भारतीय लेखापरीक्षा और लेखा विभाग
क्षेत्रीय प्रशिक्षण संस्थान, मुंबई

Indian Audit & Accounts Department
Regional Training Institute, Mumbai

निगमित वित्त व अभिशासन, स्वायत्त निकायों की लेखापरीक्षा और वाणिज्यिक लेखापरीक्षा के लिए ज्ञान केंद्र

Knowledge Centre for Corporate Finance and Governance, Audit of Autonomous Bodies 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 20 **For October 2020- March 2021**

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Thought for the day:

The strongest of all warriors are these two — Time and Patience.

From Leo Tolstoy's book - War and Peace

Section 1: From the desk of Director General……

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Dear Reader,

I am happy to write to you through the medium of this newsletter again, after about 5 years, following my assuming charge as Director General, Regional Training Institute, Mumbai on 1 April 2021. The newsletter, which commenced publication in March 2013 during my earlier tenure as Principal Director, has maintained its unbroken flow till date, with modifications in format and content from time to time.

With the help of our user offices and field offices across India, we have continued to work amidst the pandemic to meet our training mandate. Courses as per the training calendar and additional training programmes as mandated by Headquarters are being scheduled and designed. We have worked on research material like Structured Training Module and a research paper as well.

I look forward to continue to communicate with you regarding the performance and achievements of RTI, Mumbai through the medium of this newsletter in future.

We welcome inputs from readers to improve the newsletter.

Regards,

Abdul Rauf
Director General
RTI, Mumbai

Section 2: Summary of courses conducted and events in RTI, Mumbai during the half-year ended 31 March 2021

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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	लेखापरीक्षक एवं लेखाकार के लिए प्रवेशन पाठ्यक्रम/ Induction course for Auditors and Accountants	36
2	सामान्य प्रयोजन वित्तीय रिपोर्टिंग (ईप्सास)/ General Purpose Financial Reporting (IPSAS)	21
3	निष्पादन लेखापरीक्षा एवं जोखिम आधारीत लेखापरीक्षा प्रशिक्षण/ Performance Audit and Risk Based Audit (including PA guidelines, 2014)	35
4	आई एफ एम एस के साथ ई-अभिशासन/ e-Governance with IFMS	27
5	**ज्ञान केंद्र विषय/ Knowledge Centre topic:** कंपनीओं की समेकित वित्तीय विवरण की लेखापरीक्षा पर अखिल भारतीय प्रशिक्षण/ All India training on Audit of Consolidated Financial Statements of Companies	63 (18)
6	सरकारी लेखांकन प्रणाली, सरकारी लेखा मानक सलहकारी मण्डल की भूमिका, प्रोद्भवन लेखांकन प्रणाली में संक्रमण/ Government Accounting System, role of GASAB and Transition to Accrual Accounting System	26
7	विभागीय पदौन्नति समिति के बैठक, पैनल, अनुशासनात्मक कार्रवाई का प्रभाव, रोस्टर और सूचना का अधिकार अधिनियम/ Conduct of DPC meeting, panels, impact of disciplinary action thereon, Rosters and RTI Act	25
8	**ज्ञान केंद्र विषय/ Knowledge Centre topic:** निगमित अभिशासन पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Governance	61 (18)
9	**ज्ञान केंद्र विषय/ Knowledge Centre topic:** भारतीय लेखा मानक, लेखा मानक, लेखापरीक्षा मानक और वित्तीय विवरणियों का विश्लेषण पर अखिल भारतीय प्रशिक्षण/ All India training on Ind AS, AS, Auditing Standards & Analysis of Financial Statements	54 (8)
10	लेखापरीक्षा में सांख्यिकी और नमूनाचयन पर कार्यशाला/ Workshop on Statistics and Sampling in Audit	21
11	**ज्ञान केंद्र विषय/ Knowledge Centre topic:** निगमित वित्त पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Finance	23 (1)
12	नए अनुपालन लेखापरीक्षा दिशा निर्देश, 2016 के अनुसार अनुपालन लेखापरीक्षा का नियोजन, संचालन एवं प्रतिवेदन पर कार्यशाला/ Workshop on Planning, conducting and reporting of compliance audit as per new Compliance Audit Guidelines, 2016	26
13	निर्माण कार्य व्यय, संविदा एवं परियोजना की लेखापरीक्षा/ Audit of Works Expenditure, Contracts and Projects	28

Sl. No.	Name of course	Number of participants including number of IA & AS participants given in brackets
14	विभागीय लेखा अधिकारी और विभागीय लेखाकार प्रशिक्षण/ Divisional Accounts Officer/ Divisional Accountants Training	16
15	प्रबंधन कौशल के विकास पर प्रशिक्षण/ Development of Management Skills	31
	Total	**493 (45)**

All-India online training on four Knowledge Centre topics were organised during the half-year, with participation of IA & AS officers.

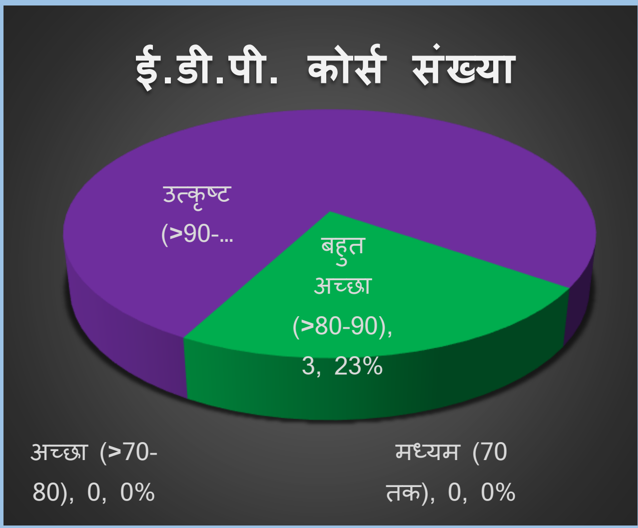
(b) EDP Courses

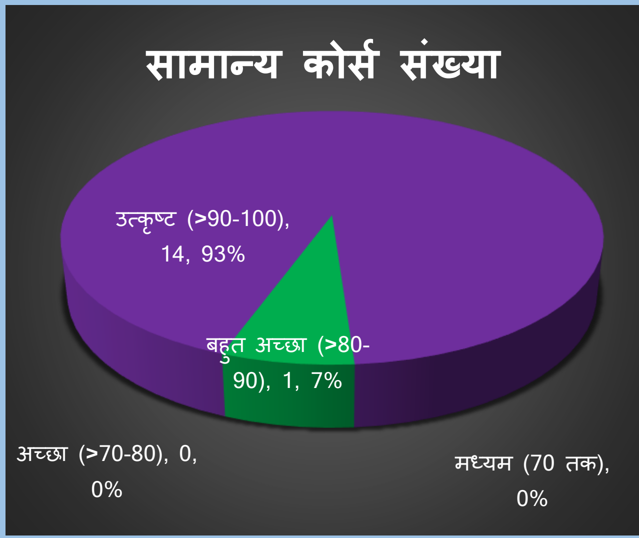
Sl. No.	Name of course	Number of participants
1	आय टी ऑडिट लेवल 2 अ/ IT Audit level 2a	29
2	ई ऑफिस/ E Office	121
3	एडवांस्ड एक्सेल पॉवर पिवोट के साथ (नवंबर 2020)/ Advanced MS Excel with Power Pivot (November 2020)	24
4	ओरेकल बेक एंड एस क्यू एल/ Oracle backend SQL	28
5	एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (नवंबर 2020)/ Advanced MS Excel and Access with VBA (November 2020)	23
6	एडवांस्ड एक्सेल पॉवर पिवोट के साथ (दिसंबर 2020)/ Advanced MS Excel with Power Pivot (December 2020)	22
7	एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (दिसंबर 2020)/ Advanced MS Excel and Access with VBA (December 2020)	22
8	आईडिया (जनवरी 2021)/ IDEA (January 2021)	16
9	आय टी पर्यावरण में लेखापरीक्षा (जनवरी 2021)/ Audit in IT Environment (January 2021)	15
10	आय टी पर्यावरण में लेखापरीक्षा (फरवरी 2021)/ Audit in IT Environment (February 2021)	14
11	आईडिया (फरवरी 2021)/ IDEA (February 2021)	14
12	आईडिया (मार्च 2021)/ IDEA (March 2021)	15
13	उन्नत ओरेकल, बैकएंड SQL, PL / SQL के साथ/ Advanced Oracle backend SQL with PL/SQL	31
	Total	**374**

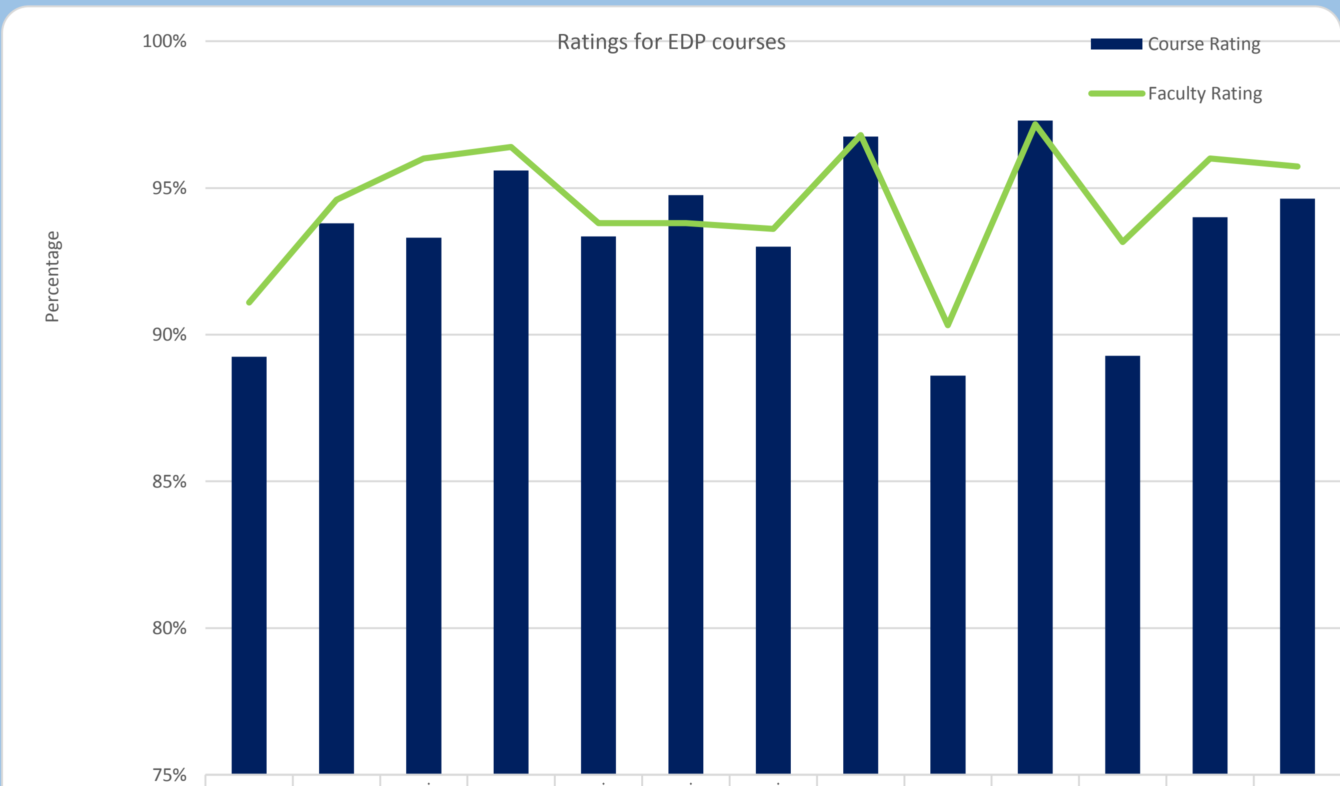
Additional Training: In General training, additional programme was conducted for Divisional Accounts Officer/ Divisional Accountants and in EDP, additional training was conducted on E-office.

(c) Performance Graph

Graphical presentation of ratings of the courses conducted is given below.







	आय टी ऑडिट लेवल 2 अ/ IT Audit level 2a	ई ऑफिस/ E Office	एडवांस्ड एक्सेल पॉवर पिवोट के साथ (नवंबर 2020)/ Advanced MS Excel with Power Pivot (November 2020)	ओरेकल बेक एंड एस क्यू एल/ Oracle backend SQL	एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (नवंबर 2020)/ Advanced MS Excel and Access with VBA (November 2020)	एडवांस्ड एक्सेल पॉवर पिवोट के साथ (दिसंबर 2020)/ Advanced MS Excel with Power Pivot (December 2020)	एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (दिसंबर 2020)/ Advanced MS Excel and Access with VBA (December 2020)	आईडिया (जनवरी 2021)/ IDEA (January 2021)	आय टी पर्यावरण में लेखापरीक्षा (जनवरी 2021)/ Audit in IT Environment (January 2021)	आय टी पर्यावरण में लेखापरीक्षा (फरवरी 2021)/ Audit in IT Environment (February 2021)	आईडिया (फरवरी 2021)/ IDEA (February 2021)	आईडिया (मार्च 2021)/ IDEA (March 2021)	उन्नत ओरेकल, बैकएंड SQL, PL / SQL के साथ/ Advanced Oracle backend SQL with PL/SQL
Course Rating	89%	94%	93%	96%	93%	95%	93%	97%	89%	97%	89%	94%	95%
Faculty Rating	91%	95%	96%	96%	94%	94%	94%	97%	90%	97%	93%	96%	96%

	लेखापरीक्षक एवं लेखाकार के लिए प्रवेशन पाठ्यक्रम/ Induction course for Auditors and Accountants	सामान्य प्रयोजन वित्तीय रिपोर्टिंग (ईप्सास)/ General Purpose Financial Reporting (IPSAS)	निष्पादन लेखापरीक्षा एवं जोखिम आधारीत लेखापरीक्षा प्रशिक्षण/ Performance Audit and Risk Based Audit (including PA guidelines, 2014)	आई एफ एम एस के साथ ई-अभिशासन/ e-Governance with IFMS	कंपनीओं की समेकित वित्तीय विवरण की लेखापरीक्षा पर अखिल भारतीय प्रशिक्षण/ All India training on Audit of Consolidated Financial Statements of Companies	सरकारी लेखांकन प्रणाली, सरकारी लेखा मानक सलहकारी मण्डल की भूमिका, प्रोद्भवन लेखांकन प्रणाली में संक्रमण/ Government Accounting System, role of GASAB and Transition to Accrual Accounting System	विभागीय पदौन्नति समिति के बैठक, पैनल, अनुशासनात्मक कार्रवाई का प्रभाव, रोस्टर और सूचना का अधिकार अधिनियम/ Conduct of DPC meeting, panels, impact of disciplinary action thereon, Rosters and RTI Act	निगमित अभिशासन पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Governance	भारतीय लेखा मानक, लेखा मानक, लेखापरीक्षा मानक और वित्तीय विवरणियों का विश्लेषण पर अखिल भारतीय प्रशिक्षण/ All India training on Ind AS, AS, Auditing Standards & Analysis of Financial Statements	लेखापरीक्षा में सांख्यिकी और नमूनाचयन पर कार्यशाला/ Workshop on Statistics and Sampling in Audit	निगमित वित्त पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Finance	नए अनुपालन लेखापरीक्षा दिशा निर्देश, 2016 के अनुसार अनुपालन लेखापरीक्षा का नियोजन, संचालन एवं प्रतिवेदन पर कार्यशाला/ Workshop on Planning, conducting and reporting of compliance audit as per new Compliance Audit Guidelines, 2016	निर्माण कार्य व्यय, संविदा एवं परियोजना की लेखापरीक्षा/ Audit of Works Expenditure, Contracts and Projects
Course Rating	94%	91%	92%	92%	92%	89%	97%	93%	94%	91%	93%	93%	91%
Faculty Rating	93%	94%	92%	91%	93%	89%	97%	93%	94%	95%	92%	91%	93%

