CHAPTER II

Oversight Role of CAG

2.1 Audit of 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 Parliament.

2.2. Appointment of statutory auditors of Public Sector Enterprises by CAG

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

Statutory auditors of Companies for the year 2017-18 were appointed during July 2017.

The statutory auditors of the above Companies for the year 2017-18 were appointed by the CAG during July 2017.

2.3 Submission of accounts by CPSEs

2.3.1 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 both the Houses of Parliament 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 parliamentary control over the utilization of public funds invested in the companies from the Consolidated Fund of India.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various CPSEs were pending as on 30 September 2018, as detailed in the following paragraph.

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

> **Out of 638 companies, accounts of 94 companies were in arrears.**

As of 31 March 2018, there were 450 Government Companies and 188 Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2017-18 were due from 447 Government Companies and 187 Government Controlled Other Companies. Accounts were not due from 3 Government Companies and 1 Government Controlled Other Company, which were new. A total of 385 Government Companies and 155 Government Controlled Other Companies submitted their accounts for audit by CAG on or before 30 September 2018. Accounts of 62 Government Companies and 32 Government Controlled Other Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given below:

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 31.03.2018		450		188		638	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Listed/Unlisted		59	391	6	182	65	573
Less: New Companies from which accounts for 2017-18 were not due		0	3	0	1	0	4
Number of companies from which accounts for 2017-18 were due		59	388	6	181	65	569
Number of companies which presented the accounts for CAG's audit by 30 September 2018		59	326	6	149	65	475
Number of accounts in arrears		0	62	0	32	0	94
Break-up of Arrears	(i) Under Liquidation	0	22	0	8	0	30
	(ii) Defunct	0	2	0	6	0	8
	(iii)First Accounts not submitted	0	0	0	2	0	2
	(iv) Others	0	38	0	16	0	54

Age–wise analysis of arrears against 'Others' category	One year (2017-18)	0	24	0	9	0	33
	Two years (2016-17 and 2017-18)	0	5	0	1	0	6
	Three years and more	0	9	0	6	0	15

The names of these companies are indicated in ***Appendix- II A*** and ***Appendix- II B***.

2.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six statutory corporations is conducted by the CAG. Of the five statutory corporations where CAG is the sole auditor, accounts of two[28] statutory corporations for the year 2017-18 were presented for audit in time. The accounts of Inland Waterways Authority of India, Damodar Valley Corporation and Food Corporation of India for the year 2017-18 were awaited as on 30 September 2018. In case of Central Warehousing Corporation, CAG conducts supplementary audit and the accounts were received in time.

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

2.4.1 Financial reporting framework

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

2.4.2 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 public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and

[28] *Airports Authority of India and National Highways Authority of India*

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

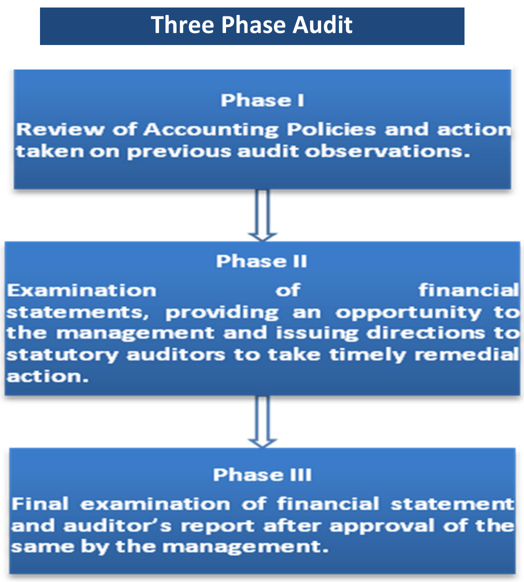
2.4.3 Supplementary Audit of accounts of Government Companies

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

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

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

2.4.3.1 Adoption of Three Phase Audit approach in selected Government Companies



As the responsibility of auditor is to help the management in enhancing the quality of financial reporting i.e. readability, reliability and usefulness to different stakeholders, the CAG introduced more intensified, innovative, focused and result oriented approach to financial audit by 'the System of Three Phase Audit'. The Three Phase Audit System was introduced with the following objectives in selected public sector enterprises falling under categories of 'Listed', 'Navratna', 'Miniratna' and 'Statutory Corporations' for the financial statements of 2008-09 on consensus basis after discussion on the objectives and methodology of new audit approach with the management and statutory auditor concerned:

- To establish an effective communication and a coordinated approach amongst the statutory auditors, management and CAG for removal of inconsistencies and doubts relating to the financial statements presented by the CPSEs.

- To identify and highlight errors, omissions, non-compliances etc., before the approval of the financial statements by the management of the CPSEs and provide an opportunity to the statutory auditors and the managements of the CPSEs to examine such issues for taking timely remedial action.
- To reduce the time of CAG's audit after the approval of financial statements by the management of the CPSEs.

Phase – I and Phase – II of the Three Phase Audit approach are extended provisions of Section 143 (5) of the Companies Act, 2013. The audit observations under first two phases are treated as preliminary observations and communicated to the statutory auditors as part of sub-directions under Section 143 (5) of the Companies Act, 2013. The last phase of audit (Phase-III) is conducted after approval of the financial statements by the management and audit by the statutory auditors.

2.5 Result of CAG's oversight role

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

Financial statements for the year 2017-18 were received from 385 Government Companies (including 59 listed companies), 155 Government Controlled Other Companies (including 6 listed companies) and 3 statutory corporations by 30 September 2018. Of these, accounts of 289 Government Companies and 97 Government Controlled Other Companies and 3 Statutory Corporations were reviewed in audit by the CAG.

