

CHAPTER - III
OVERSIGHT ROLE OF CAG

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Oversight Role of CAG

3.1 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 Legislature.

3.2 Appointment of Statutory Auditors of SPSEs by CAG

Section 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. The Statutory Auditors of the above Companies for the year 2019-20 were appointed by the CAG between August 2019 and January 2020 as per detail given in **Appendix-3.1**.

3.3 Submission of accounts by SPSEs

3.3.1 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) and as soon as may be after such preparation laid before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. 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 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 non-compliance with the provisions of Section 129 of the Companies Act, 2013. Despite the above, annual accounts of various SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

3.3.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2020, there were 22 Government Companies, five⁴⁹ Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from all Companies except Himachal Worsteds Mills Limited, which was under liquidation since 2000-01. A total of 10 Government Companies and three Government Controlled Other Companies submitted 14 annual accounts⁵⁰ for audit by CAG on or before 31 December 2020, however, no Government Companies/Government Controlled Other Companies submitted their accounts for audit for the financial year 2019-20 on or before 31 December 2020. Accounts of all Companies were in arrears for various reasons as of 31 December 2020. The HPGIC was listed on the Delhi Stock Exchange (DSE). However, on the request of the Company (1994) and recommendation of DSE the Security and Exchange Board of India (SEBI) accorded (September 2002) consent for delisting the Company. However, the process of delisting the Company is still in progress.

Details of arrears in submission of accounts of 27 (Government Companies: 22 and Government Controlled Other Companies: five) are given in **Table-3.1** below:

Table-3.1 Showing the detail of number of Companies, accounts finalised and accounts in arrear as of 31 December 2020

Particulars	Government Companies (22)	Government Controlled Other Companies (5)	Total (27)
Total number of Companies under the purview of CAG's audit as on 31.03.2020	22	5	27
Number of accounts in arrears as on 01.10.2019	41	6	47
Less: Company under liquidation since 2000-01	-	1	1
Number of accounts of Companies which became due on 31.12.2020 (2019-20)	22	4	26
Total number of accounts due for audit	63	10	73
Number of companies which presented the accounts for CAG's audit from 01 October 2019 to 31 December 2020	10	3	13
Number of accounts finalised	11	3	14
Number of accounts in arrears as on 31 December 2020	52	7	59
Less Under liquidation Company (Himachal Worsteds Mills Limited)	-	1 (2001-02)	-
Age-wise analysis of arrears of accounts as on 31 December 2020			
One year	10 (10)	2(2)	12 (12)
Two and three years	7 (16)	2(5)	9 (21)
More than three years	5* (26)	-	5 (26)
Total	22 (52)	4 (7)	26 (59)

**Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Minorities Finance and Development Corporation, Himachal Pradesh Tourism Development Corporation and Agro Industrial Packaging India Limited.*

The names of these companies whose accounts are in arrears indicated in **Appendix-3.2**.

⁴⁹ *Himachal Consultancy Organisation Limited, Himachal Pradesh Power Corporation Limited, Dharamshala Smart City Limited, Himachal Worsteds Mills Limited and Shimla Jal Prabandhan Nigam Limited.*

⁵⁰ *Two annual accounts received from Himachal Pradesh Kaushal Vikas Nigam (2017-18 and 2018-19).*

Oversight by the Statutory Auditors appointed by the CAG and Supplementary Audit by the CAG could not be conducted in absence of accounts leading to absence of assurance about whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Besides, their contribution to the State exchequer as well as their activities were also not reported to the Legislature.

The matter of arrears of accounts has been taken up with the respective Administrative Department/Companies. However, there were still five Companies whose accounts were in arrears for more than three years.

It is therefore recommended that the annual accounts should be prepared and finalised within prescribed time.

3.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations⁵¹, CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by CAG. Accounts of one Statutory Corporation (HRTC) for the year 2018-19 were submitted for audit as on 31 December 2020. The accounts of HPFC for the year 2018-19 and 2019-20 and of HRTC for the year 2019-20 were awaited for audit as on 31 December 2020.

