit**	**Reasons therefor [non availability of records, time constraints, shortage of manpower, other constraints/reasons] etc.**
1		
2		
Sr. Audit Officer/Audit Officer		

Annexure-E

Daily Diary of each member of the Audit Team

Date	**Brief details such as file number, item of work done, records seen and examined etc**

(Signature)

(Name of the Officer & Designation)

<u>Annexure-F</u>

Certificate

It is certified that:

sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report

b) that the audit was conducted in accordance with the CAG's Auditing Standards 2017

c) the audit party has complied with the Audit Quality Framework and Code of Ethics

Sr. Audit Officer/Audit Officer

3.4 Reporting results:-

Preparation of Draft Inspection Report and vetting of Inspection Reports are very crucial processes. As envisaged in the Compliance Auditing Guidelines, the findings in the Inspection Report should be presented in two parts - Part IIA comprising significant audit findings and Part IIB. Comprising other incidental findings with best practices being separately highlighted. The vetting process should have the same rigour as that adopted for Draft Paras. The following procedures should be adopted in this regard:

3.4.1 Presentation of Draft Inspection Report:

- Each para should clearly bring out whether the deficiency/best practice is an isolated case or it has a systemic connotation.
- The paras should be drafted in an orderly manner by identifying the **criteria** (both for regularity and propriety subject matters) against which the subject matter is being evaluated, describing the **condition** (deviation from criteria as observed in audit), correlating the **cause** of deviation and determines the **effect** of deviation. The reply of the audited entity should be incorporated and audit rebuttal/contention thereon should be clearly presented.

- While reviewing paras outstanding from previous Inspection Reports, in case of a continuing deficiency or a persistent irregularity the audit team should identify systemic issues/control deficiencies rather than routinely updating the para with latest information/ revised monetary value.

3.4.2 Submission of Draft Inspection Report:-

(Circular No. ES-I/20l5-l6/Circular/4. Dtd. 10.06.2015)

In respect of audit observation/conclusion when Audit cannot obtain assurance based only on records, it should resort to other means of evidences as envisaged in the Audit Regulations in order to obtain such assurance, failing which, it would be construed as an audit failure and necessary assurance shall be sought for from the Reviewing Officer.

The Reviewing Officer is to submit the "Minutes of discussion" on the Draft Report held on the closing day of audit duly countersigned by the Head of the Office against "seen & discussed".

The field officers should ensure to submit following documents at the time of submission of IR.

Check List of DIR	
List of Documents	**At Page**
1. Review of outstanding Paras	
2. List of POM & Para contribution	
3. Certificate regarding facts & figures by RO	
4. Statement of recovery at the instance of Audit	
5. Fraud & corruption certificate	
6. List of records checked (High value contract)	
7. Statement of contract	
8. Title Sheet (New format) Annexure-II	
9. Declaration regarding code of ethics	
10. Format for planning Audit Procedure (Annexure-I)	
11. Sample format of minutes/record of discussions at the conclusion of audit (Annexure-A)	
12. Format for duty list of each member of the audit team (Annexure-B)	

13. Follow up supervision by the Group officer(Annexure-C)	
14. Certificate at the conclusion of audit (Annexure-D)	
15. Daily Diary of each member of the Audit team (Annexure-E)	
16. Certificate on sufficient and appropriate evidence (KD) for audit observations included in the DIR (Annexure-F)	
17. Soft copy of the DIR with Annexure	Yes/ No
18. list of service book checked	
19. Statement of recovery at the instance of audit	
20. Review certificate	
21. Index of the DIR	
22. Calculation Sheets duly signed by the party members against the paras, if any,	Yes/ No
23. All KDs must be authenticated by the management/party	Yes/ No

3.4.3 Vetting of Inspection Reports:-

- The vetting process should ensure that every finding is supported by sufficient and appropriate evidence (Key Documents) and conclusions reached should be appropriate in the circumstances.
- It has to be ensured whether the IR paras have been categorised appropriately as Part IIA and Part IIB paras respectively. An illustrative list of paras that should be categorised in Part IIA and Part IIB are provided as below**.**

Statement showing the classification principles for categorisation of Inspection Report paras			
Classification - principle	**Category**	**Part - II A**	**Part - IIB**
a) Nature of objection	**1)Systemic issues** **2)Isolated cases**	**Systemic issues:** Systemic deficiencies/weaknesses/deviations (other than issues that are only procedural) subject to materiality as per (b) below. **Isolated cases:** Individual cases of deviations/violation	**Systemic issues:** Procedural deviations that do not significantly impair process (es), outputs and outcomes. **Isolated cases:** Individual cases of deviations/violation and

		and aberrations that relate to operational, functional and financial matters subject to materiality as per (b) below.	aberrations that relate to establishment, personnel, administrative and other miscellaneous matters.
b) Materiality	**1)Quantitative** **2)Qualitative**	Issues that are quantifiable (Quantitative) - Materiality value has to be determined for each audited entity. Issues where materiality is determined by context (Qualitative) - Materiality has to be determined based on professional Judgement after considering various factors that are enumerated in Compliance Auditing guidelines (para 5.11).	Cases of (a) above and those that ordinarily pertain to PART -IIA but are not material. However, cases that can be classified as trivial need not be reported.
c) Fraud and misappropriation, presumptive fraud, Leakage of revenue	NA	All cases to be taken as Part-IIA.	NA

- While seeking approval of the Group Officer for issuing the Inspection Report, a judgement of the persistent irregularities that need to be brought to the notice of the Executive through a 'Department Appreciation Note' needs to be taken. Accordingly, a 'Department Appreciation Note' may be issued to the respective Principal Secretary by the PAG/DG/AG/PD as envisaged in the Compliance Auditing Guidelines.
- **Nil IRs:** In order to maintain the deterrent value of audit, some low risk entities may have to be audited and in such cases 'nil' reports may have to be issued. However, it has to be ensured that the requisite process rigour has been adhered to. All cases of 'nil' reports should be well documented, logically borne out and should be issued only after prior approval of the PAG/DG/AG/PD of the field office.

3.5 Grading of Inspection Reports:-

The Inspection Reports should be graded so that their quality can be benchmarked. A scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of **100,** which would consequently be translated into a grade to evaluate the quality of Inspection Report on a scale of **10.** The AQFM guidance note also envisages benchmarking and grading the Inspection Reports to evaluate their quality The parameters and the scoring methodology address the existing and contemporary risks across the compliance auditing process.

3.5.1 The process scoring methodology and grading matrix of Inspection Reports is provided below**.**

Matrix for grading the Inspection Reports:-

Sl No.	**Process Parameter**	**Allocated score**	**Scoring methodology**	**References to Compliance Auditing Guidelines**
1	**Planning**	**30**		**Chapter 4**
1(a)	**Desk review- Understanding the auditable entity**			
	Review of guard file, data analysis and understanding internal controls. This should comprise review of both internal documents and external applicable data bases/data.	10	**This has two dimensions.** **Review of internal documents (Max score- 5):** A comprehensive review of the entire range of available documents would yield the maximum score of 5 and a limited/restricted review would have to be correspondingly scored lower than 5. Review of internal documents include budgets-financial and outcome, rules/regulations, past audit findings etc. **Review of relevant external data bases (Max score-5):** A comprehensive review of the entire range of available data/data sets/reports would yield the maximum score of 5 and a limited/restrictive review would have to be correspondingly scored lower than 5. Review of external data includes data analysis of relevant external databases, reports/statistics of Govt. etc.	**Paras 4.3, 4.10 to 4.15, 4.20 and Hqrs guidelines on Data analytics and compliance audit**
	Identification of potential risk/ focus areas	10	**This has two dimensions.** **Focus areas from past audits (Max score -5):** Identification of persistent irregularities, systemic issues emerging from past audit	

			findings would be scored based on the range of areas identified up to a maximum of 5. **New focus areas (Max score- 5):** Identification of any new focus area(s) would yield a score of 5.	
1(b)	**Audit plan - Planning audit procedures**			
	Determination of scope of audit and Audit Objectives	05	Determining the scope and audit objectives duly approved by the Group Officer (as per the prescribed template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	**Paras 4.6 to 4.8**
	Deciding the assignment plan for team members, audit procedures and preparation of audit design matrix if applicable	05	Deciding the assignment plan and broad audit procedure duly approved by the Group Officer (as per the envisaged template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	**Paras 4.16 and 4.17**
2	**Conducting the audit**	**45**		**Chapter 5**
2(a)	**Findings and evidence**			
	Extent of findings from identified risk/focus areas	25	**The score against this parameter would have to be determined on the basis of the percentage/rate of conversion of risk/focus areas identified (as at 1(a) above) into findings in the Inspection Report. The specific findings from other than focus areas included in the Inspection Report would also be considered.** A) Clear cases of overpayments/ wasteful or infructuous expenditure /leakage of revenue/ revenue foregone or short collected/ frauds or presumptive frauds /losses /non-compliance with laws or rules/ violation of contractual obligations/ undue favour to contractors/service providers (scoring to be based on proportion of such paras to total paras in IR e.g. if all paras in the IR fall in this category it would fetch full score of 25. If 60%	**Paras 5.10 to 5.14**

			of the paras fall in this category it would fetch a score of 15 i.e. 60% of 25) - (Max score 25) Clear cases of idle investments/blocking of funds/delays in procurements, commissioning of equipment, project execution and diversion or mis-utilisation of funds (scoring to be based on proportion of such paras to total paras in IR e.g. if all paras in the IR fall in this category it would fetch full score of 15. If 20% of the paras fall in this category it would fetch a score of 3 i.e. 20% of 15) - (Max score 15) C) Procedural issues either not involving financial implications or having financial implications lower than materiality (scoring based on proportion of such paras in IR e.g. if all paras in the IR fall in this category it would fetch full score of 5. If *20%* of the paras fall in this category it would fetch a score of 1 i.e. 20% of 05) - (Max score -5) In case of 'NIL' Inspection Reports, the conduct of audit has to be evaluated against the nature of the audited entity (high risk/ medium risk/low risk) focus areas that have been pursued against applicable audit criteria. The scoring would be based on proportion of focus areas that were pursued vis-a-vis that were identified during planning stage and compliance to the envisaged audit process (if all areas were satisfactorily pursued against applicable audit criteria and the audit process was followed it would yield a full score of 25 else the score would have to be proportionately reduced)	
	Extent of sufficient and appropriate Evidence (Key documents) obtained and evaluated.	10	**Part II A- (Max Score -8):** The score against this parameter would have to be determined on the basis of the percentage of paras in the Inspection Report for which sufficient and appropriate evidence have been obtained and evaluated, (e.g. If the IR has 20 Part IIA paras and full set of KDs (evidence) have been obtained for only 14 paras (70% of paras), this parameter would fetch a score of 5.6 (70% of the maximum allocated score of 8) **PART II B - (Max score 2)** The score against	**Paras 5.5, 5.6, 5.10 to 5.14**

			this parameter would be on similar basis as envisaged for Part IIA paras above.	
2(b)	**Documentation**			**Paras 5.15 to 5.19**
	Preparation of Audit file and documentation of Working papers -Extent of field work done-	10	Preparation of Audit file comprehensively as envisaged in Compliance Auditing Guidelines and containing the audit strategy, scope and methodology, sample selection, audit procedures applied, Audit Design and Audit Findings matrices (where applicable) etc. and documenting the working papers comprehensively as envisaged in Compliance Auditing Guidelines and detailing the extent of work done, contracts/agreements examined etc. would yield the full score of 10. The score against this parameter would have to be proportionately reduced based on the extent of gaps in documentation observed during the process vetting the IR. This is applicable for NIL IRs also.	
3	**Reporting**	**25**		**Chapter 6**
3(a)	**Drafting and presentation**			
	Drafting quality	05	The score against this parameter would have to be determined on the basis of extent of revision that was necessary while vetting the IR. This is not applicable for NIL IRs.	**Para 6.5 and Hqrs guidelines**
	Appropriate classification of paras into Part - II A and Part- II B.	05	The score against this parameter would have to be determined on the basis of the proportion of paras that were incorrectly classified to the total paras, (e.g. if two out of six paras in the IR were incorrectly classified (which had to be rectified during vetting process) i.e. 30% incorrectly classified and 70% correctly classified, the	**Guidelines issued by Hqrs**
			Score to be awarded would be 3.5 (70% of the total score). This is not applicable for NIL IRs.	
	Mortality of paras	05	The score against this parameter would be determined on the basis of percentage of paras retained (number of paras retained wrt total paras in Draft IR) during the vetting process, i.e. if 80% of the paras have been retained, the score to be awarded would be 4 (80% of the total score). This is not applicable for NIL IRs.	
3(b)	**Timeliness**			**Para 6.4**

	Submission of Draft IR	05	Despatch of Draft IR / emailing the Draft IR promptly (7 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days: 4 Delay upto seven days: 3 Delay upto nine days: 2 Delay of 12 days : 1 Delay > 12 days : 0 This would apply to NIL IR also	
	Issue of IR	05	Issue of IR promptly within the specified time (30 days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days : 4 Delay of one week : 3 Delay of 10 days : 2 Delay of two weeks : 1 Delay > two weeks : 0 This would apply to NIL IR also	
	Total	**100**		

3.5.2 IR Grading

	Less than 25	**26-30**	**31-35**	**36-40**	**41-45**	**46-50**	**51-60**	**61-70**	**71-80**	**81-90**	**91-100**
IR Grade	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**

The Vetting section in state AG Audit Offices and Reports/Headquarters sections (as appropriate) in other Field Audit Offices should be vested with the responsibility of scoring and grading each Inspection Report, which should be approved by the Group Officer after the despatch of each Inspection Report. Extant instructions require that Inspection Reports should be issued with the approval of the Group Officer, which has to be diligently observed in all cases.

At the Group officer level, the mechanism of grading of Inspection Reports would represent a self-certification process. It provides a framework for objective evaluation, as process parameters and their scoring methodology have been prescribed. As a control measure, the procedure of scoring and grading Inspection Reports should be periodically reviewed by the

PAG/DG/AG/PD of the respective field office by a random selection of Inspection Reports, which should include Inspection Reports of Audited entities that were considered high risk.

The grading of Inspection Reports should not remain restricted as an isolated exercise and should distinctly reflect in the overall performance assessment of the field office. The peer review and inspection teams from Headquarters need to include this as an item in their respective check list to assess the scoring and grading procedure for their compliance and efficacy.

3.6 Departmental Appreciation Note:-

A Departmental Appreciation Note may be issued to the Apex Auditable Entity (Department/ Sector) where a specific subject matter has been selected to assess the extent of compliance from a departmental perspective or the Accountant General intends to draw attention of the executive towards system weaknesses etc. A consolidation of audit findings presented through the Departmental Appreciation Note would enable appreciation of both the audit findings that form the basis for Auditor's conclusion on compliance by departments as well as the audit findings that would feature as standalone findings. The Departmental Appreciation Note shall be issued to the Head of the Department typically the Principal Secretary, for initiating remedial measures with a copy provided for information to the Secretary Finance, Chief Secretary - the next higher level charged with governance and to Headquarters Office.

The Departmental Appreciation Note may comprise the following features:

- **Title:** Departmental Appreciation Note on compliance audit of (name of the Apex Auditable entity)
- **Introduction:** This part may commence with a broad overview of the Department, the organisational goals, governance structure, jurisdiction, and challenges of the Department, financial and operational performance, which may be followed by a broad description of the high risk areas and the related internal controls to enable the responsible party/intended users to appreciate the factors that were considered by auditors while selecting the area for compliance audit during the year.
- **Objectives and scope:** A brief explanation of the objectives and scope of audit should be provided.
- **Audit findings:** This part shall contain all significant audit findings - both positive and negative findings aggregated from all audit units and may be arranged in two distinct sections - the first section comprising audit findings relating to evaluation of

the selected subject matter(s), and the second section comprising audit findings on other subject matters and other incidental findings

- These findings may be organised in decreasing order of materiality and significance.
- **Conclusion:** Depending upon the extent and pervasiveness of compliance of the selected subject matter observed during audit, auditors may provide conclusion of compliance of the selected subject matter with the applied criteria. Further based on the veracity and pervasiveness of findings relating to adherence of sound financial management principles and ethical conduct and other findings, Auditors may conclude, as appropriate, on the efficiency and effectiveness of internal controls in the areas audited.
- **Acknowledgement:** This part may contain acknowledgement of the extent of Department's cooperation in all matters including production of records.

The responsibility of drafting the Departmental Appreciation Note may vest with the Audit team and that of approval with the Accountant General in field offices. In cases where multiple teams were deployed for audit of an Apex Auditable Entity and a lead team has been identified for conduct of compliance audit, lead team may draft and finalise the Departmental Appreciation Note.

3.7 **Evidence:-**

The auditor should gather sufficient and appropriate audit evidence to provide the basis for the conclusion or opinion. **Sufficiency** is a measure of the quantity of evidence, while **appropriateness** relates to the quality of evidence - its relevance, validity and reliability. The quantity of evidence required depends on the audit risk. Therefore, sufficiency and appropriateness of evidence are interrelated. The reliability of evidence is influenced by its source and nature, and is dependent on the specific circumstances in which it was obtained. The auditor should consider both the relevance and the reliability of the information to be used as audit evidence and must respect the confidentiality of all audit evidence and information received The nature and sources of the necessary audit evidence are determined by the criteria, subject matter and scope of the audit. The auditor will often be needed to combine and compare evidence from different sources in order to meet the requirements for sufficiency and appropriateness of evidence. If audit evidence obtained from one source is inconsistent with that obtained from another, or if there are any doubts about the reliability of the information to be used as evidence, the auditor should determine what modifications or additions to the audit procedures would resolve the matter and consider the implications, if any, for other aspects of audit.

3.7.1 Auditors should evaluate audit evidence and form relevant conclusions:-

After completing the audit, the auditor will review the audit evidence, which includes consideration of the responses provided by the auditable entities, in order to reach a conclusion. The auditor should evaluate whether the evidence obtained is sufficient and appropriate so as to reduce the audit risk to an acceptably low level. It also includes considerations of materiality. After evaluating the evidence, the auditor should consider how best to conclude in the light of the evidence. The auditor should also determine whether the risk assessment and initial determination of materiality were appropriate in the light of the evidence collected, or whether they need to be revised.

3.7.2 Audit evidence

i) Nature of Evidence:-

The auditors should clearly understand that the audit evidence obtained can be only persuasive and not conclusive. Yet the evidence in case of suspected fraud and corruption ought to be closer to conclusive. While reporting all cases of suspected fraud or corruption, they should refrain from making any judgment regarding the existence of fraud or corruption but should suggest suspected fraud/corruption or presumptive fraud.

Fraud detection measures need to be built in the audit procedures, so that during the audit, the auditor can highlight a transaction for a possible fraud or identify such consistent system failures, which can lead to a fraud. Some of the checks, which could be applied to determine the red flag items during the course of audit, are illustrated below.

- examine the use of delegation of powers particularly in vulnerable areas;
- examine the effectiveness and adequacy of internal controls in various areas;
- check for collusion between the supplier and employees / management;
- examine cases of misuse of financial powers;
- check for false statements and false claims: whether information presented to justify a transaction is incorrect and at the point of time when such information was presented, the person submitting the information had access to correct information;
- examine evidence for cartelization, split purchases, collusive bidding, over and under invoicing and making payments on the basis of false progress reports;

- check for loss of revenue due to evasion and / or non-accountal or receipt;
- examine for payment made for services / supplies not received;
- seek confirmation with other related parties;
- checking of cross-linking of documents for evidence of known wrongdoing; and
- cases of misclassification; etc.

ii) Classification of Evidence:-

Factors effecting collection of evidence

- Direct & Indirect;
- Written & Oral or physical & oral;
- Relevant & Irrelevant;
- Complete & incomplete;

  Weightage of evidence depending on the evidence collected against the relevant para
- Extent and importance of amounts involved, which include both monetary values and other quantitative measures;
- Nature of the non-compliance;
- Cause leading to the non-compliance;
- Possible effects and consequences of the non-compliance;
- Visibility and sensitivity of the program in question; and
- Needs and expectations of the legislature, public and other users of audit reports

iii) Methods/ way of collection of evidence

- Observation/ photo
- Literature searches
- Reviewing Programme/ Entity Data
- Benchmarking
- Surveys
- Case Studies
- Interviews
- Questioning
- Focus Group
- Expert Opinion
- Reviewing other studies

- Reviewing previous Audit Reports
- Analytical
- Confirmation

In case of fraud and corruption

When the evidence is clear, audit teams/officers can come to a conclusion about a suspected fraud irregular payments wrong payment**,** the auditors should clearly understand that the audit evidence obtained can be only persuasive and not conclusive. Yet the evidence in case of suspected fraud and corruption ought to be closer to conclusive.

3.8 Sampling:-

The Compliance Audit Plan would detail out the selected Apex Auditable Entity, the selected Audit Units and the Implementing Units. However, the selection of sample of transactions within the audit units may be necessary for detailed scrutiny. When compliance audit is planned and conducted based on a top down and department centric approach, sampling for selection of transactions may have to be conducted at multiple levels. This multi stage sampling typically involves the following:

- Selection of transactions from the selected Audit Units falling directly under the chain of command of the selected Apex Auditable Entity (either in whole or in part depending upon the selected specific subject matter) relevant to evaluation of the selected subject matters for regularity and propriety audits respectively; and
- Selection of transactions from the Implementing Units, as considered necessary, relevant to evaluation of the selected subject matters for regularity and propriety audits respectively.

Statistical sampling may be adopted for selection of transactions, which would enhance the level of verifiable audit assurance. Accountants General may exercise professional judgement with regard to adoption of a suitable sampling methodology depending upon the selected subject matters, audit objectives being pursued and the envisaged scope of audit, as per extant instructions.

3.8.1 Statistical sampling:-

Sampling means testing less than 100% of the items in the population for some characteristic and then drawing a conclusion about that characteristic for the entire population. Traditionally, auditors use ‘test check’ (or judgmental sampling, non-statistical sampling) approach. This means checking a pre-determined proportion of the transactions on the basis of the auditor's judgement. This sampling technique can be effective if properly designed. However, it does not have the ability to measure sampling risk and thus audit conclusions reached becomes rather difficult to defend.

For statistical sampling techniques, there is a measurable relationship between the size of the sample and the degree of risk. Statistical sampling procedure uses the laws of probability and provides a measurable degree of sampling risk. Accepting this level of risk, (or conversely at a definite assurance level) the auditor can state his conclusions for the entire population. In sum, statistical sampling provides greater objectivity in the sample selection and in the audit conclusion.

The basic hypotheses of statistical sampling theory are:

The population is a homogeneous group.

There is no bias in the selection of items of the sample. All items of the population have equal chance of being selected in the sample.

3.8.2 Attributes and Variable sampling:-

Statistical sampling may be used in different auditing situations. The auditor may wish to estimate how many departures have occurred from the prescribed procedures; or estimate a quantity, eg., the value (amount) of errors in the population. Based on whether the audit objective is to determine a qualitative characteristic or a quantitative estimate of the population, the sampling is called an attribute or variable sampling.

Attributes sampling estimates the proportion of items in a population having a certain attribute or characteristic. In an audit situation, attribute sampling would estimate the existence or otherwise of an error. Attribute sampling would be used when drawing assurance that prescribed procedures are being followed properly. For example, attribute sampling may be used to derive assurance that procedures for classification of vouchers have been followed properly. Here, the auditor estimates through attribute sampling the percentage of error (vouchers that have been mis-classified) and sets an upper limit of error that he is willing to accept and still be assured that the systems are in place.

Variables sampling estimates a quantity, e.g., amount of sundry debtors shown in the balance sheet or the underassessment in a tax circle. Variables sampling has certain drawbacks which can be overcome through monetary unit sampling, which is an attribute sampling which provides quantitative results and is suited to most audit situations.

3.8.3 Sampling methods:-

There are different ways in which a statistical sample can be selected. A simple random sampling ensures that every member of the population has an equal chance of selection. Though simple to administer, the underlying assumption is that the population is homogeneous. In cases where the population is non-homogeneous, a stratified sampling would be a better option. Here the population is sub-pided into homogeneous groups and then a random sampling is done on the groups, ensuring a better representative sample. Each sampling method has its practical use and limitation. The auditor uses his judgement in determining which kind of sampling is best suited to his audit job.

3.8.4. Designing a sample:-

Once the method of sampling is decided, it is essential to design the actual sample. The basic stages that are involved in attributes sampling are mentioned below:

- Determining the sample size
- Selecting the sample and performing substantive audit tests on the sample
- Projecting the results

a) **Determining the sample size:**

The first step is to define clearly the target population and the error/ exception (attribute) that audit wishes to test.

The tolerable error or the maximum errors that the auditor is willing to accept and still conclude that the auditee is following the procedures properly.

Audit test on the sample will throw up an estimate of error for the population. The true error of the population could be more than this estimate. The difference between the sample estimate and the actual population is the precision level. The auditor has to decide the precision he desires to provide in his estimates. Tolerable error being the maximum error that the auditor is willing to accept is Maximum (sample estimate + precision level) that is acceptable.

The confidence level or the level of assurance that audit needs to provide is to be defined. When a risk assessment has preceded the sampling process, the confidence level would be (1-

detection risk). Confidence level states how certain the auditor is, that the actual population measure is within the sample estimate and its associated precision level.

The occurrence rate or population proportion which is the proportion of items in the population having the error/ exception that audit wishes to test.

The required sample size can be calculated using the formula (annexure D), or read off from standard statistical tables (annexure E) at the required confidence level.

The sample size would be larger, higher the confidence level and precision required. Also if the occurrence rate in the population becomes larger the size of the sample would increase. In case of variables sampling, where the estimate of a quantity is required, sample size becomes a function of the standard deviation in the population rather than the occurrence rate.

b) Selecting the sample and performing substantive audit tests on the sample:

There are a large number of methods of sample selection. The most frequently used method is random selection where each item in the population has a equal chance of selection. This could be done by using random number tables or through computers. In a systematic selection, one or two items are selected randomly, but the other items are selected by adding the average sampling interval. The greatest advantage of this method is that when it is used in monetary unit sampling, it automatically ensures that all items greater than the average sampling interval are selected. However, this method cannot be used when some fixed numbers are assigned to various categories of transactions, which make up the accounts, as either all items of a particular category will be selected or ignored completely. In the cell sampling method, the population is piled into a number of cells and one item is selected from each cell randomly. This method overcomes the drawback of systematic sampling when fixed numbers are given to various categories, but retains the advantage of systematic sampling of automatically selecting items bigger than the average sampling interval.

Auditing software, e.g., IDEA is an efficient tool for sample selection. Once the sample is selected, identified audit tests are to be applied on the sample.

3.9 Odisha Central Audit Management Portal (OCAMP)

OCAMP is an Audit Tracking System software. At present, increasing number of pendency in Audit Para is a grave concern both for Finance Department as well as to the Accountant General, Odisha. Manual submission of Audit Reports and submission of

Compliance thereon is also posing a great problem in management of the Audit Compliance. To address these issues, there is need for an IT based Audit Management System. The Odisha Modernising Economy, Government and Administration Programme Technical Assistance Support Team(OMEGA) in consultation with Finance Department and Accountant General (G&SSA) and Pr. A.G.(E&RSA), Odisha has designed and developed the Odisha Central Audit Management Portal (OCAMP). The System will facilitate Departments of Government of Odisha to monitor and to take timely action against Audit observations and Public Accounts Committee recommendations. Introduction of the Odisha Central Audit Management Portal will reduce the paper work substantially, preserve data of pending Audit Reports, will help in monitoring and submission of compliance, timely action as well as settlement of Audit observations.

Finance Department being the nodal Department for monitoring compliances of Audit observations and PAC Reports will also be able to know the pendency in each Department through the system generated information. The role of stake holders i.e. the A.G., Odisha, the Administrative Departments, the Heads of Departments and the Field Offices are given below.

3.9.1 Role of A.G., Odisha :- As per the structure of the software, Headquarter office will play vital role in uploading the Inspection Reports, Draft Audit Notes, Draft Audit Paras as well as C& A.G. Report into the respective module and transmit it to the concerned authorities / offices for compliance. Replies to the Audit observations will be received by the Headquarter office through the software from the appropriate authorities and action will be initiated by the office of the A.G., Odisha either to drop it, basing on the replies received or further clarifications can be called for through the software, if the reply is not satisfactory. Draft Audit Notes (DAN), Draft Audit Para (DAP) are confidential in nature involving Legislative Privilege. Hence DAP/DAN will be issued by the Headquarter office to the Secretary of the concerned Administrative Department for compliance.

Following aspects are to be kept in view-

- Till PKI/Digital signature is introduced it is to be ensured whether a signed hard copy of the reply has been received in parallel.
- Whether soft copy of reply received from the Administrative Departments possess the approval of the component authority.

- In respect of reply received directly from the field unit, it is to be ensured whether the replies were approved by Head of Department before being transmitted to audit.

3.9.2 Triangular Committee Meeting: - There is provision for uploading reports of the triangular committee in the software for better appreciation of facts and finalization of cases by the Headquarter office. Auditors or data entry operators shall use their login to enter into OCAMP. Based on the role, the user can create a draft Inspection report. After the submission, Senior Audit Officer with approver role shall review the data entered in IR form. If the approver found the data correct, s/he can approve it to immediately communicate the IR to the intended offices.

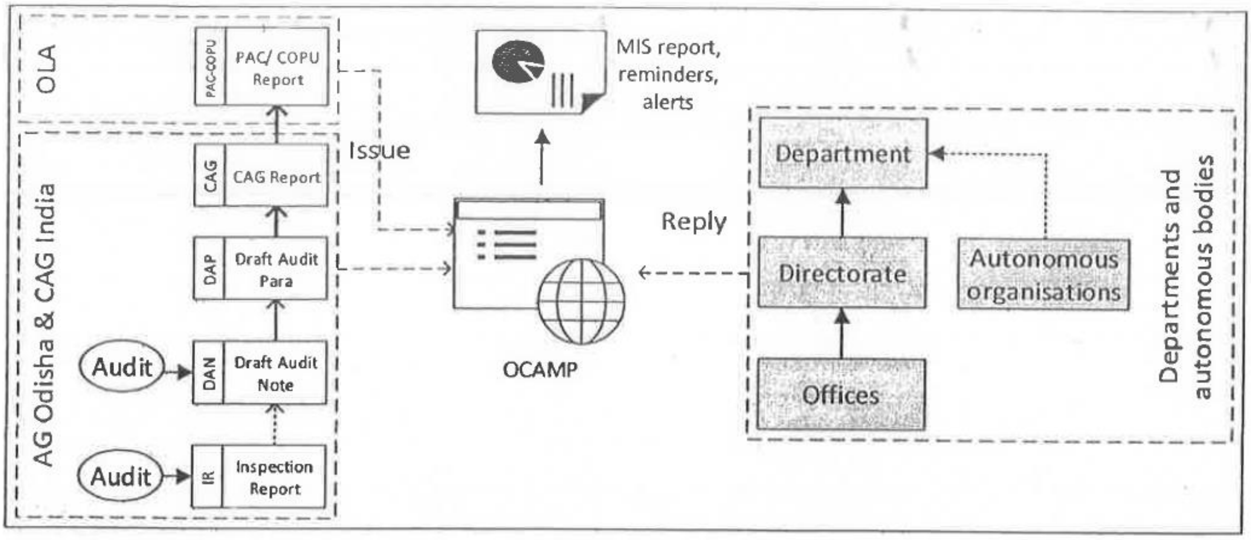
3.9.3 Legacy Data Transfer: - The issue of Legacy Data Transfer will be taken up once the software is stabilized through performance testing in two Pilot Departments. But at the time of entry of the Legacy Data into the software it is to be validated by the officials of the Pr. A.G., Odisha.

3.9.4 Role of OMEGA Technical assistance Support Team: - The implementation part of the software will be tested once it is adopted by the different stake holders. The OMEGA Technical assistance Support Team will:-

- Provide training as well as Technical Assistance along with handhold support.
- Help in modification of software, if necessary, to make it more user-friendly.
- Provide assistance for Legacy Data Transfer.
- Make provision in the software for issue of Audit observations to Public Sector Undertakings/Autonomous Bodies.
- Provide sufficient security measures to maintain confidentiality of the reports, especially DAN & DAP.

Currently the software will be available in OMEGA Test Server but subsequently it will be transferred to the State Data Centre. First only in two Departments i.e. Panchayati Raj Department and Finance Department (Commercial Tax Wing) the Pilot Programme was started from 1st April, 2014.

Overview of OCAMP functions



OCAMP USERS AND ROLES

Users	Roles
AG Odisha	Submission of audit reports and paragraphs (IR, DAN, DAP, and CAG) by the auditors in different sections • Maintain linkages across paragraphs of different audit reports Review data integrity before communicating the audit reports by the designated officers Review and record decisions on the replies to audit paragraphs submitted by the Department
Department	• Submit documents related to TC meeting, PAC, and COPU Review the audit reports and paragraphs issued to the Department and its offices across the state • Prepare and submit replies to the audit paragraphs meant for Department Review draft replies prepared by subordinate offices and submit finalized reply to the AG Odisha
Directorate	• . Review the audit reports and paragraphs issued to the Department and its offices across the state • Collaborate with Department to prepare replies Collaborate with other subordinate offices to prepare, finalize and submit replies to the audit paragraphs issued to its subordinate offices
Office	• Review the inspection reports and its paragraph issued to the office • Collaborate with its Directorate to prepare and finalize the replies to IR • Collaborate with Directorate and Department to provide inputs to replies

3.9.5 OBSERVATION TYPES USED BY AG ODISHA:-

A. Fraud/misappropriation/ embezzlement/losses detected in audit

This category includes subcategories from A.01 to A.06

B. Recoveries at the instance of audit and Overpayments detected in audit

   This category includes subcategories from B.01 to B.11

C. Violation of contractual obligations, undue favours to contractors

   This category includes subcategories from C.01 to C.07

D. Avoidable/excess expenditure

   This category includes subcategories from D.01 to D.03

E. Wasteful/infructuous expenditure

   This category includes subcategories from E.01 to E.04

F. Regulatory issues

   This category includes subcategories from F.01 to F.17

G. Idle investment/idle establishment/blockade of funds

   This category includes subcategories from G.01 to G.07

H. Delays in commissioning of equipment

   This category includes subcategories from H.01 to H.03

I. Non-achievement of objectives

   This category includes subcategories from I.01 to I.06

J. Miscellaneous observations

   This category includes subcategories from J.01 to J.13

3.9.6 Some of the broad characteristics of working papers are set out below:-

- Completeness and accuracy: Provide support to audit conclusions.
- Clarity and conciseness: Facilitates understanding the entire audit process without need for any supplementary examination.
- Legibility and neatness: Applies particularly to photocopies.
- Relevance: Working papers should be restricted to matters, which are important, pertinent and useful for the intended purpose.
- Ease of reference: Working papers may be organised in volumes in a manner that facilitates easy reference. An omnibus, easy to follow, index may be created for all the volumes with a proper narration to broadly explain their contents. Each of the volumes may further be internally indexed.

However, presently only Inspection Reports are being uploaded by the AG offices after due approval of Group Officers because the Management so far has not given the replay/compline to the DIR

3.10 IT Environment

3.10.1 Role of Audit in relation to IT fraud:-

Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

3.10.2 IT Environment:-

In IT environment since many records are produced by computers in the usual, auditors should understand how to collect and handle those records as in the entire process including audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

IT fraud is an area of concern for Audit. Audit teams /officers of the work of audit personnel shall be exercised in accordance with the Auditing Standards of the Supervision and review Comptroller and Auditor General of India and instructions issued from time to time in works under IT environment.

3.10.3 Mandatory provisions in IT Fraud:-

Nature of IT fraud

IT fraud could involve the manipulation of a computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss.

Computers provide opportunities for their misuse for economic or financial gains. Computer networks can be used to commit crimes from geographically far off places. Frauds committed using computers vary from complex financial frauds to the simpler frauds where computer is only a tool to commit a crime. With some State Governments, Union Government Departments and public sector organisations going for e-commerce / e-payment systems in a large way, possibility of electronic fraud requires attention.

IT frauds are committed by insiders, outsides, vendors, competitors, etc. Such frauds are committed by manipulation of input, output or throughput of a computer system. Fraud can also be committed by hacking into the system for causing deliberate damage.

Whether a misrepresentation was an error or fraud. While Audit looks at records, fraud examination goes beyond audit. Hence, <u>Audit can put red flags (an indication that further scrutiny of the items would be required)</u> which need further investigation by appropriate agencies and reporting the result to Audit.

.**3.10.4 Characteristics of corruption:-**

Corruption involves behavior on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed.

3.10.5 Fraud awareness at the audit planning stage:-

Risk assessment

The field offices should carry out an independent risk assessment and prioritize their audit planning accordingly. This should include consideration of any information received from the public or media on suspected cases of fraud and corruption. The audit plans should focus on high risk areas.

Though audit cannot insure against frauds, the possibility of their occurrence should be kept in mind while preparing for and conducting audit, by maintaining an attitude of professional skepticism.

While "planning his audit, the auditor should assess the risk that fraud may cause the financial statements to contain material misstatement or record material irregular transactions.

The auditor may keep in view that the risk of fraud and corruption could be higher in certain organisations like those involved in procurement of goods and services.

The auditor should have a complete understanding of the audited entity including the environment in which the entity operates, the level of internal control and the past performance of the audited entity especially previous instances of fraud and corruption.

Based on the risk assessment, the auditor should develop the audit objective and design audit procedures so as to have reasonable expectation of detecting and evaluating material misstatement and irregularities arising from fraud and corruption. In case of high risk audit the audit team should be selected keeping in view the requirement of such audit.

The field offices should keep in view the need for flexibility in terms of budget, time and expertise of the audit team particularly when fraud and corruption are suspected or discovered in the course of audit.

3.10.6 Role of Audit in relation to cases of Fraud and Corruption:

a) Introduction:-

Examination of system for detection and prevention of fraud and corruption will henceforth be an integral part of all regularity audits and also of performance audits, whenever it forms one of the audit (sub) objectives.

b) Fraud examination:-

Fraud examination is a part of the normal auditing procedures. Fraud has a legal (criminal) connotation. Audit teams/officers do not make legal determinations of whether fraud has actually occurred. Hence, audit teams/officers can put red flags (an indication that further scrutiny of the items would be required) which need further investigation by appropriate agencies.

c) Respective responsibilities of management and audit:-

During audit of financial statements, two types of intentional misstatements are relevant to the audit teams/officers, viz., misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Similar considerations apply in case of performance audits. In performance audits while selecting themes and issues/sub-issues, the vulnerability to fraud and corruption should be given due consideration.

3.10.7 Audit evidence and documentation:-

- IT fraud is an area of concern for Audit. Collecting computer evidence requires careful planning and execution. Audit teams / officers should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

- The audit teams/officers should check compliance with the provisions of Rules 29, 33, 34, 37 and 38 of the **General Financial Rules (GFRs) 2005** (Appendix-C to the Annexure).

- The audit teams/officers should clearly understand that the audit evidence obtained can be only persuasive and not conclusive. While reporting all cases of suspected or presumptive fraud or corruption, they should refrain from making any judgment regarding the existence of fraud or corruption. The evidence should also be capable of proving that the audit teams/officers have discharged their functions with reasonable care and due diligence.

3.10.8 Reporting and follow-up:-

- While forwarding the Bond Copy of the Audit Reports to Headquarters, the Accountant General should indicate in the forwarding letter the number of cases of fraud and corruption included in the Report together with the money value of the concerned paras.
- The field offices should submit half-yearly reports on cases of material fraud and corruption noticed by them **to** the Headquarters Office or through the rationalized management information system, when introduced.