CAG reviewed accounts of 386 companies and 3 statutory corporations for the year 2017-18.

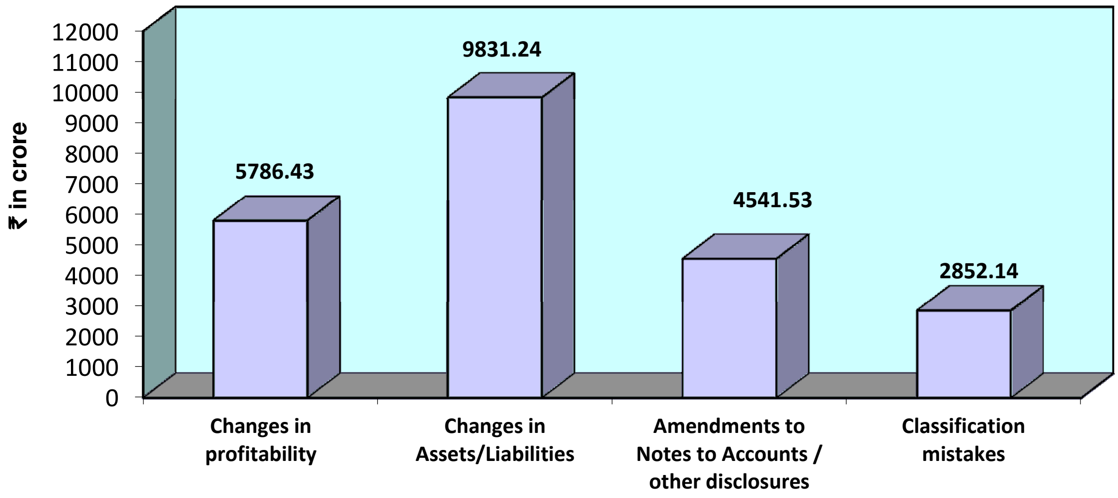
In total, CAG reviewed accounts of 75 *per cent* of the Government Companies and 63 *per cent* of Government Controlled Other Companies out of the accounts received up to 30 September 2018. The results of the review are detailed below:

2.5.1.1 Result of Three Phase Audit

As a result of Three Phase Audit conducted in 87 CPSEs ***(Appendix-XII)***, a number of quantitative as well as qualitative changes were made by the CPSEs in their financial statements which led to improvement in the quality of their financial statements.

The value addition made by Three Phase Audit of financial statements of these CPSEs for the year 2017-18 is depicted in the following Chart:

Net Impact of Three Phase Audit



CPSEs where major value addition was made were:

Sl. No.	Name of CPSE
1	Bharat Coking Coal Limited
2	Central Coalfields Limited
3	General Insurance Corporation of India
4	Goa Shipyard Limited
5	Hindustan Copper Limited
6	Hindustan Petroleum Corporation Limited
7	India Infrastructure Finance Company Limited
8	Indian Oil Corporation Limited
9	Mahanadi Coalfields Limited
10	Mangalore Refinery and Petrochemicals Limited
11	Mazagon Dock Shipbuilders Limited
12	MSTC Limited
13	National Insurance Company Limited
14	Northern Coalfields Limited
15	Oil and Natural Gas Corporation Limited
16	Oil India Limited
17	ONGC Videsh Limited
18	Rashtriya Chemicals & Fertilisers Limited
19	Steel Authority of India Limited
20	The New India Assurance Company Limited

2.5.1.2 Amendment of financial statements

As a result of supplementary audit of the financial statements for the year ended 31 March 2018 conducted by the CAG, two Government Companies and one Government Controlled Other Company amended their financial statements before laying the same in the Annual General Meeting.

2.5.1.3 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2018 conducted by the CAG, the statutory auditors of 29 Government Companies and 6 Government Controlled Other Companies, as detailed in ***Appendix-XIII,*** revised their report before laying of the financial statements of these Companies in their Annual General Meeting.

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

Subsequent to the audit of the financial statements for the year 2017-18 by statutory auditors, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of CPSEs in respect of whom comments were issued is given in ***Appendix-XIV***. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹ 2,374.62 crore and on assets/liabilities was ₹ 51,014.59 crore, have been tabulated below:

- **Listed Government Companies**

  Comments on Profitability

Sl. No.	Name of the Company	Comments
1	Hindustan Fluorocarbons Limited	Revenue from Operations as well as Expenses were understated by ₹6.23 crore on account of deduction of Excise Duty/Goods and Services Tax (GST) from Revenue from Operations instead of exhibiting the same separately under Expenses which was contrary to the provisions of Companies Act, 2013.
2	IFCI Limited (Standalone and Consolidated Financial Statements)	Even though violation of Accounting Standard 13 – Accounting for Investments was pointed out during 2016-17, the Company did not make provision of ₹ 533.78 crore towards diminution in value of non-current investment in respect of four companies[29] despite various negative indicators. This resulted in overstatement of Non-Current Investment, understatement of Provision for Diminution in Value of Investment and understatement of Loss for the year by ₹ 533.78 crore. Allowance for Bad and Doubtful Assets as well as Loss

[29] *GTL Infrastructure Limited, IFCI Factors Limited, Athena Chhattisgarh Power Private Limited and Videocon Industries Limited*

		was understated and Long Term Loans and advances were overstated by ₹ 151.93 crore due to: incorrect classification of loan given to Videocon Industries Limited in September 2013 as sub-standard instead of classifying the same under doubtful category which resulted in a short provision of ₹ 142.10 crore. Short provision of ₹ 9.83 crore against the outstanding loan of ₹ 30.02 crore given to Neesa Leisure Limited in July 2010.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1	Hindustan Fluorocarbons Limited	Selective application of fair value concept to Freehold Land and adoption of carrying value in respect of other Property, Plant and Equipment on transition to Ind AS resulted in overstatement of Property, Plant and Equipment, and Other Comprehensive Income by ₹ 29.96 crore.
2	National Fertilizers Limited (Standalone and Consolidated Financial Statements)	Non-compliance to the DPE guidelines in working out the Performance Related Pay resulted in overstatement of Other Financial Liabilities and understatement of Profit by ₹ 10.64 crore.

