

ANNEXURE - A

Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of (name of the AB) for the year ended 31 March 2XXX

We have audited the attached Balance Sheet of _____ (*indicate name of the AB*) as at 31 March 2XXX and the Profit and Loss Account /Income & Expenditure Account/Receipts & Payment Account (*strike out which is not applicable*) for the year ended on that date under Section 19(2)/19(3)/20(1)/20(2) (*mention appropriate Section*) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 read with Section _____ of the _____ Act, _____. (*Mention the relevant section of the governing Act of the AB and the Act*). The audit has been entrusted for the period upto {*Mention in case of Section 19(3) / 20(1)*} These financial statements include the accounts of _____ units/branches of the AB (*strike out if not applicable*). These financial statements are the responsibility of the AB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any are reported through Inspection Reports/CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

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

- ii The Balance Sheet and Profit and Loss Account/Income & Expenditure Account/Receipt & Payment Account dealt with by this report have been drawn up in the format approved by the (*mention the name of the authority approving the format*) under Section/Rules (*mention the relevant section of the Act governing the AB and the Act*).
- iii In our opinion, proper books of accounts and other relevant records have been maintained by the _____ [*Name of AB*] as required under Section (*mention the relevant section of the Act governing the AB and the Act*) in so far as it appears from our examination of such books.
- iv. We further report that:

- A Balance Sheet
- B Profit & Loss Account/Income & Expenditure Account
- C Receipt & Payment Account
- D Accounting Policies
- E General

{Note : Significant audit observations on financial statements may be classified into above categories and non-compliance, if any, of the Accounting Standards may be mentioned under respective category referring to any mandatory requirements to follow Accounting Standards by the AB}

F Grants in aid

Out of the grants in aid of Rs crore received during the year, the organization could utilize a sum of Rs... .. crore leaving a balance of Rs..... .. crore as utilised grant as on 31st MarchXXXX. (*Please mention if applicable*)

G. Management letter: Deficiencies which have not been included in the Audit Report have been brought to the notice of thethrough a management letter issued separately for remedial / corrective action.*{Please mention this comment, if any management letter is being issued}*

- v. Subject to our observations in the preceding paragraphs, we report that the Balance sheet and Profit and Loss Account /Income & Expenditure Account/Receipt & Payment Account dealt with by this report are in agreement with the books of accounts.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure-I (*number of annexures may be mentioned in case where there are more than one annexure to the Audit Report*) to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In so far as it relates to the Balance Sheet, of the state of affairs of the _____(Name of AB) as at 31 March 2XXX; and
 - b. In so far as it relates to Profit and Loss Account/Income & Expenditure Account of the profit/loss /surplus/deficit for the year ended on that date.
5. A review of accounts showing the summarized financial results of the AB for the last three years is given in Annexure-II. (*Para applicable where a review of accounts is issued to the AB*).

For and on behalf of the C&AG of India

**Principal Accountant General/Accountant General
Director General of Audit / Principal Director of Audit**

Place

Date

**OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
NEW DELHI-110024.**

No.126- Rep(AB)/91-2003.

Dated : 8th May, 2008

To

The Directors General of Audit / Pr. Directors of Audit /
The Pr. Accountants General / Accountants General (Audit).
[As per List]

Sub: Issue of Audit Certificate / Separate Audit Report on the accounts of Central and State Autonomous Bodies – Revision thereof.

Sir / Madam,

Paras 9.17 and 9.20 of the Manual of Instructions for Audit of Autonomous Bodies (2007 Edition) prescribe the format of Audit Reports in respect of autonomous bodies (Annexure 4) and major port trusts (Annexure 5) including Audit Certificate (Annexure 6).

2. The matter of revision of audit certificate / Audit Report in case of certification of accounts of Central / State autonomous bodies, where C&AG is the sole auditor, has been under consideration. It has now been decided to introduce a format that would bring these audit certificates/reports into closer conformity with paragraph 4.2 of Chapter I of the Auditing Standards.

3. In order to bring about uniformity in the issue of Audit Reports / audit certificates on the accounts of autonomous bodies, it has been decided that henceforth final separate Audit Reports will be issued to the management / government in the revised format (Annexure A). While preparing the separate Audit Reports, the following instructions may please be kept in view and followed:

(a) For eliciting the response of the AB, all the comments / observations on accounts, at the first instance, should be issued in the present form of SAR. Final SAR to be sent to management / government for being laid before Parliament / Legislature will be issued only in the revised format (Annexure A). Existing procedure for preparation of aide-memoire and consideration of comments for inclusion in the final separate Audit Report will remain unchanged.

(b) Materiality is a major criteria in deciding whether or not any errors in the accounts should result in a qualification of the accounts. In case these errors do not lead to any material mis-statement, there need not be any qualification to the audit certificate / report. As such, despite the existence of comments, the final certificate / report can be a 'clean' one regarding 'true and fair view' disclosure. Accordingly, such comments need not be brought to the notice of the Parliament /Legislature but may be mentioned in the Management letter.

(c) Major observations on accounts should only be included in the Audit Report to be issued in the revised format of separate Audit Report (Annexure A).

(d) Comments / observations on other matters e.g. Adequacy of internal audit system, adequacy of internal control system, system of physical verification of fixed assets / inventory, regularity in payment of statutory dues etc. may be mentioned, in brief, in Annexure I to the Audit Report

(e) In respect of major autonomous bodies like Port Trusts, a 'review of accounts' showing financial / physical performance for the last three years may always be proposed (Annexure II). In case the AB is including the performance indicators for the last three years or more in their Annual Reports, it need not be proposed and included. In respect of other Central ABs, such performance review on accounts need not be included. For State ABs – which are of a varied nature, field offices may work out a suitable annexure to indicate performance review etc. as may be necessary.

4. The above instructions may please be implemented with immediate effect.

5. Necessary amendments to the Manual of Instructions for Audit of Autonomous Bodies will be issued in due course.

6. Hindi version will follow.

Yours faithfully,

(KP Yadav)
Director (AB)

Encl: as above.

Annexure-I to Audit Report

It should contain the following comments/observations:

1. **Adequacy of Internal Audit System:** Whether internal audit system is adequate and commensurate with the size and nature of the AB? Deficiencies and weakness in the system and recommendations for improvement/strengthening of internal audit system.
2. **Adequacy of Internal Control System:** Whether internal control system is adequate and commensurate with the size and nature of the AB? Deficiencies and weakness in the system and recommendations for improvement/strengthening of internal control system.
3. **System of Physical verification of fixed assets:** Whether fixed assets have been physically verified by the management at reasonable intervals? Whether any material deficiencies were noticed on physical verification and if so, the same have been properly dealt with in the books of accounts?
4. **System of Physical verification of inventory:** Whether the physical verification of inventory has been carried out by the management at reasonable intervals?
5. **Regularity in payment of statutory dues:** Whether the AB is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Cess and any other statutory dues with the appropriate authorities. If not, indicate the extent of the statutory dues at the close of financial year outstanding for more than six months from the date they became payable.
6. Any other observation on the functioning of the Corporation which suggests a significant risk to financial reporting.

