

CHAPTER V

Oversight Role of CAG

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5.1 Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.2. Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

Statutory auditors of Companies for the year 2019-20 were appointed during August 2020.

The statutory auditors of the SPSEs for the year 2019-20 were appointed by the CAG during August 2020.

5.3 Submission of accounts by SPSEs

5.3.1 Need for timely submission

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

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It 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 also 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.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as detailed in the following paragraph.

5.3.2 Timeliness in preparation of accounts by Government SPSEs and Government Controlled Other SPSEs

As on 31 March 2020, there were 66 Government SPSEs and 16 Government Controlled Other SPSEs under purview of CAG's audit. Out of these 66 Government SPSEs, three are Statutory Corporations.

Out of 82 SPSEs, accounts of 71 SPSEs were in arrears.

Accounts for the year 2019-20 were due from all 66 Government SPSEs and 16 Government Controlled Other SPSEs. The details of accounts which are in arrear are indicated in *Appendix-19A* and *19B* for government companies and government controlled other companies separately. The number of accounts in arrear for the aforesaid two groups are given below:

Table 5.1: Details of submission of accounts of Government Companies

Particulars		Government SPSEs/Government Controlled Other SPSEs		
		Government SPSEs	Government Controlled Other SPSEs	Total
Total number of SPSEs under the purview of CAG's audit as on 31.03.2020		66	16	82
Unlisted		66	16	82
Less: New SPSEs from which accounts for 2019-20 were not due		-	-	-
Number of SPSEs from which accounts for 2019-20 were due		66	16	82
Number of SPSEs which presented the accounts for CAG's audit by 30 September 2020		7	4	11
Number of SPSEs whose accounts are in arrears		59	12	71
Break- up of Arrears	(i) Under Liquidation	16	1	17
	(ii) Defunct	10	0	10
	(iii) First Accounts not submitted	0	0	0
	(iv) Others	33	11	44
Number of accounts in arrears		852	23	875
Age-wise analysis of arrears	One year (2019-20)	22*	7	29
	Two years (2018-19 and 2019-20)	8**	4	12
	Three years and more	822	12	834

* Includes two Statutory Corporations viz. Odisha State Road Transport Corporation and Odisha State Financial Corporation.

** Includes one Statutory Corporation named Odisha State Warehousing Corporation.

5.4 CAG's oversight - Audit of accounts and supplementary audit

5.4.1 Financial reporting framework

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

5.4.2 Audit of accounts of SPSEs by Statutory Auditors

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

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

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.4.3 Supplementary Audit of accounts of Government Companies

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

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

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

5.5 Result of CAG's oversight role

5.5.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2019-20 were received from seven Government Companies and four Government Controlled Other Companies by 30 September 2020. Of these, accounts of four Government Companies and three Government Controlled Other Companies were reviewed in audit by the CAG.

CAG reviewed accounts of seven companies for the year 2019-20.

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

Subsequent to the audit of the financial statements for the year 2019-20 by statutory auditors, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of SPSEs in respect of whom comments were issued is given in *Appendix-27*. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹7.65 crore, decrease in assets was ₹443.52 crore and increase in liabilities was ₹31.59 crore, have been tabulated below:

Table 5.2: Significant comments on profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	GRIDCO LIMITED (Standalone Financial Statement)	<p>(i) Revenue from Operations (UI charges) was understated by ₹42.94 crore due to non-accounting of Unscheduled Interchange (UI) charges receivable from Western Electricity Company of Odisha (WESCO) Utility, North Eastern Electricity Supply Company of Odisha (NESCO) Utility and Southern Electricity Supply Company of Odisha (SOUTHCO) Utility for the period 1 April 2012 to 16 February 2019 as agreed in March 2018. This resulted in understatement of Trade Receivables and overstatement of loss for the year to the same extent.</p> <p>(ii) Other Expenses (Rebate and DPS) was understated by ₹4.58 crore due to non-adjustment of rebate allowable to WESCO as per order of Odisha Electricity Regularity Commission (OERC). This also resulted in overstatement of Trade Receivables and understatement of loss for the year to the same extent.</p>

