



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**



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest

सूचनापत्र /Newsletter



ज्ञान और नवजीवन के सूर्योदय का सुप्रसंग

Celebration of the Sunrise of Knowledge and New Life

**Issue 23**

**For April 2022- September 2022**

**Inside this issue**

Click on the hyperlinks to go to the page:

Section	Title
1.	<a href="#">From the desk of Director General</a>
2.	<a href="#">Summary of recent events and courses conducted in RTI</a>
3.	<a href="#">Photo Gallery</a>
4.	<a href="#">Gist of significant observations in CAG's reports relating to Knowledge Centre topics</a>
5.	<a href="#">Developments of Interest on Knowledge Centre topics</a>
6.	<a href="#">Crossword</a>

Contact Us: -

RTI, Mumbai, 5<sup>th</sup> Floor, RTI Building, Plot No. C-2, GN Block,  
Behind Asian Heart Institute, Bandra Kurla Complex, Bandra (East), Mumbai – 400051;  
Ph-022-26521902; Fax-022-26522627; e-mail: [rtimumbai@cag.gov.in](mailto:rtimumbai@cag.gov.in); Website:  
<https://cag.gov.in/rti/mumbai/en>

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

[Click here for going  
back to cover page](#)



Dear Reader,

I am glad to release this newsletter for the half year ending September 2022. 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.

During half year April 2022 – September 2022, RTI Mumbai conducted two training programmes including preparatory and Phase I induction training of DRAAOs (2018 batch) and two training programmes on Knowledge Centre topics.

With the continued active support of our user offices, RTI Mumbai could smoothly conduct all its training activities outlined in the training calendar and we would like to place our sincere gratitude to all the user offices and also the Regional Advisory Committee Chairperson and members to steer the efforts of the Institute with their valuable guidance and directions.

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 30 September 2022**

[Click here for going back to cover page](#)

**(i) Training Courses we conducted**

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

SI No	Name of course	Number of participants including number of IA&AS participants given in brackets
1.	Communication & Motivation and APARs	25
2.	Compliance Audit as per new Compliance Auditing Guidelines, 2016	33
3.	Conduct of DPC meeting, panels, impact of Disciplinary Action thereon, Rosters and RTI Act	25
4.	e-Governance with IFMS	25
5.	Financial Attest Audit Guidelines (including FAAM, audit using VLC and preparation of SFAR)	21
6.	Financial Rules & Financial Management	16
7.	Government Accounting System, Role of GASAB & Transition to Accrual Accounting System	17
8.	KC Topic - All India Training Programme on Audit of Autonomous Bodies	50 (2)
9.	KC Topic - All India Training Programme on Corporate Governance	25(1)
10.	MCTP Level – 2	25
11.	MCTP level 3	50
12.	Modular Training - Audit Evidence	21
13.	Modular Training Audit Reporting	18
14.	Outcome Based Audit	17
15.	Performance Audit and Risk based Auditing	34
16.	Pre-Retirement Course	33
17.	Regulations on Audit & Accounts 2020	23
18.	Training program for Divisional Accounts Officers/ Divisional Accountants	20
19.	DRAAOs Preparatory Training	46
20.	Induction training for DRAAOs	46
	Total	570(3)

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

**(b) EDP Courses**

<b>SI No</b>	<b>Name of course</b>	<b>Number of participants including number of IA&amp;AS participants given in brackets</b>
1	Advanced Ms Access and MS Excel	24
2	Audit in IT Environment	24
3	Budgetary Process in the Government, usage of iBEMS in IA&AD & integration with PFMS	30
4	Data Analytics - KNIME	15
5	Data Analytics - Tableau	16
6	E- Office	27
7	Hardware/Software Troubleshooting (DEO to Supervisors)	25
8	IDEA	43
9	IT Audit (including INTOSAI Guidelines, Manuals)	18
10	IT Audit (Level 2A)-Basic MS Access	27
11	MS Excel (Advanced) with Power Pivot	23
	कुल / Total	272

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

- a. RTI Mumbai successfully the DRAAOs SAS Preparatory training and DRAAOs Induction training during the half year ending September 2022. Both these training programmes were for long duration of one month and three months respectively.
- b. Training on two Knowledge Centre topics – Audit of Autonomous Bodies and Corporate Governance with high course and faculty ratings.

**Section 3: Photo Gallery**

[Click here for going back to cover page](#)



## **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 concerned Legislature during the half-year ended September 2022**

### **Report 12 of 2021 – Union Commercial**

**Para 2.5.1.3 - Significant Accounts Comments of CAG issued as supplement to the Statutory Auditors' reports on Government Companies / Government controlled other companies**

#### **a. Listed Government companies**

##### **a.i. Comments on Profitability**

**Bharat Electronics Limited (Consolidated Financial Statements and Standalone Financial Statements): (Sl.No.1)**

#### **Incorrect recognition of revenue against the provisions of IndAS 115**

Revenue from Operations was overstated by ₹225.12 crore due to inclusion of 'Bill and Hold' sales in respect of three overseas deliveries based on customer's letters to postpone delivery in view of the COVID 19 logistic problems. This was not in accordance with the provisions of Ind AS 115 and resulted in understatement of Finished Goods to the extent of ₹135.06 crore. Consequently, profit was overstated to the tune of ₹90.06 crore.

