

FOR OFFICE USE ONLY

ANNUAL ACCOUNTS

for the year 2008-2009



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**OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT
SCIENTIFIC DEPARTMENTS, NEW DELHI**

Date : 13.11.09

No. Pr. Di. Sc. Dep/Inspection-2/SAR/Tea Board/31/2009-10/299

To
The Chairman
Tea Board
14 B.T.M. Sarani,
Kolkata-700001.

**Subject : Certification of Audit Report of Tea Board Kolkata for
the year 2008-09**

Sir,

I am directed to forward the Audit Certificate and Audit Report of Tea Board, Kolkata for the year 2008-09.

Prior to putting up before both the house of Parliament, the Annual Accounts for the year 2008-09 may be adopted by Tea Board. Three copies and two copies of each documents to be put up in the Parliament, must be forwarded to this office and Comptroller & Auditor General of India respectively. The date (s) of putting up before the houses of the Parliament may also be notified to this office.

You are requested to send us both the hard and soft copy of audit report & audit certificate to us after getting it translated into Hindi so that it can be forwarded to you at an early date.

Yours faithfully,

Sd/-
Dy Director (Inspection-2)

Separate Audit Report of the Comptroller and Auditor General of India on the Accounts of Tea Board, Kolkata for the year ended 31st March 2009.

1. We have audited the attached Balance sheet of Tea Board, Kolkata as at 31st March 2009 and the 'Income and Expenditure Account/Receipts and Payment Account' for the year ended on that date under Section 20(1) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 read with section 25(1) of the Tea Act, 1953. The audit has been entrusted for a period of five years from 2007-08 to 2011-12. These financial statements include the accounts of two Zonal offices, 12 Regional offices and three foreign offices. These financial statements are the responsibility of the Tea Board's 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 and 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 Report /CAG's Audit Reports separately.

3. We have conducted our audit in accordance with the 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 misstatements. 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 and Income and Expenditure Account /Receipt and Payment Account dealt with by this report have been drawn up in the format approved by the Ministry of Finance, New Delhi.
- iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Tea Board, Kolkata as required under Section 25(1) of the Tea Act in so far as it appears from our examination of such books.

iv We further report that:

A Balance Sheet A.1 Liability and Asset understated/ overstated	<u>Comments of Tea Board</u>
(a) As per Balance Sheet of 'Revolving Corpus Fund for Loan Scheme' of Tea Board for the year 2008-09, the amount of Provision for Bad & Doubtful Debts for previous year (2007-08) was Rs.470.60lakh and that of current year (2008-09) was Rs.413.67lakh. However, the said amount of Provision for Bad & Doubtful Debts was not shown in the Income & Expenditure Account for the year 2008-09. Instead, the amount of Provision for Bad & Doubtful Debts for current year (i.e. Rs.413.67lakh) was deducted from both the Loan from Government (Liability Side) and Loan to Tea Estate (Asset Side) of the Balance Sheet as at 31st March 2009. As a result of the above the income side of the Income & Expenditure Account was understated by Rs.56.93lakh (Rs.470.60lakh – Rs.413.67lakh) and both the Asset and Liability side of the Balance Sheet was understated by Rs.470.60lakh (Rs.413.67lakh +Rs.56.93lakh). Though Board agreed with the underlying accounting principle, it did not charge the provision in the Income & Expenditure Account.	A.1 (a) Normally, the creation of the provision for Bad & Doubtful debts is made by a charge in the Income & Expenditure Account. However, as the principal loan amount was given from the funds provided by the Government and has devolved on the Board, the provision has been made by way of transfer from the loan due to the Government. Hence, the charge of the provision has not been made in the Income & Expenditure account.