Sl. No.	Name of the Company	Comments
		(iii) Expense(cost of Power) was overstated by ₹2.09 crore due to non-reduction of provision of the amount of reduction in the supplementary energy bill of OPGC for the year 2017-18, revised as per OERC order dated 28 March 2019. This also resulted in overstatement of Current Liabilities and loss for the year by ₹2.09 crore each.
2	Odisha Power Generation Corporation Limited (Standalone Financial Statement)	Other Expenses was understated by ₹18.39 crore due to non-accounting of the amount payable towards Water Conservation Fund as per the gazette notification of Department of Water Resources, Government of Odisha on 18 May 2015. This also resulted in overstatement of profit and understatement of current liabilities to the same extent.
3.	Odisha State Warehousing Corporation	“Provision for disallowed by depositors” was understated by ₹1.22 crore due to non-accounting of the amount of misappropriated food grains at two warehouses viz., Durgapalli and Balasore by the employees during the year. This also resulted in understatement of Current Liabilities and overstatement of Profit by ₹1.22 crore each.
4	Odisha Construction Corporation Limited	Employee Benefits Expenses did not include an amount of ₹1.12 crore, being the amount payable towards renewal of premium on Group Leave Encashment Scheme (GLES), as per Actuarial Valuation Report of LIC for payment of leave salary of employees of the Company. This resulted in overstatement of “Short Term Loans and Advances” by ₹60 lakh, understatement of “Other Current Liabilities” by ₹52 lakh and overstatement of profit by ₹1.12 crore.
5.	Odisha Coal and Power Limited	Expenses (Finance Cost) was understated by ₹14.14 crore due to non-accounting of interest expense on borrowed capital used for acquisition of land after its capitalisation. This also resulted in understatement of loss for the year and overstatement of capital work-in-progress to the same extent.
6.	Odisha Mining Corporation Limited	(i) Other Income was overstated by ₹4.14 crore due to wrong accounting of accrued interest on investment of two term deposits amounting to ₹96.61 crore out of the sales proceeds of 80,000 MT of seized Chrome ore as against the direction of the Hon’ble JFM court, Jajpur Road. This also resulted in overstatement of Profit for the year and Current Assets by ₹4.14 crore each. (i) During the year 2019-20, the Corporation had made

Sl. No.	Name of the Company	Comments
		additional provision of deferred tax of ₹23.19 crore by considering income tax rate of 25.168 <i>per cent</i> and accounted for Deferred Tax Assets (Net) of ₹77 crore under the head Non-Current Assets as at 31 March 2020. However, the opening balance of Deferred Tax Assets (Net) which was accounted for at 34.94 <i>per cent</i> had not been restated at the rate of 25.168 <i>per cent</i> . The restated opening balances of the Deferred Tax Assets (Net) for the year 2019-20 at the rate of 25.168 <i>per cent</i> would be ₹38.76 crore (₹5,380.92 x 25.168 / 34.94) as against the wrong accounting of ₹53.81 crore. This resulted in overstatement of 'Non-current Assets' with corresponding understatement of 'Tax Expenses (Deferred Tax)' by an equal amount along with overstatement of 'Profit/Loss for the period from continuing operation' by an equal amount of ₹15.05 crore.
7.	Rourkela Smart City Limited	Other Income was overstated by ₹1.45 crore due to accounting of interest income out of government fund as other income instead of treating it as current liability in contrary to the GFR 2017 rule 230(8) and generally accepted accounting principle. This had resulted in overstatement of other income and understatement of liability by ₹1.45 crore.
8.	Odisha State Civil Supplies Corporation Limited	Procurement Expenses with respect to Mandi Labour Charges (MLC) was understated by ₹1.22 crore due to non-provision towards MLCs payable to Primary Agriculture Cooperative Society (PACS) in Balangir district. This had resulted in understatement of Loss before subsidy by ₹1.22 crore with corresponding understatement of current liabilities (dues to PACS) by the same extent.