Revenue from Operations was overstated by ₹140.36 crore due to recognition of revenue in respect of three contracts which were 'FOR Destination-MDL, Mumbai' and material in respect of which was not dispatched. This was not in accordance with the provisions of Ind AS 115 and resulted in understatement of Finished Goods to the extent of ₹47.72 crore. Consequently, profit was overstated to the tune of ₹92.64 crore.

Revenue from Operations was overstated by ₹68.66 crore due to recognition of revenue in respect of two contracts with Ministry of Defence in which the delivery was 'FOR Bengaluru' and the price was inclusive of installation, harbour acceptance trial and sea acceptance trial, inspection, packing and insurance up to consignee site and in respect of which inspection and acceptance was not complete as at 31.03.2020. This was not in accordance with the provisions of Ind AS 115 and resulted in understatement of Finished Goods to the extent of ₹32.15 crore. Consequently, profit was overstated to the tune of ₹36.51 crore.

**Steel Authority of India Limited (Standalone and Consolidated Financial Statement) (Sl.No.4):**

#### **Incorrect consideration of scarp as Inventory**

Iron and steel scrap embedded in slag at Bhilai, Bokaro, Rourkela and Durgapur Steel Plants which could neither be sold nor used for consumption in production on the balance sheet date, was considered as inventory. This resulted in overstatement of Inventories by ₹683.33 crore. Consequently, profit for the year was overstated by the same amount.

## **a.ii. Comments on financial position**

### **General Insurance Corporation of India (Consolidated Financial Statements and Standalone Financial Statements) (Sl.No.1):**

#### **Under provision for erosion in Investment**

Despite downgrade of rating, heavy losses in 2019-2020, uncertainty regarding going concern as per statutory auditor, initiation of proceeding in Debt Recovery Tribunal in Mumbai in respect of Reliance Capital Limited (RCap), the Company made provision to the tune of ₹135.29 crore in respect of its investment of ₹365.26 crore in non-convertible debentures of RCap instead of creating provision to the tune of 100 *per cent*. This resulted in understatement of Provisions and overstatement of profit by ₹229.97 crore.

### **The New India Assurance Company Limited (Consolidated Financial Statements and Standalone Financial Statements) (Sl.No.8):**

#### **Under provision for erosion in Investment**

Despite downgrade of rating, default in payment of interest and acceptance of application for initiation of corporate insolvency resolution process against M/s Dewan Housing Finance Corporation Limited (DHFL) by National Company Law Tribunal during the 2019-2020, the Company made provision to the tune of 50 *per cent* only in respect of the investment of ₹74.84 crore in non-convertible secured debentures of DHFL. This led to understatement of Provisions and overstatement of profit by ₹37.42 crore.

Despite downgrade of rating, heavy losses, fall in security cover and auditors' remarks regarding overdues from borrowers in respect of M/s Reliance Home Finance Limited (RHFL), the Company made provision to the tune of 30 *per cent* in respect of its investment of ₹114.97 crore in the non-convertible debentures of RHFL instead of creating provision to the tune of 100 *per cent*. This resulted in understatement of Provisions and overstatement of profit by ₹80.48 crore

## **b. Unlisted Government companies**

### **b.i. Comments on profitability**

### **India Infrastructure Finance Company Limited - (Consolidated and Standalone Financial Statement) (Sl.No.3):**

#### **Under provision for erosion in Investment**

The Company extended loans of ₹730.57 crore to six special purpose vehicles promoted by IL&FS Transportation Networks Limited and to IL&FS Environment Infrastructure and Services Limited against which a provision of ₹366.68 crore was made. As per proceedings before National Company Law Appellate Tribunal available in public domain, all the above mentioned companies had been placed under Red category by the new Board of Directors appointed by the Union Government to manage the affairs of the IL&FS group of companies which meant that such entities were not in a position to meet their payment obligation towards even senior secured financial creditors. Accordingly, the entire loan of ₹730.57 crore in above companies should have been provided for. Not

doing so has resulted in overstatement of Loan by ₹363.89 crore and understatement of Provisions to the same extent. Consequently, Profit was overstated by ₹363.89 crore.

**Oriental Insurance Company Limited (Consolidated and Standalone Financial Statements)  
(Sl.No.7):**

**Incorrect creation of unearned premium reserve**

Creation of Unearned Premium Reserve on the policies issued for period up to 2018-19 which was not in accordance with the circulars issued by Insurance Regulatory and Development Authority, resulted in overstatement of Provisions, Adjustment for changes in Reserves for Unexpired Risk and Loss for the year by ₹111.02 crore.