3.4 CAG's oversight - Audit of Accounts and Supplementary audit

3.4.1 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 provisions relating to accounts in the Act governing such Corporations.

3.4.2 Audit of accounts of Government Companies 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 SPSEs 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

⁵¹ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

- to supplement or comment upon the Statutory Auditor's report under Section 143 (6) of the Companies Act, 2013.

3.4.3 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 sub 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.

3.5 Result of CAG's oversight role

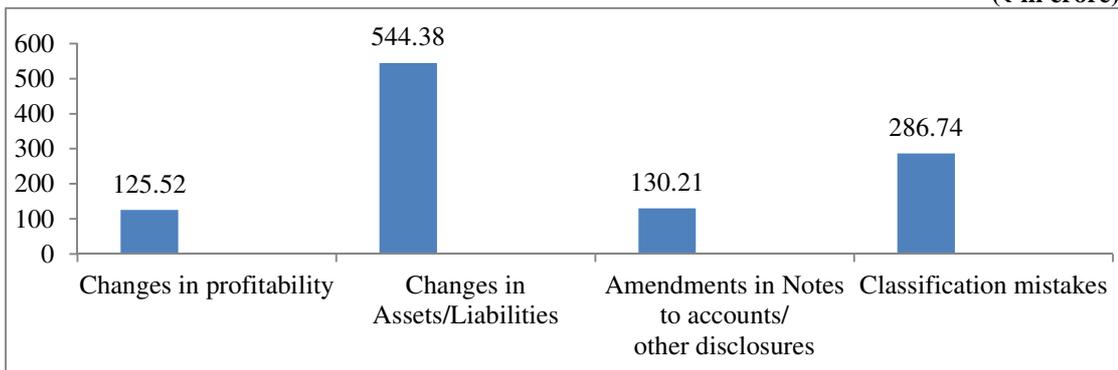
3.5.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

No financial statements for the year 2019-20 were received for audit from 22 Government Companies and four Government Controlled Other Companies by 31 December 2020. However, of these, accounts of ten Government Companies and three Government Controlled Other Companies which were in arrears were reviewed in audit by the CAG.

CAG reviewed 14 accounts (two accounts were reviewed in respect of one SPSE i.e., Himachal Pradesh Kaushal Vikas Nigam) of 13 Government Companies/Government Controlled Other Companies for the years 2015-16 (1), 2016-17 (1), 2017-18 (3) and 2018-19 (9). The results of the review are detailed below:

(i) Result of Supplementary Audit

As a result of Supplementary Audit conducted in 13 SPSEs as indicated in **Appendix-3.3**, a number of quantitative as well as qualitative changes were made by the SPSEs in their financial statements which led to improvement in the quality of their financial statements. The effect of qualification made during Supplementary Audit of financial statements of these SPSEs is depicted in **Chart-3.1**.

Chart-3.1: Showing the details of value addition made by CAG during Supplementary Audit of financial statements finalised from 1 October 2019 to 31 December 2020.(**₹ in crore**)

(ii) Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/Government Controlled Other Companies

The CAG conducted supplementary audit of the financial statements of the Government Companies and Government Controlled Other Companies subsequent to the audit of the financial statements (received during the period from 01 October 2019 to 31 December 2020; for the years up to 2018-19) by Statutory Auditors. Comments were issued to the Management in respect of all SPSEs of whom the financial statements were audited by CAG. Some of the significant comments issued have been given in **Table-3.2**.