Table 5.3: Significant comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	IDCOL Kalinga Iron Works Limited	Non-Current Asset (Capital Work-in-progress) was overstated by ₹3.58 crore due to non-accounting of impairment loss, as per IndAS-28, of two sheds and other materials lying since 2008 without disposing off. This had also resulted in understatement of loss to the same extent.
2.	Odisha State Warehousing Corporation	(i) Sundry Debtors (amount deducted by the FCI for differential H&T rates) was overstated by ₹8.78 crore due to non-provision of doubtful

Sl. No.	Name of the Company	Comments
		<p>recovery of the amount deducted by Food Corporation of India (FCI) towards excess Holding and Transportation (H&T) charges for non-finalisation of H&T contract during the extended period of contract 2015-17. This had also resulted in understatement of Handling & Transportation charges and overstatement of profit by ₹8.78crore each.</p> <p>(ii) Other Liabilities was understated by ₹1.57 crore due to non-provision of doubtful recovery of storage loss of 15 depots for the period February 2011 to March 2017 under Private Entrepreneur Guarantee (PEG) Scheme. This had also resulted in understatement of provision for disallowed by depositors and overstatement of profit to the same extent.</p>
3.	Odisha Mineral Bearing Areas Development Corporation	Current Assets(Accrued interest) was understated by ₹13.05 crore due to non-accounting of interest earned on the unutilised advances paid to three line Departments i.e. Rural water supply & Sanitation Department (RWSS Department), Forest and Environment Department (F&E Department) and Panchayati Raj & Drinking Water Department (P&R Department). This also resulted in understatement of other income, Reserves & Surplus & Income to the extent of ₹13.05 crore each.
4.	Odisha Coal and Power Limited	Other Non-Current Assets was understated by ₹42.05 crore due to non-capitalisation of borrowing cost on acquisition of land capitalised during the year. This also resulted in overstatement of capital work-in-progress by the same amount. Further, other expenses were understated by ₹1.40 crore with corresponding understatement of loss to the same extent due to non-accounting of amortisation of land on the above amount.
5.	Odisha Mining Corporation Limited	<p>(i) Current Assets (Trade Receivables) was overstated by ₹103.19 crore due to wrong accounting of differential sale price derived out of the Bauxite lifted by M/s Vedanta Ltd. and the case was under sub-judice due to occurrence of legal dispute with the concerned party. This had also resulted in overstatement of Revenue from Operation to the extent of same amount.</p> <p>(ii) Other Non-Current Assets (Net Ore Stock) was</p>

Sl. No.	Name of the Company	Comments
		overstated by ₹428.36 crore due to wrong consideration of cumulative sales proceeds of earlier year's seized stock of Gandhamardhan and Kaliapani mines and interests received thereon as against the direction of Hon'ble High court. This should have been shown under contingent liabilities. Improper accounting had resulted in overstatement of above head as well as retained earnings to the extent of ₹428.36 crore.
6.	Rourkela Smart City Limited	<p>(i) Non-current Liabilities was overstated by ₹39.15 crore due to wrong accounting of interest earned on grant received from GoI in violation to GFR 2005/SCM guideline which was subsequently revised to GFR 2017 while releasing the sanction order. This had also resulted in understatement of Current Liabilities to the same extent.</p> <p>(ii) Capital Work In Progress (CWIP) was understated by ₹5.34 crore due to wrong accounting of consultancy charges paid to M/s Tata Consultancy Engineers Limited (TCEL) for Smart Solution Projects towards exclusive project activity like preparation of DPR, survey etc, as revenue expenditure. This had also resulted in overstatement of other expenses and understatement of CWIP by ₹5.34 crore.</p>
7.	Water Corporation of Odisha Limited	Short Term Borrowings was understated by ₹6.72 crore due to non-accounting of securities deposits deducted (December 2019) by Orissa Water Supply & Sewerage Board (OWSSB) from the contractors and intimated (June 2020) to the Corporation before authentication of accounts. This had also resulted in understatement of Current Assets to the same extent.
8.	Bhubaneswar Smart City Limited	<p>(i) Other Equity was overstated by ₹5.81 crore due to wrong accounting of interest earned on grant received from GoI in violation to the terms & conditions of Provisions of GFR 2017. This had also resulted in understatement of Current Liabilities to the same extent.</p> <p>(ii) Property Plant and Equipment was understated by ₹29.32 crore due to non-accounting of construction of Bus Queue Shelters completed and put to use by the Company. This had also resulted in overstatement of Capital Work-in-</p>

