भारतीय लेखापरीक्षा और लेखा विभाग
क्षेत्रीय प्रशिक्षण संस्थान, मुंबई
Indian Audit & Accounts Department
Regional Training Institute, Mumbai
कॉर्पोरेट वित्त व अभिशासन, इप्सास और वाणिज्यिक लेखापरीक्षा के लिए ज्ञान केंद्र
Knowledge Centre for Corporate Finance and Governance, IPSAS and Commercial Audit

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

# सुप्रसंग

शिक्षण स्थान

ज्ञान और नवजीवन के सूर्योदय का सुप्रसंग

Celebration of the Sunrise of Knowledge and New Life

## सूचनापत्र /Newsletter

**Issue 18** | **For October 2019- March 2020**

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### Thought for the day:

"venienti occurrite morbo" - Confront disease at its onset.

Persius-Roman Poet

## Section 1: From the desk of Director General......

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Dear Reader,

I write this at a time when the pandemic COVID-19 has emerged as a most unexpected threat to economies worldwide and most importantly to human life on a global scale. The attendant issues of 'quarantine' and 'lockdown' have changed the way we look at what is truly essential and indispensable. 'Social distancing', 'Stay at home', and 'Work from home' have emerged as novel situations to combat the menace of the disease. While playing our positive role in minimising the spread of the pandemic by adapting ourselves to digital solutions, we salute the heroic efforts of our doctors, nurses, para medical staff, police, health and sanitation workers, and all those who are leading the battle at the front, putting their own lives at peril.

As regards, RTI Mumbai, I am glad to share that we took proactive action to make available sanitisers, masks, thermal scanner for use for our staff and sensitising all the personnel about Do's and Don'ts to fight against COVID-19. All government instructions regarding rescheduling training and work- from- home norms were scrupulously followed, without impacting time- bound tasks. The dedicated administration team stood up to the challenge to ensure budget management and salary payments in March 2020, with the full support of PAO, O/o AG (A&E)-I, Maharashtra, Mumbai. Leveraging technology, all the core RTI Faculty got themselves quickly acquainted with the collaborative features of Teams, a Microsoft platform, that helped them develop research material and discuss other training and administrative matters.

The half-year ended March 2020 saw RTI, Mumbai engage in 31 training programmes for 760 participants. These included four all-India training programmes in which 55 Group Officers from across the country participated. As part of All-India training on Corporate Finance, we had organised a site visit to SEBI with the help of O/o PDCA & MAB-I, Mumbai, which was appreciated by the participants. We drafted two case studies and two STMs during this period and also revised a booklet on Corporate Governance and Ethics.

We conducted a Workshop on Statistics and Sampling in Audit in January 2020 with a HOD-level moderator driven approach and faculty from Statistical Wing, Headquarters, in which three IA & AS officers participated. We conducted additional training in 3 batches for 143 candidates for Revenue Audit Examination Revised Paper-2 relating to Goods and Services Tax in October-November 2019, an all-India Advanced Training on Tableau Desktop and IDEA software from 17-19 February 2020 for 12 IA&AS officers and 9 SAO/AAO, as requested by IS Wing, Headquarters and training for 23 Divisional Accounts Officers/ Divisional Accountants in March 2020. A one-day Workshop on SAI Module was conducted on 22 November 2019 for 31 participants, as desired by SAI Board Committee. I am glad to share that RTI Mumbai with the active cooperation of our user offices could go live on the SAI Training from 1 December 2019, one month before its targeted date of implementation. We also provided infrastructure, faculty co-ordination and support for a three-week long pre-promotion training organised by O/o DGA (Central), Mumbai for 65 AAOs being empanelled for promotion as SAOs. We hosted a delegation of 22 IA&AS Officer Trainees from NAAA, Shimla in February 2020.

Based on Headquarters directives regarding re-scheduling of training, training on Treasury Inspection (17-22 March 2020) was suspended after two days and training on Hardware/Software Troubleshooting, scheduled in the second half of March 2020, was cancelled.

A meeting of the Regional Advisory Committee was held on 27 January 2020, in which the calendar for the year 2020-21 was discussed.

We celebrated Republic Day and Women's Day 2020 with great enthusiasm as also organised Hindi workshops.

I take this opportunity to thank all the user offices for extending support to RTI and look forward to contributions to the newsletter by way of guidance, material and feedback through email.

Regards,

**Alka Rehani Bhardwaj**

## Section 2: Summary of courses conducted and events in RTI, Mumbai during the half-year ended 31 March 2020

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### (i) Training Courses we conducted

#### (a) General Courses, including Knowledge Centre

| Sl. No. | Name of course | Number of participants including number of IA & AS participants given in brackets |
|---|---|---|
| 1 | Audit of Fraud and Fraud Detection Techniques | 21 |
| 2 | Training for Revenue Audit Examination (RAE-2) on GST (1st batch) (Additional based on Headquarters directions) | 49 |
| 3 | Training for Revenue Audit Examination (RAE-2) on GST (2nd batch) (Additional based on Headquarters directions) | 29 |
| 4 | Conduct of DPC meeting, panels, impact of Disciplinary Action thereon, Rosters and RTI Act | 22 (2) |
| 5 | Training for Revenue Audit Examination (RAE-2) on GST (3rd batch) (Additional based on Headquarters directions) | 65 |
| 6 | **Knowledge Centre Topic-** Training on General Purpose Financial Reporting (IPSAS) | 37 (22) |
| 7 | Goods and Service Tax (November 2019) | 25* |
| 8 | Development of Management Skills | 21* |
| 9 | Audit of Works Expenditure, Contracts and Projects | 20 |
| 10 | **Knowledge Centre Topic-** Corporate Finance | 17 (5) |
| 11 | Workshop on Statistics and Sampling in Audit | 32 (3) |
| 12 | Goods and Service Tax (January 2020) | 27 |
| 13 | **Knowledge Centre Topic-** Corporate Governance | 29 (14) |
| 14 | e-Governance with IFMS | 23 |
| 15 | **Knowledge Centre (Commercial Audit) Topic** Audit of Consolidated Financial Statements of Companies | 24 (14) |
| 16 | Government Accounting System, role of GASAB & Transition to Accrual Accounting System | 19 |
| 17 | Induction course for Auditors & Acctt including office procedure & CCS (Conduct) Rules, Gender Awareness & Ethics | 19 |
| 18 | **Knowledge Centre (Commercial Audit) Topic** Ind AS, Auditing Standards, Accounting Standards & Analysis of Financial Statements | 21 |
| 19 | Training for Divisional Accounts Officers/ Divisional Accountants (Additional)** | 23 |
| 20 | Regulations on Audit & Accounts 2007 | 22 |
| 21 | Treasury Inspection | 11 |

* Including two participants each from O/o Director of Accounts, Cabinet Secretariat, New Delhi, as directed by Headquarters

** Pursuant to decision taken in the Conclave of Heads of RTIs/RTCs (August 2019) on providing regular training to Divisional Accountants under the cadre control of A&E offices and to finalise the course content/training programme in conjunction with the A&E offices under their jurisdiction, training for 23 Divisional Accountants was conducted as an additional training from 2-4 March 2020.

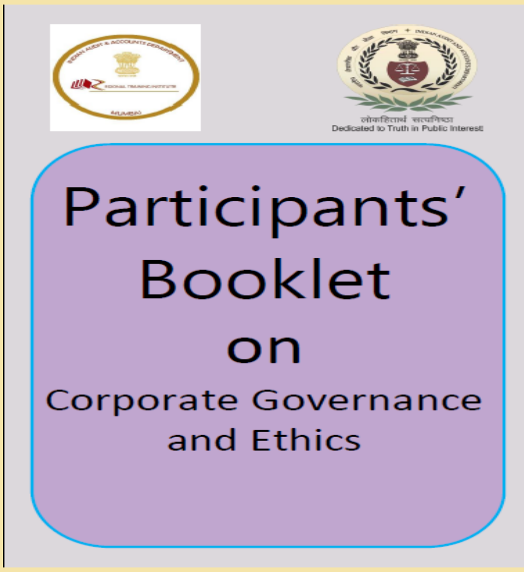
### (b) EDP Courses

| Sl. No. | Name of course | Number of participants including number of IA & AS participants given in brackets |
|---|---|---|
| 1 | IT Audit (October 2019) | 15 |
| 2 | Special course - Ms Excel (Advanced) with Power Pivot | 21 |
| 3 | Workshop on SAI Module | 31 |
| 4 | IT Audit (Level 2a) (Basic MS Access) | 20 |
| 5 | IDEA (December 2019) | 17 |
| 6 | Special Course on Basics of IT Audit and Audit in IT Environment (at Training Centre, Rajkot) | 18 |
| 7 | Audit in IT Environment | 17 |
| 8 | Advanced MS Access and MS Excel | 26 |
| 9 | Advanced Training on Tableau Desktop and IDEA software (Additional course conducted based on request from IS wing) | 21 (12) |
| 10 | IDEA (March 2020) | 18 |

All the training programmes were well-received.

### (ii) Our Research Activities

**Our Product**




- **Booklet:** Pursuant to decision taken in the Conclave of Heads of RTIs/ RTCs (August 2019), a booklet was prepared by RTI, Mumbai based on our STM on Corporate Governance and Ethics (2018), as a pilot project. Inputs were obtained from National Institute of Securities Markets (NISM) in terms of an existing MoU signed in January 2019. The draft booklet was sent to Headquarters in October 2019. Remarks of the review team of Commercial Wing, Headquarters were received on 10 December 2019. A sample printed copy complying with these suggestions was sent to Headquarters on 20 December 2019 for approval, after incorporating latest amendments. The booklet was approved by Headquarters on 25 February 2020. The mode of distribution of the booklet is to be discussed in the forthcoming review meeting of the Conclave.

- **Case Studies:** Two case studies on Commercial Audit - “Discriminatory rates of Land Allotment” and “Loss due to non-compliance of safety standards” have been sent to Headquarters on 30 January and 1 February 2020 respectively for review and approval.

- **Structured Training Modules (STMs):** Two STMs on Commercial Audit- “Consolidated Financial Statements” and “Special features, Accounts and Audit of typical companies- Electricity, Finance (NBFC), Banks and Insurance Companies for SAS (Commercial) Examination” have been sent to Headquarters on 5 March and 28 March 2020 respectively for review and approval.