**b.ii. Comments on financial position**

**Hindustan Urvarak & Rasayan Limited (Sl.No.5)**

**Non-accountal of leasehold land and resultant understatement of amortisation**

Leasehold land taken on lease in the year 2018 at Gorakhpur, Sindri and Barauni for a period of 55 years valued at ₹495 crore was not accounted in the previous year i.e. 2018-19 financial statement nor was corresponding amortization of ₹4.82 crore of lease land charges made. The error was not corrected by restating the comparative amounts of its previous year's financial statement i.e. of 2018-19 in accordance with provisions contained in Ind AS 8. This resulted in understatement of Property, Plant and Equipment by ₹495 crore along with understatement of Other Financial Liabilities by the same amount.

This also resulted in understatement of amortization of lease land charges and overstatement of carrying amount of Property, Plant and Equipment by ₹4.82 crore and corresponding understatement of Capital Work in Progress by the same amount.

**Non-inclusion of material and equipment in Capital Work-in-progress**

Capital Work in Progress and Liabilities were understated due to non-inclusion of an amount of ₹319.55 crore being the value of material and equipment supplied by five parties for which invoices were submitted to the Company before 31.03.2020.

**Oriental Insurance Company Limited (Standalone and Consolidated Financial Statements)  
(Sl.No.9):**

**No-reversal of wrong booking of claims recoverable and payable**

Non-reversal of wrong booking of claims recoverable and payable towards aviation claims in the year 2016-17 and 2017-2018 under reinsurance arrangement resulted in overstatement of Dues from Other Entities Carrying Insurance Business and Balances Due to Other Insurance Companies by ₹135.55 crore.



### **Non-accountal of revised outstanding claim liability**

Due from other entities carrying insurance business included ₹264.80 crore being claims outstanding for the year 2019-20 for Kharif-2019 under crop insurance segment pertaining to the Regional Office (RO) Hubli of the Company. However, ROHubli, in August 2020, revised outstanding claim liability for Kharif-2019 as ₹200.87 crore based on claim data as uploaded by the State Government which was not revised in financial statements due to which claims outstanding for Crop Segment of Insurance Business and Reinsurance Recoverable stood overstated by ₹63.93 crore.

#### **b.iii. Comments on disclosure**

##### **BSNL Limited (Sl.No.4):**

### **Non-disclosure of cash and cash equivalent not available for use**

In contravention of Ind AS 7, the company did not disclose, together with management commentary, the amount of significant cash and cash equivalent balances held by it that was not available for use other than the purpose for which the same were earmarked. The Company did not disclose the method used in preparation of Statement of Cash Flow.

##### **Mumbai Metro Rail Corporation Limited(Sl.No.14):**

### **Non-disclosure of event occurring after Balance Sheet date**

Capital Work in Progress included an amount of around ₹454 crores towards construction of Car Shed Depot for the Metro Line-3 at Aarey. The activities inside Car Depot at Aarey Colony, however, were stopped vide Urban Development Department of Government of Maharashtra letter dated 29.11.2019. As per the Minutes of the meeting dated 28.08.2020 conducted under the Chairmanship of the Hon'ble Chief Minister of Maharashtra State regarding Metro line 3 and Metro Line 6, it was decided that to explore alternative route options. The said developments with tentative cost estimate of ₹2,800 crore were placed in the meeting of the Board of Directors Meeting held in September 2020. Though an important event occurring between the date of financial statements and the date when the financial statements were approved, no disclosure in this regard was made in Notes on accounts.

#### **d. Unlisted Government controlled other companies**

##### **d.i. Comments on profitability**

##### **Bokaro Power Supply Company (P) Limited (Sl.No.1):**

### **Non-provision of disposal cost of coal ash**

Non-provision of disposal cost of 19.96 lakh cum of ash estimated at ₹53.16 crore resulted in understatement of Generation/ Administration and Other Expenses and overstatement of Profit by ₹53.16 crore. The impact on books of accounts due to non provisioning of estimated cost for transportation of remaining 12.11 lakh cum of ash could not be computed.

#### **d.ii. Comments on financial position**

##### **Agricultural Insurance Company of India Limited(SI.No.1):**

###### **Non-accountal of adhoc payment made out of retained profits/reserves**

Advances and Other Assets included ₹200 crore being adhoc payment made out of retained profits/reserves to the Consolidated Fund of India (GoI's share for meeting additional expenditure on Crop Insurance – National Agriculture Insurance Scheme) as per the directions (December 2009) of the Ministry of Finance. There were no indications in the instructions that the above said amount was refundable by the Government and the Ministry did not refund the same even after lapse of 10 years. This resulted in overstatement of Advances and Other Assets as well as Reserves and Surplus of the Company by ₹200 crore

##### **Andhra Pradesh State Irrigation Development Corporation**

###### **Other Current Liabilities: ₹ 0.31 crore**

###### **Non-exhibition of balance payable after adjustment of Trade Receivable**

The Company adjusted Trade Receivable of ₹ 31.83 crore against the total outstanding interest of ₹ 45.63 crore payable on the loan from GoAP as on 31 March 2019 and did not show the balance of ₹ 13.81 crore as Other Current Liabilities, resulting in understatement of Other Current Liabilities by ₹ 13.81 crore and overstatement of Prior Period Adjustment (Income) to that extent.