3.10.9 Fraud specific internal controls:-

As regards fraud specific internal controls, there could be two types of such controls, viz., active internal controls and passive internal controls. Examples of active internal controls can be the following:

- Signatures and document countersigning procedures;
- Segregation of duties and functions;
- Physical asset control;
- Real time inventory control;
- Document matching and cross linking of documents.

3.10.10 Computer evidence:-

Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

3.10.11 Check list for detection and prevention of fraud:-

- During the performance audit, while selecting the item, issues and sub-issues, the vulnerability of fraud and corruption should be given due consideration. The audit plan should focus on high risk areas indicated at paragraph 13.8 of the circular.
- The audit plan in relation to fraud and corruption should focus on high risk areas like contracts for service/procurement, inventory and asset management, sanctions/clearances, revenue receipts, cash managements, grants, privatization of government entities and other areas involving public interface.

- At the commencement of each audit, information about instances of fraud and corruption noticed since last audit and action taken on such instances including strengthening of internal controls should be collected from the auditee entity. The information should, inter-alia, include the points enumerated in paragraph 14.8 of the circular.
- During the course of audit, the team should be vigilant and seek explanations, if they come across any fraud indicator as detailed in Appendix-B.
- Audit team should also note the guidelines on IT fraud and role of audit in relation to thereof, collection of adequate documentation, exercising supervision and review of the audit personnel in accordance with the Auditing standards of the C&AG, internal reporting and qualification in Audit Opinion on financial statements, printing cases relating to fraud and corruption, confidentiality while reporting the matters to investigating agencies, follow up mechanism for recording the cases of fraud and corruption noticed during the course of audit and additional instructions as enumerated in paragraph 16 to 21.
- The audit team/officer should submit a Memorandum/Certificate of Assurance with every Inspection Report/PA Report which should include, inter alia, examination of issues relating to fraud and corruption and compliance with the provisions of Standing Order and other applicable instructions issued from time to time, supported by detailed documentation.

3.10.12 Post-Audit Report letter to the Chief Minister of State concerned:-

The draft of the annual post-Audit Report letter to the Chief Ministers should contain a brief mention of issues relating to fraud and corruption where such cases appear in the Audit Reports. The field Accountants General should put in place a system of monitoring paras relating to fraud / corruption and a brief mention of this should be made in the annual post audit letters to Chief Ministers. Such letters should be submitted immediately after reports are laid in the State Legislatures.

The field offices should submit **half-yearly** reports on cases of material fraud and corruption noticed by them to the Headquarters Office or through the rationalized management information system, when introduced.

Fraud involving one or more members of management or those charged with governance is referred to **as** "management fraud", fraud involving only employees of the entity is referred to as "employee fraud." In either case, there may be collusion within the audited entity or with third parties outside of the audited entity.

3.10.13 The meaning and nature of fraud:-

- Unjust or illegal advantage
- Undue or illegal financial advantage

Fraud has a legal (criminal) connotation. Auditor do not make legal determinations of whether fraud has actually occurred. They can report suspected presumptive fraud.

3.11 Consideration of Materiality:-

Assessments of materiality in Government audit may often not be restricted. Though traditionally materiality has been one of the prime factors to determine the audit priority, in case of fraud detection, since the act is illegal, materiality assumes lower significance. Although the temptation of embezzlement of a lower amount is much less, lack of internal controls may lead to a series of misdemeanors, all of small amounts.

3.12 Confidentiality of materials for Audit Reports (as per Circular No. HL/S/5/258-PPG/24-2012Dated 27.07.2012)

Comptroller& Auditor General of India, under Article 151 of the Constitution, discharges a constitutional obligation in the submission of Audit Reports to the President/Governor that are tabled before the Parliament/State Legislatures. As per the extant instructions, Audit Reports are treated as confidential documents till they are tabled in the Parliament/State Legislature(s). Privilege is also being claimed in respect of draft audit paras and bond copy of the Audit Reports sent for signature of the CAG. According to the well-established parliamentary practice, usage and convention, it is improper to give premature publicity in the press for matters connected with the business of the House i.e. in respect of Audit Reports prior to its tabling in the House.

The issue of maintenance of confidentiality of the Audit Reports has been reconsidered in the light of the recent media reports on leakage pf audit reports prior to its tabling in the Parliament/ State Legislatures. It has been decided that in order to maintain confidentiality/secrecy of draft Audit Report and the material for Audit Report, the following points should invariably be practiced:

- The confidentiality may be claimed once a conscious decision is taken by the Head of the Department in the field office to develop any audit observation whether in the form of Draft Para/Long para/Review etc. for probable inclusion in the Audit Report.
- Any such material and records relating thereto should have restricted access and placed in password protected computers. The level up to which the access to report material is to be provided should be decided by the Head of the Department in the field offices. The ultimate responsibility for confidentiality would remain with the Head of the Department.
- A confidentiality statement (annexure-A) should be got signed from those dealing with the report material (including outside parties engaged for design and printing of report) and placed on record.
- All the pages of the material decided to be processed for inclusion in Audit Report should be marked as Confidential and issued to the Audited Unit or Administrative Department/ Government in Sealed Cover with a remark *"To be opened by addressee only".*
- While forwarding the draft material to the audited unit or concerned Administrative Department/Government for verification of facts and figures mentioned in the draft material for Audit report and for eliciting their comments thereon, it should categorically be mentioned that views expressed In the material so issued are interim and may change depending upon the response of audited unit or concerned Administrative Department/ Government. Besides, it should also invariably be mentioned in the forwarding letter that the audited unit/Administrative Department/Government should also exercise due care to ensure confidentiality of draft material for Audit report.
- The report material may invariably be sent through official mail and to the official addresses only with a request to acknowledge receipt.
- In case, the material is transmitted by Email the following should be expressed:
  "This electronic mail message and any attached file(s) contain information intended for the exclusive use of the individual or entity to which it is addressed and may contain information that is proprietary, privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any viewing, copying, disclosure or distribution of this

information may be subject to legal restriction or sanction. Please notify the sender of any unintended receipt and delete the original message along with all attachments thereto without making any copies."

The above instructions may be strictly followed to ensure the confidentiality/secrecy of the material contained in the draft Audit Report and may also be brought to the notice of all the Officers/staff connected with the Audit Report work for strict compliance. In addition to the above, HODs may also place further controls as deemed fit to ensure confidentiality of Audit Reports.

Annexure-A

Confidentiality Statement For the employees of Indian Audit And Accounts Department

I < name and designation> S/o/D/o ____________________________________ solemnly affirm on ____day of <name of Month> of <year > that:

(i) **I will not divulge any information gained by me during the discharge of my duties. I will keep the information contained in audit work papers, draft reports etc. confidential.**

(ii) **I understand that any breach of confidentiality will attract suitable action against me under the CCS (Conduct) Rules.**

Date:
Place:

(Name and Designation)

Confidentiality Statement

To be obtained from outside parties engaged for printing and design of report etc.

(to be obtained on stamp paper of Rs, 50/- attested by oath commissioner/ Notary public)

I <name > S/o/D/o resident of <_______> solemnly affirm on day of <name of Month> of
<year > that:

(i) **I will not divulge any information/content of audit report handed over to me for the purpose of < purpose to be mentioned such as printing and designing etc. > I will keep the information contained in audit reports confidential.**

(ii) **I understand that any breach of confidentiality will attract suitable action against me under the applicable laws as deemed fit by Indian Audit & Accounts Department.**

Place :

3.13 Preparation of DPs in field offices and their processing in Headquarter:-

(Circular No. 24-CA-/Co-Ord/27-2008 dt. 25.07.08 C&AG of India)

ADAI (C&AB) has emphasized the need to improve "the quality of DPs which not only reduces their mortality but also enhances their effectiveness.

The matter of high mortality rate and qualitative improvement in DPs has been reviewed in Headquarters. Lack of clarity of purpose and desired focus of audit comments leads to mortality of a DP. At times, field offices hold a different viewpoint and believe that some of the dropped DPs could have, been included. Such differences arise because there is no specific written objective criteria for preparation and processing of DPs. Therefore, in order to bring about uniformity in approach towards preparation and processing of DPs, ADAI (C&AB) desired that a proforma containing checklist be prepared for processing the DPs in Headquarters and this proforma be circulated among field offices so that the points contained therein are taken care of by field offices while preparing DPs.

Accordingly, a proforma containing six categories of DPs together with fallout from issues and points to be seen while processing DPs has been prepared (copy .enclosed). The categories have been devised in following manner that most of the ***DPs would fall under one or more categories. A particular DP may contain issues covering more than one category***.

3.13.1 Categories of DPs

- Non-compliance with rules, directives, procedures, terms and conditions of contract etc.
- Non-safeguarding of financial interest of organization
- Defective/ deficient planning
- Lack of fairness, transparency and competitiveness in operations
- Inadequate / deficient monitoring
- Non-realisation / partial realisation of objectives

3.13.2 DP Matrix

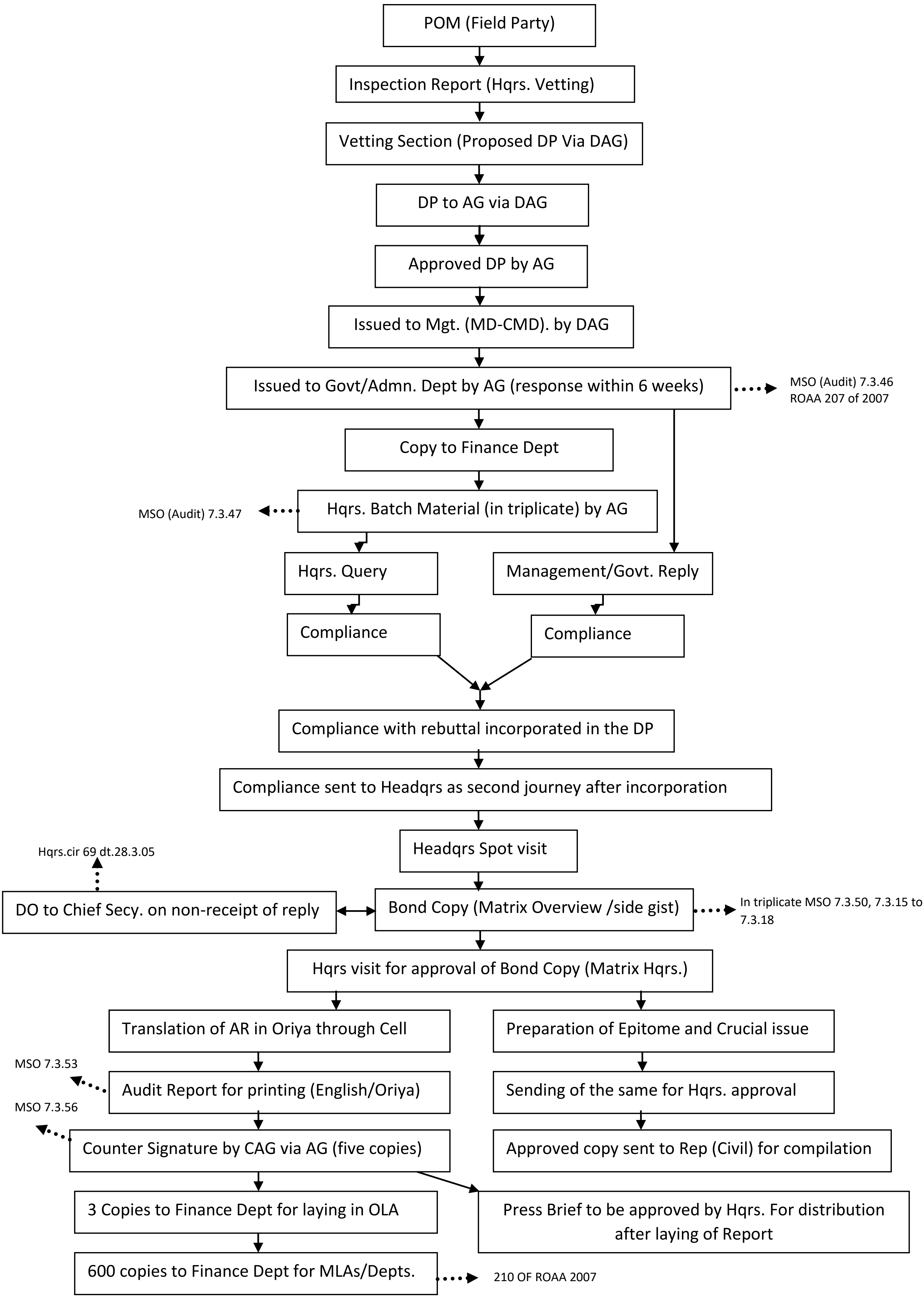
ALLOTMENT OF WEIGHTS ON THE DESIRABILITY ACCEPTABILITY MATRIX

Expendíture Audit Reports (Revised)

Acceptability index/para desirability index	Recovered	Accepted by the Deptt./ Govt.	Not accepted by the Deptt/Govt. but effectively rebutted by audit	No reply from Deptt. or Govt.
Fraud/ misappropriation/ embezzlement/ losses detected in audit	Al	A2	A3	A4
	(1)	(0.8)	(0.4)	(0.2)
Recoveries at the instance of audit	B1			
	(1)			
Overpayment detected in audit	CI	C2	C3	C4
	(0.8)	(0.6)	0.4)	(0.2)
Violation of contractual obligations, undue favours to contractors	Dl	D2	D3	D4
	(0.8)	(0.6)	(0.4)	(0.2)
Avoidable/ excess expenditure		E2	E3	E4
		(0.4)	(0.2)	(0.15)
Wasteful/ infructuous expenditure		F2	F3	F4
		(0.4)	(0.2)	(0.15)
Regularity issues	G1	G2	G3	G4
	(0.4)	(0.3)	(0.2)	(0.15)
Idle investments/ idle establishment/ blockade of funds		H2	H3	H4
		(0.2)	(0.15)	(0.10)
Delays in commissioning equipments		I-2	I-3	I-4
		(0.2)	(0.15)	(0.10)
Non-achievement of objectives		J2	J3	J4
		(0.2)	(0.10)	(0.05)
Miscellaneous		K2	K3	K4
		(0.20)	(0.10)	(0.05)

3.13.2 Weighted Aggregate of Money Value Audit Report for the Year ending............							
Para No.	**Financial period**	**Money value**	**Premium for timeliness**	**Matrix Identity**	**Matrix weight**	**Weighted money value**	**Contributing office**
(4.2)	(2001-02	(50 lakh)	(55 lakh)	(H4)	(0.10)	(5.5 lakh)	
Total							

Processing of DP to Audit Report



Chapter-IV

4. Audit of PSUs

THE COMPANIES ACT, 2013

The following are mostly relevant in the company act, 2013

Section	Chapter
	Chapter-I
2	PRELIMINARY.
	Chapter-VIII
123-127	DECLARATION AND PAYMENT OF DIVIDEND.
	Chapter-IX
18-138	ACCOUNTS OF COMPANIES.
	Chapter-X
139-148	AUDIT AND AUDITORS.
	Chapter-XI
149-172	APPOINTMENT AND QALIFICATIONS OF DIRECTORS.
	Chapter-XII
173-205	MEETING OF BOARD AND ITS POWER.
	Chapter-XIII
196-205	APPOINTMNET AND REMUNERATION OF MANAGERIAL PERSONNEL
	Chapter-XIV
206-229	INSPECTION, INQUIRY AND INVESTIGATION
	Chapter-XXIII
394-395	GOVERNMENT COMPANIES
	Chapter-XXV
405	COMPANIES TO FURNISH INFORMATION OR STATISTICS

Deals with Financial Audit

The 2013 Act mandates preparation of consolidated financial statements for all companies which have one or more subsidiaries in addition to the standalone financial statements. (Under Section 129(3))

Prior to April 2014 the provisions of Companies Act 1956 was applicable but as per HQs instruction dtd. 04-06-2014 provisions of the new companies Act 2013 shall be applicable.

Rules, 2014 (w.e.f. April 2014)

1. New Provisions of the Companies Acts 2013
2. Changes in the New Company Acts
3. List of Changes in the Company Act 2013 with corresponding 1956
4. Miscellaneous provisions
5. Ind. Accounting Standard
6. Government Companies
7. Audit of PSUs/ABs
8. Compliance Audit of PSUs
9. Financial /Accounts Audit of PSUs

4.1 New Provisions of the Companies Acts 2013

- **One Person Company** is a company with only one person as a member. That one person will be the shareholder of the company. It avails all the benefits of a private limited company such as separate legal entity, protecting personal assets from business liability, and perpetual succession. One Person Company (OPC) is a Company registered with ONLY ONE PERSON as its shareholder. The Nominee shall act as the deemed director on the death or incapacity of the One Person. An OPC is classified as a private company under Companies Act.
- **Woman Director**: Every Listed Company and Public Company with paid up capital of Rs. 100 Crore or more / Public Company with turnover of Rs. 300 Crore or more shall have at least one Woman Director, in accordance with the Rule 3 to the Companies (Appointment of directors) Rules, 2014.
- **Corporate Social Responsibility** Section(135)[8] Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

- **Registered Valuers** - Valuation by registered valuers. Section (247) (1) Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of that company.
- **Class action suits** (Section 245) for the first time, a provision has been made for class action suits. It is provided that specified number of member(s), depositor(s) or any class of them, may, if they are of the opinion that the management or control of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or depositors, file an application before the Tribunal on behalf of the members or depositors. Where the members or depositors seek any damages or compensation or demand any other suitable action from or against an audit firm, the liability shall be of the firm as well as of each partner who was involved in making any improper or misleading statement of particulars in the audit report or who acted in a fraudulent, unlawful or wrongful manner. The order passed by the Tribunal shall be binding on the company and all its members, depositors and auditors including audit firm or expert or consultant or advisor or any other person associated with the company.
- **Dormant Company** - Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar for obtaining the status of a dormant company(inactive company)
- **Serious Fraud Investigation Office** (Section 211) statutory status to SFIO has been proposed. Investigation report of SFIO filed with the Court for framing of charges shall be treated as a report filed by a Police Officer. SFIO shall have power to arrest in respect of certain offences of the Bill which attract the punishment for fraud. Those offences shall be cognizable and the person accused of any such offence shall be released on bail subject to certain conditions provided in the relevant clause of the Bill.

- **Fast Track Mergers**: The Companies Act, 2013 has separate provisions of fast track merger under Section 233 of Companies Act, 2013. These provisions are notwithstanding with the normal provisions of merger under Section 230 and 232 of this Act. Under fast track merger processes Central Government has the power to sanction all such scheme and there will be no requirement to approach National Company Law Tribunal.

4.2 Changes in the New Company Acts

- **Section 2 (41) - Financial Year**

The 1956 Act provides companies to elect financial year. The 2013 Act eliminates the existing flexibility in having a financial year different than 31 March. The 2013 Act provides that the financial year for all companies should end on 31 March, with certain exceptions approved by the National Company Law Tribunal. Companies should align the financial year to 31 March within two years from 01 April 2014.

- **Section 2 (85) - Small Company**

Small Company means a company (other than a public company) whose paid up capital does not exceed Rs. 5 million (or such other higher amount as may be prescribed, not exceeding Rs. 50 million) or whose turnover does not exceed Rs. 20 million (or such other higher amount as may be prescribed, not exceeding Rs. 200 million) as per last profit and loss account. Small Company cannot be a holding or a subsidiary company.

- The 2013 Act provides exemptions to Small Companies primarily from certain requirements relating to board meeting, presentation of cash flow statement and certain merger process.

Chapter V-Acceptance of Deposit by Companies

- **Section 73, 74(1) and-Provisions related to acceptance of deposits**

The 2013 Act provides more stringent requirements to enable the company to accept deposits from public. Section 74 (1) requires companies to repay the deposits (including interest thereon) accepted under the 1956 Act within one year from the commencement of this section.

Chapter IX-Account of Companies

- **Section 129- Financial Statement**

The 2013 Act mandates preparation of consolidated financial statements for all companies which have one or more subsidiaries in addition to the standalone financial statements

- **Section 134- Financial Statement, Board's report, etc.**

Section 134 seeks to make the board's report more informative with extensive additional disclosures like a statement on declaration of independence by the independent directors, related party transaction, policy on directors appointment and remuneration, ratio of remuneration to each director to the median employees remuneration, policy developed and implemented by the company on corporate social responsibility.

Further, Directors responsibility statement should include the following additional matters as compared to the 1956 Act:

(i) In case of a listed company, the directors had laid down internal financial controls to be followed by the company and they are adequate and operating effectively: and

(ii) The directors have devised proper systems to ensure compliance with all applicable laws and such systems are adequate and operating effectively.

- **Section 138-Internal Audit**

Section 138 mandates internal audit prescribed class of companies (**rules have prescribed the applicability of this section to listed company: unlisted public company with a paid up capital of Rs 500 million or more, or turnover of Rs 2000 million or more, or outstanding bank / financial institution borrowings of Rs 1000 million or more, or outstanding deposits of Rs 250 million or more at any time during the last financial year: and every unlisted public company with a turnover at any time during the last financial year: and private company with a turnover of Rs 2000 million or more, or outstanding bank / financial institution borrowing of Rs 1000 million or more, or outstanding deposits of Rs. 250 million or more at any time during the last financial year*)

Chapter X-Audit and Auditors

- **Section 139-Appointment of auditors**

Auditors' appointment will be for a five year term (subject to ratification by members at every annual general meeting). In case of listed companies and such class of companies as prescribed (Draft rules have prescribed the applicability of this section to all companies except Small Company and One Person Company), the term of appointment of an individual auditors / an audit firm is restricted to a period of five years / ten years. An auditor / audit firm should mandatorily rotate at the expiry of the term and can get appointed only after a cooling off period of five years. Act provides for a transition period of years, from 01 April 2014, to comply with the mandatory rotation requirement.

- **Section 141- Eligibility, qualifications and disqualifications auditors**

The 2013 Act provides that a firm where in a majority of the partners practising in India are qualified for appointment may be appointed to be an auditors of a company. Where a firm, including a Limited Liability Partnership, is appointed as an auditor of the company, only partners, who restricts the number of audit to 20 companies for an individual / partner and provides additional stringent disqualifications like business relationship and non-audit service disqualification.

- **Section 144- Auditor not to render certain services**

Section 144 prohibits auditors of a company to render non-audit service to an audit client (or its holding company or its subsidiary company). Prohibited non-audit services include accounting and book keeping services; investment advisory service; investment banking services; rendering of outsourced financial service and management service. Other restricted service may be further prescribed. There is a transition period of one year from 01 April 2014 to comply with this requirement.

- **Section 165-Number of directorships**

Section 165 provides that a person cannot have directorship (including alternate directorships) in more than twenty companies, including ten public companies. It further provides for one year transition from 01 April 2014 to comply with this requirement.

Chapter XII-Audit Committee

- **Section 177-Audit Committee**

Section 177 enhances the role and responsibilities of the audit committee of auditors of the company; review and monitor the auditors independence and performance, and effectiveness of audit process, examination of the financial statement and auditors report thereon; approval or any subsequent modification of transactions of the company with related parties; scrutiny of inter-corporate loans and investment valuation of undertaking or assets of the company, where necessary; evaluation of inter financial controls and risk management system; and monitoring the end use of funds raised through public offers related matters.

Further section 177 requires every listed company or such prescribed class of companies (*rules have prescribed the applicability of this section to listed companies and every other company which accepts deposits from the public and companies which has bank / public financial institution borrowing in excess of Rs 500 million) to establish vigil mechanism to enable their directors and employees to report genuine concerns. The vigil mechanism will provide for adequate safeguard against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the audit committee in appropriate exceptional cases.

4.3 Changes in the Company Act 2013 with corresponding 1956

Statement showing the List of Changes in the Company Act 2013 with corresponding 1956

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
1.	Section 2		
	Clause (1)	2(1)	Nil
	Clause (2)	211(3C)	Nil
	Clause (3)	2(1A)	Nil
	Clause (4)	2(1B)	Nil
	Clause (5)	2(2)	Nil
	Clause (6)	Nil	Nil
	Clause (7)	Nil	Nil
	Clause (8)	Nil	Nil
	Clause (9)	2(5)	Nil
	Clause (10)	2(6); 252(3)	Nil
	Clause (11)	2(7)	Nil
	Clause (12)	2(8)	Nil
	Clause (13)	209(1)	Nil
	Clause (14)	2(9)	Nil
	Clause (15)	Nil	Nil
	Clause (16)	124	Nil
	Clause (17)	Explanation to section 33(2)	Nil
	Clause (18)	Nil	Nil
	Clause (19)	Nil	Nil
	Clause (20)	2(10)and 3	Nil
	Clause (21)	2(23) and 12(2)(b)	Nil
	Clause (22)	2(23) and 12(2)(a)	Nil
	Clause (24)	2(45)	Nil
	Clause (25)	2(45A)	Nil
	Clause (26)	Nil	428 The term 'Contributory' shall continue for the purposes winding up.
	Clause (27)	Nil	Nil
	Clause (28)	233B(1)	Nil
	Clause (29) (except sub-clause (iv)	2(11), 2(14), 10	622
	Clause (30)	2(12)	Nil
	Clause (31)	Explanation to 58A (11)	Nil
	Clause (32)	2(12A)	Nil
	Clause (33)	2(12B)	Nil
	Clause (34)	2(13)	Nil
	Clause (35)	2(14A)	Nil
	Clause (36)	2(15)	Nil
	Clause (37)	2(15A)	Nil
	Clause (38)	59(2)	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
	Clause (39)	Nil	Nil
	Clause (40)	Nil	Nil
	Clause (41) [except first proviso]	2(17)	Nil
	Clause (42)	Nil	Nil
	Clause (43)	Explanation to section 2 (29A)	Nil
	Clause (44)	Nil	Nil
	Clause (45)	2(18), 617	Nil
	Clause (46)	2(19), 4	Nil
	Clause (47)	Nil	Nil
	Clause (48)	Nil	Nil
	Clause (49)	Nil	Nil
	Clause (50)	Nil	Nil
	Clause (51)	Nil	Nil
	Clause (52)	2(23A)	Nil
	Clause (53)	2(24)	Nil
	Clause (54)	2(26)	Nil
	Clause (55)	2(27), 41	Nil
	Clause (56)	2(28)	Nil
	Clause (57)	2(29A)	Nil
	Clause (58)	Nil	Nil
	Clause (59)	2(30)	Nil
	Clause (60)	2(31), 5, 7	Nil
	Clause (61)	Nil	448
	Clause (62)	Nil	Nil
	Clause (63)	Nil	Nil
	Clause (64)	2(32)	Nil
	Clause (65)	Explanation to section 192A	Nil
	Clause (66)	2(33)	Nil
	Clause (67) [except sub-clause (ix)]	2(34)	Nil
	Clause (68)	2(35)	Nil
	Clause (69)	Explanation (a) to section 62(6)	Nil
	Clause (70)	2(36)	Nil
	Clause (71)	2(37)	Nil
	Clause (72)	4A	Nil
	Clause (73)	2(39)	Nil
	Clause (74)	Nil	Nil
	Clause (75)	2(40)	Nil
	Clause (76)	Nil	Nil
	Clause (77)	2(41), 6 and schedule IA	Nil
	Clause (78)	Explanation to 198	Nil
	Clause (79)	2(42)	Nil
	Clause (80)	2(43)	Nil
	Clause (81)	2(45AA)	Nil
	Clause (82)	2(45B)	Nil
	Clause (83)	Nil	Nil
	Clause (84)	2(46)	Nil
	Clause (85)	Nil	Nil
	Clause (86)	Nil	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
	Clause (87)	2(47), 4	Nil
	Clause (88)	Explanation II to Section 79A	Nil
	Clause (89)	2(48)	Nil
	Clause (90)	2(49A)	Nil
	Clause (91)	Nil	Nil
	Clause (92)	12(2)(c)	Nil
	Clause (93)	Nil	Nil
	Clause (94)	Explanation to Section 269	Nil
	Clause (95)	2(31A), 2A	Nil
2.	Section 3	12	Nil
3.	Section 4	13,14,15,15A,15B, 20, 37	Nil
4.	Section 5	26,27,28,29,30	Nil
5.	Section 6	9	Nil
6.	Section 7 (except sub-section (7)	33,34(1),35	Nil
7.	Section 8 (except sub-section (9)	25	Nil
8.	Section 9	34(2)	Nil
9.	Section 10	36	Nil
10.	Section 11	149	Nil
11.	Section 12	17A, 146, 147	Nil
12.	Section 13	16,17,18,19,21,23	Nil
13.	Section 14 (except second proviso to sub- section (1) and sub-section (2))	31 (except proviso to sub-section1) and Sub-section (2A); 43)	Proviso to sub-section (1) of section 31; Sub-section (2A) of section 31
14.	Section 15	40	Nil
15.	Section 16	22	Nil
16.	Section 17	39	Nil
17.	Section 18	32	Nil
18.	Section 19	42	Nil
19.	Section 20	51, 52, 53	Nil
20.	Section 21	54	Nil
21.	Section 22	47, 48	Nil
22.	Section 23	67	Nil
23.	Section 24	55A	Nil
24.	Section 25	64	Nil
25.	Section 26	55,56,57,58,59,60, Sch. II	Nil
26.	Section 27	61	Nil
27.	Section 28	Nil	Nil
28.	Section 29	68B	Nil
29.	Section 30	66	Nil
30.	Section 31	68	Nil
31.	Section 32	60B	Nil
32.	Section 33	56(3)	Nil
33.	Section 34	63	Nil
34.	Section 35	62	Nil
35.	Section 36	68	Nil
36.	Section 37	Nil	Nil
37.	Section 38	68A	Nil
38.	Section 39	69, 75	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
39.	Section 40	73, 76	Nil
40.	Section 41	Nil	Nil
41.	Section 42	67	Nil
42.	Section 43	2(46A), 85, 86	Nil
43.	Section 44	82	Nil
44.	Section 45	83	Nil
45.	Section 46	84	Nil
46.	Section 47	87	Nil
47.	Section 49	91	Nil
48.	Section 50	92	Nil
49.	Section 51	93	Nil
50.	Section 52	78	Nil
51.	Section 53	79	Nil
52.	Section 54	79A	Nil
53.	Section 55 except sub-section (3)	80 and 80A (except Proviso to section 80A(1) and section 80A(2))	Proviso to section 80A(1) and section 80A(2)
54.	Section 56	108, 108A to 108 I, 109,110,113	Nil
55.	Section 57	116	Nil
56.	Section 58	111	Nil
57.	Section 59	111A	Nil
58.	Section 60	148	Nil
59.	Section 61 except proviso to clause (b) of sub-section (1)	94	Nil
60.	Section 62 except sub-sections (4) to (6)	81 except sub-sections (4) to (7)	sub-sections (4) to (7) of section 81 and section 94A
61.	Section 63	Proviso to 205 (3)	Nil
62.	Section 64	94A(3), 95,97	Nil
63.	Section 65	98	Nil
64.	Section 67	77	Nil
65.	Section 68	77A	Nil
66.	Section 69	77AA	Nil
67.	Section 70	77B	Nil
68.	Section 71 except sub-sections (9) to (11)	117,117A,117B,117C,118,119, 122 Except 117B(4) and 117C (4) and (5)	117B(4) and 117C (4) and (5)
69.	Section 72	109A,109B	Nil
70.	Section 73	58A, 58AA, 58AAA, 58B, 59	Nil
71.	Sub-section (1) of sec 74	Nil	Nil
72.	Section 76	58A	Nil
73.	Section 77	125,128, 129,132, 133, 145	Nil
74.	Section 78	134	Nil
75.	Section 79	127,135	Nil
76.	Section 80	126	Nil
77.	Section 81	130	Nil
78.	Section 82	138	Nil
79.	Section 83	139,140	Nil
80.	Section 84	137	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
81.	Section 85	131, 136,143,144	Nil
82.	Section 86	142	Nil
83.	Section 87	141	Nil
84.	Section 88	150,151,152,152A,153, 153A, 153B, 157, 158	Nil
85.	Section 89	187C	Nil
86.	Section 90	187D	Nil
87.	Section 91	154	Nil
88.	Section 92	159,160,161,162,Sch V	Nil
89.	Section 93	Nil	Nil
90.	Section 94	163	Nil
91.	Section 95	164	Nil
92.	Section 96	165,166, 170	Nil
93.	Section 100	169 (9)	Nil
94.	Section 101	171,172	Nil
95.	Section 102	173	Nil
96.	Section 103	174	Nil
97.	Section 104	175	Nil
98.	Section 105	176, Schedule IX	Nil
99.	Section 106	181,182,183	Nil
100.	Section 107	177,178	Nil
101.	Section 108	Nil	Nil
102.	Section 109	179,180,184,185	Nil
103.	Section 110	192A	Nil
104.	Section 111	188	Nil
105.	Section 112	187A, 187B	Nil
106.	Section 113	187	Nil
107.	Section 114	189	Nil
108.	Section 115	190	Nil
109.	Section 116	191	Nil
110.	Section 117	192	Nil
111.	Section 118	193,194,195,197	Nil
112.	Section 119 (except sub-section (4))	196	Nil
113.	Section 120	Nil	Nil
114.	Section 121	Nil	Nil
115.	Section 122	Nil	Nil
116.	Section 123	Section 205 Sub-section (3) of section 205A Section 206.	Nil
117.	Section 126	206A	Nil
118.	Section 127	207	Nil
119.	Section 128	209 214	Nil Nil
120.	Section 129	210, 211, 212, 213, 221, 222, 223	
121.	Section 133	211 (3C)	Nil
122.	Section 134	215, 216, 217, 218	Nil
123.	Section 135	Nil	Nil
124.	Section 136	219	Nil
125.	Section 137	220	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
126.	Section 138	Nil	Nil
127.	Section 139	224, 224A, 619	Nil
128.	Section 140 [except second proviso to sub-section (4) and sub-section (5)	225 except proviso to sub-section (3)	Proviso to sub-section (3) of section 225
129.	Section 141	226	Nil
130.	Section 142	224(8)	Nil
131.	Section 143	227, 228, 263A	Nil
132.	Section 144	Nil	Nil
133.	Section 145	229,230	Nil
134.	Section 146	231	Nil
135.	Section 147	232, 233, 233A	Nil
136.	Section 148	233B	Nil
137.	Section 149	252, 253, 258, 259	Nil
138.	Section 150	Nil	Nil
139.	Section 151	Proviso to sub- section (1) of section 252	Nil
140	Section 152	254, 255, 256, 264	Nil
141	Section 153	266A	Nil
142	Section 154	266B	Nil
143	Section 155	266C	Nil
144	Section 156	266D	Nil
145	Section 157	266E	Nil
146	Section 158	266F	Nil
147	Section 159	266G	Nil
148	Section 160	257	Nil
149	Section 161	260, 262, 313	Nil
150	Section 162	263	Nil
151	Section 163	265	Nil
152	Section 164	202, 274	Nil
153	Section 165	275, 276, 277, 278, 279	Nil
154	Section 166	312	Nil
155	Section 167	283	Nil
156	Section 168	Nil	Nil
157	Section 169 except sub-section (4)	284 except sub-section (4)	Sub-section (4) of section 284
158	Section 170	303, 307	Nil
159	Section 171	304	Nil
160	Section 172	Nil	Nil
161	Section 173	285,286	Nil
162	Section 174	287,288	Nil
163	Section 175	289	Nil
164	Section 176	290	Nil
165	Section 177	292A	Nil
166	Section 178	Nil	Nil
167	Section 179	Section 291 Section 292	Nil
168	Section 180	293	Nil
169	Section 181	Nil	Nil
170	Section 182	293A	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
171	Section 183	293B	Nil
172	Section 184	299,305	Nil
173	Section 185	295,296	Nil
174	Section 186	372A	Nil
175	Section 187	49	Nil
176	Section 188	294, 294A, 294AA, 297, 314	Nil
177	Section 189	301	Nil
178	Section 190	302	Nil
179	Section 191	319, 320, 321	Nil
180	Section 192	Nil	Nil
181	Section 193	Nil	Nil
182	Section 194	Nil	Nil
183	Section 195	Nil	Nil
184	Section 196	197A, 267, 311, 317, 384, 385, 388	Nil
185	Section 197	198, 201, 309, 310, 387	Nil
186	Section 198	349	Nil
187	Section 199	Nil	Nil
188	Section 200	637AA	Nil
189	Section 201	640B	Nil
190	Section 202	318	Nil
191	Section 203	269, 316, 386	Nil
192	Section 204	Nil	Nil
193	Section 205	Nil	Nil
194	Section 206	234 [except sub-section (8)]	Nil
195	Section 207	209A	Nil
196	Section 208	Nil	Nil
197	Section 209	234A	Nil
198	Section 210	235	Nil
199	Section 211	Nil	Nil
200	Section 212 [except sub-section (8) to (10)];	Nil	Nil
201	Section 214	236	Nil
202	Section 215	238	Nil
203	Section 216 [except sub-section (2)]	247 [except sub-section 1A]	Sub-section (1A) of section 247
204	Section 217	240	Nil
205	Section 219	239	Nil
206	Section 220	240A	Nil
207	Section 223	241, 246	Nil
208	Section 224[except sub-section (2) and (5)]	242, 244	Section 243
209	Section 225	245	Nil
210	Section 228	Sub-section (8) of Section 234	Nil
211	Section 229	Nil	Nil
212	Section 366	565	Nil
213	Section 367	574	Nil
214	Section 368	575	Nil
215	Section 369	576	Nil
216	Section 370[except proviso]	Section 577 except proviso	Proviso to section 577

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
217	Section 371	Section 578	Nil
218	Section 374	Nil	Nil
219	Section 379	Nil	Nil
220	Section 380	592, 593	Nil
221	Section 381	594	Nil
222	Section 382	595	Nil
223	Section 383	596	Nil
224	Section 384	600	Nil
225	Section 385	601	Nil
226	Section 386	602	602
227	Section 387	603	Nil
228	Section 388	604	Nil
229	Section 389	605	Nil
230	Section 390	605A	Nil
231	Sub-section (1) Section 391	607	Nil
232	Section 392	598, 606	Nil
233	Section 393	599	Nil
234	Section 394	619A	Nil
235	Section 395	Nil	Nil
236	Section 396	609	Nil
237	Section 397	610A	Nil
238	Section 398	610B	Nil
239	Section 399 except reference of word Tribunal in sub-section (2)	610	Nil
240	Section 400	Nil	Nil
241	Section 401	610D	Nil
242	Section 402	610E	Nil
243	Section 403	611, Schedule X	Nil
244	Section 404	612	Nil
245	Section 405	615	Nil
246	Section 406	620A	Nil
247	Section 407	Explanation to 10FD	Nil
248	Section 408	10FB, 10FC	Nil
249	Section 409	10FD	Nil
250	Section 410	10FR	Nil
251	Section 411	Nil	Nil
252	Section 412	10FX	Nil
253	Section 413	10FE, 10FT	Nil
254	Section 414	10FG,10FW	Nil
255	Section 439	621, 624	Nil
256	Section 442	Nil	Nil
257	Section 443	624A	Nil
258	Section 444	624B	Nil
259	Section 445	Nil	Nil
260	Section 446	626	Nil
261	Section 447	Nil	Nil
262	Section 448	628	Nil
263	Section 449	629	Nil
264	Section 450	629A	Nil

Sl. No.	Provisions of Companies Act, 2013 as notified (98+1+183= 282 Sections)	Corresponding provisions of Companies Act, 1956	Corresponding provisions of Companies Act, 1956 continue to remain in force
265	451	Nil	Nil
266	452	630	Nil
267	453	631	Nil
268	Section 454	Nil	Nil
269	Section 455	Nil	Nil
270	456	635A	Nil
271	Section 457	635AA	Nil
272	Section 458	637	Nil
273	Section 459	637AA	Nil
274	Section 460	637B	Nil
275	Section 461	638	Nil
276	Section 462	Nil	Nil
277	Section 463	633	Nil
278	Section 464	11	Nil
279	Section 467	641	Nil
280	Section 468	643	Nil
281	Section 469	642	Nil
282	Section 470	Nil	Nil
	Schedule I	Schedule I	Nil
	Schedule II	Schedule XIV	Nil
	Schedule III	Schedule VI	Nil
	Schedule IV	Nil	Nil
	Schedule V	Schedule XIII	Nil
	Schedule VI	Nil	Nil
	Schedule VII	Nil	Nil

4.4 Miscellaneous provisions

Clarification with regard to applicability of provisions of section 139(5) and 139(7) of the Companies Act, 2013

(Vide General Circular No. 33/2014 Dtd. 31-07-2014 by Ministry of Corporate Affairs, GoI)

The New Act does not contain specific provisions about 'deemed Government companies' on the lines of section 619B of the Old Act. Clarification has been sought whether, under the new Act, such deemed Government companies would be subject to audit by the Cos AG in the same manner as Government Companies.