**(iii) RTI, Mumbai rendered infrastructural support for the following events/ programmes:**

- A three-week mandatory training for AAOs due for promotion to the post of Sr.AO was conducted for 65 participants from various offices, by O/o DGA (Central), Mumbai with infrastructure, faculty and resource support from RTI, Mumbai, from 09-30 December 2019.
- A delegation of 22 IA&AS Officer Trainees from NAAA, Shimla was hosted from 7-16 February 2020.
- कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा तथा पदेन सदस्य लेखापरीक्षा बोर्ड-1, मुंबई द्वारा सप्ताह में एक दिन आयोजित हिंदी पारंगत प्रशिक्षण के लिए जुलाई से नवंबर 2019 और फिर से जनवरी 2020 से मार्च 2020 तक (प्रशिक्षण स्थगित होने तक) अध्ययन कक्ष की सुविधा दी गई ।
- RTI lent infrastructure to O/o PDCA & MAB-I, Mumbai for Hindi poetry recital on 9 January 2020, for Video conferencing and for visit of DAI (Commercial) on 21 January 2020, and for training & examination on e-learning module - 'Introduction to IT Audit' on 29 & 30 January 2020.

**(iv) Significant Events/ developments in RTI, Mumbai**

- Ms. Alka Rehani Bhardwaj, Director General was nominated as CAG's representative in the Apex Council of the Board of Control for Cricket in India (BCCI) and in the Governing Council of the Indian Premier League (IPL) w.e.f. 4 December 2019.
- **Meeting of Regional Advisory Committee** of RTI, Mumbai was held on 27 January 2020 to discuss the Calendar of Training Programmes (COTP) for 2020-21 and the performance of RTI post Mid-Term meeting held on 25 September 2019. With the valuable inputs and guidance of the RAC Chair, Director General Western Railway and all members, the COTP 2020-21 was finalised.
- Dr. Anjali Narayan, Physiotherapist was invited as faculty to give a talk and share her experience related to 'Physical & Emotional well-being' during Seminar for staff (Women's day) held on 6 March 2020 in the Seminar Hall. This was a combined event of MAB-I & RTI.
- Ms. Jayanthi Seshadri, Assistant Audit Officer (Core Faculty/EDP) returned to her parent office, O/o Principal Accountant General (A&E), Tamil Nadu, Chennai, on account of her promotion as Sr. Accounts Officer. Her tenure in RTI, Mumbai was from 6 December 2017 to 17 October 2019. It was a relatively short, but stellar career, marked by her quiet focus on work and exemplary dedication.
- The following personnel joined RTI, Mumbai during the half-year ending 31 March 2020.
    - ➢ Shri Aditya Sakpal joined RTI, Mumbai as Auditor (Training) on deputation from O/o PAG (Audit), Goa w.e.f. 2 December 2019.
    - ➢ Shri Chetan Jobanputra joined RTI, Mumbai as Assistant Audit Officer (Core Faculty/EDP) on deputation from O/o PAG (Audit)-I, Maharashtra, Mumbai w.e.f. 3 December 2019.
    - ➢ Shri Mithun Gajbhiye joined RTI, Mumbai as DEO on deputation from O/o PAG (A&E), Karnataka, Bengaluru w.e.f. 16 December 2019.
- Our faculty has been invited as guest faculty for in-house training by our user offices, namely O/o PAG (Audit)-I, Maharashtra, Mumbai, O/o DGA (Central), Mumbai and O/o PAG (Audit)-III, Maharashtra, Mumbai.

## (v) Systems Automation Initiative (SAI) Application for Training

- ✓ SAI-Training is a project designed to entirely automate training processes in RTIs/ RTCs. Pursuant to the decision taken during the Conclave of HsoD of RTIs/RTCs held in August 2019, the project development took off in September 2019 under the aegis of the Project Board constituted to steer the project, with DG RTI, Mumbai as Chairperson, PD RTC, Bengaluru as Member Secretary and PD RTI, Jammu and Director, RTC Delhi as Members. The first meeting of the Board was held at RTI, Mumbai in September 2019 and thereafter, through Video Conferencing to monitor the progress of the project vis à vis the timelines.
- ✓ All modules of Phase-I of the project were successfully tested and piloted at RTI Mumbai, namely adding / editing training courses, nominations from user offices, registration of candidates, uploading materials, session and course feedback of participants and issue of end-course participation certificates.
- ✓ A workshop to hand-hold user offices in operating the various features of SAI-Training was conducted on 22 November 2019 at RTI, Mumbai, for 31 participants, which was also attended by faculty from RTI, Nagpur and RTI, Shillong, who were supported in the implementation of the SAI Training project. Support was also rendered to RTI, Kolkata in running their pilot in a training programme, held in December 2019.
- ✓ Videos on various modules have been prepared by core faculty, RTI, Mumbai for guidance of users and hosted in the SAI-Application.
- ✓ RTI Mumbai successfully implemented the SAI Training Project from 1 December 2019, one month ahead of the scheduled roll out thereof, with the active support and cooperation of all user offices.

## (vi) Other initiatives in Administration

- We sourced stationery from Regional Stationery Depot (RSD), Mumbai of the Government of India Stationery Office (GISO), Kolkata, free of cost.
- **IT Initiative - Library Module:**

  With a view to facilitating online searching of books in the library by the trainees of RTI, Mumbai and for placing request for books online, a web-based Library Information module has been developed recently, which runs on the local network of RTI Mumbai.
- RAC recommended to introduce Yoga classes for resident participants in 3-5 days' training programmes. Accordingly, for faculty support, initiative has been taken to associate with one of the oldest Yoga institutes in the country (the Yoga Institute, Mumbai - established in 1917). Classes were introduced in January 2020, which were appreciated by the participants.

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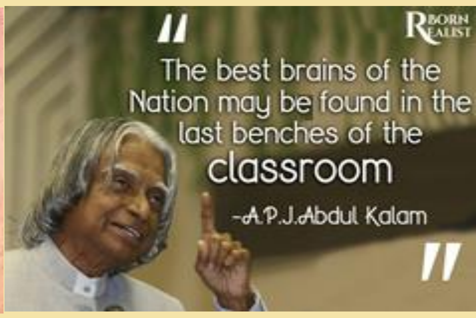

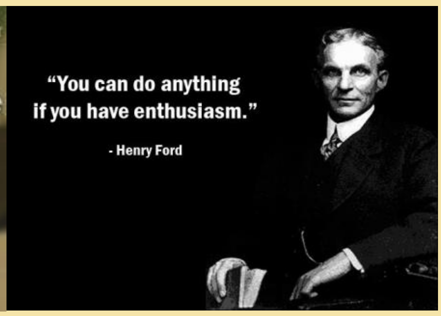


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# Section 3: Photo Gallery

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**Team RTI (September-October 2019)**

On Ms.Jayanthi Seshadri, AAO's relief to parent office,
O/o Principal Accountant General (A&E), Tamil Nadu, Chennai
on promotion

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Director General felicitated CMA Chittaranjan Chattopadhyay, Central Council Member, Institute of Cost Accountants of India (December 2019) for his initiative in providing faculty support for training programmes at RTI, Mumbai.

## Our Participants

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Inaugural edition of Special course - Ms Excel (Advanced) with Power Pivot (November 2019)

All India Training on IPSAS (November 2019)

Pre-promotion training for AAOs (November-December 2019)

All India Training on Corporate Finance (December 2019)

Workshop on Statistical Sampling (January 2020)

All India Training on Corporate Governance (January 2020)

All India Training on CFS (January 2020)

IA & AS OTs 2019 batch (February 2020)

All-India Advanced Training on Tableau Desktop and IDEA software (February 2020)

## Section 4: Gist of significant observations in CAG's reports relating to Knowledge Centre topics

*An adapted compendium of highlights of significant observations in CAG's reports relating to Knowledge Centre topics tabled in competent Legislature/ transmitted to UN Assembly during the half-year ended March 2020*

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### Commercial Audit:

**Report_No_13_of_2019_Compliance_Audit_Observations_Union_Government_Commercial_for_the_year 2017-18 tabled in Parliament on 25 November 2019**

**Pawan Hans Limited**

**1.8 Improper management of rescue operations**

**Failure of Pawan Hans Limited in deploying cockpit crew as per the requirements of rescue operations in hilly terrains resulted in loss of ₹11.78 crore besides risking human life.**

Pawan Hans Limited (PHL), incorporated in October 1985, is the flagship helicopter service provider of the Government of India and has the largest fleet of non-military helicopters in South Asia. Its area of expertise is in connecting inaccessible areas and conducting search and rescue operations which is in concurrence with some of its main objects mainly:

- To operate scheduled/ non-scheduled services by helicopter and such other means as may be determined by the Government in inaccessible areas and difficult terrains;
- To undertake operations that may be directed/requisitioned by the Government.

Audit observed that PHL deployed (June 2013) its Helicopter with State Government of Uttarakhand for carrying out rescue operations for devotees and local people affected by flash floods. While on a rescue mission, it met with an accident (28 June 2013). All the three people on board (two crew members and one passenger) sustained minor injuries but the tail portion of the VT-PHZ was substantially damaged. PHL intimated (28 June 2013) New India Assurance Co. Ltd. (the insurer) about the accident and after completion of the repair (October 2014) of VT-PHZ, filed an insurance claim of ₹10.87 crore with the insurer.

The insurer rejected (January 2017) the claim of PHL based on the findings of the Accident Investigation Board, constituted by the Ministry of Civil Aviation, which pointed out that a contributory factor in the accident was the deployment of cockpit crew to operate in hilly/mountainous terrain by PHL without requisite hill flying training/recurrent training. The insurer stated that the claim fell under exclusions, as there was clear breach and violation of the warranty applicable to insurance policy as per which the insured was under contractual obligation to comply with all air navigation and airworthiness orders and requirements issued by any competent authority affecting the safe operations of the aircraft.

Audit noted the following:

- PHL's Operational Manual and Civil Aviation Requirement (CAR) specifically lays down training requirements for operations in hilly region as flying in hilly region needs thorough expertise in understanding parameters like density altitude, mountain winds, conical hills etc. The training of the pilots for operating in hilly region is indispensable as flying in hilly terrain requires the knowledge of the typical characteristics of such terrain, the effects of wind and rapidly changing weather conditions etc. that can restrict the operations. Height of the helipads may adversely affect the performance of helicopter especially during take-off and landing phases. Despite being aware of these requirements, PHL deputed a cockpit crew, who did not have requisite hill flying training/recurrent training. This was despite the fact that PHL has regular scheduled operations in high altitude areas of Meghalaya, Mizoram, Sikkim, Himachal Pradesh, etc., as also for special purpose like Mata Vaishno Devi Yatra, Shri Kedarnathji Yatra and Shri Amarnathji Yatra.

- Deputing of officers without requisite training exposed precious human life to imminent risk and is also indicative of PHL's lack of preparedness for its role in rescue operations and accomplishment, which is one of its main objects of incorporation.

This resulted in a loss of ₹11.78 crore (₹10.87 crore insurance claim rejected by insurer + ₹0.04 crore of service tax paid by PHL on transit insurance taken from the insurer for shifting of damaged helicopter from Harshil to Mumbai for repair + revenue loss of ₹0.87 crore for the period 29 June 2013 to 24 August 2013 only, due to grounding of the helicopter to PHL).

