

Chapter-II

Oversight role of CAG

Appointment of Statutory Auditors

2.1 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 (Act 2013). Section 139 (5) of the 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. Section 139 (7) of the Act 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

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

The statutory auditors of all the SPSEs for the year 2019-20 were appointed by the CAG during August 2019 except the companies which came under the ambit of CAG for the first time in 2019-20.

Statutory Audit

2.2 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Rajasthan State Road Transport Corporation. In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by Central Government and partly by one or more State Governments, is subject to audit by the CAG.

Submission of accounts by SPSEs

Need for timely submission of Annual Report

2.3 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). Further such report shall be laid before the State Legislature together with a copy of the Audit Report as soon as possible after such preparation 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 utilization of public funds invested in the companies from the Consolidated Fund of the State.

Timeliness in preparation of accounts by SPSEs

2.4 Section 96 of the 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. The section further provides that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year. Accordingly, the Companies were required to hold AGM up to 30 September 2020 for the financial year 2019-20.

The Ministry of Corporate Affairs issued order dated 08 September 2020 to extend the time for holding of AGM for the financial year ended 2019-20 by three months from the due date. This has consequently resulted into extension in finalization of financial statements from 30 September 2020 to 31 December 2020.

Further, Section 129 of the 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 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 above, annual accounts of various SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

As of 31 March 2020, there were 38 Government Companies and four Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from all the Government Companies as well as Government Controlled Other Companies.

A total of 27 Government Companies and three Government Controlled Other Companies submitted their accounts for audit by CAG on or before 31 December 2020. Accounts of 11 Government Companies and one Government Controlled Other Companies were in arrears for various reasons.

Out of total 42 Companies, accounts of 12 companies were in arrears.

Table 2.1 Status of arrear in accounts

Particulars		Government Companies/Government Controlled Other Companies		
		Government Companies	Government Controlled Other Companies	Total
Total number of Companies under the purview of CAG's audit as on 31 March 2020		38	4	42
Number of companies which presented the accounts for CAG's audit by 31 December 2020		27	3	30
Number of accounts in arrears		11	1	12
Extent of arrear		Up to 5 years	One year	
Break-up of Arrears	(i) Under Liquidation	1	-	
	(ii) Defunct	1	-	
	(iii) First Accounts not submitted	-	1	
	(iv) Others	9	-	

Placement of Separate Audit Reports of Statutory Corporations

2.5 Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the State Legislature as per the provisions of the respective Acts. Out of three Statutory Corporations, two Corporations had forwarded their accounts of 2019-20 by 31 December 2020.

Status of annual accounts of Statutory Corporations and placement of their SARs in the State Legislature as on 31 December 2020 is detailed in **Table 2.2**.

Table 2.2: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month/Year of placement of SAR
Rajasthan Financial Corporation	2018-19	November 2019
	2019-20	Yet to be placed
Rajasthan State Warehousing Corporation	2018-19	November 2019
	2019-20	SAR to be finalised
Rajasthan State Road Transport Corporation	2017-18	February 2020
	2018-19	February 2020
	2019-20	Annual accounts not received till December 2020.

Source: Compiled based on information available on the website of Rajasthan Legislative Assembly.

CAG's oversight- Audit of accounts and supplementary audit

Financial reporting framework

2.6 The 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 Listed Companies and the Companies having net worth of more than ₹ 250 crore are required to comply with the Indian Accounting Standards (Ind AS). Further parent, subsidiary, associate and joint venture of aforesaid companies are also required to comply with Ind AS. The Companies not covered by the above shall continue to apply Accounting Standards (AS). Out of the 42 Government Companies and Government Controlled other Companies, 14 entities follow the Ind AS while the remaining prepare their accounts as per AS.

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.

Audit of accounts of Government Companies by Statutory Auditors

2.7 The statutory auditors appointed by the CAG under Section 139 of the 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. This role 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.

The Statutory Auditors reported that 13 companies as detailed in **Annexure-2.1** did not comply with mandatory Accounting Standards/Ind AS.