The above issue has been examined and it is clarified that the new Act: does not alter the position with regard to audit of such deemed Government-companies through C&AG and thus such companies are covered under sub- -section (5) and (7) of section'139 of the New Act;

Further, it has also been observed that the words *"any other company owned* or *controlled, directly or indirectly by the Central Government and partly by one or more State Governments"* appearing in sub-sections (5) and (7) of section .139 of the New Act are to be read with the definition of 'control' in section 2(27) of the New Act. Thus documents like articles of association and shareholders agreements etc envisaging control under section 2(27) are to be taken into account while deciding whether an individual company, other than those referred in paragraph 1-2 above, is covered under section 139(5)/139(7) of the New Act.

Clarification has also been sought about the manner in which the information about incorporation of a company subject to audit by an auditor to be appointed by the C&AG is to be communicated to the C&AG for the purpose of appointment of first auditors under section 139(7) of the New Act. It is hereby clarified that such responsibility rests with both, the Government concerned and the relevant company. To avoid any confusion it is further clarified that it will primarily be the responsibility of the company concerned to intimate to the C&AG about its incorporation along with name, location -of registered office, capital structure of such a. company immediately on its incorporation. It is also incumbent on such a company to share such intimation to the relevant Government so that such Government may also send a suitable request to the C&AG.

Headquarters Clarification regarding Companies under 619/B of The Companies Act 1956 (Vide Circular No. : 494/ER/Coord/Comml Matters/143-2014 Dtd. 09-06-2014)

Under Section 129(3) of the new Companies Act, companies having subsidiaries and joint ventures are required to prepare Consolidated Financial Statements (CFS). Further, supplementary audit of consolidated financial statements of Government Companies is to be conducted by CAG in view of section 129(4) of the new Act. A copy of five new formats of certificate for issue of comments etc. under section 129(4) of the new Companies Act in r/o Consolidated Financial Statements of accounting period commencing on or after 1.4.2014 are enclosed.

Under Section 143(5) of the new act, the CAG's directions are issued to auditors of Govt. Companies and auditor's reply to these directions will now form part of his Audit Report. Hence there is no need for obtaining a Compliance Certificate of these directions from the statutory auditor.

A statement containing analysis of important provisions in the new Companies Act 2013 compared with the provisions of Companies Act, 1956 is also enclosed.

Directions under section 619(3) (a) of the Companies Act 1956 (Revised) Applicable from the year 2014-15 and onwards

SI. No.	Directions
1	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed and General Reserves) may be examined including the mode and present stage of disinvestment process.
2	Please report whether there are any cases of waiver/ write off of debits/ loans/ interest etc., if yes, the reasons there for and the amount involved.
3	Whether proper records are maintained for inventories lying with third parties and assets received as gift from Government or other Authorities.
4	A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.

In addition to above, it was decided in Audit Board Meeting (dated 18 & 19 November 2013) that MAB can issue additional company specific directions (sub-directions), not exceeding five, with prior approval of Headquarters.

Note: Since section companies Act 2013 is yet to be notified, the above revised directions shall be issued to the Statutory Auditors under section 619(3)(a) of the Companies Act 1956 for the audit of accounts of 2014-15 and onwards

4.5 Statement Showing Accounting Standard with correspondence to Indian Accounting Standard

Name of Indian Accounting Standard	Accounting Standard	Indian Accounting Standard
Presentation of Financial Statements	1	1
Inventories	2	2

Statement of Cash Flows	3	7
Events after Reporting Period	4	10
Accounting Policies, Changes in Accounting Estimates and Errors	5	8
Depreciation accounting	6	16
Construction Contracts	7	11
Research & development (deleted)	8	
Revenue	9	18
(Revised) Property, Plant and Equipment	10	16
The Effects of Changes in Foreign Exchange Rates	11	21
Accounting for Government Grants and Disclosure of Government Assistance	12	20
Accounting for Investment	13	
Business Combination	14	103
Employee Benefits	15	19
Borrowing Costs	16	23
Operating Segments	17	108
Related Party Disclosures	18	24
Leases	19	17
Earnings per Share	20	33
Separate Financial Statements	21	27
Income Taxes	22	12
Investments in Associates and Joint Ventures	23	28
Non-Current Assets Held for Sale and Discontinued Operations	24	105
Interim Financial Reporting	25	34
Intangible asset	26	38
Interest in joint venture	27	31
Impairment of Assets	28	36
Provisions, Contingent Liabilities and Contingent Assets	29	37
Financial instrument: recognise & measurement	30	39
Financial Instruments: Presentation	31	32
Financial Instruments: Disclosures	32	107
Financial Reporting in Hyper inflationary Economies	NA	29
Intangible Assets	NA	38
Investment Property	NA	40
Agriculture	NA	41
First-time adoption of International Financial Reporting Standard	NA	101
Share Based payments	NA	102
Insurance Contracts	NA	104
Exploration for and Evaluation of Mineral Resources	NA	106
Financial Instruments	NA	109
Consolidated Financial Statements	NA	110

Joint Arrangements	NA	111
Consolidated Financial Statements; Disclosure of Interests in Other Entities	NA	112
Fair Value Measurement	NA	113
Regulatory Deferral Accounts	NA	114
Recognition of Revenue from Contracts with Customers	NA	115

4.6 GOVERNMENT COMPANIES

4.6.1 Introduction

The provisions of Sections 126(4) of the Companies Act 2013 deal with the various aspects of Companies coming under the purview of CAG audit. The Provisions of each Section together with the decisions/orders of the Comptroller and Auditor General of India detailing the course of action to be followed have been dealt in the succeeding paragraphs for guidance.

4.6.2 Definition of Government Company

Under section 2(45) of the Companies Act, 2013 Government Company means any Company in which not less than fifty one per cent of the paid up share capital is held 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 and Central Governmental includes a Company which is a subsidiary of a Company such a government Company

A list of Government Companies (working companies and non working companies) including Statutory Corporations and 139(5) & (7).

The provisions contained in C & AG's Audit & Accounts Manual 2007 relating to financial audit may be kept in view.

4.6.3 Assignment of audit

The assignment of audit to the office of the Accountant General only on receipt of such intimation and after appointment of auditors by the Comptroller and Auditor General of India, this office can arrange to take up audit of the concerned Company.

(Ref: C&A.G's No.690-CA/92-67 dt.16.6.67 read with No.2165-CVA/95-69 dt.3.10.74)

2.03.1 The responsibility to audit the accounts under Section 126(4) of the Companies Act 2013 would arise only after the receipt of certified accounts from the Statutory Auditors. With a view to avoid delay in the issue of final comments, audit may be started on receipt of a copy of the accounts approved by the Management. The preliminary comments of audit observations on such audit should neither be issued to Management nor made known to the Statutory Auditors till the certified accounts along with audit report of Statutory Auditors are made available to us.

(Ref: C&A.G's No. 531-CA IV/63-72 dt.29.8.72 and No. 44/CA-IV/63-72 dt.25.8.72)

4.6.4 Scope of audit

The audit of a Government Company/139(5)&(7) Company (i.e. Deemed Government Company) is conducted by the Indian Audit and Accounts Department under Sub/Sections 3(b) and (4) of Section 126(4)of the Companies Act 2013.

The sub-section 3(b) refers to the supplementary or test audit (i.e. Efficiency Cum Proprietary audit) of the accounts/records of the Company by or on behalf of the Comptroller and Auditor General of India. This should be conducted every year in respect of all Government Companies.

The results arising out of Efficiency Cum Proprietary Audit are communicated to the Management of the Company and the State Government through an Inspection Report. Important matters are brought to the notice of State Legislature through Audit Report-Commercial.

4.6.5 PROVISIONS REGARDING AUDIT OF GOVERNMENT COMPANIES/

Appointment of Statutory Auditors in case of Government Companies were

Prior to the enactment of Companies' Amendment Act 2000, the auditors of appointed by the Company Law Board, Government of India on the advice of C&AG. However as per Section 619(2) of the Companies Amendment Act 2000 (came in to force with effect from 13-12-2000), (or under section 139(5) of the company acts 2013) the auditors of the Government Companies are appointed by the C&AG. The C&AG also entrusts the supplementary audit of Government Companies under Section 619(3) & 619 (4) of the Companies Act, 1956 (under section 143 (5) of the company acts 2013) to the Accountant General (AG) of the concerned State. The appointments and re-appointments of statutory auditors are subject to their performance for the previous year's audit being adjudged as satisfactory by the concerned AG.

Appointment of Statutory Auditors in case of Statutory Corporations

a) ***Orissa State Financial Corporation***

As per provision of sec.37(1) of the SFC (Amendment) Act,2000 the accounts of the Financial Corporation shall be audited by auditors who shall be appointed by the Financial Corporation in general meeting of the shareholders out of the panel of the auditors approved by the Reserve Bank of India.

Further, the Financial Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor General of India at least one month before it is place before the shareholder and the Comptroller and Auditor General of India may, either of his own motion or on request received in this behalf from a State Government, undertake such audit and at such times as he may consider necessary.

Provided that where the State Government is required to make any payment on account of the guarantee given by it under Sec.6 or Sec.7 or Sec.8 as the case may be, such audit shall be undertaken by the Comptroller and Auditor General of India.

As per provision of Sec.37 (4) of the SFC Act,1951 the State Government may in consultation with the Comptroller and Auditor General of India at any time issue directions to the auditor requiring them to report to it upon the adequacy of measures taken by the Corporation for the protection of its shareholder and creditors or upon sufficiency of their procedure in auditing the affairs of the Corporation and may enlarge the scope of the audit or direct that a different procedure in audit may be adopted if in its opinion public interest so requires.

b) ***Orissa Warehousing Corporation***

As per the provisions of the Sec.31 (3) of the Warehousing Corporations Act, 1962 the auditors of the Corporation shall be appointed by the Government on the advice of the Comptroller and Auditor General of India

Further, as per provision of Sec.31 (6) of the said Act the appropriate Government may in consultation with the Comptroller and Auditor General of India at any time issue directions to the auditor requiring them to report to it upon the adequacy of measures taken by a Warehousing Corporation for the protection of its shareholder and creditors or upon sufficiency of their procedure in auditing the affairs of the Corporation and may enlarge the scope of the audit or direct that a different procedure in audit may be adopted if in its opinion public interest so requires.

4.6.6 Directions under Section 619(3) (a) of the Companies Act, 1956

As per Section 619(3)(a) of the Companies Act, the C&AG issues directions to statutory auditors as to the manner in which the accounts shall be audited. The statutory auditors are required to comply all the information/explanations contained in such directions and submit a detailed report along with the audit report. The directions in this regard are subject to revision from time to time. The directions issued by C&AG of India in June 1996 were revised in February 2005. The statutory auditors are to follow the revised directions w.e.f. the financial year 2004-05.The directions issued in February 2005 were also modified in December 2007 to include one more clause as mentioned below;

"Whether the company has made payments to small/micro enterprises within 45 days in respect of any goods supplied or services rendered as per the provisions of Section 15 of "The Micro, Small and Medium Enterprises Development Act, 2006"(MSMED Act, 2006). If no, whether the company complied with the provisions of Section 22 of the said Act ? (The extent of non-compliance with Section 22 may be reported in the Auditors' Report under Section 227 of the Companies Act, 1956)".

(Source: Headquarters Letter No.192/CA-II/Coordn/directions/90-2002 dated 21.02.2005 & meb.1564/Jee.ues.He./mece./DevegosMe/07-08/82-2005 dated 05.12.2007)

4.6.7 Delay in submission of certified accounts by Statutory Auditors

As per Government of India letter No.19 (19) CL IV 56 dated 8.2.57 the report of the auditors appointed by the Government under Section 619(2) of the Companies Act is required to be received in our office within four months of the expiry of the financial year. A close watch should also be kept byES-ITechnical Section on the timely receipt of authenticated accounts together with their report thereon from the Statutory Auditors. The reasons for the delay in submission of accounts by the statutory Auditors should be enquired and intimated to Comptroller and Auditor General of India while forwarding the draft comments/nil comments.

(Ref:- C&A.G.’s letter No. D.O. 801/CII/102-79 dated 30.6.1980 read with C&A.G.’s No.472/CAII/102-79 dated 20.3.1981)

4.6.8 Time limit for submission of 619(3)(a) Report by the Statutory Auditors

As per the earlier instructions of C&AG of India, the statutory auditors are required to submit their audit report under Section 619(3)(a) of the Companies Act, 1956 within a period of three weeks from the date of signing of the main report under Section 227 of the Companies Act, 1956.

However, the C&AG of India has been pleased to revise the above instructions in January 2006. Accordingly, the statutory auditors are required to submit the 619(3)(a) report alongwith their report (main report) under Section 227 and 619(4) of the Companies Act, 1956. This instruction is applicable to any audit report signed by the statutory auditors from February 2006 onwards. The statutory auditors are also required to furnish a compliance certificate in the prescribed format along with their report under Section 616(3)(a) of the said Act.

(Source: Headquarters Letter No.44/CA-IV/42-2001/Vol.II dated 31.01.2006 & No.CA-II/2006-07/82-2005 dated 30.03.2007)

4.6.9 Timely submission of 619(3) (a) Report

There is a need to keep a watch on the timely receipt of supplementary report under section 619(3) of the Companies Act 1956 from the statutory auditors as in many cases the auditors either do not furnish such report or abnormally delay in the submission thereof. Persistent delay on the part of auditors in submitting the supplementary reports may be taken into account while assessing their performance for appointment of auditors of Government Companies in future. As per C&AG's circular No. 06-CAV/30-2003 dt 29.01.2009 on performance of Statutory Auditors, on the ground of non-submission or delay in submission of 619 (3) (a) report, unsatisfactory certificate is to be issued to the Statutory Auditors.

(Ref: C&A.G's No.1502-CA II/197-83 Circular 6-CA II/State Comml. Audit-II/84 dated.17.8.84)

4.6.10 Performance of Auditors of Government Companies

The appointments and re-appointments of statutory auditors are subject to their performance for the previous year's audit being adjudged as satisfactory by the concerned AG. The report on the performance of the statutory auditors is required to be sent to Headquarters office in the prescribed proforma while forwarding the Draft Comments/Nil Comments/Non-Review Certificates. The proforma on assessment issued by the Headquarters may be referred to. The recent letter in this regard from P.D. (Coml.) dt. 29.01.2009 may be referred to.

(Source: Headquarters Letter No.06/CA V/30-2003 dated 29.01.2009)

4.6.11 Progress of audit to be watched for adherence to the time limit.

As per PD (CS) letter in December 2008, Head of the office shall monitor the progress of audit to avoid delay beyond 2 months from the date of receipt of certified account.

(Source: Headquarter letter No. 191-CA-II/Cordn./Rationalisation/Returns/38-09 dt. 06.04.2009)

After receipt of accounts and selection of audit by AG based on the turnover and paid up capital of the Company, the copy of the audit report and accounts as submitted by the Statutory Auditor is sent to Headquarters office along with the intimation letter regarding the receipt of accounts. The programme for supplementary audit is prepared byES-IHeadquarters. The audit party selected to take up the audit has to collect a copy of the certified accounts along with the auditor’s report under Section 227 and 619(3)(a) of the Companies Act, 1956, accounts file of the concerned company/corporation for the previous year, Title Sheet and proforma on appointment and performance of auditors, and a check list on Accounting Standards from the ES-I-Technical Section.

4.6.12 Criteria for determining significance/materiality of the Comments proposed under Section 619(4) of the Companies Act.

As per AAS 13 of ICAI, the materiality depends on the size and nature of an item, judged in the particular circumstances of its misstatement. While determining the significance/materiality of the comment is wholly a matter of the auditor's own professional judgment, the following guidance is intended only to assist Members Audit Board/ Principal Directors of Commercial Audit/Director General (P&T) in exercising their judgment.

The guidance has been divided in two parts- CAG's comments on Financial Statements and CAG's comments on Statutory Auditor's report.

4.6.13 Compliance with legal and regulatory requirements**:** If the legal or regulatory requirements applicable to the preparation and presentation of the financial statements have not been followed or complied with, the fact should, with reasons, if any, be commented upon. Such legal/regulatory requirements are prescribed as under:

(a) Requirements regarding form and contents of the financial statements as prescribed under the regulating Act like Section 211 of the Companies Act 1956 read with Schedule VI and Section 11 (1) (a) of the Insurance Act, 1938 read with Schedule B to IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulation, 2000.

(b) Compliance with prescribed Accounting Standards, as applicable.

4.6.14 Disclosure of Accounting Policy**:** Inadequate or improper disclosure of an accounting policy when it is likely that a user of the financial statements would be misled by the description should be commented upon.

4.6.15 Repeated comments: In case certain comments are being repeated in the Statutory Auditor's Report or are not being proposed for issue as CAG's comments due to low materiality (value) or on which Management has offered an assurance but the same has not been complied with, such comments may be proposed after a cycle of two years.

***4.6.16 Money value of the comments*:**

(a) Individual comments

(i) Individual observations on Profit/Loss Account involving money value equal to or exceeding 2 per cent of the net profit/loss; and

(ii) Individual observations on Balance Sheet involving money value equal to or exceeding 2 per cent of the value of net assets/liability (line item)[1] to which it pertains should be considered material/significant.

(b) Aggregated Comments

(i) All quantified observations on the Profit/Loss Account should be aggregated, irrespective of individual values. If the value exceeds 3 per cent of the net profit/loss, all observations together should be considered material/significant.

(ii) All quantified observations on a particular asset/liability head should be aggregated, irrespective of individual values. If the value equals or exceeds 3 per cent of the net value of asset/liability, all observations should be considered material/significant. The base figure should be the line items in the balance sheet referred to in Footnote 1.

***4.6.17 CAG's Comments on Statutory Auditor's Report*:**

Comments on Statutory Auditor's Report should be taken in the following cases:

(a) Non-compliance with Auditing and Assurance Standards of ICAL.

(b) Non-compliance with reporting requirements of Companies Act, 1956 including any notifications prescribing reporting requirements under the Companies Act.

(c) Wrong quantification involving significant variations.

(d) Non-quantification of major qualifications where it can be demonstrated as quantifiable in supplementary audit and meets the criteria of materiality/significance by value as listed above.

The 'true and fair' opinion is given by the Statutory Auditors. The opinion of the Statutory Auditors may be viewed in the context of the comments in totality in the following cases:

[1] Assets-Fixed assets.CWIP, Investments, Current Assets, Loans and Advances, Deferred Tax Assets and Deferred Revenue.

Liabilities-Share Capital, reserves and Surplus, Secure loans, unsecured Loans, Seferred Tax Liabilities, Current Liabilities and Provision

(a) If as an impact of the observations, profit is converted into loss and vice-versa, irrespective of the monetary value.

(b) If the aggregate value of the CAG's observations and the value of the statutory auditors quantified qualifications on Profit and Loss account equals or exceeds 20 per cent of the net profit/loss, the statutory auditors opinion should be reviewed to consider the sustainability of a 'true and fair' view, if such a view has been expressed by the Statutory Auditor.

(c) If the aggregate value of the CAG's observations and the quantified value of the statutory auditors qualifications on the Balance Sheet equals or exceeds 10 per cent of the total assets/liabilities, the Statutory Auditors opinion should be reviewed to consider the sustainability of a 'true and fair' view, if such a view has been expressed by the Statutory Auditor.

It is reiterated that the monetary values and percentages mentioned in these guidelines should not be viewed in isolation of the particular circumstances of the financial statements/Statutory Auditor's Report.

(Headquarters Circular letter No.CA-II/Co.ordn/Instructions/07-08/82-2005

dated 24.03.2008)

The field party should issue the proforma on the performance and appointment of auditors to the Management on the first day itself to collect the required information. The field party has to comply with the following instructions while conducting the audit of accounts of companies and corporations.

i) The accounts should be reviewed on the basis of the C&AG's comment on the accounts of the previous year. In case no accounting effect has been given in the current year accounts, comment may be repeated.

ii) The comments offered by the Statutory Auditors should be examined properly. Since in case of company registered under Companies Act, the C&AG conducts the Supplementary Audit u/S 619(4) of the said Act, care must be taken not to repeat the comments already made by the Statutory Auditors. Only in case of those comments where the Statutory Auditors comment is not adequate, deficient, incorrect or not quantified, a suitable comment may be made.

iii) The details of the calculations in respect of comments may be included in the POMs issued to the Management or alternatively, it may be annexed to it.

iv) The concerned AAO of the Party should sign all the calculations sheet and hand written KDs.

v) While offering the comment on a particular item in the Balance Sheet or Profit & Loss Account, the heads to be 'Debited' or 'Credited' (Understatement/Overstatement) should be examined properly. Before suggesting any rectification entries, the Party should ensure about the wrong entries passed by the Management.

vi) The Party should specify the heads to be 'Debited' or 'Credited' (Understated/Overstated) with amount while offering any comments under Balance Sheet and Profit & Loss Account.

vii) The POMs dropped by the Party during the audit period should be supported by the Management's reply and reasons for dropping the comments may be recorded in the margin of the POMs by Reviewing Officer. Further a statement for the dropped POMs may be submitted in the following format.

POM No.	**Gist of POMs**	**Management's Reply/ further verification**	**Reasons for dropping the POMs**

viii) All the columns of the title sheet (except those required to be filled up by headquarters) should be filled up by the concerned reviewing officer of the party.

ix) 619(3) (a) reports should be reviewed and any non-compliance thereof should be suitably commented.

(Source: Circular No.CAD (T)/Cir/2005/06/01 dated 14.10.2005 and Headquarters letter No. 2015/CA/2006-07/82-2005 dated 30.03.2007)

4.6.18 Submission of files/Draft Provisional Comments after audit

Along with the provisional comments, the following papers are required to be submitted to ES-I-Technical Section by the audit team.

i) Title Sheet with duly filled up and signed by Reviewing Officer of the party.

ii) A Statement of dropped POMs

iii) Check-list of ASs with marked properly.

iv) List of the POMs included in provisional comments with name of the contributors

v) Allotment of duties countersigned by RO and the certificate from each member of the party that they have done their work as allotted.

vi) Proforma on appointment of Auditors as collected from Management.

4.6.19 Finalisation of comments by ES-I Technical Section

Finalisation of comments at ES-I Technical Section falls in to four categories;

i) The accounts which are less than five years old and selected for audit.

ii) the accounts which are more than five years old and selected for audit; and

iii) nil comments and

iv) the accounts which are not selected for audited.

i) Finalisation of comments in respect of accounts which are less than five years old and selected for audit under Section 619(4) of the Companies Act, 1956.

a) Provisional Comments (PC): After completion of audit, the field party submits the file at ES-I Headquarters, which is forwarded to ES-I-Technical for further course of action. The comments proposed by the Party are again scrutinized by ES-I-Technical Section on the basis of the POMs issued, replies of the Management, and supporting audit evidences (KDs) collected by the party and placed in the file. Some comments are proposed for deletion at this stage if they are found to be wrong, immaterial, or repetition of the comments already offered by the Statutory Auditors. Then the Provisional Comments (PC) are issued to the Statutory Auditors with a copy to the Management after the approval of DAG (Coml.). The Statutory Auditors and Management are instructed to furnish their replies within seven days from the date of issue of the FC. As per Headquarter letter No. 1853-CA-II/Misc./MIS/2003-04/32-2003 dt.12/2008 field officers should not wait for replies to provisional comments beyond the period of seven days.

b) Draft Comments-Guidelines

Replies received from the Statutory Auditors and Management to the PC are again examined by the ES-I-Technical Section. Only those comments are proposed as draft comments, which are material and significantly affecting the accounts. The following comments are dropped at the AG's level after obtaining the assurance from the concerned Management:-

- Comments of typing/printing error which can be rectified at the time of printing the Annual Report
- Comments of classification error within the accounting head and rectification of which has been assured by the Management in next year's accounts.
- Comments not significantly affecting the accounts of the company rectification of which has been assured by the Management in next year's accounts.
- Other comments not significant or material to the accounts.

However, the AG may take up these issues through 'Management Letter' with concerned Chief Executive of the company after issue of Comments/Nil comments. It will be mentioned therein the brief of draft comments (PC), action assured to be taken by the Management and call for the status report.

It will be mentioned by AG therein that the comments will be proposed on the next year's accounts if the errors are not rectified by the Management. Field parties while conducting the audit of next year's accounts will verify the action taken by the Management to verify the mistakes/deficiencies. On verification, if it is noticed that errors persist, draft comment(s) will be proposed.

The Draft comments need to be printed in double space leaving 2" margin in the left side for sake of convenience to carry out modifications/corrections. The Draft comments approved by AG will be forwarded to the Headquarters in the prescribed format as given in para 2.28 in the following pages for final approval of C&AG under Section 619(4) of the Companies Act. This should be sent not later than three weeks from the completion of audit. In order to minimise the time taken for processing the final comments/SAR at headquarters, the Draft comments/draft SAR and the aide memoir containing Management/Statutory Auditor's replies and AG's further comments thereon may be sent (w.e.f. 08 January 2008) to headquarters office through E-mail and thereafter, the copy thereof alongwith the accounts and the auditors report may be sent by post.

(Source: Headquarters Letter No. 571/CA-II/398-99/KW dated 26.06.2002, No. CA-II/2006-07/82-2005 dated 30.03.2007, No.16/CA-II/Coord/MR-Comments/07-08/52-2007 dated 04.01.2008 and No104-CA.II/Co-ordn./Instructions/07-08/82-2005 dated 10.03.2008)

c) Issue of Final Comments:

After receipt of approved comments of C&AG of India from the Headquarters Office, comments are issued to the Company under the approval of AG. In this regard the Headquarters letter No. 1173-CA-II/Co-ord./A/cs instructions/30-08 dt. 15.12.2008 state that (i) The power to approve the CAG's comments u/s 619 (4) remain with the Headquarters only. (ii) The field offices have no authority to make changes in the comments approved by Hdqtrs. (iii) If in case the comments issued to management differs from the approved Final Comments of CAG, it amounts to misrepresenting the CAG's comments. (iv) Head of the field offices should personally ensure that the accounts comments approved by Headquarter are issued to the management without any alternation. The following documents are required to be sent to Headquarters office while endorsing the copy of the final comments:

i) Report on the performance of Auditors

ii) Matrix value of the comments.

d) Review on Accounts:

The system of issue of 'Review of Accounts' along with the comments of the C&AG on the accounts of State Government companies/corporations has been reviewed in the light of the present corporate financial reporting framework and it has been decided to dispense with the requirement of issue of 'Review of Accounts' in respect of State Government Companies.

As regards the Statutory Corporations where C&AG is sole auditor, it is left to the discretion of PAG/AG concerned, who is the Principal Auditor of the Corporation, to assess the Annual Reports of the previous years of each Corporation regarding adequacy of financial disclosures and if felt necessary, PAG/AG may propose a "Review of Accounts or summarised Financial Results" for issue to the Management of the concerned Corporation in an appropriate format (applicable from the month of September 2006).

(Source: Headquarters Letter No.875/CA-II/Co-ordn./Review of Accounts/06-07/80-2006 dated 29.08.2006)

iii)Finalisation of comments in respect of accounts which are more than five years old and selected for audit under Section 619(4) of the Companies Act, 1956.

The guidelines for finalisation of comments in respect of companies whose accounts are less than five years old are also applicable in respect of companies whose accounts are more than five years old. However, with a view to liquidate the arrears in accounts, the C&AG of India has inter-alia ordered that the AGs may finalise the comments at their level in respect of those companies whose accounts are in arrears for more than five years. The Draft comments need not be sent to Headquarters office for approval. However, copies of comments issued may be endorsed to Headquarters office for information.

(Vide ADAI (C&SCS) DO No.58/CA-II/Coordn./Selection of Reviews/2003-04/108-2003 dated 14.1.2004)

iv) Nil Comments (NC)

When AG has no comments to offer:

In case the AG has no comments to offer under Section 619(4) of the Companies Act 1956, a Nil Comment Certificate (NCC) in the prescribed format (**Annexure-17 (b) & (c**) may be issued to the Company. However, before issue of NCC the following procedures are to be followed:

- In case a company is allowed to revise the accounts on the basis of the provisional comments issued by the AG, the company may be prevailed upon to revise its accounts giving effect to all the provisional comments having material impact in the revised accounts. If the company fails to do so, supplementary comment(s) may be issued on the accounts.

- In case any provisional comment, having material impact with reference to the impact on the profitability and total position of assets and liabilities as on the date of the balance sheet, is proposed to be dropped by AG, prior concurrence of Headquarters to be obtained. Headquarters shall communicate its views or concurrence within seven working days.

4.6.20 Government Companies not to have managing agents

Under Section 618 of the Companies Act, 1956 Government Company, whether formed before or after the 1st day of April 1956, shall, after the commencement of the Companies (Amendment) Act 1960 appoint or employ or after the expiry of six months from such commencement, continue the appointment or employment of any managing agent.

4.6.21 Application of Sections 224 to 233 to Government Companies

In the case of a Government Company the following provisions shall apply not withstanding anything contained in Sections 224 to 233.

4.6.22 Appointment of Auditors

Section 619(2) of the Companies Act 1956 lays down that auditor of a Government Company shall be appointed or re-appointed by the Comptroller and Auditor General of India (As per amendment to Companies Act 2000).

4.6.23 Initiation of appointment

In the case of appointment of auditors for the first time/year, the Company itself is to take up the matter with the Comptroller and Auditor General of India. The case for appointment of auditors for subsequent years is required to be initiated by the Accountant General by proper evaluation of the performance of auditors appointed. The evaluation is generally done on the following lines.

(a) Where there are no correction to accounts, or comments on accounts, on the auditor’s report or both the performance of auditors may be considered satisfactory;

(b) Where there is correction/comment but the same is not of serious nature, the performance of auditors may be considered satisfactory

(c) Based on comments, assessment on the performance of Auditors of Government Companies and Corporations is to be made in the grade of ‘A’ for very good, ‘B’ for good, ‘C’ for unsatisfactory alongwith the data prescribed. The performance of Auditors should receive personal attention/approval of the Accountant General. Further field parties are to collect information by issuing POM as per format.

(As per headquarters letter no. 1194/CA-V/30-2003 date 18.11.2004 (vide **Annexure -16**)

4.6.24 Expediting the appointment by C&A.G

In order to expedite the appointing of Statutory Auditors by the Comptroller and Auditor General of India, the following procedure should be observed in this office.

(a) In the case of Companies whose accounts are reviewed under Section 619(4) of the Companies Act and where comments are proposed, the particulars in the Prescribed Proforma should be sent to Headquarters along with the draft comments.

(b) In case of Companies where nil comments/ non-selection certificates are issued, the required particulars should be furnished simultaneously along with the issue of such comments/certificates.

Note:- In the case of Companies whose accounts are in arrears the case for appointment of Auditors should be initiated as soon as certified accounts for the proceeding year are received, without waiting for audit and finalisation of comments under Section 619(4) of the Companies Act, 1956.

(Ref: C&A.G letter Nos: 3596/CAV/33-74 dt.16.8.78; 157-CAV/33-74 dt.5.1.79; 1/1733-CVA/33-74 dt.5/14.2.80; CVA-Tech/14-81 642-CVA/14-81 dt.30.6.81)

4.6.25 Unsatisfactory Performance

Where the auditor's performance is considered unsatisfactory, a copy of special memo issued to the auditor alongwith his reply or fact of his failure to furnish a reply within a reasonable time and findings of Accountant General in form of a speaking order may be furnished to Headquarter.

(Source: 06-CA-V/30-2003 dt. 29.01.2009)

4.6.26 Submission of Proforma for appointment of Auditors

Even if the Auditors have already been appointed for the next year, the proforma for initiating the appointment of Auditors may invariably be sent to Headquarters since it contains details regarding audit fees paid to internal auditors, performance of auditors which are to be examined at Headquarters.

(Ref: C&A.G's No.511-CAII/455-86 dt.8.3.88)

4.6.27 Appointment of auditors of Government Companies/Corporation Engagement of Statutory Auditors to other works

The Government Companies/Corporations have been advised not to entrust any accounting work, managerial jobs or internal audit to statutory auditors.
(Ref: C&A.G's No.7164-7201-CAV/88 dt.29.6.88)

4.6.28 Whether a Statutory Auditor of a Company can also be its internal auditor?

According to the Department of Company Affairs the internal auditor is appointed by the Management and hence is in the position of an employee, whereas the Statutory Auditor is appointed by the Company in accordance with the provisions of Section 224 of the Companies Act 1956 and the auditor is required to perform the duties enjoined on him under Section 229 of the said Act and Rules/Orders issued there under. In this connection, Para 4(VI) and (XI) of the Manufacturing and other companies (Auditors Report) order 1975 notified by this Department may also be referred to and in accordance with which the Statutory Auditor has to include in his report under Section 227 of the Companies Act 1956 whether there is adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores raw materials including Components, Plant and Machinery, equipment and other assets and in the case of Companies having Rs.25 lakes or more paid-up share capital. Whether there is any internal audit system commensurate with its size and nature of business. It is therefore obvious if the Statutory Auditor of the Company is also the internal auditor, it will not be possible for him to give an independent and objective report under Section 227 of the Act read with the orders under Sub-section 4A thereof. As such in the opinion of the Department of Company Affairs, a Statutory Auditor of a Company can not also be its internal auditor.
(Ref: Cir.No.1/1/76-CLV/29/76 dt.27.8.76 from Government of India, Ministry of Law, Justice and Company Affairs (Department of Company Affairs)
While sending the above opinion, the Headquarters directed that cases of non-compliance are to be brought to the notice of Headquarters immediately and also suitably mentioned while initiating the case for appointment of auditors for the subsequent year of the Company concerned.
(Ref: C&A.G No.4097/CAV/33-74 dt.1.11.76)
The above mentioned order has been amended in 1988 which was also superseded with Companies (Auditors Report) order 2003- A Critical Analysis according to which the adequacy of internal control procedures in addition to the above, a continued failure to correct a major control weakness which was observed and reported in the previous years requires special mention in the Audit Report (Cal. IV)

(Source: ICAI Journal, Vol-52, September 2003, Page-282)

4.6.29 Maintenance of constant liaison with top Management and Statutory Auditors of the Companies

The Accountants General/Members Audit Board have been requested to build up a better liaison with Chartered Accountants by getting brief, periodical report of the progress of audit of accounts by the auditors where accounts are in arrears for timely completion of accounts.

(Ref: Crag's No.127-60/AO (CAV)/88 dt.6.12.88)

4.6.30 Proforma showing particulars for appointment of Auditors

Director General (Commercial) has desired that the Proforma showing the particulars for appointment of auditors should invariably be signed by the Accountant General while forwarding the same to Headquarters.

(Ref: C&A.G's No. Circular 3 CA II/90 dt.13.6.90)

4.6.31 Manner of audit to be conducted by Auditor and instruction for audit – C&A.G's Power

Section 619(3)(a) of the Company Act lays down that the Comptroller and Auditor General of India shall have power to direct the manner in which the Company's accounts shall be audited by the auditors appointed under Sub-section(2) of Section 619 ibid and to give such auditor instructions in regard to any matter relating to the performance of his functions as such.

4.6.32 Special Reports of Statutory Auditors under Section 619(3)(a) of the Companies Act 1956

Criteria for issuing directions to Statutory Auditors for preparation of Supplementary Reports.

Specific directions under section 619(3)(a) of the Companies Act 1956 are issued to the Statutory Auditors by the Comptroller and Auditor General of India in the case of companies having paid-up capital of rupees one crore or more requesting them to prepare a report on the various matters specified in the directives issued.

In order to watch the receipt of such reports in the section (ES-I – Technical) within 7 days a suitable register should be maintained.

(Ref: C&A.G's No.1050-CA/130-66 dt.11.8.66)

4.6.33 Directions for submission of supplementary reports

It was decided that directions for submission of Supplementary Reports under Section 619(3)(a) of the Companies Act 1956 should not be issued in respect of defunct companies/companies under liquidation. Consequently, the Ministry of Industry (Company Law Board) was requested to reduce suitably the auditors remuneration in respect of all such Companies.

(Ref: C&A.G's Circular No.12768-CAV/43-90 dt.9.10.90)

4.6.34 Action to be taken on supplementary Reports from Statutory Auditors

(a) Receipt of supplementary Reports from Statutory Auditors

In continuation of Headquarters No. 1-CAW/33-74 dated 5.2.80 on the subject cited above, it is to point out that a number of cases have come to notice where the Auditors have not submitted their supplementary report for which directions under Section 619(3)(a) of the Companies Act have been issued to the auditors. ADAI(c) has desired that receipt of supplementary report may be watched by the respective audit offices and if the report is not received within two months from the date of Certification of accounts of the Company by the auditors, the auditors may be reminded by sending them a registered letter. In case there is no response from the firms the matter may be reported to Headquarters Office.

(Ref: C&A.G's Circular No.5967/CAV/49-83 dt.4.7.83)

(b) Scrutiny of supplementary reports

It was desired that during the audit of Companies of a special check with reference to points in supplementary reports as submitted by the Statutory auditors may be undertaken by field offices and cases worth processing as draft paras, comments under section 619(4) of the Companies Act 1956 and points to be included in the Appraisal Reports may be forwarded to Headquarters in suitable shape at appropriate time.

(Ref: C&A.G's Circular No.212/CA-III/418-88-II dt.31.1.90)

4.6.35 Qualification on Accounts of Companies;

In view of the recent developments in the Corporate world Headquarters prescribed (NO.247 CAII Cordn/instructions/2008-09/182/2005/Vol II dated 28 May 2009) the following procedures to ensure proper certification of Accounts:-

The qualifications/Comments of Statutory Auditors in the previous years report which have material impact on the Current years Account may be reviewed. The matter may be taken up with the scrutiny of the administrative department and the Company management stating that the issues raised in the qualification/comments and the difference rectified during subsequent year's Account and in case that is not done the office will be compelled to issue 'adverse' comment or a disclaimer as the case may be.

BEFORE COMMERNCEMENT OF AUDIT- triparties meetings are to be held with the Statutory Auditors, and the Management to bring to their notice the previous qualification/comments and if repeated to consider issue of adverse comments/disclaimer.