Toppers in end-course test- EDP

Course	Toppers Shri/Ms.	Office Name
आय टी ऑडिट लेवल 2 अ/ IT Audit level 2a	Poonam	Finance & Communication Audit Office, Mumbai
	Samson Elis Jacob	Director General of Audit (Central), Mumbai
एडवांस्ड एक्सेल पॉवर पिवोट के साथ (नवंबर 2020)/ Advanced MS Excel with Power Pivot (November 2020)	Rupinder Singh	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
ओरेकल बेक एंड एस क्यू एल/ Oracle backend SQL	Sudhir Kumar	Principal Accountant General (Audit)-2, Maharashtra, Nagpur, Mumbai Branch
एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (नवंबर 2020)/ Advanced MS Excel and Access with VBA (November 2020)	Dharmendra Kumar Patel	Director General of Commercial Audit, Mumbai
	Ankit Jaiswal	Director General of Commercial Audit, Mumbai
	Robert Lianminsang Simte	Principal Director Of Audit (Shipping), Mumbai
एडवांस्ड एक्सेल पॉवर पिवोट के साथ (दिसंबर 2020)/ Advanced MS Excel with Power Pivot (December 2020)	S N Desai	Principal Director Of Audit (Central), Ahmedabad
एडवांस्ड एक्सेल और एक्सेस वि बी ए के साथ (दिसंबर 2020)/ Advanced MS Excel and Access with VBA (December 2020)	H R Patel	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
	R Rajan	Principal Accountant General (Audit)-1, Maharashtra, Mumbai
आईडिया (जनवरी 2021)/ IDEA (January 2021)	The participant has got full marks	
	A T Varghese	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
आय टी पर्यावरण में लेखापरीक्षा (जनवरी 2021)/ Audit in IT Environment (January 2021)	Shilpi Agrawal	Director General Of Audit, Western Railway, Mumbai
आय टी पर्यावरण में लेखापरीक्षा (फरवरी 2021)/ Audit in IT Environment (February 2021)	Antriksh Poonia	Principal Accountant General (Audit)-1, Gujarat, Rajkot
आईडिया (फरवरी 2021)/ IDEA (February 2021)	D K Kumawat	Principal Accountant General (A & E)-1, Maharashtra, Mumbai
	Tushar Madhukar Patil	Principal Accountant General (Audit)-1, Maharashtra, Mumbai
	Ganesh Ashok Abnave	Principal Accountant General (Audit)-2, Maharashtra, Nagpur, Mumbai Branch
	Satendra Singh	Principal Director Of Audit (Defence Services), Pune
	Sarthak Parashar	Finance & Communication Audit Office, Mumbai

Course	Toppers Shri/Ms.	Office Name
आईडिया (मार्च 2021)/ IDEA (March 2021)	Sahil Khan	Principal Accountant General(Audit)-1, Gujarat, Rajkot
उन्नत ओरेकल, बैकएंड SQL, PL / SQL के साथ/ Advanced Oracle backend SQL with PL/SQL	Viksit	Finance & Communication Audit Office, Mumbai

(e) Toppers in end-course test- General

Course	Toppers Shri/ Ms.	Office Name
लेखापरीक्षक एवं लेखाकार के लिए प्रवेशन पाठ्यक्रम/ Induction course for Auditors and Accountants	These participants have got full marks	
	Shaleen Songotia	Accountant General, Goa
	Rajesh Singh	Director General of Audit (Central), Mumbai
सामान्य प्रयोजन वित्तीय रिपोर्टिंग (ईप्सास)/ General Purpose Financial Reporting (IPSAS)	Yash Jain	Principal Accountant General (Audit)-1, Gujarat, Rajkot
निष्पादन लेखापरीक्षा एवं जोखिम आधारीत लेखापरीक्षा प्रशिक्षण/ Performance Audit and Risk Based Audit (including PA guidelines, 2014)	These participants have got full marks	
	Sumesh Gopalan Nair	Principal Director Of Audit (Defence Services), Pune
	Vivekkumar D Rathod	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
आई एफ एम एस के साथ ई-अभिशासन/ e-Governance with IFMS	Satyanarayana Ponnapalli	Finance & Communication Audit Office, Ahmedabad
कंपनीओं की समेकित वित्तीय विवरण की लेखापरीक्षा पर अखिल भारतीय प्रशिक्षण/ All India training on Audit of Consolidated Financial Statements of Companies	Mohua Ghosh	Principal Accountant General (Audit), Andhra Pradesh, Amaravati
सरकारी लेखांकन प्रणाली, सरकारी लेखा मानक सलहकारी मण्डल की भूमिका, प्रोद्भवन लेखांकन प्रणाली में संक्रमण/ Government Accounting System, role of GASAB and Transition to Accrual Accounting System	Manoj Shaw	Principal Accountant General (Audit)-1, Maharashtra, Mumbai
	Sushil Suman	Director General of Commercial Audit, Mumbai
	Annie Jeejo	Principal Accountant General (A & E), Gujarat, Rajkot
	Bhaumik Chavan	Principal Accountant General (Audit-2), Gujarat, Ahmedabad
	Juilee Shivgan	Director General of Commercial Audit, Mumbai
विभागीय पदौन्नति समिति के बैठक, पैनल, अनुशासनात्मक कार्रवाई का प्रभाव, रोस्टर और सूचना का अधिकार अधिनियम/ Conduct of DPC meeting, panels, impact of disciplinary action thereon, Rosters and RTI Act	The participant has got full marks	
	Shefali Jain	Principal Director Of Audit (Central), Ahmedabad

Course	Toppers Shri/ Ms.	Office Name
निगमित अभिशासन पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Governance	These participants have got full marks	
	Asha Lata	Regional Training Institute, Hyderabad
	Tiwari Arun Prakash Prem	Principal Accountant General (Audit)-2, Uttar Pradesh, Lucknow
	Radheshyam Gupta	Director General of Audit (Mines), Kolkata
भारतीय लेखा मानक, लेखा मानक, लेखापरीक्षा मानक और वित्तीय विवरणियों का विश्लेषण पर अखिल भारतीय प्रशिक्षण/ All India training on Ind AS, AS, Auditing Standards & Analysis of Financial Statements	Saikrupa Nalkur	Principal Accountant General (Audit)-2, Karnataka, Bengaluru
	Sumeet Singh	Principal Accountant General (Audit)-2, Karnataka, Bengaluru
लेखापरीक्षा में सांख्यिकी और नमूनाचयन पर कार्यशाला/ Workshop on Statistics and Sampling in Audit	The participant has got full marks	
	Kavinder Yadav	Principal Director Of Audit (Defence Services), Pune
निगमित वित्त पर अखिल भारतीय प्रशिक्षण/ All India training on Corporate Finance	These participants have got full marks	
	Shallu Gulati	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
	Kalpesh Rathod	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
	Jyoti Balmiki	Director General of Commercial Audit, Mumbai
	Yash Lokwani	Principal Director Of Audit (Shipping), Mumbai
	Sandip Dey	Branch : Director General of Audit (Environment and Scientific Departments), New Delhi at Mumbai
नए अनुपालन लेखापरीक्षा दिशा निर्देश, 2016 के अनुसार अनुपालन लेखापरीक्षा का नियोजन, संचालन एवं प्रतिवेदन पर कार्यशाला/ Workshop on Planning, conducting and reporting of compliance audit as per new Compliance Audit Guidelines, 2016	Divya Mittal	Principal Director of Audit (Agriculture, Food and Water Resources), New Delhi at Mumbai
	Anuja Gupta	Principal Director Of Audit (Central Railway), Mumbai
	Deepika Yadav	Principal Accountant General (Audit)-2, Gujarat, Ahmedabad
	Vijay Gaurav	Principal Accountant General (Audit)-1, Maharashtra, Mumbai
निर्माण कार्य व्यय, संविदा एवं परियोजना की लेखापरीक्षा/ Audit of Works Expenditure, Contracts and Projects	The participant has got full marks	
	Abijit Das	Branch : Director General of Audit (Environment and Scientific Departments), New Delhi at Mumbai

(ii) Continuity amidst COVID-19

Scheduled training continued in online mode. We invited faculty from other RTIs and IAAD offices, outside our jurisdiction besides external faculty attached to other RTIs. We conducted online tests using our department's CEDAR portal and other online tools. We continued our research activities as described in the Knowledge Centre segment. We convened online mid-term meeting and meeting of the Regional Advisory Committee to discuss the calendar for 2021-22 on 19 October 2021 and 13 January 2021 respectively. We had designed a course schedule for SAI, Fiji. We had designed a course schedule for Phase-I of induction training of DRAAOs. Thus, work in RTI, Mumbai continued in the normal course.

(iii) Self learning videos

Two self learning videos on IDEA software prepared by RTI, Mumbai were approved by Headquarters and were circulated to all RTIs/RTCs. (January 2021). These are on: (1) Summarisation in IDEA and (2) Data Manipulation in IDEA.

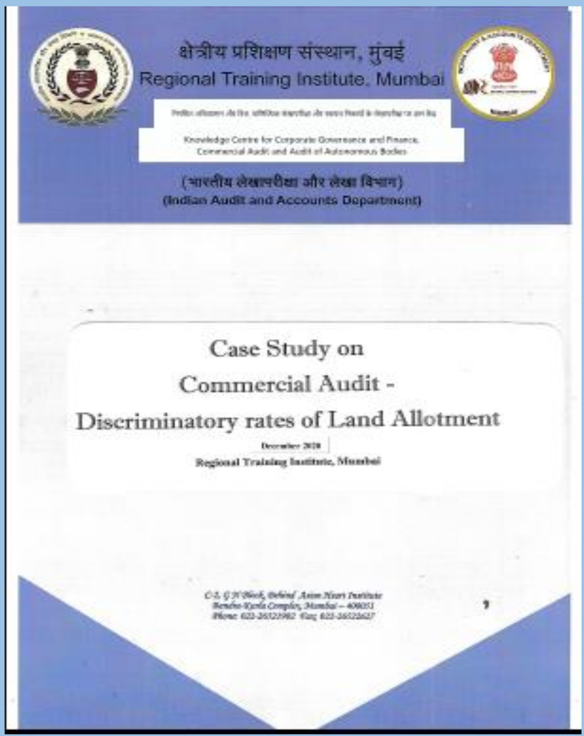
(iv) Our Research Activities

- **संरचित प्रशिक्षण मॉड्यूल/ Structured Training Modules**

1. प्ररूपी कंपनियों की विशेषताएँ और लेखापरीक्षा-विद्युत, वित्त (गैर-बैंक वित्त कंपनियाँ), बैंक और बीमा कंपनियाँ पर इस संस्थान का संरचित प्रशिक्षण मॉड्यूल (एस टी एम) मुख्यालय से सहकर्मी समीक्षा के पश्चात 9 अक्तूबर 2020 को प्राप्त हुआ। इस पर अनुपालन प्रतिवेदन मुख्यालय को 29 जनवरी 2021 को भेजा गया। एस टी एम मुख्यालय द्वारा अनुमोदित किया गया और 4 फरवरी 2021 को परिचालित किया गया। / This institute's STM on Special features, Accounts and Audit of typical companies - Electricity, Finance (NBFC), Banks and Insurance Companies was received from Headquarters after peer review on 9 October 2020. Compliance report on the peer review was sent to Headquarters on 29 January 2021. The STM has been approved and disseminated by Headquarters on 4 February 2021.
2. कंपनियों के समेकित वित्तीय विवरणों पर संरचित प्रशिक्षण मॉड्यूल (एस टी एम) मुख्यालय से सहकर्मी समीक्षा के पश्चात 8 जनवरी 2021 को प्राप्त हुआ। इस पर अनुपालन प्रतिवेदन मुख्यालय को 1 फरवरी 2021 को भेजा गया। एस टी एम मुख्यालय द्वारा अनुमोदित किया गया और 3 फरवरी 2021 को परिचालित किया गया। / This institute's STM on Consolidated Financial Statements of Companies was received from Headquarters after peer review on 8 January 2021. Compliance report on the peer review was sent to Headquarters on 1 February 2021. The STM has been approved and disseminated by Headquarters on 3 February 2021.
3. पत्तन न्यास लेखापरीक्षा पर संरचित प्रशिक्षण मॉड्यूल तैयार किया गया और 7 दिसंबर 2020 को अनुमोदनार्थ मुख्यालय भेजा गया। यह संरचित प्रशिक्षण मॉड्यूल मुख्यालय से सहकर्मी समीक्षा के पश्चात 19 फरवरी 2021 को प्राप्त हुआ है, जिसके अनुपालन के लिए संबंधित कार्यालयों से जानकारी का अनुरोध किया गया। इसपर कार्रवाई जारी है। / STM was prepared on Audit of Port Trusts and sent to Headquarters for approval on 7 December 2020. The STM has been received after peer review from Headquarters on 19 February 2021. For compliance thereof, information was sought from offices concerned. Action thereon is in progress.

- **वृत्त अध्ययन/ Case Studies:**

Our Products



1.भेदभावपूर्ण दरों पर जमीन आबंटन पर इस संस्थान का वृत्त अध्ययन मुख्यालय से सहकर्मी समीक्षा के पश्चात 22 अक्तूबर 2020 को प्राप्त हुआ। इस पर अनुपालन प्रतिवेदन मुख्यालय को 11 दिसंबर 2020 को भेजा गया। वृत्त अध्ययन मुख्यालय द्वारा अनुमोदित किया गया और उनके द्वारा 18 दिसंबर 2020 को परिचालित किया गया। / This institute's case study on Discriminatory rates of land allotment was received from Headquarters after peer review on 22 October 2020. Compliance report on the peer review was sent to Headquarters on 11 December 2020. The case study has been approved and disseminated by Headquarters on 18 December 2020.

2. सुरक्षा मानकों का अनुपालन न करने से हुई हानी पर इस संस्थान का वृत्त अध्ययन मुख्यालय से सहकर्मी समीक्षा पश्चात 6 अक्तूबर 2020 को प्राप्त हुआ । इस पर अनुपालन प्रतिवेदन मुख्यालय को 10 दिसंबर 2020 को भेजा गया। वृत्त अध्ययन मुख्यालय द्वारा अनुमोदित किया गया और उनके द्वारा 18 दिसंबर 2020 को परिचालित किया गया। /This institute's case study on Loss due to non-compliance of safety standards was received from Headquarters after peer review on 6 October 2020. Compliance report on the peer review was sent to Headquarters on 10 December 2020. The case study has been approved and disseminated by Headquarters on 18 December 2020.

- **अनुसंधान पत्र/ Research Paper**

बीमा कंपनियों मे निगमित अभिशासन" पर अनुसंधान पत्र 15 फरवरी 2021 को मुख्यालय भेजा गया। / Research paper on Corporate Governance in Insurance Companies was sent to Headquarters on 15 February 2021.

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

- कार्यालय प्रधान निदेशक (पोत परिवहन), मुंबई द्वारा 25 नवंबर 2020 को आयोजित पारंगत परीक्षा के लिए जगह दिया गया ।
- RTI lent infrastructure to O/o PDA (Shipping), Mumbai for Incentive Examination for Auditors on 26 November 2020, SAS (Commercial) Preliminary Examination on 8 December 2020, Assistant Supervisor Examination on 19 December 2020 and an exit meeting on 9 February 2021; to O/o DGA (Central), Mumbai for examination on e-learning module - 'Audit in IT Environment' on 21 January 2021 and for PC-4 training from 22-24 February 2021 and to O/o DGCA, Mumbai for Video Conference with Headquarters on Performance Audit.