Supplementary Audit of accounts of Government Companies

2.8 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 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.

Result of CAG's oversight role

2.9 During the period under review (October 2019 to December 2020), the status of the financial statements received, reviewed and comments issued is given in the **Table 2.3**

Table 2.3: Status of Financial Statements of SPSEs

Particulars of Financial Statement	Financial Year 2019-20			Previous Years		
	Govt. company	Statutory corporation	Total	Govt. company	Statutory corporation	Total
Received	30	2	32	13	1	14
Not Reviewed	9	-	9	2	-	2
Reviewed	21	2	23	11	1	12
Audit in progress*	7	1	8	1	-	1
Nil comment issued	10	-	10	6	-	6
Comments issued	4	1	5	4	1	5

*As on 31 December 2020

Further, comments on the financial statements of four SPSEs (Government Companies), out of seven SPSEs, audit of those were under progress as on 30 September 2019, were also issued between October 2019 and February 2020. Thus, comments of the CAG on financial statements of 14 SPSEs (**Annexure-2.2**) were issued during the period under review.

Amendment of financial statements/Revision in Auditor's Report

2.10 As a result of supplementary audit of the financial statements conducted by the CAG during the audit period, one Government Company (Rajasthan Urban Drinking Water Sewerage and Infrastructure Limited) amended its financial statement for the year 2016-17 before laying the same in the Annual General Meeting. Accordingly, the Statutory Auditor of the Company revised its Auditor's Report.

Significant comments of the CAG issued as supplement to the Statutory Auditors' reports

2.11 Subsequent to the audit of the financial statements by the Statutory Auditors, the CAG conducted supplementary audit of the financial statements of the SPSEs received during the reporting period (October 2019 to December 2020). The comments issued are detailed below:

Comment on Profitability

Sl. No.	Name of Company	Comment
1.	Rajasthan Rajya Vidyut Prasaran Nigam Limited (2019-20)	Non-accountal of O & M charges for maintenance of bays, recoverable from Power Grid Corporation of India Limited (₹ 4.44 crore) and NRSSXXXVI Transmission Limited (₹ 0.16 crore) resulted in understatement of Revenue from operations as well as Current Assets by ₹ 4.60 crore.
		Excess booking of transmission tariff in respect of transmission lines resulted in overstatement of Revenue from operations as well as Current Assets by ₹ 5.94 crore.
		Non-charging of depreciation on 400 KV DC Bhilwara-Ajmer Line for the period 26.01.18 to 31.03.20 resulted in understatement of Depreciation and Amortization Expenses and overstatement of Property, Plant and Equipment by ₹ 1.83 core.
		Non-adjustment of premium receivable from Adani Transmission (Rajasthan) Limited against unitary charges resulted in overstatement of Administrative and Other Expenses and understatement of Current Assets by ₹ 3.73 crore.
2.	Jaipur Vidyut Vitran Nigam Limited (2019-20)	Tangible Assets do not include operationally accepted and already handed over IT equipment of ₹ 21.76 crore. This resulted in overstatement of Capital Work in Progress by ₹ 18.17 crore, overstatement of Long Terms Loans & Advances by ₹ 3.59 crore, understatement of Tangible Assets under Property, Plant & Equipment by ₹ 21.76 crore. This also resulted in understatement of Depreciation and overstatement of Profit by ₹ 2.43 crore.
		Sale of Power does not include ₹ 41.42 crore being amount recoverable from the Distribution Franchisees (DFs) on account of difference of amount in various ABR components. This has resulted in understatement of Current Assets and Profit for the year by ₹ 41.42 crore.
3.	Rajasthan State Power Finance and Financial Services Corporation	Employees' benefit Expenses is understated by ₹ 0.95 lakh due to non-inclusion of pension contribution pertaining to the year 2019-20. This also resulted in understatement of other Current Liabilities by ₹ 0.95 lakh.