The Statutory Auditor may be told that they have to verify the provision if the Companies Act pertaining to the compliance with AS-15, CARO 2003 and CAG's instruction under S-619,Auditing and Assurance Standards prescribed by ICAI and particularly AAS28 which is about Auditors report on Financial Statements

3. Instructions may be issued to the Statutory Auditor to bring to their notice the CAG's comments under Section 619(4) on the previous years. Accounts asking their for verify these matters during their audit.

4. Significance/Materially of qualification/Comments may be adjudged as per instructions in Circular No.LCAII/Corl3/instuntions 07-08/82-2005 dated 24.3.2008(These instructions were noted for guidance).

4.6.36 Selection for Audit under Section 619(4) of the Companies Act

All Companies are not selected for audit under Section 619(4) of the Companies Act. The following criteria have been laid down for selection of Government companies for purposes of audit under Section 619(4) of the Companies Act.

(a) Annual audit will be conducted in the case of
(i) All Central Government Companies having a paid-up capital or turnover of Rs. 20 crores or more.,
(ii) All States Government Companies having a paid-up capital or turnover of Rs. 10 croers or more.
(iii) Any company selected for appraisal or review.
(b) Audit will be conducted triennially in the case of companies having paid-up capital/turnover less than 10 crores.
(c) Any other Company could also be selected for audit annually at the discretion of Accountant General/Director of Commercial Audit subject to reasons being recorded and intimated to Comptroller and Auditor General of India.
(d) Selection of audit of units of a Company audited by the Principal Audit Officer will be made by them and their audit will be entrusted to the concerned Accountants General under whose jurisdiction they are located.

(Ref: C&A.G's Circular No.5/CA II/91 No.342/CA II/307-90 dt.15.2.91 read with C&A.G's letter No.174-CA IV/25-86/CA IV-Tech 2/86 dt.14.4.86) and CAG NO. 289/CA II COORDN/ criteria/ Government. Co/23-2004 dt 15.3.2004.

4.6.37 Procedure for issue of comments under Section 619(4) of the Companies Act

(a) After completion of local audit on the annual accounts of a Government Company, the ES-I-Technical Wing should examine the comments proposed by the field party. The draft comments are to be issued simultaneously to the auditors and management both of whom are required to furnish their replies within a specified time limit. On receipt of their replies, the draft comments are finalised. An aide memoir incorporating the draft comments, replies of the Management and the Auditors and further observations of Accountant General along with the finally proposed comments is sent to the Comptroller and Auditor General of India. On receipt of the approval of Comptroller and Auditor General of India, the final comments/nil comments as the case may be are issued.

(b) In the event of a Company not selected for audit under Section 619(4) pf the Companies Act 1956, a Non-review Certificate may be issued to the Company on receipt of certified accounts with reference to instructions of Headquarters letter No. 664/CA-II/398-99 dt. 1-08-2002 (**Annexure-18(a)).**

(c) In case the Accountant General has no comments to offer under section 619(4) of the Companies Act 1956, "a nil comment Certificate" may be issued to the Company by the Accountant General with reference to instructions of Headquarter letter No. 675/CA II/201-2000 Dt. 22.8.2003 (**Annexure-18 (b)).**

(d) **Finalisation of more than 5 years old accounts:-** With a view to liquidate the arrears in accounts C&AG of India has inter-alia ordered that Accountants General may finalise the comments at their level in respect of those companies whose accounts are in arrears for more than five years. The Draft comments need not be sent to Headquarters office for approval. However, copies of comments issued may be endorsed to Headquarters office for information.

(Vide ADAI (C&SCS) DO No.58/CA-II/Coordn./Selection of Reviews/03-04/108-03 dated 14.1.04)

4.6.38 Form for communication of comments under Section 619(4) of the Companies Act

- COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF (<u>Name of the company</u>) FOR THE YEAR ENDED 31 MARCH (<u>Year</u>)

The preparation of financial statements of (<u>Name of the company</u>) for the year ended (<u>Year</u>) in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the

Companies Act, 1956 is/are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 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 (date of the report).

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of (Name of the company) for the year ended (year). This supplementary audit has been carried out independently without access to the working papers (in case of the non-review of 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 619 (4) of the Companies Act, 1956 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 Disclosure.
D. Comments on Auditor's Report.
E. Other Comments.

(May be arranged in order of decreasing importance)

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

Signature
Place : **ACCOUNTANT GENERAL**
Date :

4.6.39 Communication under Section 619(4) of the Companies Act.

In terms of Section 619(4) of the Companies Act, 1956 it is necessary to issue a communication (comments/nil comments/a certificate of non-selection as the case may be) after the certified accounts are received. This course of action has to be taken so that the

Government Company, do not make any presumption that the Comptroller and Auditor General of India has no comments to offer. It is a statutory requirement to make a report in every case under Section 619(4) of the Companies Act irrespective of the manner in which these are used by the shareholders.

(Ref: C&A.G's No.298/CA-II-68-69 dt.29.8.69)

4.7 Audit of PSUs

The procedures envisaged are generally applicable to all streams of audit in the Comptroller and Auditor General of India setups.

The broad objective of Compliance or Accounts/ Financial auditing of Government Companies, Statutory Corporations and Departmental Undertakings is to enable assessment of whether the activities of auditable entities are in accordance with the authorities likes Acts, Laws, rules and regulations, budgetary resolutions, policy, contracts, agreements, PPP contracts, established codes, sanctions, supply orders etc. The audits are undertaken under the provisions or various Acts passed by Parliament to ensure the correctness of the accounts prepared by the individual organisations and to report to the State Legislature about the functioning of the Companies/Corporations/Departmental Undertakings along with the analysis of achievements and/or deficiencies.

Which should be followed in all compliance audit assignments are described in the following sections:

4.7.1 Planning Accounts/ Financial audits

The procedures are as follows

Data Analytics: Data Analytics should be carried out by the Data Analytics Group or Reports section, which involve the following steps:

(i) Map (Identify) the relevant audited entity databases and third party databases (Refer the Big Data Management Policy)

(ii) Collect the databases

(iii) Analyse it as per data analytic guidelines (which is under preparation by the headquarters)

(iv) The analytic results will be used as inputs for audit plan.

Maintenance of Guard file: A guard file should be maintained by coordination /vetting in the field office. It should be contained Agenda Boards Minutes, Register of Important points, Press Clipping Register, Previous year's Inspection Reports, rules and regulations, policies and orders etc. that apply to the entity, Financial and Outcome budgets, important long term contracts/MoUs and internal control processes/procedures instituted by the entity (internal documents).

After risk assessment and Data Analytics work of auditable entities, Headquarter office i.e. ES-I Co-ordination section makes Annual Audit Plan. As per audit plan Headquarter office intimates selected units as well as audit parties.

Desk review: The audit party (or alternatively the SAO/ AO in charge of the audit party) identified for audit of an individual entity (or a' lead audit party identified for coordinating the audit of a group of entities) should carry out a desk review.

Planning audit procedures: the SAO/ AO in charge of the audit party should prepare a plan of audit procedures for the specific entity detailing the audit objectives, scope of audit, main focus areas for audit and assignment plan for the team members, which should be approved by the respective Group Officer before the audit is undertaken.

4.7.2 Conducting audits: The first stage is an entry conference between the audit party and the unit i.e. Government Companies, Statutory Corporations and Departmental Undertakings.

During this process, monitoring the field audit parties and supervising the quality of audit and documentation of the field audit work are the most critical processes. The audit procedures that should be followed to achieve better process outcomes are:

Interface with Headquarters: An effective two-way interface between field audit parties and Headquarters needs to be established during the field audit process whereby Headquarters can effectively monitor the field audit process and the audit parties can report on audit challenges being encountered and also follow up on Headquarters directions.

Certification of field audit process: The SAO/AO of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing standards and Code of Ethics and that documentation requirements have been adhered to.

4.7.3 Reporting results

Grading of Inspection Reports

Introduction During audit of financial statements, two types of intentional misstatements are relevant to the auditor, viz., misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Financial audit

Qualification in Audit Opinion on financial statements

In case of financial audit in case of possible fraud and corruption may require making qualification in the Audit Opinion on financial statements, depending upon the materiality of the audit findings. In other cases, they may be reported to entity management in a special letter or in the regular inspection reports, depending upon the circumstances.

4.8 Compliance Audit of PSUs and ABs

PSUs under Energy Department &Others Departments

4.8.1 GRIDCO LIMITED

A) Introduction

GRIDCO Limited (Company) was incorporated on 20 April 1995 as a fully owned Government Company and started functioning from April 1996. The main objective was to engage in business of purchase, transmission and bulk supply of electric energy. In compliance to the provisions of the Electricity Act, 2003, Government of Orissa vide notification dated 09.06.2005, made a transfer scheme for transfer of the transmission undertaking of GRIDCO in favour of OPTCL, a wholly owned undertaking of State Government. The said transfer was made effective from 1st April 2005.

The Company is a Deemed Trading Licensee under Section 14 of the Electricity Act, 2003 and is carrying out the business of bulk supply of power to all the four Distribution Companies (DISTCOs). The Company is also the State Designated Entity for procurement of electric power from all forms of sources from different generators. The Company has been admitted as a Trading-cum-Clearing Member in Indian Energy Exchange Limited (IEEX) & Power Exchange India Limited commenced its trading operation with a low volume. During 2014-15, GRIDCO traded 972.52 MU power after adjusting UI/Deviation power and earned Rs.455.89 crore.

During the Financial Year 2014-15 OERC in its Order dated 04.03.2015 (in Case No. 55/2013 has revoked the licences of NESCO, WESCO and SOUTHCO (Distribution Companies) under Section 19 of the Electricity Act, 2003. Consequent upon such revocation and considering the situation at hand and keeping in view, the salient objectives and purpose of the Electricity Act, 2003 the Commission in exercising powers conferred on it under Section 20 (d) of the Electricity Act, 2003 vests the management and control of NESCO, WESCO and SOUTHCO utilities along with their assets, interests and rights with Chairman-Cum-Managing Director, GRIDCO (CMD, GRIDCO) in order to ensure the maintenance of continued supply of electricity in the Northern, Western and Southern Zone (area of supply of NESCO, WESCO and SOUTHCO) in the interest of consumers and the public interest at large. This would be an interim arrangement under Section 20 (d) of the Electricity Act, 2003 till further direction by the Commission. CMD, GRIDCO, designated as "Administrator of NESCO, WESCO and SOUTHCO utilities shall function under the supervision and control of the Principal Secretary, Department of Energy, Government of Odisha.

B) Special point to be seen Examination of

- the activities are carried out in efficient, economic and effective manner for attainment of organizational objective;
- major transactions effected did not involve avoidable expenditure/loss of revenue;
- related statutory provisions had duly been complied with;
- financial management measures were adequate and sound as per the needs of the Company with particular reference to fresh borrowings and timely repayments; and
- Study of Internal control mechanism was properly put in place and subjected to periodic review;
- Examination of Tariff Orders and Regulations of OERC and CERC.
- General study of General conditions envisaged in Power Purchase Agreements (PPAs) and Power Sale Agreements (PSAs).
- Study of Minutes and Agenda papers of meetings of the Board of Directors and those of its Sub-Committees, Budget Estimates, Annual Reports, Administrative Reports, Accounts manual, etc.
- PPAs, energy bills raised by the generators such as CGPs, OHPC, NTPC, OPGC, and Mini Hydel Projects and energy bills raised against DISTCOs, NALCO, IMFA as well as for Open access power.
- Review of ARR filed with OERC and OERC tariff orders for generators, OPTCL, GRIDCO and correspondences with administrative department and clients.
- Examination of availing loans and their repayment.
- Examination of positions of Sundry Debtors.

4.8.2 Odissa Hydro Power Corporation Ltd.
A)Introduction:

In pursuance of reforms in the Power Sector in the state of Odisha, the Odisha Hydro Power Corporation Limited (OHPC) was incorporated under the Companies Act, 1956 in the year 1996 for generating power through hydel sources. All the assets and liabilities of Hydro Power Stations owned and operated by the Government of Odisha (GoO) in Department of Energy (DoE) and also the erstwhile Orissa State Electricity Board (OSEB) were transferred to the Company (except Odisha Share of Machkund Hydel Electric Project) with effect from 1st April 1996 through a Gazettee Notification.

B) Special points to be seen

- The Company had achieved generation as per the design energy and ensured optimum availability of power stations.
- The Company had taken adequate measures for effecting speedy recovery of the energy bills from GRIDCO.
- There existed an efficient inventory management and procurement policy and procurement was made in an efficient manner.
- Efficient Internal control mechanism of the company was in place and followed scrupulously.

4.8.3 Green Energy Development Corporation of Odisha Ltd. (GEDCOL)

A) Introduction:

As envisaged in the National Action Plan on Climate Change 2008, exploitation of the huge potential of solar and small hydro power and development of other renewable sources of energy is very important and critical at this stage for not only meeting the Renewable Power Obligation (RPO) and Solar Power Obligation (SPO) but also to discharge the commitment towards mitigating adverse impact of climate change in the State. Realising the importance of clean, green and renewable energy for sustenance and survival in the coming years, Government of Odisha (GoO) in Department of Energy (DoE) notified (15 March 2013) the formation of Green Energy Development Corporation of Odisha Limited (GEDCOL), which was incorporated (18 April 2013) as a public limited 100 *per cent* subsidiary company of Odisha Hydro Power Corporation Limited (OHPC) having following main objectives with other incidental objectives:

- To promote investment in renewable energy projects and various green energy sources and to develop and execute special renewable energy project on commercial and/or demonstration basis; and

- To plan, organise, implement, maintain and operate renewable energy projects to generate and sell electric power anywhere in India.

Subsequently, GoO in DoE notified (22 August 2013) that OREDA under Science and Technology Department can take up the Off-Grid Solar Generation as it encompass solar cooking, solar pumping, solar refrigeration, solar heating and industrial process, solar Off-Grid power generation and solar related advocacy programmes, etc. and Solar On-Grid activities will be taken up by the Energy Department exclusively. Accordingly, GEDCOL was made Nodal Agency for facilitating and developing On-Grid Solar Energy Generation.

B) Specials points to be seen

- The activities were carried out efficiently, economically and in an effective manner for attainment of organizational objective; The company has prepared any Action Plan for sourcing of maximum possible renewable energy in the State of Odisha, identified projects to be implemented to meet RPO and SPO;
- The financial management of funds received as well as schemes/programmes were implemented effectively to achieve the objectives of the Corporation.
- The Internal control mechanism is sufficient to check the theft, fraud and corruption.
- The aspect of financial propriety was being followed or not.
- Human resource management including skill development training were effective and adequate.
- The related statutory provisions had duly been complied with.

4.8.4 Orissa Power Generation Corporation Limited

A)Introduction :

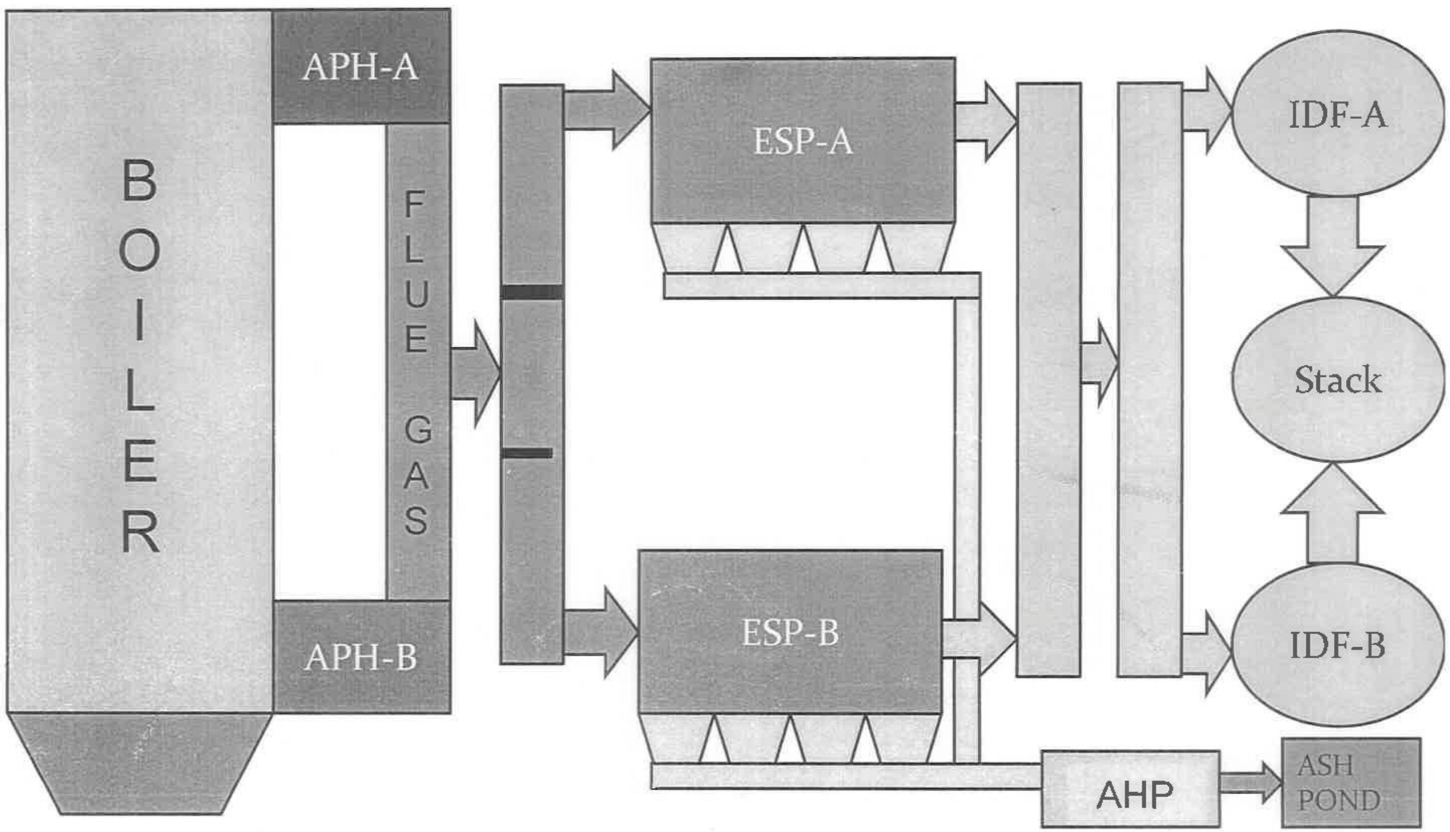
Odisha Power Generation Corporation Limited (Company) was incorporated on 14 November 1984 as a wholly owned Government Company with the main objectives to establish, operate and maintain thermal power generating station in Odisha. The Company installed a thermal power station with two units (Unit 1&2) of 210 MW each at IB valley, Banharpalli, Jharsuguda District in October 1995 with a mandate to expand further. Accordingly, Unit 3&4 with a capacity of 2x660 MW are under construction. The entire power generated is sold to GRIDCO Limited through a Power Purchase Agreement (PPA) entered into in October 1996. The State Government disinvested (January and February 1999) 49 *per cent* of its shareholding in the Company in favour of AES India Private Limited (16.24 *per cent*) and AES OPGC Holding (32.76 *per cent*). As per the Memorandum of

Understanding between State Government and AES, the State Government appoints Chairman and Director (Finance) and AES appoints Managing Director and Director (Operation) to the Board of Directors. Besides, the Company also operates seven Mini Hydel Projects (MHP) with a total capacity of 5075 KW.

Special point to be seen Examination of

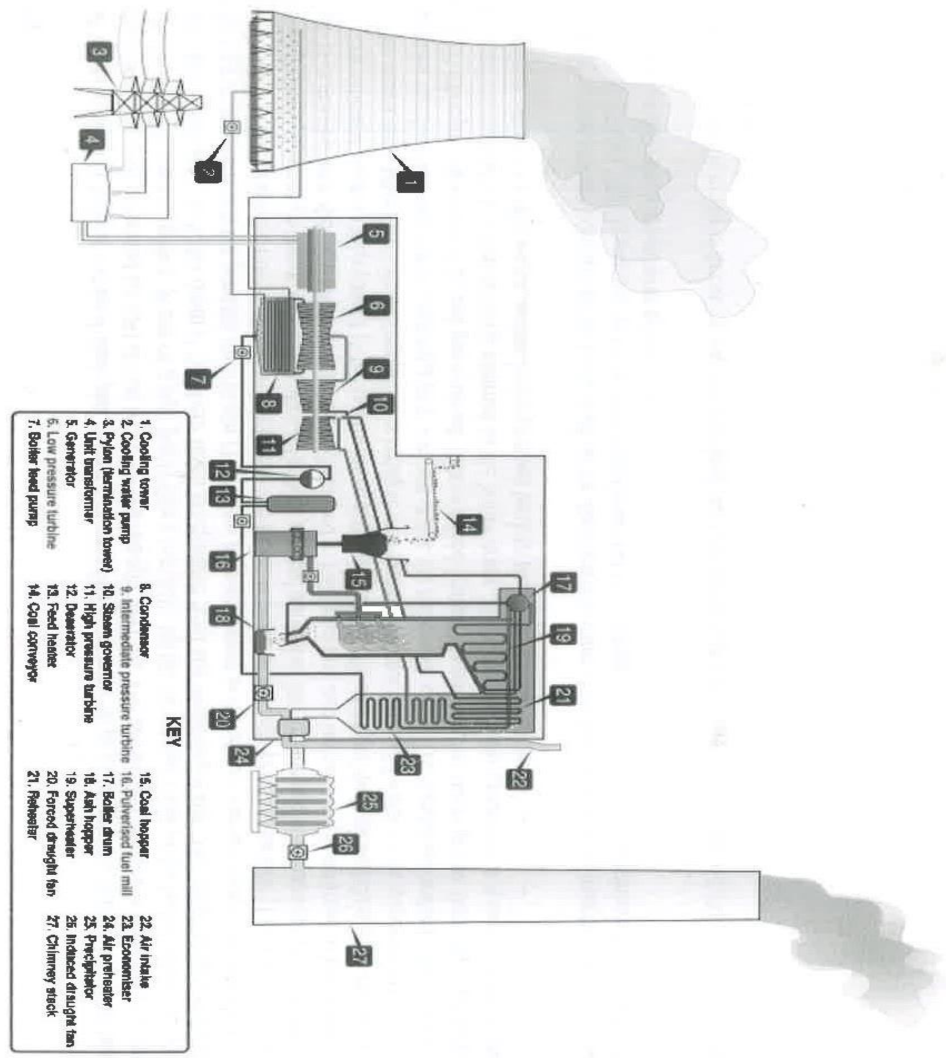
- The activities were carried out in efficient, economic and effective manner for attainment of organisational objectives;
- Related Statutory provisions had duly been complied with;
- Financial management measures were adequate and sound as per the needs of the Company and;
- Modernisation, expansion of the plant and machinery was carried out in accordance with the mandate and approved policy.
- Share holders' agreements;
- Power Purchase Agreement with GRIDCO;
- Fuel Supply Agreement with MCL;
- Study of Minutes of BOD decisions;
- Government decisions with respect to settlement of dispute with GRIDCO;
- Relevant Electricity Act, Rule and OERC orders;
- Various operational parameters for operation of plant devised by CEA and OEM etc.
- Review of minutes and agenda papers of meetings of BOD;
- Examination of records both at HO and plant site relating to revenue and capital budgets, procurement and consumption of coal and oil, and operation of plant;
- Examination of records relating to execution of Unit 3 &4;
- Examination of Issue of preliminary audit queries and discussion with management;

LOCATION/FLUE GAS PATH



Coal to Electricity

Thermal Power Plant



4.8.5 Odisha Power Transmission Corporation Ltd. (OPTCL)

A) Introduction:

The Company, incorporated on 29 March 2004 under the Companies Act 1956, is carrying out the business of transmission of electricity within the state of Odisha. It had commenced business on 31 March 2004. The necessity of formation of the Government Company arose because, with the enactment of the Electricity Act, 2003, GRIDCO which was the Bulk supply and Transmission License under the Orissa Electricity Reforms Act-1995, could no longer carry on both supply and transmission business in terms of 3rd provision of Sec 41 of the said Act. By virtue of transfer scheme entitled "Orissa Electricity Reforms (Transfer of Transmission and Related Activities) Scheme, 2005, under Sec. 131(4) of the Act the erstwhile transmission business of GRIDCO with all the assets and liabilities of such business was transferred to and vested with OPTCL with effect from 01 April 2005. By virtue of Clause 10 of the Government notification No.6892 dated 09.06.2005, the OPTCL was notified as the State Transmission Utility (STU) U/S 39(1) of the Act with effect from 01.04.2005. By virtue of 2nd proviso to Section 14 of the Act, OPTCL has been a deemed Transmission Licensee under the Act. The OPTCL is now governed by License Condition set forth in OERC (conditions of Business) Regulations 2004, at Appendix 4.B issued u/s 16 of the Act, as modified by Commission's order dated 27 October 2006.

B) Specials points to be seen

The transaction audit covered the areas like Finance Management, Contract Management, Operation and Maintenance of different grids and sub-stations, Information Technology, Human Resource Management, and Inventory Management etc.

- Effective and efficient contract management was followed for both procurement and erection;
- ARR filing was made and truing-up exercise was undertaken in compliance to the guidelines fixed by OERC;
- Effective and efficient management of inventory, human resources and finance
- Indents, survey reports and estimates with relation to the work/purchase orders of the contract.
- Regulations of OERC and Directives/ orders of Government of Odisha.
- Policy for procurement and maintenance of projects.
- Board and Agenda papers etc.
- Examination of the records of the Company of different wings viz. Central

Procurement Cell, Operation and Maintenance, Finance, Regulation and Tariff, Information and Technology, Human Resource Development.

- Scrutiny of minutes of different meetings viz. Board of Directors, Project Scrutiny Committee, Contract Scrutiny Committee, etc.
- Scrutiny of the Orders/Regulations of OERC.
- Scrutiny of the Orders/decisions of State Government.
- MIS reports/returns and information from SLDC.

4.8.6 Odisha Thermal Power Corporation Limited (OTPCL)

A) Introduction:

Odisha Thermal Power Corporation Limited (OTPCL) was incorporated on 29 January 2007 as a Public Limited Company jointly promoted by two wholly owned State Government Companies namely, Odisha Hydro Power Corporation Limited (OHPC) and Odisha Mining Corporation Limited (OMC) with equal participation in Shares in line with the decision (June 2006) taken by the Government of Odisha (GoO) to establish a 2000 MW coal based Thermal Power Plant (TPP) in the State Sector. The Company got the Certificate of Commencement of Business on 9 April 2007. The main objectives of the Company were to;

- Acquire, establish, operate and maintain the thermal power generating stations;
- Carry out business of purchasing, importing, exporting, producing, trading, transmitting, distributing and wheeling of electric power; and
- Develop and deal in fuels and for that purpose to acquire, set up, promote, operate and carry on the business of coal mining, coal washeries, liquefied natural gas for supply of fuel to electric power stations.

The Company decided (August 2009) to install 2000MW coal based Thermal Power Plant (TPP) at Rengali of Anugul District with an investment of Rs. 8250 crore. Due to temporary restriction (13 January 2010) imposed by the Ministry of Environment and Forests (MoEF), Government of India (GoI) for obtaining environmental clearance, location of the project was shifted to Khamakhyanagar of Dhenkanal District. The Company also decided (January 2011) to enhance the capacity of TPP to 2400 MW (3X800MW) by using super critical technology with provision for additional capacity of 800 MW (1X800 MW) in future. Physical progress of the Company towards project implementation was limited to conducting different studies/survey for preparation of Detailed Project Reports (DPR), obtaining statutory clearances, and acquisition/alienation of land required for the project as of March 2016.

B) Special Points to be seen

- The detailed milestone/project implementation/achieved schedule was prepared for smooth completion of the project;
- Preliminary survey/studies were conducted for obtaining different statutory clearances and preparing Feasibility Reports/Detailed Project Reports;
- Financial closure was made in line with the approval of High Level Clearance Authority (HLCA).
- Budgets/Annual Reports of the Company
- Agenda Papers and Minutes of the meeting of the Board of Directors and different Committees constituted at GoO and at Company level;
- Guidelines of GoO/GoI for obtaining different statutory clearances./Milestone chart
- Acts, Rules & Regulations governing establishment of TPP, diversion of forest land, environmental clearances etc.
- Review of agenda papers, minutes of meetings of different Committee, office orders/circulars, annual reports, budgets;
- Review of Project Feasibility Reports, contracts and agreements executed with different agencies.

4.8.7 Baitarani West Coal Company Limited (BWCCL)

A) Introduction:-

Presently, the Company is engaged with implementing the joint venture project among (i) Orissa Hydro Power Corporation Limited (OHPCL) (ii) Gujarat Power Corporation Limited (GPCL) and (iii) Kerala State Electricity Board (KSEB). The Company was incorporated on 22.04.2008 with authorised share capital of Rs. 105.00 crore as on 31 March 2014 for exploitation and sharing of the output from the coal block allotted by the Government of India in a manner that is conducive for power generation. The paid up capital of the Company is `Rs. 30.00 crore subscribed by OHPCL, GPCL and KSEB of @ Rs. 10.00 crore each.

The Company is in the nascent stage and is yet to explore the coal block. The allocated coal block was de-allocated in December 2012. There is no revenue income and only pre-operative expenditure incurred by the Company.

B) Special points to be seen

- All the activities like Land acquisition, mining lease, forest and environment clearance etc. has been done timely, efficiently and effectively;
- End-use power project have progressed as per instruction of MoC, GoI; and
- Efficient Internal control mechanism of the Company was in place.
- Instructions, decisions etc. of the Ministry of Coal and the Board of Directors; and
- Schedule of activities as per milestone chart submitted by MoC, GoI.
- Examination of Minutes of meeting of the Board of Directors and agenda papers;
- Scrutiny of records related to Mining lease, forest and environment clearance and administrative approval of GoO etc.

4.8.8 Kalinga Bidyut Prasaran Nigam Pvt. Ltd.(KBPNPL)

A) Introductory:-

Government of Odisha (GoO) in the Department of Energy (DOE) estimated (December 2013) that the present peak demand of 3500 MW electricity in the State was likely to be increased to 6300 MW by the end of 12th five years plan. That required significant additional transmission network besides the existing network of OPTCL for evacuation and transmission of power from upcoming plants including those set up by Independent Power Producers (IPPs) . It was also considered that the financial as well as organisational capacity of OPTCL to handle projects worth Rs. 2000 crore against their present level of project execution of Rs. 200 Crore was not feasible. Accordingly it was notified by Department of Energy(DoE) Government of Odisha(GoO) vide notification dated 28 December 2012 to form a joint venture Company by OPTCL and PGCIL with the salient features as follows:-

- The JV Company shall have separate transmission license to be issued by OERC. The JV Company shall make available the entire transmission capacity to be created by it to GRIDCO.
- Each share holder shall contribute 50 percent of issued and paid up capital of the JV Company.
- The JV Company shall be managed by its BoD consisting of not more than ten directors, each partner will nominate equal no of directors and it shall be responsible for formulating the policy in all matters and shall also supervise conduct the affairs and operation of the Company.

- The JV Company shall raise capital and other finance required for the business of the Company.

In pursuant to the notification of DoE, GoO, OPTCL and PGCIL formed a JV company in the name of "Kalinga Bidyut Prasaran Nigam Private Limited" (KBPNPL) on 50:50 equity participation basis. The Company was incorporated on 31st December 2012 with the following objectives:-

- To develop intrastate transmission network.
- To carry on manufacturing trading and other business related to transmission and distribution system.
- To develop communications networks for intra-state power transmission system.

After incorporation of the Company, a shareholder agreement was signed on 04 January 2013 among OPTCL, PGCIL and KBPNPL for management of the Company by the two promoters with the approval of DoE, GoO.. The paid up capital of the Company is Rs. 1 lakh by equal contribution of each partner. The Ministry of Finance, Government of India had asked (May 2013) for specific concurrence of GoO that such JV Company would follow all the rules and guidelines prescribed for the Central Public Sector Undertakings. The GoO submitted their concurrence in July 2013 for the same. The Share holders' agreement was revised (28th November 2013) accordingly. The Company also signed (05 January 2013) Implementation and transmission service agreement with GRIDCO for making available the entire transmission capacity to GRIDCO. Twenty projects of Rs. 2490 crore were assigned by the GoO (January 2013) to the Company for implementation during 12th plan period i.e. by 2016-17 in two phases The Company was granted intra-state transmission license vide OERC order dated 25 September 2013 for implementation of the transmission projects as assigned by DoE on first phase. GoO also assigned (05 January 2013) specific works to be executed by the Company.

Hence, the Company was created at the instance of DoE, GoO to meet the requirement of the state. PGCIL was duly roped in for their expertise. But even more than a year after its incorporation the Company is yet to be functional as discussed in paragraphs under Part IB and Part II of this report.

B) Organisational set up:-

The Company is yet to have a full-fledged organisational setup due to failure to engage the Managing Director as required under the shareholders agreement till date for which the Company is yet to be functional as discussed in detail in paragraph 3 infra.

C) Special Points to be seen

- The Company has effectively carried out its business to achieve its intended objectives.
- Effective and efficient financial management system is prevalent in the organization.
- Existence of adequate and effective internal control system for monitoring the activities of the organisation
- Memorandum of Association and Articles of Association.
- Share holders' Agreement
- Government notification and orders of OERC
- Examination of records viz. correspondence with DoE, GoO, OERC

PSUs under Fisheries and Animal Resource Development Department

4.8.9 Orissa Pisciculture Development Corporation Ltd. (OPDC)

A) Introduction:

Orissa Pisciculture Development Corporation Ltd. (OPDC) was incorporated under the Companies Act, 1956 on 5th May 1998 as a private limited Company with the main objectives to:

- Acquire as going concern the undertakings of two Government Companies, wholly owned by Government of Orissa, namely Orissa Fish Seed Development Corporation Ltd (OFSDC) and Orissa Maritime Chilika Area Development Corporation Ltd.(OMES-I);
- Carry on business of development of Pisciculture;
- Manufacture, buy, sell or deal in all types of fishing nets, fishing gears, fishing boats/trawlers and other apparatus and machinery used for fishing.

In pursuance of its objectives, it took over the activities of Orissa Fish Seed Development Corporation Ltd (OFSDC) and Orissa Maritime Chilka Area Development Corporation Ltd. (OMCAD) on 15 October 1998 after entering into a tripartite agreement. OMCAD and OFSDC have officially been liquidated/wound up w.e.f January 2011. The principal activities of the Company at present are as follows:-

- Production and sale of quality fry/fingerlings and development of Pisciculture, Manufacturing and trading of fishing net;

- Retailing of High Speed Diesel (HSD), Motor Spirit (MS) and lubricants under the dealership of two Oil Companies namely M/s BPCL and M/s IOCL.

Besides its Head Office at Bhubaneswar, the Company has five fish seed hatcheries at Chiplima, Bayasagar, Sarmanga, Binika, Bhanjanagar and one fish farm at Lingipur; one net manufacturing unit at Mancheswar Industrial Estate, Bhubaneswar, seven Diesel Outlets, one each at Chhatrapur, Dhamara, Baripada, Chandipur, Astaranga, Penthakata and Kasafal. Besides, twenty two Government fish farms were transferred from GoO to OPDCL during July 2010 on lease basis pending fixation of lease rent. The Government has deployed its erstwhile staff in the respective farms for their management for a term of one yearThe Company could not avail full-time services of the Managing Director since 7 August 2000 as the Office of the Managing Director has been held by the Director, Fisheries, Orissa as additional charge.

B) Special point to be seen :

- Examination of the activities were carried out efficiently, economically and in an effective manner for attainment of organizational objective.
- Examination of the financial management measures were adequate and sound as per the needs of the Company with particular reference to prudent investment of available funds;
- Examination of the Internal control mechanism is sufficient to check the theft, fraud and corruption;
- The planning of the Company with regard to future requirements was adequate and plans were implemented efficiently;
- The related statutory provisions had duly been complied with;
- Examination of marketing policy and decisions of Board of Directors.
- Achievement of production of spawn/fry with respect to target fixed and the steps taken to achieve the target.
- Physical/financial targets/norms fixed by the Management.
- Review of Minutes and Agenda papers of meetings of the Board of Director, Budget Estimates and recommendations of the departmentally related review committee etc.
- Examination of records relating to budgets, targets and monthly reports submitted by the units;
- Interaction with the Management and issue of audit queries.

- Examination of records of the Hatchery like tank wise- species wise spawn stocking, Tank-wise achievement against the stocking.
- Record of any theft cases, record of time to time mortality cases, check mechanism at the Gate while transfer of fry/fingerling during sale etc.
- Scrutiny of Cash Book, Sales receipt, Sales Register, Stock Register.

PSUs under INDUSTRIES DEPARTMENT

4.8.10 Industrial Promotion and Investment Corporation of Orissa Limited. (IPICOL)

A)Introduction

Industrial Promotion and Investment Corporation of Orissa Limited, Bhubaneswar was incorporated on 12th April, 1973as a wholly owned Government Company with the main objective of promoting large & medium scale industries in the state by providing financial and technical assistants for establishing new industrial units as well as for expanding/diversifying/modernizing of existing units.

The Government of Orissa designated (March 2005) the Company as the State Level Nodal Agency (SLNA) to render assistance and feed back for policy formulation on industrial progress and to guide and assist entrepreneurs to set up industries in the State. Due to high level of NPA the Company has stopped the principal activity of disbursement of loans and is concentrating on recovery of loans disbursed.

As on 31 March 2008 Authorised and paid-up Capital of the Company stood at Rs.10,000 lakhs and 8314.29 lakhs respectively. The following paragraphs will indicate the general guidelines to be followed by audit party.

B) Special Points to be seen:

- Participation in the equity capital of the companies and granting of term loans;
- Ensure that feasibility studies, project reports, financial appraisal etc. have been examined by the corporation before sanction;
- See that the payments are with reference to sanctions accorded by the Board;
- Checkup whether the repayments of loans and interest thereon are in accordance with the conditions prescribed. Adequacy of action taken in the case of non-payment and belated payment to be examined;

- Examine the agreements executed with the entrepreneur and see that the conditions therein are complied with;
- In cases of term loan to see whether adequate security of fixed assets is obtained.
- See whether the half-yearly reports indicating the progress of work and achievement of production and copies of annual accounts are received from the entrepreneurs.
- Examine the amounts of subsidy receivable from the government and also see whether the disbursement has been made to eligible parties only. Bring out the cases if any to which “loan in lieu of subsidy” given and against which subsidy has not been received from the government for some reasons and also the recovery of such loan become doubtful.
- Examine the commitment charges realisable from the loanees in particular to the loanees who did not avail the loan fully or at all but the company had already paid the commitment charges to IDBI under refinancing scheme.
- Application of provisions of SFC Act in regard to seizure and disposal of assets of the assisted units are extended to the company since December 1986. The company has also been empowerd to take legal action for realisation of its dues from its loanees as land revenue. Study the cases against which the company is involved under the said provisions and examine whether there have been unrealisable dues.

4.8.11 Industrial Development Corporation of Orissa Limited (IDCOL), INDUSTRIES DEPARTMENT

A) Introduction

The Industrial Development Corporation of Orissa, Bhubaneswar was incorporated on 29.3.1962 as a wholly owned Government Company with the main object of promoting, establishing and operating industries in the Stage. The paid-up capital of the Company was Rs.57.52 crores.

The Company has four working subsidiaries namely, IDCOL Software Ltd., IDCOL Kalinga Iron Works Ltd., IDCOL Ferrochrome Alloys Corporation Ltd. and Konark Jute Ltd., besides two mines- Roida (192.81 Ha) Iron and Manganese Ores and Tailangi (221.22 Ha) Chrome Ore Mines.

