

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143 (6) (b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENTS OF STATE INFRASTRUCTURE AND INDUSTRIAL
DEVELOPMENT CORPORATION OF UTTARAKHAND LIMITED FOR THE
YEAR ENDED 31 MARCH 2018**

The preparation of financial statements of State Infrastructure and Industrial Development Corporation of Uttarakhand Limited for the year ended 31 March 2018 in accordance with financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 26 February 2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of State Infrastructure and Industrial Development Corporation of Uttarakhand Limited for the year ended 31 March 2018 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

A. Comments on Financial Position

Balance Sheet

Non-Current Liabilities

Long Term Borrowings

Unsecured Loan

Term Loan (Note No. - 3) – ₹ 196.15 crore

1. Statutory Auditors in their report at Point No. 'p' of basis of adverse opinion stated that in violation of requirement of revised Schedule III of the Companies Act, 2013, ₹ 3.85 crore

being long term borrowings with current maturity has been shown under Long Term Borrowings. However, the amount of long term borrowings with current maturity is ₹ 15.40 crore.

This resulted in overstatement of 'Long Term Borrowings' and understatement of 'Other Current Liabilities' by ₹ 15.40 crore.

Current Liabilities

Short Term Provisions (Note No.-6) - ₹ 11.27 crore

2. (i) The above does not include ₹ 50.48 lakh being the liability on account of arrear of 7th pay commission for the period from 01.01.2017 to 28.02.2018 which was sanctioned by the State Government in November 2017.

This resulted in understatement of 'Short Term Provisions' and overstatement of 'Profit' by ₹ 50.48 lakh each.

(ii) The above does not include ₹ 3.75 crore (₹ 0.22 crore for the year 2015-16, ₹ 1.57 crore for the year 2016-17 and ₹ 1.96 crore for the year 2017-18) being guarantee fees, at the rate of one *per cent*, for the Guarantee given by the State Government in respect of Loan of ₹ 200.00 crore received from HUDCO.

Further, no provision for penalty at the rate of one *per cent* amounting to ₹ 3.75 crore for default in payment of guarantee fee for the period 2015-2018 was made in accounts.

This resulted in understatement of 'Short-Term Provisions' and overstatement of 'Profit' by ₹ 7.50 crore each.

Despite comment on 2016-17 accounts no corrective action taken has been taken by the Management.

(iii) The above does not include ₹ 22.30 lakh being the provision for Corporate Social Responsibility (CSR) activities not provided for. The Companies Act, 2013 has introduced provision for CSR activities of atleast two *per cent* of Company's average net profit (profit before tax) for the immediate preceding three financial years. The average profit of the Company was ₹ 11.15 crore (before tax). Hence, the provision of ₹ 22.30 lakh (2 *per cent* of ₹ 11.15 crore) should have been made in the accounts for CSR activities.

Hence, non-provision has resulted in understatement of 'Short-Term Provision' and overstatement of 'Profit' by ₹ 22.30 lakh.

Non-current Assets

Fixed assets

Tangible -(Note No.-7) – ₹ 255.82 crore

3. The above includes ₹ 2.35 crore being the excess depreciation charged by the Company on the assets whose net block (salvage/residual values) is zero or negative and this excess depreciation amount has been adjusted against the net block of other assets.

This resulted in understatement of 'Assets' (net block) as well as 'Profit' and overstatement of cumulative depreciation by ₹ 2.35 crore (₹ 1.23 crore for current year and ₹ 1.12 crore for previous years).

4. Long Term Loans and Advances-(Note No. – 10)

Advance with Contractors– ₹ 261.53 crore

The above includes ₹ 12.34 lakh being the advance given to the different contractors for construction work in the years 2003-04, 2004-05 and 2007-08. Neither the contractors completed the assigned work nor refunded the amount even after lapse of more than 10 to 13 years. As such, the chances of the recovery of the same are very remote. However, no provision for doubtful advances was made in the accounts.

This resulted in overstatement of 'Long-Term Loans and Advances' (Advance with contractor) as well as 'Profit' by ₹ 12.34 lakh.

Current Assets

Trade Receivable (Note No. - 11)– ₹ 287.44 crore

5. The trade receivables have been arrived at after netting of Trade Payable of ₹ 10.63 crore. This resulted in understatement of 'Trade Receivable' as well as 'Trade Payable' by ₹ 10.63 crore.

Other Comments

6. The Company paid ₹ 25.00 crore to CEO, Rajeev Gandhi International Cricket Stadium (RGIS), Dehradun as an advance for naming rights on south stand of Stadium on the directions of the State Government. The stadium was inaugurate in December 2016 but no

naming rights/hoardings in the name of the Company was put up in the stadium. This important fact is not disclosed in Notes to Accounts. The amount is being depicted in accounts as Other Non Current Assets.

Place: Dehradun
Date: 18.11.2021

**For and on the behalf of the
Comptroller & Auditor General of India**



(PRAVINDRA YADAV)
Principal Accountant General (Audit)
Uttarakhand