The Management has not responded to the core issue of PHL's laxity in management of rescue operations, resulting in endangerment to human life and PHL's assets. Also, the revenue loss caused due to grounding of helicopter because of such accidents and loss to PHL reputation were not claimable in the insurance policy.

Thus, failure of PHL in deploying cockpit crew as per the requirements of rescue operations in hilly terrain resulted in loss of ₹11.78 crore besides risking human life.

***Learning Points:***

1. *This is an example of a propriety audit observation. More than the financial impact, the implications on human life and reputation of the PSU are highlighted. Such paras can leave an indelible salutary effect on operations, that may potentially protect human life.*
2. *Both NIA and PHL are under CAG audit. Hence, in future, if one comes across similar cases, information on claim rejection can be used in another PSU, if needed. Apparent gain for one PSU may be a loss in the books of another, due to lapses of the other. When it comes to intra-public sector transactions, the inefficiencies of one public sector entity need not be condoned for the fact that it has led to a gain for another.*

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**New India Assurance Company Limited**

**3.2 Loss due to imprudent underwriting and lack of proper risk assessment**

**New India Assurance Company Limited incurred loss of ₹91.32 crore due to imprudent underwriting and lack of proper risk assessment**

Appsdaily Solutions Private Limited (Insured) offered free insurance cover for new mobile handsets, provided the customer buys their applications within 15 days of purchase of mobile handsets. New India Assurance Company Limited (NIACL) issued a Master Package Policy to the insured to cover the risk undertaken at the time of sale of mobile handsets. NIACL neither ensured the existence of insurable interest nor got the actuarial valuation done before issuing the policy.

The policy was initially issued for the period from 04 June 2013 to 03 June 2014. The policy was cancelled and reissued twice during October 2013 and February 2014 respectively, after re-negotiation of the terms and conditions with the insured. The premium rate and terms of depreciation were revised in favour of the insured;

however, detailed justification for fixing initial rates and their subsequent revisions was not available on record. Audit observed that:

- Despite increasing trend of Incurred Claim Ratio (ICR) *(Ratio of claims payable to premium income earned on the policy)*, the company renewed the policy during February 2015 and August 2015. The policy was cancelled in November 2015.
- Further, NIACL issued and renewed the policy without getting the approvals of the competent authorities.

The Management in its reply (October 2018) stated that the policy was within the acceptance authority of the Regional Offices/Branch Office as per the circulars of Head Office (HO). Policy issuing office was authorised to decide the acceptance, loading and deductibles based on previous three years' experience in case of adverse claims. Claim ratio was closely monitored and to sustain the policy, premium rate was increased and finally the policy was cancelled in November 2015.

The reply is not in consonance with the facts as stated below:

- As per the prescribed acceptance limits for underwriting, the portable equipment could be insured only with the approval of RO whose acceptance limit was ₹5 crore for the SI. However, the approval of RO for the initial policy was taken after the commencement of the policy. Subsequently, the policy was reissued for a SI of ₹50 crore without getting the approval of the competent authority i.e. Head Office.

- The policy was cancelled in November 2015 only, while the ICR was on an increasing trend since inception of the policy.

Thus, imprudent underwriting without the approval of competent authorities and lack of proper risk assessment, insurable interest and actuarial valuation resulted in loss of ₹91.32 crore.

***Learning Points:***

*The para makes multiple points and is remarkably well-drafted in a simple and direct language and addressing and rebutting all issues suitably. The salient points are:*

1. *The premium rate and terms of depreciation were revised in favour of the insured; however, detailed justification for fixing initial rates and their subsequent revisions was not available on record. This is followed-up by the points that:*

a. *Despite increasing trend of Incurred Claim Ratio (ICR), the company renewed the policy during February 2015 and August 2015.*

b. *Though it was an evolving line of business, no actuarial valuation of the policy was done by NIACL, while fixing the premium rate*

   *Thus, Audit has not merely conjectured that the rate or premium charged was arbitrarily, but also established that it was neither in line with the increasing claim ratio (with reference to expiring policy), nor was it scientifically set in the first place with reference to an actuarial valuation.*

2. *A basic principle of insurance, being insurable interest, has been invoked in the para.*
3. *Factual inaccuracies in the reply have been rebutted. The tendency to secure ex-post facto approvals from the authority competent and to pass off such an approval as valid for renewals made at significantly different terms than the original grounds for approval have been highlighted. This is neither procedurally correct nor ethically.*
4. *The phrase "to sustain the policy" used in the reply indicates focus on top-line (turnover/customer retention/ marketing targets) rather than bottom-line (quality of business/ profitability).*

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**Report No.18 of 2019 - General Purpose Financial Reports of Central Public Sector Enterprises for the year 2017-18 tabled in Parliament on 10 December 2019**

**(I) Para 2.5.1**

- As a result of audit in 87 CPSEs, the changes in profitability and in the value of assets/liabilities was ₹5,786.43 crore and ₹9,831.24 crore, respectively.

  ***Learning Point:*** *These are revisions made during the third phase of audit. If 3-phase audit had not been taken up, these would have been issued as comments or would have required revision of accounts. Hence, they are included in the audit report on par with comments, though they were not included in company-wise comments.*

- Three CPSEs amended their Financial Statements and statutory auditors of 35 CPSEs revised their Audit Report before laying of the Financial Statements in Annual General Meeting. In addition, various comments highlighting inaccuracies in the Financial Statements were also issued.

  ***Learning Point:*** *List of 35 CPSEs is available in the report. Reference to revisions in audit report would be available in the annual report of these companies in the format of comments of CAG.*

- The financial impact of significant comments, issued on the financial statements of the selected CPSEs, on profitability and assets/liabilities was ₹2,374.62 crore and ₹51,014.59 crore respectively.

Some of the significant comments ***(printed in Annual reports of the companies)*** are given below:

**IFCI Limited (Standalone and Consolidated Financial Statements)**

Allowance for Bad and Doubtful Assets as well as Loss was understated and Long Term Loans and advances were overstated due to incorrect classification of loan given to Videocon Industries Limited in September 2013 as sub-standard instead of classifying the same under doubtful category which resulted in a short provision of ₹142.10 crore.

***Learning Point:*** *The financial situation of Videocon Industries Limited, being common knowledge, entailed conservative provisioning.*

**Bharat Sanchar Nigam Limited (2016- 17)**

Expenses were understated by ₹594.53 crore due to charging of pension contribution of absorbed employees on the basis of actually drawn pay instead of maximum pay, which resulted in understatement of Provision as well as accumulated Loss by the above amount.

***Learning Point:*** *It is based on non-provisioning of employees' entitlements.*

**Tungbhadra Steel Products Limited (2016-17)**

The Company wrote-off Government of India loan including interest thereon amounting to ₹467.07 crore against sale/transfer of assets and accounted the gain thereon as Exceptional Income, which was not correct as the Government of India accounted the write-off only and not any Asset. Consequently, the Financial Statements of the Company for the year 2016-17 **did not reflect a true and fair view**.

***Learning Point: It is an adverse opinion.***

**IRCON PB Tollway Limited**

Cash and Cash Equivalents included an amount ₹20.00 crore being the Fixed Deposit with the bank, having original maturity of one year, which should have been included under Other Bank Balances as per the provisions of Ind AS 7.

***Learning Point:*** *It is a direct application of Ind AS.*

**Comments on Auditor's Report**

**Delhi Aviation Fuel Facility Private Limited (Standalone Financial Statements)**

- Statutory Auditor did not comply with the provisions of Para 5 of the Guidance Note on the Companies (Auditor's Report) Order 2016, which states that response of the Statutory Auditor to the directions issued by the Comptroller and Auditor General of India under Section 143 (5) of the Companies Act, 2013 will form part of the auditor's report.

  ***Learning Point:*** *While Companies Act, 2013 itself lays down this requirement, the Chartered Accountants' institute's own guidance note has also been invoked.*

- Statutory Auditor incorrectly reported in Independent Auditor's Report that the Company did not have any immovable property, though the company had Property, Plant and Equipment valuing ₹158.16 crore as on 31 March 2018, which included immovable properties also.

  ***Learning Point:*** *Incorrect statement of Chartered Accountant has been commented upon.*

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2.6 During supplementary audit, CAG observed 24 instances of non-compliance with the Accounting Standards/Ind AS in 17 CPSEs, which were not reported by their statutory auditors.

***Learning Point:*** *The cases are listed in the report. Non-compliance with AS/ Ind AS by the company and non-reporting thereof by Chartered Accountant has been commented upon.*

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**Report No.14 of 2019 - Performance Audit of Pradhan Mantri Ujjwala Yojana, Ministry of Petroleum and Natural Gas for the period May 2016 to December 2018 tabled in Parliament on 11 December 2019**

Pradhan Mantri Ujjwala Yojana (PMUY) was launched (May 2016) with an aim to safeguard health by providing a clean cooking fuel – Liquefied Petroleum Gas (LPG). The scheme aimed to provide five crore deposit free LPG connections to women who were devoid of LPG access and belonged to Below Poverty Line (BPL), which were to be identified from Socio Economic & Caste Census (SECC) -2011 list.

1. Delay of more than 365 days was noticed in installation of 4.35 lakh connections against stipulated time period of seven days.
2. Delay of more than 10 days (ranging up to 664 days) was noticed in delivery of 36.62 lakh LPG refills against the stipulated delivery period of seven days. Further, the poor performance of LPG distributors in adherence to Targeted Delivery Time (TDT) norms of Marketing Disciplinary Guidelines (MDG) was not monitored by the OMCs.
3. Expenditure Finance Committee (EFC) and Petroleum Planning and Analysis Cell (PPAC) -Credit Rating Information Services of India Limited (CRISIL) had highlighted the importance of small 5 Kg cylinders to make PMUY successful considering high refill cost as a barrier to LPG usage, however, inadequacy of efforts was noticed in this direction as only 92005 (0.24 *per cent* of 3.78 crore connections) beneficiaries were provided 5 Kg cylinder connections.

Risk of diversion of domestic cylinders for commercial use was noticed as 1.98 lakh PMUY beneficiaries had an average annual consumption of more than 12 cylinders, which seems improbable in view of their BPL status. Similarly, 13.96 lakh beneficiaries consumed 3 to 41 refills in a month. Further, Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited in 3.44 lakh instances issued 2 to 20 refills in a day to a PMUY beneficiary having single bottle cylinder connection.