Sl. No.	Name of the Company	Comments
		<p>Progress by equal amount with corresponding understatement of depreciation and amortization Expenses by ₹13.21 crore with corresponding understatement of Other Income (Deferred Income-Capital Grant) for the year, by an equal amount.</p> <p>(iii) Capital Work-in-Progress was understated by ₹23.84 crore due to wrong accounting of consultancy charges paid to three Programme Management Consultants (PgMCs) for Smart Solution Projects, Area Based Development Projects and Project Initiation and Conceptualization, Procurement of DPR consultants, contractors, as revenue expenditure. This had also resulted in overstatement of other expenses and loss by ₹23.84 crore (₹5.16 crore relates to 2019-20 and ₹18.68 crore for prior periods).</p>
9.	Odisha State Civil Supplies Corporation Limited	<p>(i) Current Liabilities (Trade Payables) did not include ₹2.59 crore of godown rent payable towards hiring of godowns by the Company for the year 2017-18. This resulted in understatement of trade payables (Godown rent) by ₹2.59 crore with corresponding understatement of loss before subsidy to the same extent.</p> <p>(ii) Non-current Assets (Tangible Assets) did not include an amount of ₹4.96 crore towards expenditure on Enterprise Resource Planning (ERP)/SAP. The company had spent ₹7.14 crore for implementation of ERP/SAP software up to 31 March 2018 but it had booked only an amount of ₹2.18 as capital expenditure in the annual accounts of 2017-18. Further, out of the total expenditure of ₹7.14 crore, amounts of ₹0.29 crore, ₹2.43 crore and ₹1.65 crore were booked as revenue expenditure instead of capital expenditure in the annual accounts of 2015-16, 2016-17 and 2017-18 respectively and balance amount of ₹0.59 crore had not been taken into account during 2017-18. As the payment of ERP was for enduring benefit and the benefit would accrue to the company over a period of six years at least beyond a year, so the expenditure on ERP system should have been capitalised instead of charging it as revenue expenditure.</p>

Sl. No.	Name of the Company	Comments
		This had resulted in understatement of Tangible Assets by ₹4.96 crore and consequent overstatement of loss before subsidy by ₹4.96 crore.

Table 5.4: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Odisha Power Generation Corporation Limited	The Company had accounted for an amount of ₹0.57 crore realised towards sale proceeds of fly ash during the period from 2016-17 to 2018-19. As per Gazette notification dated 3 November 2009, issued by the Ministry of Environment and Forests (MoEF), the amount collected from sale of fly ash by thermal power stations, should have been kept in a separate account head as “Fly Ash Utilisation Reserve Fund Account” and should have been utilised only for the development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100 per cent fly ash utilisation was achieved. But the Company had neither created a separate account head i.e. Fly Ash Utilisation Reserve Fund Account of an amount of ₹0.57 crore nor had suitably disclosed the reasons for non-creation of the same in the Notes to Accounts.
2.	Odisha Mineral Bearing Areas Development Corporation	The Company had adopted the method of computation of depreciation from Straight line to WDV method during this year and the same was also disclosed in its notes on accounts. However, the Company had not disclosed the effect of change in policy in the accounts as required under Accounting Standard-5.
3.	Green Energy Development Corporation of Odisha Limited(Standalone Financial Statement)	Capital Work in Progress includes an amount of ₹9.40 crore deposited by the company for acquisition of land with respect to the Phase-I (275 MW) Solar Park Project approved under the Ultra Mega Solar Park Scheme of Ministry of New & Renewable Energy (MNRE), Government of India (GoI). Out of the total 1000 MW Project, Detailed Project Report(DPR) for the Phase-I 275 MW project was approved by MNRE on 28 January 2019 and Phase-II (725 MW) project was cancelled on account of slow

Sl. No.	Name of the Company	Comments
		<p>progress and non-identification of land. In August 2020, MNRE also cancelled Phase-I (275 MW) project due to delay in acquiring and for the proposed solar park and slow progress in commissioning of the project. As per Clause 3(b) of IndAS-10 events after reporting period which are indicative of conditions that arose after the reporting period were non-adjusting events. Further, as per Clause 21 of IndAS-10, if such non-adjusting events were material and non-disclosure could influence the economic decisions that users make on the basis of the financial statements, then the entity should disclose the same. Thus, installation of renewable energy resources, being the main objective of the Company, cancellation of the project should have been suitably disclosed in accounts as per Ind AS-10.</p>
4	Rourkela Smart City Limited	<p>For implementation of Smart City Mission ₹1.91 crore capital expenditure was incurred towards installation of new lighting system, construction of pathway and amphitheatre in case of NSCB park, Uditnagar and Rotary-I & II park coming under Rourkela Municipal Corporation (RMC). The projects were completed during the year 2019-20. The ownership of new assets created should have been confirmed and disclosed in the Note on Accounts forming part of the financial statement for proper accounting. As such the Note on Accounts was deficient to that extent.</p>
5	Water Corporation of Odisha Limited	<p>The Sewerage Project of Bhubaneswar City transferred from Orissa Water Supply & Sewerage Board (OWSSB) to the Corporation as per resolution (September 2019) of GoO and novation agreement executed (November 2019) thereafter with transfer of all liabilities and obligation of the Project. As a result, the ownership of the ongoing project lied with the Corporation. So, the Corporation needed to disclose suitably regarding the payment made towards the Project before such transfer in the Notes to Accounts.</p>