	Limited (2019-20)	
4.	Rajasthan Financial Corporation (2019-20)	Other Liabilities & Provisions is understated by ₹ 4.04 crore due to non-provision of dividend payable to Small Industries Development Bank of India on account of minimum guaranteed dividend for the period from 1997-98 to 1999-2000 as per State Financial Corporations Act 1951. Consequently, Loss for the year has been understated by ₹ 4.04 crore.
5.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (2018-19)	<p>Revenue from Operations is understated by ₹ 20.70 crore due to excess allocation and adjustment in Capital Work in Progress of late payment surcharge on infirm power in respect of Unit 5 and Unit 6 of the Supercritical Thermal Power Plant, Chhabra. This has resulted in understatement of Capital Work in Progress and profit by ₹ 20.70 crore.</p> <p>Generation and Other Direct Expenses is understated by ₹ 5.64 crore due to non-provision of liability towards track access charges payable to M/s Sarguja Rail Corridor Private Limited for shortfall of coal in the off-take quantity. This has resulted in understatement of Trade Payables and overstatement of profit by ₹ 5.64 crore.</p> <p>After 12 years from the date of commercial operation (31 March 2017), the Company charged depreciation of ₹ 28.18 crore for the period 2017-19 on remaining depreciable value of Property, Plant and Equipment of Kota Thermal Power Station, stage IV as per straight line method instead of spreading it over the balance useful life (13 years) of the assets as provided in Clause 22(4) of RERC (Terms and Conditions for Determination of Tariff) Regulation 2014. This has resulted in overstatement of Depreciation and Amortization Expenses by ₹ 14.09 crore (depreciation for the year 2018-19) and Other Equity by ₹ 14.09 crore (depreciation for the year 2017-18). Consequently, Property, Plant & Equipment and Profit has been understated by ₹ 28.18 crore and ₹ 14.09 crore respectively.</p> <p>Non-provision of liability towards short paid guarantee commission (₹ 15.67 crore) to the State Government for the year 2018-19 and penal interest (₹ 0.84 crore) thereon resulted in understatement of Finance Costs and Other Current Liabilities by ₹ 16.51 crore.</p>

6.	Rajasthan Rajya Vidyut Prasaran Nigam Limited (2018-19)	<p>Accountal of State Load Dispatch Center charges twice resulted in overstatement of Revenue from Operations and Trade Receivables by ₹ 9.86 crore. Consequently, Loss for the year is understated to that extent.</p> <p>Other Income as well as Trade Receivable is overstated by ₹ 45.16 lakh due to inclusion of interest earned on Fixed Deposit (FDs) of undistributed Deviation Settlement Mechanism (DSM) charges payable to DISCOMs. Consequently, Loss for the year is understated to that extent.</p> <p>Non-provision of liability (unitary charges ₹ 4.83 crore payable to Adani Transmission (Rajasthan) Limited and KEC Bikaner Sikar Transmission Private Limited as well as court cases fee ₹ 16.28 lakh) for the month of March 2019 resulted in understatement of Administrative and Other Expenses as well as Current Liabilities by ₹ 4.99 crore. Consequently, Loss for the year is understated to that extent.</p>
7.	Rajasthan State Seeds Corporation Limited (2018-19)	Employee Benefit Expenses credited by ₹ 1.55 crore being the excess provisions made for Group Leave Encashment Scheme during previous years due to error/omission. This error should have been rectified by crediting the Prior Period Income in accordance with AS 5. This has resulted in understatement of Employee Benefit Expenses and overstatement of Profit/Earning before Exceptional & Extraordinary Items by ₹ 1.55 crore.
8.	RajComp Info Services Limited (2018-19)	Depreciation and Amortization Expenses includes an amount of ₹ 5.60 crore of depreciation on 'Intangible Assets' (software) for the period 2015-16 to 2018-19 @ 25 per cent per year (considering useful life is 4 years). Since the software installed on 20.11.2015, hence, ₹ 1.40 crore was to be charged as depreciation for current year, ₹ 3.38 crore as 'Prior Period Expenditure and remaining amount ₹ 0.82 crore was to be shown as 'Non-Current Assets'. Incorrect accounting resulted in overstatement of current year 'Expenditure' by ₹ 4.20 crore and understatement of 'Prior period Expenses' as well as 'Non-Current Assets' by ₹ 3.38 crore and ₹ 0.82 crore respectively. The profit for the year has also been understated by ₹ 0.82 crore.