❖ **Unlisted Government Companies**

Comment on Profitability

Sl. No.	Name of the Company	Comments
1	Bharat Sanchar Nigam Limited (2016-17)	Interest earned on deposit of grants received for a particular project was accounted as income instead of crediting the same to grant account which resulted in overstatement of Income, understatement of Liabilities as well as Loss for the year by ₹ 97.13 crore. Expenses were understated by ₹ 594.53 crore due to charging of pension contribution of absorbed employees on the basis of actually drawn pay instead of maximum pay which resulted in understatement of Provision as well as accumulated Loss by the above amount.
2	Central Coalfields Limited	Issuance of sales bills during 2016-17 towards supply of washed coking coal to Steel Authority of India Limited at a price higher than the price mutually agreed as per a

		Memorandum of Understanding which were disputed by Steel Authority of India resulted in understatement of Provision for Doubtful Debts and overstatement of Trade Receivables as well as Profit by ₹ 126.16 crore.
3	Engineering Projects (India) Limited	Non-current Assets and Profit were overstated by ₹ 4 crore due to short provision for the net trade receivable from M/s U.B. Engineering Limited despite rejection of Company's claims in this regard by the National Company Law Tribunal in January 2018.
4	India Infrastructure Finance Company Limited (Standalone and Consolidated Financial Statement)	Treatment of two loan assets[30] as Standard, instead of classifying the same as Sub-standard as per the directions of Reserve Bank of India and in line with the significant accounting policy, resulted in overstatement of Revenue from Operations by ₹ 32.58 crore and understatement of Provision for Loan Assets by ₹ 32.28 crore. Consequently, loss for the year was understated by ₹ 64.86 crore.
5	Indian Strategic Petroleum Reserve Limited (ISPRL)	Expenditure of ₹ 43.26 crore on Operation and Maintenance of Caverns which was recoverable from Government of India and recovery of ₹ 19.93 crore from the Government of India against the same, was not recorded in the books of the Company. Only the balance amount of ₹ 23.33 crore was shown as receivable from the Government of India. The treatment was not in line with the provisions of the Companies Act 2013 and Memorandum of Association of the Company. Further, the Company diverted the funds meant for project/capital purpose in meeting out the Operation and Maintenance related expenditure without proper approval.
6	Kolkata Metro Rail Corporation Limited	Expenditure as well as Contractor liability was understated by ₹ 1.93 crore due to non-accounting of escalation bill for the period August 2014 to February 2018.
7	National Highways & Infrastructure Development Corporation Limited.	Booking of the agency charges at the rate of 9 *per cent* of actual cost instead of 9 *per cent* of the original sanctioned cost which was contrary to the decision of Ministry of Road Transport & Highways dated 29 March 2017, resulted in overstatement of Revenue from Operation and Profit by ₹ 2.92 crore.

[30] *Essel Ahmedabad Godhra Toll Roads Limited (Principal - ₹ 198.14 crore and unrealised recognised interest income - ₹ 28.34 crore) and Madurai Tuticorin Expressways Limited (Principal - ₹138.16 crore and unrealised recognised interest income - ₹ 4.24 crore)*

		Revenue from Operations was overstated and Other Current Liabilities were understated by ₹ 2.27 crore due to excess booking of agency charges by 3 *per cent* which were payable to Public Works Department, Doda, Jammu for supervision of restoration work of NH-244 at Botote to Kishtwar stretch.
8	National Insurance Company Limited	Loss after Tax was understated by ₹ 72.28 crore due to understatement of liability towards Gratuity. Loss after Tax was overstated by ₹ 66.12 crore due to non-adjustment of liability despite release of payment towards Enterprise Architecture Solution for Insurance Project.
9	Nuclear Power Corporation of India Limited	Current Liabilities were understated by ₹ 20.13 crore due to accounting of part amount of bills towards royalty charges for water for the period July 2011 to March 2018 raised by Uttar Pradesh Irrigation Department as Contingent Liability. Consequently, Profit was overstated by the same amount.
10	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Provision for shortfall in Pension Trust amounting to ₹ 227.68 crore pertaining to previous year was adjusted against the retained earnings of previous year as a rectification of error but Deferred Tax Assets of ₹ 78.80 crore created on the aforesaid provision was credited to the profit and loss account of the current year. This resulted in overstatement of Profit and Deferred Tax Asset of the current year and understatement of Retained Earnings and Deferred Tax Asset of the previous year by ₹ 78.80 crore. Incorrect inclusion of Capital Work in Progress in Written Down Value of fixed assets while calculating Deferred Tax Liabilities resulted in understatement of Deferred Tax Asset as well as Profit for the year by ₹ 26.12 crore. Provision for Doubtful Debts amounting to ₹ 12.31 crore which was wrongly created during previous year was written back during current year by crediting the Profit and Loss Account instead of adjusting the same against retained earnings which resulted in overstatement of profit and understatement of retained earnings by ₹ 12.31 crore.
11	Tanda Transmission Company Limited	It was brought out in the Notes to the Financial Statements that Ministry of Power de-notified (February 2018) the transmission scheme for the development of which the Company was incorporated and that since the Company was to be wound up, the accounts were not