*Government of Andhra Pradesh Report No.1 of 2022-Para No 6.7.1.3- Comments on Profitability - Sl.No.1*

##### **Southern Power Distribution Company of Andhra Pradesh Limited**

###### **Trade Payables-Power Purchase: ₹ 16,528.27 crore**

###### **Non-accountal of compensation payable**

The Company did not account ₹ 163.46 crore as liability towards the compensation payable by it due to change in Law as per CERC orders for payment of claims of power developer as per Article 10 (Change in law) of PPAs resulting in understatement of Expenses and Trade Payables each by ₹ 163.46 crore and overstatement of Profit for the year by ₹ 163.46 crore.

*Government of Andhra Pradesh Report No.1 of 2022 - Para No 6.7.1.3- Comments on Profitability - Sl.No.2*

###### **Trade Receivables: ₹ 6,773.55 crore**

###### **Non-provision of Bad and Doubtful debts as per Accounting Policy**

As against ₹ 1,458.04 crore of trade receivables (for sale of power) outstanding for more than four years as on 31 March 2020, the Company made provision to the extent of only ₹ 196.90 crore, which was not in line with the Accounting Policy for provision for bad and doubtful debts resulting in understatement of provision for bad and doubtful debts and overstatement of trade receivables, each by ₹ 1,261.14 crore and consequent overstatement of Profit for the year by ₹ 1,261.14 crore.

*Government of Andhra Pradesh Report No.1 of 2022 - Para No 6.7.1.3- Comments on Profitability - Sl.No.2*

**Andhra Pradesh Industrial Infrastructure Corporation Limited**

**Other Non-current Liabilities (Note-15) Land Conversion Charges: ₹ 262.93 crore**

**Treatment of Other Non-Current Liability as Contingent Liability**

Though there was no provision for retrospective exemption as per the amended Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purposes) Act, 2006 which was

made effective from 1 February 2018 for the lands allotted to the Company, the Company had disclosed the amount ₹ 552.41 crore payable to GoAP towards conversion charges for the period up to 2014-15 as Contingent Liability, instead of recognizing it as liability and also did not account for ₹ 30.93 crore for the years 2015-16 to 2017-18 payable for lands allotted before 1 February 2018. This resulted in understatement of 'Other Non-Current Liabilities and Inventories' by ₹ 583.34 crore each and overstatement of 'Contingent Liabilities' by ₹ 552.41 crore.

*– Government of Andhra Pradesh Report No.1 of 2022 - Para No 6.7.1.3- Comments on Financial Position - Sl.No.2*

**3 Transmission Corporation of Andhra Pradesh Limited**

**Non-provision of depreciation as per the rates prescribed**

Depreciation and Amortisation Expenses: ₹ 681.68 crore: As per Accounting Policy of the Company, Depreciation on property, Plant and Equipment is provided using Straight line Method based on useful life of assets as per the Electricity (Supply) (Annual Accounts) Rules, 1985 and as per the rates notified in the GoI Gazette Notification of 29 March 1994. In case of intangible assets (Computer software), the Company disclosed that the amortization would be over a period of five years. However, depreciation was not provided as per the rates allowed resulting in overstatement of Fixed Assets (net block) as well as Profit for the year by ₹ 9.77 crore.

*– Government of Andhra Pradesh Report No.1 of 2022 - Para No 6.7.1.3- Comments on Financial Position - Sl.No.3*

**Uttar Haryana Bijli Vitran Nigam Limited for the year 2020-21**

**Non-booking of income from remeasurement of defined retirement benefit plans**

The profits were understated by ₹ 146.55 crore due to non-booking of income arising out of re-measurement of defined retirement benefit plans. There was understatement of Total Comprehensive Income for the year 2020-21 (comprising accumulated P&L) and overstatement of terminal liabilities for the period to that extent.

*Government of Haryana - Report No. 3 of the year 2022 – Table 5.11 – Impact of the Comments on the Profitability of Government Companies*

## **Haryana Power Generation Corporation Limited for the year 2020-21**

### **Non-recognition of dividend income from Joint Venture**

The Company did not recognise dividend income of ₹ 175 crore (net amount ₹ 161.87 crore after TDS deduction of ₹ 13.13 crore) received in 2020-21 and ₹ 209.25 crore relating to previous years from 2015-16 to 2019-20 from joint venture entity, Aravali Power Company Private Limited (APCPL). The Company transferred net receipt of dividend of ₹ 161.87 crore to the State Government and balance amount of ₹ 13.13 crore showed as payables under current liabilities. Resultantly, profit for the year 2020-21 and other equity were understated by ₹ 175 crore and ₹ 209.25 crore respectively.

### **Incorrect accounting of fixed cost excess recovered**

Non-current assets held for sale included ₹ 32.38 crore on account of excess fixed cost recovered from two power Distribution Companies (DISCOMs) i.e. UHBVNL and DHBVNL during the year 2019-20 in respect of Panipat Thermal Power Station unit-V, Panipat. The same were disallowed (April 2020) by the Haryana Electricity Regulatory Commission. The Company capitalised the disallowed fixed cost under non-current assets held for sale and created a provision under current financial liabilities. Resultantly, Non-Current Assets held for sale and Provisions were overstated by ₹ 32.38 crore.

