

Finance (BPE) Department,
Fort St. George, Secretariat,
Chennai-600 009.

Govt.Lr.No.32405 /Fin(BPE)/2012 dt. 13 .6.2012

From
Thiru S.Krishnan, I.A.S.,
Secretary to Government (Expenditure)

To
The Chief Executive Officers of all State Public Sector
Undertakings / Statutory Boards.

Sir / Madam,

Sub: Avoidance of delay in finalization of Annual Accounts of PSUs/
Statutory Boards – instructions – issued – Regarding.

- Ref: 1) Govt. Lr.No.382/Fin(CFC)/81-3 dt.6.8.81
2) Govt. Lr.No.897/Fin(BPE)/81-1 dt.4.1.1982
3) Govt. Lr.No.1936/Fin(BPE)/83-1 dt.29.8.1983
4) Govt. Lr.No.2380/Fin(BPE)/84-3 dt. 6.5.1985
5) Govt. Lr.No.2642/Fin(BPE)/87-1 dt. 30.1.92
6) Govt. Lr.No. 152/JD(BPE)/92-2 dt. 30.11.92
7) Govt. Lr.No.31472/Fin(BPE)/2008 dt. 31.5.2008

I am to state that as per Section 619 A (3) of the Companies Act,1956 where State Government is a member of a Company, the State Government shall cause an annual report on the working and affairs of the Company along with audit report and comments of supplement of the Comptroller and Auditor General of India to be placed before the State Legislature within 3 months from the date of Annual General Meeting on which the accounts have been adopted. As per the statutory requirements, all the PSUs/ Statutory Boards are supposed to finalize their Annual Accounts and to place it before the AGM before the end of September after closure of every financial year. Besides, they are supposed to place the same before the Legislature.

2) But, of late, it is noticed that (a) there is delay in placing the Annual Accounts of the Corporations/Statutory Boards in the Legislative Assembly (b) Accountant General has been consistently sending D.O. Letters to Government with regard to arrears in finalization of accounts of Government Companies.

Recently, C&AG in his report for the year ended March'2011 has pointed out that (a) the Accounts of the Companies for every financial year are required to be finalized within six months from the end of the relevant financial year under Sections 166,210, 230,619 and 619-B of the Companies Act,1956 (b) in the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature (c) the delay in finalization of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act,1956 (d) the administrative departments have the responsibility of overseeing the activities of these entities and ensuring that the Accounts are finalized and adopted by the PSUs within the prescribed period.

3) In this connection, I am to state that already various instructions have been issued with regard to avoidance of delay in finalization of accounts as indicated in the reference cited. Therefore, while reiterating the earlier instructions issued in this regard (copies enclosed), I am to request you to strictly adhere to time schedule prescribed in Section 619 of the Companies Act, 1956 and to follow the instructions outlined below for strict compliance with immediate effect.

- (i) The Annual Accounts of the Corporation after closure of every financial year should be sent to the Government before 10th October every year. While sending the printed copies (both English and Tamil) of the Annual Accounts to the Government i.e., administrative department, a copy of the same may be handed over to BPE also;
- (ii) The Annual Accounts of the Corporation should be placed on the table of House along with a note on Government's review on the performance of the Undertaking for the year within 31st March of the subsequent year to the year of closure of Annual Accounts. If it could not be placed on the table of the House, a delay statement in the prescribed form should invariably accompany the Annual Accounts. Hence, while sending the printed copies of the Annual Accounts to Government, the Corporation should invariably send the delay statement duly filled both in English and Tamil. The printed copies of the Annual Accounts of the Corporation should also be sent both in English and Tamil within the stipulated time.

- (iii) The administrative departments concerned on receipt of printed copies of the Annual Accounts from the Corporation should fill up the relevant column in the delay statement if any, prepare the review note, obtain orders of the Minister concerned in circulation and should place it in the Legislative Assembly within one month from the date of receipt of printed copies of the Accounts without fail. If the House is not in session at that time, they should be placed within 7 days of the reassembly of the House;
- (iv) The departments of Secretariat need not send the files relating to placing the Annual Accounts of the Corporation in the Assembly to Finance (BPE) Department as there is no need for any scrutiny by Finance department at this stage;
- (v) The CEOs of the Corporation should ensure that (a) the Company Secretaries of the Corporations keep following up with the Administrative department for placing the Annual Accounts before the Legislature without any delay (b) the Financial Advisor and Chief Accounts Officer / GM (Finance)/ Manager(Finance) keep following up with their Statutory Auditors for finalization of accounts and are primarily held responsible for any delay in finalization of accounts within the stipulated time (c) the subject with regard to non-finalization of accounts is included as one of the items of agenda of the Board Meetings every quarter for deliberations;

4) This letter may be placed in the ensuing Board Meeting of your Organization.