(vi) Significant Events/ developments in RTI, Mumbai

- Shri Abdul Rauf, Director General took charge of RTI, Mumbai on 1 April 2021, after Ms. Alka Rehani Bhardwaj, Director General proceeded on leave from that date. Ms. Alka Rehani Bhardwaj, Director General had joined RTI, Mumbai on 4 April 2017.
- Shri Pramod Pathak joined RTI, Mumbai as Senior Audit Officer (Administration) on deputation from O/o Finance & Communication Audit Office at Mumbai w.e.f. 19 October 2020.
- Shri Sadashiv Ranade joined RTI, Mumbai as Senior Audit Officer (OIOS) on deputation from O/o PAG (Audit)-I, Tamil Nadu w.e.f. 2 November 2020.
- A session comprising an online workshop on Vigilance Awareness was held on 2 November 2020 for personnel from RTI, Mumbai and office of the Principal Director of Audit (Shipping), Mumbai as part of Vigilance Awareness Week. Shri Suresh Menon, Cyber Consultant delivered the session.
- A mock fire drill was held on 19 February 2021 for personnel working at RTI Building premises, for creating awareness of safety requirements and how to respond to emergencies.
- Besides following the pandemic protocols such as checking of temperature of all officials and outsourced employees at the reception and having hand sanitisers placed at various places, RTI, in collaboration with Municipal Corporation of Greater Mumbai, arranged for COVID Antigen tests on 6 October 2020 for personnel of RTI, Mumbai and Office of the Principal Director of Audit (Shipping), Mumbai. This exercise helped in identifying two officials with COVID, who were then advised quarantine. RT-PCR test was conducted on similar lines on 31 March 2021. All these safety and preventive measures helped RTI ensure safety of all regular and outsourced personnel in the RTI Building premises.
- Our faculty was invited as guest faculty for in-house training by PDA (Central), Mumbai, for online training at RTI, Hyderabad and for a training of RTC, Bengaluru (Southern Command).

We are destroying the matchless living machines, i.e. our own bodies, by leaving them to rust and trying to substitute lifeless machinery for them.

Mahatma Gandhi

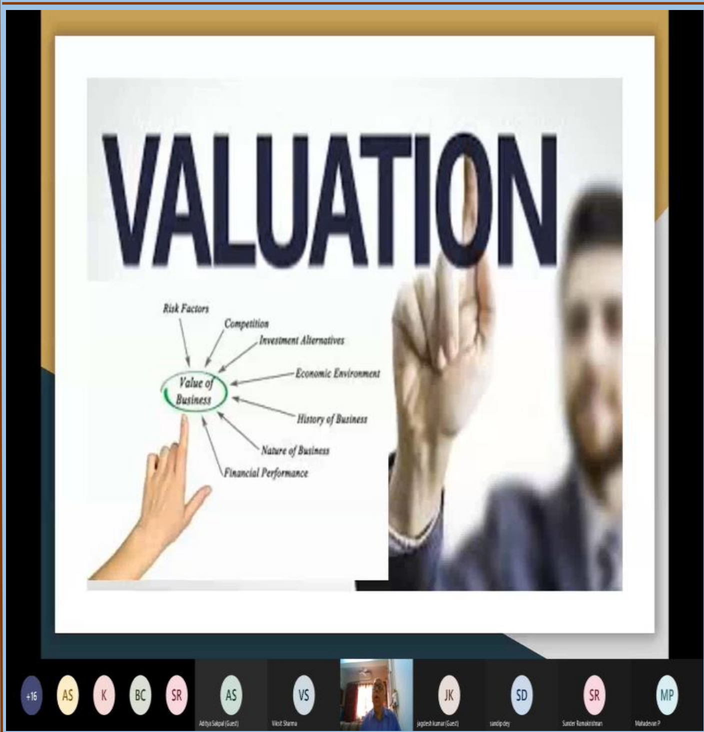
Section 3: Photo Gallery

[Click here for going back to cover page]

Republic Day 2021 was celebrated in RTI, Mumbai with all protocols in place.

Mid-Term Meeting of RAC
19 October 2020

Test for COVID-19 organised for personnel at RTI, Mumbai premises on 6 October 2020



Training on Corporate Finance
(January 2021)

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 during the half-year ended March 2021

Click here for going back to cover page

Audit of Autonomous Bodies

Report No.1 of 2020 State Finances Audit Report for the year 2018-19 on Government of Tripura tabled in Legislature on 23 March 2021

In order to identify new Institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, the State Government/Heads of the departments are required to furnish to Audit every year detailed information about the financial assistance given to various Institutions, the purpose of assistance granted and the total expenditure of the institutions. None of the departments had submitted this information despite specifically requesting for it.

Substantially funded Autonomous Bodies/Authorities are required to submit their approved and authenticated Annual Accounts by 30 June for audit by the CAG under Section 14 and 15 of CAG's (DPC) Act, 1971. Out of 54 Autonomous Bodies/ Authorities, 51 Autonomous Bodies/Authorities had not furnished Annual Accounts due up to 2018-19 to Accountant General (Audit) (31 October 2019).

Out of the 51 Autonomous Bodies/Authorities, four had not submitted their accounts since their inception. The information relating to the date of establishment of those Bodies/Authorities was also not furnished (March 2019) by the Government despite a specific request made to this effect. Due to persistent delay in submission of Annual Accounts, all the Bodies were asked to intimate the amount of grants received during the year 2018-19; 48 (out of 51) Grantee Bodies/Authorities did not furnish the information of the amount of grants received during the year 2018-19 as shown in Appendix–3.2 *(Extract given herein)*.

Appendix- 3.2

Statement showing names of bodies and authorities, the accounts of which had not been received

(Reference: Paragraph No. 3.12)

(₹in lakh)

Sl. No.	Name of the Body/Authorities	Year for which accounts had not been received	Grants received during 2018-19 (₹in lakh)
1.	Health and Family Welfare Society	2015-16 to 2018-19	NA
2.	Tripura State TB Control Society Agartala.	2012-13 to2018-19	NA
3.	Tripura Mental Health Society, Agartala	2005-06 to 2018-19	NA
4.	Tripura Veterinary Council, Astabal, Agartala.	2015-16 to 2018-19	NA
5.	Tripura State Blindness Control Society	2003-04 to 2018-19	NA
6.	Tripura State Blood Transfusion Council, Gurkhabasti, Agartala	2016-17 and 2018-19	NA
7.	Tripura State Leprosy Control Society	2008-09 to 2018-19	NA
8.	Tripura State Social Welfare Advisory Board, Agartala.	2013-14 to 2018-19	548.84
9.	District Rural Development Agency, West	2016-17 and 2018-19	NA
10.	District Rural Development Agency, South	2018-19	NA

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/Authorities and their accountal cannot be vouched. Accountant General (Audit) took up the matter of non-submission of accounts of the defaulting Bodies with the authorities concerned from time to time, but without perceivable improvement.

Learning Points: *The mandate, the efforts taken on the matter of compiling information on bodies funded by the Government, the non-response by the Government, non-response from the bodies themselves and the quantum of assistance given (wherever available) to such bodies, despite non-receipt of accounts have all been pointed out in Audit.*

Report No. 2 of 2021 for the year 2018-19 on Union Government (Civil) (Compliance Audit Observations) tabled in Parliament on 24 March 2021

Some of the important deficiencies noticed in the annual accounts of the Central Autonomous Bodies for the year 2018-19 are:

(a) Internal audit of **151** CABs was not conducted

(b) Physical verification of the fixed assets of **120** CABs was not conducted

(c) Physical verification of the inventories of **111** CABs was not conducted

(d) **68** CABs were accounting for grants on realisation/cash basis, which was inconsistent with the common format of accounts prescribed by the Ministry of Finance

(e) **161** CABs had not accounted for gratuity and other retirement benefits on actuarial valuation basis

(f) No depreciation on fixed assets had been provided by **eight** CABs and

(g) **31** CABs revised their accounts as a result of audit. The impact of the revision was a net increase in assets/liabilities by Rs.11.48 crore and net decrease in surplus by Rs.13.06 crore and net increase in deficit by Rs.2.63 crore.

Learning Point: *This report gives a snapshot of financial audit of Autonomous Bodies.*

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As per the General Financial Rules, certificates of utilisation in respect of grants released to Statutory Bodies/Organisations are required to be furnished within 12 months from the closure of the financial year by the Bodies/Organisations concerned. There were a total of 92620 Utilisation Certificates (UCs) involving an amount of Rs.37182.21 crore in respect of grants released up to March 2018 by 14 Ministries/Departments that were outstanding after 12 months of the financial year in which the grants were released as tabulated below.

(₹ in crore)

Period	No. of UCs	Amount
Upto March 2012	38586	12289.28
2012-17	40741	20759.63
2017-18	13293	4133.30
Total	**92620**	**37182.21**

The pendency of Utilisation Certificates for such a long duration defeats the very purpose of certificate. The procedure prescribed in GFRs that further grants should not be released by the Sanctioning Authority before receipt of Utilisation Certificate for earlier grants needs to be strictly enforced.

Learning Point: *This report highlights the quantum of outstanding utilisation certificates and money value involved.*

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Delays in submission of accounts to audit and presentation of audited accounts of Central Autonomous Bodies before both the Houses of Parliament by Central Autonomous Bodies

The Committee on Papers Laid on the Table of the House had recommended in its First Report (5th Lok Sabha) 1975-76 that every Autonomous Body should complete its accounts within a period of three months after the close of the accounting year and make them available for audit. This is also stipulated in Rule 237 of the General Financial Rules, 2017. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

Audit of accounts of 462 CABs was to be conducted by the C&AG for the year 2017-18. Out of these**,** the accounts of 215 CABs were furnished after the due Date.

In respect of Council of Scientific and Industrial Research, New Delhi, audited accounts were issued but not presented to Parliament since 2014-15.

Learning Point: *This report highlights the mandate - Parliamentary and executive instructions regarding Audit and non-compliance thereof by Autonomous Bodies and departments.*

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Ministry of Rural Development - State Institute of Rural Development

Ministry of Rural Development released Rs.2.90 crore to State Institute of Rural Development, Ahmedabad, Gujarat for construction of its new building in December 2012 but failed to monitor its utilisation. The construction is yet to commence and the funds have remained blocked for more than seven years.

Learning Point: *As funds placed with Autonomous Bodies do not 'lapse' as in the case of budgets allotted to Departments, such funds may lie unused for years together. Such an issue has been commented upon in Audit.*

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Ministry of Home Affairs- Loknayak Jayaprakash Narayan National Institute of Criminology and Forensic Science could not fill the seat of Chair Professor for more than eleven years, defeating the purpose for which the post was created, which was to give insight into contemporary problems affecting large sections of society and offer solutions for crime reduction and expedite delivery of justice. Funds provided as corpus for establishing the Chair along with interest, totalling Rs.4.28 crore had remained blocked due to non-utilisation.

Learning Point: *This is an instance of non-utilisation of funds resulting in intended outcome not being realised.*

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Observations on Technology

1. Ministry of Science and Technology

Department of Scientific and Industrial Research

The IT Application System 'OneCSIR' developed by the Council of Scientific and Industrial Research could not be utilised to its full potential due to non-availability of some of the modules leading to non-implementation of several processes in the system and lack of input controls & validation checks that rendered the database incomplete and unreliable.

The modules were not in operation in all the laboratories/CSIR Hq.

Where the modules were operational, there were some processes in the ERP modules that though developed, were never used.

It was seen that laboratories were using various in-house/customised software for daily official works despite the processes developed in the ERP system.

The reasons for non-implementation were attributed by CSIR to software not being user friendly, too many glitches, repetitive and complicated processes, absence of seamless integration, poor working speed, issues not resolved by the software developer, etc.

Thus, the ERP system was launched with incomplete software development work and without ensuring preparedness of the laboratories to utilise the software.

Leave sub-module did not include processes for Commuted Leave, Maternity/Paternity leave, which had to be processed manually. Further, the EL balance of a number of employees as per the service book did not match with the EL balance as per ERP generated reports.

HBA sub-module was not adopted by the labs because it was not updated as per provisions of Seventh CPC.

In the LTC sub-module, the system had no validation check to prevent fresh recruited employees from availing LTC for anywhere in India in any block year in addition to 4th and 8th block years.

Pay bills were being prepared by entering information manually and then using the ERP system for making payments.

The system lacked logic controls, important linkages and validation checks, which rendered it unreliable for accurate and complete transactions.

Conclusion: *The system could not be utilised to its full potential due to infirmities in design, lack of comprehensive planning and deficient implementation, which is not expected from a premier scientific organisation like CSIR.*

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2. Dadra & Nagar Haveli Administration

DNH Power Distribution Corporation Limited

DNH Power Distribution Corporation Ltd. (Company) entered (May 2013) into an agreement with IndiaIdeas.com Ltd. (also known as Bill Desk) for management services relating to processing mechanism for payment and collection of online bill payments by Company's customers. Customer payments were required to be received and aggregated by M/s IndiaIdeas in designated bank accounts held at partner bank(s)/nodal bank(s) as per the procedure prescribed by Reserve Bank of India (RBI), and then transferred to the Company.

Delay in remittances by the online payment processing service provider (M/s IndiaIdeas, also known as Bill Desk) of Rs.94.19 crore for a period ranging from 36 days to 241 days resulted in a loss of interest of Rs.4.08 crore.

On loss of interest on delayed payment being pointed out by Audit, the Company claimed interest from M/s IndiaIdeas for delay in remitting the amount to the Company.

However, M/s IndiaIdeas stated that the amount remitted got truncated due to technical bug in the system, and that the amounts collected from customers are routed from customer's bank to a nodal bank and then from nodal bank to Company directly and the monies were never with M/s IndiaIdeas.

The Company accepted the contention of M/s IndiaIdeas and holding that the technical flaw was beyond the control of M/s IndiaIdeas, did not pursue the claim for recovery of interest.

As it was incumbent on M/s IndiaIdeas to provide services as defined in the agreement, it is liable to pay interest for any withheld payment due to its fault. The matter needs to be pursued with the Service Provider and legal measures should be initiated for recovery of the interest amount.

Learning Point: *Audit has suitably rebutted the reply. As online payment mechanism was the responsibility of the party, loss due to technical fault would have to be borne by party as they were charged with running the online collection mechanism. It cannot be passed on to the ultimate recipient. Thus technical fault, as in this case, is not an acceptable reason, but rather an admission of responsibility by the party maintaining the collecting mechanism. Rather than being grounds for condonation, this should be a ground for pursuing the claim.*

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3. Ministry of Education

Indian Institute of Technology, Bombay

IIT-B failed to effectively communicate their requirements based on mode of operation to the Vendor for implementation of SAP ERP in IIT-B and decided to embark on ERP solution suggested by the Vendor without a clear definition of what the project entailed, thereby incurring avoidable extra expenditure of Rs.1.29 crore on purchase of additional Licences.

The Vendor had recommended a centralised operation mode of ERP at IIT-B, which was accepted by IIT-B.

Post implementation, IIT-B realised that restricting operations to a centralised mode <u>would not be possible without causing major disruptions in established way of working and substantial slowdown in pace of work. This would also cause unhappiness among stakeholders.</u>

Learning Points: *The underlined portion sums up the gist of the observation that adoption of technology, which is not designed based on real needs of the end-user, would lead to unhappiness among stakeholders.*

General Learning Points on technology: *On matters like technology, where expertise lies with very few and many technical terms (jargon) are used, it is extremely important that all procurement* *proposals are not only vetted technologically and financially, but also an independent assessment from the points of view of the intended users and legal regularity and propriety, is carried out.*

What is renowned, expensive or complicated may not necessarily serve the end user's purpose. The end-user specialises in his own area of work and hence cannot be expected to concern himself or become conversant with the intricacies of technology or its associated jargon. Rather, he may feel constrained when technological deficiencies affect his work or his independent approach to it.

What may be beneficial, reasonable, correct, convenient, comprehensible and acceptable for technology suppliers and for those technologically vetting the procurement proposal, from their point of view, may end up overriding genuine organisational needs, operational requirements, working style or the regulatory framework. In short, it may not be user-friendly.