*Government of Haryana - Report No. 3 of the year 2022 – Table 5.11 – Impact of the Comments on the Profitability of Government Companies*

## **Himachal Pradesh State Civil Supplies Corporation Limited (2018-19)**

### **Under provision of Group Gratuity**

The Corporation provided only ₹ 4.25 crore on account of Group Gratuity and Leave Encashment against ₹ 15.59 crore as demanded by Life Insurance Corporation of India. This resulted in understatement of 'Other Current Liabilities-Other Payable' and overstatement of 'Profit' by ₹ 11.34 crore.

*Government of Himachal Pradesh - Report No. 2 of the year 2022 – Para No.5.14.5 - Table 5.12 – Comments on Profitability*

## **Himachal Pradesh State Forest Development Corporation Limited (2017-18)**

### **Non-compliance of AS in providing retirement benefits**

In contravention to Accounting Standard-15, the Corporation did not provide retirement benefits of ₹ 14.72 crore in respect of 397 employees against earned leave credited into their account up to 31 March 2018. This resulted in understatement of 'Short Term Provisions' and 'Loss' by the same amount.

*Government of Himachal Pradesh - Report No. 2 of the year 2022 – Para No.5.14.5 - Table 5.12 – Comments on Profitability*

## **Beas Valley Power Corporation Limited (2019-20)**

### **Non-compliance of IndAS for Contingent Asset**

In contravention to IndAS 37, the Company had shown ₹ 6.56 crore as interest recoverable from a contractor for the period from 2017-18 to 2019-20 instead of showing it as contingent asset, as the matter is in arbitration. This resulted in overstatement of 'Other Non-Current Assets- Other Advance' and understatement of 'Incidental Expenditure during Construction' by ₹ 6.56 crore.

Government of Himachal Pradesh - Report No. 2 of the year 2022 – Para No.5.14.5 - Table 5.12 – Comments on Financial Position

## **Himachal Pradesh Power Transmission Corporation Limited (2019-20)**

### **Non-disclosure of material fact in the accounts**

The State Govt. accorded approval (07 March 2019 and 22 December 2020) for enhancing authorised share capital of the Company from ₹ 300 crore to ₹ 500 crore. The enhancing of authorised share capital was pending for want of approval from Ministry of Corporate Affairs (MCA). Approval from MCA was pending due to Company being "ACTIVE-non-compliant" as the Company had not appointed full time Company Secretary as per provisions of Company Secretary Act, 1956. Thus, the Company was forced to treat equity contribution of ₹ 85.74 crore received from State government as Share Application Money. This being material fact should have been disclosed by way of Note to the Accounts.

Government of Himachal Pradesh - Report No. 2 of the year 2022 – Para No.5.14.5 - Table 5.12 – Comments on Disclosure

## **Madhya Pradesh Power Transmission Company Limited (2019-20)**

### **Excess billing of transmission and incentive charges against Significant Accounting Policy**

The incentive charges include ₹21.65 crore transmission charges and ₹14.51 crore incentive charges being billed and claimed by the Company from its five long term consumers towards enhanced transmission capacity (16,576.18MW), in excess of ₹2,746.96 crore of fixed charge recoverable for earlier transmission capacity of 16,496.18MW as allowed by Madhya Pradesh Electricity Regulatory Commission (MPERC) vide Multi Year Tariff (MYT) order dated 26.04.2017. The Company in non-compliance to its Significant Accounting Policy xix (Revenue Recognition) and MPERC order dated 26.04.2017 resorted to excess billing of transmission and incentive charges on provisional basis for the year 2019-20 based on Annual Fixed Cost approved by the MPERC for FY 2018-19 resulting in overstatement of transmission charges and incentive charges by ₹21.65 crore and ₹14.51 crore respectively, Trade Receivables by ₹36.16 crore and overstatement of profit to the same extent.

Government of Madhya Pradesh-Report No. 4 of the year 2022-Para 5.14.2 – Table – Comments on profitability

## **Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (2019-20)**

### **Non-accounting of interest paid on behalf of Government**

Contingent Assets included interest of ₹76.12 crore paid to Rural Electrification Corporation on behalf of Government of Madhya Pradesh which was receivable from State Government under the tripartite agreement. Non accounting as receivable (Current Asset) from GoMP resulted in overstatement of Interest expenses by ₹76.12 crore, and understatement Profit for the year, extent and understatement of Other Current Assets by ₹76.12 crore as at 31 March 2020

Government of Madhya Pradesh-Report No. 4 of the year 2022-Para 5.14.2 – Table – Comments on profitability

## **Meghalaya Power Generation Corporation Limited (Year of Accounts: 2019-20)**

### **Incorrect accounting of Completed Works as Capital Work-in-Progress**

The Company accounted the Capital Expenditure of ₹ 7.70 crore incurred on Myndtu Leshka Hydro Electric Project Stage-I under 'Capital Work in Progress' (CWIP). Since the project has already started commercial operation (April 2013), the above Capital Expenditure should have been transferred to 'Fixed Assets' and 'Depreciation' charged accordingly. This has resulted in overstatement of Capital-work-in-progress and understatement of Fixed Assets (Gross Block) by ₹ 7.70 crore each with corresponding understatement of 'Depreciation' and 'Loss for the year' by ₹ 2.09 crore each.

