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**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA ON THE ACCOUNTS OF SPICES BOARD FOR THE YEAR
ENDED 31 MARCH 2017**

We have audited the attached Balance Sheet of Spices Board, Kochi (Board) as at 31 March 2017, Income & Expenditure Account and Receipts & Payments Account for the year ended 31 March 2017 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

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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

Current Liabilities and Provisions (Schedule 7): Rs.148.25 crore

1.1 Contrary to the provisions of Accounting Standard 15 issued by the Institute of Chartered Accountants of India, the Board did not get the actuarial valuation of retirement benefits of employees carried out as at the end of the year 2016-17. The Board had got the actuarial valuation done as of 31 March 2016 as per which the provision required was Rs.226.23 crore as against which the provision was only Rs.140.15 crore as on 31 March 2017.

1.2 The above does not include liability for expenses outstanding to the tune of Rs.0.88 crore at the end of the year. This has resulted in understatement of provisions and expenses and consequently understatement of 'Excess of Expenditure over Income' to the same extent..

2. Assets

2.1 Fixed Assets (Schedule -8)

Capital Work in Progress (Schedule No.8B): Rs.137.50 crore

This includes a sum of Rs.2.26 crore being value of e-auction centre at Bodinayakanur which was put to use in May 2016. The gross value of the asset should have been capitalized during the year. This has resulted in understatement of Gross Assets by Rs.2.26 crore, overstatement of CWIP by Rs.2.26 crore, understatement of depreciation by Rs.0.19 crore. Consequently, there is understatement of 'Excess of Expenditure over Income' by Rs.0.19 crore.

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2.2 Current Assets, Loans and Advances etc. (Schedule-11): Rs. 98.97 crore

a) The Board while finalizing the account for 2016-17, has not reversed the accrued interest of Rs.0.66 crore accounted during 2015-16 and also not accounted the accrued interest of Rs.1.61 crore for 2016-17. This has resulted in understatement of current assets and interest income by Rs.0.95 crore. Consequently, there is overstatement of 'Excess of Expenditure over Income' to that extent.

(b) This stands understated by Rs. 0.31 crore due to non-incorporation of closing stock of Chemicals in 6 Quality Evaluation Laboratories in the Annual Accounts. Consequently, 'Excess of Expenditure over Income' is also overstated to that extent.

2.3 Capital Work in Progress (Schedule No.8B): Rs.137.50 crore

An amount of Rs.3.63 crore was returned by KITCO towards refund of deposit due to non-execution of work. This was accounted as income instead of adjusting against Capital Work in Progress. This has resulted in overstatement of Capital Work in Progress and overstatement of other income by Rs.3.63 crore. 'Excess of Expenditure over Income' is also understated to the same extent.

2.4 Current Assets, Loans, Advances etc. (Schedule 11): Rs.98.97 crore Bank Balance: Rs.87.45 crore

This does not include an amount of Rs.1.32 crore utilized for creation of Letter of Credit (LC) to import various lab equipment, which were yet to be received. The amount of LC was wrongly capitalized without receiving the lab equipment. This has resulted in overstatement of fixed assets by Rs.1.23 crore, overstatement of depreciation by Rs.0.09 crore and understatement of bank balance by Rs.1.23 crore. Consequently, this has resulted in overstatement of 'Excess of Expenditure over Income' by Rs.0.09 crore.

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B. INCOME AND EXPENDITURE ACCOUNT

1. Income

Grants/subsidies (Schedule 13): Rs.73.95 crore

This includes subsidy Rs.0.35 crore being the subsidy returned due to dormant bank accounts. The same should have been adjusted against the Cardamom Development Fund, instead of accounting as income. This has resulted in overstatement of Income, understatement of 'Excess of Expenditure over Income' and understatement of Cardamom Development Fund by Rs.0.35 crore.

2. Expenditure

Administrative Expenses-Non Plan (Schedule-22) - Rs.2.14 crore

This stands overstated to the extent of Rs.0.27crore (Computers: Rs.0.68 crore (less) Depreciation @ 60%) due to charging the capital expenditure of Rs.0.68 crore on servers and computers as revenue expenses. Correspondingly, fixed assets (computer hardware) was understated and 'Excess of Expenditure over Income' was overstated by Rs.0.27 crore.

C. GRANTS-IN-AID

Unutilised grants carried forward from previous year 2015-16 was Nil. During the year grants amounting to Rs.80.35 crore was received from Government of India and the same was utilized fully.

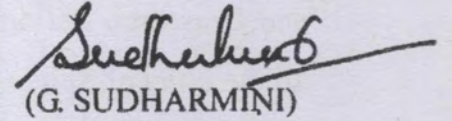
(v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet, Income & Expenditure Account and Receipts & Payments Account dealt with by this report are in agreement with the books of accounts.

(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 gives a true and fair View in conformity with accounting principles generally accepted in India:

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- (a) In so far as it relates to the Balance Sheet, of the state of affairs of the Spices Board as at 31 March 2017; 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



(G. SUDHARMINI)

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT

Place: Chennai
Date: 16.11.2017