This would lead to substantial wasteful diversion of people and deployment of time and resources of the organisation; or enforced dependence on (and/or consequent undue benefits for) technology suppliers or technological personnel, for handling even one's own regular (non-technological) work. This, in turn would lead to demoralisation of those handling regular assignments of prime importance to the operations of the organisation, with corresponding decline in quality and quantity of output and delays.

Like every other procurement, technological acquisition (including in-house development and outsourcing as well) too should be viewed with professional scepticism, more so, considering that one has to see through a veneer of jargon and because the subject matter audited may not be as accessible and comprehensible as in case of other procurement. Demand for technology is greatly subject to the bandwagon effect and is influenced by the fear of being left out. One must take note that technological initiatives may initially get accepted meekly, or out of ignorance, or may be founded on fear (to appear to be compliant). These may bring subjectivity and undue haste into the acquisition process.

Technology projects are subject to timelines and need a lot of resources. Time, infrastructure and skilled work force are their major inputs. By exploiting this situation and their unique position of exclusive control over the process and monopoly over supplies, technology developers/ suppliers may become domineering, defiant, dismissive or defensive about incorporating needs of real stakeholders. They may try to make themselves indispensable. Personal perceptions and ambitions too come into play. Technological initiatives may even be fitted for the fancy/ fortune/ favour/ fame of the one proposing it, which would lead to their adoption without question. But, they would ultimately cause hardship. They would render the outcome unsuitable for the end-user.

Technology is a means to achieve organisational goals. Adopting technology is not an end in itself.

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Significant observations on the accounts of individual Central Autonomous Bodies

Indian Institute of Management, Ahmedabad

Academic Expenses: Rs.63.64 Crore

As per the Format of Financial Statements prescribed by the MHRD for Central Higher Educational Institutions, Electronic Journals (E-Journals) needs to be capitalised and depreciation is provided at a higher rate of 40 *per cent*. However, the Institute has booked the expenditure incurred on procurement of periodicals and database (Procured as E-Content) amounting to Rs.8.29 crore as revenue expenditure instead of booking this under capital expenditure. Further, the Institute has not formulated any accounting policy for the same. This has resulted in overstatement of Academic Expenses by Rs.8.29 crore, understatement of Fixed Assets by Rs.4.97 crore, understatement of Depreciation by Rs.3.32 crore and overstatement of Surplus by Rs.4.97 crore.

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Science and Engineering Research Board, New Delhi

Corpus/Capital Fund: Rs.88.55 crore

Above has been overstated by Rs.82.57 crore, which is the amount of savings from the grants received from Department of Science and Technology, refunds of grants received from various grantee institutions and interest on bank balances, which was refundable to the Ministry. This has also resulted into understatement of Current Liabilities & Provision by the same amount.

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Council for Scientific and Industrial Research, New Delhi

Current Liabilities and Provisions: Rs.15863.54 crore

Deposits for externally funded projects: Rs.1841.24 crore

None of the 11 sampled Laboratories/Institutes complied with the audit observations made in the previous year's Audit Report and they were still following the earlier practices. As a result, the payment of advances amounting to Rs.57.52 crore made by them out of externally funded projects was booked as final expenditure. Further, these laboratories/institutes did not account for interest amounting to Rs.33.20 crore, which accrued to them on Term Deposits made out of funds of externally funded projects, in their books of accounts. This has resulted in the understatement of Current Liabilities towards deposits for Externally Funded Projects as well as Current Assets each by Rs.90.72 crore.

Current Assets, Loans and Advances: Rs.5126.42 crore

An amount of Rs.4.90 crore received by the Central Road Research Institute, New Delhi during 2018-19 from different Government/Non-government departments/agencies, for execution of sponsored/consultancy projects, were not taken into account. As a result, the Institute understated its Current Assets, Loans and Advances as well as Current Liabilities (Deposits for externally funded Projects) by Rs.4.90 crore each.

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Indian Institute of Technology, Patna

Current Liabilities: Rs.17.33 crore

The Ministry of Human Resource Development (MHRD) vide letter dated 25 October 2018 stated that negative balance of Grant to recoup internal generation of resources (IRG) should not be shown in the books of accounts. Hence, excess expenditure incurred over and above the grant sanctioned should be met from IRG. The Institute has incurred an excess expenditure of Rs.3.35 crore over and above the sanctioned grant and shown this amount as negative balance. This has resulted in understatement of Current Liabilities by Rs.3.35 crore and overstatement of Corpus to the same extent.

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National Institute for the Empowerment of Persons with Intellectual Disabilities (Divyangjan), Secunderabad

Income: Rs.35.37 crore

Unutilised capital grants of Rs.3.90 crore were credited to Grant-in-Aid in Income and Expenditure (I&E) accounts. Crediting of unutilised Capital grant to I&E Account is against the stipulations of Uniform format of Accounts wherein it is stated that Grants received for general purpose only need to be recognised as income in I&E Account. The unutilised Capital Grants need to be treated as current liability. As a result, Surplus/Corpus/Capital Fund was overstated to the extent of Rs.3.90 crore and understatement of Current Liabilities by that extent.

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Indian Institute of Science Education and Research, Berhampur

Current Liabilities & Provisions: Rs.134.69 crore

The interest income of Rs.2.38 crore earned on unutilised Government Grants was treated as income from investments instead of showing it as addition to the Unutilised Grants. This resulted in understatement of Current Liabilities & Provisions and overstatement of Surplus and corresponding overstatement of Corpus/Capital Fund by Rs.2.38 crore.

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All India Institute of Medical Sciences, Bhopal

Other Income: Rs.14.29 crore

This includes Rs.8.00 crore, which was the contribution received from NHDC Ltd., for Corporate Social Responsibility (CSR) for providing "Central Instrument Facility at AIIMS, Bhopal". Although funds were unutilised as on 31 March 2019, the same was booked as income. This has resulted in overstatement of Income as well as Reserve and Surplus by Rs.8.00 crore and understatement of Current Liabilities by same amount.

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National Institute of Technology, Srinagar

Current Liabilities & Provisions: Rs.227.47 crore

As per approved format of accounts, the utilised portion of Non-Recurring grants should appear as addition to Capital Fund and the unutilised portion of these grants should appear under Current Liabilities. The Institute is booking the entire Non Recurring Grants received amounting to Rs.141.99 crore under Current Liabilities, instead of booking the unutilised portion of Non-Recurring Grants amounting to Rs.25.52 crore. This has resulted in overstatement of Current Liabilities & Provisions by Rs.116.47 crore and understatement of Capital Fund by the same amount.

Learning Points: *The most significant or typical area of accounting in autonomous bodies is the treatment of grants and expenditure made from grants. The observations above point to a general lack of awareness among the autonomous bodies on accounting for these.*

Report No 4 of 2020 State Finances Audit Report for the year 2018-19 on Government of Telangana tabled in Legislature on 26 March 2021

Despite non-rendering of accounts for nine years, the Government has been providing loans (₹874.80 crore in 2018-19) and guarantees (increase of Rs.88 crore in 2018-19) to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB).

In the absence of rendering of annual accounts, there is likelihood of cases of misclassification and wrong accounting procedures going un-noticed. A case in point is- While the accounts of State Government depict a loan of ₹276.28 crore and Grants-in-Aid of ₹222.60 crore to Arogyasri Health Care Trust (AHCT) in 2017-18, the annual accounts of AHCT for 2017-18 depict that it has received ₹182.05 crore in the form of Advances and ₹461.38 crore in the form of Grants-in-Aid. Such aberrations/misrepresentations might go undetected if the annual accounts are not submitted in time.

The State Government advanced loans amounting to ₹2,300 crore to two Autonomous Bodies (ABs), which were implementing various programmes taken up by the State Government. No terms and conditions like repayment period, rate of interest, *etc*., were stipulated while sanctioning the loans indicating that they were indirect subsidies. Moreover, these ABs did not have any definite revenue stream to service the loan.

Providing funds in the form of loans to ABs, which do not have their own revenue resources for debt servicing and were implementing Government schemes, instead of in the form of either Grants-in-Aid or Subsidies resulted in understatement of Revenue Expenditure.

A Guarantee Commission of 0.5 *per cent* per annum or two *per cent* consolidated for the entire guarantee period from the borrowing entity was stipulated. Therefore, Guarantee Commission of ₹388.56 crore was to be received by the Government to the end of March 2019 from 26 institutions to which Guarantees of ₹77,713 crore were provided. Guarantee Commission of, however, ₹340 crore was received from only TSWRIDCL. This too was much higher (₹319.29 crore) than the Guarantee Commission of ₹20.71 crore actually receivable from TSWRIDCL.

Learning Points: *These are points that highlight the importance of proper accounting relating to the source and use of funds by Autonomous Bodies, both in the books of the grantor as well as the grantee. It has implications on use of funds, accounting, detecting revenue expenditure disguised as funding of entities and detecting less realisation of guarantee fees due to the Government, even while assuming a higher level of contingent liability (guarantees).*

Commercial Audit:

Report No. 1 of 2020 State Finances Audit Report for the year 2018-19 on Government of Goa tabled in Legislature on 29 January 2021

The Departmental undertakings of certain Government Departments performing activities of quasi-commercial nature are required to prepare *proforma* accounts in the prescribed format annually, showing the working results of financial operations so that the Government can assess their working. The accounts of Departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of such *proforma* accounts, the viability of these undertakings remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring viability and improving efficiency cannot be taken in time.

Heads of Departments in the Government have to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified timeframe. As of October 2019, there were two such undertakings, one of which had heavy arrears in accounts. The Department-wise position of arrears in preparation of *proforma* accounts and investments made by the Government in these two undertakings is given in **Table 3.3**.

Table 3.3: Position of arrears as on 31 October 2019 in preparation of Proforma Accounts

Department	No. of undertakings under the Department	Name of undertaking	Year up to which accounts finalised	Investment as per last accounts (*₹ in crore*)
Inland Water Transport	1	River Navigation Department	2005-06	108.29
Power	1	Electricity Department	2015-16	1468.51
Total				**1576.80**

(Source: Information furnished by concerned Departments)

Learning Points: *The observation covers scope, need, implication, point of responsibility and money involved in relation to Proforma accounts to be prepared by Departmentally managed commercial and quasi-commercial undertakings.*

Report No. 2 of 2020 for the year 2018-19 on Government of Goa tabled in Legislature on 29 January 2021

Follow-up Audit of 'Performance Audit of Estate Management of Goa Industrial Development Corporation'

The Follow-up Audit undertaken to assess the progress in implementation of recommendations of Performance Audit of Estate Management of Goa Industrial Development Corporation revealed failure in implementation of recommendations and lack of remedial action to address the underlying issues. A comprehensive database on type of industrial units operating at industrial estates, their functional status and employment generation did not exist. Allotment of plots at industrial estates was done arbitrarily and there was no transparency and fairness in evaluation of applications. While lack of adequate infrastructure delayed industrialisation and employment creation at some industrial estates, considerable revenue was lost due to unrealistic fixation of plot rate and non-recovery of applicable transfer fee and water charges from industrial units. Many allottees held plots without utilising it since allotment and indulged in land trading for private gains. The ineptness of the Corporation in acting against defaulters was evident from the fact that about 23 *per cent* of the land allotted to industrial units remained unutilised or vacant for three years to three decades. Management control over estate operations was ineffective due to inadequate MIS and internal audit and poor participation of State Government nominees in decision-making process.

Learning Point: *The Audit covers social as well as economic implications of inadequacies in estate management. It highlights its impact on employment and industrial development.*

[Report No. 5 of 2020 on Public Sector Undertakings for the year 2018-19 on Government of Karnataka tabled in Legislature on 3 February 2021]()

Submission of accounts by PSUs - Need for timely finalisation and submission

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

The number of accounts in arrears, of working Government Companies, is 71 (2018-19).

Learning Point: *Citing legal provisions has strengthened the observation. It cannot be seen as a case of mere administrative delay, but has to be seen as non-compliance with law.*

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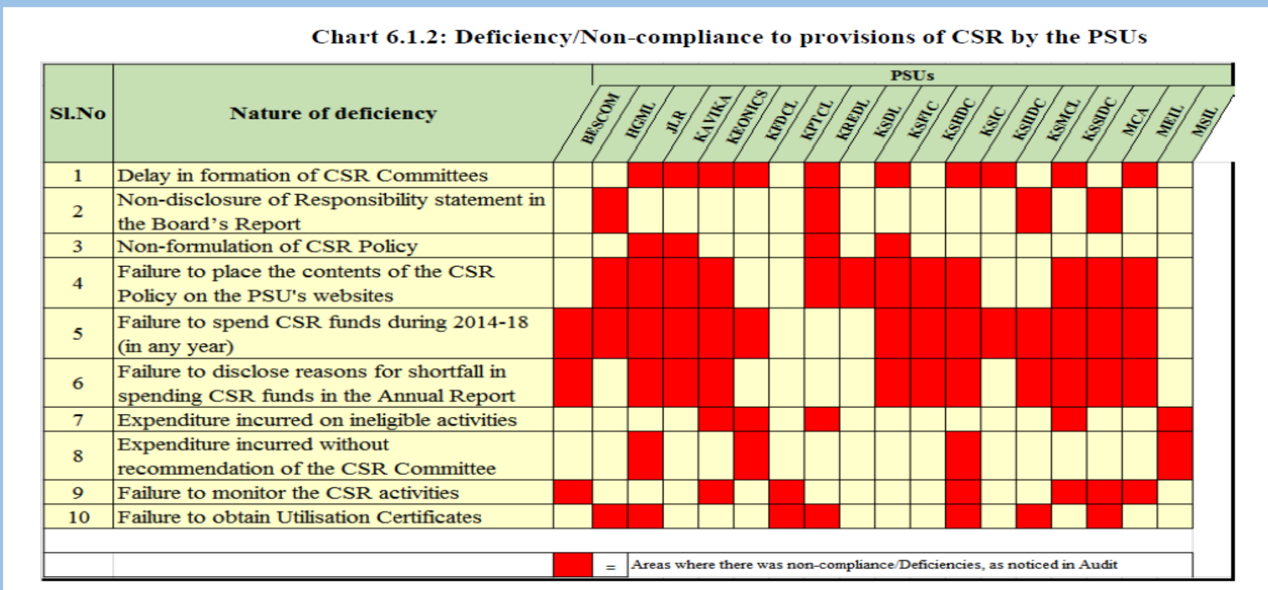
Corporate Social Responsibility

The following chart gives the details of deficiency/non-compliance to the various provisions of CSR.



Learning Point: *This is an example of how a graphical presentation can give a snapshot of all audit findings and entities mapped to the issues seen.*

Expenditure on ineligible activities

Five PSUs spent Rs.14.28 crore on activities, which were not specified/not in line/not in conformity with Schedule VII of the Companies Act, 2013 and Rule 6 of the CSR Rules 2014. Such ineligible activities included amounts spent on Temples/religious institutions (2017-18: Rs.13 lakh by KREDL), issuing laptops to journalists (2016-17: Rs.15 lakh by KEONICS) and contribution to Chief Minister's (CM) Relief Fund (Rs.14 crore by MSIL (2014-18), KFDCL (2014-15) and KSSIDC - 2014-15). As a result, developmental activities under CSR were short achieved to that extent.

