

**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL OF INDIA ON THE ACCOUNTS OF SPICES BOARD FOR THE YEAR  
ENDED 31 MARCH 2014**

1. We have audited the attached Balance Sheet of Spices Board Kochi as at 31 March 2014 and the Income & Expenditure Account and Receipts & Payment Account for the year ended 31 March 2014 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 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 and Income and Expenditure 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 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. Current liabilities and Provisions (Schedule 7)-Rs.78.71 crore**

**1.1 Salary payable-Rs.3.49 crore**

This stands overstated to the extent of Rs 1.68 crore due to double accounting of salary payable in 2013-14 and consequent overstatement of excess of expenditure over income to the same extent.

1.2 Current liabilities is understated by Rs.97.55 lakh due to non-provision for expenses relating to rent, travelling expenses wages etc relating to 2013-14 which was paid during 2014-15. The excess of expenditure over income is also understated to the same extent.

1.3 This is understated to the extent of Rs. 112.73 crore on account of short provision of liability towards pension, leave salary and gratuity of employees as part of terminal benefits. Excess of expenditure over income (i.e., deficit) is also understated by the same extent.

**2. Impact of comments.**

The net impact of comments given above is that the Liabilities were understated by Rs.112.02 crore. Excess of expenditure over income was understated by Rs.112.02 crore.

**(B) Grants in aid**

During the year grants amounting to Rs.139.10 crore was received from Government of India and utilized to the extent of Rs.138.00 crore and unutilized to the extent of Rs 1.10 crore.

**(C) 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.

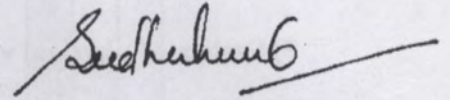
(v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income & Expenditure Account/Receipt & Payment Account dealt with by this report are in agreement with the books of accounts.



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(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 because of the significant matters discussed 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 2014 and
- b) In so far as it relates to Income & Expenditure Account of the deficit for the year ended on that date.



(G. SUDHARMINI)

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



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Annexure-1

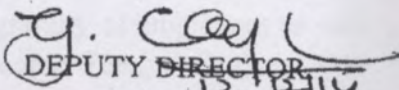
**1) Adequacy of Internal Control System**

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

- The Fixed Assets Register was not being updated regularly..
- Balance Sheet and Receipts and Payment account has shown the cash in hand balance at the end of the year 2013-14 as Nil which is factually incorrect as Board has given imprest and permanent advances to regional offices. The closing cash balance as on 31 March 2014 includes only the cash balance at the Head Office and does not include the cash balances of all the offices under the Spices Board. Further, the cash balances in the financial statements do not include the drafts, cheques in hand, stamps, and the balance in franking machine as on 31 March 2014.

**2) System of physical verification of Assets**

As per Rule 192(1) of GFR 2005, fixed assets/inventory 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 Spices 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 2014 the Board had fixed assets worth Rs. 188.37 crore, it is yet to conduct physical verification of fixed assets, in violation of GFR and manual of General procedures and same was in arrears for more than ten years.

  
DEPUTY DIRECTOR  
12/12/14