

**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA ON THE ACCOUNTS OF SPICES BOARD, FOR THE YEAR
ENDED 31 MARCH 2015**

We have audited the attached Balance Sheet of Spices Board, Kochi (Board) as at 31 March 2015, Income & Expenditure Account and Receipts & Payments Account for the year ended 31 March 2015 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 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 & 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 standards on auditing 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, 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 the Spices Board Act, 1986

read with rule 18(1) of the Spices Board Rules, 1987 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 (Schedule 3) Rs.152.08 crore

a) This stands understated by Rs. 0.17 crore due to adjustment of negative balances under various Earmarked/ Endowment funds with consequent understatement of Current Assets, Loans & Advances.

b) This stands understated by Rs. 0.15 crore due to payment of premium of mediclaim policy for pensioners/family pensioners from Employee GPF Fund and corresponding understatement of Excess of Expenditure over Income.

B. Income and Expenditure Account

Deficit carried to Corpus/ Capital Fund: Rs.20.98 crore

a) This stands understated to the extent of Rs.100.20 crore due to short provision of liability on account of pension and gratuity and leave encashment as per actuarial valuation, resulting in corresponding understatement of Liabilities.

b) This is understated by Rs.29.23 lakh due to non-provision for expenses towards sampling and stuffing charges relating to 2014-15 for which claim was received during 2015-16, resulting in understatement of Current Liabilities.

C. General

In the absence of Fixed Deposits Register, Copies of Receipts for Fixed Deposits closed and Certificates from Banks confirming the principal amounts of deposits, interest paid and interest accrued, audit could not ensure the correctness of amounts of Short Term Deposits and Income Accrued on investments. Further, the Board has not accounted accrued interest (not quantifiable) on Short Term Deposits of Rs. 31.65 crore resulting in understatement of Current Assets, Loans & Advances with corresponding overstatement of excess of Expenditure over Income.

D. Impact of Comments

The net impact of comments given above is that the Liabilities are understated by Rs.100.81 crore, Assets are understated by Rs.0.17 crore and Excess of Expenditure over Income is understated by Rs.100.64 crore.

E. Grants-in-Aid

During the year grants amounting to Rs.115.86 crore was received from Government of India and utilized to the extent of Rs.112.01 crore and unutilized to the extent of Rs.3.85 crore as detailed in **Annexure - II**.

F. Management Letter

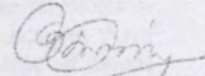
Deficiencies which have not been included in the Audit Report have been brought to the notice of Chairman of the Board through a Management Letter issued separately for remedial action.

(v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet, Income & Expenditure Account and 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 the 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 as at 31 March 2015; 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



(K.P. ANAND)

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT,
& EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI.

Place: CHENNAI
Date: 6 .11.2015

1. Adequacy of Internal Control System

Internal control system existing in the Board was inadequate as detailed below:-

- Due to inherent defects, Accounting Software existing in the Board, Financial Accounting System (FAS) was unable to generate financial statements. Also the Trial Balance created by FAS was erroneous resulting in manual preparation of Trial Balance and financial statements.
- Balance Sheet and Receipts and Payment Account has shown the cash balance at the end of the year 2014-15 as Rs. 23/- which is factually incorrect as the Board has given imprest and permanent advances to regional offices. The closing cash balance as on 31 March 2015 includes only the cash balance at the Head Office and does not include the cash balances of all the offices of the Board. Further, the cash balance does not include the drafts, cheques in hand, stamps, and the balance in franking machine as on 31 March 2015.

2. System of physical verification of Assets

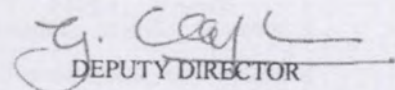
System of physical verification of Assets existing in the Board was inadequate as detailed below:-

- The Fixed Assets Register was not being updated regularly.
- As per Rule 192(1) of GFR 2005, fixed assets should be verified at least once in a year and the outcome of the verification recorded in the corresponding register. Discrepancies, if any, shall be promptly investigated and brought to account. Further as Para 12.5.3 of the Manual of General Procedures of the Board, after the close of the financial year, a physical verification of asset should be carried out by each stock holder and necessary certificates of physical verification recorded in the case of each item in the register. Although as on 31 March 2015 the Board had fixed assets worth Rs. 197.19 crore it is yet to conduct physical verification of fixed assets in violation of GFR and Manual of General procedures.

3. System of physical verification of Inventory

System of physical verification of Inventory existing in the Board was inadequate as detailed below:-

- As per Para 12.8 of Manual of General Procedures of the Board, a physical verification of stock/ stores should be conducted by the officer in charge or his nominee at the close of every financial year and the report along with a certificate of verification with its result should be sent to the Internal Audit Officer before the end of April in every year for review. Further, Para 12.10 and 12.11 of the Manual states that physical verification of all the consumable goods should be undertaken once in a year and a certification of verification along with findings shall be recorded in the stock register. This has not been complied with.


DEPUTY DIRECTOR