B) Special points to be seen

- Examine the operation of mines, agreement with the contractors and payments made to the contractors in respect of raising/transportation of ores, payment of royalty/cess to the Government, utilisatiion of machineries and accumulation/disposal of unsealable stock of ore.
- Examine the loan files – Loans received by the Company from Government/Commercial banks and the loans given by the Company to the subsidiary and others.
- Examine the investments made and the return received from the various companies.
- Short term investments in the Commercial banks – Ensure that the term deposits are not encashed prematurely keeping surplus funds in their current accounts. In short, study the cash management system.
- Examine the expenditure on advertisement/printing – Purchase of stationary.
- Examine the cases of other purchases made for the units

4.8.12 IDCOL Ferrochrome Plant & Alloys Limited, INDUSTRIES DEPARTMENT

Originally a unit of IDCOL the Company became a subsidiary of IDCOL Limited (March 1999). The main objectives of the company are to buy, sale, export, import or otherwise deal in all kinds of chrome based products, chrome alloys, manganese alloys, charge chrome, ferro silco manganese, etc. including their respective by products and their substitutes. The paid-up capital of the Company as on 31st March 2008 was Rs. 18.71 crore wholly held by IDCOL.

The Company was converted in to a subsidiary with a view to its privatization on account of heavy accumulated losses. Due to favourable domestic/international market conditions, the Company has turned around financially. However, the Company has not been able to reap the benefits of favourbale market condition due to its old plant and machineries. Further, the Company has not proceeded the capacity extension project feasibility studies for which was completed in 2006.

Against the licensed/installed capacity of 1000 TPA of low carbon ferrochrome the rated capacity assessed in 1971 at 8000 TPA. The Company shifted to production of high carbon ferrochrome in 1993-94 by carrying out necessary modification in their existing furnishes. The Company obtains its required ore from the Tailangi Chromite Mines held by the holding Company. The other raw material- Ash coke was procured by the Company from open market on piece-meal basis. Expenditure on power constitutes 60% of the cost of the production, the Company does not have its own CPP and is dependent on Grid Power for its production.

B) Special points

- Examine the production performance with reference to the installed capacity utilisation, targets, etc.
- Examine the sale policy of the Company and realisation of sale proceeds – the Company resolved December 2006 to receive their sale proceeds on account of sale of HCFC through the holding Company IDCOL. In the process, there were delay in realisation of the sale proceeds during which the company paid interest on its cash credit loan obtained for working capital purposes.
- Examine the agreement with NESCO for power supply to the plant and the colony.
- Scrutinise the case of Sundry Debtors and outstanding advances. See that there should be a system of regular recovery of Sundry Debtors/Outstanding advances
- Scrutinise the inventories – Surplus stores/unserviceable stores.
- Examine the Cash Credit Account with the commercial banks.
- Examine the cases of sale of ChromeOre, if any.
- Examine if the Company has complied with the pollution control norms fixed by the pollution control authorities and has not paid any penalty due to violation of emission norms/norms on disposal of waste, etc.
- One 9.5 MW CPP commissioned (April 1992) was lying inoperative since 2002 (book value in 2002 and 2008 was Rs.8.64 crore and Rs.6.36 crore respectively). The Company has not been able to utilise/dispose of the generator while inventories (HSD lubricants and spares) valued at Rs.1.67 crore is blocked this may be looked into.
- Examine the procurement of raw material (chrome ore, Ash coke) their transportation and stocking to see if the procurement/carrying cost was economical and that the Company maintained optimum stock taking into account the production schedulesions'.

4.8.13 IDCOL Software Limited, INDUSTRIES DEPARTMENT

A)Introduction

IDCOLSoftware Limited (ISL) set up on 26 November 1998 as a joint venture Company was converted to a wholly owned subsidiary of IDCOL with the following objectives:

- To provide IT services for a transparent and efficient governance
- to create avenues for more employment generation in the state through
- investment in the IT Sector
- to create a pool of skilled IT man power catered to emerging need of IT sector.

The Company was acting as a nodal agency in purchase of computer systems (both hardware and software) by the State Government Department since September 2000. Simultaneously the Company embarked on a venture of imparting high end Microsoft training on MCSD and MCSE. Due to absence of trained software faculty and lack of guarantee in placement the training programmes did not take off. The business of on computer system purchase also declined in 2007-08 as compared to the previous year (by 53 and 46 % respectively). Presently, the company's activities are restricted to training students of fourth semester MSc (Computer Science) and Sixth semester MCA on JAVA/NET platform.

B) Special points to be seen

- Examine the utilisation of available resources and revenue generation by the Company on training and other activities with reference to targets fixed.
- Examine the works executed on orders from Government Departments and realisation of charges therefore.

4.8.14 IDCOL Kalinga Iron Works Limited., INDUSTRIES DEPARTMENT

A) Introduction

The erstwhile Kalinga Iron Works a unit of IDCOL was converted a wholly owned subsidiary w.e.f 31st March 2002. The Company is engaged in production of pig iron, spun pipe. The Company raises iron and manganese ore from the captive mines of the holding Company (Roida Mines at Barbil) for its own consumption and outside sales. One joint venture with M/s Utkal Moulders Limited for coke oven plant with 11 % shareholding in the Kalinga coke oven plant is also continuing.

The Company has not been able to reap the benefits from its investment in modernization of the blast furnes in 2002 owing to non-development of required infrastructural facilities.

B) Special points

- Examine the production, performance, sales policy accumulated closing stocks and pursuance of outstanding sundry debtors with reference to the installed capacity targets, etc.
- Examine the procurement, consumption and stocking of raw materials, ores, coke to see the procurement was economical and carrying of stock was economical.
- Examine the preventive maintenance taken up by the Company on the blast furnaces and other machineries.
- Examine the production of ore in the Roida mines, payments to contractor, demurrage payments, etc.
- Examine the Central Excise Duty and CENVAT records.

4.8.15 Orissa Film Development Corporation Limited (OFDCL), INDUSTRIES DEPARTMENT

A) Introduction

With a view to promoting Film Industry in the State the Orissa Film Development Corporation Limited was incorporated on 22nd April 1976. The objects of the Company are to transact the business of Cinematography trade and Industry and all its allied trades and business particularly business of production of Oriya Language Films in the State. This was to be done by the Company by way of giving financial assistance to film producers and also entrepreneurs for construction of Oriya films, processing laboratory, cinema halls at suitable places for the purpose of primarily exhibiting oriya language films and maintaining technical training institutions.

The Company has started business in December 1976. As on 31st March 2008 authorised and paid up capital of the Company stood at Rs.650 lakh and Rs.540.05 lakh respectively. This paid-up capital of the Company has been fully contributed by Government of Orissa. The recovery position in respect of loans given for production of films and construction of cinema halls are very poor.

The Company is not presently pursuing any of the objectives stipulated in its memorandum.

B) Special Points to be seen

- Examine the assistance released by the Corporation for making available outdoor shooting recording equipment.
- Examine the payment of subsidy for production of Oriya films
- Examine the system of financial assistance to producers for promotion of Oriya Films.
- Scrutinise the expenditure incurred on holding the Regional Films Festival – Film Festivals etc.
- Examine the loanee cases against whom Company stood as guarantor to National Film Development Corporation and discharged their liabilities, thereby sustained losses.
- Examine the loanee cases from whom the Company failed to obtain Mortgage deed or collateral security before release of the loan assistance and also failed to recover the amounts as and when due.
- In how many cases of loan defaulters, the Company could involve provisions of Orissa Public Demand Recovery Act for realisation of its dues? Examine whether the Company had the data of immovable properties of loanees or security available for realising its dues against the cases instituted under OPDR Act or certificate cases.
- Did the Company keep the details of immovable properties of the loanees before going to the court of law for recovery of its dues? If otherwise legal

expenses too would be wasteful. Failure to obtain the data of immovable properties may be commented suitably.

- Verify the cases where the Company failed to recover the loans due to inadequate documentation and poor follow-up action.

4.8.16 Kalinga Studios Limited, Cuttack(KSL), INDUSTRIES DEPARTMENT

A) Introduction:

Kalinga Studios Limited was established (July 1980) as a joint venture company with the objective of providing infrastructure for film production in the state. The company became a subsidiary of Odisha Film Development Corporation Ltd. (OFDC), a Government of Odisha undertaking in July 1983. The facilities created included outdoor/indoor shooting floor, recording, editing, accommodation and a video unit. All of its employees were retrenched from 1 November 2007. Most of its activities were closed down except hiring of floors, Village complex, outdoor shooting in the premises etc.

The paid up capital of the company was `175.40 lakh as on 31 March 2016 (excluding advance against share capital `79.40 lakh). The accumulated loss of the company was `332.45 lakh as on that date, which completely eroded the paid up capital.

B) Special point to be seen

- The Company is functioning economically and efficiently;
- The company has proper maintenance and modernisation system in place to run the studio activities effectively; and
- Efficient Internal control mechanism of the Company is in place as per the instruction of the GoO and BoD.
- Orders, circulars, guidelines and instruction of Government of Odisha, BoD etc.
- Corporate governance guidelines for internal control
- Examination of Minutes of meeting of the Board of Directors and agenda papers;
- Scrutiny of records relating to leasing the floor of the studio and shooting schedule;

4.8.17 Konark Jute Limited (KJL), INDUSTRIES DEPARTMENT

A) Introduction:

The Company incorporated in 27 January 1975 become a subsidiary of IDCOL from 1994-95 with a paid-up capital of Rs.5.94 crore. The Company produces Jute-yarn out of raw jute in the manufacturing unit of the Company located at Dhanmondal in Jajpur District. Presently the Company is running on conversion basis as per agreements with M/s Pekon Ltd.

B) Special point to be seen

- Examine the operation of the factory and recovery of conversion charges was as per agreement.
- Examine the agreement with NESCO and payments of the electricity charges.
- Examine the payments to the contractors on account of transport charges and handling charges with reference to their agreements.

4.8.18 Lanjigarh Project Area Development Foundation(LPADF), INDUSTRIES DEPARTMENT (AB)

A) Introduction:

The Lanjigarh Project Area Development Foundation (LPADF) was incorporated on 06.10.2009 as a Government Company under Section 25 of the Companies Act, 1956 for the welfare of the poor and weaker section of the society in particular the tribals of the society within 50 kms radious of the Lanjigarh Project Area in terms of the judgement of the Honorable Supreme Court of India (vide I.A.No. 2134 of 2007 in Writ Petition (Civil) No. 202 of 1995. As per the Supreme Court Order, Sterlite Industries (India) Limited is to contribute each year, the higher of ` 10 crore or 5% of the profit (before tax and interest) generated from Lanjigarh Project to the foundation for the purpose of accomplishment of the objectives of the Company.

B) Objective of the Company

The main objectives of the Company as enshrined in the Memorandum of Association is to develop/contribute to the development of health, education, child and women development, child care, training and skill upgradation, self help group activities, entrepreneurial development of local people, communication, irrigation, agriculture, farming, infrastructure development and any other developmental needs of the region such as providing safe drinking water, communication system for the overall development of the areas.

In pursuance of the above objectives, the Company formulates various projects on the basis of the requirement of scheduled area and the same is being complied by both Kalahandi & Rayagada Collector on the basis of information of District Officials and then put before the Board of the Company for consideration & necessary approval for taking up of the projects.

c) Share capital and share holding pattern

The said Company has been formed with an authorised capital of ` 5 lakh having 50,000 shares of `10 each. The percentage of total share subscribed by Government of Orissa (GoO), Orissa Mining Corporation Limited (OMCL) and Sterlite Industries (India) Limited (SIIL) is 26 percent, 25 percent and 49 percent respectively. The Company is having 9 directors consisting 4 from Government of Odisha, 1 from OMCL and 4 from SIIL.

D) Special point to be seen

- Contribution as stipulated by the Supreme Court were obtained
- Projects approved by the Board were executed efficiently, economically and in an effective manner.
- Related Statutory provisions had duly been complied with,
- Financial management measures were adequate and sound as per the needs of the Company,
- Internal control mechanism was properly put in place and subjected to periodic review,
- Supreme Court Order on the formation of the Company, Memorandum of Association and Articles of Association of the Company
- Standard procedures for award of contracts with reference to principles of economy, efficiency and effectiveness.
- Tendering procedure, standard principles of material management and budgeting.
- Norms and standards set by Board of Directors, State Government and other standard setting authorities in respect of Internal control System.
- Good practices.
- Review of Minutes and Agenda papers of meetings of the Board of Directors
- Examination of records relating to budgets, targets, financial performance.
- Examination of records relating to executing agencies and their payment records.
- Examination of records relating to receipt of Utilisation Certificate from executing agencies.
- Interaction with Management in the entry and exit conferences including that during local inspection.

4.8.19 Paradeep Plastic Park Limited. (PPPL), INDUSTRIES DEPARTMENT

A) Introduction

The Company named PPPL was incorporated 10 June 2013 and got Certificate for commencement of business on 1.8.2013 with Authorised Share Capital of Rs.16.50 crore. The main objective of the Company was to establish and develop the infrastructure and support services for plastic, polymer, chemical, petro-chemicals, fertilizer, allied industries, other industries cosmetic products, pharmaceutical products and commercial places etc., and to start the business of Plastic, polymer, chemical, petro-chemicals, fertilizer, allied industries, other industries cosmetic products, pharmaceutical products and commercial places etc.

B) Special point to be seen

- The activities were carried out efficiently, economically and in an effective manner for attainment of organizational objective.
- The financial management measures were adequate and sound as per the needs of the Company with particular reference to prudent investment of available funds.
- The Internal control mechanism is sufficient to check the theft, fraud and corruption;
- Marketing policy and decisions of Board of Directors.
- Instructions, decisions, etc. of the GoO/GoI and the BoD;
- Physical/financial targets/norms fixed by the Management.
- Review of Minutes and Agenda papers of meetings of the Board of Director,
- Examination of monthly progress reports;
- Interaction with the Management and issue of audit queries.

4.8.20 M/s Brahmani Railways Limited (BRL) Bhubaneswar. (BRL)

A) Introduction

Brahmani Railways Limited (BRL) was incorporated on 21 May 2013 as a wholly owned Company of IDCO with Share Capital of ₹1 crore. Subsequently, the Commerce and Transport Department released ₹10 crore (25 October 2013) as equity capital for the said project. Similarly, the holding Corporation viz. IDCO has contributed ₹10 crore (27 January 2015) towards equity participation in the said Company. The objective behind formation of the Company is to carry out the business development, designing, financing, construction, operations, implementation, maintenance and management of railway projects and facilities for management of the common corridor for rail, water pipeline and road in and around Angul-Chhendipada-Talcher area.

B) Special point to be seen

- Internal control mechanism was properly put in place and subjected to periodic review.
- The activities are carried out in efficient, economic and effective manner for attainment of organizational objective;
- Major transactions effected do not involve avoidable expenditure/loss of revenue;
- Related Statutory provisions have duly been complied with;
- Financial management measures are adequate and sound as per the needs of the Company;
- Policies as approved by State Government in formation of SPV;
- Terms and conditions of sanctions of funds;
- Good governance /financial practices, and
- Good commercial practices;
- Review of annual activity report, Detailed Project Reports, Financial Viability Analysis Report
- Review of Memorandum of Association/Articles of Association, annual reports, financial statements
- Review of Minutes and Agenda papers of meetings of the Board of Directors,

4.8.21 Orissa Mineral Bearing Area Development Corporation Limited. (OMBADC)

A) IntroductionAB

Orissa Mineral Bearing Area Development Corporation Limited (the company), a public Limited Government Company (Govt. of Odisha), was incorporated (02 December 2014) was a Special Purpose Vehicle (SPV) for undertaking projects/ works, for tribal welfare and area development so as to promote inclusive growth in the mineral bearing areas of the state as per the scheme prepared by the Government of Odisha. Fund for taking up the above projects through different departments of GoO would be available from the money received towards 50% of additional amount of NPV collected from mining lease holders in pursuance of order of Supreme Court of India. As on end of financial year 2015-16, an amount of Rs. 869.42

crore had been received by the Corporation out of which 250 crore has been provided to different departments for taking up the developmental work.

B) Special point to be seen

- Whether an effective and efficient financial management was followed while investing the Corporation fund;
- Whether proper follow up action in collection of funds as well as implementing the schemes was taken done etc.
- Whether the monitoring by the corporations top management was effective;
- Physical and financial targets/norms fixed by the management;
- Procedures, guidelines laid down by the GoO
- Targets fixed by the Corporation.
- Review of board notes.
- Correspondences with GoO and with district offices.
- Interaction with auditee organisation.
- Raising audit requisitions and issue of preliminary observation memos etc.

4.8.22 ODISHA COAL AND POWER LIMITED.

A) Introduction

Odisha Coal and Power Limited (OCPL) was incorporated on 20 January 2015 as a wholly owned subsidiary company of Odisha Power Generation Corporation Limited (OPGC). Further, pursuant to the Government of Odisha notification no.1088 dated 4 February 2014 and no.1160 dated 6 February 2015, OCPL was converted into Joint Venture Company by transferring of 49 per cent equity share in favour of M/s OHPC. OCPL has executed allotment agreement with the Nominated Authority on 30 March 2015 for Manoharpur and Dipside Manoharpur Coal Mine. The objective behind formation of the Company is to carry on the business of mining of coal, fireclay and other minerals and engaging in allied activities including establishing coal washeries, further processing for value addition and trading and transportation of coal, fireclay, other minerals and coal, fireclay and other mineral based products including Coal Bed Methane (CBM), Coal Mine Methane (CMM) and Underground Coal Gasification (UCG). The Joint Venture agreement was signed between M/s OPGC & M/s OHPC on 21 April 2016. As per the share holders' agreement, the Board of Directors should consist of 4 nos. and 3 nos. of directors from OPGC & OHPC. But the same was yet (May 2016) to be constituted.

The transaction audit covered the formation of the Company, its pre-operative expenditure, allocation of coal block, contracts and about its future business plan as envisaged in the Mining Plan.

B) **Special Points to be seen**

- Internal control mechanism was properly put in place and subjected to periodic review.
- The activities are carried out in efficient, economic and effective manner for attainment of organizational objective;
- Major transactions effected do not involve avoidable expenditure/loss of revenue;
- Related Statutory provisions have duly been complied with;
- Financial management measures are adequate and sound as per the needs of the Company;
- Policies as approved by State Government;
- Terms and conditions of sanctions of funds;
- Good governance /financial practices, and
- Good commercial practices;
- Review of annual activity report, Detailed Project Reports, Mining Plan
- Review of Memorandum of Association/Articles of Association, annual reports, financial statements
- Review of Minutes and Agenda papers of meetings of the Board of Directors,

PSUs under MICRO SMALL & MEDIUM ENTERPRISES DEPARTMENT

4.8.23 The Odisha State Financial Corporation (OSFCL)

A) Introduction:

The Odisha State Financial Corporation (Corporation) was established in March 1956 under the SFC Act, 1951. The Corporation is managed by a Board of Directors (BoD) constituted under Section 10 of SFC Act 1951. The Managing Director is the Chief Executive of the Corporation and he is assisted by senior Executives of the Corporation. The Corporate Office is located at Cuttack. TheCorporation has nine Branch Offices and four Recovery Cells across the State under administrative jurisdiction of Branch Managers of the respective branches. The objective of the Corporation is to empower the Micro, Small and Medium

Enterprises (MSME) sector with a view to contributing to the process of economic growth, employment generation, creation of successful entrepreneur and balanced regional development.

The Company adhered to the terms and conditions of the loan agreements for speedy recovery/disposal of the loans.

B) Special point to be seen :

- Loans are settled as per the procedures prescribed in different OTS Policies implemented.
- Loan availed from refinance agencies are settled as per the terms and conditions agreed with them.
- There exists an effective internal control mechanism.
- Minutes of Board of Directors Meetings and agenda papers.
- Scrutiny of files relating to different OTS Policies.
- Scrutiny of records relating to recovery of loans.
- Scrutiny of files relating to repayment of loan to SIDBI.
- Internal Audit Report.
- Discussion with the management and issue of audit queries.

4.8.24 The Odisha Small Industries Corporation Limited. (OSIC),MSME

A) Introduction

The Odisha Small Industries Corporation Limited (OSIC) was incorporated in April 1972 as a wholly-owned Government Company with the main objectives of aiding, counselling, assisting and promoting the interests of Micro and Small Enterprises (MSEs) in Odisha. It also provides assistance for procurement of raw materials for MSEs and assist them to improve their methods of manufacturing, techniques of production and marketing of their products.

All functions of the Company are carried through Operational Divisions (Commercial, Marketing, Construction, Business Development, Raw material) and Service Divisions (Administration, Project and Recovery, MCC, MIS, Finance).

B)Special point to be seen:

- Procurement and supply of various raw materials like iron & steel, wire rod, bitumen etc.

- Procurement of orders from ongoing and new construction projects and sub contacting them to the SSI units on back to back basis.
- Procurement of bulk orders for marketing the products of MSMEs.
- Procurement of Agricultural equipment from SSI units and Supply to the Agriculture Dept.

PSUS UNDER TOURISM DEPARTMENT

4.8.25 Odisha Tourism Development Corporation Limited (OTDC)

A) Introduction

Odisha Tourism Development Corporation Limited (OTDC) was incorporated on 3 September 1979 as a wholly owned Government company with the main objective to develop tourism in the State by providing accommodation to tourists, developing places of tourist interests, providing transport services to tourists, creating different facilities for the convenience of tourists and adopting methods necessary to attract tourists in large numbers.

As of March 2016, the Company operates 20 accommodation and catering units[2], two surface transport units, one restaurant (Nandankanan) and one air ticketing unit (Bhubaneswar). Besides, the Company operates boating facilities at Panthanivas Barkul, Chandbali, Rambha and Satapada, Bars at Panthanivas Sambalpur and Rourkela and Beer parlours at Puri, Barkul, Rambha and Chandipur. Recently, it also opened a beer parlour at Konark.

B) Special point to be seen

- The activities were carried out in efficient, economic and effective manner for attainment of organizational objective;
- The Company had fixed the targets for each unit considering its potential of business, availability of infrastructure and other resources, market demand of its service (seasonal and otherwise) and efficiently utilized the resources to achieve the targets thus set;
- Major transactions effected do not involve avoidable expenditure/loss of revenue;
- Related Statutory provisions were duly complied with;
- Financial management measures were adequate and sound as per the needs of the Company;

[2] Panthanivas at Bhubaneswar, Puri, Chandipur, Rourkela, Barkul, Gopalpur,, Paradeep, Rambha, Taptapani, Keonjhar, Sambalpur, Konark, Cuttack, Panchalingeswar, Chandaneswar, Satapada, Balasore, Chandabali, Baripada and Dhauli

- Internal control mechanism was properly put in place and subjected to periodic review.
- State Tourism Policy and guidelines/instructions issued by the State Government;
- Target fixed for different field units;
- Norms of fuel consumption in transport;
- Procurement policy including tendering procedure, standard principles of material management and budgeting.
- Good commercial practices;
- Norms and standards set by Board of Directors, State Government and other standard setting authorities in respect of Internal Control System.

- Review of Minutes and Agenda papers of meetings of the Board of Directors, Budget Estimates and recommendations of the Departmentally Related Review Committee etc.;
- Examination of records relating to budgets, targets and monthly reports submitted by the units;
- Examination of records relating to execution of the civil construction projects;

REGULATORY BODY under Energy Department

4.8.26 Odisha Electricity Regulatory Commission. (OERC)

A) Introduction

Orissa Electricity Regulatory Commission (OERC) was created (June 12, 1996) under Section 3 (1) of the Orissa Electricity Reform Act, 1995 as an autonomous body for creating an efficient and economically viable Electricity Industry in the State. The Commission became operational on August 01, 1996 with joining of three Members. The Commission presently consists of three Members including Chairperson appointed by the State Government. By virtue of the Orissa Electricity Regulatory Fund Rules 2006 (notified by the Government of Orissa on April 1, 2006) receipts of the Commission consisting of license fees, penalties, etc., are deposited into a fund created for the purpose from which the Commission draws funds for meeting its day-to-day expenditure.

B) Special point to be seen

- Issue licenses for transmission and distribution of electricity, and regulate the operation of the licensees;

- Fix and regulate tariffs relating to the trading/ transmission/ distribution of electricity.
- Promote competitiveness in electrical Industry to create an environment for private sector participation and ensure a fair deal to the consumers.
- Advise the State Government in all aspects of Electricity Industry.
- Whether license fee/other fees are being collected as per Electricity act 2003.
- Whether policies and procedures adopted for working of the commission have due regards for transparency and accountability.
- Whether funds had been utilized economically, efficiently and effectively.
- Regulations framed by OERC (Conduct of Business) Regulation, 2004.
- Instructions of GOI/GOO and other relevant rules and regulations.
- Orissa Electricity Reform Act.
- Scrutiny of records of various sections of OERC, Gazette notification of GoI &GoO
- Scrutiny of Investment policy/Fund Management policy.

ABs under FARD DEPARTMENT

4.8.27 THE ODISHA STATE FISHERMEN'S CO-OPERATIVE FEDERATION LTD. (FISHFED)

A) Introduction:

The Odisha State Fishermen's Co-operative Federation Ltd. (FISHFED) was registered in August 1989 under the Odisha Cooperative Societies Act, 1962 as a Federation with limited liability and started functioning from September 1991. As per by-law the authorised capital of the federation was Rupees One Crore. The main objective of the federation was to carry out activities to promote production, procurement, processing and marketing of marine and inland fish and its products with an ultimate aim to develop social and economic conditions of fishermen community as a whole.

B) Special point to be seen

- The activities were carried out efficiently, economically and in an effective manner for attainment of organizational objective.
- The financial management of funds received as well as schemes/programmes were implemented effectively to achieve the objectives of the federation.

- Whether the Internal control mechanism is sufficient to check the theft, fraud and corruption.
- Whether the aspect of financial propriety was being followed or not.
- Whether the human resource management including skill development training were effective and adequate.
- The related statutory provisions had duly been complied with.
- Policies as approved by Central/ State Government for various schemes and implementation/operational guidelines therein;
- Terms and conditions of sanctions of funds;
- Norms and standards set by State Government and other standard setting authorities in respect of Internal Control System;
- Examination of Provision of Odisha General Financial Rules, Odisha Treasury Code, Delegation of financial Rule, Odisha Co-operative Act and Rules.
- Review of Budget Estimates vis-à-vis Expenditure;
- Examination of records relating to budgets, targets and monthly progress/ expenditure reports;
- Examination of records relating to sanction and execution of various schemes and projects;
- Review of Annual Activity Report, Utilisation Certificates;
- Review of Minutes of Board Meetings.

4.8.28 Orissa Livestock Resources Development Society (OLRDS)

A) Introduction:

Orissa Livestock Resources Development Society (OLRDS) was established on 25 October 2000 under the Societies Registration Act, 1860.The State Government decided (May 1999) to form a State Implementing Agency (SIA) for timely and meaningful implementation of National Project for Cattle & Buffalo Breeding (NPCBB) programme launched (December 2000) by Government of India (GoI). The main objective was to provide inputs required for Cattle Breeding in line with Breeding Policy of the State and to promote quality of artificial insemination services at village head level / farmers doorstep.

B) Role of OLRDS under Odisha State Livestock Sector Policy

In order to build a progressively modern and dynamic agricultural livestock economy in the State, GoO introduced (26 October, 2002) Odisha State Livestock Sector Policy (SLSP). The basic objectives of the Policy were to;

- Promote livestock sector as an engine of social and economic development of rural population;
- Encourage the small producers to actively participate in the development process and equip them with information, skills, technologies to enhance livestock quality and production;
- Encourage the ecological and environmental sustainability of the livestock sector growth and modernization, constantly monitoring the environmental impact of the growth process, and designing policies and programmers to effectively mitigate their adverse impact, and
- Capacitate the marginal sections especially women, SC &ST with supplementary inputs and services so that they are enabled to have equal access to the opportunities offered under this new livestock development and management policy.

As per the Policy, OLRDS was responsible for development of Artificial Insemination (AI) infrastructure in the State with production of high quality AI inputs like genetically evaluated AI bulls, frozen semen and liquid nitrogen (LN2) and their supply to all AI practitioners To enable OLRDS to perform its functions, the policy emphasized for transfer of all existing AI infrastructures including frozen semen station, semen banks, LN2 plants, livestock breeding firms to OLRDS except the field AI centers which required to be converted to AI mobile practices. Further, OLRDS was to collect the user charges (UC) levied by State Government for AI. As approved (8 May 2007) by Government of Odisha (GoO), 90 *percent* of UC collected by OLRDS should be utilized for breeding related activities in respective Districts on the basis of proposals received from individual Districts under approval of competent authority and balance 10 *percent* would be utilized by OLRDS to meet its administrative requirement.

C) Organization Set-up

The Management of the Society is vested in a Governing Council (GC) consisting of 10 official members and three non-official members including a member to be nominated by GC. The Principal Secretary/Secretary to Government of Odisha (GoO), Fisheries & Animal

Resources Development Department (F&ARD) is the President and Director of Animal Husbandry & Veterinary (AH&V) Services, Odisha is the Vice-President of GC. The Chief Executive Officer (CEO) of the Society is the Member-Secretary who has been vested with executive and financial power. No posts below the line have been created in the Society to help and assist the CEO in discharging his duties enshrined by the By-law. However, the day-to-day management of the Society is being managed by deploying staff/officers of AH Department. It is pertinent to mention here that the meeting of the society has not been conducted for the period 2014-15 to 2016-17.

The State Government decided (May 1999) to form a State Implementing Agency (SIA) for timely and meaningful implementation of National Project for Cattle & Buffalo Breeding (NPCBB) programme launched (December 2000) by Government of India (GoI). Orissa Livestock Resources Development Society (OLRDS) was established on 25 October 2000 under the Societies Registration Act, 1860.

The main objective was to provide inputs required for Cattle Breeding in line with Breeding Policy of the State and to promote quality of artificial insemination services at village head level / farmers doorstep.

As on 31 March 2015 OLRDS is either implementing or managing fund in respect of 16 programmes of GoI and GOO with a cash/bank balance of Rs.94 crore(Annexure-I)

D) Special point to be seen

- Central Sponsored Schemes were made effectively and efficiently;
- sound financial management system in the Society;
- There was adequate internal control mechanism; and
- Whether monitoring and follow up action was effective.

4.8.29 Odisha State Poultry Products Co-operative Marketing Federation Limited. (OPOLFED),FARD

A) Introduction:

Odisha State Poultry Products Co-operative Marketing Federation Limited (OPOLFED), functioning under the administrative control of Fisheries and Animal Resources Development (F&ARD) Department, Government of Odisha (GoO), was registered (29 March 1976) as a society and subsequently declared (22 March 1984) as a State Level Apex Co-operation Federation. OPOLFED was established with a view to develop poultry farms through cooperative sectors which would give engagement and earning to the people of rural and urban areas. OPOLFED operates in two-tier system i.e., Primary Poultry Producers Co-operative Society (PPCS) / Women Poultry Co-operative Society (WPCS) at grass-root level and the Federation at the apex level. OPOLFED is engaged in poultry business activities like sale of eggs, chicken meat by procuring eggs from local farms and broiler birds from PPCSs. Presently, as intimated (02 September 2015) by Directorate of Animal Husbandry and Veterinary Services, Odisha (AH&VS), out of 107 nos of PPCSs, only 34 nos are in operation and remaining 73 nos of PPCSs are placed under liquidation and therefore no more affiliated to OPOLFED. OPOLFED had been receiving subsidy from GoO, which was stopped from the year 1995-96.

B) Special points to be seen:

- The activities were carried out efficiently, economically and in an effective manner for attainment of organizational objective;
- The financial management of funds received as well as schemes/programmes were implemented effectively to achieve the objectives of the Federation;
- The internal control mechanism is sufficient to check the theft, fraud and corruption.
- Human resource management including skill development training was effective and adequate.
- The related statutory provisions had duly been complied with.

4.8.30 The State Society for the prevention of Cruelty to Animals (SPCA)

A) Introduction:

The State Society for the prevention of Cruelty to Animals (SPCA), Cuttack was functioning since 1934 under the Fisheries and Animal Resources Development Department with the objective of undertaking various animal welfare activities in the State. SPCA is a welfare organization for animals which is registered under the Societies Registration Act of 1860, established for enforcement of the Prevention of Cruelty to Animals (PCA) Act, 1960. SPCA receives grant-in-aid from GoO for prevention of cruelty to animals in the State.

B) Activitiesof SPCA:

In order to enforce PCA Act, 1960 and Rules, SPCA is organizing mobile courts with the help of police and judiciary to protect animals from cruelty committed to them. Animal cruelty cases were prosecuted and warning cases were issued to offenders by SPCA inspectors. Various awareness programmes on animal welfare like`Pathapranta Natak' to prevent animal sacrifice at religious places, meetings and competitions in Schools/colleges are being organized by SPCA. The Animal Birth Control programme is being monitored by SPCA to eliminate the population of stray dogs and control rabies.

B) Special points to be seen:

- the SPCA had evolved a long term plan for the prevention of cruelty to animals in Odisha.
- the scheme funds was utilized as per the schematic provisions and were efficiently utilized.
- the financial management was efficient and effective.
- An adequate and effective internal control monitoring by top management was in place.

4.8.31 The Orissa State Cooperative Milk Producer Federation Ltd. (OMFED)

A) Introduction:

The Orissa State Cooperative Milk Producer Federation Ltd.(OMFED) was registered in August 1980. In order to implement the Dairy Cooperative societies, training milk procurement supply of essential technical inputs, artificial insemination with Frozen Semen balanced cattle feed and fodder development etc. OMFED has the existing infrastructure to process 5.95 lakh per litres of milk in its 11 dairies, 31 nos. of Milk Chilling centre with capacity of 1.95 lakh litre per day, 345 no. of BMC with capacity of 5.41 lakh litres per day at the end of March 2016. OMFED has a Cattle Feed Plant of 150 Metric tonne capacity per day which is under expansion to 200MT/days with assistance under RKVY, a Milk aPowder Plant with capacity 5 MT per day&an Ice cream plant with capacity 5000 litre per day in Bhubaneswar Dairy along with a fruit processing Unit, Samantarapur, Bhubaneswar. OMFED is manufacturing various products like Butter, Ghee, Sweet Curd, Floured Milk, Lassi, Chennapoda, Kheera, Buttermilk table butter, Ice cream etc. The milk and milk products of all these dairies are marketed under the brand name “OMFED”. Apart from State Level training Centre at Jagannathpur Balianta, Khurda, OMFED has also established Regional Training Institute centre at Nadhana, Basudevpur & Ghosala in the district of Puri, Bhadrak & Sambalpur respectively to cater to the training needs of the dairies farmers and functionaries.The OMFED training &demonstration centre Jagannathpur was started in the year 1984 to cater the training needs to the matter and employees of the milk cooperative during the implementation of operation Flood –II programme in the state.

B) Special points to be seen:

- The Company had utilised the Procurement, processing of milk as well as Marketing in an economic, efficient and effective manner;
- Marketing of various products through agent or departmentally.
- Internal controls system was adequate with regard to various activities; and
- Grants has been utilised as per sanction.

ABs under Industries Department

4.8.32 Odisha Industrial Infrastructure Development Corporation (IDCO)

A) Introduction

The Odisha Industrial Infrastructure Development Corporation (IDCO) was established by Government of Odisha (GoO) under Section 3 of Orissa Industrial Infrastructure Development Corporation (OIIDC) Act, 1980 with an objective to secure and assist in the rapid and orderly establishment and organisation of industries, trade and commerce in industrial areas and industrial estates in the State. Later on, it diversified its activities towards project construction, land acquisition and engineering services to the clients. It has also been nominated by GoO as 'nodal agency' for developing industrial infrastructure and land for industrial and infrastructure projects in the State. The core functions of IDCO as per Section 14 & 15 of OIIDC Act are as under;

- Establish and manage Industrial Estates (IEs) at places notified by GoO;
- Develop Industrial Areas (IAs) notified by GoO for the industries to establish themselves;
- Undertake Schemes/Works jointly with other Corporate Bodies, Governments, Local bodies or on agency basis;
- Develop/construct and maintain basic infrastructure/amenities in IEs/IAs;
- Make available buildings on hire or sale to industries or persons intended to start industrial undertakings;
- Acquire and hold both movable/immovable property for the purpose of its activities and sale, lease out, transfer or exchange them; and

- Allot plots/sheds or building to suitable persons in the IEs established or developed by the Corporation.

The present activates of the Corporation is limited to;

- Development of IEs/IAs, IT parks and other industrial complexes;
- Land acquisition services for major and mega projects;
- Development of infrastructure facilities and facilitation of private-sector participations; and
- Project construction services.

B) Organisation Structure

The management of affairs of the Corporation is vested in a Board of Directors (BoD) comprising of 15 Directors. The Chairman-cum-Managing Director is the Chief Executive Officer of the Corporation who is assisted by six[3] Chief General Managers. The Corporation has eight[4] functional divisions located at Bhubaneswar. Besides, it has eight[5] field Divisions located in different districts in the State. The irregularities noticed in constitution of the Board and appointment of top executives of the Corporation has been mentioned in **Para-13** of the Inspection Report (IR)

C) Industrial Estates/Areas

As of March 2016, IDCO had developed 106 IE/AEs in different strategic locations of the State. The cumulative position of construction/development and allotment of land/sheds in different IEs/IAs was as under;

Sl No	Particulars	2013-14	2014-15	2015-16
1	No of IE/IAs(Nos)	105	106	106
2	Gross area of IE/IAs(Acres)	9390.595	9380.860	9601.000
3	Built up sheds(Nos)	1545	1545	1553
4	Sheds allotted, occupied and utilised(Nos)	1485	1485	1482
5	Total land allocable(Acres)	NA	7286.970	NA
6	Land allotted(Acres)	4783.853	5325.927	4778.000
7	Balance available for allotment (Acres)	NA	1961.043	2395.00

(Source-Annual/Activity reports of IDCO)

[3]CGM (Civil), CGM(Planning & Coordination), CGM (MSME), CGM (Personnel & Administration), CGM (Land) and CGM(Finance)

[4]Building Construction Division-I, II & III, MSME Division-I & II, Maintenance Division, Water Supply & EC Division and Electrical Division

[5]Field Division: Anugul, Balasore, Berhampur, Bolangir, Cuttack, Jajpur, Sambalpur and Rourkela

D) Joint ventures/Subsidiaries and other Special Purpose Vehicles

As of February 2017, IDCO had promoted the following Joint Venture Companies, Subsidiaries and Associates jointly with other Government/non-Government agencies, PSUs for development of quality industrial infrastructures in the State.

IDCO SEZ Development Limited was originally registered on 9 March 2004 as Paradeep SEZ Limited. Similarly, Jajpur Cluster Development was originally incorporated (12 March 2004) as a public limited Company and subsequently changed (23 February 2012) to Section-25 Company under Companies Act, 1956. Out of these 16 Companies, three Companies (Sl No.8, 12 and 15) were registered under Section-25 of the Companies Act, 1956. IDCO has decided to close two Companies at mention in Sl No.2 and 6 though the process of liquidation as per the provisions of Companies Act has not been initiated. Eleven out of the balance 13 Companies were at pre-operative stages.