		prepared on going concern basis. It was also stated that the accounting treatment for the adjustment of assets and liabilities in the books of accounts as per the decision taken by the Board of Directors of the company in the meeting dated February 1, 2018 was kept on hold, pending approval from the Board of Directors of the Holding Company. Despite above disclosures, the Company adopted erstwhile accounting policies applicable for going concern basis, which was not correct. Despite informing the Board of Directors on 15.5.2018 that as the assets and liabilities of the company were to be transferred to the Holding Company, the opening CWIP of ₹ 1.58 crore had been transferred/ adjusted with the borrowing of the Holding Company amounting to ₹ 1.54 crore and since the company has been de-notified, the excess of CWIP over borrowings and current year expenses amounting to ₹ 4.71 lakh had been charged to the Statement of Profit and Loss, same was not effected in the financial statements.
12	Tungbhadra Steel Products Limited (2016-17)	The Company wrote-off Government of India loan including interest thereon amounting to ₹ 467.07 crore against sale/transfer of assets and accounted the gain thereon as Exceptional Income which was not correct as the Government of India accounted the write-off only and not any Asset. Consequently, the Financial Statements of the Company for the year 2016-17 did not reflect a true and fair view.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1	Artificial Limbs Manufacturing Corporation of India Limited	Even though machinery valuing ₹ 2.72 crore was received before the end of the financial year, the advance amount of ₹ 2.17 crore was not adjusted against the trade payables. This resulted in overstatement of Trade Payables and Long-term Loans and Advances by ₹ 2.17 crore.
2	Bharat Sanchar Nigam Limited for the year 2016-17	Land with book value of ₹ 660.40 crore as on 1 April 2015 was revalued and its fair value was arrived at ₹ 70,524.89 crore. Out of this, the Company was not having title/documents or there were restrictions on sale/use of land with book value of ₹ 513.71 crore. Adoption of market rate for land in respect of which either no title/documents were available or there were

		restrictions on sale/use, was not in order as the same was not marketable. Consequently, there was overstatement of Property, Plant and Equipments as well as Retained Earnings by ₹ 42,769.43 crore. Further, as qualified by the Statutory Auditors, the correctness of rate adopted was not ascertainable due to non-furnishing of information, adoption of rate different from the one furnished by the certified valuer and different methods adopted by different valuers.
3	Biotechnology Industry Research Assistance Council	An amount of ₹ 2.23 crore which was recoverable from Ministry of Electrical Information & Technology was accounted as a negative figure under Current Liabilities instead of accounting the same as Current Assets which resulted in understatement of both Current Liabilities and Current Assets by the same amount.
4	Bundelkhand Saur Urja Limited	Financial Liabilities were overstated by ₹ 5.71 crore due to inclusion of value of land received from the promoter Joint Venture Partner instead of including the same under Other Equity.
5	DNH Power Distribution Corporation Limited	Current Liabilities did not include ₹ 5.34 crore being the interest amount payable to NTPC-SAIL Power Company Private Limited on account of non-payment of claim of ₹ 8.90 crore made by the said Company in terms of the Power Purchase Agreement (PPA) dated 26 October 2007. Consequently, loss was understated by ₹ 5.34 crore.
6	EdCIL (India) Limited	Current Assets included ₹ 1.10 crore being claims recoverable towards refund of Service Tax paid in April 2013, application for which was filed in April 2018. Since, the application was filed after the stipulated period of one year from the date of payment, the same was not recoverable. Consequently, there was overstatement of Other Current Assets and profit by ₹ 1.10 crore.
7	HMT Bearings Limited	Current Liabilities were overstated by ₹ 141.62 crore due to non-adjustment of write-off of Government of India loans during the year 2016-17. Consequently, the negative balance of 'Other Equity' was overstated by ₹ 141.62 crore.
8	Indian Strategic Petroleum Reserve Limited	Intangible Assets and Current Liabilities were understated by ₹ 24.18 crore due to accounting of balance amount payable to Mangalore SEZ Limited for Right of Use of 48" pipeline to Mangalore caverns as Contingent Liability instead of Current Liability.

9	IRCON PB Tollway Limited	Cash and Cash Equivalents included an amount ₹ 20.00 crore being the Fixed Deposit with the bank, having original maturity of one year which should have been included under Other Bank Balances as per the provisions of Ind AS 7.
10	Kolkata Metro Rail Corporation Limited	Property, Plant & Equipment was overstated by ₹ 29.24 crore due to inclusion of cost of land which was not required and for which matter was taken up with the Government of West Bengal for refund of the money. This also resulted in understatement of Other Current Assets. Suitable disclosure of the above was also not made. Other Assets were overstated due to inclusion of an adhoc advance of ₹ 5.00 crore paid to West Bengal Transport Corporation towards shifting of Tram lines and existing utilities along with Overhead Traction System which should have been included under Capital Work in Progress. Non-recognition of equity contribution by Government of West Bengal under sub ordinate debt with corresponding receivable from Ministry of Railways resulted in understatement of Liabilities as well as Assets by ₹ 146.50 crore. There was understatement of Other Current Liabilities with corresponding understatement of Capital In Work Progress by ₹ 77.25 crore due to non-accounting of liability towards a claim from a contractor due to change in alignment. Land measuring 38.50 acres provided by West Bengal Government and funds received for the land acquisition to the tune of ₹48 crore were not reflected in the accounts. Management has not taken any action to reconcile the amount with the Government of West Bengal. No disclosure regarding the same was made in the accounts also.
11	Mahanadi Basin Power Limited	Other Equity was understated and Capital Work in Progress was overstated by ₹ 5.01 crore on account of non-charging of preliminary expenses in bringing the enterprise into existence in earlier years and accounting the same in Capital Work-in-Progress.
12	National Handicapped Finance and Development Corporation Limited	Earmarked funds amounting to ₹ 22.37 crore were not disclosed separately under Cash and Cash equivalent which was contrary to the provisions of schedule III of Companies Act, 2013. Cash and Cash Equivalents excluded short term fixed