Learning Point: *Not only is such expenditure irregular, but it also results in short achievement of genuine welfare targets.*

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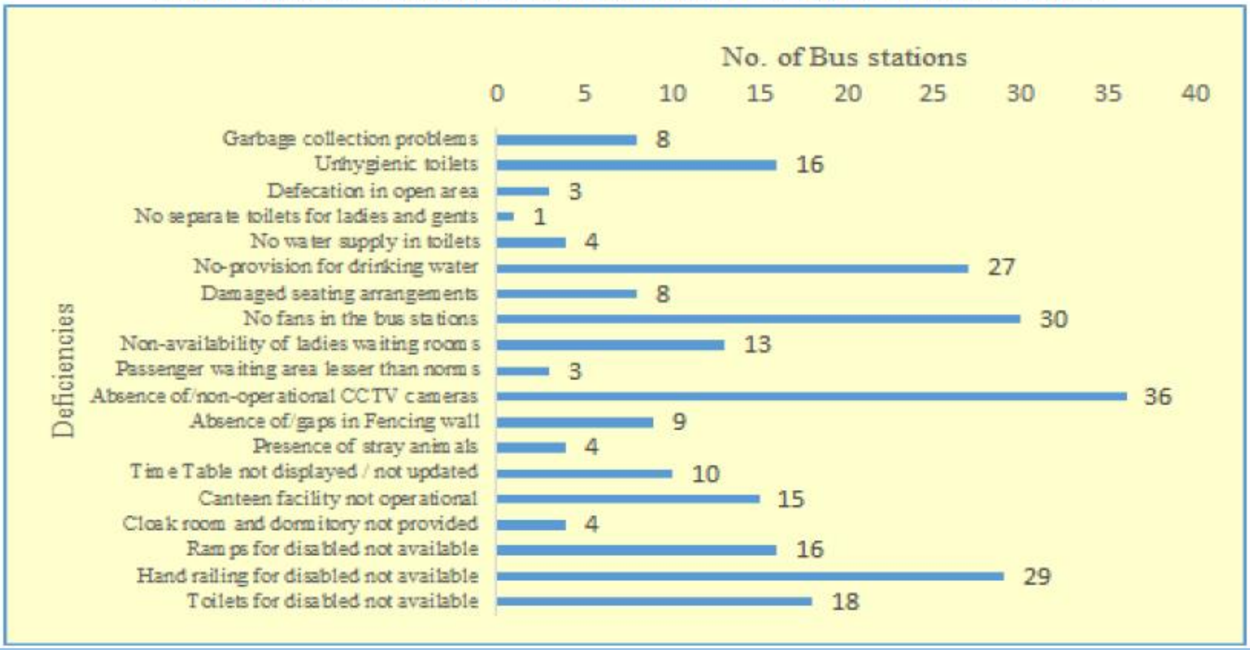
Karnataka State Road Transport Corporation

Audit findings on adequacy of passenger amenities provided at bus stations with reference to norms prescribed by the Corporation are summarized below:

Chart No. 6.3.1: Deficiencies noticed in test checked 40 Bus Stations



Learning Point: *This is an example of how a graphical presentation can give a snapshot of all audit findings and degree of pervasiveness of the issues seen. This is an example of an issue of broader public interest that has been brought out in an Audit Report. It is an example of how Audit can make a difference to the lives of citizens, as enshrined in INTOSAI-P 12.*

Report No. 18 of 2020 for the year 2018-19 on Union Government (Commercial) (Compliance Audit Observations) tabled in Parliament on 9 February 2021

Air India Limited

M/s Ballarpur Industries Limited failed to pay outstanding rent for the premises occupied in Air India Building. At the request of Air India, Collector's office started recovery proceedings and initiated attachment of private property of the tenant. However, Air India withdrew the recovery proceedings initiated by the Collector's office without any out of court settlement agreement and pending final payment of dues thereby granting undue favour to the tenant. An amount of Rs.7.77 crore is still outstanding, realisation of which is doubtful.

Learning Point: *Though Court case was won and recovery was started, out of court settlement was resorted to. This has led to loss of time, money and effort on litigation and even after the litigation* *was successful, the Company chose to incur loss of revenue. Hence, it is commented upon as a case of undue favour.*

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Mahanadi Coalfields Limited

Mahanadi Coalfields Limited, under mining contract, allowed excess payment to a contractor of Rs.45.17 crore due to difference between the power cost included in the mining fees as per the contractual terms and the amount actually recovered from the contractor based on actual consumption of power, during the period from January 2013 to December 2018.

Learning Point: *In this case, the same transaction was quantified at different amounts, when it comes to receivable and payable amounts. This led to loss to the Company.*

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NLC India Limited

NLC India Limited entered into an outsourcing contract for lignite excavation. Adequate quantities of lignite were available to operate both the Thermal Power Stations, linked with the mine without going for excavation outsourcing. Despite knowing the above facts, outsourcing contract for lignite excavation was entered into, which was avoidable. It resulted in expenditure of Rs.28.74 crore. Further, quantity excavated through outsourcing contract resulted in overstocking of inventory and ultimately deterioration in the quality of lignite.

Learning Point: *It is an example where activity undertaken was not need-based, resulted in avoidable payment to an external party and was ultimately rendered wasteful.*

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Bharat Heavy Electricals Limited (BHEL)

BHEL suffered a loss of Euro 3.83 million (Rs.28.35 crore) due to failure to deliver performance as per the contractual provisions and resultant invocation of bank guarantee by the client Electrik Uretim AS Genel Mudurlugu (EUAS), Turkey.

Learning Point: *Being a foreign contract, such losses imply drain of India's wealth.*

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National Insurance Company Limited

Review of Underwriting of Group Mediclaim Insurance Policies

Audit test checked 820 policies and observed that in 238 policies (29 *per cent*), desired loading was not imposed during renewal despite having high claim experience in the expiring policies resulting in loss of premium income amounting to Rs.372.27 crore during 2014-15 to 2018-19.

Learning Point: *In insurance, claim history on group Mediclaim policies indicates the general trend of claim liability that may arise in future. Hence, premium to be charged in future policies needs to be linked to such potential claim amount, so that the Company does not issue policies at such rates, as would lead to huge losses.*

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Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited

Implementation of de-regulation of pricing regarding major Petroleum Products

- There were 95 instances (IOCL- 41 and HPCL-54) when prices were revised on higher side than the prevailing Retail Sale Price (RSP) for the day by the dealers resulting in overcharging which is a major irregularity in terms of Marketing Discipline Guidelines (MDG).
- Audit observed that overcharging occurred due to discrepancy in communication of rates through mail and server. The dealer implemented the rate communicated through auto-generated mail, which was higher than the rate pushed by the server.

Learning Point: *Overcharging by dealers, caused by defective technology or otherwise, would lead to burden on commoners. Audit has pointed out such issues.*

Report No. 7 of 2020 on General Purpose Financial Reports of Central Public Sector Enterprises for the year 2018-19 on Union Government (Commercial) (Compliance Audit) tabled in Parliament on 9 February 2021

Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Comments on Profitability

Ratnagiri Gas and Power Private Limited

Trade payables and fuel consumed did not include Rs.20.73 crore towards increased transmission charges for the year 2018-19 levied by GAIL (India) Limited in terms of Gas Supply agreement (GSA) dated 29 March 2017 which was shown as contingent liability. This resulted in understatement of trade payables, understatement of fuel expenses and overstatement of contingent liabilities by Rs.20.73 crore.

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Comments on Financial Position

Government EMarketplace (2017-18)

GeM project and various other assets transferred to the company during the year were not accounted for in the books of the company.

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Karnataka Solar Power Development Corporation Limited

The capitalization cost of dismantling, removing, & restoring was not included in the carrying amount of property, plant and equipment, which was not in line with Ind AS 16. The amount was not quantifiable in Audit.

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IFCI Infrastructure Development Limited (Standalone and Consolidated Financial Statement)

Inclusion of an amount of Rs.1.40 crore deposited with banks having maturity period of more than 12 months in cash and cash equivalent, which was contrary to the guidance note on schedule-III (Ind AS) of Companies Act, 2013, resulted in understatement of non-current assets and overstatement of current assets by Rs.1.40 crore.

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KIOCL Limited

Cash and cash equivalents were overstated by Rs.42.31 crore due to inclusion of amount invested in mutual funds instead of classifying the same under investments.

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United India Insurance Company Limited

Provisions as well as loss for the year were understated to the tune of Rs.247.72 crore due to creation of part provision i.e., to the extent of 10 *per cent* of the amount of principal and interest due from IL&FS and its subsidiaries instead of fully providing the same. This was not done despite the fact that as per the proceedings of NCLAT, the above Companies were placed under the 'Red' category by the new Board of Directors appointed by the Union Government which meant that the these Companies were not in a position to meet their payment obligations towards even senior secured financial creditors.

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North East Transmission Company Limited

The Company recognised an amount of Rs.15.42 crore towards Deferred Tax Liabilities (Net) in the Balance Sheet, after deducting an amount of Rs.15.13 crore of Deferred Tax Assets, which was not in line with the guidance note on accounting for the rate regulated activities, which stipulated that an entity shall not offset rate regulated assets and liabilities and should present separate line items in the Balance Sheet.

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Comments on Disclosure

IRCON Shivpuri Guna Tollway Limited

An amount of Rs.44.33 crore incurred during the year on construction of toll road was wrongly depicted as purchase of property, plant and equipment (including CWIP) instead of purchase/construction of intangible assets under cash flow from investing activity.

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Renewable Power Corporation of Kerala Limited

The Company did not disclose the details of Key Management Personnel (KMPs) compensation in total and for various categories of KMPs, which was contrary to the provisions of Ind AS 24.

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Tungbhadra Steel Products Limited

The disclosure in notes to the accounts that sale proceeds of land amounting to Rs.55.23 crore were to be disbursed to GoI did not reflect factual position as the amount had already been utilised for payment of outstanding income tax liability.

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Comments on Auditor's Report

Airline Allied Services Limited (2017-18)

There was reference to basis of qualified opinion paragraph in the auditor's report though there was no such paragraph in the said Report.

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Pawan Hans Limited (2017-18)

It was stated in auditor's report that the Company had a policy of physical verification of inventory over a period of three years, which was not correct as no such policy was adopted by the Company.

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Cent Bank Home Finance Limited

Even though the Company had lodged a first information report against two of its borrowers and two of its ex-employees for disbursement of loan based on forged documents, the statutory auditor did not report any fraud in its report under Companies Auditor's Report Order (CARO) Rules, 2016.

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SBI General Insurance Company Limited

The certification that no part of the assets of the policyholders' funds was directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938, was not correct as the Company had an investment of Rs.63.29 crore in fixed interest bonds in Tata Sons Private Limited as on 31 March 2019, which was prohibited under Section 27A (4) of the Insurance Laws (Amendment) Act, 2015.

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Corporate Social Responsibility

As per CSR Rule 4 (6), administrative overhead expenditure (OH) shall not exceed five *per cent* of overall CSR funds. The OH expenditure required to be disclosed separately should include baselines studies, capacity building and other overheads. Out of total CSR spend of Rs.3,759 crore, percentage of OH for 35 CPSEs was 2.46 *per cent* only i.e. Rs.92.36 crore. Audit observed that:

- 32 CPSEs did not indicate any OH expenses separately under CSR.
- As per MCA amendment dated 12.9.2014, 'Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads, shall not exceed five *per cent* of total CSR expenditure of the company in one financial year'. In this connection, total 23 CPSEs included salaries of Rs.76.03 crore under OH. Salary was more than Rs.1 crore for nine CPSEs.

- The OH exceeded the limit of five *per cent* in respect of three CPSEs viz. HCOL (5.28 *per cent*), KPL (6.47 *per cent*), and PFCL (5.27 *per cent*).

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Activities not covered under CSR activities

- PGCIL incurred Rs.0.16 crore to provide Wi-Fi hotspots at 105 Railway Stations in Mumbai under 'Education sector'.
- Further, as per PGCIL's CSR & Sustainability Rules, the thrust area of 'Education' includes expenditure on infrastructure in school/college/hostels, scholarship and education programmes for mentally and physically challenged children/persons. Thus, the expenditure on the above project was not in line with its own CSR & Sustainability Rules.

Learning Point: *Funds, which should have been spent on education and for emancipation of needy and underprivileged sections of society, have been spent on promoting such technology, which would instead benefit privileged sections of society, by adding to the profits of (often foreign) technology suppliers and businesses in the ICT sector, by promoting, propagating and perpetuating use of such technology and consequent consumerism.*

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- As per the clarifications issued by MCA in January 2016, one off events such as marathons/ awards/advertisement etc. are not to be included under CSR. However, Audit noticed:
- NTPC, PFC and PGCIL incurred Rs.96.07 crore (Rs.48.31 crore, Rs.41.40 crore and Rs.6.36 crore, respectively) for display of SAUBHAGYA Scheme (i.e. Pradhan Mantri Sahaj Bijli Har Ghar Yojna) hoardings in different States of the country.

Learning Point: *Money spent on advertising a government scheme has no social benefit. Such costs need to be met from budget, rather than from PSU funds.*

General Learning Points on Corporate Social Responsibility: *One may have to look at expenditure on Corporate Social Responsibility with professional scepticism. One may have to see that the expenditure is compliant, and even where it is seen as compliant, that it is fair. It should not disguise:*

1. *Advertising and Publicity for the organisation incurring it.*
2. *Promotion or propagation of another's business or such other interests.*
3. *Political propaganda.*
4. *Expenditure, which should have been incurred by the Government, being funded by corporates as Corporate Social Responsibility.*

Report No. 2 of 2020 on Public Sector Undertakings (Social, General and Economic Sectors) for the year 2018-19 on Government of Haryana tabled in Legislature on 5 March 2021

Performance Audit - Working of Haryana Vidyut Prasaran Nigam Limited

Electricity consumers of the State were subjected to undue burden of Rs.168.64 crore during 2014-19 due to inefficiencies of the Company relating to nonsynchronous commissioning of sub-stations and transmission lines, underutilisation of transmission capacity and non-passing of benefits of Advance Against Depreciation and interest waiver.

Learning Point: *Audit can go beyond quantifying and pointing out losses to the public sector and can quantify and point out impact of inefficiencies passed on the consumer, as PSUs are expected to run with the motive of welfare and fair treatment of all stakeholders, including consumers and citizens.*

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In disregard to Bank Guarantee (BG) terms, the Company released all advance payments to one out of the two guarantee issuing banks. As a result, it could not recover Rs.9.57 crore from one of the BG issuing Bank.

Learning Point: *It is a quantification of loss caused due to non-compliance of terms of funding arrangements.*

Report No. 2 of 2020 on Public Sector Undertakings (Social, General and Economic Sectors) for the year 2018-19 on Government of Punjab tabled in Legislature on 5 March 2021

Performance Audit- Assessment of activities of Punjab Small Industries and Export Corporation Limited

Survey on allottees satisfaction

With a view to elicit opinion of the allottees on the condition of infrastructure i.e. roads, sewerage, street lighting, water supply, etc., Audit conducted (July-August 2019) an Inspection-*cum*-Survey covering 32 allottees who had executed their projects in seven out of 24 selected industrial focal points (IFPs).

(i) 53 *per cent* allottees were not satisfied with the condition of roads and sewerage facilities, 41 *per cent* and 19 *per cent* pointed out the poor condition of streetlights and water supply, respectively.

(ii) It was observed that Rs.47.44 crore lying with the Company under the project liability of different IFPs were not utilised for maintenance and upgradation of IFPs. As a result, the condition and environment of IFPs deteriorated with the passage of time. Instances of accumulation of rainwater, overflow of wastewater and garbage dumps were observed.

The above condition of IFPs indicated their poor maintenance, thereby making these a health hazard due to un-hygienic conditions prevailing there.

Learning Point: *This is an example of using direct inspection of sites and survey of beneficiaries for arriving at audit conclusions. This engages stakeholders in the Audit process and enhances credibility.*

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Avoidable payment of income tax

The Accounting Policy of the Company and Accounting Standards of the Institute of the Chartered Accountants of India (ICAI) for valuation of inventories as applicable to the Company provide that closing stocks of plots was to be valued at cost or allotment price, whichever is lower.

In contravention to its Accounting Policy, the Company valued its unsold inventory of plots at IFP Kapurthala at estimated development cost of Rs.36.00 crore (Rs.929.45 *psy*) instead of actual cost of development of Rs.24.09 crore (Rs.622.11 *psy*) incurred up to 31 March 2018. This resulted in overstatement of closing stock and profit by Rs.11.91 crore and consequential avoidable payment of income tax of Rs.4.12 crore thereon for the financial year 2017-18.

The Management accepted (July 2020) the audit observations and agreed to value the inventory of plots as per the expenditure actually incurred in financial statements of subsequent years.