Government of Meghalaya - Report No. 1 of 2022 – Para 5.22 – Table 5-15 - Gist of significant comments issued by C&AG on the accounts of the SPSEs

## **IPGCL (2018-19)**

### **Non-recognition of impact of DERC Order**

IPGCL has not recognised the impact of true-up order issued by DERC for the year 2017-18 in respect of its Gas Turbine Power Station plant resulting in overstatement of revenue from operations, other equity and trade receivables and understatement of loss for the year by ₹ 12.86 crore.

Government of National Capital Territory of Delhi Report No. 2 of the year 2021 – Para No. 5.13.4 – Table 5.12 – Impact of the comments on the financial position of Government Companies

## **DTL (2018-19)**

### **Delay in capitalization of asset**

DTL paid ₹ 119.78 crore in advance for the work on 220/66KV/GIS sub- station at Tughalakabad. The same was commissioned on 5th November 2018 but the Company capitalised work valuing ₹ 54.25 crore only in 2018-19 resulting in understatement of plant and machinery and overstatement of advances by ₹ 65.53 crore. Consequently, depreciation was understated by ₹ 1.59 crore and profit was overstated to the same extent.

### **Capitalization of interest against provision of IndAS**

DTL capitalised ₹ 44.25 crore being interest cost on loan availed from GNCTD and charged depreciation amounting to ₹ 20.64 crore which was inconsistent with Ind AS-23 as no payment of

this interest amount had been made up to 31.03.2019. This resulted in overstatement of depreciation by ₹ 20.64 crore, overstatement of Property, Plant and Equipment by ₹ 23.61 crore and understatement of finance cost by ₹ 44.25 crore.

*Government of National Capital Territory of Delhi Report No. 2 of the year 2021 – Para No. 5.13.4 – Table 5.12 – Impact of the comments on the financial position of Government Companies*

#### **DSIIDC (2018-19)**

##### **Non-valuation of inventory as per IndAS**

DSIIDC sold plots at Bhorgarh at notified rates of ₹ 15,566 per sqm. whereas the inventory of plots was accounted for at the rate of ₹ 42,164 per sq mtr. As per IND AS-2 inventories are to be measured at lower of cost and net realisable value. Non-valuation of inventory at notified rates had resulted in overstatement of inventory by ₹ 111.68 crore.

##### **Non-compliance of IndAS in classifying Cash and Cash Equivalent**

Cash and cash equivalent includes term deposits amounting to ₹ 2,410 crore having maturity date of beyond three months from the date of Balance Sheet. This is not consonance with Ind AS-7 and Guidance note on division-II-Ind AS Schedule III to the Companies Act, 2013 which specifies that such deposits be classified as other bank balances. This has resulted in overstatement of cash and cash equivalents and understatement of other bank balances by ₹ 2,410 crore.

##### **Incorrect classification of non-contractual assets as financial assets**

Loan includes ₹ 292.51 crore being advance income tax, balance with Central Excise Department, service tax recoverable, sales tax/vat recoverable etc. As per para AG12 of Appendix A of Ind AS-32, liabilities or assets that are not contractual are not financial liabilities or financial assets rather, these are in the nature of other current assets. Thus, the depiction of non-contractual assets as financial assets has resulted in overstatement of current assets-financial assets (loans and advances) and understatement of other current assets by ₹ 292.51 crore.

*Government of National Capital Territory of Delhi Report No. 2 of the year 2021 – Para No. 5.13.4 – Table 5.12 – Impact of the comments on the financial position of Government Companies*

#### **Punjab Small Industries and Export Corporation Limited (2018-19)**

##### **Non-compliance of Accounting Policy in booking of allotment of plot**

The Company did not book sale for allotment of plot on receipt of payment basis in the ratio of payment received (to the extent of 50 *per cent* of allotment price) in the accounts as per adopted Accounting Policy of the Company. This has resulted into overstatement of land by ₹ 15.75 crore, advance receipts of plots by ₹ 21.45 crore and understatement of plots by ₹ 21.45 crore and profit for the year by ₹ 5.70 crore.

*Government of Punjab - Report No. 8 of the year 2021 – Para No. 5.13.4 - Table 5.11 – Comment on Profitability*

### **Punjab State Warehousing Corporation (2017-18)**

#### **Non-transfer of amount to Pension Corpus Fund complying order of the Court**

An amount of ₹ 194 crore was to be transferred to the Corporations Pension Corpus Fund in compliance to the order of the Court but provision for the same was not made which resulted into understatement of liabilities as well as accumulated losses by ₹ 194 crore.

The Corporation had accounted for ₹ 201.74 crore as its income for the years 2009-10 to 2016-17 on account of rate revision of storage charges applicable for the next year. This resulted into overstatement of current assets and understatement of accumulated losses by ₹ 201.74 crore

*Government of Punjab - Report No. 8 of the year 2021 – Para No. 5.13.4 - Table 5.11 – Comment on Profitability*

### **Punjab Genco Limited (2019-20)**

#### **Non-charging of depreciation on the full project cost**

Non-charging of depreciation on full amount of project assets since capitalisation of respective projects, resulted into understatement of tangible assets by ₹ 4.23 crore and capital reserve by ₹ 20.08 crore and overstatement of accumulated profits by ₹ 15.85 crore.