***Learning Points:*** *The report presents both errors of exclusion and inclusion, in as much as it points out why or how the scheme has not resulted in intended benefits to the needy and how in some cases, the benefit has been misused.*

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**Report No 2 of 2019 Social Economic Revenue and General Sectors Government of Nagaland for the year 2017-18 tabled in Legislature on 15 February 2020**

**(I) 3.1.18 Accounts Comments**

The details of aggregate money value of comments of statutory auditors and CAG during 2017-18 is given below:

**Table 3.1.9**

*(₹in crore)*

| Sl. No. | Particulars | No. of Accounts | Amount |
|---|---|---|---|
| 1 | Increase in loss | 1 | 3.05 |
| 2 | Decrease in loss | - | - |
| 3 | Errors of classification | - | - |
| **Total** | | **1** | **3.05** |

***Source: Comments issued to PSUs on supplementary accounts audit.***

Some of the important comments in respect of accounts of the PSUs audited during 2017-18 are detailed below:

**Nagaland Industrial Development Corporation Limited (2016-17)**

• Short provision of outstanding loans on account of exclusion of interest on loan had resulted in understatement of liability on long term borrowing by ₹0.87 crore.

• Non- provision of current liabilities towards electricity dues, gratuity premium dues and other payables had resulted in understatement of current liabilities by ₹2.10 crore.

***Learning Point:***

*In case of State Reports, it is seen that there is no separate audit report on General Purpose Financial Reports of Commercial entities as in case of the Union Government. The report of the Union Government lists out significant comments and observations on PSUs and includes dedicated chapters on Corporate Governance, Corporate Social Responsibilities, Impact of Ind AS and so on. Most of the State Reports on Commercial entities give a statistical summary of the overall impact of CAG's observations on accounts of PSUs as tabulated above. But this does not capture the actual observations made. Most of the State PSUs are unlisted and hence, their annual reports are often not published on their websites or otherwise placed on the public domain. Here, in case of Nagaland, a gist of actual observations has been given in addition to the statistics of audit comments on accounts, which is a good practice.*

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**(II)** **3.1.21 Disinvestment, Restructuring and Privatisation of State Public Sector Undertakings and reforms in power sector**

As part of the power sector reforms, separate companies were to be formed to look after the activities of generation, transmission and distribution of electricity in the State. In Nagaland, the Government constituted the Nagaland Electricity Regulatory Commission as part of reforms envisaged by the Electricity Act of 2003. However, no action was taken relating to the restructuring of the Power Sector as required under the provision of the Electricity Act 2003 as no separate company was incorporated and the activities relating to generation, transmission and distribution of electricity are managed and controlled solely by the Power Department.

***Learning Point:***

*It reports on an exceptional situation, wherein even after 14 years of enactment of the Electricity Act, 2003, separate companies have not been formed for handling the activities relating to generation, transmission and distribution of electricity and these are managed and controlled departmentally.*

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**Report_No_2_of_2019_PSUs_Social_General_and_Economic_Sectors_Government_of_Punjab for the year 2017-18 tabled in Legislature on 27 February 2020**

**(I) Punjab Agro Foodgrains Corporation Limited (PAFCL) and Punjab State Warehousing Corporation (PSWC)**

**5.1.8 Damage of fresh wheat due to storage with infested stock**

As per standard instructions issued (December 2004) by Food Corporation of India (FCI), for safe storage of foodstocks, non-issuable (damaged) stock is required to be kept in segregated zones away from fresh stock to avoid the possibility of their affecting fresh stocks. The selected district offices of PAFCL and PSWC violated the instructions of FCI and there was damage of 1.05 lakh MTs of fresh stock of subsequent crops in 31 storage spaces, where infested upgradeable/ non-issuable (damaged) wheat of previous crop years was stored.

***Learning Point:***

*This observation is part of a detailed report on damage caused to foodgrains during storage. The value of damage has not been quantified, but the fact that 1.05 lakh MTs of wheat has been damaged only because of poor storage practices is a clear indicator of avoidable waste of food.*

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**(II) Punjab Small Industries and Export Corporation Limited**

**5.7 Extra expenditure**

**Company installed an Effluent Treatment Plant instead of a sewage treatment plant resulting in an extra expenditure of ₹1.78 crore**

The Punjab Small Industries and Export Corporation Limited (Company), set up to promote industry and development of industrial infrastructure in the State, developed and allotted plots at industrial estate DeraBassi. The terms and conditions of allotment of plots, amongst others, provided that no effluent or untreated industrial waste was permitted to be discharged in the public sewer. In the event of breach of terms and conditions of allotment, the Company had the right to cancel the allotment of plot. Section 7 of the Environment Protection Act, 1986 provides that no person carrying on any industry, operation or process is to discharge or emit any environmental pollutant in excess of standards prescribed. Thus, the industrial units were to set up their own Effluent Treatment Plant (ETP) for treatment of their industrial waste water before discharging the same into public sewer so that no pollutants reach the industrial area's main Sewage Treatment Plant (STP). *Effluent Treatment Plant is a process design for treating the industrial waste water for its reuse or safe disposal. Sewerage Treatment Plant is a plant for removing contaminants from waste water or household sewage.*

The Company appointed a consultant (April 2012) regarding setting up an STP who in their progress report (July 2012) pointed out that industrial and domestic waste from the industrial units was being discharged to the common sewer without any treatment. The report added that as many as 11 out of 15 polluting industrial units had no/non-functional ETPs. The Company, however, neither insisted upon the polluting industrial units to set up their individual ETPs in compliance with the terms of the allotment of plots, nor took any other action. As a result, the water pollution levels crossed permissible standards and the Company had no option but to install an ETP at its own cost. The Company invited (July 2014) e-tenders for setting up of ETP and awarded (March 2015) the work of construction of ETP at ₹3.88 crore which was commissioned in July 2017.

Thus, the inaction of the Company to direct the polluting industrial units to install their individual ETPs, and itself installing the ETP instead of the required STP, resulted in an extra expenditure of ₹1.78 crore

It is recommended that the Company may consider to recover this expenditure by imposing user charges on the 11 polluting industries who had not set up their ETPs.

The matter was referred (May 2018) to the Company and the Government, their replies were awaited (November 2018).

***Learning Point:***

*It is an example of how a PSU had to bear the burden of cost due to non-compliant industrialist lessees. The Audit Recommendation regarding recovery of the expenditure from the polluting industries, if given effect to, would have a deterrent effect, both on pollution and on recalcitrance.*

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**Report no. 5 of 2019 - PSU, Government of Maharashtra for the year 2017-18 tabled in Legislature on 4 March 2020**

**(I) Performance Audit on Infrastructure Development by City and Industrial Development Corporation of Maharashtra Limited (CIDCO)**

**4.8.6.2** In three contracts pertaining to land development works for Navi Mumbai International Airport (NMIA) project, CIDCO paid ₹22.08 crore as price variation on material component, although these works were carried out by cutting the hill and filling the same with rock obtained from the said hill, resulting in undue benefit to the contractors. As no material was purchased by the contractors from outside source, CIDCO was not liable to pay price variation on material. Further the specific documents indicating the basis on which price variation was claimed and approved were called for, however, no such documents produced to Audit.

***Learning Point:*** *It is an example of how payment could end up being made towards cost of material in works, which was never procured, in the absence of supervision and documentation.*

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**(II) Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited**

**5.1 Implementation of social sector schemes**

The objective of Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited (Company) is the economic upliftment and generation of self-employment among Other Backward Classes (OBCs) in the State of Maharashtra. The Company could provide financial assistance (loans) of ₹39.13 crore to only 6,812 beneficiaries during April 2013 to March 2018. It is evident that the schemes have not been able to benefit the targeted population substantially. The schemes have not been reviewed for last 17 years to revitalise them. The Company neither received any funds from Government of Maharashtra nor from National Backward Classes Finance and Development Corporation (NBCFDC) during the three years from 2015-16 to 2017-18. The Company had not formulated any standard operating time/turnaround time fixing the maximum number of days to be allowed at each stage from the receipt of application till the disbursement of loan. The percentage of recovery was ranging between 14.99 to 13.36 *per cent* only during the period April 2013 to March 2018 against target ranging between 17.79 to 36.93 *per cent* of the total outstanding.

***Learning Points:*** *It is an example of an agency, which has been created for channelizing welfare measures in the form of assistance to beneficiaries, failing in its objective (error of exclusion). Even in cases where loans were given, recovery thereof was not ensured, which shows that parties availed benefits beyond what they were eligible for (error of inclusion).*

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**Link to papers laid before Lok Sabha including Annual Reports of PSUs and Autonomous Bodies is: http://loksabhaph.nic.in/PapersLaid/SearchPaperslaid.aspx**

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## Corporate Finance:

Report_No_2_of_2019_State_Finance_Government_of_Karnataka for the year 2017-18 tabled in Legislature on 11 October 2019

**1.9.3.1 Borrowings by Bangalore Metropolitan Transport Corporation (BMTC)**

During 2017-18, Bangalore Metropolitan Transport Corporation (BMTC) obtained loan to the extent of ₹359.31 crore from M/s Karnataka Urban Infrastructure and Finance Corporation. The servicing of debt including interest of the Corporation has been taken over by the Government by providing budgetary support. These borrowings form the off-budget borrowings of the State Government.

Relevant Annexure to Finance Accounts does not show these borrowings, thus understating the off-budget borrowings. The budget overview which gives the details of the extended public debt liability in the form of off-budget borrowings, also, did not contain the borrowings of the corporation, thus, affecting the transparency of the Budget document.

***Learning Point:***

*Borrowings of PSUs may in fact be liabilities of the Government. It is an example of piercing the corporate veil in case of PSUs to establish the obligation of the Government in this regard. Information from PSUs and State Departments can be cross tallied in this regard to raise such observations.*

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Report no 2 of 2019 Social General Economic and Revenue Sector Mizoram for the year 2017-18 tabled in Legislature on 21 November 2019

### (I) 4.10 Debt Turnover Ratio

**Table-4.8:- Debt Turnover Ratio relating to the State PSUs**

(₹ in crore)

| Particulars | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|
| Debt from Government and others (Banks and Financial Institutions) | 30.93 | 23.62 | 22.68 | 30.68 | 30.68 |
| Turnover | 16.32 | 17.43 | 05.86 | 03.77 | 17.58 |
| Debt-Turnover Ratio | 1.90:1 | 1.36:1 | 3.87:1 | 8.14:1 | 1.74:1 |

*Source: SPSUs records and finalised accounts for respective years*

The debt-turnover ratio ranged between 8.14 and 1.74 during the period 2016-17 and 2017-18. The overall accumulated losses decreased marginally during the year 2017-18 in comparison to that for the year 2016-17, which was mainly due to decrease in accumulated losses of Zoram Industrial Development Corporation Limited and Mizoram Handloom and Handicrafts Development Corporation Limited.