E) **Special Points to be seen**

- Management complied the various provisions of Acts/rules/regulations applicable to the transactions of the Corporation;
- Land had been utilised for the purpose for which they were allotted;
- Infrastructure development projects undertaken by the Corporation in association with other Government/non-Government agencies were completed in time and financial propriety was ensured; and
- There exists a sound and efficient financial management system.
- Orissa Industrial Infrastructure Development Corporation Act 1980 and Rules 1981, Industrial Policy Resolutions 2007 and 2015, Land Acquisition Act 1894 and amendments made there on from time to time;
- Executive instructions and circulars issued by State Government, Corporate Governance Manual, terms and conditions of lease deed, guidelines of Government of India relating to projects sanctioned under Central Scheme; and
- Board Minutes, recommendation of SLSWCA etc.

ABs under Micro Small & Medium Enterprises Department

4.8.33 Odisha Khadi and Village Industries Board. (OKVIB)

A) Introduction:

The Odisha Khadi and Village Industries Board Act, 1955 (Orissa Act 8 of 1956 assented to by the Governor of Orissa on 15.02.1956) provided for establishment of a Statutory Board for organizing, developing and regulating Khadi and Village Industries in the State of Odisha, to create employment opportunities for the rural people and such other functions as the State Government may prescribe from time to time. Orissa Khadi and Village Industries Regulations Act, 1955 and Orissa Khadi and Village Industries Rule, 1956 were framed there under to govern the activities of the Board. The margin money under Plan scheme is being sanctioned by Khadi & Village Industries Commission, Mumbai.

After recommendation by High Power Committee in 1994-95, The Khadi & Village Industries Commission (KVIC), Mumbai launched "Rural Employment Generation Programme" (REGP) from pattern of Assistance Approach to Project based Assistance. In the year 2008-09, KVIC merged the earlier programmes of REGP & PMRY and launched a new scheme named as "Prime Minister Employment Generation Programme" (PMEGP) which is still continuing. For the development of rural people, margin money is being sanctioned (under PMEGP Scheme) for more than 269 activities under the seven Groups viz, 1. Mineral Based Industry, 2. Forest and Agro Industry, 3. Polymer and Chemical Based Industry, 4. Food Processing Industry, 5. Hand made Paper and Fibre Industry, 6. Rural Engineering and Bio-Technology Industry and 7. Textile/Service Industry.

B) Special Points to be seen

- A long term plan has been evolved for the benefits of the rural people.
- the available fund was efficiently utilized for the development of Khadi & Village Industries activities in the State and to create employment opportunities for the rural people.
- the introduction of new schemes were carried out in required sector, and by replacing old schemes efficiently, effectively and economically;
- the financial management was efficient and effective.
  An adequate and effective internal control monitoring by top management was in place.

ABs under Skill Development & Technical Education Department

4.8.34 Biju Patnaik University of Technology. (BPUT)

A) Introduction:

The Biju Patnaik University of Technology came into existence as per the BPUT Act, 2002. The main objectives of the University include;

- to promote education, research and training in the fields of engineering and technology,
- to improve the quality of education, research and training in the field of engineering and technology,
- to provide facilities and opportunities for graduates and post-graduates education in the field of engineering and technology,
- to devise and implement programmes of education in the field of engineering and technology,
- to serve as a centre for fostering co-operation and interaction between the academic and research community etc.

The University has at present the following six constituent colleges;

a) College of Engineering and Technology, Bhubaneswar (CET)
b) Government College of Engineering, Kalahandi (GCE, Kalahandi)
c) Parala Maharaja Engineering College, Berhampur (PMEC)
d) Institute of Management and Information Technology, Cuttack (IMIT)
e) Government College of Engineering, Keonjhar (GCE, Keonjhar)
f) Centre for IT and Management Education, Bhubaneswar (CIME)

The five colleges as in (a) to (e) above are fully financed by Government through budget of Government of Odisha while the Centre of IT and Management Education; Bhubaneswar (CIME) is running on a self-sustaining basis as this college is not depending on grants from Government/University for meeting its operational expenses. Besides, there are 150 affiliated colleges (94 Engineering+ 16 Pharmacy+ 29 MBA+ 10 MCA + 01 Architect Colleges) under the University.

B) Organisation

The University is managed by a Board of Management duly constituted by the Government of Odisha as per Act. The Governor of Odisha, by virtue of his office, is the Chancellor of the University and head of the University. The Vice-Chancellor is the principal academic and executive officer of the University and he is assisted by Registrar, Director Examinations, Director Curriculum Development and Finance Officer. As on date as against the sanctioned strength of 10 Executive and 82 Non-Executive posts on different cadre, the actual men-in-position are 07 and 60 respectively. Besides this the entire sanctioned position of 25 Academic Posts is lying vacant.

B) Special Points to be seen

- The provisions of the related Act, Statutes, Rules were complied with in carrying out the activities of the University.
- The available grant was efficiently utilized for the purpose for which it was received.
- The receipts of the University from students, colleges and other sources were collected properly and accounted.
- The University properly utilized the fees/subscriptions collected from the students towards Curriculum Research Development, Student welfare schemes, Sports and Cultural activities and Insurance of the students etc.
- To financial management was efficient and effective.
- The University adopted sound financial prudency in procurement and utilization of the answer books for semester examinations of the colleges under its jurisdiction.
- An adequate and effective internal control mechanism by top management was in place and effective.

4.8.35 Veer Surendra Sai University of Technology(VSSUT)

A) Introduction:

Veer Surendra Sai University of Technology (VSSUT) formerly, known as University College of Engineering (UCE), Burla was established on 12 August 1956 as a constituent college of Utkal University with the primary aim and objective to produce engineers for operation and management of Hirakud Dam. UCE was subsequently transferred to the administrative control of Sambalpur University during January 1967 and later on to Biju Patnaik University of Technology (BPUT) in July 2002 by virtue of BPUT Act 2002.

The State Government passed 'The Veer Surendra Sai University of Technology Act 2008' (Act 9 of 2009) in Odisha Legislative Assembly for conversion of UCE, Burla into a non-affiliating Unitary University as a body corporate. The VSSUT Act was notified on 12 February 2009 and came into force from the date of notification. As per Section 3(1) of the

VSSUT Act 2008, the State Government in Industries Department vide memo No.IV/TTI-33/2009-8553 and 8564 dated 10th June 2009 converted UCE, Burla into VSSUT, Burla. The University Grants Commission (UGC) also recognised the newly established VSSUT on 5 January 2010.

B) The main objective of VSSUT is to;

- promote and improve the quality of education, research and training in engineering and technology and its application to architecture, management and applied sciences for the advancement of knowledge and for the betterment of society;
- provide facilities and opportunities for graduate and post-graduate education, Ph.D. and research in the field of engineering and technology and its application to architecture, management and applied sciences and by instruction, training, research, development and extension and by such other means as the University may deem fit;
- Devise and implement programmes of education in the field of engineering and technology and its application to architecture, management and applied sciences that are relevant to the changing needs of society;
- Serve as a centre for fostering co-operation and interaction between the academic and research community on the one hand and industry on the other;
- organize exchange programmes with other institutions of repute in India and abroad with a view to keeping abreast of the latest developments in relevant areas of teaching and research; and
- Provide for industrial consultancy services and undertake such other activities as may be required to fulfill the above objectives.

The general management and administration of the University is vested in a Board of Management (BoM) under the Chairmanship of Vice-Chancellor (VC). VC is the Principal Academic and Executive Officer of the University and all the officers of the University perform their duties under the supervision and control of VC. The Registrar is the whole time Officer of the University who is the custodian of all records and common seal of the University. The Comptroller of Finance is a whole time officer who subject to the control of VC is responsible for financial management of the University.

4.8.36 COLLEGE OF ENGINEERING AND TECHNOLOG. (CET)

A) Introduction:

The College of Engineering and Technology (CET), Bhubaneswar, being disaffiliated from the Odisha University of Agriculture and Technology (OUAT), Bhubaneswar was formed into and maintained as a constituent college of Biju Patnaik University of Technology (BPUT), Rourkela by virtue of a Notification of Government of Odisha, Industries Department no. 12781/I dated 01.07.2002 and as per sub-section (1) of section 37 of the BPUT, Act 2002. This came into force with effect from 9th July 2002 having its jurisdiction over 14 departments and four self-financing departments.

B) Special point to be seen

- The available grant was efficiently utilized for the purpose for which it was granted.
- The tuition fee collection was carried as per the fee fixed for different streams.
- Whether Purchased machineries and laboratory items were used efficiently, effectively and economically;
- Whether the financial management was efficient and effective.
- Whether an adequate and effective internal control mechanism by top management was in place.
- Examination of records maintained at the Principal Office, budget files, internal audit and department wise reports.
- Previous years inspection reports: and
- Records maintained at Hostel and laboratory.

4.8.37 INDIRA GANDHI INSTITUTE OF TECHNOLOGY. (IGIT)

A) Introduction:

Indira Gandhi Institute of Technology (IGIT), Sarang is a body registered under the Societies Registration Act, 1860. The main objectives for which the Society/Institution is established *interalia* include:-

- To provide for instruction, practice and research in various branches of Engineering and Technology and to serve as an institute of higher learning and research for the advancement and dissemination of knowledge in all types of technical education and training in such branches in the State of Odisha;
- To prescribe rules and regulations for and to hold examination and declare the results;
- To institute and award fellowships, scholarship, prizes and medals in accordance with the rules and bye-laws;
- To cooperate with educational or other institutions in any part of the world;

- To establish, maintain and manage halls and hostels for the residence of students.

The Institute is fully residential with an integrated campus encompassing hostels, staff quarters and a sprawling playground. The Institute is offering seven Under Graduate Engineering courses in Civil, Chemical, Electrical, Mechanical, Metallurgical, Electronics & Telecommunication & Computer Science Engg., Master in Computer Application; & three Post Graduate Engg. courses in Civil, Electricals and Mechanical. It also offers five Diploma Courses in Civil, Electrical, Electronics & Telecommunication, Mechanical & Metallurgical Engineering. The courses namely Electronics & Telecommunication &Computer Science Engineering under B. Tech and all post graduate courses are under self financing course. For imparting quality technical education there is Career Advance Scheme (CAS) for teaching staff.

B) Organisation

The Management of the Institute is vested in a Board of Governors with the Minister of the Administrative Department as the Chairperson and Principal as the Secretary. The Board of Governors has a standing committee named Finance Committee. On the approval of the Board (30.9.2004) an Executive Committee has been constituted under the Board to examine, discuss and decide on all administrative matters except those affecting general policy decisions. The Principal is the executive head of the Institution assisted by the Registrar, the Dy. Registrar and the Accounts Officer.

C) Special point to be seen:

The Institution adhered to the rules and regulations framed by All India Council of Technical Education (AICTE) and by the State Government in establishment of various facilities for providing technical education.

- Proper fund Management System, evaluation and appraisal of activities was in place.
- Internal control mechanism was properly put in place and subjected to periodic review.

4.8.38 The Institute of Entrepreneurship Development Odisha (IEDO)

A) Introduction:

The Institute of Entrepreneurship Development Odisha (IEDO), Bhubaneswar was established on 13 March 1987 by Govt. of Odisha, IDBI, IFCI, ICICI, SBI and Allahabad Bank for promotion of Enterprise Development as well as for creation of self-employment opportunities. The Institute is registered under Societies Registration Act (No.XXI of 1860) vide Registration No. 18987/25 of 1986-87, XXVII-16/87 dated 13.03.1987. The Institute is running under the administrative control of MSME Department, Govt. of Odisha. The Govt. of Odisha, Industries Department vide their Letter No. V.S.I, 1/2002/12886/1, dated 02.07.2002 have declared the Institute of Entrepreneurship Development Odisha as Nodal Agency for all Entrepreneurship Development Activities in the state of Odisha. The Institute has got the responsibility to contribute significantly for entrepreneurisation of the state through creation of enterprises and entrepreneurs.

The funds of the Institute consist of grants received from the sponsors, grants received from Central and State Government or from any Foundations or any other national and international bodies, donations or contributions from persons or bodies, income from

B) Special point to be seen:

Examination of whether

- To search, encourage, identity & select potential entrepreneurs and develop them for setting up tiny, rural, small or medium scale, commercial or servicing ventures with a view to accelerate industrial development & expand productive employment.
- To provide training & instruction in all aspects of setting up and running a venture to potential and existing entrepreneurs, educated unemployed, low income groups, women, village artisans, relating to motivation, management, finance, production, marketing, technology, accounts, laws, store-keeping, salesmanship etc.
- To provide consultancy service independently or in association with any expert, institution or agency in the field of selection of entrepreneurs, organizing & conducting entrepreneurship development programmes etc.
- To run technical workshops & laboratories and industrial clinics for training and counseling of potential & existing entrepreneurs.
- To conduct training programmes, seminar workshops, conference etc. for any institution or groups of individuals directly or indirectly associated with policies & programmes of entrepreneurship promotion.
- To maintain & run an update library and documentation on facility, audit-visual aids & any other research & training instrument.

- To conduct any programme in coordination with the state Government for central Government or any industrial or other organization in further once the objects of the Institute.

- Examination of settting of training centres for entrepreneurship development in the state of Odisha & elsewhere.

- To conduct or sponsor research to extend, sharpen & bring upto date to know how in the field of entrepreneurship development. .

- Examination of Grants released by the Government of India/Odisha were utilised efficiently and effectively.
- Examination of Cash management system is in existence.
- Examination of efficient and effective system of undertaking the assignments/training activities was in
- Review of Governing Body Meeting and Scrutiny of records of the Institute.

ABs under Handloom, Textile & Handicraft Department

4.8.39 The State Agency for Development of Handloom Clusters. (SADHAC)

A) Introduction

The State Agency for Development of handloom Clusters (SADHAC)is an organization functioning under Handlooms, Textiles and Handicrafts department, Govt. of Orissa, registered under Societies registration ACT XXI of 1860 bearing no.22911/121 of 2008-09 dated 29.10.2008 functioning from at its registered office in Handicrafts Complex, Gandamunda, Bhubaneswar. It has been created by Government of Orissa to function as an autonomous agency for the development of handlooms in Orissa. It has been mandated with the following tasks:

B) Objectives of SADHAC:

The main objectives of the organizations are:-

- To help in creating a conducive environment for promotion and development of the Handloom and Textile industry for preserving and promoting the cultural heritage of the State.
- To promote transfer of skills and their upgradation through involvement of various technical and other related institutions and supporting their initiatives.

- To promote activities to motivate the weavers of the State for development of new designs, product innovation and product diversification.
- To conduct surveys, studies and research in the field of handlooms and textiles.
- To help the weavers in establishing facilities in Public Private Partnership mode.
- To promote technology up gradation by local innovation or with tie-ups through technical and R & D institutions in India and abroad.
- To develop marketing intelligence network and promote tie-ups with various marketing channels including exporters, export promotion bodies etc.
- To facilitate organization and formation of S.H.Gs / Co-operative Societies / Associations of weavers and promote their capacity building.
- To help weavers associations or other community managed organizations in formulation of project reports for getting support from various funding institutions. To conduct feasibility studies of projects.
- To enter into collaborative arrangements with other organizations for transfer of improved technology, procurement of raw materials, marketing of finished goods etc.
- To arrange welfare of weavers by networking with other Departments of the State as well as the Central Government or other institutions involved in such activities.

C) Structure of SADHAC

SADHAC is registered as a non-profit society and thus presently consists of a Governing Body comprising of the following members:

i) Chairman/Chairperson of the Society – Secretary, Handloom, Textiles & Handicrafts Department, Government of Odisha.

ii) Member Secretary of the Society– Director, Directorate of Textiles, Odisha

iii) Deputy Director of Textiles (Headquarters) - Member

iv) Managing Director, Boyanika - Member

v) H.O.D of Textile Technology, College of Engineering & Technology - Member

vi) Executive Director, N.R.L.M, Bhubaneswar - Member

vii) Representative of Weaver’s Service Centre (W.S.C), Bhubaneswar - Member

viii) Chief Executive of “SADHAC” - Member

D) Special Points to be seen

- The SADHAC had evolved a long term plan for the benefits of the weavers, SC, ST and for the development of Handloom Sectors in the State.

- The available fund was efficiently utilized for the development of Handlooms.
- the introduction of new schemes were carried out in required sector, and by replacing old schemes efficiently, effectively and economically;
- The financial management was efficient and effective.
- An adequate and effective internal control monitoring at top management level.
- Department Policies/rules and regulations
- Guidelines of Various Schemes issued by Government of India and Government of Odisha.
- Government (GoI/ GoO) notifications/guidelines issued from time to time.
- Examination of records maintained at the office of the Chief Executive Officer, Budget files, Annual Activity Reports, and Monthly Progress Reports submitted by various agencies.
- Examination of Scheme-wise files.

4.8.40 The State Institute of Development of Art and Crafts (SIDAC)

A) Introduction

The State Institute for Development of Arts and Crafts (SIDAC) is an State Autonomous Body (Society) registered (15 October 2004) under the Societies Registration Act, 1860 with main objective to promote and develop handicraft industries by preserving and promoting the cultural heritage of the State, conducting surveys, studies and research in the field of handicrafts, extending training for skill development and capacity building of the Self Help Groups(SHG), Co-operative societies, Association of craft persons, facilitating marketing of handicrafts and design development. The Society is functioning under the administrative control of Handlooms, Textiles & Handicrafts (HT&H) Department of Government of Odisha (GoO).

The present activities of SIDAC included the following;

- Arranging institutional training both at State and District level.
- Management of design development activities through Design Development Cell/clusters
- Management of State Handicrafts Museum, Common Facility Centres

- Organising exhibitions in State/National and international level to promote handicrafts
- Implementation of different schemes funded by Government of India (GoI)/GoO.

B) Organisation structure

The management of SIDAC is vested in a Governing Body (GB) consisting of 21 members out of whom four members are to be nominated by GoO. The office bearers consist of Chairman, Vice-chairman, Member Secretary, such other officers as designated by GB and the staff of the Society. As per By-laws, Member Secretary is the Chief Executive of the Society who manages day to day affairs of SIDAC.

SIDAC did not have any permanent staff structure. All the employees including the office bearers were either from the Office of the Director of Handicrafts & Cottage Industries (DH&CI) on deployment basis or engaged contractually or through service provider.

All the activities of SIDAC were being performed through different wings i.e. Development Wing and Odisha Crafts Museum, Design & Export oriented marketing Cell, Project Cell, Craft Development Wing and Training Cell housed in its Head Office located in Handicrafts Complex, Gandamunda, Bhubaneswar.

C) **Special Points to be seen**

- Management complied the various provisions of Acts/rules/regulations applicable to the transactions of the Society;
- Grants had been utilised for the purpose for which they are sanctioned, terms and conditions attached to grants had been complied with and intended benefits achieved;
- Projects were executed in time and financial propriety was ensured; and
- There existed a sound and efficient financial management system.
- The Societies Registration Act, 1860 and BY-laws of SIDAC;
- Annual activity reports, financial statements, agenda and minutes of the meetings of the Governing Body;
- Terms and conditions of sanction orders relating to Government grants, OGFR and orders/circulars issued by Government from time to time.

4.8.41 The Odisha State Handloom Weavers` Co-operative Society Limited. (BOYANIKA)

A) Introduction

The Odisha State Handloom Weavers` Co-operative Society Limited was registered on 5 May 1956 as State Apex Cooperative Society under Odisha Cooperative Societies Act 1951 which is commonly known in its brand name BOYANIKA. Presently, BOYANIKA is functioning under the Handlooms, Textiles and Handicrafts Department with the objective of providing marketing support and quality raw materials to the Primary Weavers Cooperative Societies (PWCS) of the State. The prime objectives of the creation of BOYANIKA were as follows-

- To organize and develop the Handloom Industries in Odisha and to create Handwovens in and outside the state.
- To procure the handloom products of its PWCS, Self-help groups (SHGs), Master Weavers and individual weavers and to sale the same to its best advantage.
- To provide qualitative raw materials at right price to its member PWCs, Master Weavers and individual weavers.
- Production of export oriented handloom fabrics to popularize and establish the Odisha Handwovens in International market.
- To organize National handloom expos and special handloom expos to provide common platform for the weavers of the State for marketing of Odisha Handwovens.

The following schemes are being implemented for development of the Handloom sectors in Odisha on a cooperative basis-

- 10% Government Rebate.
- Promotion of Handloom Industries.
- Market Incentives.
- Market Expansion Programme (National / Special Handloom Expos)
- Additional Central Assistance.
- Market Access Initiatives.
- Share Capital Assistance etc.

B) **Special Points to be seen**

- the Boyanika had evolved a long term plan for the benefits of the weavers and for the development of Handloom and Textile Sectors in the State.

- the scheme funds was utilized as per the schematic provisions and were efficiently utilized for the development of hand loom works.
- the financial management was efficient and effective.
- An adequate and effective internal control monitoring by top management was in place.
- Department Policies/rules and regulations
- Guidelines of Various Schemes issued by Government of India and Government of Odisha.
- Government notifications/guidelines issued from time to time.
- Bye-Laws of Odisha State Handloom Weavers Co-operative Society Ltd.
- Examination of records maintained at the Boyanika, Budget files, Annual Activity Reports, and Monthly Progress Reports.
- Examination of Scheme-wise files.

4.8.42 Sambalpuri Bastralaya Handloom Co-operative society Ltd. (SBHCSL)

A) Introduction:

The HLCS Limited (Sambalpuri Bastralaya) was registered 1954 as Handloom Cooperative Society under Odisha Cooperative Societies Act 1951 which is commonly known in its brand name Sambalpur Bastralaya. Presently, it is functioning under the Handlooms, Textiles and Handicrafts Department with the objective of providing marketing support, supplying quality raw materials and providing technical knowhow to the weaver members of the Society as well as to associate Primary Weavers Cooperative Societies (PWCS) of the State. It also provides large scale employment to SC, ST and economically back ward classes of the society including women. It has earned national and international reputation because of the high business. The society has 40 nos. of own sales outlets out of which two are functioning outside the state i.e one at Kolkata and other at Mumbai. The prime objectives of the creation of Sambalpuri Bastralaya were as follows-

- To organize and develop the Handloom Industries in Odisha and to create Hand-woven in and outside the state.
- To procure the handloom products of its PWCS, Self-help groups (SHGs), Master Weavers and individual weavers and to sale the same to its best advantage.

- To provide qualitative raw materials at right price to its member PWCs, Master Weavers and individual weavers.
- Production of export oriented handloom fabrics to popularize and establish the Odisha Hand-woven in International market.
- To organize special handloom expos/DLEs to provide common platform for the weavers of the State for marketing of Odisha Hand-woven.

The following schemes are being implemented for development of the Handloom sectors in Odisha on a cooperative basis-

- 10% Government Rebate.
- Promotion of Handloom Industries.
- Market Incentives.
- Work-shed –cum Housing Scheme (GoO)
- Group Insurance Scheme for Women (M.G.B.B.Y)
- Health Insurance Scheme.
- Yarn Bank Scheme

B) **Special Points to be seen**

- the Sambalpuri Bastralaya had evolved a long term plan for the benefits of the weavers and for the development of Handloom and Textile Sectors in the State.
- the scheme funds was utilized as per the schematic provisions and were efficiently utilized for the development of hand loom works.
- the financial management was efficient and effective.
- An adequate and effective internal control monitoring by top management was in place.
- Department Policies/rules and regulations
- Guidelines of Various Schemes issued by Government of India and Government of Odisha.
- Government notifications/guidelines issued from time to time.
- Bye-Laws of Odisha State Handloom Weavers Co-operative Society Ltd.
- Examination of records maintained at the Bastralaya, Budget files, Annual Activity Reports, and Monthly Progress Reports.
- Examination of Scheme-wise files.

4.8.43 The Odisha Coop. Tasar & Silk Federation Ltd. (SERIFED)

A) Introduction:

In the year 1962, the responsibility of silk cocoon production, marketing and its promotion in Orissa was vested on an Apex Cooperative Society, under the Odisha Co-operative Societies Act 1962, known as Orissa State Tasar & Silk Cooperative Society Ltd., (OST&SCS). It provided both forward and backward linkages to silk producing rearers and weavers. It ensured reliable and accepted markets for the commodities and fair price for the producers and consumers. OST&SCS Ltd. was the only organisation authorised by the State Govt. for marketing of cocoons and yarn. In the year 2001, OST&SCS Ltd. was named as Orissa Cooperative Silk Federation Ltd. i.e. SERIFED and during 2003 it was renamed as Orissa Cooperative Tasar & Silk Federation Ltd., (SERIFED). The organisation is at present working for 163 members viz. 161 Primary Societies, 1 Apex Coop. society i.e. Boyanika and Govt. of Odisha.

SERIFED also markets finished silk and tasar fabrics through its Amlan showrooms at Bhubaneswar, Puri, Baripada & Sunabeda. Present area of operation in Tasar producing districts include Sundargarh, Sambalpur, Mayurbhanj, Dhenkanal, Keonjhar, Deogarh, Boudh, Nuapada, Anugul, Jajpur & Subarnapur. Mulberry producing districts of Gajapati, Kandhamal, Nayagarh, Subarnapur, Kalahandi, Koraput, Rayagada, Keonjhar & Mayurbhanj is also coming under its area of operation. Besides that, it has three reeling units at Sunabeda, Mahendragarh and Nuapatna for producing mulberry cocoons to yarn. However, the production at Sunabeda reeling was discontinued from 2011-12 due to shortage of mulberry cocoons. Besides that, the SERIFED has a construction wing for undertaking various construction activities like construction of Boundary wall, Tasar godown, Seed Multiplication Centre, Tasar Basic Seed Station at various Tassar Rearers Coperative Society (TRCS) for procurement, store and sale of tasar cocoons & mulberry cocoons.

B) **Major Objectives (as per Bye-law):**

The objects of the Society are to organise and develop the sericulture industry in Orissa on a Cooperative basis and to expand market for sericulture products i.e. Cocoons, Yarn and Fabrics in and outside the State. To attain these objectives, the SERIFED Ltd. should have a sound economic foundation such as:-

- To arrange fund for carrying on business.

- To provide financial and other assistants to the member societies for raising silk worm food plantations, rearing of Silk worm, Reeling and Spinning of cocoons and weaving of silk fabrics.
- To develop, assist and supervise activity of the member societies.
- To take lease from the Forest Deptt. for rearing of tasar silkworm and collection of tasar cocoons for the society on behalf of the members.
- To organise and raise plantation of Silkworm food plant and rearing of Silkworm.
- To establish and operate pilot project centers, grainage for development of sericulture including providing assistance to the member societies by way of supplying Disease Free Layings (Dfl).
- To arrange for procurement, lifting and marketing of cocoons, reeled yarn and fabrics inside and outside the state without prejudice to the interests of the member society.
- To arrange for training of the villagers, members of the primary societies, personal of the society and Govt. Deptt. in various aspects of sericulture.
- To arrange for various publicity measures on sericulture such as production of documentary films, organisation / participation in Exhibitions and Fairs, Publication of Pamphlets, report, map etc. for distribution among the members, villagers, Govt. staff and officers.
- To create necessary infrastructure for promotion of Sericulture as a source a gainful employment in the State.
- To enter in to collaboration with exporters and other institutions including foreign collaborators for promoting sericulture in the state.
- To do such other acts as may help the development of sericulture industry in the State.

The general management and administration of SERIFED is vested in the General Body of members. The President or in his absence the Vice President shall preside over the meeting of the General Body, provided that the General Body may not alter decision taken by the Managing Committee and Executive Committee. Besides that, it has Managing Committee, Executive Committee, Purchase and Sale Committee and Staff Selection Committee. The Managing Director who shall be deputed from State Government and acts as Chief Executive Officer of the society for manage of the day to day business and operates accounts of the society.

Audit covered overall workings of the office with specific attention to its present activity, i.e. implementation of various schemes of Government of India and Government of Odisha. Besides that the SERIFED has collected Pro rata charges, establishment fees, profit on sale of tasar cocoons, fabrics and mulberry cocoons.

C) **Special Points to be seen**

- the grants received by the SERIFED was utilised effectively for the purposes for which they were sanctioned and the conditions of the grants were duly complied;
- the financial management was efficient and effective; and,
- Adequate monitoring system was in place to review the existing/ongoing projects, to take corrective measures to overcome deficiencies identified and ensure compliance with laid down rules/procedures.
- Orissa Co-operative Societies Act,1962 and Odisha Co-operative Societies Rule,1965
- OPWD Code, OGFR; Government orders/circulars
- Building and Other Construction Workers Welfare Cess Act, 1996 and Building and Other Construction Workers Welfare Cess Rules 1998;
- Budgets, Minutes of meetings of Annual General Body, Managing Committee, Executive Committee, Purchase and Sale Committee and Staff Selection Committee
- Terms and conditions of grants; Guidelines of Ministry of Tribal Affairs (MOTA) & Handlooms, Textiles and Handicraft Department.
- Review of agenda papers/minutes of meetings of General Body, Managing Committee, Executive Committee, Purchase and Sale Committee etc.
- Examination of records relating to receipt and utilisation of Grants-in-Aid;
- Review of budgets and examination of sanctions and drawals;
- Examination of records relating to execution of different construction projects.

4.8.44 Odisha State Co-operative Spinning Mills Federation Limited. (SPINFED)

A) Introduction :

The SPINFED was established during the year 1984 for the purpose of guidance in technical and financial matter of cooperative spinning mills and power loom units. Initially seven (7) nos. of cooperative spinning mills and nine (9) nos. of power loom units were established under the administrative control of SPINFED. Since all the mills became defunct from 1995 to 2001 due to various reasons like inadequate working capital, shortage of raw materials, revision of minimum wages and hike of electricity duty and in proportionate rise of cost of materials to finished products, the mills were closed.

However, the Konark Cotton Growers Cooperative Spinning Mills Ltd., Kesinga has been functioning only with installation of ginning machineries. Ten nos. of ginning machine with bale pressing logistic system were installed during the year 2011-12 with a financial assistance of ₹ 235.00 lakh under RKVY grants. As on date Shree Gopinath Weavers Cooperative Spinning Mills Ltd., (GOPISPIN), Baliapal was sold at a sale price of ₹ 3.75 Cr. during 2014 by the order of Hon'ble Supreme Court of India. The assets of the units have been handed over to the successful bidder.

For the purpose of watch & ward and managerial assistance the funds are being received from Govt. of Odisha because of non-disposal of assets of spinning mills and power loom units on account of non-finalization of legal cases and attachment by statutory agencies and creditor. However the Liquidation/Privatization of closed Spinning Mills/Power loom are in progress.

B)Special Points to be seen

- The Spinning activities as well as Marketing has been done in an economic, efficient and effective manner;
- Marketing of various products through agent as well as consumers etc.
- Adequacy of Internal controls system with regard to various activities; and
- Income earned and expenditure incurred by SPINFED has been in a prudent manner to avoid loss.
- The targets and achievements, annual budgets for capacity utilisation and revenue expenditure;
- Material management policy and procurement policy of the Company;
- Orders, circulars, guidelines and instruction of Spinning federation cooperative Society and decision of the Managing Director as well as the Govt. of Odisha.
- Repair and maintenance policy/guidelines.
- Scrutiny of Minutes of meetings of Board of Directors including Agenda Papers;
- Scrutiny of records relating to ginning process at KONARKSPIN, Kesinga
- Examination of records of Company, Performance reports of the Spinning Mills, equipment, stores and spares and other inputs.

4.8.45 The Odisha State Co-operative Handicraft Corporation Limited (UTKALIKA)

A) Introduction:

Orissa State Co-operative Handicrafts Corporation Limited (the Corporation) has been functioning since 1959 under the administrative control of Handloom, Textile and Handicrafts (HT&H) Department, Government of Odisha (GoO). It is established under The Orissa Co-operative Societies Registration Act, 1962 with an objective to provide marketing support to primary handicrafts Co-operative Societies/artisans in the State. The main functions of OSCHCL are to:

- Undertake marketing of handloom and handicraft products of affiliated organisations/artisans through its sales emporia named "Utkalika" located in and outside the State;
- Organize exhibitions and participate in trade fairs in and outside the State to promote various handicraft products;
- Provide raw-materials support to artisans through its Raw Material Banks; and
- Undertake various projects/works sanctioned by GoO/GoI under different developmental schemes.

B) **Special Points to be seen**

- The activities were carried out in efficient, economical and effective manner for attainment of organizational objective;
- The grants received from GoO/GoI under different schemes were utilised for the purpose for which it was sanctioned and the objective achieved;
- Activities were undertaken complying all statutory provisions/rules in force;
- There existed a sound and effective financial management system within the organisation; and
- Internal control mechanism was properly put in place and reviewed periodically.
- Orders/circulars of GoO/GoI;
- General conditions envisaged in guidelines for procurement and sale of handicraft products, Orissa Co-operative Societies Manual etc.;
- Generally adopted prudent commercial practices.

- Review of Minutes and Agenda papers of meetings of the Board of Directors and that of its Sub-Committees, Budget Estimates, Annual Reports, Administrative Reports, Accounts manual etc.;
- Scrutiny of procurement & sale of handicraft products, raw materials, utilization of Government grants;
- Scrutiny of contracts entered into and indents taken up from Government, artisans' co-operatives or any other agency for manufacture and supply of handicrafts goods.

4.8.46 Under OPTCL, State Load Despatch Centre (SLDC)

a)Introduction

Government of Orissa in exercise of power conferred under Section 39, 131, 133 and 134 of Electricity Act, 2003 read with Section 23 and 24 of the Electricity Reform Act, 1995 made the Orissa Electricity Reform (Transfer of Transmission and Related Activities) Scheme, 2005 for transfer and vesting of the transmission undertaking of GRIDCO with Orissa Power Transmission Corporation Limited (OPTCL) which was incorporated on 29th March 2004 under Companies Act, 1956. In pursuant to clause 2(d) of the said transfer scheme the transmission related activities of GRIDCO were transferred and vested with OPTCL w.e.f. 1st April 2005. In accordance with clause 10(b) of the said scheme (notified on 09.06.2005) OPTCL has been declared as State Transmission Utility (STU), which would also discharge the functions of State Load Despatch Centre (SLDC).

In pursuance of Section 31 of the Electricity Act, 2003, pending notification by the State Government for operation of SLDC by a Govt. Company/authority, OPTCL being the STU has been operating the SLDC. The functions of SLDC as provided under Section 32 of the Act are:

(i) SLDC shall be the apex body to ensure integrated operation of the power system in the State;

(ii) It shall be responsible for optimum scheduling and Despatch of electricity within the state, in accordance with the contracts entered into with the licensees or the generating companies operating in the State;

(iii) It shall monitor grid operations, keep accounts of the quantity of electricity transmitted through the state grid, exercise supervision and control over the intra-state transmission system;

(iv) It shall be responsible for carrying out real time operations for grid control and Despatch of electricity within the state through secure and economic operation of the state grid in accordance with grid standards and the state grid codes; and

(v) It may levy and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission as may be specified by the State commission.

As per section 31 & 32 of the Electricity Act, 2003 contemplates SLDC as an independent apex body for ensuring integrated grid operations and for achieving maximum economy and efficiency in the operation of power system in the State. Besides, the National Electricity Policy, OERC Regulations 2005, Orissa Grid Code Regulations 2006, OERC Regulations 2007 and CERC Regulations 2008 also stipulated independent functionality of SLDC.

Shri Gireesh B. Pradhan Committee constituted by Ministry of Power, Government of India in its report (August 2008) also suggested for ring fencing of Load Dispatch Centre to ensure its functional autonomy. However, the State Government has not yet exercised its power to establish the SLDC as separate and independent entity.

b) Special point to be seen Examination of

(i) The funds were utilized efficiently, economically and effectively;

(ii) The grid operations were monitored and real time operations for grid control within the State is carried efficiently, proper accounts were maintained for electricity transmitted through the State Grid; and

(iii) Efficient Internal control mechanism was in place and commensurate with the size of the organisation.

(i) Audit has to see relevant document of Electricity Act, 2003;

(ii) Audit has to see Orissa Grid Code (OGC) Regulations, 2006;

(iii) Rules and Regulations framed by Orissa Electricity Regulatory Commission;

(iv) Provision of Orissa General Financial Rules, Orissa Treasury Code, Delegation of financial Rule Examination of records relating to budgets, expenditure reports;

(v) Examination of records relating to monitoring of grid operation and accounting of electricity transmission within the State;

4.8.47 The Orissa Mining Corporation Limited

Introduction:

The Orissa Mining Corporation Limited, with its Corporate Office at Bhubaneswar was incorporated (16th May 1956) as a wholly owned Government Company for commercial exploitation of mineral resources. The main objective of the Company is to develop mineral resources for catering to the needs of various domestic industries and for export purposes. Out of seven regional offices, Koira Regional Office started functioning from June 2004. Previously it was under Barbil Region. The main activity of the Region is to supervise the functioning of Kurmitar Iron Ore Mines which produces iron ore. Besides this the sale of iron ore to the buyers is coordinated by the Region Office.

The Region has four mining leases of iron ore of which only one mine at Kurmitar with lease area of 651.00 hectare is operating at present. The rest three mines Rantha (408.773 hect.), Koira-Kasira (418.355 hectare), and Koira – Bhanjapalli (141.235 hectare) were yet to operate due to want of forest clearance.

a) Special point to be seen Examination of

(i) Targets for raising, transportation and crushing of ores were fixed on the basis of the resources available and marketability;

(ii) Variances between targets and achievements were analysed for taking suitable action;

(iii) An effective inventory management system with regard to procurement, storing, utilisation and disposal was in place.

(iv) Un saleable stock of minerals was timely utilised/disposed off;

(v) An internal control system existed in respect of production, inventory and cash management and was being adhered to.

(vi) Cash Management was adequate, effective and efficient.

(vii) Provisions of various statutes, mining rules, and policies lay down by the State Government and the Company's business plan.

(viii) Agreements with the raising/processing/transport contractors, etc.

(ix) Agreements with buyers for sale of iron ores.

(x) Rules and regulations framed by the Company for storage and disposal of minerals, identification of idle, damaged or obsolete inventory and their disposal;

(xi) General Financial Rules and principles including investment policy of the Company.

(xii) Scrutiny of records relating to production including target and achievement, monthly production, transportation and sales reports;

(xiii) Examination of files and registers relating to procurement, utilisation, disposal and storage of inventory stores;

(xiv) Interaction with the Management;

(xv) Scrutiny of records pertaining to investment of surplus funds.

4.8.48 Orissa State Road Transport Corporation (OSRTC)

a) Introduction:

The State Transport Service (STS) formed on 1st January 1948 for extending passenger transport service in the state was converted (14 May 1974) into Orissa State Road Transport Corporation (OSRTC) under the provisions of Road Transport Corporations Act, 1950 with the objective of providing effective, adequate and prompt road transport services to the public. Orissa Road Transport Company was merged with OSRTC with effect from 16th August 1990 in pursuance of section 19(2) of the RTCs Act, 1950 and Government Notification No-11351 dated 14th August 1990. The Corporation is under the administrative control of the Commerce and Transport Department of Government of Odisha.

The transaction audit involved test check and general examination of records and transactions pertaining to 2016-17, under sec 33 (VI) of the Road Transport Corporations Act, 1950.

b) Special point to be seen

- The extent to which the Corporation is running its operations efficiently.
- adequate maintenance was undertaken to keep the vehicles road worthy.
- The existence and adequacy of fare policy.
- Whether the Corporation was able to meet its commitments and recover its dues efficiently.
- Whether the corporation has laid down procurement policy for procurement of built in buses and chassis.
- Existence and adequacy of policy for body building, retreading of tyres, major repairs etc.
- Whether lands of the corporation were leased in the best interest of the corporation.
- Whether the lease rent are being recovered regularly from the lessee.
- Whether the monitoring by the Corporations top management was effective.
- Physical / financial targets/ norms fixed by the Management.
- Procedures laid down by the Corporation in procurement of vehicles, body building, retarding of tyres and major repairs etc.
- Manufacture specifications, norms of life of a bus, preventive maintenance schedule, fuel efficiency norm etc.
- Instructions of GOI/ GOO and other relevant rules and regulations.
- Lease agreement made with lessee.
- Scrutiny of records of various sections at Head office.