		<p>Incorrect account of payment made to 'Trade Payables' on account of 'E-bazar seller' under 'Expenditure head' instead of adjusting the 'Current Liabilities', Other Expenses and Current Liabilities are overstated by ₹ 2.58 crore. Consequently, profit for the year was understated to that extent.</p> <p>Non-provision of contribution in State Renewable Fund for the period 2016-17 to 2018-19 resulted in understatement of Other Expenses as well as Current Liabilities by ₹ 0.30 crore.</p>
9	Rajasthan Medical Services Corporation Limited (2018-19)	Not providing liability of ₹ 0.59 crore on account of repair and maintenance of biomedical equipment resulted in understatement of Current Liabilities and overstatement of profit to that extent.
10	Rajasthan Tourism Development Corporation Limited (2016-17)	<p>Not providing liability of ₹ 43.67 lakh on account of interest and penalty for default in remittance of Employee Provident Fund Contribution resulted in understatement of Other Expenses and Loss to that extent.</p> <p>Not providing liability towards Urban Development Tax resulted in understatement of Current Liabilities as well as Loss by ₹ 45.83 lakh.</p>

Comments on Financial Position

Sl. No.	Name of Company	Comment
1.	Rajasthan Rajya Vidyut Prasaran Nigam Limited (2018-19)	<p>Other Financial Liabilities is understated by ₹ 5.45 crore due to not providing liability towards stamp duty on instrument of loan agreements executed with NABARD and HUDCO. Consequently, loss for the year is understated to that extent.</p> <p>Other Financial Liabilities as well as Capital Work in Progress is understated by ₹ 3.78 crore due to non-provision of liability towards various capital works executed during 2018-19.</p>
2.	Rajasthan State Seeds Corporation Limited (2018-19)	Income and Expenses pertaining to Last Year amounting to ₹ 38.48 lakh and ₹ 6.69 lakh respectively have directly been adjusted from Reserve and Surplus instead of routing through Statement of Profit and Loss in contravention of AS 5.

3.	RajComp Info Services Limited (2018-19)	<p>The Company paid (August 2018) the cost of ₹ 5.60 crore of the software and booked it in 'Intangible Assets' in the current year accounts. However, the Company did not revert the liability already created & expenditure booked in the previous years (₹ 2.80 crore in 2016-17 and ₹ 1.30 crore in 2017-18). This has resulted in overstatement of 'Current Liability' and understatement of 'Prior Period Income' by ₹ 4.10 crore.</p> <p>Other current Assets includes a sum of ₹ 0.51 crore on account of Tax Deducted at Source (TDS), for which detail was not available with the company and this amount was lying pending since long. Despite given assurance in previous two years, no provision has been made in the current year account. This has resulted in overstatement of 'Current Assets' and understatement of 'Expenses' by ₹ 0.51 crore.</p>
4.	Rajasthan Tourism Development Corporation Limited (2016-17)	Other Current liability is understated by ₹ 71.30 lakh due to non-accountal of amount received from various departments in respect of deduction from salary of employees sent on reverse deputation. Consequently, the Current Assets were understated to that extent.
5.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited (2016-17)	Capital Work In Progress does not includes work in progress of ₹ 171.49 crore of Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT). This has resulted in understatement of CWIP as well as Non-Current liabilities (other long term liabilities) by ₹ 171.49 crore.