		deposits amounting of ₹ 1.98 crore which were actually disclosed under Other Bank Balances.
13	National Highways & Infrastructure Development Corporation Limited.	Other Current Liabilities were understated by ₹ 4.35 crore due to non-inclusion of amount payable to various contractors for work of repair and maintenance, utility shifting and other works done upto 2017-18. This also resulted in understatement of Assets held on behalf of Government of India by the same amount.
14	National Insurance Company Limited	There was overstatement of Shareholders' Investments with corresponding understatement of Policyholders' Investments by ₹ 3018.06 crore due to incorrect bifurcations of these investments by the Company. Similarly, there was overstatement of Shareholders' Funds with corresponding understatement of Policyholders' Funds by ₹ 458.69 crore.
15	ONGC Petro additions Ltd.	Trade Payables did not include the following payments due to Oil & Natural Gas Corporation Limited (ONGC): premium of ₹ 30.20 crore and exports related expenses and loading charges of ₹ 81.50 crore for Naphtha supplied by ONGC through Marine route in the year 2016-17. short payment of ₹ 46.82 crore due to adoption of wrong formula for working out the payment to be made to ONGC for supply of methane upto 31 March 2018. liability for payment of interest of ₹ 14.80 crore on overdue payments to ONGC for purchase of Naphtha, Ethane, Propane & Butane. Consequently, Current Liabilities and Loss were understated by ₹ 173.32 crore. Provisions were understated by ₹ 10.41 crore due to non-accounting of an invoice raised by Samsung Engineering Company Limited in December 2016. Consequently, Loss for the year was understated by ₹ 10.41 crore. Capital Advances were understated by ₹ 5 crore due to non-inclusion of reimbursement of extension cost of insurance cover to Samsung Eng. Co. Ltd., Korea which was actually recoverable from it. Consequently, Plant and Equipment was overstated by ₹ 5 crore. Capital Work in Progress was overstated due to inclusion of an amount of ₹ 641.91 crore towards Integrated Utilities & Offsites package which had been put to use as on 31 March 2018. Consequently, Property, Plant & Equipment was understated by ₹ 641.91 crore.

16	Oriental Insurance Company Limited (Standalone and Consolidated Financial Statements)	There was overstatement of Policyholders' Investments with corresponding understatement of Shareholders' Investments by ₹ 2202.83 crore due to incorrect bifurcations of these investments by the Company. Similarly, there was overstatement of Policyholders' Funds with corresponding understatement of Shareholders' Funds by ₹ 836.30 crore.
17	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Trade payables were understated and Retained Earnings were overstated due to non-inclusion of a provision of ₹ 44.85 crore being rate difference due to booking of sales of coins for the year 2014-15 at the Fair Selling Prices (FSP) of the year 2012-13 which was higher than the FSP for the year 2014-15 which was finalized by the Ministry of Finance during 2016-17. Though the Statutory Auditor had qualified the above in their previous year's report, the Statutory Auditor issued an unmodified report for the current year. Thus, the Statutory Auditors' report was also deficient to that extent.
18	SIDCUL CONCOR Infra Company Limited	Cash and Cash Equivalents included an amount of ₹ 12.76 Crore which was Fixed Deposit with bank having original maturity of one year and therefore, should have been included under Other Bank Balances in accordance with the provisions of Ind AS 7.

Comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Antrix Corporation Limited	Despite being assured by the Management at the time of audit of accounts for the year 2016-17, a document from Department of Space/ Indian Space Research Organisation confirming that they would bear the third Party liability for the contracts for launch of satellites by way of Self-insurance policy was neither obtained nor the factual position regarding non-maintenance of self-insurance fund was disclosed in the Notes to accounts.
2	Bharat Sanchar Nigam Limited	An amount of ₹ 34.73 crore being Customer Acquisition Form penalty imposed by Department of Telecommunications was neither disclosed as firm liability nor included under contingent liability.

3	technology Industry Research Assistance Council	Cash and Cash Equivalents included an amount of ₹ 66.82 crore being funds received from the Ministry for different projects which was depicted under Saving Account and Fixed Deposits, instead of disclosing the same separately as per the requirements of Schedule III of Companies Act, 2013. In the Cash Flow Statement, there was understatement of ₹ 10.13 crore in Cash from Operating Activity and overstatement in closing balance of Cash and Cash Equivalent by the same amount. Further, the disclosure requirements as per the Accounting Standard 3 were also not been complied with.
4	Bundelkhand Saur Urja Limited	The company did not disclose the basic and diluted Earnings per Share which was contrary to the provisions of Ind Accounting Standard 33. The Company did not disclose Chairman and Directors as Key Management Personnel in the Notes to the Financial Statements which was contrary to the provisions of Ind AS-24. Further, the names of officials who were Key Management Personnel during the year but relinquished office before the end of the year were also not disclosed.
5	DNH Power Distribution Corporation Limited	Penal interest amounting to ₹ 1.17 crore paid to Power Supplying Companies was included under Cash from Financing Activities instead of including the same under Cash from Operating Activities.
6	Engineering Projects (India) Limited	As regards an amount of ₹ 43.06 crore shown as recoverable from a contractor, the Company did not disclose that the contract had been terminated during the year and an arbitration claim of ₹ 81.96 crore on the company has been filed against which the company had also filed counter claim of ₹ 146.71 crore. Further, despite having a back to back contract with the client in this regard, the amount was not recovered from the client and was shown as recoverable from the contractor.
7	HMT Chinar watches Limited (Standalone Financial Statements)	As all the employees had been given voluntary retirement based on the decision of the Cabinet to close the operations of the Company and final settlement was made, the amount of ₹ 1.90 Crore lying with the Gratuity Trust should have been shown as current assets instead of depicting negative figure under Non-current liabilities.