Sl. No.	Name of the Company	Comments
6	Bhubaneswar Smart City Limited	<p>(i) For implementation of Smart City Mission, some amounts out of the grant received by BSCL was given (or decision to give had been taken to that effect) to other implementing agencies like BMC, CRUT, BDA, PHED, , for creation of facilities or providing services. The ownership of assets to be created by other agencies needs to be confirmed beforehand for appropriate accounting of grant as well as amount given to those agencies. This should have been disclosed in the Notes on Accounts forming part of financial statement. Hence, the Notes on Accounts were deficient to that extent.</p> <p>(ii) In Note no. 3.10.3 of Notes on Accounts forming part of financial statement, wherein it was stated that amount of expenditure incurred in a cluster project having future economic value with exclusive use of co-beneficiaries but without physical control on the assets were capitalised as User Rights. Further, as per 3.10.4, operating software acquired separately were capitalised as intangible assets where they were clearly linked to long term economic benefits for the company.</p>

Table 5.5: Significant comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	The Odisha Small Industries Corporation Limited	<p>In the Independent Auditors Report on the financial Statements of Odisha Small Industries Corporation Limited for the year ended 31 March 2017 under Auditor's Responsibility, the Statutory Auditor had stated that in making risk assessment, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company had in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.</p> <p>This, in contradiction of Section 143 (3) of</p>

Sl. No.	Name of the Company	Comments
		Company's Act read with Rule 10 (A) of Company's (Audit & Auditor) Rules 2014, requires the report of the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.
2.	Odisha Coal and Power Limited	As per paragraph 3 of Independent Auditor's Report, Emphasis was given to note no. 8(ii) of Notes to Accounts which stated that "the cost of leasehold land was exclusive of registration cost or any other documentation charges which was liable to be incurred upon registration of lease agreement by IDCO. Pending the execution of lease document, the same would be recognised as and when incurred by the company and would be amortised over the remaining period of useful life," which could alternatively have been capitalised with reasonable estimate. In this regard, it was emphasised that lease deed between OCPL and IDCO regarding land had not been executed yet. The expenditure towards stamp duty and registration charges would accrue only at the time of execution of lease deed. Hence, capitalisation of registration charges and other documentation cost in the accounts of OCPL for the year ended 31 March 2019 did not arise. The comment was deficient to this extent.
3	Odisha State Civil Supplies Corporation Limited	According to point No. VII(C) of Annexure-B of Independent Auditors Report on the Annual accounts of OSCSCL for the year ending 31 March 2018, an amount of ₹0.33 crore paid by the Company against handholding charges payable by the company for the year ending 31 March 2017 was not provided for. The same had been erroneously Capitalised under Computer Networks, Servers & Software over which depreciation for ₹0.04 crore had been charged in the year 2017-18. In this connection, reference is invited to comment no. 2 of C&AG of India, issued on the accounts of the Company for the year 2016-17, where in it was pointed out that an amount of ₹0.46 crore paid towards ERP/SAP hand holding support for the period from October 2016 to March 2017 should have been capitalised. Accordingly, the company capitalised ₹0.30 crore in the accounts. Hence, the above comments of the Independent Auditor for the year 2017-18 were not correct to that extent.