Table-3.2: Significant comments issued

Sr. No.	Name of the SPSEs	Comments
Comments on Profitability		
1	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	<p>Payables to Forest Department and Loss were understated by ₹4.88 crore due to non-provisioning of interest on royalty and extension fees.</p> <p>The Loss and Payables to Forest Department were overstated by ₹9.24 crore mainly due to:</p> <ul style="list-style-type: none"> • Not writing back of ₹2.89 crore payable to Forest Department outstanding since last 20 years; and • Excess provisioning of ₹6.35 crore on account of timber and resin royalty in respect of FWD, Shimla. <p>Retirement benefits of ₹10.91 crore in respect of 283 employees of four units have not been provided on account of earned leave credited in their account up to 31 March 2017. This resulted in understatement of 'Short Term Provisions' and 'Loss' by ₹10.91 crore.</p>
2	Himachal Pradesh State Electricity Board Limited (2017-18)	<p>There was short accounting of profit by ₹11.09 crore due to less booking of GPF interest earned (₹71.16 crore instead of ₹82.25 crore). This also resulted in understatement of Other Equity.</p> <p>Indian Accounting Standard-8 states that an entity shall correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) in the most recent financial statements. The Company had recoverable amounts pertaining to 2008-2012. However, the Company has not modified its prior period figures resulting in overstatement of profit for the year 2017-18 by ₹12.78 crore.</p>

		<p>Overstatement of Profit and understatement of 'Trade payable – Purchase of Power' by:</p> <ul style="list-style-type: none"> • ₹12.15 crore due to non-accounting of cost of power and payable to Government of Himachal Pradesh. • ₹1.21 crore due to non-provisioning for Local Area Development Fund contribution payable to Government of Himachal Pradesh, being one <i>per cent</i> of total generation from its 19 hydel projects. <p>Sundry Debtor and Profit was overstated by ₹42.75 crore due to non-writing back of Financial Assets-Trade Receivables from Government of Himachal Pradesh on account of handling charges. The Company had the information before approval (19 July 2019) of financial statements regarding impairment in value of above recoverable due to non-existence of provisions in relevant regulation for levy of such charges and rejection of claims thereof also by State Government, as such this should have been written back.</p>
3	Himachal Pradesh Kaushal Vikas Nigam, (2018-19)	The Nigam, considered interest income of ₹1.01 crore and ₹2.51 crore earned on unutilised amount of Grant during 2017-18 and 2018-19 respectively, as its own income resulting in overstatement of 'Excess of Income Over Expenditure' by ₹2.51 crore and 'Reserves and Surplus – General Reserves' by ₹1.01 crore and understatement of 'Other Current Liabilities-Unspent Grant in Aid' by ₹3.52 crore.
4	Himachal Pradesh Power Transmission Corporation Limited (2018-19)	The Current Liabilities and Loss were understated by ₹2.78 crore on account of delayed payment of surcharge of ₹20.77 crore payable to Power Grid Corporation of India Limited during the year 2018-19.
5	Himachal Pradesh Power Corporation Limited (2017-18)	In terms of Ind AS 23, interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. During 2017-18, there was hindrance of 105 days due to workers strike in Shongtong Hydel Electric Project. Accordingly, interest for the period amounting to ₹10.41 crore was to be accounted as "Finance cost" under "Profit & Loss Account" but the same was not done. Thus, 'Loss' was understated and 'Capital Work-in-Progress' was overstated by ₹10.41 crore.
Comments on Financial Position		
1	Himachal Pradesh State Forest Development Corporation (2016-17)	The Current Assets -Inventories as well as Payables to Forest Department were understated by ₹64.36 lakh due to non-inclusion of royalty payable to Forest Department, which were designated lots for the year 2016-17. Although the possession of these lots had been taken over during 2015-17, but it was not accounted for in the books of accounts.
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2018-19)	The 'Capital Work In Progress' and 'Sundry Creditors' were understated by ₹3.80 crore due to non-accounting of service bills received from various parties for service rendered/hosting charges/disaster recovery services for implementing 'HPMC Process Automation Project' for the period from January 2018 to March 2019.
3	Himachal Pradesh Agro Industries Corporation Limited (2018-19)	The Company had not created provisions for retirement benefits (leave encashment and gratuity) as per requirement specified under AS-15 ⁵² "Employee benefits". Non-provisioning of above liability resulted in understatement of 'Other Current Liabilities' and negative figures of 'Surplus' by ₹4.03 crore.