Comments on Disclosure/ General

Sl. No.	Name of Company	Comments
1.	Rajasthan Financial Corporation (2019-20)	Pursuant to the interim orders of the Court to apportion the amount received on account of realization of sale of land and building of the Unit ¹ the Corporation set aside ₹ 7.39 crore (₹ 3.84 crore principal amount plus ₹ 3.55 crore interest) payable to Industrial Investment Bank of India (IIBI) in FDR. However, the Corporation has not given suitable disclosure of the interest liability of ₹ 3.55 crore payable to IIBI and interest accrued on FDR in the Notes to accounts.

1 M/s Faridabad Chemicals Limited

2.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (2018-19)	Other Non-Current Assets includes advance of ₹ 24.85 crore given to the suppliers/contractors for capital goods in respect of Suratgarh Thermal Power Station which is pending for adjustment since unbundling of the Rajasthan State Electricity Board (RSEB). However, the Company did not have any relevant records. In absence of which, the veracity of advance of ₹ 24.85 crore reflected in the books of accounts could not be vouchsafed.
3.	Rajasthan State Seeds Corporation Limited (2018-19)	<p>Stock Registers of the Company did not depict the production/procurement as well as the sale of seeds separately which involve subsidy under different schemes. Due to this lapse, the accuracy of subsidy utilized/ claimed could not be ascertained by audit.</p> <p>Pursuant to the directions of the Government of Rajasthan and to share the operating expenditure in proportion of 60:40 with Rajasthan State Agriculture Marketing Board (RSAMB), the Company operated (15 May 2018 to 30 June 2018) 'Beej Rath' and adjusted ₹ 1.51 crore <i>i.e.</i> the share of RSAMB from the amount payable to it. However, the fact that RSAMB did not approve this adjustment, has not been disclosed by way of a note.</p>
4.	Rajasthan Medical Services Corporations Limited (2018-19)	<p>The Company had not disclosed:</p> <ul style="list-style-type: none"> (i) Invoices amounting to ₹ 3.42 crore for repair and maintenance of biomedical equipment. (ii) Contingent Liability towards payment of medicines of ₹ 1.50 crore and interest thereon amounting to ₹ 0.77 crore. (iii) Pendency of adjustment to the advance given to Chief Controller of Accounts, Department of Commerce in notes to accounts. (iv) Review petition filed by the liquidator before the Hon'ble High Court, Jaipur Bench against the judgement/ award of High Court under Contingent Liability.
5.	Rajasthan State Food & Civil Supplies Corporation Limited (2016-17)	The figures of subsidy receivables from Government of India (GoI) & GoR under various schemes for purchase of sugar shown under Sales and subsidy head were not reported in accordance with the report submitted by the Firm (M/s S.A. Agarwal & Associates, Chartered Accountants) hired for reconciliation of sugar subsidy and hence need reconciliation.

		<p>Despite being commented in the accounts of previous years 2013-14 and 2014-15, the Company has not disclosed that out of ₹ 94.34 lakh, being irregularly/unauthorized withdrawn by Rajas Sang KVSS, Baran from the treasury, ₹ 72.43 lakh have been deposited in the Company's account which is refundable to the Government funds.</p> <p>Note No. 1.29 of the Notes to Accounts is incomplete to the extent that claim of ₹ 2.99 crore made by RSWC for reserved Godowns has not been disclosed.</p> <p>The Company reserved Godowns of Central Warehouse Corporation (CWC) for procurement of wheat under DCP Scheme. However, claim of ₹ 36.30 lakh made by CWC for reserved Godowns has neither been accounted for nor disclosed in the Notes to Accounts.</p>
6.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited (2016-17)	<p>The Company has not disclosed the fact that an amount of ₹ 29.03 crore is recoverable from contractors on account of terminated civil works.</p> <p>The fact that Annual Financial Statements for the year 2016-17 have been revised based on the audit observations of CAG during supplementary audit, has not been disclosed under notes to Accounts</p>

