

**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA ON THE ACCOUNTS OF SPICES BOARD FOR THE
YEAR ENDED 31 MARCH 2020**

We have audited the attached Balance Sheet of Spices Board, Kochi (Board) as at 31 March 2020 and the Income & Expenditure Account and Receipts & Payment Account for the year ended on that date under Section 19(2) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 24 of the Spices Board Act 1986. These financial statements include the accounts of units/branches of the Board. These financial statements are the responsibility of the Boards' management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules and regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) The Balance Sheet, Income & Expenditure Account and Receipts & Payments Account dealt with by this report have been drawn up in the format approved by the Ministry of Finance, Government of India.

(iii) In our opinion, proper books of accounts and other relevant records have been maintained by the Board as required under Section 23 of Spices Board Act, 1986 in so far as it appears from our examination of such books.

(iv) We further report that:

(A) BALANCE SHEET

1. Liabilities

1.1 Earmarked/Endowment Funds : ₹ 240.46 crore

1.1 Above is understated by ₹ 3.52 crore due to accounting of interest earned during the year as income in the Income and Expenditure Account instead of crediting the same to the Earmarked Funds (Pension Liabilities) under the head 'Income from investments made on account of funds'. This has resulted in understatement of Earmarked/Endowment Funds and Excess of Expenditure over Income by ₹3.52 crore. **The comment was also raised in the SAR for the year 2018-19, however, no corrective action taken by the Board.**

1.2 Above is understated by an amount of ₹ 2.12 crore due to non-accounting of interest accrued, during the year 2019-20, on Earmarked Pension Funds. This has resulted in understatement of Earmarked/Endowment Funds and Current Assets (Income Accrued) by ₹ 2.12 crore.

2. Assets

2.1 Fixed Assets : ₹200.16 crore

Above is understated by an amount of ₹ 1.45 crore due to non-capitalization of Spice Parks and Quality Evaluation Labs even though the same have been completed and started functioning. This has also resulted in overstatement of Capital Work in Progress. However, impact of non-charging of depreciation on these assets could not be worked out by Audit as the date of put-to-use of these assets were not furnished.

(B) INCOME AND EXPENDITURE

Income

Interest Earned: ₹ 6.77 crore

Above is understated by an amount of ₹ 0.16 crore due to non-accounting of interest accrued, during the year 2019-20, on short term deposits. This has also resulted in understatement of Current Assets (Income Accrued) to the same extent.

(C) GENERAL

1. As per Schedule 67 of Contingent Liabilities and Notes on Accounts, it is stated that Letters of Credit opened by bank on behalf of the entity is shown as Nil. However, as on 31 March 2020, the Board had four opened Letter of Credits. As such the disclosure is deficient to that extent.

2. The Board has fixed an imprest for each of its field units. The Board shown this imprest under Current Assets as Permanent Advance Office Imprest. The amount spend by field units from the imprest is recouped by the Board after making the expenditure entry in its Accounting System. The expenditure incurred by the field units, during the current financial year, which has not been recouped by the Board till 31 March 2020, has resulted in overstatement of Permanent Advance Office Imprest and understatement of Expenditure of the Board for the year.

Further, the existing practice of showing the closing balance of Cash and Bank balances of field units under Permanent Advance Office Imprest resulted in understatement of Cash/Bank balance of the Board and overstatement of Permanent Advance Office Imprest.

(D) GRANTS IN AID

Unutilized Grants (excluding Internal and Extra Budgetary Resource) carried forward from previous year 2018-19 was nil. During the year, Grants amounting to ₹105.00 crore was received which was fully utilized, leaving a nil balance of Grants at the end of the year.

(E) MANAGEMENT LETTER

Deficiencies which have not been included in Audit Report are brought to the notice of the Chairman, Spices board, Kochi, through a Management letter to be issued separately for remedial/corrective action.

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- (v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income & Expenditure Account; Receipts & Payments Account dealt with by this report are in agreement with the books of accounts.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with Accounting Policies and Notes on Accounts and subject to the significant matters stated above and other matters mentioned in Annexure-I to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:
- (a) In so far as it relates to the Balance Sheet, of the state of affairs of the Spices Board, Kochi as at 31 March 2020; and
- (b) In so far as it relates to Income & Expenditure Account, of the deficit for the year ended on that date.

For and on behalf of the C&AG of India,



(R. AMBALAVANAN)

Director General of Commercial Audit, Chennai

Place: Chennai
Date: 12.11.2020

Annexure – I

1. Adequacy of Internal Audit System

During the year 2019-20, the Internal Audit Division has conducted audit of only one unit out of 105 Offices (including Head Office) of the Board.

2. Adequacy of Internal Control

- i. Internal control system is inadequate and not commensurate with the size and nature of the Board.
- ii. The Board has not prepared the bank reconciliation statements for two of its bank accounts.
- iii. Bank balances are overstated by ₹ 0.19 crore due to non-posting of entries from cash book to trail balance on account of system failure.
- iv. Non-migration of data from previous accounting software, resulting in non-availability of details, has rendered the accounts unreliable.
- v. As per Rule 229 (xi) of General Financial Rules, Autonomous organizations with a budgetary support of more than Rupees five crores per annum, should be required to enter into a Memorandum of Understanding with the Administrative Ministry or Department, spelling out clearly performance parameters, output targets in terms of details of programme of work and qualitative improvement in output, along with commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to these organisations. The roadmap for improved performance with clear milestones should form part of the MoU. The Board has not executed MoU with administrative ministry during 2019-20 as required under above provisions of General Financial Rules.

3. System of physical verification of Assets

Out of the 105 offices of the Board (including Head Office), Asset verification reports of 64 offices were only provided to audit. The Asset verification reports of 41 offices (including Head Office) have not been provided. As such the system of physical verification of assets is inadequate and not commensurate with the size of the organization.

4. System of physical verification of inventory

The physical verification of inventories was not conducted during the year 2019-20.

5. Regularity in payment of statutory dues

The Board is regular in payment of statutory dues.


DIRECTOR (A).