Learning Point: *This is an example of financial impact of non-compliance with accounting standards.*

Report No. 2 of 2020 for the year 2018-19 on Government of Uttarakhand tabled in Legislature on 6 March 2021

Compliance Audit of Compliance to Uttarakhand Right to Service Act 2011, Citizen Charter and Standard of Performance by Uttarakhand Power Corporation Limited

Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. The Uttarakhand Sustainable Development Goal 7 aims to ensure that every citizen has access to affordable, reliable and modern energy services by 2030.

Uttarakhand Power Corporation Limited (UPCL) did not provide enlisted services in Uttarakhand Right to Service (URTS), Act 2011, Standard of Performance (SoP) and Citizen Charter (CC) within the prescribed timeline to its consumers. Uttarakhand Electricity Regulatory Commission (UERC) imposed penalty of Rs.18.82 crore on UPCL due to delay in providing of new service connections. UPCL could not ensure replacement of burnt/defective meters within prescribed time resulting in penalty of Rs.6.89 crore and delay in testing of meters attracted penalty of Rs.66.34 lakh. Further, non-compliance to the norms in respect of disconnection/reconnection by UPCL attracted penalty amounting to Rs.3.19 crore during 2016-17 to 2018-19.

In cases where consumers want disconnection of power, UPCL must carry out special readings and prepare final bill, including all arrears up to the date of billing, within five days of receiving such request. Also, in case of request of reconnection, if the consumer requests for reconnection of supply within a period of six months after disconnection, the UPCL shall reconnect the consumer's installations within five days of payment of past dues and reconnection charges.

Learning Point: *This is an example of how poor performance by public utilities can lead to penalties by regulators, in addition to inconvenience to users. The report invokes Sustainable Development Goals, which are UN-driven goals. Audit can look into similar issues of non-compliance based on such audit criteria, independent of regulatory action and irrespective of whether there was any financial impact in terms of penalties or not.*

Corporate Finance:

Report No. 5 of 2020 on Public Sector Undertakings for the year 2018-19 on Government of Karnataka tabled in Legislature on 3 February 2021

The State Government provided financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off, interest waived, guarantees issued and guarantee commitment in respect of PSUs (other than Power Sector) for the three years ended 2018-19 are given below.

Table No. 4.3: Details regarding budgetary support to PSUs (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2016-17 No. of PSUs	2016-17 Amount	2017-18 No. of PSUs	2017-18 Amount	2018-19 No. of PSUs	2018-19 Amount
1	Equity capital outgo from budget	11	4,220.80	13	4,100.37	20	6,634.99
2	Loans given from budget	2	44.70	3	356.33	4	984.21
3	Grants/Subsidy from budget	29	9,704.02	30	10,187.15	37	8,854.54
4	Total outgo	-	13,969.52	-	14,643.85		16,473.74
5	Waiver of loans and interest	-	-	-	-	-	-
6	Guarantees issued	11	2,116.32	8	3,464.19	7	2,999.11
7	Accumulated Guarantee Commitment	15	7,796.23	13	14,303.94	13	14,668.06

Learning Point: *This is a tabulation of various forms of direct and indirect funding of PSUs.*

Report No. 7 of 2020 on General Purpose Financial Reports of Central Public Sector Enterprises for the year 2018-19 on Union Government (Commercial) (Compliance Audit) tabled in Parliament on 9 February 2021

Return on Capital Employed (ROCE)

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed.

A CPSE is classified as monopoly if there is no competition in the geographical area in which it operates.

ROCE in respect of Monopoly and Non-monopoly CPSEs are given in Table 1.17.

Table 1.17: ROCE of Monopoly vs. Non-monopoly CPSEs

Year	Monopoly No. of CPSEs	Monopoly EBIT (₹ in crore)	Monopoly Capital employed (₹ in crore)	Monopoly ROCE (in %)	Non-monopoly No. of CPSEs	Non-monopoly EBIT (₹ in crore)	Non-monopoly Capital employed (₹ in crore)	Non-monopoly ROCE (in %)
2016-17	61	1,10,481	8,58,402	12.87	328	1,62,781	16,97,997	9.59
2017-18	64	1,23,546	9,90,103	12.48	347	1,66,985	17,84,337	9.36
2018-19	66	1,25,877	11,30,737	11.13	368	1,92,757	20,36,594	9.46

Learning Point: *The ROCE in respect of government monopolies is higher than from non-monopolies.*

Report No. 18 of 2020 for the year 2018-19 on Union Government (Commercial) (Compliance Audit Observations) tabled in Parliament on 9 February 2021

Hindustan Copper Limited

Hindustan Copper Limited (HCL) was approached by the Asset Reconstruction Company (India) Limited, Mumbai (ARCIL) seeking their interest in the acquisition of the plant of Jhagadia Copper Limited (JCL), Gujarat which was closed since was September 2009 for want of working capital. Though apprised of the threats regarding operational aspects as well as constraints for availability of raw materials for the plant, HCL acquired (February 2015) JCL plant from ARCIL as a single bidder and renamed it as Gujarat Copper Project (GCP). The capacity utilization of GCP was only 20 *per cent* of the total capacity of the plant during the period from November 2016 to March 2019 primarily due to non-availability of raw materials. As a result, HCL suffered a loss of Rs.102.49 crore during the above period by operating GCP. In the meantime, the Company made a total investment of Rs.303.18 crore in GCP (including acquisition cost) till March 2019.

Learning Point: *This is an example of an investment decision, which was taken after overruling concerns, resulting in losses.*

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Due Diligence on funding arrangements

India Infrastructure Finance Company Limited (IIFCL) - Review of Loans to Road Project

IIFCL sanctioned and disbursed two loans under Takeout Finance Scheme without ensuring compliance of critical requirement of obtaining 'No Objection Certificate' from Concessionaire Authorities, and without ensuring required debt servicing capacity of the borrowers from their audited annual accounts. Further, in one case, the project had already been terminated before execution of the takeout financing documents between IIFCL and the original lender banks, while in the other case, the notice of termination of project happened before disbursement of loan by IIFCL. Resultantly, the loans of Rs.26.20 crore became irrecoverable.

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SBI Global Factors Limited

SBI Global Factors Ltd., sanctioned factoring facility worth Rs.35 crore to M/s. Fabtech Projects & Engineers Ltd (FPEL). The facility showed early warning signals of stress such as delays in payments, direct payments, downgrading of credit rating, adverse remarks in Auditor's report, etc. The Company continued to factor the invoices submitted by FPEL and made payments to them instead of taking action to reduce and exit from the facility. The asset became an NPA in March 2019 and dues amounting to Rs.28.37 crore were not recovered.

Learning Point: *These observations indicate the fact that lack of due diligence may lead to loss.*

Report No. 2 of 2020 for the year 2018-19 on Government of Uttarakhand tabled in Legislature on 6 March 2021

Power Transmission Corporation of Uttarakhand Limited

Asian Development Bank (ADB) withdrew/terminated its loan as the Power Transmission Corporation of Uttarakhand Limited failed to utilise the loan in time, which resulted in a burden of Rs.2.28 crore in the form of commitment charges payable to ADB.

Learning Point: *This is a case of inability to utilise a loan from an external agency and consequent liability of commitment charges that ultimately affects the finances of the nation.*

Report No 1 of 2020 State Finances Audit Report for the year 2018-19 on Government of Tripura tabled in Legislature on 23 March 2021

Audit scrutiny revealed that in two PSUs, the Government had invested ₹44.77 crore during 2018-19. However, these PSUs spent the amount for payment of salaries and other benefits of their employees under revenue account. Consequently, the investment of the State Government was overstated to that extent during the year.

Learning Points: *This is an outcome-based classification of government funding. Audit has looked at the 'substance' of the transaction from the point of view of the ultimate use of the funds, rather than the form. It is similar to commercial accounting, wherein investments are to be written down in dynamic response to erosion of financial position of investee entity or due to steep decline in earning prospects from the investment. Classification as Investment may not attract much attention, as it would create the impression that the funding was meant for a long-term investment in the capital of a PSU. Here, Audit has shown that it was spent on revenue heads and hence is a disguised revenue expenditure.*

Report No. 1 of 2021 on Social, General, Economic and Revenue Sectors for the year 2018-19 on Government of Jammu and Kashmir tabled on 24 March 2021

The State Government had infused Rs.5,753.83 crore as per the finalised accounts of 2013-14 to Jammu and Kashmir State Power Development Corporation Limited (JKSPDC) for creation of capital assets.

As per records of Department, an amount of Rs.5,318.61 crore was outstanding as of March 2018 with JKSPDC. The State Government (December 2018) instructed JKSPDC to adjust Rs.3,668.81 crore against the liability of State Government on account of power purchase from the Company and issue equity shares worth Rs.2,588.34 crore to the State Government. The balance (Rs.1,649.80 crore) available with JKSPDC, the assets transferred to JKSPDC (Rs.916.54 crore) by the State Government at token value of Rs.one in the year 1999 and 44 MW project (Rs.22 crore) transferred to JKSPDC by the PDD in the year 2011 together were treated as equity contribution. The Company issued (August 2019), shares worth Rs.2,588.34 crore, in compliance of the Government Orders.

The adjustment of outstanding electricity bill of the State Government against funds received for capital assets was irregular as the funds were provided by the Government for construction of capital assets. Besides, the accounts of the Company were depicting these funds as capital reserves.

Learning Points: *It is an example of how classification of revenue and capital nature of transactions/ balances are changed based on executive decision, rather than according to the substance of the transaction. It is also an example of how transactions made long ago, such as those transfers in kind, are suddenly reclassified as equity transactions based on executive declaration instead of accounting principles, which reveal an arbitrary and discretionary, rather than a systematic, consistent and policy-based, pattern of accounting for funding. Implementation of accounting standards for government such as IGAS-9: Government investments in Equity, is expected to bring more clarity in such accounting in due course.*

Report No 4 of 2020 State Finances Audit Report for the year 2018-19 on Government of Telangana tabled in Legislature on 26 March 2021

Kaleshwaram Irrigation Project was implemented through a SPV. The Detailed Project Report (DPR) of the Project mentioned that it would hardly generate any revenues. It was observed in audit that while providing guarantees of ₹27,990 crore to the SPV for obtaining loans from various Banks, the

Department stipulated a condition that the SPV shall undertake to repay the loans through revenue accruals from the project or project revenues. In view of the mention in the DPR that there might be hardly any revenues from the Project, there is a risk that the Guarantee given by the State Government to KIPCL turns out to be an off budget borrowing.

Learning Points: *It is an example of how apparent corporate financing may, in fact, be off-budget borrowing for meeting government expenditure.*

Report No. 1 of 2020 on Economic Sector and Public Sector Undertakings for the year 2017-18 on Government of Telangana tabled in Legislature on 26 March 2021

The figures in respect of equity, loans and guarantees outstanding as per records of PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2018 was as follows:

(Power Sector)

Table 1.4: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of Power Sector PSUs

(₹ in crore)

Outstanding in respect of	No. of PSUs	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
(A)	(B)	(C)	(D)	(E) = (C)-(D)
Equity$	2	13218.89	4528.2 0	8690.69
Loans$	3	287.35	3967.69	(-) 3680.34
Guarantees	5	2965.87	4,628.99	(-) 1663.12

Source: Based on Finance Accounts and information furnished by PSUs

$ Information in respect of only those PSUs whose equity and loans were bifurcated on demerger as per finance accounts is considered

(Non-Power Sector)

Table 4.4: Equity, loans and guarantees outstanding as per Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Amount outstanding in respect of	No. of PSUs	As per Finance Accounts	As per records of PSUs	Difference
(A)	(B)	(C)	(D)	(E) = (C)-(D)
Equity$	11	101.95	42.17	59.78
Loans$	5	4128.90	4697.10	(-)568.20
Guarantees	11	28670.19	47175.68	(-)18505.49

Source: Based on Finance Accounts and information furnished by PSUs

$ Information in respect of only those State PSUs (Non-Power Sector) whose equity and loans were bifurcated on demerger as per finance accounts is considered

It was observed that the differences in the figures of Equity (Power Sector) were due to accounting the State Government Investments as Share Application Money pending allotment of shares. The differences in Loans and Guarantees (and Equity in non-Power Sector) were however, pending reconciliation since long. The matter was taken up (December 2018) with the State Government and replies were awaited. The State Government and the Power Sector PSUs should take concrete steps to reconcile the differences in a time bound manner.

Learning Point: *Long-term retention of huge amounts of money as Share Application Money may place funding of PSUs out of Legislative scrutiny. Such parking of funds may either be a means of carrying forward budgetary grants that would otherwise lapse at the end of the year, or it may lead* *to a means of financing that may get spent on routine payments over the years instead of being counted as capital investment. Such amounts do not directly appear in calculations like basic earnings per share, but may appear only in diluted earnings per share. All these would wrongly show a better financial position of the PSU for an indefinitely long period. Had such application money been retained over a long period and had been raised through an offer, it would have been treated as deposits under the Companies (Acceptance of Deposits Rules), 2014. Here, only because of the legal form of funding, it may get classified as Application Money, though in substance, it would be capital or loan.*

More so, for states which have undergone bifurcation, prompt segregation and reconciliation of accounts is necessary to avoid long-term issues, as records are likely to become less easily traceable over time. In any case, huge variation such as these may lead to amounts simply 'going missing' or at least, being perceived so. In case of guarantee and loans, the amount as per Finance accounts is less. This may result in a hidden ultimate liability for the Government, which is not getting reflected in their accounts.

Corporate Governance:

Report No. 2 of 2020 for the year 2018-19 on Government of Goa tabled in Legislature on 29 January 2021

Follow-up Audit of 'Performance Audit of Estate Management of Goa Industrial Development Corporation'

Inadequate participation by Government nominees at Board meetings

The Performance Audit had observed that the official directors nominated by State Government did not attend the meetings of Board of Directors (BoD) on a regular basis and recommended that their participation in the top management should be ensured for better governance. The BoD had resolved (March 2016) to adopt the audit observations for better corporate governance.

During the Follow-up Audit, we observed that the attendance of four State Government nominees in 19 Board meetings held during 2015-19 was not satisfactory. Their absence in meetings ranged from 58 *per cent* to 95 *per cent* of the meetings. None of the four Government nominees were present in five meetings while their collective presence was noticed in only one meeting. The absence of these officers indicated that the Government's viewpoint was not available in deliberations on important matters such as allotment of plots, fixation of plot rate/lease rent, administrative approval and expenditure sanction for various works at industrial estates (IEs), transfer/sub-lease of plots, swapping of allotted plots, adoption of final accounts, approval of budget estimates, *etc.*

Thus, no corrective action was taken on our recommendation and the resolution of the BoD to ensure improved participation by Government nominees in the top management, thereby abnegating the purpose of Government control and oversight over the affairs of the Corporation.

Learning Point: *The Audit discusses the implications of abdicating corporate governance.*

Report No. 7 of 2020 on General Purpose Financial Reports of Central Public Sector Enterprises for the year 2018-19 on Union Government (Commercial) (Compliance Audit) tabled in Parliament on 9 February 2021

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 55 CPSEs covered in the review. The following significant departures from the prescribed guidelines were noticed:

- In one CPSE, the non-executive directors constituted less than 50 *per cent* of the total strength of the Board of Directors.
- Representation of independent directors in 30 CPSEs was below the required number. There was no independent director on the Board of Directors of two CPSEs.
- Some of the independent directors did not attend even 80 *per cent* of Board meetings in 31 CPSEs and Board committee meetings in 16 CPSEs. Some of the Independent Directors did not attend General meetings in 34 CPSEs.
- In six CPSEs, separate meetings of Independent Directors were not conducted and in 20 CPSEs, some Independent Directors did not attend the separate meetings.
- Vacancies of independent directors were not filled in time in 29 CPSEs. Vacancies of Whole Time Key Managerial Personnel in four CPSEs were not filled in time.
- While all the CPSEs under review with the exception of Scooters India Limited and IFCI Limited constituted an audit committee, the number of independent directors in the audit committee was below the prescribed number in two CPSEs.
- Audit Committee did not review whistle blower mechanism in seven CPSEs.