Comments on Auditor's Report

S1. No.	Name of Company	Comments
1.	Jaipur Vidyut Vitran Nigam Limited (2019-20)	<p>The Statutory Auditor's in its report qualified on accounting of treatment given by the Company regarding Tariff Subsidy Receivable from GoR as follows:</p> <p>“GoR has only admitted ₹ 1426.63 crore claim amount of ₹ 3999.33 crore, balance of ₹ 2572.70 crore should be accounted for in Statement of Profit & Loss, but the Company has not made treatment for the same till date. Consequently, Current Year Profit, Prior Period Income and Other Non Current Assets are overstated by ₹ 2572.70 crore. In absence of details of year wise rejection of subsidy claim of the Company by GoR, we are unable to give impact of the same on the current year's profit and prior period income of the company separately”.</p> <p>(i) The part of the qualification as regard to inability to give impact of the same on the Current year's</p>

		<p>Profit and Prior Period Income in absence of year wise rejection of the subsidy claim is not correct because as per Accounting Standard-5 ‘prior period items’ refers only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods. This does not include other adjustments necessitated by circumstances, which though related to prior periods, are determined in the current period. In this case GOR has rejected the subsidy claim in the current period as such this is not a prior period item. Thus, the qualification would have impact on the Current year’s Profit only.</p> <p>(ii) Further after giving the impact of the comment mentioned at ‘(i)’ above, the profit for the year of ₹ 2188.15 crore of the Company would turn in loss of ₹ 384.55 crore. As such, the opinion given by the Statutory Auditors that the accounts give a ‘true and fair’ view is not in order.</p>
2.	Jodhpur Vidyut Vitran Nigam Limited (2019-20)	<p>The Statutory Auditor qualified that company has shown as receivables from GoR of ₹ 6942.94 crore against various Tariff subsidies till 2019-20. GoR has vide its letter dated 21.08.2020 approved the Tariff Subsidy claim of ₹ 1983.56 crores only. Company has booked this subsidy amount as revenue in financial statement of current financial year and in previous financial years as well. Accordingly, company has overstated the current year’s profit and prior period income by ₹ 4959.38 crore and overstated the subsidies/Grants receivables by ₹ 4959.38 crore. In the absence of details of year-wise rejection of subsidy claim of the company by the GOR, we are unable to give impact of the same on the current year’s profit and prior period income of the company. Company is persuading the matter with GOR.”</p> <p>(i) The part of the qualification as regard to inability to give impact of the same on the current year’s Profit and Prior Period Income in the absence of year wise rejection of the subsidy claim is not correct because as per Accounting Standard-5 ‘prior period items’ refers only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. This does not include other adjustments necessitated by circumstances, which though related to prior periods, are determined in the</p>

		<p>current period. In this case GOR has rejected the subsidy claim in the current period as such this is not a prior period item. Thus, the qualification would have impact on the current year's Profit only.</p> <p>(ii) Further, after giving the impact of the comment mentioned at 'A(i)' above, the profit for the year of ₹ 9.85 crore of the Company would turn in loss of ₹ 4949.53 crore. As such, the opinion given by the Statutory Auditors that the accounts give a 'true and fair' view is not in order.</p>
3.	Rajasthan State Power Finance and Financial Services Corporation Limited (2019-20)	The qualification given by the Statutory Auditor under 'Emphasis of matter' as regards to not providing liability of State Renewal Fund (₹ 54 lakh) as commented during Supplementary Audit conducted by the CAG for the financial year 2018-19 and its corresponding impact on current year's account <i>i.e.</i> understatement of current liability and overstatement of profit by ₹ 54 lakh was deficient because as against the demand/ liability of ₹ 60 lakh, Statutory Auditor has only disclosed ₹ 54 lakh as liability. Further, while giving impact of this, it has not been stated by the Statutory Auditor that had the provision for ₹ 60 lakh made, the profit before tax of ₹ 23.51 lakh would have turned in loss of ₹ 36.49 lakh.
4.	Rajasthan Financial Corporation (2019-20)	Statutory Auditors in their report have not expressed an opinion as regard to true and correct/ fair view of the state of affairs of the Financial Corporation as required under section 37(3) of State Financial Corporation Act, 1951. Thus, the Auditor's Report is deficient to that extent.
5.	Rajasthan State Seeds Corporation Limited (2018-19)	<p>The Statutory Auditor did not comment properly on the directions issued (June 2019) under section 143(5) of the Companies Act, 2013 as regards to adequate disclosure of each subsidy/grant.</p> <p>Further, the Statutory Auditors reported that the sale of seeds as grain by the Company was on the basis of certification of State Testing Laboratories and with declaration from the buyer that it is not for human consumption. This statement is incorrect as the Company auctioned 80,932 quintals. seeds as grain during March 2018 to September 2018 without certification of the State Testing Laboratories.</p>
6.	Rajasthan State Food & Civil Supplies Corporation	The Auditor's statements in Independent Auditor's Report as regards to (i) excess credit of Subsidy Income, (ii) treatment of liquidated damages recovered by the company, (iii) 'fraud' reported to claim of subsidy in excess of purchase cost of sugar and Non ISS Grade of