Table 5.6: Significant comments on Financial Position of Government Controlled Other Companies

Lanjigarh Project Area Development Foundation	Reserve and Surplus (Earmarked Fund) was understated by ₹2.30 Crore due to short accounting of fund amount obtained from the Vedanta Limited (the erstwhile Sterlite India Industries Limited) for scheduled area development in Kalahandi and Rayagada Districts as per Honorable Supreme Court order dated 08 August 2008. This had resulted in overstatement of Reserve & Surplus by the same amount.
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5.5.2 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Odisha State Road Transport Corporation (OSRTC)

- (i) Employee Benefit Expenses (Gratuity) did not include an amount of ₹0.61 crore being payable to the employees towards Gratuity on retirement/death during the financial year 2018-19. Non-accounting of gratuity payable to employees resulted in understatement of employee benefit expenses and overstatement of profit of ₹0.61 crore with corresponding understatement of current liabilities for the year to the same extent. Further, the Corporation had not made actuarial valuation of retired employee benefits as required under Accounting Standard-15.
- (ii) Other Expenses did not include an amount of ₹35 lakh, being Liquidation Certification Dues for the period 1997 to 2017, demanded by Recovery Officer of the Employees' Provident Fund Organisation (EPFO) before authentication of accounts for the financial year 2018-19. This had resulted in understatement of other expenses and overstatement of profit of ₹35 lakh with corresponding understatement of current liabilities for the year to the same extent.
- (iii) Non-Current Assets (Fixed Assets-Capital Work in Progress) was overstated by ₹1.06 crore due to accounting of the completed works of repair and renovation of Badambadi Bus Stand under the head Capital-Work-in-Progress instead of capitalising the same. This had resulted in understatement of Fixed Assets of ₹2.58 crore, Other Liabilities of ₹1.53 crore & Depreciation by ₹0.01 crore with corresponding overstatement of profit of ₹0.01 crore.
- (iv) The Corporation had not been disclosed ₹25.70 crore towards Motor Accident Claim Tribunal (MACT) dues on 1214 cases till March 2019. Since the cases were pending for negotiation and final settlement, it should have been suitably disclosed as contingent liability (Note-

22.25) in notes forming part of the accounts as per Accounting Standard 29.

- (v) The Government of Odisha (GoO) decided (29 August 2019) to waive out of an amount of ₹28.55 crore towards merger of ORT Co Limited. As both OSRTC and Govt. have agreed to waive out the claim of OSRTC towards loss of merger of ORT amounting to ₹28.55 crore, disclosing the amount as receivable in notes forming part of financial statement (Note-22.19) was not correct.

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

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that seven companies as detailed in *Appendix-28* did not comply with mandatory Accounting Standards/ Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/ Ind AS which was not reported by their statutory auditors:

Table 5.7: Non-compliance to Accounting Standards/Ind AS observed during supplementary audit

Accounting Standard/Ind AS		Name of the Company	Deviation
AS 5	Disclosure of Effect of change in Accounting Policies	Odisha Mineral Bearing Area Development Corporation Limited	The Company had not disclosed the effect of change in the method of computation of depreciation from Straight line to Written Down Value method during the year 2018-19 as required by AS 5.
AS 2	Accounting of Inventories	Odisha State Civil Supplies Corporation Limited	Wrong accounting of interest as well as distribution cost in valuation of Custom Milled Rice (Inventories).
AS 12	Short Accounting of differential amount towards deferred tax assets	Odisha Mining Corporation Limited	As per the policies and provisions of the IND AS 12, the Corporation should have accounted for ₹17.52 crore towards deferred tax assets instead of ₹12.67 crore as the differential amount of ₹4.85 crore had already been accounted for in the year 2018-19.

Accounting Standard/Ind AS		Name of the Company	Deviation
IND AS 10	Non-Disclosure of non-adjusting events after reporting period of material nature	Green Energy Development Corporation of Odisha Limited	Installation of renewable energy resources in Phase-I of 275 MW Project was cancelled after the reporting period. The same had not been disclosed in the accounts despite being of non-adjusting event and of material nature.
AS 15	Actuarial valuation of retired employee benefits	Odisha State Road Transport Corporation	The corporation has not made actuarial valuation of retired employee benefits as required under Accounting Standard-15
AS 29	Non-Disclosure of contingent liability	Odisha State Road Transport Corporation	The Corporation had not disclosed ₹25.70 crore towards Motor Accident Claim Tribunal (MACT) dues on 1214 cases till March 2019 which were pending for negotiation and final settlement.

5.7 Management Letters

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

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

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

During the year, CAG issued 'Management Letters' to 16 SPSEs as listed in *Appendix-29*.