Yours faithfully,

C. N. Balaji
for Secretary to Government (Expenditure)
18.6.2012

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18.6.12

Copy of:

State Public Sector Undertakings – Delay in finalization of Accounts – Views of the Comptroller and Auditor General – Communicated.

I am to state that on a recommendation made by the Public Undertakings Committee of the State Legislature, the State Government took up with the Government of India, the following questions, so as to expedite the Audit of the Accounts of Government Companies and to clear backlog of arrears, wherever such arrears exist:-

- (i) having a time limit fixed for the Statutory Auditors for completing their work.
- (ii) Appointing Statutory Auditors for two or more years at a time in respect of Corporations having a backlog of audit work in arrears.

2. The Comptroller and Auditor General has now made the following clarifications in this regard:-

- (i) Regarding fixing a time limit for Statutory Audit the Comptroller and Auditor General has stated that the Auditors are required to complete the Audit and give their report expeditiously to enable the Company to hold the Annual General Meeting in time. He has also quoted a case law which upheld the view that "where a Chartered Accountant had not completed his work relating to the Audit of the Accounts of a Company and had not submitted his Audit Report in due time to enable statutory requirements in this regard, he would be deemed to be guilty of professional misconduct".
- (ii) Regarding appointment of Auditors for two or more years at a time where the audit of the Accounts of a Company are in arrears, the Comptroller and Auditor General has stated that where the accounts are in arrears Auditors could be and are being appointed for more than one year at a time.

3. In view off the remarks of the Comptroller and Auditor-General it had been decided that the State Owned Corporations, where Audit of Accounts is in arrears, may, immediately, take up with the Comptroller and Audit General (i) any case of delay in completion of Statutory Audit by the Statutory auditors and (ii) the question of getting Auditor appointed for two or more years at a time where the Audit of the Accounts of the Company is in arrears. I therefore, request you to take immediate action as suggested above, if the Audit of the Accounts of your Corporation is in arrears.

(Lr.No.382/Fin./C.F.C./81-3, Fin dt: 6.8.1981)

/True copy/

C. N. Balaj
18/6/2012
Assistant Director

18/6/12

Copy of:**Committee on Public Undertakings 1980-81 delay in laying before the Legislature the Annual Accounts of Public Undertakings and the Audit Reports thereon-avoidance of delay-regarding.**

In the Letter No.382/CFC/81-3, dated 6th August 1981 from Finance (C.F.C.) Department the Chief Executive Officers of all Public Sector Undertakings/Boards have been instructed to take up immediately with the Comptroller and Auditor General (i) any case of delay in completion of Statutory Audit by the Statutory Auditors and (ii) the question of getting Auditors appointed for two or more years at a time where the audit of the Accounts of the Company is in arrears.

2. In this connection, I am directed to state that in the absence of the finalized accounts, it will be difficult for the Government and the Board of Directors of the Undertakings/Boards to satisfy themselves about the affairs of the Company. Further more, delay in the finalization of Accounts coupled with delay in getting the Final Accounts printed, results in inordinate delay in placing them before the Legislature.

3. In view of this, the responsibility of the Directors especially, from Finance and other Administrative Department of Government in regard to ensuring timely submission of Audited Annual Accounts by the Corporations has to be stressed. The mandatory provisions of Section 166 read with Section 168 and Section 210 of the Companies Act, 1956, fix on every Director and officer of a Company the responsibilities to take all reasonable steps to comply with the provision of these sections. These sections also provide for penalties for failure to fulfill the requirements of the provisions of the said sections. So far as compliance with the provisions of the Companies Act 1956 is concerned, the Government Companies cannot be treated in a manner different from the Companies in the private sector. It is felt that much attention has to be paid by some of the State Government Companies in matters relating to the compilation of Accounts, their adoption in the Annual General Meeting within the prescribed time limit and, filing of the copies of the adopted Accounts with the Registrar of Companies. Apparently some of the Government Companies have not yet organized their Accounts Department adequately to cope with the responsibility cast on them under Sections 166 and 210 of the Act. The Board of Directors of these Companies also do not appear to have taken effective steps to ensure full compliance with the said provisions of the Companies Act, 1956. It has therefore become imperative to emphasize that the Accounts of the Government Companies should be closed within a month or so of the expiry of the Financial Year and the Statutory Auditors should complete their audit and submit copies of their audit reports at the latest within three months from the close of the financial year. In other words, in the case of a Company whose Financial Year ends on 31st March, their copy of the Audit Report should ordinarily be submitted

to the Comptroller and Auditor General of India in terms of Section 619 (A) of the Act before the 30th June so as to enable the latter to offer his comments upon or to supplement the Audit Report well in time to permit the holding of the Annual General Meeting of the Company before 30th September.