⁵² As per paragraph 53 of AS 15, an entity should account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any other obligation that arises from the enterprise's informal practice.

4	Himachal Pradesh State Electricity Board Limited (2018-19)	Amount recoverable from Lok Mitra Kendras (LMKs)/Sugam centre was understated by ₹22.04 crore due to non-accounting of sale of power (₹11.89 crore) and liquidated damages (₹10.15 crore). The error had occurred due to crediting the above head by ₹22.16 crore and debiting Inter-unit transaction by the same amount. An amount of ₹10.26 crore had been paid by the company to a contractor in an arbitration award. The liability materialised through arbitration award dated 18.10.2016 instructing Company to pay the above award amount to the party. However, provision for this liability was not created and is still being shown as deposit with Court. This resulted in overstatement of Deposit with Hon'ble High Court and Other Equity by ₹10.26 crore.
5	Himachal Pradesh Power Transmission Corporation Limited (2018-19)	Capital Work in Progress as well as Current Liabilities were understated by ₹1.78 crore due to non-inclusion of price variation payable for construction of 400/220/66 KV GIS (Gas Insulated Sub-Station), Wangtoo to L&T Construction Power Transmission and Distribution for the period from July 2018 to March 2019.
6	Himachal Pradesh Power Corporation Limited (2017-18)	The Other Financial Liabilities and Capital-Work-in-Progress was understated by ₹2.82 crore due to non-accounting of excavation bills (Revised) for civil works of Shongtong-Karcham Hydel Electric Project.
7	Shimla Jal Prabandhan Nigam Limited (19.06.2018 to 31.03.2019)	The Company was incorporated in June 2018. All the assets and liabilities relating to water supply and sewerage system were to be transferred to the Company. The Company has accounted the receivable (₹8.22 crore) from water bills issued by Shimla Municipal Corporation prior to June 2018 as payable to Government of Himachal Pradesh which should have been treated as income of the Nigam. This has resulted in overstatement of 'Current Liabilities' and understatement of 'Reserve and Surplus' by ₹8.22 crore. Tangible Assets was understated by ₹9.25 crore (after deducting of depreciation of ₹0.08 crore) during 2018-19. The Company incurred an expenditure of ₹10.35 crore on laying of gravity pipe from Craignano to Dhalli and completed the work (December 2018). Instead of treating the whole expenditure as of capital nature, only ₹1.02 crore was capitalized and the remaining expenditure of ₹9.33 crore was wrongly charged off as O&M expenses. This resulted in overstatement of 'Revenue from Operations' and 'Expenses-Operation & Maintenance' by ₹9.33 crore and consequently, also understatement of 'Fixed Assets- Tangible Assets' and 'Reserve and Surplus- Capital Reserves' by ₹9.25 crore.
8	Beas Valley Power Corporation Limited (2018-19)	As per Hydro Power Policy, 2006, 1.5 per cent of the total cost of project in respect of 5 MW projects or above shall be contributed towards Local Area Development Fund (LADF). Total expenditure of UHL, Stage-III, Hydro Electric Project (HEP) was ₹1,746.34 crore and accordingly proportional contribution towards LADF should have been ₹26.20 crore. However, the Company had expended ₹16.19 crore and kept a provision of ₹3.03 crore towards LADF. Thus, Current Liabilities and Capital Work in Progress were understated by ₹6.98 crore.
Comments on Disclosure		
1	Himachal Pradesh Mahila Vikas Nigam (2015-16)	The Nigam in its Accounting Policies has stated that Cash Flows were reported using indirect method, whereby net surplus is adjusted for the effects of transactions of non-cash nature. The cash flows from operating investing and financing activities of the Nigam were segregated on the basis of available information; however, no such Cash Flow Statement was prepared for the year 2015-16.