*Government of Punjab - Report No. 8 of the year 2021 – Para No. 5.13.4 - Table 5.11 – Comment on Profitability*

### **U.P. Power Transmission Corporation Limited (2019-20) :**

#### **Booking of employee benefit expenses which was provided in earlier years**

Employee Benefit Expenses of the company includes ₹ 24.41 crore on account of 7th Pay Commission Arrears for which liability/provision had already been created in the books of accounts in earlier years. Instead of adjusting existing provision, the Company while making payment charged the same as Employee Benefit Expenses for current year. This resulted in overstatement of Employee Benefit Expenses and Other Current Liabilities by ₹ 24.41 crore each. Consequently, Profit for the year has been understated by the same amount.

*Government of Uttar Pradesh - Report No. 2 of the year 2022 – Para No. 6.5.4 (A) Government Companies – 1. Comments on Profitability*

### **Uttar Pradesh Jal Vidyut Nigam Limited**

#### **Adjustment of sale in contravention of Tariff Order of UPERC**

The Company disclosed that “Sales for Obra HEP, Khara, UGC, Belka, Babail & Sheetla Small Hydro Plant (SHP) has been accounted for as per tariff (03 July 2018) decided by Hon'ble UPERC.” Contrary to the above disclosure, the Company has done sales adjustment for amount of ₹ 60.59 crore and ₹ 6.14 crore in 2017-18. These adjustment of sale done by the Company are not as per terms of the tariff order. As a result, Revenue from Operations, Prior Period income and Trade Receivables are understated by ₹ 6.14 crore, ₹ 60.59 crore and ₹ 66.73 crore respectively whereas loss for the year was overstated by ₹ 66.73 crore



*Government of Uttar Pradesh - Report No. 2 of the year 2022 – Para No. 6.5.4 (A) Government Companies – 1. Comments on Profitability*

**Uttar Pradesh Power Transmission Corporation Ltd (2019-20):**

**Capitalization of interest in contravention of IndAS**

The Company in contravention of provisions of Ind AS 23 (Borrowing Costs) booked penal interest of ₹ 4.88 crore (paid during 2016-17 due to delay in payment of principal and interest) to the lending agencies under Capital Work-in-Progress (CWIP) instead of charging to Profit and Loss account. Thus, due to capitalisation of penal interest, CWIP and Other Equity is overstated by ₹ 4.88 crore each.

*Government of Uttar Pradesh - Report No. 2 of the year 2022 – Para No. 6.5.4 (A) Government Companies –2. Comments on Financial Position*

**Uttar Pradesh Metro Rail Corporation Limited - 2020-21**

**Capitalization of consumable spares instead of treating as inventory**

Property plant and equipment includes consumable spares amounting to ₹ 6.75 crore which were capitalised along with the value of rolling stock instead of accounting for same as inventory. This resulted in overstatement of 'Property, Plant and Equipment' (Rolling Stock) and understatement of 'Inventory' by ₹ 6.75 crore each.

Track work (P-way), Capital work in Progress represents surplus stores (sleepers, rails, clamps etc.) at Lucknow Metro Project. These items were left over items used for laying of new rail tracks and were not required at Lucknow Project as the project was already completed and commissioned. This resulted in overstatement of 'Capital work in Progress (Lucknow)' and understatement of 'Inventory' by ₹ 12.83 crore each

*Government of Uttar Pradesh - Report No. 2 of the year 2022 – Para No. 6.5.4 (A) Government Companies –2. Comments on Financial Position*

**UJVN Limited (2020-21)- Uthrakhand**

Trade receivables as well as Profit were overstated by ₹ 35.99 crore due to following:

- a. Accountal of penal interest of ₹ 3.62 crore on delayed payment of advance tax as recoverable from UPCL, contrary to provision of tariff order issued by the Uttarakhand Electricity Regulatory Commission (UERC).
- b. Excess inclusion of amount recoverable from UPCL (₹ 27.61 crore) and HPSEB (₹ 4.76 crore) contrary to directions of UERC

*Government of Uttarakhand-Report No. 1 of the year 2022-Para 5.13.2-Comments on the Profitability and financial position of Government Companies*



## Section 5: Developments of Interest on Knowledge Centre topics

[Click here for going back to cover page](#)