4. It is hoped that the Government Companies would take effective measures to organize their affairs in accordance with the above time schedule so as to give a lead to other Companies in setting up high standards in their managerial functional and accounting organizations. The Government Companies would accordingly be well advised in their own interest to review the position immediately and take appropriate remedial measures and adequate action in this regard so as to avoid defaults and the contingency of the application of the penal provisions of the Act.

5. The Departments of Secretariat are therefore requested to follow up the implementation of the contents of this letter and the instructions already issued in the reference cited in respect of the Corporation under their administrative control by specifically bringing this matter to the notice of the Directors in Finance Department and other Administrative Department. Similar action may also be pursued in respect of the Boards under the Administrative Control of the Departments by suitably instructing the officers in the Board.

6. The Chief Executive Officers of Public Sector Undertakings/Boards are requested to see that they take up this matter in their next Board meeting and make it a point to have a periodical review of the action taken by the Corporation/Board in finalizing the annual accounts of the Corporation/Boards whenever they lag behind.

(Lr.No.897/BPE/81-1, Fin.dt:4.1.1982)

/True copy/

C. N. Nalgi
18/6/82
Assistant Director

18/6/82

Copy of:**Delay in Finalization of Accounts - Avoidance of - Regarding**

I am to state that it has been brought to the notice of the Government that in the absence of the finalized accounts, it will be difficult for the Government and the Board of Directors of the Undertakings/Boards to satisfy themselves about the affairs of the Company. Further more delay in the finalization of accounts coupled with delay in getting the final accounts printed, results in inordinate delay in placing them before the Legislature. This has recently been pointed out by the Committee on Public Undertaking also.

2. According to sub-section (1) (a) of Section 619 (A) of the Companies Act, the Annual Report on the working and affairs of the Government Company shall be prepared within three months of its Annual General Meeting before which the Audit Report is placed under sub-section (5) of Section 619, and shall be placed before both Houses of State Legislature with a copy of the Audit Report and comments thereon as per sub-section 3(b) of the said section.

3. In view of the position stated, I am to state that the accounts of the Government Companies should be closed within a month or so of the expiry of the Financial Year and the Statutory Auditors should complete their audit and submit their audit reports, at the latest within three months from the close of the Financial Year. In other words, in the case of company whose Financial Year ends on 31st March, copy of the Audit Report should ordinarily be submitted to the Comptroller and Audit General of India in terms of section 619(A) of the Act before the 30th June, so as to enable the latter to offer his comments upon or to supplement the Audit Report well in time to permit the holding of the Annual General Meeting of the Company before the 30th September. Soon after that, action may have to be taken to place the final accounts and Audit Report before the Legislature within the stipulated time.

4. I am, therefore, to request you to kindly have a review of the situation prevailing in respect of the preparation and finalization of annual accounts in your Corporation/Board and efforts made to adhere to the time limit. In case, the delay in finalization of Accounts is due to inadequacy of staff in the Accounts wing of your Corporation/Board, action may be taken for putting up necessary proposal to the Board for its consideration for strengthening the Accounts wing of your Corporation at the earliest opportunity.

(Lr.No.1936/BPE/83-1, Finance, dated 29th August 1983)

/True copy/

C. N. Balaji
18/8/83
Assistant Director

Copy of:**Delay in laying before the Legislature the Annual Accounts and the Audit Reports thereon Review by the Departments at Secretariat – Requested – Regarding.**

In the U.O.Note No.159/BPE/83-1, dated 28th January 1983, all Departments of Secretariat were requested to furnish 75 copies of the Explanatory Notes (Both in English and Tamil) indicating the reasons for delay, time taken in placing the finalized accounts before the State Legislature, etc., in respect of the Corporation with which they are concerned, to the Committee Officer, Legislative Assembly Secretariat directly under intimation to Finance Department. In the Government letter No.1936/BPE/83-1, Finance, dated 29th August 1983, instructions were issued to all Chief Executive Officers of the State Public Sector Undertakings/Boards to adhere to the statutory time limits prescribed in this regard. A copy of this letter was also marked to all the Secretaries to Government (except Law and Legislature) for taking suitable follow-up action.

2. It is now informed by the Legislative Assembly Secretariat that some of the State Public Sector Undertakings have not yet placed their Annual Accounts before the State Legislature as required under Section 619 (A) (3) of the Companies Act, even after adoption of the finalized accounts by the Annual General Meetings. As this is a statutory obligation imposed on the State Public Sector Undertakings, all Departments of the Secretariat may be requested to have a fresh review of all such cases in respect of Undertakings with which they are concerned and take follow up action immediately to obtain and place before the Legislature the finalized and adopted accounts relating to the past years of the Undertakings. A brief note indicating the reasons for the delay in placing the accounts before the Legislature may also be annexed to the finalized Accounts after circulating the case to the Minister concerned.

A report of the action taken in respect of cases with which they are concerned and which are in arrears may be sent to this Department, with a copy communicated to the Legislature Assembly Secretariat.