2	Himachal Pradesh State Electricity Board Limited (2017-18)	<p>The Company made incorrect disclosures on :</p> <ul style="list-style-type: none"> • Amount due under ADB loan (₹8.40 crore instead of ₹12.90 crore) as on 31 March 2018, • Provision for interest against ADB loan (mentioned 'no provision made' though provision for ₹1.15 crore was created). <p>The Company has not disclosed separately writing off losses (₹18.44 crore) against power house material damaged in fire incident at Bhaba Power House on 22.01.2015.</p>
3	Shimla Jal Prabandhan Nigam Limited (19.06.2018 to 31.03.2019)	<p>The following facts were not disclosed in the accounts:</p> <ul style="list-style-type: none"> • Completed works (nine nos.) valuing ₹14.77 crore being utilized by the Nigam without their formal transfer, and • Works in progress (16 nos.) of ₹143.63 crore are yet to be transferred. • Employees' expense of ₹11.02 crore deployed on secondment basis were not borne by the Nigam. <p>In contravention to the accounting policy, for the assets created between 2005-06 and 2008-09, The Company has not provided depreciation for the assets created between 2005-06 to 2008-09 (prior to date of its incorporation). The non-providing of depreciation on assets from the date of its completion resulted in overstatement of 'Capital Reserve' and 'Fixed Assets' by ₹136.34 crore.</p>
4	Beas Valley Power Corporation Limited (2018-19)	<p>Enhancement in expenditure (by ₹12.77 crore) on the project UHL-III, HEP due to overrun charges payable to the contractor was not disclosed in Notes to Accounts.</p>
Comments on Independent Auditor's Report		
1	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	<p>The following discrepancies were noticed in the Statutory Auditor's Report:</p> <ul style="list-style-type: none"> • The shortfall in demand raised by LIC for employee Group gratuity scheme was mentioned as ₹75.22 crore instead of ₹76.72 crore, • It was mentioned that the demand was based on Gratuity limit of ₹10 lakh instead of revised limit of ₹20 lakh. However, the revised limits were applicable for employees retiring on or after 29 March 2018. • Non providing of royalty amount under lot 2013-14 was reported twice resulting in overstatement of impact reported by Statutory Auditor by ₹93.45 lakh. <p>In the report, incorrect estimation (₹57.42 lakh instead of ₹92.98 lakh) was reported on excess provisioning by Company on resin royalty.</p>
2	Himachal Pradesh State Electronics Development Corporation Limited (2018-19)	<p>The Statutory Auditor's statement that the title deeds of immovable properties are in favour of the Company was not correct. The accommodation in the newly constructed building at Mehli, was allotted (September 2013) by the State Government and possession was with the Company, but title deed of the same was still not in the name of the Company.</p>
3	Himachal Pradesh Kaushal Vikas Nigam, Shimla (2017-18)	<p>The Statutory Auditor had commented that there was no diversion of grant received during 2017-18. Audit noticed that capital grant of ₹4.00 crore was diverted for revenue expenditure during the year 2017-18.</p>

3.5.2 Impact of CAG's comments

Subsequent to the audit of the financial statements by statutory auditors, the CAG conducted supplementary audit of the financial statements of the State Government Companies and Government Controlled Other Companies. Significant comments issued on financial statements of State Government Companies, the net financial impact of which on the profitability was ₹125.52 crore⁵³ and on assets/liabilities ₹544.38 crore.