4.8.49 The Odisha State Seeds Corporation Limited (OSSC)

a) Introduction:

The Odisha State Seeds Corporation Limited (OSSC) incorporated on 24th February1978 as a Government Company has its corporate office at Bhubaneswar along with Seven Seed Production Officers (SPOs) at Baragarh, Berhampur, Balasore, Cuttack, Jeypore, Bhawanipatna and Bhubaneswar, catering seeds need of the farmers to all 30 districts of Odisha. Presently, there are 41 processing plants. The zonal unit coordinates all activities at the field level including the production programme, processing, storage and marketing activities. To support the business plan for the next five years OSSC has invested in upgradation of the capacity of the existing processing plants, installation of new processing plants and go-downs. The corporation has also installed DG sets at plant locations for timely processing of seeds.

b) Special point to be seen :
Examination of Whether

- The Company prepared and executed the production programme of seeds as per the requirement of the DA&FP/State for each Kharif and Rabi season of a year;
- The Company procured seeds of desired quality and supplied to the DA&FP from its own source as well as from outside suppliers and in case of outside procurement the Company ensured quality and released payments to the supplier as per the terms & condition of purchase orders;
- The Company was able to recover all the elements of cost incurred through cost structure of seeds;
- The supply of seeds to DA&FP/DDA/Dealers/PACs was as per the terms and conditions circulated by DA&FP;
- Bills submitted by the Company were released timely by DA&FP and deduction, if any, made from the Company's claims was as per supply terms and corrective measures were taken by the Company to avoid any loss on account of such deductions;
- The procedure for disposal of substandard seeds to minimize the loss was adequate;
- The storage requirement of the Company was sufficient and hiring of the godowns was justified;
- The grant-in-aid received by the Company was utilised properly and the benefit of the grants reached to the beneficiary.

The audit examination of State Seeds Programme, DA&FP's indent, Production Programme;

- Terms and condition of Agreements with growers,of all MoU firms and outside suppliers;
- Cost structure prepared by the Company and approval of cost structure;
- Guidelines of different schemes implemented by the Company;
- Terms & condition of sale of seeds to DA&FP.
- Examination of records relating to production programme, actual achievement and outside procurement to meet the shortfall;
- Examination of records relating to budgets, targets and financial performance;
- Examination of records relating to hiring of godowns and monthly progress reports of utilization of grants-in-aid funds;
- Examination of records relating to cost structure of seeds;
- Examination of correspondence of DA&FP regarding deduction made towards sub-standard sale;

4.9 Financial /Accounts Audit of PSUs

A **financial audit** is supplementary to Statutory Auditor which is an independent, objective evaluation of an organization's financial reports and financial reporting processes. (Under section 143 (6)(b) and 129 (4) of The Company Acts 2013.)

After audit, the POMs are being issued to the MD/CMD/CEO/Director and with a copy to the Chartered Accountants for reply. (Annexure-)

If there any changes in the policy of the company the statements on changes in policies (including accounting policies). Rules Law and other significant changes by the management during accounts audit of the company may furnished under prescribed format.

4.9.1 Non Review Certificate

4.9.2 Financial Statement

The 2013 Act mandates preparation of consolidated financial statements for all companies which have one or more subsidiaries in addition to the standalone financial statements (under Section 129).

4.9.3 Common files/registers/documents maintained in the PSUs

1. Annual accounts for the year
2. Copy of adoption of authentication of accounts for the period 2016-17.

3. Trial Balance for the year ..
4. General Ledger for the year ..
5. Journal Voucher for the year ..
6. Annual Report for the year Action Taken Report for the comment of C & AG for the previous year**.**
7. Bank Reconciliation Statement.
8. Details of FD/TD/Other Deposits as on 31st March of the year
9. Fixed Deposit Register and calculation of accrued interests.
10. List of bank accounts as on 31.03......
11. Physical Verification Report of Assets/Stock and Stores.
12. Internal Auditor Report.
13. Cash and Bank Book.
14. Men in Position as on date.
15. Agenda and Minutes of the BoD Meetings.
16. List of legal cases and relating files thereof.
17. Present status of the company.
18. Details of landholdings of the company.
19. Income Tax Assessment File.
20. Sales tax return, if any.
21. Bank Guarantee file.
22. Details of Staff Expenses.
23. Information regarding the performance of statutory auditor of the company as per annexure
24. Consumption towards Power & Fuel.
25. Statutory duty
26. Balance Details of Postal Saving Accounts.
27. Present status of the company.
28. Details of landholdings of the company.
29. Men in Position as on date
30. Consumption towards Power & Fuel.
31. Statutory duty
32. Balance Details of Postal Saving Accounts.
33. Files relating to CSR expenditure and committee report thereof.

4.9.4 IDCO SEZ Development Limited (ISDL) Bhubaneswar:

Detail Information/data called for

In connection with audit of the IDCO SEZ Development Limited (ISDL) Bhubaneswar for the year 2014-15 as per under section 143(6) read with Section 129(4) of the Companies Act 2013. The following records/data/information may be furnished for audit scrutiny and return.

1) Cash Book, Bank book & Voucher, Bank Reconciliation Statement.
2) Fixed Deposit Register, details of TDR, Interest Income received &due.
3) Board of Directors Minute and Agenda papers.
4) General & subsidiary ledger.
5) General Correspondence Files of ISDL.
6) Review of Physical and Financial Progress of different Projects under ISDL.
7) Audit Committee Report.
8) Copy of certificate of Incorporation & commencement of Business.
9) Files related to Formation of company.
10) Copy of article & Memorandum of Association.
11) Share Certificate register.
12) Details of activities carried out for the year 2014-15, budget and actual expenses.
13) Accounts copy.
14) Journal register & Voucher.
15) Trial Balance, compilation file.
16) Asset Register, physical verification reports.
17) Files related to Income Tax, duty, cess matters.
18) Pay bill register, establishment expenses and administrative expenses.
19) Grants in aid file, fund receipt statement, correspondence with GoO/GoI
20) data for appointment of Statutory Auditors
21) Any other records as & when called for.

4.9.5 Odisha Coal and Power Limited (OCPL)

In connection with audit of the Odisha Coal and Power Limited (OCPL) for the year 2016-17 as per under section 143(6) read with Section 129(4) of the Companies Act 2013. The following details may be furnished for audit scrutiny and return.

1) Cash Book, Bank Book & Voucher, Bank Reconciliation Statement.

2) Board Minute and Agenda papers.
3) General & subsidiary ledger.
4) Fixed Deposit.
5) Copy of certificate of Incorporation & commencement of Business.
6) Files related to Formation of company.
7) Files related to OCPL entered into with the OPGC Ltd and OHPC
8) Copy of article & Memorandum of Associations.
9) Share Certificate register.
10) Details of activities carried out for the year 2016-17, budget and actual expenses.
11) Accounts copy.
12) Journal register & Voucher.
13) Trial Balance, compilation file.
14) Asset Register, physical verification reports.
15) Files related to tax, duty, cess matters
16) Pay bill register, establishment expenses and administrative expenses
17) data for appointment of Statutory Auditors
18) Any other records as & when called for

4.9.6 Odisha Mineral Bearing Areas Development Corporation (OMBADC)

1) Cash Book, Bank book & Voucher, Bank Reconciliation Statement.
2) Fixed Deposit Register, details of TDR, Interest Income received &due.
3) Board of Directors Minute and Agenda papers.
4) General & subsidiary ledger.
5) Advance register, details of advance paid to Panchayati Raj Dept., Rural Development, F&E Dept. and ST& SC Dept. Government of Odisha.
6) Files related to CAMPA Fund Utilisation.
7) General Correspondence Files of OMBADC.
8) Files related to DPR of Special Purpose Vehicle (SPV).
9) Review of Physical and Financial Progress of different Projects under OMBADC.
10) Audit Committee Report.
11) Copy of certificate of Incorporation & commencement of Business.
12) Files related to Formation of company.
13) Copy of article & Memorandum of Association.
14) Share Certificate register.

15) Details of activities carried out for the year 2016-17, budget and actual expenses.
16) Accounts copy.
17) Journal register & Voucher.
18) Trial Balance, compilation file.
19) Asset Register, physical verification reports.
20) Files related to Income Tax, duty, cess matters.
21) Pay bill register, establishment expenses and administrative expenses.
22) Any other records as & when called for.
23) Audit Committee Report.
24) Copy of certificate of Incorporation & commencement of Business.
25) Files related to Formation of company.
26) Copy of article & Memorandum of Association.
27) Share Certificate register.
28) Details of activities carried out for the year 2016-17, budget and actual expenses.
29) Accounts copy.
30) Journal register & Voucher.
31) Trial Balance, compilation file.
32) Asset Register, physical verification reports.
33) Files related to Income Tax, duty, cess matters.
34) Pay bill register, establishment expenses and administrative expenses.
35) Any other records as & when called for.

4.9.7 WEST BAITERANI COAL COMPANY LIMITED (WBCCL) :

1. Annual accounts/ Trial Balance/ General Ledger/ Journal Voucher
2. Annual Report for the year Action Taken Report for the comment of C & AG for the previous year**.**
3. Bank Reconciliation Statement.
4. Details of FD/TD/Other Deposits as on 31st March of the year.
5. Physical Verification Report of Assets/Stock and Stores.
6. Internal Auditor Report.
7. Cash and Bank Book.
8. Men in Position as on date.
9. Agenda and Minutes of the BoD Meetings.
10. List of legal cases and relating files thereof.

11. Present status of the company.
12. Details of landholdings of the company.
13. Income Tax Assessment File.
14. Sales tax return, if any.
15. Bank Guarantee file.
16. Details of Staff Expenses.
17. the file regarding the claims of Ex-CEO of the company
18. the information regarding the performance of statutory auditor of the company as per annexure

4.9.8 IDCOL KALINGA IRON WORKS LIMITED, BARBIL

1. Agenda and Minutes of the BoD Meetings.
2. Copy of annual accounts/ Trial Balance/ General Ledger/ Journal Voucher.
3. Annual Report.
4. List of bank accounts as on 31st March of the year.
5. Bank Reconciliation Statement.
6. Details of FD/TD/Other Deposits as on 31st March of the year.
7. Physical Verification Report of Assets/Stock and Stores.
8. Internal Auditor Report.
9. Cash and Bank Book.
10. Men in Position as on date.
11. Consumption towards Power & Fuel.
12. Statutory duty
13. Balance Details of Postal Saving Accounts.
14. List of legal cases and relating files thereof.
15. Present status of the company.
16. Details of landholdings of the company.

4.9.9 Konarak Jute Limited, Bhubaneswar:-

1. Agenda and Minutes of the BoD Meetings.
2. Copy of annual accounts/ Trial Balance/ General Ledger/ Journal Voucher.
3. Annual Report for the year.
4. Bank Reconciliation Statement.
5. Details of FD/TD/Other Deposits as on 31st March of the year.
6. Physical Verification Report of Assets/Stock and Stores.

7. Internal Auditor Report.
8. Cash and Bank Book.
9. Men in Position as on date.
10. List of legal cases and relating files thereof.
11. Present status of the company.
12. Details of landholdings of the company.

4.9.10 ODISHA STATE FINANCE CORPORATION, CUTTACK

1. Board Minutes and Agenda.
2. Copy of adoption of authentication of accounts.
3. Cash Book/Bank Book.
4. Bills, Journal Vouchers, Money Receipts.
5. Cheque Issue Register.
6. General Ledger and Trial Balance/ Bank Reconciliation Statement.
7. Fixed Deposit Register and calculation of accrued interests.
8. Files related to inventory and stock.
9. Files related to physical verification of fixed assets and calculation of depreciation.
10. Year-wise and party-wise Sundry Debtors.
11. OTS loans files.
12. Files related to pay and allowances of staff.

4.9.11 SMALL INDUSTRIES CORPORATION LIMITED, CUTTACK

1. Board Minutes and Agenda.
2. Copy of adoption of authentication of accounts.
3. Cash Book/Bank Book.
4. Bills, Journal Vouchers, Money Receipts.
5. Cheque Issue Register.
6. General Ledger and Trial Balance.
7. Bank Reconciliation Statement.
8. Fixed Deposit Register and calculation of accrued interests.
9. Files related to inventory and stock.
10. Files related to physical verification of fixed assets and calculation of depreciation.
11. Year-wise and party-wise Sundry Debtors.
12. Files related to payment of Land Premium.

13. Files related to procurement of goods.
14. Sales report, rebate and discount file.
15. Government Loan files.
16. Files related to pending legal cases, their current status and disposal.
17. Files related to Income Tax, Sales tax and other statutory dues.
18. Project recovery records.
19. Supervision charges collected during the year.
20. Files related to gratuity, leave encashment,
21. EPF and other retirement benefits File

4.9.12 Hydro Power Corporation Ltd

1. Minutes and Agenda of Board Meetings.
2. Balance Sheet and Profit and Loss Account.
3. Trial balance along with Grouping and sub grouping of the company.
4. Journal voucher, Ledger of the unit.
5. Files for Audit Committee meetings.
6. Unit-wise details of Assets Capitalised along with CWIP during the as well as date of capitalization.
7. Details of calculation of depreciation on the fixed assets capitalized during the year.
8. Details item wise capitalization of power house electro mechanical work valuing Rs. 10.15 crore at Burla Power House.
9. Files relating to payment of Guarantee Commission PFC Loan.
10. Files relating to CSR expenditure and committee report thereof.
11. Files relating to conversion of Govt. loan to equity and all other loan file.
12. Reconciliation Statement / Energy Bill agreed up on by GRIDCO during the year along with file thereof.
13. Fixed Asset Register.

Chapter V

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5. Audit of statutory corporation

5.1 Introductory

The following Statutory Corporation\ Bodies are functioning in the State, the audit of which is conducted by this office. Each of these Corporations\bodies has been set up under separate Acts.

1.	Orissa State Road Transport Corporation (O.S.R.T.C.) Cuttack	Set up under Road Transport Corporation Act, 1950
2.	Orissa State financial Corporation (OSFC), Cuttack	Set up under State Financial Act, 1951
3.	Orissa State Warehousing Corporation, Bhubaneswar	Set up under warehousing Corporation Act, 1962

the above, the Comptroller and Auditor General of India is the sole auditor in respect of Orissa State Road Transport Corporation (OSRTC). In case of Orissa State Financial Corporation (OSFC) and Orissa State Warehousing Corporation, the respective Acts under which these are constituted, provide for the audit of the accounts by the professional Auditors as well as by the Comptroller and Auditor General of India.

The audit of accounts of the Regional Director, Employees State Insurance Corporation (ESIC) and the local offices is being conducted by this office on behalf of the Director of audit Central Revenue, New Delhi.

5.2 The guidelines of C & AG on Audit of Statutory Corporations as contained in CAG's Manual of Audit & Accounts 2007 are stated below:

Audit of Corporations set up by or under law made by Parliament

(a) Audit of Corporations under Section 19 (2) of the Act

As per Section 19 (2) of the Act, the duties and powers of the Comptroller & Auditor General of India in relation to audit of accounts of Corporations established by or under law made by Parliament are performed and exercised in accordance with the provisions of the respective legislations.

(b) Conduct of audit of Corporations

Subject to the provisions of the respective legislations, the conduct of audit of Corporations established by or under any law made by Parliament shall be governed by the provisions of these Regulations.

(c) Copies of agenda notes and minutes of meetings of board of directors and audit committees to be furnished to Audit.

Every Corporation that is subject to audit by the Comptroller & Auditor General of India shall send copies of the agenda notes and minutes of the meetings of its governing body, by whatever name called, and the audit committee, if formed, to the Accountant General (Audit).

(d) Applicable standards and verifications required in audit of accounts

Where the Comptroller & Auditor General of India is the sole auditor of a Corporation, the financial audit is conducted in accordance with the auditing standards issued by the Comptroller & Auditor General of India. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts;

Comply with requirements of the applicable law(s), rules and administrative instructions;

Comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;

Contain adequate disclosures in respect of financial transactions; and

Present a true and fair view of the Corporations financial position

(e) Audits other than financial audit of accounts by the C & AG

In addition to the financial audit of accounts of a Corporation, the Comptroller & Auditor General may conduct any other type of audit including the following;

Test check of transactions entered into by the Corporation with a view to examining their legality, competence and propriety and report on cases of infraction, waste, mismanagement, frauds and other irregularities; and

Performance audit with a view to ascertaining the extent to which the Corporation operates economically, efficiently and effectively for the achievement of the stated objectives.

The scope of above audits may extend to more than one financial year.

The Regulations contained in Chapters 6 and 7 shall apply to the compliance and performance audits conducted under sub-Regulations (1) and (2) to the extent relevant.

(f) Audit certificate as warranted by circumstances

The audit certificate may be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate may be given if the observations and qualifications are of such nature as may not warrant certification of accounts as presenting a true and fair view of the financial position of the Corporation.

(g) Forwarding of draft separate audit report

On the completion of financial audit, the audit office shall send to the chief executive officer a draft separate audit report that will form part of the audit certificate on the accounts. A copy of the same shall also be sent to the Government in case it contains any observation on which reply of the Government is necessary.

(h) Reply to draft separate audit report

The chief executive officer of the Corporation (and the Government, where a copy of the draft separate audit report is sent to it) shall communicate reply to the draft separate audit report within two weeks from the date of its issue or such other period as prescribed.

(i) Finalization of audit certificate and separate audit report

The audit office should consider the reply received from the Corporation (and the Government if a copy is sent to it) before finalising the audit certificate and the separate audit report. In case of reply is not received within the specified period or any extended period agreed to, the audit officer may proceed on the assumption that the Corporation (and the Government where a copy of the draft separate audit report is sent to it) has no comments, observation and explanation in the matter.

(j) Forwarding of audit certificate and separate audit report to Government

The Accountant General (Audit) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the Corporation to the Secretary to Government of the concerned department with a copy to the chief executive officer of the Corporation.

(k) Placement of audit certificate and separate audit report before governing body and concerned legislature.

The chief executive officer shall place the audit certificate and the separate audit report before the governing body and intimate to the Accountant General (Audit) the date on which these are presented to the governing body. The Government shall cause every audit certificate and separate audit report to be laid before appropriate legislature(s) in accordance with Section 19 A of the Act. The Secretary shall intimate to the Accountant General (Audit) the date of presentation of the audit certificate and the separate audit report to the legislature.(C&AG's Regulation 91 to101)

(l) Reporting of results of audits other than financial audit of accounts.

The results of other audits including compliance and performance audits of a Government Corporation are reported through audit notes, inspection reports and audit report. Audit reports of the Comptroller & Auditor General of India are laid before the respective legislature. No comments shall, however, be included in the inspection reports and audit reports except after giving due opportunity to the Corporation and the Government to offer their explanation on the matters proposed to be commented upon. The Regulations in Chapters 12 to 15 of C&AG's Regulation No. 102 shall apply to the extent relevant.

(m) Responsibility for settlement of audit observations and constitution of 'audit arrears committee'

The responsibility for settlement of audit observations is that of the management of the Corporation. In case a large number of audit observations included in the inspection reports remain outstanding for more than two years, each such Corporation shall constitute an 'audit arrears committee' consisting of sufficiently senior officers of the Corporation for speedy settlement and clearance of outstanding audit observations.

The concerned Government may take steps to ensure constitution of these committees and their effective functioning. (C&AG's Regulation 103)

(n) Corporations where Audit Board or Audit Review Committee is constituted or where primary auditor is appointed.

In case of central Corporations where Audit Board is constituted by the Comptroller & Audit General of India, Regulations in Section (g) of Chapter 9 shall apply to the extent relevant. In case of State Corporations where audit review committee is constituted, Regulations in Section (h) of Chapter 9 shall apply to the extent relevant. Further, in case of Corporations where primary auditor is appointed under the relevant Act, Regulations in Section (d) to (f) of Chapter 9 shall apply to the extent relevant.(C&AG's Regulation 104)

5.3 Audit of State Corporations and other bodies and authorities entrusted to the C& AG:-

(a) Audit under Section 19(3) of the Act

As per Section 19(3) of the Act, the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the Comptroller & Auditor General to audit the accounts of a Corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the Comptroller & Auditor General shall audit the accounts of such Corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

No such request shall be made except after consultation with the Comptroller and Auditor General and after giving reasonable opportunity to the Corporation to make representation with regard to the proposal for such audit. (C&AG's Regulation 105)

(b) Audit under Section 20 of the Act

Under sub-Section (1) of Section 20 of the Act, the audit of accounts of anybody or authority, the audit of which has not been entrusted to the Comptroller & Auditor General by or under any law made by Parliament may, subject to the provisions contained in Section 20(3), also be entrusted by the President or the Governor of a state or the Administrator of a Union Territory having a legislative assembly, as the case may be, to the Comptroller & Auditor General of India after consultation with him and on such terms and conditions as may be agreed to between him and the concerned Government.

As per sub-section (2) of Section 20 of the Act, the Comptroller & Auditor General may propose to the President or the Governor of a state or the Administrator of a Union Territory having a legislative assembly, as the case may be, that he may be authorized to undertake the audit of accounts of a body or authority, the audit of which has not been entrusted to him by law, if he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to that body or authority by Government, and the President or the Governor or the Administrator, as the case may be, may, subject to provision contained in sub-station (3), empower the Comptroller and Auditor General to undertake the audit of accounts of that body or authority.

Under Section 20(3) of the Act, audit under Section 20(1) or 20(2) shall be entrusted to the Comptroller and Auditor General only if the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly is satisfied that it is expedient to do so in the public interest and after giving reasonable opportunity to the concerned body or authority to make representation with regard to the proposal for such audit. (C&AG's Regulation 106)

(c) Conditions for undertaking audit under Section 20(1)

The conditions for undertaking audit of a body or authority at the request of the President or the Governor of a Stat or the Administrator of a Union Territory having a legislative assembly under Section 20 (1) are the following:

Audit shall be entrusted to the Comptroller & Auditor General of India preferably for a period of five accounts years. The arrangement will be revised after the expiry of this period.

The scope, extent and manner of audit shall be decided by the Comptroller and Auditor General of India.

The Comptroller and Auditor General of India may appoint a primary auditor to conduct audit on his behalf and in accordance with the directions or guidelines issued by him.

The Comptroller & Auditor General of India or any other person so authorized in connection with the audit of accounts of the body or authority shall have the same rights, privileges and authority as the Comptroller & Auditor General of India has in connection with the audit of accounts of Government.

The Comptroller & Auditor General of India, or an officer so authorized in this regard, will communicate the results of audit to the governing body of the body or the authority. The governing body shall submit a copy of the report to the concerned Government along with its observations. The Comptroller & Auditor General, or an officer so authorized in this regard, will also forward a copy of the report to the concerned Government.

The Comptroller & Auditor General of India shall have the right to report the results of audit to Parliament or the State legislature or Union Territory legislature.

Any expenditure incurred by the Comptroller and Auditor General of Indicia in connection with the audit of the body or authority, including the expenditure incurred for the services of the primary auditor, if any, shall be paid by the body or the authority to the Comptroller & Auditor General of India. (C&AG's Regulation 107)

(e) Letter of entrustment of audit

The letter of entrustment of audit of a body or authority to the Comptroller and Auditor General of India shall be issued in the name of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly. The letter shall *inter alia* indicate that the prescribed requirements, including the requirement relating to giving reasonable opportunity to the body or authority, where applicable, have been satisfied. (C&AG's Regulation 110)

(f) Audit as per provisions of laws and agreed terms and conditions

The audit under Section 19(3) or under Section 20 of the Act shall be conducted in accordance with the provisions of relevant laws and terms and conditions agreed upon between the Comptroller and Auditor General of India and the concerned Government, wherever applicable. Subject to the above, the audit of such Corporations and the bodies or authorities shall be conducted in accordance with these Regulations. (C&AG's Regulation 111)

(g) Audit of Corporations set up by State and UT legislatures and other entrustment audits

The provisions contained in Section (d) of this Chapter shall apply mutatis mutandis to the extent relevant to Corporations set up by law made by State legislature and UnionTerritory legislature and other bodies and authorities, audit of which has been entrusted to the Comptroller & Auditor General of India under Section 19(3) and Section 20 of the Act. (C&AG's Regulation 112)

5.4 The points to be seen in the local audit of each Corporation re dealt in succeeding paragraphs:

5.4.1 STATE WAREHOUSING CORPORATION

(A) INTRODUCTORY

Orissa State Warehousing Corporation was established in March 1958 under the Agricultural Produce (Development and Warehousing Corporation) Act, 1956 subsequently replaced by the Warehousing Corporation Act, 1962. The main objects of the Corporation inter-alia are to run the warehouses in the State either on hire basis or on construction of its own Godowns, for the storage and scientific preservation of fertilizers, manures, agricultural produce, etc. and to act as an agent of State\Central Government and other Government\Semi Government Agencies for purchase, sale and distribution of agriculture and notified commodities. As on 31st March 2008 the Authorised Capital of the Corporation was Rs.360 lakhs while the paid up capital stood at Rs.360 lakhs contributed by the State Government (Rs.180 lakhs) and Central Warehousing Corporation (Rs.180.00 lakhs).

(B) Audit arrangements by comptroller and auditor general

The auditors of the Orissa State Warehousing Corporation is appointed by the State Government on the advice of the C & AG of India as per provisions of sub-section (3) at Section 31 of the said Act. As per Sec 31 (7) of the Act, the Warehousing Corporation shall send a copy of every report of the auditors to the C & AG of India and to the central Government at least one month before it is placed before the Shareholders. The C & AG of India may either of his own motion or on a request received in this behalf from a State Government, undertake in respect of a Warehousing Corporation such audit and at such times as he may consider necessary (Sec 31 (d)). Further, the C & AG of India and any person authorized by him in connection with the audit of the account of a Warehousing Corporation shall have the same rights, privileges and authority in connection with such audit as the C & AG of India has in connection with the audit of the Government Accounts and in particular shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect the office of the Corporation (Sec 31 (9)). The annual accounts of a Warehousing Corporation together with the audit report thereon shall be placed before the Annual General Meeting of the Corporation within six months of the close of the financial year (Sec 31 (10)).

(C) Audit Report

The form for the presentation of audit report on the accounts of the State Warehousing Corporations has been prescribed by the Comptroller and Auditor General of India (Format enclosed vide **Annexure-21**) (Authority CAG Circular No. CA-II/Co-ordn/Instruction /07-08/82-2005 dtd. 08.04.2008). The report of covering the audit of the accounts of the Corporation, after approval of the Comptroller and auditor General of India is sent to State Government who should place it before the Legislature as per Section 31(11) of The Warehousing Corporations Act, 1962.

(D) Audit of initial accounts maintained in warehouses

The professional auditors are required to check the initial records of at least 1\3rd of the units either by going over to the units or calling for the records at the headquarters of Corporation..

They are also required to state in their report

- The names of the subsidiary units in respect of which he has accepted the correctness of the returns and statement without scrutiny of initial accounts.
- Names of the subsidiary accounts, the accounts of which have been checked either by going over to the unit sites or by obtaining the records at the headquarters of the Corporation.

The selection of warehousing units to be visited by the local audit party (limited to 1\3rd of the total warehouses) will be intimated to the audit party by Headquarters Section.

(Authority: DCA NO.HA-21 [7]-6\73Dt.26.6.64 letter No.HA-21 [7]-6\934 Dt.17.11.64)

(E) Special acts, rules etc. to be referred to

- Warehousing Corporation Act,1962
- Guidelines of Central Warehousing Corporation
- Minutes of Board of Directors of the Board Meetings.
- Income Tax Act,1961
- Income Tax Rules 1962
- All commercial and labour laws
- State Government Rules\directives where there is no specific Rules of the Corporation
- CPF Rules

(F) Books and records to be examined

a) At the Head Office of the Corporation

1. Cash Book, Journal ,Ledger, Register of works

2. Bills Register, Salary Register
3. Scroll Register for Receipts and Payments
4. Debit Vouchers
5. Imprest Register-head office and Units
6. Money Receipts\Money Receipt Book
7. Stock Register for Receipt Books
8. Warehouse Receipt\Warehouse Receipt Book
9. Share Certificates Register
10. Service Books, Leave account
11. OT Registers, Insurance Claims
12. Annual Accounts
13. Estimated Budget
14. Tenders and agreements for construction of godowns
15. Measurement books, consumption statements, etc.
16. Tenders and agreements for transportation and handling of goods dealt by the Corporation
17. Lease deeds in respect of warehouses on lease or on rent
18. Customs reports
19. Warehouse wise bills register
20. Depositor wise bills register
21. Payments particular register
22. Godown wise bills raised files.

b) Field Units of the Corporation

1. Cash book
2. Warehouse receipt book and issue book
3. Stock Register, Stock Ledger, Stock deposit register
4. Depositor's ledger, Issue register, Receipt Register
5. Bill Register for party's claim, Dead Stock Register
6. Monthly Account - Receipt and Expenditure
7. Monthly bill claiming charges
8. Individual deposit account (i.e. Deposit Register)

(G) Special points to be seen

1. Whether proper accounts have been kept for the funds received from Central Government\ State Government and spent for the purpose for which the moneys were received.

2. Examine the budget of the Corporation to see that the adequate budgetary control exists for the purpose of operation\capacity utilization of warehouses;
3. Study the storage capacity of the Corporation to see as to whether there has been any cases of underutilization of capacity and the reasons thereof;
4. Study the ratio between own capacity and hired capacity and see whether hiring of godowns was beneficial compared to the capital cost of own godown;
5. Study the construction progoramme of godown(s), frequent revisions along with causes therefor;
6. Examine the cases of awarding civil works and see that all efforts are made to get the work executed at minimum cost and there is no loss due to delay in execution of works.
7. Examine the contractors bills for civil constructions with reference to measurements books terms and conditions of contracts and consumption statement;
8. See that the allocation of expenditure between capital and revenue has been made in accordance with the accepted principles of business.
9. Examine the operation of the scheme(s) of the Corporation as Agent of fertilizer etc. check the resulting losses, if any, together with the reasons;
10. Examine the quantum of storage loss and handling loss to see whether they have exceeded the norms fixed
11. Examine the basis of fixation of storage charges and see whether the rate is commensurate with the operational expenses. Also scrutinize the recovery of storage charges
12. See consumption of insecticides, fumigants
13. Review the insurance of the warehouses and other property with a view to examine the insurance claims lodged, settled and rejected
14. Review the cases of misappropriations, fraud, etc. so as to ensure that the procedure do not have any loopholes
15. Review the economic working of schemes entrusted by Government\local purchases if any;
16. Examine whether the delegation of financial powers have been made to Managing Director and other officers subordinate to him
17. See whether the Corporation has any costing system to regulate the operation of various warehouses;
18. Review the internal audit reports, the inspection reports of Managing Director, Secretary of the field units and the follow up action taken thereon.
19. Proceeding of the monthly meetings of zonal offices.
20. Review of agreements with different depositors in case of long–term reservation of warehouses.

5.4.2 ORISSA STATE ROAD TRANSPORT CORPORATION

(a) Introductory

The Orissa State Road Transport Corporation came into being with effect from 1st May 1974, under the Road Transport Corporation Act, 1950. The Corporation had taken over the Orissa Government's State Transport service with effect from 15.5.1974 alongwith all the employees working immediately before taking over. The operational area of the Corporation is divided into three divisions with headquarters at Berhampur, Bhubaneswar and Sambalpur each under a Divisional Manager. The operational unit is a zone under District Transport Manager. The zone was subdivided into sub-zones and units headed by Asst. Transport Managers. As on 31st March 2008, the Corporation had three Divisions, and 14 operating depot consisting 11 of zones and 3 sub-zones/units. The Corporation is operating its service in all the districts of Orissa. The Corporation has two Central Workshop at Berhampur and Sambalpur headed by Works Engineers to attend to the major overhauling and repair of vehicles, construction of bodies, etc. Major repairs are done at Berhampur workshop while routine maintenance and repairs of the vehicles are done in all field workshop. One Central Store under the control of Works Engineer, Central Store, Cuttack procures store material and supplies them to the operating zones.

The Orissa Road Transport Company Limited, Berhampur (a Government Company) has been merged with the Corporation with effect from August 1990 vide Government Notification No. 11351\TK\dt.4.8.1990.

The main object of the Corporation is to provide an efficient and economical road transport service. It implies that it should provide a quick safe punctual and cheap means of public transport.

On the basis of monthly trial balances compiled by the zones and sub-zones/units, the Head Office prepared consolidated accounts. In the headquarters office, journal, ledger and the consolidated trial balance are maintained to draw the final accounts.

(b) Source of Finance (Capital)

Under Section 23(1) of the Road Transport Corporation Act,1950 the State Govt. and the Central Govt. had agreed to contribute the capital for the Corporation in the ratio of the 2:1. In October 1982 the provisions of the Road Transport Corporation Act 1950 were amended (Amendment Act,1982) whereby the Corporation is eligible to raise share capital by issue of shares and shareholders are eligible for the dividend out of profits. The State Government has not so far (January 1992) fixed the authorized share capital, the number of shares to be subscribed by State Government and by Central Government as required under section 23(3) of the said Act. As on 31st March 2008 the total capital of the Corporation was Rs.146.44 crores. Out of this loan capital contribution Rs. 130.51 crores was contributed by State Government Rs.15.92 crores was contributed by the Central Government and Rs.0.01 crore was contributed by other parties..

(c) Audit

Two types of audit (viz. Compliance and Financial/ annual Accounts) are conducted annually. Besides audit in depth for selected items,PA/TAwhole e of the Corporation or for some segments as selected by the Headquarters. The financial audit of all the units, sub zones, zones and Head office of the Corporation should be completed. before the Annual accounts of the year are certified by the Accountant General, who is the sole auditor. The Annual Accounts, different records and transactions are to be audited as per the quantum of check prescribed by the Comptroller and Auditor General of India In the headquarters office, journal, ledger and the consolidated trial balance are maintained to draw the final accounts. , the C & AG of India is the sole auditor of the Corporation. The procedure for maintenance of accounts and audit has been laid down under section 33 of the said Act. As per Sec 33 (1), the Corporation shall maintain proper accounts and other records and prepare an annual statement of accounts including the profit and loss account and the balance sheet in such form as may be prescribed by the state Government in consultation with the C & AG of India. The accounts of the Corporation shall be audited (Section 33 (2)) annually by the C & AG of India or his nominee and any expenditure incurred by him in connection with such audit shall be payable by the Corporation to the C & AG of India. Further, C & AG of India and any person appointed by him in connection with the audit of the accounts of the Corporation shall have the same rights, privileges and authority in connection with such audit as the C & AG of India has in connection with the audit of the Government accounts and in particular shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Corporations. The accounts of the Corporation as certified by the C & AG of India or any person appointed by him on behalf together with the audit report thereon shall be forwarded annually to the State Government and that Government shall cause the same to be laid before the legislature of the state.

In compliance Audit, the succeeding paragraph will indicate the broad outlines to be followed by field parties during local audit.

d) Quantum of Checks

The quantum of checks for bodies for which C&AG is the sole auditor will depend on (a) soundness of the internal control, (b) our past experience and with the strong and weak points of the organizations and (c) the relative importance of an area of operation to the organization. Keeping in view the above points MAB/AG should determine the quantum of check to be exercised during the audit of accounts of Statutory Corporations under their audit control.

(E) Books\recrds to be examined

1. Drafts and cheques received and issued
2. Stock ledger, stock statements alongwith physical verification reports
3. Unpaid wages registers
4. Penalty register
5. Compensation Register
6. Way bills
7. Borrowing of all types
8. Sundry debtors
9. Sundry creditors
10. Cash book, BankPass books and Bank reconciliation
11. Journal with journal vouchers
12. General ledger and subsidiary ledgers
13. Advance Register
14. Purchases and Sales day books
15. Acquaintance Roll
16. Contingent bill Register
17. Trial Balance
18. Theft\losses\Embezzlement Register
19. Absolute\unserviceable\scrap stores
20. Claim recovery register
21. Hire charges register
22. Banner scheme - vehicles acquired
23. Vehicle wise correspondence file
24. Annual accounts including balance sheet
25. Net revenue and appropriation account
26. Profit and loss account
27. Profit and loss account of OSRTC Press

28. Profit and loss account of Central Workshop Sambalpur
29. Profit and loss account of OSRTC (Banner)
30. Schedules of all types

(F) In compliance Audit the field party has to see the following aspect,

i) Cost of Operation

The overall average cost of operations on the following elements should be ascertained and their percentage to total cost or cost per kilometer operated and compared with the previous figures of the same zone and with those of others zones and reasons for any abnormal variations should be analysed.

1. Cost of traffic control
2. Cost of fuel and lubricants
3. Cost on tyres and tubes
4. Cost on stores and spares
5. Cost on rates and taxes
6. Cost of maintenance and repairs
7. Cost on batteries
8. Cost on tickets
9. Administrative overheads
10. Depreciation and interest
11. Other miscellaneous expenses

ii) Vehicle Utilisation

As the major portion of the cost is attributable directly to the vehicles in the form of capital cost, rates and taxes and traffic personnel required to operate them, it should be seen whether the entire effort of Management has been directed to optimise utilisation of vehicles for not only earning revenue to absorb the cost but also to provide an efficient service by analysing the following aspects.

- No. of buses owned
- No. of buses operated
- Percentage of utilisation to the fleet strength
- Average utilisation of vehicles in Kilometers per day\per annum
- Average effective kilimeterage per day\annum
- Average dead Kilometreage or unpaid kiliometreage per bus per day
- Average time taken for converting a route kilimeterage.

If there has been under utilisation of the vehicle reasons therefore may be analysed. It should be seen whether it is on account of recent breakdown and whether the vehicles have been kept unduly long in the workshops for repairs and maintenance.

Normally every zone is allowed to keep spare vehicles as traffic spares and reserved to the extent of1\5th of the total no. of vehicles required for the operation on the sanctioned routes. While analysing vehicle utilisation, it has to be seen that normal numbers of vehicles intended to be on road had been put on road daily if not, the reasons for non-utilisation of the vehicles should be analysed to find out whether it is attributable to more number of vehicles under repairs than the 1\5the kept on reserve for maintenance or to the absence of drivers or conditions or due to break downs. It should also be examined whether there is any imbalance in the various categories of staff with reference to vehicle staff ratio.

iii) Consumption of oil, lubricants, tyres, tubes batteries etc.

As these are directly proportionate to the operation of the vehicles, it will be necessary to analyse the following data.

- Average kilometers performed for litre of HSD oil \ petrol lubricants consumed
- Average life of a new\retreaded tyre in Kilometres tyre history cadres should be examined.
- Average life of battery in days

While analyzing these factors, the type of service. Routes operated, type of vehicles used, have to be taken into consideration and the relevant date analyzed to arrive at proper conclusions.

Among the maintenance of stores and spares, engines, brake linings, fuel injection pumps etc. the performance of which should be studied based on their kilimetereage given. Apart from centralized purchase by the Corporation, the zones are making local purchases of stores and spares required for their zones. Examine that the local purchases are not heavy and that the rates paid are reasonable.

(G) Revenue Earnings

The revenue earning should be analyzed to find out the average earnings per kilometre\per day and compared with that of similar type of service and route.

It should be examined whether the system of internal control and internal checks are being exercised in regard to issue of ticket books\ tickets to the conductors and in regard to the deposit of collections by the conductors through pay bills. It may also be examined whether the vigilance staff has been conducting the checks or not.