### Latest Circulars/Notifications

Ministry/Dept/Aut hority	Subject	No. of Date
Department of Public Enterprises	Alignment of CSR Expenditure of CPSE with National Priorities – Approval of Health and Nutrition as common theme for CSR activities of CPSEs for the year 2022-22	F.No.8/0002/2018-Dir (CSR) dated 5 April 2022
	Guiding Principles for closure of subsidiaries / Units by their Holding/Parent Public Sector Enterprises	No.DPE 3(1)/2022/DD dated 31 October 2022
	MoU Guidelines for the year 2022-23 and onwards- Updated	No.M-03/0003/2020-DPE (MoU) dated 12 October 2022
Ministry of Corporate Affairs	Amendment of the Companies (Acceptance of Deposits) Rules, 2014	CG-DL-E-31082022-238474 dated 29 August 2022
	Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022	CG-DL-E-21092022-238956 dated 20 September 2022
	Amendment to the Companies (Registration of Charges) Rules, 2014 - Application for registration of creation, modification of charge (other than those related to debentures) including particulars of modification of charge by Asset Reconstruction Company in terms of Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI)	CG-DL-E-31082022-238470 dated 29 August 2022
	Amendment to the Companies (Indian Accounting Standards) Rules, 2015,	CG-DL-E-04042022-234814 dated 23 March 2022
Department of Investment and Public Asset Management Disinvestment (DIPAM)	Empowering the Board of Directors of the Holding/ Parent Public Sector Enterprises (PSEs) to recommend and undertake the process for Disinvestment (both strategic disinvestment and	F.No.3/17/2021-DIPAM-II-B(E) 1 June 2022

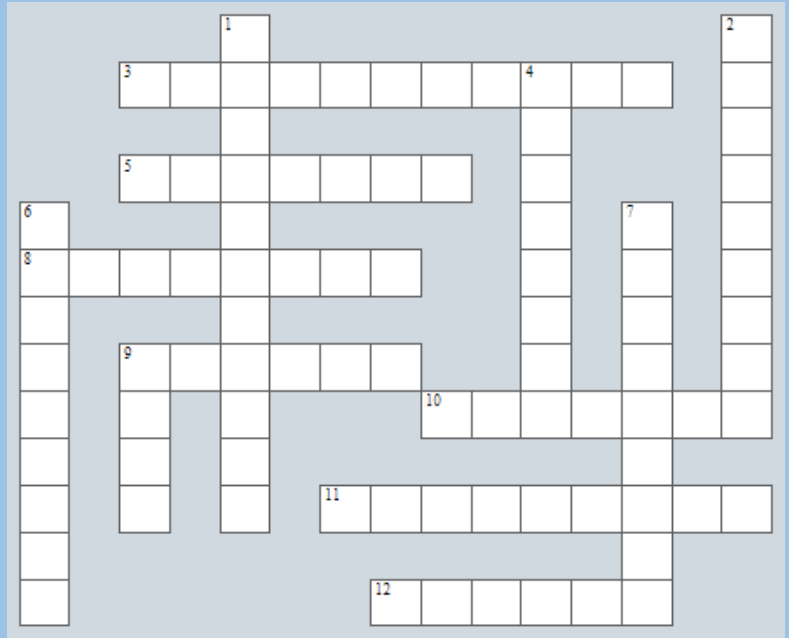
	minority stake sale)/ closure of their subsidiaries/units/stake in JVs.	
Securities and Exchange Board of India (SEBI)	Master Circular for Infrastructure Investment Trusts (InvITs)	SEBI/HO/DDHS/DDH S_Div3/P/CIR/2022/53 April 26, 2022
	Master Circular for Real Estate Investment Trusts (REITs)	SEBI/HO/DDHS/DDH S_Div3/P/CIR/2022/52 April 26, 2022
	Master Circular for Commodity Derivatives Market	SEBI/HO/CDMRD/D MP/P/CIR/2022/64 May 17, 2022
	Master Circular on Surveillance of Securities Market	SEBI/HO/ISD/ISD-PoD-2/P/CIR/2022/118 September 13, 2022

**Section 6: Newsletter Crossword (September 2022)**

[Click here for going back to cover page](#)

**Across**

- 3 Current ratio is calculated by having the current liabilities in the \_\_\_\_\_
- 5. owing to seasonal fluctuations, debtors turnover ratio is normally calculated by using the \_\_\_\_\_ receivables
- 8 Increase in the company's accounts receivable indicates a \_\_\_\_\_ cashflow
- 9 For calculating debtors turnover ratio the net \_\_\_\_\_ sales are taken into account
- 10 Current assets - Current Liabilities = \_\_\_\_\_ Capital
- 11 Deferred revenues are reported on the balance sheet as a current \_\_\_\_\_ until they are earned
- 12 An inventory turnover ratio of 18.25 can support sales for \_\_\_\_\_ days at any given point of time



**Down**

- 1 Temporary \_\_\_\_\_ will be listed after cash on a company's balance sheet
- 2 Changes in working capital are normally reflected as changes in \_\_\_\_\_ activities in the cashflow statement
- 4 Cost of goods sold when divided by the average inventory gives thus the inventory \_\_\_\_\_ ratio
- 6 This asset is not considered while calculating quick ratio
- 7 having cash to discharge liabilities as and when they become due shows the \_\_\_\_\_ of any business
- 9 Most Liquid Asset

**Answers:**

Across

- 3 Denominator 5 Average 8 Negative 9 Credit
- 10 Working 11 Liability 12 Twenty

Down

- 1 Investments 2 Operating 4 Turnover 6 Inventory
- 7 Liquidity 9 Cash