3.5.3 Statutory corporations where CAG is the sole auditor

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

Sr. No.	Name of the SPSEs	Comments
Comments on Profitability		
1	Himachal Road Transport Corporation (2018-19)	<p>Against an amount of ₹12.38 crore payable on account of Haryana State Road Tax (HSRT) the Corporation had made payment of ₹10.55 crore as on 31.03.2019 and no provision on account of balance amount of ₹1.83 crore was made. This resulted in understatement of Passenger and Goods Tax –Haryana Govt. Tax as well as Loss by ₹1.83 crore.</p> <p>Provisions were not created for Interim Relief of ₹1.39 crore released by State Government from time to time and payable to employees of the Corporation;</p> <p>'Misc. Liabilities-Pension Fund Trust' and 'Loss' was understated by ₹30.42 crore due to short provisioning (₹25.58 crore instead of ₹56.00 crore) of arrears of pension payable to retired employees of the Corporation.</p> <p>The 'Loss' was understated and Fixed Assets -Vehicles' were overstated by ₹1.50 crore due to short charging of depreciation on vehicles.</p> <p>The Passenger Income was overstated by ₹2.76 crore due to incorporation of passenger accident insurance received from passengers in addition to fare. The Board of Directors decided (January 2010) to create Passenger Accident Insurance Fund; hence each unit of the Corporation was to maintain a separate account. However, the Corporation has included the insurance charges collected from the passengers in its income. This also resulted in understatement of 'Passenger Accident Insurance Income' by same amount.</p>
Comments on Financial Position		
		<p>Amount Recoverable from BSMDA and Current Liabilities were understated by ₹45.41 lakh due to netting of expenditure incurred by the Corporation on behalf of Himachal Pradesh City Transport and Bus Stands Management and Development Authority (HPCTBSMDA), Shimla and adjusted the same against recoverable from Authority.</p> <p>The Amount Recoverable from Pension Fund (Trust) was overstated and 'Amount Recoverable from GPF Trust' was understated by ₹2.04 crore due to misclassification of account head.</p>
Notes to Accounts		
		<p>The Corporation had depicted ₹20.86 crore recoverable from-BSMDA under the head 'Current Assets', whereas the HPCTBSMDA had accepted only ₹18.06 crore as per their accounts approved by the Board of Directors for the same year. As such, there was difference of</p>

⁵³ Overstatement: {Profit (₹74.19 crore) and Loss (₹20.57 crore)} and understatement: {Loss (₹19.24 crore) and Profit (₹11.52 crore)}.

	<p>₹2.80 crore. This being a material fact, should have been disclosed suitably by way of Note to Accounts.</p> <p>The Corporation had stated in their notes that amount recoverable from Railway Department pertaining to 1981-2005 in respect of Solan: ₹0.81 lakh, Mandi: ₹0.68 lakh and Kullu: ₹3.67 lakh had been treated as bad debts owing to non-availability of record but the Equity stands with the Corporation. Hence, amount recoverable was disclosed here to reconcile the same as and when question of settlement of equity arises. The statement was incorrect, as no equity of Railway Department Stands with the Corporation, hence Notes to Accounts was deficient to that extent.</p>
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3.6 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), 132 and 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 39 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 eight companies did not comply with mandatory Accounting Standards/Ind AS as detailed in **Appendix-3.4**.

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

Accounting Standard/Ind AS	Name of the SPSEs	Deviation
Ind AS- 8: Accounting Policies, Change in the Accounting Estimates and Errors	Himachal State Electricity Board Limited (2017-18)	Non correction of one prior period material errors.
Ind AS -36: Impairment of Assets	-do-	Non-disclosure for each class of property, plant and equipment impairment losses recognised in the Profit & Loss.
AS- 3: Cash Flow Statements	Himachal Pradesh Mahila Vikas Nigam (2015-16)	Non-attachment of cash flow statement.
AS- 10: Property, Plant and Equipment	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Non-disclosure of assets retired from active use and held for disposal.
AS- 15: Employee benefits	Himachal Pradesh Agro Industries Corporation Limited	The Company has disclosed in notes to accounts that retirement benefits were considered at the time of retirement/ resignation/ death which was in contravention of AS 15.

3.7 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 auditors and those charged with the responsibility of governance of the Corporate entity.

The material observations on the financial statements of SPSEs/SCs were reported as comments by the CAG under Section 143 (6)(b) 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:

- 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 Statutory Corporation gave assurances that corrective action would be taken in the subsequent year.

During the year, Management Letters were issued to one SPSE (Himachal Pradesh General Industries Corporation Limited) and one Statutory Corporation (Himachal Road Transport Corporation).