**Table-4.7:- Net worth of six public sector undertakings during 2013-14 to 2017-18**

(₹ in crore)

| Year | Paid up Capital at end of the year | Accumulated Profit (+) Loss (-) at end of the year | Deferred revenue Expenditure | Net Worth |
|---|---|---|---|---|
| 2013-14 | 59.85 | (-) 58.03 | - | 1.82 |
| 2014-15 | 49.69 | (-) 57.89 | - | (-) 8.20 |
| 2015-16 | 49.69 | (-) 57.89 | - | (-) 8.20 |
| 2016-17 | 58.61 | (-) 62.09 | - | (-) 3.48 |
| 2017-18 | 58.61 | (-) 59.14 | - | (-) 0.53 |

*Source: SPSUs records and finalised accounts for respective years*

***Learning Point:***

*Usually, turnover is measured with reference to equity (net worth) as in the Du Pont Analysis. But in this case since the equity has been entirely eroded and the PSUs are facing losses, the only key measure is turnover measured with respect to debt.*

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### (II) 4.5 Reconciliation with Finance Accounts of Government of Mizoram

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of Government of Mizoram. In case the figures do not agree, SPSUs concerned and Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2018 is stated below:

**Table-4.3:- Equity, loans, guarantees as per Finance Accounts *vis-à-vis* records of State PSUs**

(₹ in crore)

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of State PSUs | Difference |
|---|---|---|---|
| Equity | 6.98 | 58.61 | 51.63 |
| Loans | - | 30.68 | 30.68 |
| Guarantees | 29.67 | 27.34 | 2.33 |

*Source: Information provided by SPSUs and Finance Accounts*

Audit observed that the differences occurred in respect of all SPSUs and reconciliation of these two sets of figures has been pending for more than ten years. The issue of reconciliation of differences was also taken up with SPSUs and departments concerned from time to time. However, no significant progress was noticed in this regard. State Government and the SPSUs need to take concrete steps to reconcile the differences in a time-bound manner.

***Learning Point:***

*While such observations are common, the scale of difference is extremely high here. The government does not have a trail for 100 per cent of loans granted and for 88.09 per cent equity invested.*

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**Report no. 2 of 2019 - Revenue, Social and Economic Sector (PSUs) Government of NCT of Delhi for the year 2017-18 tabled in Legislature on 3 December 2019**

**Performance Audit on the "Management of Public Transport Infrastructure in Delhi by Delhi Transport Infrastructure Development Corporation Limited"**

**2.2.3.4 Loss of interest of ₹46.36 lakh due to delay in renewing FDRs**

General principles of prudence require that prior planning and preparation should be made to ensure that term deposits are reinvested on their maturity without any delay, to avoid loss of interest. Audit, however, noted delays ranging between 16 and 37 days in renewal of term deposits on their maturity, which resulted in interest loss of ₹46.36 lakh. DTIDC replied (January 2019) that to mobilise the better rate of return on the fixed deposit it had invited rate of interest from PSU banks through newspapers but the process took time to finalise the best interest rate. It also stated that the period includes the demonetisation of currency during 8 November 2016 to 31 March 2017 which was one of the factors for delay. However, the reply is not satisfactory as DTIDC should have initiated the process of obtaining quotes from the banks in a timely manner to ensure no delay in renewal and loss of interest. Also, none of the cases pointed out by audit pertain to post-demonetisation period and hence that line of argument is not valid.

***Learning Points:***

1. *As the date of maturity of FDs is known, it is entirely within the realms of possibility to initiate action well in time to reinvest them on due date by taking action in advance.*
2. *Proactive action to see how surplus funds can be gainfully invested is the basis of investment and working capital decisions.*
3. *The irrelevant issue of demonetisation has also been successfully countered through a factual rebuttal.*

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**Report No. 3 of 2019 - State Finances, Government of Uttar Pradesh for the year 2017-18 tabled in Legislature on 17 December 2019**

**3.14 Dividend not declared**

The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum dividend of five *per cent* on the paid up share capital contributed by the State Government. Accordingly, 20 PSUs were required to declare dividend of ₹548.92 crore based on their last finalised accounts (Appendix 3.8). However, only 11 PSUs declared a dividend of ₹8.56 crore. The remaining nine profit earning PSUs did not declare dividend of ₹540.36 crore, which is contrary to the State Government's policy regarding payment of the minimum dividend.

***Learning Point:*** *As regards PSUs, it is not only the Company itself, but also the Government that frames a dividend policy. The Appendix referred in the observation lists out PSUs which have not paid such dividend. Of these, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited has furnished latest accounts for the year 2017-18, whereby it shows ₹128.95 crore as net profit, ₹1,049.92 crore as accumulated profit, ₹10,796.79 as paid-up capital and ₹539.84 as expected dividend, while no dividend was declared. The propriety of a blanket rate set under a dividend policy by the government vis-à-vis the financial position, prospects and dividend policy of the Company itself on the one hand and the degree of compliance of PSUs on the matter of paying dividends to the Government, when they are capable of doing so can be the subject of an audit on which civil and commercial wings can collaborate.*

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## Corporate Governance:

**Report_No_13_of_2019_Compliance_Audit_Observations_Union_Government_Commercial for the year 2017-18 tabled in Parliament on 25 November 2019**

**10.1 Operational and Financial Performance of Bisra Stone Lime Company Limited**

***Similar issues were noticed in Para 10.2 relating to The Orissa Minerals Development Company Limited (OMDC).***

Bisra Stone Lime Company Limited (BSLC) was incorporated with the objective of mining and marketing of limestone and dolomite. It is a subsidiary of Eastern Investments Limited (EIL), which in turn is a subsidiary of Rashtriya Ispat Nigam Limited (RINL).

**10.1.2.6 Other Issues**

**(c) Corporate Governance Issues**

i. Department of Public Enterprises (DPE) guidelines on Corporate Governance for CPSEs and Section 149 (4) of the Companies Act, 2013 prescribes that every listed public company should have at least one-third of the total number of directors as independent directors. Since, Chairman of BSLC is from its promoter side i.e. from RINL and shares of BSLC are listed at stock exchanges, the provision of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (September 2015) applies to BSLC which stipulates that where the regular non-executive Chairperson is a promoter of the company or is related to any promoter, at least half of the Directors should be independent. We observed that as of March 2018, the Board of BSLC consisted of three Directors none of whom was an independent director. Further, number of nominee Directors appointed by Government/ other CPSEs should be restricted to two. However, all three Directors of BSLC as of March 2018 were nominee Directors.
ii. Rule 6 of Companies (Meetings of Board and its Powers) Rules 2014, and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, BSLC, being a listed Company should have constituted an Audit Committee comprising minimum three directors, with independent directors forming the majority. However, BSLC had not constituted any Audit Committee so far on the plea of absence of Independent Directors.

The Management stated (December 2018) that the tenure of the Independent Directors ended in October 2013. Since no Independent Directors were in place, the Audit Committee could not be formed. BSLC has requested GoI to induct requisite number of Independent Directors.

### (d) Inadequate monitoring by the Board of Directors

The main constraints of BSLC during the last five years have been lack of working capital and consequent lower production, which adversely affected its performance. Audit observed that out of 49 meetings of the Board held between March 2010 (since BSLC became a PSU) and March 2018, the performance of BSLC including sustainability plan, and proposal for revival was specifically discussed only in three meetings. Further, information relating to BSLC's performance was placed in 19 meetings in which the Board only noted the status without any specific direction.

### (e) Role of EIL in the functioning of BSLC

Audit noted that EIL is a Shell Company with no business of its own and the major source of its income was dividend from The Orissa Minerals Development Company Limited (OMDC). *OMDC is also a subsidiary of EIL.* Only a Company Secretary and a DGM were on the rolls of EIL. Further, EIL had no expertise in mining. Since it became the holding Company of BSLC, EIL had not taken any action for improving performance of BSLC except extending a loan of ₹15 crore to BSLC during June 2012 to April 2013 for payment of salary and to meet other expenses.

Out of the 46 Board meetings of EIL held during 2010-18, significant issues affecting BSLC were taken up only in three meetings; however, the Board of EIL merely noted these without any specific direction or suggestion. Further, in contravention of EIL's own subsidiary monitoring framework, the minutes of only 20 board meetings out of 49 board meetings of BSLC held during the period were placed before the board of EIL.

On the observation on inadequate monitoring, the Management of **OMDC**, in its reply, narrated the chronological events of renewal of mining leases and statutory clearances. Since the major issue facing OMDC was stoppage of mining, Board should have been seized of all associated matters such as non-renewal of mining leases and obtaining statutory clearances. Further, Board did not issue any directions to expedite pending clearances or revive OMDC operations.

In case of OMDC, EIL Board noted the impact of the judgment (August 2017) of the Supreme Court of India related to illegal mining without issuing any specific direction or suggestion. Management stated that all important matters regarding OMDC are discussed in the Board meetings of RINL, which is the holding company of EIL. Specific directions, suggestions and advice are given from time to time in the functioning of OMDC. We found nothing on record to show that any directions had been received from RINL or any action taken on RINL's behest to improve the operational efficiency of OMDC.

***Learning Points:***

***1.*** *These are observations based on test check of compliance with corporate governance in letter and spirit. Audit has gone beyond mandatory board composition issues and has commented on the quality of governance as well. Such observations do not require money value. In the other observations that follow too, we would find that money value is not the basis for inclusion of such paras.*

*2. The term "shell company", i.e., a company without independent assets or active operations and which exists merely for meeting some administrative/ procedural purpose, could be used in the context of a PSU as well as given in the para.*

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Report no. 2 of 2019 - Revenue, Social and Economic Sector (PSUs) Government of NCT of Delhi for the year 2017-18 tabled in Legislature on 3 December 2019

**2.2.4.2 Corporate Governance**

The Companies Act, 2013 contain provisions for good corporate governance, which denotes a system to direct and control the operations of a company to ensure transparency and timely financial reporting. On corporate governance, Audit noted:

**Non-appointment of Independent Directors:**

DTIDC did not appoint two 'Independent Directors' as required under the provisions of Section 149(4) of the Companies Act, 2013, though their presence was mandatory in the Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

DTIDC replied (January 2019) that the proposal for appointment of Independent Directors is under consideration of competent authority i.e. Transport Department.