(H) Points to be seen at Head Office

The following items should also be seen among other aspects while auditing the Corporation head office.

- Scrutiny of minutes of the Board Meetings\ purchase committee and other committees if any
- Review the ways and means position to see that investments are to be made in time
- Examine basis of loans obtained from commercial banks\IDBI under refinancing scheme
- Study the fare structure working of the various routes operated by the Corporation.
- Scrutiny of the statistical returns on utilisation of vehicles, consumption of oils, tyres, batteries engines etc.
- Examine the cost analysis of operation with reference to expenditure under various heads
- Performance of Enforcement Wing
- Incidence of accidents and cases of compensation
- Adequacy of the internal checks and internal audit
- Printing of tickets for the Corporation as well as for others
- Procurement of bus chassis under loan schemes, etc.
- Bus body building works - Examine the economics or otherwise achieved on the works done both departmentally and through contractors.
- Whether there were any delays in putting the new buses on the road Delays may be analysed as under:

a) Issue of chassis to Body Builders
b) Receipt of bus body from body builders
c) Finalisation of ancillary works to put the Bus on road at Head Office

- Disposal of condemned vehicles on auction sale
- Disposal of obsolete spare parts.

I) In compliance Audit the field party has to see the following aspect,

Seen at Zones\Sub-Zones

a) While conducting the audit of zones and sub-zones, the following points should also be seen

- vehicular utilization
- performance statements of tyres, engines, batteries dynamos, self-starter, fuel injection pumps
- route wise income of some of the selected rates with reference to original financial schemes, occupation ratio cost of operation etc.

- Critical analysis of route-wise and conductor wise income per kilometre vis-à-vis the intensity of enforcement checks
- Incidents of break down with reference to the dead kilometreage covered
- Critical study of vehicle and staff ratio
- Records pertaining to the payment of Motor Vehicle Tax and claims for refund of Motor Vehicle Tax
- Records of collection and payments of passenger tax and the connected returns sent to head office
- Disposal of suspension cases
- Register of special hire charges
- Scrutiny of local purchases
- Register of advances to staff for purchases etc.

(vii) Ticket Accounts

1. Examine the method of printing tickets in their own press or outside
2. Reconcile the order for printing
3. Check the procedure for distribution of tickets from head office to units\zones
4. Account for the closing stock after reconciliation with receipt distribution and use.
5. Examine the accounting procedure of tickets received distributed and stocked
6. Check the daily posting of withdrawn tickets from relevant register including stock register of tickets. Check the daily statement of tickets.
7. Reconcile the returned\unsold tickets with issue of such tickets if any in future.

(viii) Conductor Way Bill:

This is the main document through which the revenue from sale of tickets is realized and accounted for. The following checks may be made.

1. Check the way bill from way bill register and depot cashiers cash book
2. Check that the amount shown as sale in the way bill tallies with the value of tickets sold.
3. Trace the amount of sale in the depot cashiers cash book with bank remittance
4. See the particulars of ticket received if any by the conductors en-route from other depots and their accountal
5. Check the continuity of tickets in the way bill to the subsequent way bill
6. Examine the deductions made if any in respect of charges and their vouching
7. Check the continuity of way bill with reference to previous bill
8. Check the collection with reference to fare chargé

9. In respect of concession tickets issued , it is to be seen whether tickets were issued to eligible persons. Ensure safeguarding the interest of the Corporation against the use of old tickets.

(ix) Fuel Account

1. Examine whether proper arrangements exist for taking dip measurements at the time of filling up fuel tank and internal checks arrangements are made to avoid manipulation
2. Check the issue with fuel consumption records
3. The entries of fuel consumption records may be checked with history sheet of vehicles or log sheet of POL consumed
4. Correlate the kilometer run with the quantity of fuel consumed. Evaluate the excess consumption over the norms prescribed
5. Verify whether the reason for the excess or shortage as per physical verification at the end of each month periodical intervals has been looked into and adjusted under the orders of competent authority.

(x) Central Work Shop, Sambalpur

1. Check the records maintained in various sections major repairs minor repairs renovations
2. Check the records in respect of body building section, compare the cost of body building done in the workshop with the dates quoted by private body builders.
3. See that vehicles received in the workshop are not detained from long- periods
4. Scrutinise the performance of the tyre retreading plant
5. See that stores and spares are obtained in time and works are not held up
6. Scrutinise the overtime bills
7. Local purchases are within the prescribed limits and is made at reasonable rates
8. Verify the position of surplus\ obsolete stores, scrap and their disposal

(xi) Audit of Annual Accounts

The annual accounts of the Corporation consists of the following

- Profit and loss account
- Net revenue and appropriations account
- Balance sheet
- Schedules forming part of the profit and loss accounts balance sheet etc
- While checking the annual accounts of the Corporation the following points should be seen

1. Whether the accounts have been prepared in the fomrs prescribed and authenticated by the board of Directors Whether the accounts of the previous year has reached its finality.

2. Whether the postings in the Ledger are correctly made from the Cash Book and Journal
3. Whether the Journal vouchers have been approved by the Competent Authority
4. Whether the figures appearing in the annual accounts tally with the ledger figures
5. Whether the balances as per bank pass book and those appearing in the books of the Corporation have been reconciled and correctly taken in to the Annual Accounts.
6. Whether capital assets register has been correctly maintained and whether verification of the assets has been done periodically
7. Whether the calculation of depreciation on assets with reference to rates, period of use\mileage run etc. has been done consistently
8. Whether the rate of depreciation is adequate in terms of technical assessment of the life of the asset
9. Whether the values shown against the fixed assets in the final accounts agree with the fixed assets register
10. Calculation of interest on capital and loans should be checked
11. Calculations of leave and pension contributions should be scrutinised
12. Whether adequate provisions for various reserves have been made in accordance with the rules of fund
13. Whether the valuation of closing stock has been done correctly with reference to the quantity and the value
14. Conduct a random check in certain items of stock\stores from the physical verification statements and the register of stock\stores in respect of quantities
15. Classification of expenditure between capital and revenue should be examined
16. Journal entries should be checked in detail
17. Whether accrued Income, outstanding expenses, prepaid expenses, etc have been correctly ascertained and accounted for suitably
18. Examine the investments with reference to related documents and ensure whether interest\dividend accrued has been accounted for.
19. Whether the Corporation maintains detailed lists of sundry debtors, loans and advances and sundry creditors(both year-wise and party wise) and examine the lists to ensure that the Corporation has adequately provided for reserve for bad and doubtful debts
20. Critically examine the financial statements to find cut the uneconomic and excessive expenditure and reasons therefor if any.

Separate Audit Report (SAR), Inspection Reports and Audit Reports

After the audit of annual accounts, basing on replies to our POM's a draft separate audit report including an audit certificate and comments on annual accounts in prescribed format enclosed vide **Annexure** (Authority CAG Circular No. CA-II/Co-ordn/Instruction /07-08/82-2005 dtd. 08.04.2008) copy of which is forwarded to the Government for their comments simultaneously a copy of the above report along with a copy of annual account is forwarded to the Comptroller and Auditor General of India for their approval. On receipt of replies to the draft audit report on comments of Comptroller and Auditor General final separate audit reports is issued to the State Government with a copy to the Corporation and Comptroller and Auditor General for being placed before the assembly by the former in terms of section 33(4) of Road Transport Corporation Act, 1950.

The Comptroller and Auditor General of India will also be kept informed as to the date of placement of the audit report and the accounts, on the floor of the house

(e) Arrear of accounts/audit of 'Orissa State Road Transport Corporation'.

A reference was received from the Commissioner-cum-Secretary. Commerce and Transport Department, Orissa informing about the decision of the State Cabinet for formal closure of the captioned Corporation and its restructuring by transfer of assets. To expedite the process of closure/structuring of OSRTC, the backlog in finalisation of accounts has to be cleared. The audit of Corporation's accounts has been completed up to 2005-06 by Audit and laid in Orissa Legislative Assembly on 28.08.2008.

With a view to facilitate the implementation of decision of the State Government for closure/restructure of the Corporation, the CAG has approved the following course of action.

(a) The audit of duly authenticated accounts of the Corporation may be taken up at your end for more than a year simultaneously;

(b). As a special case, the 'Separate Audit Report' may be finalised and issued on each year's account, at your level. A copy of the SARs, as issued to the State Government, shall be forwarded to headquarters for information and record;

(c). In case AG proposes to drop any significant/material comment on the accounts, he shall do so only with prior concurrence of headquarter's office. The significance/materiality of the comment may, however, be decided as per the guidelines conveyed vide Headquarter's circular no. 571/CA.II/398-99/KW dated 26.6.2002.

(d). The delegation of powers as above, may stand only till accounts are made current or revival of the OSRTC operations (as statutory Corporation) by internal reconstruction, if any, carried out, whichever is earlier.

It is further requested to ensure that the entire process of certification of each year's accounts (i.e. right from the receipt of authenticated accounts to issue of Separate Audit Report) is completed maximum within a period of 45 days. A. G. may consider appropriate reduction in the number of days, for stages I & II, in case of simultaneous audit, and keeping in mind the volume of transactions. Detailed time schedule within maximum of 45 days may be drawn up in co-ordination with the Government and the Corporation. Once drawn up please send a copy to headquarters for record.

The stage-wise time schedule for clearing each year's audit may be drawn on the following lines:

		Maximum no. of Davs
Stage-1	Issue of preliminary observation Memos	21
Stage--2	Receipt of Management's replies to POMs after revision in account figures, if any	07
Stage-3	Finalisation of draft comments and to refer the cases of material comments, if proposed for dropping, for headquarters' concurrence	03
Stage-4	Time required for headquarters' concurrence.	07
Stage-5	Issue of final SAR after receipt of headquarter's concurrence or otherwise, to the points referred to at Stage-3.	07

CAG has desired that the prescribed time-schedule for completion of audit may be strictly followed and the Closure formalities of Corporation are not held up on this account..

(Vide CAG Lr. No.632/CA-II/170-99 dated 28.7.2003).

Results of Transaction audit are brought to the notice of the management and Government through the Inspection Reports.

Topical interests\reviews if any are included in the Audit Report (Commercial) of the State.

5.4.3 ORISSASTATE FINANCIAL CORPORATION

(a) Introductory

The Orissa state financial Corporation was established in March 1956 under the provisions of section 3(I) of the State Financial Corporation Act, 1951 (SFC Act,1951). The activities of the Corporation covered, financial assistance to medium and Small Scale Industries and individual and tiny entrepreneurs by way of terms loans for new projects and for expansion/ diversification/modernization/rehabilitation of sick units, soft loans to bridge the gap in promoters contribution, sick units, soft loans for seed capital assistance and underwriting of shares, Financial assistance to medium and small industries was also taken up jointly with IPICOL (another Govt. Company) when the term loan requirement exceeded the sanctioning limit of the Corporation (Rs.30 lakhs upto August 1985 and Rs. 60 lakhs thereafter). The Corporation has also been acting as an agent for disbursement of Central and State Investment subsidies.

The affairs of the Corporation are managed by a Board of Directors comprising 12 members including the Chairman-cum-Managing Director, 3 nominees of state Govt. one nominee of RBI two nominees of IDBI, four elected representative of scheduled banks, Co-operative Banks and other shareholders and other financial institutions. The board is assisted by an Executive Committee consisting of 6 members including the Managing Director as its Chairman. The Corporation has 17 branches each headed by a Branch Manager besides 07 Recovery Cells headed by Deputy Manager. The branches and Recovery Cells are located in the following places :-

Branches (17)

1.Cuttack I	2. Paradeep	3. Bhubaneswar
4. Puri	5. Balasore	6. Baripada
7. Berhampur	8. Bhawanipatna	9. Bolangir
10. Jeypore	11. Keonjhar	12. Phulbani
13. Rourkela	14. Rayagada	15. Sambalpur
16. Angul	17. Bargarh	

Recovery Cells (07)

1. Dhenkanal	2. Kendrapara	3. Paradeep
4. Bhadrak	5. Khurda	6. Chandikhol
7. Jharsuguda		

As on 31st March 2008, the Authorised Capital and paid up capital of the Corporation stood at Rs.500.00 crores and Rs.358.61 crores respectively. The paid up capital was contributed by the following

	Amount (Rupees in lakhs)
State Government	8758.30
Others (Share deposit pending allotment)	27104.25
	35861.55

In terms of section 37(6) of the State Financial Corporations Act,1951, the Comptroller and Auditor General of India may of his own motion or on a request received on behalf of the State Government undertake audit of the accounts of the Corporation in addition to the audit by professional auditors Under Section 37(1) of the Act. The auditors of OSFC are appointed by the shareholders as per provisions of Sec 37 (1) of State Financial Corporation Act, 1951. As per Section 37 (5) of the Act the financial Corporation shall send a copy of every report of the auditors to the C & AG of India at least one month before it is placed before the shareholders. The C & AG of India, may either of his own motion or on a request received in this behalf from a State Government undertake such audit and at such times as he may consider necessary (Section 37 (6)). Every audit report under sub-section (6) shall be forwarded to the State Government shall cause the same to be laid before the legislature of the State.

The instructions in the succeeding paragraphs indicate the broad outline of procedure of audit to be followed in the audit of accounts of the Corporation.

(b) Special Acts, Rules Etc to be Referred to

i) State Financial Corporation Act,1951 (as amended in 1972)

ii) OrissaState Financial Corporation General Regulation

iii) All commercial acts

iv) Income Tax Act,1961 as amended

v) Corporation Service Regulations

vi) Directives of Central\State Governments from time to time

vii) Industrial policies

viii) Subsidiary rules

ix) RBI Guidelines

x) IDBI and other financial institutions guidelines

(c) List of Special Books\Records to be Scrutinised in Audit

(i) Loan application register and loan ledger

(ii) Bond register

(iii) Investment register

(iv) Agency agreements

(v) Register of securities

(vi) Register of refinance

(vii) Disbursement\reimbursement of register of central subsidy

(viii) Main cash book bank pass book scroll register etc

(ix) General ledger suspense ledger

(x) Suit filed register

(xi) Seed money \subsidy ledger

(xii) Provident fund ledger

(xiii) Re-finance ledger

(xiv) Share register, dividend register

(xv) Pay roll register

(xvi) Journal

(xvii) Fixed assets registers

(xviii) House building and vehicle loan ledger

(xix) Insurance claim register

(xx) Statement showing loan application received, sanctioned, withdrawn or lapsed and pending during the year

(xxi) Statement showing industry-wise classification of loans sanction(effective) disbursed and outstanding as on 31st March

(xxii) Summary of applications for loans received, sanctioned etc. as on 31st March

(xxiii) Classification of Loans and Advances(amount-wise)

(xxiv) Classification of loans and advances(district wise)

(xxv) Schedule of shares acquired in connection with underwriting and held as on 31st March

(xxvi) Industry-wise classification of bonds\debentures and shares acquired in fulfillment of underwriting agreement as on 31st March

(xxvii) Sector-wise break-up of financial assistance sanctioned, disbursed and outstanding

(xxviii) Maternity-wise classification of Government and other securities as on 31st March

(xxix) Investments in shares and debentures as on 31st March

(xxx) Position of loans over due and balance outstanding

(xxxi) Age-wise classification of the loans and advances

(xxxii) Minutes of Board of executive and committee meeting alongwith memorandum papers (xxxiii) Shareholders register

(xxxiv) Government circulars regarding industrial policies

(xxxv) Security register

(xxxvi) Office order register

(xxxvii) Default advisory committee proceedings

(xxxviii) Records relating to transfer of ownership

(xxxix) Joint committee meetings between OSFC and IPICOL

(xl) Internal audit reports and also the inspection reports of IDBI and credit guarantee Corporation(RBI)

(d) Security for Loans and Advances

Assets to be purchase\acquired out of the assistance given by the Corporation are required to be hypothecated or mortgaged. The mortgage may be English mortgage or equitable mortgage. Generally land with buildings etc., are mortgaged by deposit of title deeds while plant and machinery etc. are hypothecated. Collateral security is also taken in certain cases.

An English mortgage is a transaction in which the mortgager binds himself to repay the mortgage money on certain date, and transfers the mortgaged property absolutely to the mortgage but subject to a provision that he will re-transfer it to the mortgagee upon payment of mortgage money as agreed.

In English Law, a mortgage by deposit of title deeds is called an Equitable mortgage, In cities like Bombay, Calcutta, Madras and in certain other towns when a person delivers to a creditor or his agent, documents of titles to immovable property with interest to create a security thereon, the transaction is known as "Mortgage by deposit of title deeds".

(e) Special Points to be seen

1. Examine the loan granting principles followed by the Corporation and see that those are adequate
2. Review the individual loan cases to ensure that the loans are sanctioned after proper scrutiny and with adequate security
3. Review the different schemes of the Corporation to held the entrepreneurs and see that there is no avoidable delay between the date of application and disbursement of the sanctioned amount

4. See that the rates of interest to be recovered is revised from time to time in accordance with-financing rates fixed by Industrial Development Bank of India
5. As the Corporation acts as an agent for release of outright grant by Government of India for the establishment of industries in industrially backward areas, ensure proper disbursement and reimbursement from Government of India.
6. Examine the cases relating to defaulting loans and see that there is no administrative failure in initiating appropriate action under section 29, 31 of the State Financial Corporations Act , for recovery of outstanding installment of principal and interest
7. Examine that proper follow up inspection are being carried out by the Corporation and also see that the results of inspection are implemented properly
8. Review the performance of recovery department and study the Default Advisory Committee proceedings and see that necessary steps have been taken to realise the outstanding dues and Corporation is forced to write-off the dues on the ground on non-reliability and\or insufficient security.
9. See that the nominated directors on the Board of assisted projects are duly attending the meetings of Board of the assisted projects and also the copies of annual returns are obtained regularly. Examine the annual returns so obtained.
10. Check the hypothecation\mortgage deeds and see that the proper valuation has been made in respect of land building and sheds etc. examine the question of Title deed and\or ownership of the property hypothecated/mortgaged.
11. Scrutinise the cases where loan has been sanctioned\released for the second time though the loanee was either defaulter or irregular in payment of installment of principal/interest.
12. Scrutinise the cases where loans/advances have been made without any provision of interest (i.e. interest free advances).
13. Comment on the cases where outstanding dues have exceeded the value (or depreciated value) of securities
14. Scrutinise the cases where the Corporation has issued "Full recovery of loan" without getting back the principal\interest in cash or without marshalling the securities (i.e. adjusting the realisable value of securities)

15. Assess the performance of a Branch in helping small scale\cottage individual unit and in composite loan cases
16. Evaluate the performance of few Branch Offices and assess their activities as processor of applications for loans and\or recommending and sanctioning authority
17. Examine the investments of the Corporation as underwriter or otherwise in the shares or debentures of other companies and see that the uncommitted reserve is adequate to cover the fluctuation or permanent elimination in the market price of the investments
18. Check the Provident Fund Account\scheme of the Corporation and see that the contribution of the Corporation has been properly accounted for
19. See that the amount of subvention given by the state Government has been correctly assessed and that the provision for reserves etc. have been made according to rules.
20. A reserve fund has to be created Under section 35(1) of the State Financial Corporations Act, whether or not the profits falls short of guaranteed dividend under section 6 of the Act. The amount to be provided for each year is to be decided by the Corporation
21. It can be inferred from the various provision of State Financial Corporations Act, (relating to provision for bad and doubtful debts, depreciation on assets etc.) that the accounts are required to be maintained on accrual basis. It is therefore considered that where State Financial Corporation adopts a cash system in entirely a comment should be made in annual Audit Report, that the switch over from the accrual to the cash system of accounting is not only opposed to the basic concept of mercantile system of accounting but is also not in conformity with the various provisions contained in the State Financial Corporation Act.
22. Examine the budget and target for performance and critically analyse the variances
23. Examine the system of organising the system of compilation of accounts, Internal Audit Reports, and the Inspections Reports of Industrial Development Bank of India as well as the Inspection Report of Credit guarantee Corporation(RBI) as Credit Guarantee Scheme
24. Point out the instances of surplus funds, if any lying with the Corporation which are not invested and are not earning interest

(f) Audit Report

The form for the presentation of audit report on the accounts of the State Financial Corporations has been prescribed by the Comptroller and Auditor General of India (Authority CAG Circular No. CA-II/Co-ordn/Instruction /07-08/82-2005 dtd. 08.04.2008). The report of covering the audit of the accounts of the Corporation, after approval of the Comptroller and auditor General of India is sent to State Government who should place it before the Legislature Vide Section 337(7)of the State Financial Corporation act,1951

Chapter VI

6. Miscellaneous

6.1 Internal Control

Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved. Therefore, responsibility for the adequacy and effectiveness of internal control structure rests with management. The head of each Governmental organization must ensure that a proper internal control structure is instituted, reviewed, and updated to keep it effective.

6.1.1 Internal Control System in auditee organisations:-

1. As part of external audit of Government entities, Auditor is required to make an assessment of the effectiveness of the internal audit arrangements in audited entities. Though the responsibility for internal audit resides, with the management of the department, the responsibility for reviewing the internal control systems including internal audit lies on Auditors.

2. All State Audit Reports on Civil side will have a separate chapter on internal control/internal audit arrangements of the audited entity.

3. In case of Government companies adequate provisions for ensuring internal control exists in the Companies Act, **1956.** According to the provisions of section **292A** of the Companies Act, every public company having Paid up capital of not less than **five crore** of rupees is required to constitute a committee of the board known as 'Audit Committee' consisting of not less than **three directors**. The Audit Committee is required to have discussions with the auditors periodically about internal control system, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control system. **(In this connection Headquarters circular letter No.579-CA.II/398-99/KW/Vol.l dated 9-7-2003 may please be referred to and compliance thereof be ensured).**

4. Under section **227 (4A)** of the Act, ibid, statutory auditors are also required to report specifically as to whether there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and whether there is a

continuing failure to correct major weaknesses in internal control. Statutory auditors are also required to report separately to the Comptroller and Auditor General of India under section **619(3)(a)** of the Act, ibid about adequacy of internal audit in the company.

5. (**Instructions have already been issued vide headquarters office letter No.678-CA-ll/48/99-Vol.lll dated 22-8-2003)**Auditor includes a separate para on internal audit/internal control in all comprehensive reviews. Besides, a para on internal audit/internal control, based on major comments/recommendations by the statutory auditors under section **227 (4A) and section 619(3)(a)** of the Companies Act 1956 is to be included in Chapter I of Audit Report (Commercial). Apart from the compliance, deficiencies noticed in the compliance of Section **292A** of the Act, ibid may also be incorporated in the para on internal control-both in Chapter I and individual comprehensive reviews.

6. With the increasing significance of evaluation of internal control procedure and methods, it has become essential to evaluate the same in a systematic manner. A good system of internal control should comprise among others the following:
7. the proper allocation of functional responsibilities within the organisation;

8. proper operating and accounting procedures to ensure the accuracy and reliability of accounting data, efficiency in operation and safeguarding of assets;

9. quality of personnel commensurate with their responsibilities and duties; and finally;

10. the review of the work of one individual by another where-by possibility of fraud or error in the absence of collusion is minimized.

6.1.2 Guidelines on internal Control System:-

A) <u>Objectives</u>

1. Does the organisation have a statement defining its objectives clearly and in specific terms?
2. Whether the objectives can be identified from the policy guidelines issued by the management where there is no written statement of objectives?
3. Whether the broad objectives broken down into detailed targets periodically by way of plans? Whether, separate targets for each responsibility centre are formulated?

4. Whether the objectives are being revised periodically, in the light of changes in internal and extemar environment?
5. Whether the objectives are expressed in specific quantitative terms i.e. rate of return, physical output or quantum of service etc.
6. Whether the guidelines in terms of policies in the area of management are clear-cut.

B) <u>Planning</u>

1. Whether the organisation have a system of long range and short range planning?
2. Whether planning is viewed as the starting point of the management function. Whether the planning is related to the objectives of the organisation?
3. What is the degree of involvement of various levels of management in the planning process?
4. Whether the operating plans are being prepared periodically and expressed in quantitative terms for each area of operations?
5. How the budgets are framed? Whether the budgeting is a coordinated activity?
6. How the budget estimates developed?
7. Whether the budget estimates are reviewed by a high level committee in depth?
8. Whether it is prepared, scrutinised and approved sufficiently before budget period?
9. Whether the budget conveyed to all operational levels in time and it is easily understandable?
10. How far the functional managers committed to the targets set up in the budget?

C) <u>Organisation</u>

1. Whether the company have a well-defined organisational structure and an orgnisational chart has been prepared?
2. What are the various levels in the organizational hierarchy? Whether the authority and responsibility are clear? Whether there is a position where a person reports to two or more authorities?
3. Whether the principles of formal organisation are being followed?
4. What is the managerial philosophy in the organisation? Whether the decision making is centralised or decentralised?
5. What is usual span of supervision?
6. What is nature of superior - subordinate relationship in general? Whether the authority patterns fraternal in nature?
7. How do the various managers view people at work?

8. What is the system of motivation in the organisation? Whether the motivation is performance based?
9. Whether the distribution of work is done as per the modern theories of organisation? Whether there is too much specialisation?

D) <u>Control</u>

1. What is the philosophy of control? Whether the controls are close, detailed and frequent. They are broad and periodic?
2. Whether there is a list of active and identifiable controls? Whether the controls are physical or monetary or both?
3. Whether the control related to plans?
4. What are the main parameters of controls? Whether these are defined precisely for each responsibility areas?
5. Whether the controls highlights variances between actual performance and targets?
6. Whether the controls are acceptable to various levels of management?
7. Whether there is system of rewards and punishment linked with controls?
8. Whether the cost of each control has been worked out and ensured that cost does not exceeds the benefits?
9. Whether the controls are reviewed periodically and inactive controls are eliminated? What is the procedure for altering or terminating controls?
10. What is the detailed system of operational control over various assets and transactions of the organisation?
11. What is control system over cash, bad debts, fixed assets, pay roll, inventory levels-, research and development, overtime, tax-payment, obsolescence and collection of sundry debtors?

E) <u>System and procedures</u>

1. Who is responsible for designing system? Whether the department responsible for it is adequately manned with qualified people?
2. Whether there are proper descriptions, flow charts and manuals showing various systems?
3. Whether the system related to the changing technology and environment of the business and whether there is a system of periodic review?
4. Whether the systems properly explained to various people before they are put in operation? What other steps are taken to meet the usual resistance to a new system?
5. Whether there is a periodic review of cost benefit of a particular system?

6. What are the various forms in use? Whether they are designed to give proper information with minimum efforts?
7. What are the steps taken to reduce the paper work?
8. Whether the routing of various forms and statements periodically reviewed keeping in view the need for information at various levels and possibility of delays?
9. Whether the filing and storage procedure for various documents properly laid down? Is there a definate system for automatic disposal of documents? Whether the organisation have a computerised information system? Whether its cost effectiveness, need, for creation of necessary knowledge and motivation levels have been considered?
11. Whether there is periodic review of efficacy of computerised system in the context of developments in technology?

F) <u>Accounting and Finance</u>

1. What is the role of accounting and finance department in overall management structure? Whether it is properly staffed with qualified persons? What is its relationship with other departments?
2. Whether the organisation have a proper system of financial accounts and cost accounts? Are the two integrated or separate?
3. Whether the financial accounting system is efficient? How regularly the trial balance is prepared and how much time it takes in preparing the final accounts after annual closing?
4. How effective is the internal control checks in the accounts department? Whether the system have been designed to minimise the possibility of errors, frauds and mis-appropriations? What are the control on flow of cash goods and……..
5. Whether the manuals and flow charts exists describing various accounting procedures and they are reviewed periodically?
6. Whether there is in an internal audit department and how the reports of internal auditors are dealt with?
7. Whether the costing systems suited the needs of the department?
8. Whether standard costs been determined? Whether they are developed on the basis of time, motion and work studies?
9. Whether the cost statements are prepared in time and reviewed periodically?
10. What is the system of budgetary control? How are the variance between actual figures and budget figures dealt with?

11. What are the basis of allocation, apportionment and absorption of overheads? Are they fair and objective?

12. Whether the costs are classified by their nature and the cost department use the technique of marginal costing for profit planning?

13. Whether the future requirement of funds estimated periodically? Are the projections related to the planned level of activities?

14. Whether the capital structure designed keeping cost and risk factors in mind?

15. What is the cost of the capital? How does it compare with that of other similar units?

16. Whether detailed financial analysis conducted before funds are committed for capital expenditure?

17. Whether working capital requirement properly analysed? Are they related to the changes in the level of activities?

18. Whether the policies regarding credit stocks and cash etc. are reviewed periodically to keep the working capital at the optimum level?

19. How the working capital financed?

20. How the cash management organised? Is it centralised? How do various segments of organisation receive adequate cash?

21. Whether there is a constant watch on the solvency and liquidity of the organisation? Whether ratios are computed periodically to ensure that the organisation earns an optimum return on investment while maintaining a sound financial health?

22. How does the return on investment of the organisation compare with that of other similar organisations?

23. What is the system of financial control? Whether the various divisions appraised on the basis of their financial results.

Important circulars/instructions/guidelines of C&AG & Local circulars

Definition of important terms used in this manual.

SL NO.	Terms	Definitions
1.	Annual compliance audit plans	Annual Audit plan of compliance audits to be taken up and completed during the year should be prepared by each field office With the avlabe resource and party days, risk profile of the audit units should be considered vis-a-vis the audit capacity of the field office.
2.	accounting standards	the standards of accounting or any addendum thereto for companies or class of companies referred to in section 133
3.	Apex auditable entity	It include Timing of audit; Formation of audit team/s (Sample selection; Extent of audit in each selected unit; manner of evidence collection Assignment plan detailing the duties of the audit team members; planned audit procedures; and Potential audit evidence to be collected during the audit
4.	Appellate Tribunal	The National Company Law Appellate Tribunal constituted under section 410.
5.	Audit Committee	Section 177 enhances the role and responsibilities of the audit committee of auditors of the company; review and monitor the auditors independence and performance, and effectiveness of audit process, examination of the financial statement and auditors report thereon; approval or any subsequent modification of transactions of the company with related parties; scrutiny of inter-corporate loans and investment valuation of undertaking or assets of the company, where necessary; evaluation of inter financial controls and risk management system; and monitoring the end use of funds raised through public offers related matters.
6.	Audit Objectives :In case of “Establishment”	Verify whether payments in respect of salaries and other entitlements were in accordance with the relevant rules and instructions
7.	Audit Objectives :In case of “Sanction”	Verify whether the sanction is within the general or express powers delegated to the sanctioning authority. Verify whether the criteria for sanction such as -availability of funds,
8.	Audit Objectives: In case of “procurement contract”	the objective would be to Verify whether procurement was carried out as per extant rules and in accordance with delegated financial powers. Verify whether financial propriety was ensured
9.	Audit Objectives: In case of “Tax of receipt”	Verify whether assessments were in accordance with the relevant tax laws and rules? Verify whether the assessed demands were collected and properly accounted for
10.	auditing standards	the standards of auditing or any addendum thereto for companies or class of companies referred to in sub-section (10) of section 143;

11.	Auditor not to render certain services	Prohibits auditors of a company to render non-audit service to an audit client (or its holding company or its subsidiary company). Prohibited non-audit services include accounting and book keeping services; investment advisory service; investment banking services; rendering of outsourced financial service and management service. Other restricted service may be further prescribed. There is a transition period of one year from 01 April 2014 to comply with this requirement. Section 144-
12.	authorised capital or nominal capital	such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company
13.	Boiler	Boiler is a closed vessel in which water or other fluid is heated under pressure. The steam or hot fluid is then circulated out of the boiler for use in various process or heating application The boiler system includes two prime process To generate heat by combustion, or using some other process (nuclear, solar , waste heat To transmit energy by heat transfer to the fluid being heated
14.	Certifying Authority for the purpose of Digital Signature	Certificate means a person who has been granted a licence to issue a Digital Signature certificate under section 24 of the Information Technology Act, 2000 (21 of 2000 and the Certified Filling Centre (CFC) under the Act.
15.	Code of ethics	IA&AD has adopted a code of ethics which should be observed by auditors at all times. The auditor promotes trust, confidence and credibility by adopting and applying the ethical requirements of the concepts embodied in the key principles of the code - Integrity, Independence and Objectivity, Confidentiality and Competence
16.	Compliance audit	Audit deals with the degree to which the audited entity follows rules, laws and regulations, policies, established codes, or agreed upon terms and conditions, etc. Compliance auditing may cover a wide range of subject matters.
17.	Compliance audit	'an assessment as to whether the provisions of the Constitution of India, applicable laws, rules and regulations made there under and various orders and instructions issued by the competent authority are being complied with'(Regulation 2007) The CAG's Regulations on Audit and Accounts, 2007 further provide that the compliance audit also examines the rules, regulations, orders and instructions for their consistency with each other.
18.	Cooling tower	The water is pumped in by means of pumps and the hot water after condensing the steam is cooled before sending back into the pond by means of cooling towers.
19.	Corporate social responsibility (CSR)	Verify whether corporate social responsibility framework is as per regulatory approvals. Verify whether activities of corporate social responsibility are as per corporate policy. Verify whether the corporate policy is in consonance with relevant regulations and DPE guidelines
20.	Criteria	Criteria are the benchmarks used to evaluate or measure the subject matter consistently and reasonably. The criteria provide the basis for evaluating audit evidence, developing audit findings and conclusions.-acceptable criteria are ust be, auditable entities, legislature, media and the general public are generally agreeable
21.	Defective pricing	The contractor or supplier submits inflated invoices.

22.	Digital Signature	"Digital Signature" means the digital signature as defined under clause (p) of sub-section (1) of section 2 of the information Technology Act, 2000 (21 of 2000).
23.	Duplicate payments -	The contractor or supplier claims and receives payment for the same service or work done or goods supplied under the same or different contracts.
24.	Economic	Economy occurs where equal-quality resources are acquired at lower prices i.e., spending less. Recourses (human, financial and material),do the means chosen represent the most or at least a reasonable economical use of public funds?
25.	Effective	Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. Effectiveness is essentially a goal-attainment concept.
26.	Efficient	Output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output, i.e., spending well. Whether the resources have been put to optimal or satisfactory use
27.	Entry conference	Entry conference at the commencement of performance audit is to be held with Secretary of the department concerned by the Accountant General. The purpose of this conference is to inform the entity about the areas to be audited along with audit objectives, the audit approach and the time-frame within which the audit is expected to be carried out. Audit criteria/parameters/norms against which performance audit will be benchmarked should be also discussed.
28.	Establishment audit	Verify whether payments in respect of salaries and other entitlements were in accordance with the relevant rules and instructions
29.	Evidence	audit evidence to provide the basis for the conclusion or opinionof the auditor.so, sufficiency and appropriateness of evidence are interrelatedannnnd may differ case tocase basis.
30.	Exit Conference	The performance audit should be concluded with an exit conference with the Chief executive of the audited entity e.g. Secretary/ Pr. Secretary to the Government of Odisha administrative department concerned. In case, the exit conference could not be held even after pursuance, this fact should be recorded in the report. It is mandatory to hold an exit conference in PA.
31.	False invoices	The contractor or supplier submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contracted specifications.
32.	Financial audit	
33.	Financial Year	The 1956 Act provides companies to elect financial year. The 2013 Act eliminates the existing flexibility in having a financial year different than 31 March. The 2013 Act provides that the financial year for all companies should end on 31 March, with certain exceptions approved by the National Company Law Tribunal. Companies should align the financial year to 31 March within two years from 01 April 2014.Section 2 (41)
34.	Financial Year	The 1956 Act provides companies to elect financial year. The 2013 Act eliminates the existing flexibility in having a financial year different than 31 March within two years from 01 April 2014. Section 2(41)
35.	Fraud	Though detecting fraud is not the main objective of compliance audit, auditors should include fraud risk factors in their risk assessments and remain alert to indications of fraud when carrying out their work. If

36.	Heat rate	Station Heat Rate (SHR) is an important factor to assess the efficiency of a thermal power station. Efficiency of TPS is a function of station heat rate and it is inversely proportional to SHR. If SHR reduces, efficiency increase, resulting in fuel saving. Station heat rate improvement also helps in reducing pollution from TPS
37.	Hydro power	When flowing water is captured and turned into electricity, it is called hydroelectric power or hydropower. There are several types of hydroelectric facilities; they are all powered by the kinetic energy of flowing water as it moves downstream. Turbines and generators convert the energy into electricity, which is then fed into the electrical grid to be used in homes, businesses, and by industry. To see a close up view of how the generator of a water turbine works There are three types of hydropower facilities: impoundment, diversion, and pumped storage. Some hydropower plants use dams and some do not. The images below show both types of hydropower plants
38.	Internal controls	It includes controls designed to correct identified instances of non-compliance, presence and effectiveness of institutionalised mechanisms such as Internal Financial Adviser system, Internal Audit system etc.
39.	Peer review	
40.	Performance audit	"Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively."(Regulation 68 of Regulations on Audit and Accounts, 2007)
41.	Phantom contractor	Purchases are made from a fake supplier or contractor
42.	Planning and procedure of compliance audit	A compliance audit has to be planned in such a manner that high quality audit is carried out in an way and in a timely manner. Adequate planning will ensure that appropriate attention is accorded to crucial areas of audit and that potential problems are identified in a timely manner Once the audit strategy is in place, the audit plan and procedure to progress the apex auditable entity
43.	Property audit	That that general principles of sound public sector financial management and ethical conduct have been adhered to, legality and competence are ensured.
44.	Pump storage	Another type of hydropower called pumped storage works like a battery, storing the electricity generated by other power sources like solar, wind, and nuclear for later use. It stores energy by pumping water uphill to a reservoir at higher elevation from a second reservoir at a lower elevation. When the demand for electricity is low, a pumped storage facility stores energy by pumping water from a lower reservoir to an upper reservoir. During periods of high electrical demand, the water is released back to the lower reservoir and turns a turbine, generating electricity.
45.	Regularity audit	that the subject matter of the audit adheres to formal criteria emanating from the relevant laws, regulations and agreements which are applicable to the auditable entity.

46.	Risk assessment	In the light of the audit criteria, audit scope and characteristics of the auditable entity, auditor should perform a risk assessment to determine the nature, timing and extent of the audit procedures to be performed. The identification of risks of non-compliance and their potential impact on the audit procedures should be considered throughout the audit process. As part of risk assessment, the auditor should evaluate any known instances of non-compliance in order to determine their materiality.
47.	Runoff river	A diversion, sometimes called run-of-river, facility channels a portion of a river through a canal or penstock. It may not require the use of a dam.
48.	Sampling	
49.	Scope of Audit	It includes “what to audit", "who to audit", "where to audit" and "which period to audit".Which period to Audit
50.	Section 2(85)- Small Company	Small Company means a company (other than a public company) whose paid-up capital does not exceed Rs. 5 million(or such other higher amount as may be prescribed, not exceeding Rs 50 million) or whose turnover does not exceed Rs 20million (or such other higher amount as may be prescribed, not exceeding Rs 200 million) as per last profit and loss account. Small Company cannot be a holding or a subsidiary company.The 2013 Act provides exemptions to Small Companies primarily from certain requirement relating to board meeting, presentation of cash flow statement and certain merger process.
51.	PPP	“as an arrangement between a government or statutory entity or government owned entity in one side and a private sector entity on the other for the provision of public assets and/or related services for public benefits, through investments being made by and/or management undertaken by the private sector entity for a specified period of time, where there is a substantial risk sharing with the private sector and the private sector receives, performance linked payments that confirmed (or are benchmarked) to specified, pre-determined and measurable performance standards”.