	Limited (2016-17)	<p>Sugar, (iv) quarterly claims furnished on false data of distribution (v) excess accountal of subsidy in the Books as compared to actual claims and (vi) not providing liability of expenses claimed by Rajasthan State Warehousing Corporation were found incorrect/deficient.</p> <p>Further, the Statutory Auditor also not disclosed that by giving impact of its qualifications, the Profit before tax would have resulted in loss of ₹ 14.49 crore as against profit of ₹ 6.57 crore (profit before tax) shown in the Statement of Profit and Loss.</p>
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Statutory corporations where CAG is the sole auditor

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

Rajasthan State Road Transport Corporation

The Corporation has accounted revenue from E-ticketing through Online Reservation Software (ORS) ₹ 38.35 crore against the revenue of ₹ 38.65 crore depicted on the BOOT portal of Corporation under the head Payment Gateway Database Administrator (PGDBA). This has resulted in understatement of passenger earning and overstatement of net loss by ₹ 0.30 crore. Consequently, debtors have been understated by ₹ 0.30 crore.

Non-compliance with provisions of Accounting Standards/IND AS

2.13 In exercise of the powers conferred by Section 469 of the Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards. Besides these, the Central Government notified 42 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Three Ind AS namely Ind AS 11, 17 & 18 have been withdrawn after the notification of Ind AS 115 & 116.

During the course of supplementary audit carried out between October 2019 and December 2020, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which were not reported by their statutory auditors:

AS/ Ind AS	Name of AS/Ind AS	Name of the Company	Deviation
AS 5	Net profit or Loss for the period, prior period items and changes in accounting policies	Rajasthan State Seeds Corporation Limited (2018-19)	Rectification of error made in the previous years should have been rectified by adjusting the prior period item, however adjustment was made in the current year expenses.
		Rajasthan State	Income and expenses related

		Seeds Corporation Limited (2018-19)	to previous years have been adjusted directly through Reserve and Surplus instead of through prior period items under Profit and Loss Statement.
		Jaipur Vidyut Vitran Nigam Limited (2019-20)	The Statutory auditor pointed out that the rejection of the subsidy claims should be classified in current year as well as prior period income. However, the same is incorrect as the rejection of the subsidy is not an error or omission to be adjusted through prior period items.
		Jodhpur Vidyut Vitran Nigam Limited (2019-20)	
AS 12	Accounting for Government Grants	Rajasthan State Seeds Corporation Limited (2018-19)	Grants related to revenue should be shown separately in Profit and Loss Statement, however it was added in revenue from operation.

Management Letters

2.14 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 SPSEs 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 SPSEs gave assurances that corrective action would be taken in the subsequent year.

During the period under review, CAG issued 26 'Management Letters' to SPSEs as shown in **Annexure-2.3**. The broad nature of irregularities highlighted in these Management Letters were as under:

- Non-reconciliation of old balances;
- Misclassifications of assets, liabilities, income and expenditures *etc.*;
- Inadequate/non-disclosures in 'Notes to Accounts';
- Non-reporting on CAG's directions; and
- Non-maintenance of proper books of accounts.