***Learning Point:*** *This is an example of an observation on Corporate Governance in respect of a State PSU.*

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Report No.18 of 2019 - General Purpose Financial Reports of Central Public Sector Enterprises for the year 2017-18 tabled in Parliament on 10 December 2019

The review of Corporate Governance covered 52 listed CPSEs under the administrative control of various Ministries. Provisions of the Companies Act, 2013; DPE guidelines; Regulations of Securities and Exchange Board of India regarding Corporate Governance, though mandatory, were not being complied with by some of the CPSEs. During the year, the following significant departures from the prescribed guidelines were noticed:

- In two CPSEs the non-executive directors constituted less than 50 *per cent* of the total strength of the Board of Directors. There was no woman director on the Board of MMTC Ltd. [Para 3.2.1 and 3.2.3]
- Representation of independent directors in 24 CPSEs was below the required number. There was no independent director on the Board of Directors of three CPSEs. [Para 3.2.2]
- The independent directors did not attend Board meeting/Board committee meeting in 42 CPSEs, and the independent directors did not attend General meeting in 19 CPSEs. [Para 3.3.4 and 3.3.5]
- In two CPSEs separate meetings of Independent Directors were not conducted and in 13 CPSEs Independent Directors did not attend the separate meetings. [Para 3.3.6.1 and 3.3.6.2]
- Vacancies of independent directors were not filled in time in 13 CPSEs. Vacancies of functional directors in 15 CPSEs were not filled in time. [Para 3.4.1 and 3.4.2]
- While all but one of the CPSEs under review constituted audit committee, the number of independent directors in the audit committee was below the prescribed number in four CPSEs. [Para 3.5.1]
- There was no whistle blower mechanism in two CPSEs [Para 3.7]

***Learning Point:*** *These are examples of exception-based reporting by direct application of the law relating to Corporate Governance. These are included in an exclusive chapter in the Report (Chapter 3: Corporate Governance).*

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United Nations Framework Convention on Climate Change - Report of the Board of Auditors (Board) for the year ended 31 December 2018 noted by Subsidiary Body for Implementation (December 2019)

**Treatment of voluntary contributions**

According to IPSAS 23.15, stipulations to donor agreements may be either conditions or restrictions. Conditional agreements (subject to conditions) require performance of specified activities and funds not used for the specified purposes must be returned to the donor. For conditional agreements, the amount is recognised as both an asset (account receivable or cash) and a liability (advance receipts). Revenue is recognized when the conditions are met. No liability is recognised in case of non-conditional agreements (subject to restrictions).

The Board (of Auditors) noted that UNFCCC did not analyse the voluntary contributions on a case-by-case basis. UNFCCC should assess on a case-by-case basis whether an agreement fulfils the asset and revenue recognition criteria as set in IPSAS 23.

***Learning Point:*** *This is a direct application of IPSAS classification requirements to the accounts of a UN agency, with implications on accounting of liabilities.*

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**Disclosure in the notes**

IPSAS 23. 106 requires the entity to disclose the amount of assets recognized that are subject to restrictions and the nature of those restrictions.

The Board noted that UNFCCC did not disclose the amount of assets recognized that were subject to restrictions and the nature of those restrictions in the financial statements.

***Learning Point:*** *This is a direct application of IPSAS disclosure requirements to the accounts of a UN agency.*

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United Nations Peacekeeping Operations - Report of the Board of Auditors (Board) for the year ended 30 June 2019 transmitted (January 2020)

**Lack of disclosures in the financial statements concerning heads of missions**

IPSAS requires the disclosure of certain information in the notes to the financial statements for accountability purposes. One principle issue concerning related party disclosures (IPSAS 20) is identifying which parties control or significantly influence the reporting entity. According to IPSAS 20, key management personnel are persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Key management personnel are related parties.

The Board (of Auditors) holds that the authority of the heads of entity of peacekeeping missions as Special Representatives of the Secretary-General now hold significant parts of the authority and responsibility for planning, directing, and controlling the activities of the reporting entity. The Board holds that heads of entity of peacekeeping missions are key management personnel. The disclosures required by IPSAS 20 for these persons should be included in the financial statements as well.

***Learning Point:*** *This is an application of the principles of IPSAS disclosure requirements to the accounts of a UN agency.*

## Section 5: Interesting published material on Knowledge Centre Topics

*Disclaimer: The contents in this segment are edited extracts from material downloaded from the internet. RTI, Mumbai does not necessarily endorse any views expressed therein, nor vouch for the factual accuracy of any of the matters described therein. These have been reported herein, only as possible inputs for our personnel, who may take up audits.*

Click here for going back to cover page

### (I) PSUs unhappy with fines over corporate governance violations

By Pavan Burugula, ET Bureau | Last Updated: Oct 18, 2019, 06.00 PM IST

Several government-owned companies are at loggerheads with domestic bourses over applicability of the capital market regulator's new corporate governance laws. Stock exchanges have levied penalties on over a dozen public sector undertakings (PSUs) for not complying with the board and independent director requirements.

Some of the leading PSUs including Hindustan Petroleum (HPCL), NHPC, Bharat Dynamics (BDL) and Power Finance Corporation (PFC) have declined to pay the fines, according to an ET study of the companies' compliance reports. Their contention is that they are companies owned by the government, which holds the power to make any board appointments, and thus should not be subject to fines, said people familiar with the matter.

**https://economictimes.indiatimes.com/markets/stocks/news/psus-unhappy-with-fines-over-corporate-governance-violations/articleshow/71642358.cms**

### (II) Ministry launches independent director's data bank; to be maintained by IICA

Hindu Business Line Bureau New Delhi | Updated on December 02, 2019

The Ministry of Corporate Affairs has launched the independent director's databank. All existing independent directors are required to register themselves in the databank within three months from December 1.

The databank portal has been developed and will be maintained by the Indian Institute for Corporate Affairs (IICA). The present independent directors are also required to pass a basic online proficiency self-assessment test which will available from March 2020, an official statement said on Monday.

The databank can be accessed at www.mca.gov.in or www.independentdirectorsdatabank.in.

"Companies also may register themselves with the databank to search, select and connect with individuals who possess the right skills and attitude for being considered for appointment as independent directors as the databank is expected to become a comprehensive repository of both existing independent directors as well as individuals eligible and willing to be appointed as Independent Directors," the statement added.

**https://www.thehindubusinessline.com/companies/ministry-launches-independent-directorsdatabank-to-be-maintained-by-iica/article30141003.ece**

### (III) RBI to issue guidelines on corporate governance

By: Financial Express Bureau | Published: December 26, 2019 6:14:25 PM

The growing size and complexity of the Indian financial system underscores the significance of strengthening corporate governance standards in regulated entities, RBI said in its report.

Taking cues from the incidence of corporate governance lapses in the year, the Reserve Bank of India (RBI) is in the process of issuing draft guidelines on corporate governance for regulated entities. The banking regulator cautioned in a report on trend and progress that recent governance failures in some financial entities have brought to the fore the impact of the quality of corporate governance on efficiency in allocation of resources as well as on financial stability.

https://www.financialexpress.com/industry/rbi-to-issue-guidelines-on-corporate-governance/1803528/

**(IV) Government asks top PSUs to bring vendor network on TReDS**

By Ashwin Manikandan, ET Bureau MUMBAI | Last Updated: Jan 31, 2020, 06.58 PM IST

The government has ordered its top companies to bring in their entire vendor network comprising thousands of suppliers on to the TReDS, an electronic trading platform to trade receivables, as it aims to unclog the payment pipelines that's squeezing funding for small enterprises.

Hindustan Aeronautics, ONGC and Indian Oil are among scores of firms that have been told by the Department of Public Enterprises to 'register immediately' their vendors on the network or face penal action.

"All CPSEs must ensure that the payments to MSE vendor be made using online mode within the stipulated time period of the contract and not more than 45 days in any case," read the circular from the DPE.

The government's latest whip comes after small and medium enterprises began blaming non-payment by those companies that obtained supplies from them for their financial crunch. Because of the delay in payments, small firms are not able to meet their working capital requirements and at the same time banks' risk aversion has led to drying up of funds. In a bid to make these transactions more transparent, the government had introduced TReDS for electronic settling of routine dues in 2017. Micro and small businesses on the same portal can also access working credit against the transaction invoice from banks registered on the platform.

The government is wielding the stick now with the DPE threatening to display "pending payments and payments beyond 45 days" along with the names of defaulting PSUs on their website every week.

https://economictimes.indiatimes.com/news/company/corporate-trends/government-asks-top-psus-to-bring-vendor-network-on-treds/articleshow/73754788.cms

**(V) IRDAI asks insurers to play active role in corporate governance of investee firms**

Written by George Mathew | Mumbai | Published: February 9, 2020 12:00:35 am

At a time when defaults, fund diversions and mismanagements have rocked the corporate sector, the Insurance Regulatory and Development Authority of India (IRDAI) asked insurers to play an active role in ensuring high level of corporate governance standards in listed companies in which they have investments.

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders' funds. "The state of governance of the investee companies is an important aspect and insurance companies must ensure that investee companies maintain corporate governance standards at high level," IRDAI said in its revised guidelines on stewardship code for insurers in India.

"Insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance," it said. "This will result in informed decisions by the parties and improve the return on investments of insurers, which will ultimately benefit policyholders," IRDAI said.

The collapse of IL&FS and DHFL are two examples of institutional neglect. Institutions have either remained mute spectators or supported shady and weak promoters at annual general meetings where resolutions come up for shareholders' nod.

IRDAI had conducted a special training programme for independent directors in insurance companies at the National Insurance Academy, Pune.

As per the code for stewardship of the IRDAI, an insurer should have a board-approved stewardship policy, which should identify and define the stewardship responsibilities that the insurer wishes to undertake and how the policy intends to fulfil the responsibilities to enhance the wealth of its policyholders who are ultimate beneficiaries.

In its revised guidelines, IRDAI said all the insurers need to review and update their existing stewardship policy within three months from the date of issue of the same and the updated stewardship policy needs to be approved by the board of directors. "The updated policy should be disclosed on the website within 30 days of approval by the board by all insurers, alongside the public disclosures," it said.

The IRDAI code says insurers may decide their own engagement strategy and the stewardship policy should clearly set out the criteria/circumstances in which they will actively intervene. "The policy should provide for regular assessment of the outcomes of intervention by the insurer. Intervention should be considered regardless of whether an active or a passive investment policy is followed," it said.

The regulator said compulsory voting is required if the insurer's holding of the paid-up capital of investee company is 3 per cent or above in the case of insurers with assets under management of up to ₹2.5 lakh crore and 5 per cent and above for insurers with Assets under Management (AUM) above ₹2.50 lakh crore. Circumstances for intervention may include, but not limited to, poor financial performance of the company, corporate governance related practices, remuneration, strategy, environmental, social and governance risks, leadership issues and litigations.

"The mechanisms for intervention may include meetings, discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors and voting against decisions," it said.

Various levels of intervention and circumstances in which escalation is required may be identified and disclosed in the stewardship policy. This may also include interaction with the companies through the insurance councils in case of any industry-level issues. Investment committee of the insurer has to consider which mechanism to be opted and escalation of matters in specified cases, the code says. As per the revised code, insurers should exercise their independent judgement with regard to voting decisions on resolutions and should not automatically support the proposals of the board of the investee firm.

IRDAI said insurers should have mechanisms for regular monitoring of their investee firms in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important. "Insurers may or may not wish to have more participation through nominations on the board for active involvement with the investee companies. An insurer who may be willing to have nominations on the board of an investee company should indicate in its stewardship statement the willingness to do so and the mechanism by which this could be done," it said.