Learning Point: *Observations on corporate governance can be on non-compliance. Monetary effect need not be quantified or commented upon.*

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As per MoU signed between NTPC and Ministry of Power for the year 2017-18, one of the performance criteria for other than mandatory parameters was Human Resource Management, including ‘Preparation of succession plan and its approval by the Board of Directors’ as one of the targets. The marks to be awarded for this parameter was set at two and the date by which HR Audit & Board Decision on finding of HR audit was to be obtained was 30 September 2017 for excellent rating. This target was achieved on 27 October 2017 i.e., date of approval by Board of Directors of NTPC but NTPC stated in self-evaluated score date of achievement as 29 September 2017 i.e., submission of proposal to functional Directors and CMD of NTPC and claimed full marks for the same. If actual date of achievement date is considered, the achievement of NTPC falls under the fair category against the excellent as claimed by NTPC. This resulted in MoU being over-rated as 'Excellent' instead of 'Very Good' and in higher payment of PRP.

Learning Point: *This is an example where monetary implication of non-compliance of corporate governance can be invoked.*

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Though the hosting of the MoU of CPSEs on their respective web sites is encouraged by DPE, Audit scrutiny of respective websites of CPSEs disclosed that the same had not been done by BPCL and SAIL for 2017-18 and 2018-19 and by ONGC for 2017-18.

Learning Point: *This is a measure regarding degree of willingness to accept transparency and promoting ease of access among stakeholders regarding governing criteria of CPSEs.*

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1. Do not feel absolutely certain of anything.

2. Do not think it worthwhile to proceed by concealing evidence, for the evidence is sure to come to light.

3. Never try to discourage thinking for you are sure to succeed.

4. When you meet with opposition, even if it should be from your husband or your children, endeavour to overcome it by argument and not by authority, for a victory dependent upon authority is unreal and illusory.

5. Have no respect for the authority of others, for there are always contrary authorities to be found.

6. Do not use power to suppress opinions you think pernicious, for if you do the opinions will suppress you.

7. Do not fear to be eccentric in opinion, for every opinion now accepted was once eccentric.

8. Find more pleasure in intelligent dissent than in passive agreement, for, if you value intelligence as you should, the former implies a deeper agreement than the latter.

9. Be scrupulously truthful, even if the truth is inconvenient, for it is more inconvenient when you try to conceal it.

10. Do not feel envious of the happiness of those who live in a fool's paradise, for only a fool will think that it is happiness.

Bertrand Russel

Section 5: Developments of Interest on Knowledge Centre topics

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(I) National Financial Reporting Authority (NFRA) – A Note on their website

"The Western India Regional Council (WIRC) of the Institute of Chartered Accountants of India had invited Shri R. Sridharan, Chairperson, NFRA, to be the Chief Guest at their 35th Regional Conference on the 24th. Subsequently, the WIRC rescheduled the speech to 26th December between 5 p.m and 6 p.m. However, this was followed by a further communication from the WIRC stating that accommodating the Chairperson's speech in the conference schedule would not be possible.

The speech was intended to clarify very many matters pertaining to the NFRA's mandate, its approach, and important aspects of audit quality that are currently the subject of serious debate. It is, therefore, felt that the speech should be published, nevertheless, in the interests of bringing these matters to the attention of the CA profession."

Adapted extracts of this "Speech prepared by Chairman, NFRA, to be delivered as Chief Guest at the 35th Regional Conference of the Western India Regional Council of the Institute of Chartered Accountants of India on 24th December,2020" are given herein.

Auditors always need to keep in mind that their ultimate accountability is to the shareholders of a company. It is never to the management. As a means of practically giving effect to this important distinction, the Standards on Auditing have developed the concept of Those Charged With Governance, or TCWG. An entire separate Standard deals with the Auditor's responsibility for communicating to TCWG all important matters arising in the course of the audit. TCWG is identified by 3 key aspects of the role they perform: first, overseeing the strategic direction of the entity; second, overseeing the obligations related to the accountability of the entity; and third, overseeing the financial reporting process. Given this, it is clear that the management will not be TCWG; it will not be the Audit Committee also. A key identifier would be whether the group has the authority to take corrective action in any matter in question, and whether it can control, or if necessary, penalise management. NFRA has seen that the proper identification of TCWG, and compliance with SA 260 in communication with TCWG, is a very neglected area in audits. Equally, this is one area of audit failure that has had the effect of not bringing out potential business failure to light even at an incipient stage. …The problem gets somewhat complicated where component auditors of subsidiaries have to deal with actual control being exercised by persons who are not even on the boards of the auditee companies.

One serious misconception that we need to exorcise from our minds is the much-venerated description of the auditor being only a watchdog and not a bloodhound. This misconception has very far-reaching consequences.

Baxt[1] describes the 1896 "watchdog" formulation by Lopes L.J. in the Kingston Cotton Mill Co. case as an expansion of the general theme propounded by Lindley L.J. in the London and General Bank case of 1895.

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Writing in 1970, Baxt says that these formulations have been continually accepted by the courts since 1896 as the norm. Indeed, he adds, there have been very few cases where the courts have been prepared to depart in any way from these standards.

Baxt then asks the question of just how far the standards, which were applicable in 1895 and 1896, should continue to be accepted. In 1896, there was in fact no statutory obligation on the part of a trading company to file annual accounts. Furthermore, there was no legal obligation on the part of companies to appoint an auditor until 1900. Baxt goes on to say that the introduction of legislation requiring accounts to be prepared, filed and distributed, together with the requirement that these be audited, and the very substantial development of the statutory law in relation to the information that companies were to supply to the company registry and to their own shareholders has been regarded by authorities as one of the landmarks in the development of modern company law. Clearly, what was a common law understanding of the auditor’s duty in the absence of any statute to govern the same would not at all be applicable today. The Companies Act, 2013, has built in substantive provisions regarding audit and auditors into the statute. All accounting and auditing standards are now part of subordinate legislation. The auditor’s duties are now comprehensively detailed in the law. This includes responsibilities to obtain reasonable assurance (defined as a high, but not absolute, level of assurance) that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error (Para 5 of SA 240). Para 8 of SA 240 says that when obtaining reasonable assurance, the auditor is responsible for maintaining professional scepticism throughout the audit, considering the potential for management override of controls and recognizing the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud. Para 12 again talks about the need for professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor’s past experience of the honesty and integrity of the entity’s management and TCWG. The law on the fraud related responsibilities of the auditor has moved far ahead of what it was in the 1890s. We need to forget the watchdog and not bloodhound description.

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[1] R. Baxt. **The Modern Company Auditor. A Nineteenth-Century Watchdog?** The Modern Law Review. [Vol. 33, No. 4 (Jul., 1970)](), pp. 413-431. https://www.jstor.org/stable/1094298. Accessed 20 Dec 2020.

This movement in the law is continuing to take place in the UK also. The Brydon review recommended that ARGA amends ISA (UK) 240 to make clear that it is the obligation of an auditor to endeavour to detect material fraud in all reasonable ways. The consultation process for the amendments in SA 240 this will require is now on going[2].

For those who would nevertheless recall the watchdog metaphor with something like nostalgia, I would only recommend a read of the Sherlock Holmes short story Silver Blaze. Holmes draws attention to the curious incident of the dog in the night time, a dog that did nothing, because of the identity of the criminal.

There is just one more matter that I wish to deal with, and then I would have done. This is what is termed the "expectations gap", the name given to the gap between what the public expects of the auditors and what the auditors themselves recognise as falling within their responsibility. The BEIS[3] Report on the Future of Audit says that "In their written and oral evidence, most audit firms told us that the public misunderstands audit. As we outline below, they said that audit does not look at the future, does not look for fraud and does not look at compliance with the law, besides accounting standards"[4].

As far as the future is concerned, the Report was dismissive of the stand of the auditors. It said, "The public is right. Audits are and should be forward-looking, under the "going concern" assumption. Accounts are almost always prepared under the assumption that the business is a going concern, i.e. that the company will in all likelihood continue to trade for at least a year from the date of approval of the financial statements. The auditor must form an opinion on the appropriateness of the going concern assumption, and report on it if there are material risks to the business"[5].

After examining the matter in detail, the Report concluded, in words that auditors would do well to reflect and ponder upon, that "the expectation gap must not be allowed to mask the serious failure of audit to deliver on its own current terms. If auditors delivered on the existing regime reliably and well, the expectation gap would shrink greatly. The delivery gap is far wider than the expectation gap and that is what must be fixed as soon as possible"[6].

WIRC Speech.pdf (nfra.gov.in) Extracted on 4 June 2021

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[2] Financial Reporting Council. Consultation Paper And Impact Assessment Proposal to revise ISA (UK) 240 (Updated January 2020) *The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements.* https://www.frc.org.uk/getattachment/e05a922a-4a99-40d3-8713-c4dd7a24e623/ISA-(UK)-240-Consultation-Paper-and-Impact-Assessment-(final)-(002).pdf. Accessed on 20 Dec 2020.

[3] Business, Energy and Industrial Strategy (United Kingdom)

[4] The Future of Audit. Op cit. p.14.

[5] The Future of Audit. Op cit. p. 16.

[6] The Future of Audit. Op cit. p. 85.

(II) Ministry of Corporate Affairs- News and new legal provisions

Sl. No.	New development	Date	Salient points
1	Companies (Appointment and Qualification of Directors) Fifth Amendment Rules 2020	18 December 2020	Qualifications of independent directors
2	Companies (Auditor's Report) Second Amendment Order, 2020	22 December 2020	Postponement of new CARO to accounts of 2021-22
3	Clarification on spending of CSR funds for Awareness and public outreach on COVID-19 Vaccination programme	13 January 2021	CSR
4	Companies (CSR Policy) Amendment Rules, 2021	22 January 2021	New requirements on CSR reporting
5	Press release on MCA signing Data Exchange MoU with CBIC on 25th February, 2021	26 February 2021	Exchange of corporate data
6	Amendment to Schedule III to the Companies Act, 2013	24 March 2021	New Disclosures in Company Accounts
7	Company (Accounts) amendment Rules, 2021	24 March 2021	Mandatory Audit trail in computerised accounts

Source: MCA website: https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/latest-news.html

(III) Department of Public Enterprises- News

(i) Corporate Governance Rating of CPSEs as on 2 December 2020

Out of 204 CPSEs graded based on their compliance with Guidelines on Corporate Governance of CPSEs for the Year 2019-20, 158 were rated Excellent, 23 Very Good, 16 Good, 5 Fair and 2 Poor.

Source: https://dpe.gov.in/publications/corporate-governance-grading-report/corporate-governance-grading-report-cpses-2019-20

(ii) MoU Guidelines for 2021-22 and onwards for CPSEs

OM was issued on this matter. Quantified qualifications of CAG would be adjusted for arriving at CPSEs' financial performance parameters, 5 marks would be deducted for non-compliance with Government guidelines on personnel matters and 1 mark for non-compliance with Government guidelines on Corporate Governance as verified based on CAG reports.

Source: https://dpe.gov.in/mou-guideline-year-2021-22-and-onwards-0

(iii) Abnormally Low Bids, Bid Security /Earnest Money Deposit and Performance Security

D/o Expenditure OMs No.9/4/2020-PPD dated 12 November 2020 on Additional Performance Security in case of Abnormally Low Bids, Bid Security /Earnest Money Deposit and Performance Security on the following to be complied by CPSEs:

(a) Reduction in Performance Security from existing 5-10% to 3% of the value of the contract.

(b) No provisions regarding Bid Security should be kept in the Bid Documents in future and only provisions for Bid Security Declaration should be kept in the Bid Documents.

(c) No provision should be kept in the Bid Documents regarding Additional Security Deposit/ Bank Guarantee (BG) in case of Abnormally Low Bids.

https://dpe.gov.in/do-expenditure-oms-no942020-ppd-dated-12112020-additional-performance-security-case-abnormally-low

(IV) The Institute of Chartered Accountants of India- News and publications

1. Indian Accounting Standards: An Overview (Revised 2020) (06 October 2020)
2. Guidance Note on Accounting for Share-based Payments (Revised 2020) (04 November 2020)
3. Guidance Note on Applicability of AS 25 and Measurement of Income Tax Expense for Interim Financial Reporting (Revised 2020) (04 November 2020)
4. Handbook on Audit of CSR Activities (11 January 2021)
5. Educational Material on Ind AS 23, Borrowing Costs (27 January 2021)
6. Standard on Assurance Engagements (SAE) 3410 - Assurance Engagements on Greenhouse Gas Statements (27 January 2021)
7. Technical Guide on Valuation (Revised Edition- 2021) (11 February 2021)
8. Background Material on Business Responsibility and Sustainability Reporting (BRSR) (15 February 2021)
9. Internal Control System in State Owned Universities - A Study to Formulate Internal Control Manual (16 February 2021)
10. Guidance Note on Accounting by E-commerce Entities (16 February 2021)
11. Guidance Note on Accrual basis of accounting (16 February 2021)
12. Educational Material on Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations. (25 February 2021)
13. The Council, at its 400th meeting, (March 18-19, 2021) considered the matter relating to applicability of Accounting Standards to Non-company entities. The scheme shall come into effect in respect of accounting periods commencing on or after April 1, 2020. For the purpose of applicability of Accounting Standards, Non-company entities are classified into four categories, viz., Level I, Level II, Level III and Level IV. Level I entities are large size entities, Level II entities are medium size entities, Level III entities are small size entities and Level IV entities are micro entities.

True peace is not merely the absence of tension; it is the presence of justice.

Martin Luther King

Section 6: 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 for awareness of, or as possible inputs for, our personnel, who may take up audits.

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Commercial Audit

(1) CSR funds not used for implementing govt schemes: MoS Finance

The Economic Times | PTI | Last Updated: March 16, 2021, 04:29 PM IST

The government informed Parliament that corporate social responsibility (CSR) funds are not used for implementing the government's central schemes.

Minister of State for Finance and Corporate Affairs, during Question Hour in the Rajya Sabha, said there is a clear definition in the Schedule 7 of the Companies Act 2013 where all CSR funds can be spent.

"I want to say the funds are not used for implementing government schemes ... There should not be a myth that CSR funds are used for implementing government schemes. The government makes adequate funding for various programmes," he said.

The government made it mandatory for implementing agencies to register themselves on the Ministry of Corporate Affairs registry, which will help in getting the details of implementing agencies, he said.

To another query if the government plans to set up a separate mechanism to monitor and inspect the CSR activities, the minister said a directive has been issued to companies spending more than 10 crore CSR funds to submit an impact assessment report.

To another query on plans to support NGOs facing fund crisis in the wake of COVID-19, the minister said the CSR spending is based on the company's board-driven policy.

Source: **https://economictimes.indiatimes.com//news/economy/finance/csr-funds-not-used-for-implementing-govt-schemes-mos-finance/articleshow/81530921.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst**

Corporate Governance

(2) SEBI must set corporate governance standards

The Hindu Business Line | VR Narasimhan/SN Ananthasubramanian | Updated on October 21, 2020

(Shri Narasimhan is Dean at National Institute of Securities Markets, and Shri Ananthasubramanian is former President of Institute of Company Secretaries of India.)

The opening and concluding parts of the report of the Adi Godrej Committee, appointed by the Ministry of Corporate Affairs in 2012, are a good summary of the state of corporate governance in the country: “The lacuna in Indian corporate governance is arguably not what is missing in the letter of the law, but what is missing in the internalisation and implementation of it.”

The concluding part states: “The real issues that determine the quality of corporate governance are issues of principle. Only a law or rule may not be an effective measure. This is the right time for corporate India to look inward and improve its own corporate governance, moving it beyond regulatory compliances to better oversight."

India clearly scores well on all parameters that corporate governance ranking methodologies consider, but it hasn't been able to prevent governance mishaps. This suggests that there is need and scope to improve corporate governance framework.