(b) As per the Common Format of Accounts issued by the Government of India, Ministry of Finance, the Corpus/ Capital Fund should appear in the Liability Side of the Balance Sheet, the details of which would be shown in Schedule-I, annexed with Annual Accounts. However, the amount of “Excess of expenditure over income” as shown in the Income & Expenditure Account of ‘Tea Board Tea Fund’ for the year 2008-09 was not deducted from the Corpus/Capital Fund in the Balance Sheet of ‘Tea Board Tea Fund’ as at 31st March 2009. Instead, the said amount was shown in the Asset side of the Balance Sheet under the head ‘Excess of expenditure over income’ (Schedule-D). The progressive figure of ‘Excess of expenditure over income’ (Schedule-D) was Rs.429.10lakh as on 31.03.2009. As a result, both the Assets & Liabilities side of the Balance Sheet was overstated by Rs.429.10lakh. Tea Board accepted (October 2009) the audit observation and assured that they would look into the matter during 2009-10. (c) Schedule-F- ‘Advance/Deposit’ appended to the Balance Sheet of ‘Tea Board Tea Fund’ as at 31.03.2009 exhibited that the balance under the head ‘Advance to Director GPO Kolkata, MMS (Lic) as on 31.03.2009 was Rs.0.30lakh. But as per figures shown in the ‘Receipt & Payment Account’ the same should be Rs.0.17lakh. As a result asset side of the Balance Sheet was overstated by Rs.0.13 lakh (Rs.0.30 lakh Rs.0.17lakh).	(b) No further comments. (c) There was a mistake of Rs.0.13 lakh between Advance to Director GPO, Kolkata MMS(Lic) and Advance to Director GPO Kolkata (HQ). Inadvertently the said rectification was twice made. As committed to audit the same would be rectified during 2009-10.
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B Income and Expenditure Account**B.1 Income understated**

(a) As per Significant Accounting Policies the Accounts of the Tea Board has been maintained on accrual basis. On examination of the Annual Accounts of the Orthodox Tea Production Subsidy Scheme with reference to basic records, it was seen that as per Bank Statements, an amount of interest to the extent of Rs.19.31 lakh was credited by bank for the year 2008-09. But in the Income & Expenditure Account only an amount of Rs.1.89 lakh was shown as 'Income' under "Interest received from Bank". As a result, the Income of the Income & Expenditure Account of the Orthodox Tea Production Subsidy Scheme was understated to the extent of Rs.17.42 lakh.

(b) Under Revolving Corpus Fund for Loan Scheme, during the year 2008-09, Tea Board, Coonoor earned accrued interest of Rs.54.90 lakh on investment of Rs.832.41 lakh in ten fixed deposits. The said amount of accrued interest was not shown as income for the year 2008-09 in the Income & Expenditure Accounts of 'Revolving Corpus Fund for Loan Scheme'. This resulted in under statement of income.

Tea Board accepted (October 2009) the audit observation.

B.1(a) & (b) As committed to audit necessary correction/rectification would be done during 2009-10.

E.General**E.1 Bank Reconciliation Statement**

(a) On Scrutiny of Bank Reconciliation Statements, it was observed that bank balance as per Cash Book as on 31.3.09 as well as that as per Bank Statement as on 31.3.09 in respect of Account No. 010/00/052647 maintained with SBI, N.S.Road, Kolkata in respect of Revolving Corpus Fund Loan Scheme of Tea Board Kolkata were Rs.79.55lakh and Rs.75.10lakh respectively. The difference of these two balances had been reconciled by adding Rs.4.45lakh as 'Previous difference from the hire-purchase fund account' to the bank statement balance carried forward for more than ten years. However, the Board had not made efforts to reconcile these balances.

F. Grants-in-aid

Out of the grants in aid of Rs.110.01 crore received during the year, the organization could utilize a sum of Rs.90.40 crore leaving a balance of Rs.19.61 crore as unutilized grants as on 31 March 2009.

G. Management letter

Deficiencies which have not been included in the Audit Report have been brought to the notice of Chairman, Tea Board, Kolkata through a management letter issued separately for remedial / corrective action.

E.1. (a) There was a huge difference earlier. After reconciliation the same came down to Rs.4.45 lakh during 2000-01. Due to passage of time the relevant records are not readily available and it is very difficult to regularize the same in spite of best efforts. However, the matter would be reviewed further.

F. Out of the grants in aid of Rs.110.01 crore received during the year, an amount of Rs. 127.79 crore was utilized and not Rs.90.40 crore as mentioned by audit. The excess of expenditure was met from carried forward balance of previous year.

G. Remedial and corrective action is being taken.

- i. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account/ Receipt and Payment Account dealt with by this report are in agreement with the books of accounts.
- ii. 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 the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure 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 Tea Board as at 31 March 2009.
 - b. In so far it relates to Income and Expenditure Account of the deficit for the year ended on that date.

For and on behalf of the C&AG of India

Sd/-

Place :

Date :

Principal Director of Audit
Scientific Departments