It said stewardship activities include monitoring and engaging with investee companies on matters such as strategy, performance of risk, capital structure, and corporate governance, including culture and remuneration. The policy should address all the aspects relating to stewardship activity like managing conflict of interest, training of personnel, monitoring of investee companies, intervention in investee companies, collaboration with other institutional investors and voting activities.

https://indianexpress.com/article/business/irdai-asks-insurers-to-play-active-role-in-corporate-governance-of-investee-firms-6258213/

**(VI) Extracts from Standing Conference of Public Enterprises (SCOPE) website**

**PSUs at a Glance**

**CPSEs Sustaining Growth Trajectory**

Public Enterprises Survey 2018-19 (tabled in Parliament on 10 February 2020), 59th in the series, gives a consolidated picture of the Performance of Central Public Sector Enterprises (CPSEs) which are spread over length and breadth of the country. As on 31st March 2019, there were 339 CPSEs with a total investment of ₹16,40,628 crore.

We give below highlights and macro view of performance of operating CPSEs.

- Total paid up capital in all CPSEs as on 31.3.2019 stood at ₹2,75,697 crore as compared to ₹2,53,977 crore as on 31.3.2018 (339 CPSEs), showing a growth of 8.55%.
- Total Financial Investment in all CPSEs stood at ₹16,40,628 crore as on 31.3.2019 as compared to ₹14,31,008 crore as on 31.3.2018, recording a growth of 14.65%.
- Capital Employed in all CPSEs stood at ₹26,33,956 crore as on 31.3.2018 as compared to ₹23,57,913 crore as on 31.3.2018 showing a growth of 11.71%.
- Total gross revenue from operation of operating CPSEs during 2018-19 stood at ₹25,43,370 crore as compared to ₹21,54,774 crore in the previous year showing a growth of 18.03%.
- Total income of all CPSEs during 2018-19 stood at ₹24,40,748 crore as compared to ₹20,32,001 crore in 2017-18, showing a growth of 20.12%.
- Profit of profit making CPSEs (178 CPSEs) stood at ₹1,74,587 crore during 2018-19 as compared to ₹1,55,931 crore in 2017-18 showing a growth in profit by 11.96%.
- Loss of loss incurring CPSEs (70 CPSEs) stood at ₹31,635 crore in 2018-19 as compared to ₹32,180 crore in 2017-18 showing a decrease in loss by 1.69%.
- Overall net profit of operating CPSEs during 2018-19 stood at ₹1,42,951 crore as compared to ₹1,23,751 crore during 2017-18 showing a growth in overall profit of 15.52%.
- Reserves & Surplus of all CPSEs stood at ₹9,93,328 crore as on 31.03.2019 as compared to ₹9,26,906 crore as on 31.03.2018 showing an increase by 7.17%.
- Net Worth of all CPSEs went up from ₹11,15,552 crore as on 31.03.2018 to ₹12,08,758 crore as on 31.03.2019 showing an increase of 8.36%.
- Dividend declared / paid by operating CPSEs (121) in the year 2018-19 stood at ₹71,916 crore against ₹76,014 crore in the year 2017-18 showing a decrease by 5.39%

- Contribution of all CPSEs to Central Exchequer by way of excise duty, customs duty, GST, corporate tax, interest on Central Government loans, dividend & other duties and taxes stood at ₹3,68,803 crore in 2018-19 against ₹3,52,361 crore in 2017-18, showing an increase of 4.67%.
- Foreign exchange earning of all CPSEs (79) through exports of goods and services stood at ₹1,43,377 crore in 2018-19 against ₹98,714 crore in 2017-18, showing an increase of 45.24%.
- Foreign exchange expenditure of CPSEs (144) on imports and royalty, know-how, consultancy, interest and other expenditure stood at ₹6,64,914 crore in 2018-19 against ₹5,22,256 crore in 2017-18 showing an increase of 27.32%.
- CSR Expenditure of CPSEs (150) stood at ₹3873 crore in the year 2018-19 against ₹3441 crore in 2017-18 showing an increase of 12.55%.
- Salary and wages in all CPSEs stood at ₹1,52,684 crore in 2018-19 against ₹1,53,945 crore in 2017-18 showing a reduction of 0.82%.
- Total Market Capitalization (M-Cap) of 56 CPSEs traded on stock exchanges of India is ₹13,71,116 crore as on 31.03.2019 as compared to ₹15,20,412 crore as on 31.03.2018 showing a decrease of 9.82%.
- Market Capitalisation of CPSEs as *per cent* of BSE Market Capitalisation decreased from 10.69% as on 31.3.2018 to 9.08% as on 31.3.2019.

*The report gives Top 10 Profit & loss making CPSEs and Macro View of Performance of CPSEs as well.*

***Learning Points:*** *The report gives interesting insights on the scale and role of CPSEs in India. The fact that capital employed and financial investment in and net worth of CPSEs is many multiples of paid-up capital shows that capital infusion alone is not a measure of government stake and control in CPSEs. Overall, CPSEs have earned profits and not losses, and their contribution to the exchequer of ₹3,68,803 crore is 23.75 per cent of the total revenue receipts of Government of India for 2018-19 of ₹15,52,916 crore. Companies in the energy (oil, coal and power) sector were top performers, while bottom performers were from trading and services sector comprising telecom, airlines and minerals.*

**http://www.scopeonline.in/PSUs-at-a-glance.php**

### (VII) MoU score and Rating of CPSEs for the year 2018-19

As on 13 March 2020

The website of Department of Public Enterprises (DPE) hosts MoU score and Rating of CPSEs for the year 2018-19. The summary of rankings as on 13 March 2020 is as follows.

A total of 114 CPSEs were rated. Of the 32 CPSEs (28.07 *per cent*), which were rated "Excellent" (Score of 90-100), RITES Ltd. secured 100 *per cent*. There were 27 CPSEs (23.68 *per cent*), which were rated "Very Good" (Score of 70-90). Another 24 CPSEs (21.05 *per cent*) were rated "Good" (Score of 50-70). The number of CPSEs rated "Fair" (35-50 *per cent*) and "Poor" (Score of upto 35) were 14 (12.28 *per cent*) and 17 (14.91 *per cent*) respectively.

***Learning Points:*** *CPSEs with a low ranking could be selected for scrutiny, so as to assess reasons for the same and achievements of CPSEs with high rankings could be adopted as benchmarks.*

**https://dpe.gov.in/sites/default/files/mou_cpses_rating_2020.pdf**

**(VIII) Firms won't be penalised for late filings, board meeting delays**

By: Financial Express Bureau | Published: March 25, 2020 1:50:52 AM

The government on Tuesday announced a slew of exemptions for the companies in a bid to help them face the unprecedented situation arising out of the disease outbreak. Companies will not be penalised for late filing of documents, including annual returns, and other statements. Also, the mandatory requirement of holding board meetings within the prescribed time as per the Companies Act, 2013 (120 days) has also been extended by 60 days till the next two quarters — September 30, 2020.

That apart, the mandated norm for independent directors (ID) to hold at least one meeting without the attendance of non-independent directors and members of the management has been relaxed.

**Another relief is that the applicability of the Companies (Auditor's Report) Order, 2020, (CARO) will be deferred to FY21 instead of FY20.**

https://www.financialexpress.com/industry/firms-wont-be-penalised-for-late-filings-board-meeting-delays/1908383/

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*... tout le malheur des hommes vient d'une seule chose, qui est de ne pas savoir demeurer en repos dans une chambre. -*

*All human unhappiness arises from one cause, which is not knowing how to calmly stay in a room. -*

*Blaise Pascal*

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*Cogito, ergo sum. -*

*I think, therefore I am. -*

*René Descartes*

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## खंड 6: हिंदी खंड- हिंदी कार्य का विवरण

### हिंदी कार्यशालाओं का आयोजन

कवर पृष्ठ पर जाने के लिए यहाँ क्लिक करें

क्षेत्रीय प्रशिक्षण संस्थान, मुंबई द्वारा दिनांक 6 दिसंबर 2019 तथा 18 मार्च 2020 को हिंदी कार्यशालाओं का आयोजन किया गया। इन कार्यशालाओं में क्रमश: प्रवीण कुमार झा, हिंदी अधिकारी, कार्यालय प्रधान महालेखाकार (लेखापरीक्षा)-1, महाराष्ट्र, मुंबई और श्री वी के शर्मा, सहायक निदेशक, राजभाषा विभाग, गृह मंत्रालय, केंद्रीय सदन, सी बी डी बेलापुर, नवी मुंबई हिंदी संकाय के रुप में आमंत्रित किए गए, जिनसे हिंदी में काम करने की जानकारी प्राप्त की गई। आम तौर पर हिंदी में लिखते समय होने वाली त्रुटियों से बचने के लिए कुछ व्याकरण के नियम, अर्ध-कार्यालयीन पत्र-लेखन में प्रयोग में आनेवाले कुछ शब्द, उच्चारण के आधार पर लेखन, बिंदु-चंद्रबिंदु के प्रयोग इत्यादि कार्यशाला के दौरान सरलतापूर्वक समझाए गए। उपरोक्त हिंदी कार्यशालाओं में संस्थान में कार्यरत अधिकारियों एंव कर्मचारियों ने **उत्साह** के साथ भाग लिया।

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## Section 7: Light pollution

[Click here for going back to cover page]

It was December 16, 2018 at Mumbai. A much-awaited event was set to unfold over the skies. Comet Wirtanen / 46P was making its nearest approach to Earth in years and was not expected to approach near Earth at such a close range any time in the near future. It would be one of those rare comets visible to the human eye without having to depend upon binoculars or telescopes. The build-up in astronomical circles was intense. The context was perfect. It was early winter, with all monsoon clouds having retreated. It was expected to be reasonably dark past midnight, as the moon was not yet near full. The anticipated event drew near and one looks up to the skies. What does he find? A dull haze of light all over the sky. In the background of this light, let alone a comet, it was difficult to see even the stars, which we were familiar with. Gone were the days when darkness was synonymous with a pitch-black tone of sky. Darkest skies in a metropolis would never be dark enough.

Do you remember travelling by train in your younger days and looking up to the sky while travelling through rural areas, especially in the southern part of the country? You could see numerous stars and constellations studded on a dark canvas of the sky. The luminaries of the night inspired the imagination of a myriad band of persons ranging from those composing rhymes written for nursery children to early astronomers who painstakingly plotted and mapped every star, planet and heavenly body that they could see, looking for patterns like The Great Bear, the ever-steadfast Pole Star, Orion the hunter and so on. These were not merely academic exercises, but were milestones in human evolution. The ability to see patterns, to track movements and changes in the skies, to calculate trends, to make complex mathematical calculations involving circular, angular and elliptical motions of heavenly bodies, to collect statistics thereon and to make predictions and correlations with weather, tides, directions and time were all connected with growth of human knowledge and intelligence. It was the earliest form of big data analysis and data analytics.

The mariner's compass was invented to guide sailors at sea to the correct direction. The mariner's compass was supposed to indicate North. But what was 'North' after all? North was where the Pole Star was! What is East? East is wherefrom the heavenly bodies rise! Huge ancient monuments, such as the Stonehenge of Britain, were supposedly built for religious practices based on astronomical events. There are legends that even the great Pyramids of Egypt indicate the position of stars as they existed in antiquity.