		Contingent Liabilities did not include ₹ 30.22 crore being the penal interest on delayed payment of dues to Central Industrial Security Force.
8	Mahanadi Basin Power Limited	Cash Flow Statement was deficient on account of incorrect depiction of Cash & Cash Equivalents, Net Profit before Tax, Extraordinary Items and Other Financial Liabilities.
9	National Handicapped Finance and Development Corporation Limited	Contrary to the provisions of Accounting Standard 1, the significant accounting policies were not included in the financial statements.
10	National Insurance Company Limited	Earning Per Share as required under Accounting Standard – 20 was not disclosed in the Financial Statements. Service Cost was not disclosed separately as Past Service Cost and Current Service Cost which is mandatory as per Accounting Standard – 15.
11	ONGC Videsh Limited (Consolidated Financial Statements)	Cash flow from Investing Activities was understated by ₹ 3,235.42 crore and Cash flow from Operating Activities was overstated by the same amount. Cash flows from financing activities included cash flow on account of interest paid amounting to ₹ 1,854.36 crore for the year 2017-18 as against the actual cash flow of ₹ 1,794.08 crore. Difference of ₹ 60.28 crore was adjusted in cash flows from operating activities and in cash flows from financing activities instead of disclosing the same separately under cash flows from financing activities.
12	ONGC Videsh Limited (Standalone and Consolidated Financial Statements)	The Company disclosed an amount of ₹ 9,155.39 crore on account of disputed liabilities of Income tax and Service tax without disclosing the amount of interest /penalty that could be levied on above under the various statutes.
13	ONGC Videsh Limited (Standalone Financial Statements)	There was overstatement of Cash flow from investing activities due to omission of an amount of ₹ 346.52 crore being the cost of the wells written off during the year and impairment of intangible assets. Consequently, there was understatement of Cash flows from Operating Activities by the same amount. In cash flows from Operating Activities (comparative figures for the previous year) the Company added, instead of reducing, gain on partial buy-back of equity shares by subsidiaries amounting to ₹ 136.85 crore in operating profit which resulted in overstatement of cash

		flows from Operating Activities of previous year by ₹ 273.70 crore. In cash flows from Operating Activities (comparative figures for the previous year) the Company deducted ₹ 25.77 crore instead of ₹ 57.16 crore from the profit for the previous year on account of interest income which resulted in overstatement of cash flows from operating activities of previous year by ₹ 31.39 crore.
14	SAIL RITES Bengal Wagon Private Limited	Disclosure as required under IND AS 17 for the land taken from Steel Authority of India for a period of 33 years was not given. The Company did not frame any Accounting Policy regarding operating lease.
15	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Cash flow statement had the following deficiencies: Other adjustments of ₹ 84.53 crore being prior period items, disputed claims and depreciation were adjusted against the retained earnings but the same should not have been deducted from the profit for the year in the cash flow statement while calculating cash generated from operating activities. Foreign exchange fluctuation gain of ₹ 4.71 crore was not reduced from the book profit before tax. Other non-operating income of ₹ 31.42 crore was not reduced from book profit before tax while calculating cash flow from operating activities.
16	Tungabhadra Steel Products Limited (2016-17)	The Company stated in the Notes that the loan from Government of India and interest thereon amounting to ₹ 467.07 crore was written off in the books in lieu of assumption of the right to transfer immovable assets of the Company by Government of India ignoring the fact that the Company could not transfer the right to Government of India as land was given by the Government of Karnataka in December 1973 with a condition that the Company could hold the land only for the purpose for which it was acquired i.e. to carry on the business and any breach of the conditions would result in resumption of land together with buildings erected thereon by Government of Karnataka.

Comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	Central Coalfields Limited	The Company deposited an amount of ₹ 832.90 crore on account of disputed demand of statutory dues under protest. However, this fact was not reported by the Auditors in their Report which was not in line with the Guidance Note on Companies (Auditor's Report) Order, 2016.
2.	Kolkata Metro Rail Corporation Limited	The Auditor's statement in the independent Auditor's Report that in making risk assessment, internal financial control were considered in order to design audit procedures but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls, was contradictory to Section 143 (3)(i) of Company's Act 2013, read with Rule 10 (A) of Company's (Audit & Auditor) Rules 2014 which require the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.
3.	ONGC Videsh Limited (Standalone Financial Statements)	The Statutory Auditors, while reporting upon the disputed statutory dues, did not report upon the disputed interest and penalty.
4.	Real Estate Development and Construction Corporation of Rajasthan Limited	The Auditor's report did not contain comment upon each of the matters specified in paragraph 3 and 4 of Companies (Auditor's Report) Order, 2016 and rather gave a general statement that there were no such matters to be specified in paragraphs 3 and 4 of the order as applicable to the company.
5.	Security Printing and Minting Corporation of India Limited (Standalone Financial Statements)	Inclusion of matters, in Emphasis of Matter paragraph in the Report, which are not disclosed in the Financial Statements of the Company, was not in compliance with the provisions of Standard on Auditing 706. Further as per the requirement of said standard, the statement that "auditors opinion is not modified in respect of matter emphasized" was not included in Emphasis of Matter paragraph.
6.	Tanda Transmission Company Limited	It was stated in Notes to the Financial Statements that the main business of the Company was no longer in existence and the Company is going to be wound up. However, the Independent Auditor's report did not include a separate section regarding the material

