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Draft Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of State Compensatory Afforestation Fund Management and Planning Authority (State Authority), Haryana for the year ended 31 March 2019.

We have audited the Balance Sheet of the **State Compensatory Afforestation Fund Management and Planning Authority (State Authority), Haryana** as at **31 March 2019** and the Income & Expenditure Account/Receipt & Payment Account for the year ended on that date under Section 19(2) of the Comptroller and Auditor General's (Duties, Power & Conditions of Service) Act, 1971 read with Section 27(2) of The Compensatory Afforestation Fund Act, 2016. These financial statements are the responsibility of the Authority'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 (C&AG) only on the accounting treatment 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 & regulations (propriety and regulatory) 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 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, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the 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 explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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ii. The format adopted for preparation of Balance Sheet, Income & Expenditure Account and Receipt & Payment Account dealt with by this report has not been prepared in consultation with the Principal Accountant General, Haryana, Chandigarh.

iii. In our opinion proper books of accounts have not been maintained by Authority.

iv. We further report that:

A. Balance Sheet

1. Assets

1.1 Fixed Assets (Schedule 8): Rs. 380.12 lakh

Above includes fixed assets valuing Rs. 81.73 lakh (before depreciation) which were not completed as on 31.03.2019. Thus, these should have been classified as capital work in progress.

Incorrect classification has resulted into overstatement of 'Fixed Assets' by Rs. 77.64 lakh, 'Reserves and Surplus- Fixed Asset Reserve' and 'depreciation for the year' by Rs. 4.09 lakh and understatement of 'Capital Work in Progress' by 81.73 lakh.

1.2 Machinery (Schedule 8): Rs. 225.05 lakh

The above include machinery/equipments valuing Rs. 176.67 lakh which were purchased and transferred to field offices during May 2018. Thus, full depreciation @ 15% was to be charged on these assets. However, only 50% depreciation @ 15% has been charged on these assets.

Undercharging of depreciation has resulted into overstatement of 'Assets- Machinery' and 'Capital Reserves: Fixed Assets Reserve' and understatement of 'depreciation' by Rs. 13.25 lakh.

1.3 Vehicles (Schedule 8): Rs. 462.55 lakh

The above include vehicles valuing Rs. 259.83 lakh which were purchased and transferred to field offices during May 2018. Thus, full depreciation @ 15% was to be charged on these assets. However, only 50% depreciation @ 15% has been charged on these assets.

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Undercharging of depreciation has resulted into overstatement of 'Assets- Vehicles' and "Capital Reserves: Fixed Assets Reserve" and understatement of 'depreciation' by Rs. 19.49 lakh.

B. Income and Expenditure Account
Expenditure

1. Expenditure out of Grants, Subsidies, etc. (Schedule 22)

1.1 Expenditure on NPV (Research & Seed Development): Rs. 3.89 crore.

Above includes expenditure of Rs. 1.82 crore incurred on construction of 9 nos. mist chambers (including 2 Nos. Hardening Chambers) at Seonthi. The same should have been classified as capital expenditure.

Incorrect classification has resulted in overstatement of Expenditure out of Grants, Subsidies, etc. by Rs. 1.82 crore and understatement of 'Fixed Assets' and 'Capital Reserves: Fixed Assets Reserve' by Rs. 1.73 crore and 'depreciation' by Rs. 9.10 lakh.

1.2 The authority incurred expenditure of Rs. 10.92 lakh on purchase of a truck which has been included in expenditure on grants, subsidies, etc. instead of crediting it to Fixed Asset Reserve.

This has resulted into understatement of 'Assets: Vehicle' and 'Capital Reserves: Fixed Assets Reserve' by Rs. 10.10 lakh and depreciation by Rs. 0.82 lakh.

C. General

1. The authority has prepared its accounts on cash basis in violation of Generally accepted accounting principle of 'Accrual Basis of accounting'.
2. The authority did not prepare the journal and ledgers for the year 2018-19 in contravention to the provisions of Compensatory Afforestation Rules, 2018.

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D. Management Letter

Deficiencies which have not been included in the Audit Report have been brought to the notice of the Management through a Management Letter (**Annexure-I**) for remedial/corrective action.

- i) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet, Income and Expenditure Account and Receipts 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 explanation 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 II** 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 State Compensatory Afforestation Fund Management and Planning Authority (State Authority), Haryanaas at 31 March 2019.
 - b) In so far as it relates to Income and Expenditure Account for the year; and
 - c) In so far it relates to Receipts and Payment Account for the year ended on that date.


Sr. Audit Officer

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Annexure I- Management Letter

A reference is invited to the details of machinery purchased in 2018-19 forming part of Balance Sheet as on 31 March 2019 wherein it has been stated that an expenditure of Rs. 50.01 lakh has been incurred on purchase of Tata 709 LTP with Tankers. However, as per voucher, the expenditure has been incurred on purchase of 10 Tractors and not of Tankers. Thus the detail of machinery purchased in 2018-19 is incorrect to that extent.


Sr. Audit Officer