So, astronomy, guided by the light of the heavens was a branch of science that inspired everything from human migration to travel to architecture to art to religious practices, to measurement of time and identification of one's location in the cosmos (much before sharing "Whatsapp" location came into the picture!).

Today, most of us can recognise the patterns of constellations only from atlases and savour the Milky Way galaxy only from photos. That was not the case in the past. What has changed? In our school days and even when it comes to determining topics for Environmental Audits, we have come across the term "pollution" as an outcome of unplanned development. Pollution is any form of unwholesome departure from a pristine, pre-existing state of nature. We often talk of pollution involving four elements-air, water and soil pollution, pollution caused by blazing fires that fuel industry and from sound that permeates the air. We are slowly rising up to pollution of the fifth element, the firmament. While the idea of 'sky' pollution would maybe conjure visions of pollution due to debris of spacecraft, what is far more sinister is something closer home. This pollutant is excessive artificial light. Events like Earth Hour are now being observed, in which lights are switched off or dimmed for an hour every year on the last Saturday of March. But even this is not in recognition of light pollution, but for conservation of energy (sustainability) and reduction of emission of pollutants for generating that energy (global warming). We are yet to recognise artificial light as a pollutant in full measure.

Light pollution is not restricted in its impact to denying a cosmologist his share of the sky. It has far wider ramifications on human health and on ecology. 'Blue light' from electronic devices is now linked to sleep disturbances, distortion of the body's in-built biological clock and attendant health issues. Emission of light from personal electronic devices may individually and collectively impact users and the community at large.

Blazing floodlights and laser lights and neon sign boards light up the urban landscape as a symbol of extravagance and dominance of big businesses who wish to peddle their wares by unleashing a tornado of light, sound, graphics, animation and advertising copy on unsuspecting and hitherto unyielding consumers. It is an unchallenged declaration of the big businessman of his dominance and his ways of doing business by constantly hovering over the consumer; as a status of power, status and privilege.

Excessive lighting in cities is, in addition to causing inefficient use and waste of energy, impacting sleep and well-being of living beings, including plants, animals and humans. Loss of sleep is associated with long-term physical and mental health issues. The effect of this tremendous volume of visible (and sometimes, invisible - infra-red/ ultra-violet) light on the human body are yet to be understood. Impact of light pollution in the 21$^{st}$ century could be as sinister as the long lasting and long unknown impact of 'asbestos' contamination in the late 20$^{th}$ century.

How many of us would not have encountered the blinding glare of a car's headlight when we may have stepped out late in the evening? Imagine what impact would that have on animals.

Streetlights do not so much as cast a shadow when they do not fall on a road with footfalls. Rather than casting light on dark areas, lights often stream out into the sky or into trees and buildings where they do not add any value and rather waste energy. Light barges into the eyes of ordinary people and animals.

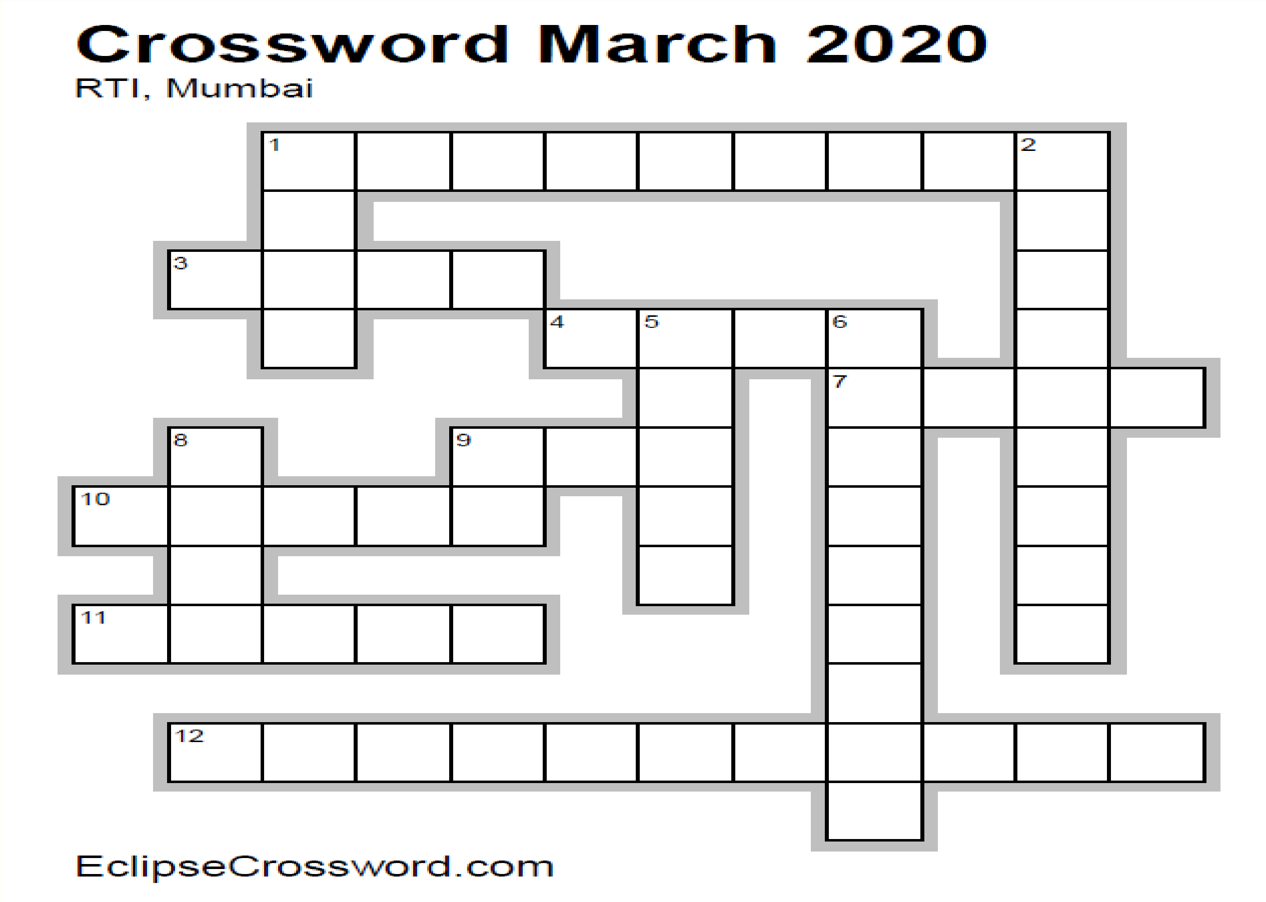
Migratory birds and animals are often misled by bright lights, who presume them to be sources of food or shimmering water. In some cases, the lights distract and frighten them away from their natural habitat. Their body rhythm and sense of day, night, time and direction is altered and they move astray from their abode. This leads to man-animal conflicts. It also leads to destruction of habitat and distortion to their ways of life. These have important implications on ecological balance and the environment.

It is time that we sit up and take notice of this new peril and think of ways by which light remains ambient and does not turn a pollutant. More research is needed into the area of implications of artificial light on health, economy, ecology and environment. As in the case of every other resource, artificial light too must be used in moderation. It is needed for aiding vision and for security of citizens, rather than to extend waking hours or to create glaring visibility for commercial interests, at the cost of the common man's physical and mental health and damage to his environment. Lights designed to direct it on the street and lights programmed to turn on and off by sensing human movement or lack of movement, as the case may be, may save power and promote efficient lighting. Intelligent, focussed and healthy artificial lighting may be the need of the hour. Assessment of initiatives in this regard, environmental audit observations and audit recommendations would naturally arise from an examination of this aspect.

*Photos sourced from internet searches*

## Section 8: Newsletter Crossword (March 2020)

Click here for going back to cover page




### Across

1. Act regulating inter and intra State public road transport is ......... (in short)
3. Tariff of Ports is currently set by ............
4. This agency regulates functioning of the stock markets in India
7. An .......... must seek registration from RBI under Section 45IA of RBI Act, 1934.
9. Sole auditor for FCI, which was set up by Act of Parliament is ..........
10. Pension funds are regulated by this authority
11. Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances apply primarily to ...........
12. CEA, CERC, SERC- these are agencies associated with ............ sector companies

### Down

1. This agency regulates telecom sector in India
2. Law regulating Financial Corporations set up by State Governments is ........ (in short)
5. Companies set up for welfare activities and not intended for earning profits are registered under this section of Companies Act, 2013.
6. IBNR and IBNER are terms associated with ..... sector companies
8. Agency set up by the Companies Act, 2013 to proceed against delinquent Chartered Accountants
9. Sole Auditor for LIC, which was set up by Act of Parliament is .............

Click here for Solutions

## Section 9: Leisure

### Quiz

Click here for going back to cover page

1. Which set of accounting standards have been given a public sector focus to form IPSAS?
2. Which type of entities are primarily intended be covered by accounting under IPSAS?
3. Which analysis breaks down return on assets into asset turnover and margin on sales?
4. What is the rate of return at which net present value of cash flows from a project is zero known as?
5. Which set of standards is a statutory auditor is required to follow while conducting audit of a PSU?
6. Which type of audit primarily deals with compliance of law, governance, company management and administration procedures?
7. Which board-level committee in a CPSE is charged with review of follow-up action on COPU recommendations?
8. Which class of directors of a company are required to hold a separate meeting every year, excluding the other directors?

Solutions

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**Personalities associated with modern finance, governance and commercial audit**

1. **Franco Modigliani and Merton Miller-** They propounded that the value of the firm was independent of how it is financed. **(Corporate Finance)**

2. **Oliver E. Williamson, Oliver Hart and Bengt Holmström** – Oliver E. Williamson won the Nobel Prize (2009) for Economic Sciences for his analysis of economic governance, especially the boundaries of the firm. Oliver Hart and Bengt Holmström shared the Nobel Prize (2016) for Economic Sciences for their contributions to contract theory. Both these subjects had implications on corporate governance. **(Corporate Governance)**

3. **Vivian Bose Commission, Dutta Commission and Daphtary-Sastri Committee-** Their recommendations for a more effective system of cost accounting and cost audit, to supplement the financial accounting and auditing practices, led to provisions on Cost Accounting and Cost Audit in the Companies Act, 1956. **(Commercial Audit)**

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**Solutions to Crossword**

Click here for going back to crossword

**Across:** 1. THERTCACT 3. TAMP 4. SEBI 7. NBFC 9. CAG 10. PFRDA 11. BANKS 12. ELECTRICITY

**Down:** 1. TRAI 2. THESFCACT 5. EIGHT 6. INSURANCE 8. NFRA 9. CA

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**Solutions to Quiz**

1. IFRS 2. Government 3. Du Pont Analysis
4. Internal Rate of Return 5. Standards on Auditing (SA) 6. Secretarial Audit 7. Audit Committee 8. Independent Directors

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