		uncertainty relating to going concern which was contrary to the provisions of Standard on Auditing 570.
7.	Tungabhadra Steel Products Limited (2016-17)	The Auditors reported that the Company did not show the sale proceeds of immovable assets as payable to Government of India which was incorrect as Government of India vide letter dated 18.1.2018 had directed to settle the claims/liabilities owed by the Company to all entities from the said sale proceeds. The Auditor's Report did not mention the factual position regarding non-transferability of the land given to Company by Government of Karnataka to Government of India.

Unlisted Government Controlled Other Companies

Comment on Profitability

Sl. No.	Name of the Company	Comment
1.	Cent Bank Home Finance Limited	Other Current Assets included an amount of ₹ 1.21 crore towards Commission and Brokerage of Direct Selling Agents which were not amortised since 2015-16 in contravention of the policy of the Company. This resulted in understatement of 'Prior Period Expenditure' and overstatement of 'Other Current Assets' and 'Profit before tax' by ₹ 1.21 crore.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1.	Bank Note Paper Mill India Private Limited	Accounting of ₹ 90.63 crore being the interest earned on unutilised/surplus fund as Capital Receipts instead of accounting the same as Other Income during 2010-11 to 2015-16 resulted in understatement of Other Income, Property, Plant and Equipment and Other Equity by ₹ 90.63 crore. Consequently, the depreciation on Property, Plant and Equipment was also understated which could not be quantified due to non-availability of data.
2.	Chennai Ennore Port Road Company Limited	Current Liabilities and Capital Work in Progress were understated by ₹ 48.82 crore due to non-accounting of amount payable to Tamil Nadu Slum Clearance Board towards escalation in resettlement cost relating to Ennore-Manali Road Improvement Project.
3.	Delhi Aviation Fuel Facility Private Limited (Standalone Financial Statements)	Difference between the interest free security deposit paid and its fair value which was to be shown as prepaid expenses was wrongly booked as intangible asset which resulted in overstatement of Intangible Asset and

		understatement of Prepaid Expenses by ₹ 110.43 crore. The Company did not carry out any review of the residual value and useful life of the assets at the end of financial year as required under Ind AS 16 and Accounting policy No. 1.2.3 (a) of the Company.
4.	Mumbai Aviation Fuel Farm & Facility Private Limited	Dead Stock of fuel was overstated by ₹ 4.30 crore due to non accounting of conversion of 902 KL of dead stock fuel as operating fuel due to which there was overstatement of Non-Current Assets and understatement of Current Assets by ₹ 4.30 crore.
5.	North East Transmission Company Limited	Trade Payable included an amount of ₹4.20 crore which was shown as payable to a contractor for a transmission line, though the contractor had already confirmed that it had received all the payments due from the Company and had no claims whatsoever pending under the said contract. This resulted in overstatement of Trade Payable and Property, Plant and Equipment by ₹ 4.20 crore each.

Comments on disclosure

Sl. No.	Name of the Company	Comments
1.	Cent Bank Home Finance Limited	The Central Government notified the Payment of Gratuity (Amendment) Act, 2018 on 29 March 2018 and increased the ceiling of the amount of gratuity payable to employees from ₹ 10 lakh to ₹ 20 lakh. However, the Company did not consider the increase in ceiling amount for creation of provision for payment of gratuity to employees. Notes to accounts did not include disclosures regarding defined benefit plans such as present value of defined benefit obligations, plan assets, total expenses recognised in the Statement of Profit and Loss, actuarial gains and losses along with actuarial assumptions etc. as required under Accounting Standard 15. Above non-compliances were not reported by the Statutory Auditor also in their Independent Auditor's Report.
2.	Nabkisan Finance Limited	The company recognized income from upfront/ processing fees collected from the customer for processing loans on cash basis which was against the fundamental accounting assumption of accrual. This was not disclosed in significant accounting policies which was contrary to the provisions of Accounting Standard - 1.

Comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	Delhi Aviation Fuel Facility Private Limited (Standalone Financial Statements)	• Statutory Auditor did not comply with the provisions of Para 5 of the Guidance Note on the Companies (Auditor's Report) Order 2016 which states that response of the Statutory Auditor to the directions issued by the Comptroller and Auditor General of India under Section 143 (5) of the Companies Act 2013 will form part of the auditor's report. • Statutory Auditor incorrectly reported in Independent Auditor's Report that the Company did not have any immovable property, though the company had Property, Plant and Equipment valuing ₹ 158.16 crore as on 31 March 2018, which included immovable properties also.

2.5.2 Statutory corporations where CAG is the sole auditor

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

Airports Authority of India

(i) All segment assets relating to cargo operations and its corresponding accumulated depreciation amounting to ₹ 49.34 crore had been transferred to AAI Cargo Logistics & Allied Services Company Limited by AAI. However, these assets had already been transferred to Delhi International Airport Private Limited (DIAL) in May 2006. This resulted in understatement of Tangible Assets and Accumulated Depreciation by ₹ 49.34 crore.