The role of the regulator in improving corporate governance is critical because the Indian ethos requires regulatory push to change compliance behaviour. Clearly, one more push from the regulator, SEBI, in the form of formulating corporate governance standards will help in meeting the deficit observed in the Godrej Committee report.

Source: https://www.thehindubusinessline.com/opinion/sebi-must-set-corporate-governance-standards/article32910714.ece

(3) SEBI to soon issue guidelines related to environmental, social and corporate governance space: Tyagi

The Hindu | PTI | New Delhi | Last Updated: February 25, 2021, 19:03 PM IST

Regulator SEBI is in "active discussions" with various stakeholders to bring in greater granularity in disclosures by listed companies in environmental, social and corporate governance (ESG) space and would soon issue relevant guidelines, SEBI Chairman Ajay Tyagi said on Thursday.

"The proposed guidelines are aimed at achieving much higher level of transparency and accountability from listed entities in the ESG arena," Mr. Tyagi said in his speech in SEBI-NISM conference.

SEBI is holding discussions with a view to meeting the increasing investor demand for ESG related information.

Source: https://www.thehindu.com/business/Industry/sebi-to-soon-issue-guidelines-related-to-environmental-social-and-corporate-governance-space-tyagi/article33933398.ece

(4) SEBI forms new department to check promoter frauds

The Hindu Business Line | Mumbai | Updated on December 13, 2020

Market regulator SEBI has set up a specialised department to tackle cases of diversion of funds, bank loans and resources by company promoters. The new department will be known as the Corporation Finance Investigation Department (CFID).

The new department will even check if resources like company land, guest houses or vehicles are misused by promoters.

Turf of CFID

The turf of the CFID will now be defined, including the cases it is supposed to handle, the sources said.

According to SEBI's internal circular, the CFID will, among others, handle cases of fraud, diversion, and siphoning or misappropriation of funds; will look at material mis-statement in financial statements; will probe complex transactions involving resources of the listed entity undertaken for the ultimate benefit of promoter/promoter group; investigate fraudulent related party transactions wherein financial and governance issues are inter-linked and a holistic examination is required; take up cases where a forensic audit has been initiated by lenders, management other regulators; and look into allegations made against auditors.

Source: https://www.thehindubusinessline.com/markets/stock-markets/sebi-forms-new-department-to-check-promoter-frauds/article33321760.ece

Corporate Finance

(5) Rs.1.75 lakh crore to be raised via sale of surplus PSU land
The Tribune | New Delhi, February 1

Apart from two banks and one life insurance company, the government has also targeted the gradual sale of all PSUs with an eye on their surplus land to raise Rs.1.75 lakh crore in 2021-22. To monetise land owned by CPSEs, a special purpose vehicle would be developed.

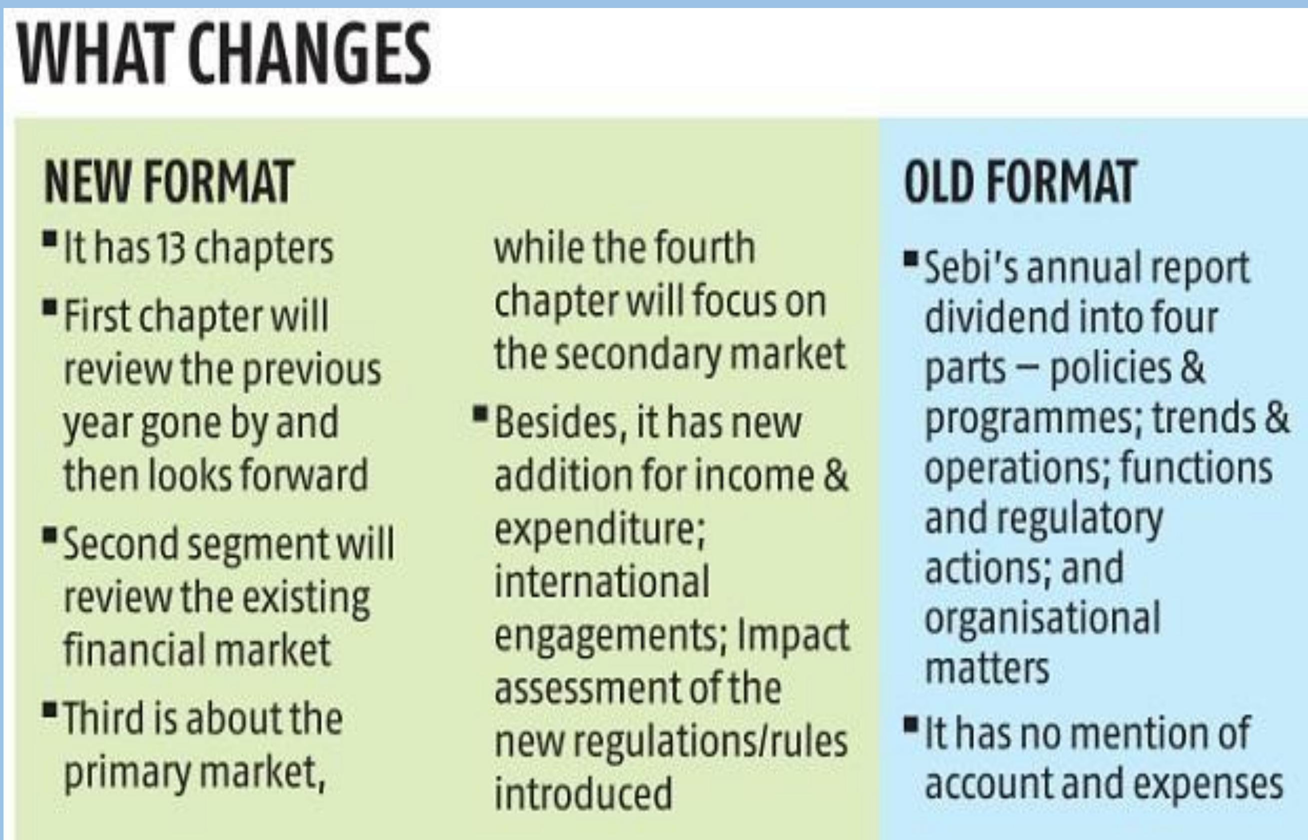
The Finance Minister said except for four strategic areas, PSUs in all other sectors would be divested. The policy framework was announced in July last year and it was cleared by the Union Cabinet a couple of days ago. The Finance Minister said a beginning would be made in the next fiscal with the sale of IDBI Bank, BPCL, Shipping Corporation, Container Corporation, Neelachal Ispat Nigam etc. Niti Aayog has been asked to work on the next list of PSUs for strategic disinvestment. States are being encouraged to sell PSUs with a revised mechanism for fast-tracking the closure of loss- making PSUs and an incentive package. — TNS

Source: https://www.tribuneindia.com/news/nation/rs1-75-lakh-cr-to-be-raised-via-sale-of-surplus-psu-land-206678

Audit of Autonomous Bodies

(6) Finmin asks Sebi to make greater disclosure in the annual report
Business Standard | New Delhi | Last Updated at March 14, 2021 23:30 IST

The Finance Ministry has suggested several changes in the Securities and Exchange Board of India’s (Sebi's) annual report format seeking “true and full account of its activities”, policies and programmes of the whole year.



Giving an overview of the new format, the ministry's Department of Economic Affairs (DEA) said “The board shall submit a report to the central government giving a true and full account of its activities, policies and programmes during the previous financial year in the annexure (new format) appended to these rules. The report shall be submitted within 90 days after the end of each financial year, according to the gazette notification of March 12. Typically, Sebi takes over six months to put out its annual report. The new format will have four main parts with an addition for income and expenditure, which at present are released separately by the regulator. Interestingly, the last annual account was of the financial year 2018-19, which was published in June last year.

Besides, the ministry also suggested inclusion of new chapters such as “new regulations, aims and objectives; Progress or impact assessment of the new regulations/rules introduced during last year, international engagements and so on.

Source: https://www.business-standard.com/article/economy-policy/finmin-asks-sebi-to-make-greater-disclosure-in-the-annual-report-121031300702_1.html

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Solutions to Crossword

Click here for going back to crossword

Across: 1. BRIDGEFINANCING, 3. SOLVENCY, 7. AUTHORITY, 9. BOARDOFDIRECTORS, 12. CARO, 15. LEGISLATURE, 16. CADBURY

Down: 2. DPE, 4. CASHFLOWS, 5. CONTINGENT, 6. DIRECTIONS, 8. TWELVE, 10. OFFBUDGET, 11. SEBI, 13. UNIFORM, 14. CSR

In fact, our planet seems to many more and more like a small boat driven by a fierce gale through dark and uncharted waters, with more and more people crowded on board, hoping desperately to survive. None of us can afford to ignore the condition of our fellow passengers on this little boat. If they are sick, all of us risk infection. And if they are angry, all of us can easily get hurt.

Kofi Annan

खंड 7: हिंदी खंड- हिंदी कार्य का विवरण

समाचार लेखिका: श्रीमती रिंकी, डाटा प्रविष्टि आपोरेटर, क्षेत्रीय प्रशिक्षण संस्थान, मुंबई

हिंदी कार्यशालाओं का आयोजन

कवर पृष्ट पर जाने के लिए यहाँ क्लिक करें

क्षेत्रीय प्रशिक्षण संस्थान, मुंबई द्वारा दिनांक 04 दिसंबर 2020 को प्रातः 10 बजे से 12:30 तक 2 घण्टे 30 मिनट तक की हिन्दी कार्यशाला का आयोजन एमएस टीम्स (MS Teams) के मंच पर किया गया। इस कार्यशाला हेतु श्री आशीष कुमार, कनिष्ठ हिंदी अनुवादक, कार्यालय वित्त व संचार लेखापरीक्षा, मुंबई को हिंदी संकाय के रुप में आमंत्रित किया गया। हिंदी में पत्राचार को बढाने की जानकारी प्राप्त की गई। उपरोक्त हिंदी कार्यशाला में संस्थान में कार्यरत सभी अधिकारियों एंव कर्मचारियों ने उत्साह के साथ भाग लिया।

क्षेत्रीय प्रशिक्षण संस्थान, मुंबई द्वारा दिनांक 11 मार्च 2021 को सायं 2 बजे से 4.30 तक 2 घण्टे 30 मिनट तक की हिन्दी कार्यशाला एमएस टीम्स (MS Teams) के मंच पर आयोजित किया गया। इस कार्यशाला हेतु श्री प्रवीण कुमार झा, हिंदी अधिकारी, कार्यालय प्रधान महालेखाकार (लेखापरीक्षा)-1, महाराष्ट्र, मुंबई को हिंदी संकाय के रुप में आमंत्रित किया गया, जिनसे कार्यशाला में निम्नलिखित बिन्दुओं पर चर्चा की गई:-

1. अर्ध-सरकारी पत्र ।
2. कार्यालय ज्ञापन ।
3. वार्षिक स्वत: निष्पादन मूल्यांकन प्रतिवेदन एंव
4. वार्षिक निष्पादन मूल्यांकन प्रतिवेदन कैसे लिखें?

उपरोक्त हिंदी कार्यशाला में संस्थान में कार्यरत सभी अधिकारियों एंव कर्मचारियों ने उत्साह के साथ भाग लिया।

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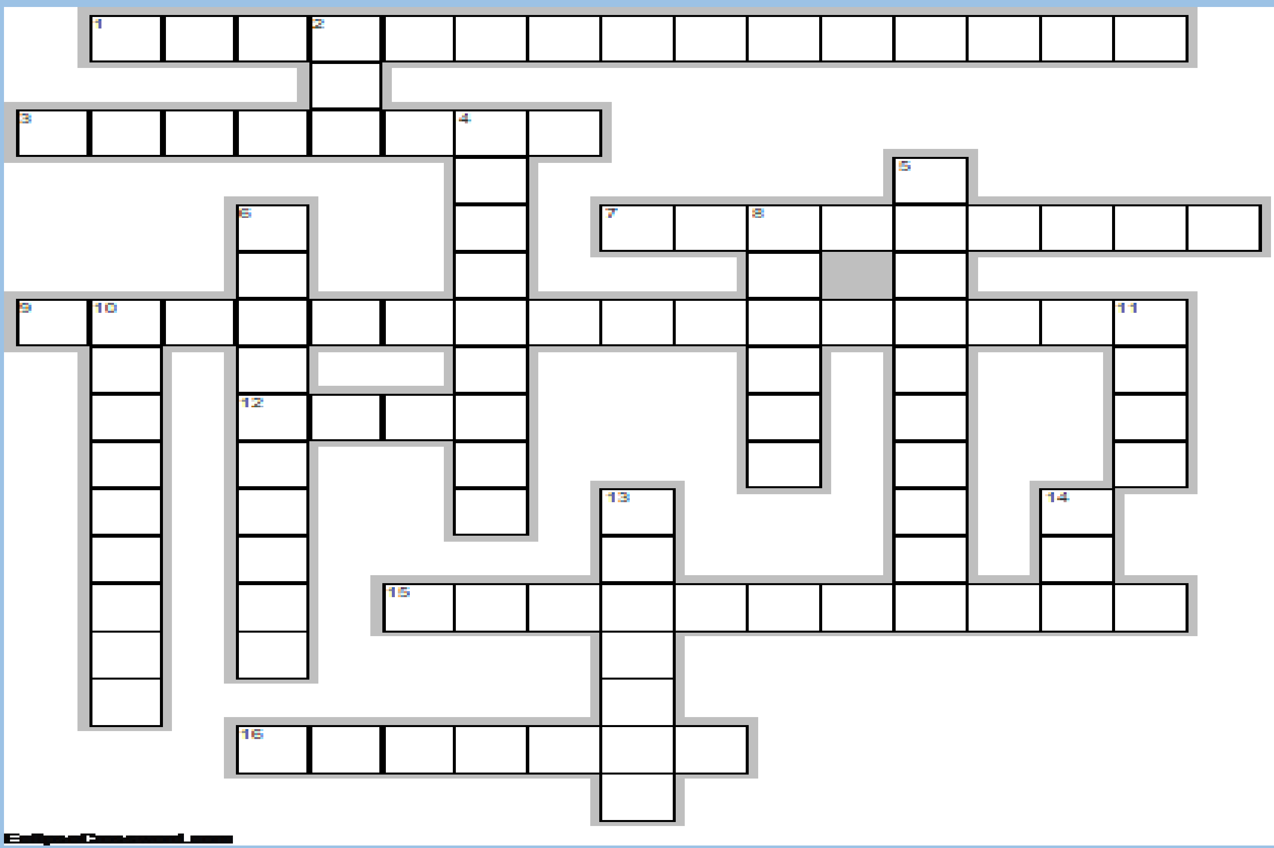
Section 8: Newsletter Crossword (March 2021)



Across

1. Availing short-term loan pending arrangement of longer-term financing is called .... (2 words)
3. Debt Equity Ratio is a measure of .... of the company
7. .... means a person or body exercising power or command vested in it by virtue of the Constitution or any law made by the legislature
9. Agency charged with governance in companies is .... (3 words)
12. Audit report should contain compliance to points given in this order issued by MCA
15. Audit Report with paras on a company indirectly controlled by the State Government can be placed before ……………..
16. ... committee set up in the UK recommended norms for corporate governance

Click here for Solutions

Down

2. Investment of Surplus Funds by CPSEs are governed by .... guidelines
4. The statement of .... (2 words) is a financial statement that does not count accrual adjustments.
5. Guarantee is a .... liability
6. These are issued by CAG under S.143 (5) of the Companies Act, 2013.
8. Accounting for government grants is covered by AS
10. Asking a public sector entity to borrow to meet shortfall in amount actually payable by Government is an example of .... financing
11. .... deals with cases of Insider trading.
13. Central Autonomous Bodies should prepare their accounts in the .... format of accounts prescribed by Ministry of Finance
14. Section 135 of Companies Act, 2013 deals with ......