(ii) Despite being pointed out in 2014-15, 2015-16 and 2016-17, Airports Authority of India could not produce basic records for verifying the correctness of revenue accruing to its Joint Ventures viz. Delhi International Airport Limited (DIAL) and Mumbai International Airport Limited (MIAL) and the share of revenue transferred to Airports Authority of India as per the respective Operation, Management and Development Agreements. In the absence of relevant records, the veracity of revenue of ₹ 3092.19 crore received from DIAL and MIAL could not be vouchsafed.

(iii) The Contingent Liabilities (Claims not acknowledged as debts) were understated by ₹ 556.59 crore due to non-disclosure of the following:

(₹ in crore)

Sl. No.	Particulars	Amount
1.	Amount demanded by Land Acquisition Officers, Jaipur for portion of intermittent land admeasuring 43.49 acres under possession of the Authority	246.40
2.	New Delhi Municipal Council raised demand of property tax on Fire Station, Runway, W/T Station and space occupied by other Authorities/Bodies at Safdarjung Airport	258.58
3.	Demand raised by Ministry of Defence on account of land measuring 56.78 acres which was taken over for Indira Gandhi International Airport, Delhi	51.61
	Total	**556.59**

2.6 Non Compliance with provisions of Accounting Standards/IND AS

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

The statutory auditors reported that 14 companies as detailed in ***Appendix-XV*** did not comply with mandatory Accounting Standards/Ind AS.

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

Accounting Standard/Ind AS		Name of the Company	Deviation
AS 1	Disclosure of Accounting Policies	Nabkisan Finance Limited	Upfront/processing fee from customers was accounted on Cash basis without disclosing the same.
		National Handicapped Finance and Development Corporation Limited	Significant Accounting Policies were not included in the financial statements.
AS 12	Accounting for Government Grants	Biotechnology Industry Research Assistance Council	Depreciation amounting to ₹ 40.57 lakh was written back as extraordinary items instead of disclosing the same under the head Income.

AS 13	Accounting for Investments	IFCI Limited	Non-provision/Inadequate provision for diminution in value of non-current investment resulted in overstatement of non-current investment by ₹ 533.78 crore.
AS 15	Employee Benefits	Cent Bank Home Finance Limited	Notes to accounts did not include various disclosures regarding defined benefit plans.
AS 20	Earnings Per Share	National Insurance Company Limited	Earning Per Share was not disclosed.
IND AS 101	First-time adoption of Indian Accounting Standards	Hindustan Fluorocarbons Limited	The Company selectively applied fair valuation to Freehold Land only.
		Hindustan Organic Chemicals Limited	Company did not explain the effect of transition from previous Generally Accepted Accounting Principles (GAAP) to Ind AS on its reported cash flows. Company did not give sufficient details on reconciliation of total comprehensive income details and material adjustment to profit and loss account on transition to Ind AS. Company did not give sufficient details on reconciliation of equity and material adjustment to the balance sheet on transition to Ind AS.
IND AS 105	Non- current Assets Held for Sale and Discontinued Operations	Hindustan Organic Chemicals Limited	Company did not give disclosure such as description of the non-current assets, fact and circumstance of the sale and the gain /loss recognized.
IND AS 7	Statement of Cash flows (Standalone and Consolidated Financial Statements)	Hindustan Organic Chemicals Limited	Company did not disclose the components of cash and cash equivalents. Reconciliation of the amounts in the Statement of Cash Flows with the equivalent items reported in the balance sheet was also not disclosed.
		IRCON PB Tollway Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.

		SAIL RITES Bengal Wagon Private Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.
		SIDCUL CONCOR Infra Company Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.
IND AS 8	Accounting Policies, changes in Accounting Estimates and Errors	Security Printing and Minting Corporation of India Limited	Instead of adjusting the provision for doubtful debts of ₹ 12.31 crore, wrongly created during previous year, against the retained earnings of previous year, the same was accounted as Other Income in the Profit and Loss Account.
		Shipping Corporation of India Limited	When a new Ind AS that has been issued but is not yet effective, the entity shall disclose this fact and known or reasonably estimable information relevant to assessing the possible impact. This was not done.
IND AS 10	Events occurring after Balance Sheet date	Container Corporation of India Limited	The company infused equity ₹ 13.45 crores in the wholly owned subsidiary after the Balance Sheet date which was not disclosed.
IND AS 16	Property Plant and Equipment	Delhi Aviation Fuel Facility Private Limited	Review of the residual value and useful life of the assets was not carried out at the end of financial year.
IND AS 19	Employee Benefits	Hindustan Organic Chemicals Limited	Company did not comply with mandatory disclosure requirements such as application of Payment of Gratuity Act, 1972, risks to which the Company was exposed due to such application, amendments during the year, sensitivity analysis and effect of the defined benefit plans on the Company's future cash flows.
IND AS 24	Related Party Disclosure	Bundelkhand Saur Urja Limited	Complete disclosures as per the IND Accounting Standard were not made.
		Hindustan Organic Chemicals Limited	Company did not comply with the various disclosure requirements.
IND AS 33	Earnings Per Share	Bundelkhand Saur Urja Limited	Earnings per Share was not disclosed.

IND AS 37	Provisions, Contingent, Liabilities and Contingent Assets.	Hindustan Organic Chemicals Limited	The accounting policy of the company that the Contingent Asset was generally neither recognized nor disclosed was in contravention to the provision of IND AS 37.
		Rashtriya Chemicals and Fertilizers Limited	Company did not give brief description of the nature of a contingent liability of ₹ 46.92 crore.
IND AS 38	Intangible Assets	Container Corporation of India Limited	Advance lease rent of ₹ 15.89 crore should have been classified as Other Advances instead of Capital Advances.

2.7 Management Letters

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

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

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

During the year, CAG issued 'Management Letters' to 98 CPSEs ***(Appendix-XVI)***.