(Lr.No.2380/BPE/84-3, Finance, dated 6th May 1985)

/True copy/

L. M. Balaji
18/6/2012
Assistant Director
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18/6/12

IMMEDIATE:

GOVERNMENT OF TAMIL NADU

From Letter No.2642/BPE/91-1,
Finance (BPE) Department,
Fort St. George,
Madras.9.

Thiru N. NARAYANAN, I.A.S.,
Secretary to Government.

To Dated 30th January, 1992.

All Chief Executive Officers of
all State Public Sector
Undertakings/Boards,

All Secretaries to Government, Madras.9.

Sir,

Sub:--State Public Sector Undertakings -
Avoidance of delay in placing in
Annual Accounts of Public Sector
Corporations and Boards - Further
Instructions - Issued.

- Ref:--1. Government Letter No.1936/BPE/83-1,
Finance, dated 29.8.83.
2. Government Letter No.1760/BPE/86-1,
Finance, dated 28.4.87.
3. Government Letter No.1760/BPE/86-2,
Finance, dated 28.4.1987.
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The Committee on papers laid on the table of the House has expressed much concern over the delay in placing the Annual Accounts of the Corporation/Boards after receipt of the printed copies of the Annual Accounts from the Undertakings/Boards by the administrative departments of Secretariat concerned.

2/- Hence to avoid delay in placing the Annual Accounts of the Corporations/Boards in the Legislature the following instructions are issued in pursuance of the earlier instructions issued in the reference cited, for strict compliance with immediate effect.

- (i) The Annual Accounts of the Corporation should be placed on the table of the House along with a note on Government's review on the performance of the Undertaking for the year within 31st March of the subsequent year to the year of closure of Annual Accounts. If it could not be placed on the table of the House, a

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delay statement in the prescribed form should invariably accompany the Annual Accounts. Hence, the Corporation while sending the printed copies of the Annual Accounts to Government, the Corporation should invariably send the delay statement duly filled in both in English and Tamil. The printed copies of the Annual Accounts of the Corporation should also be sent both in English and Tamil within the stipulated time.

(ii) The administrative departments concerned on receipt of printed copies of the Annual Accounts from the Corporation should fill up the relevant column in the delay statement if any, prepare the review note, obtain orders of the minister concerned in circulation and should place it in the Assembly within 1 month from the date of receipt of printed copies of the Accounts at any cost. If the House is not in session at that time, they should be placed* within 7 days of the reassembly of the House.

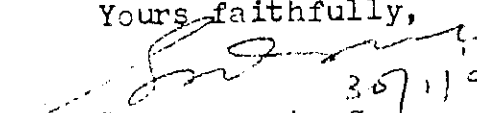
(iii) The departments of Secretariat need not send the files relating to placing the Annual Accounts of the Corporation in the Assembly to Finance (BPE) Department as there is no need for any scrutiny by Finance Department at this stage.

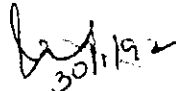
(iv) The Chief Executive Officers of the Corporation should instruct that the Company Secretaries of the Corporations should not think that their job is over once the printed copies are sent to Government in the administrative department concerned but they should follow it up with the administrative department for placing the Annual Accounts before legislature without any delay.

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3/- The above instructions should be followed scrupulously and there should be no delay in the administrative department of Secretariat for placing the Annual Accounts in the House after its receipt from the Corporation/Board.

Yours faithfully,


30/1/92
for Secretary to Government.


30/1/92

26/1/92

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GOVERNMENT OF TAMIL NADU

FINANCE (BPE) DEPARTMENT,
Fort St. George,
MADRAS-600 009.

LETTER No. 152/JD(BPE)/92-2 DATED: 30.11.1992

From

Thiru M. Kutralingam, I.A.S.,
Joint Secretary to Government.

To

The Chief Executive Officers of all
the Public Sector Enterprises

Sir,

P/A

Sub: STATE PUBLIC SECTOR ENTERPRISES - Finalisation
of Annual Accounts of Public Sector Enterprises -
Certification by the Accountant General -
Certain instructions - Issued

Ref: D.O. Ir. No. AG(Aud)II/OAD(C)/XII/176 Dt. 15.10.1992
from the Accountant General, Madras-6.

I am directed to inform you that Under Section 619(4) of the Companies Act, 1956, a copy of the audit report of a Government Company has to be submitted to the Accountant General for supplementary audit and comments, before placing the report in the Annual General Meeting of the Company. Together with the comments of the Accountant General, if any, the accounts are to be placed before the Annual General Meeting by the 30th September of the accounting year. The Accountant General has pointed out in his letter cited that this year only 48 companies out of 76, submitted their accounts for certification and out of this 48, thirty two accounts came in August 1992 and the balance sixteen in September 1992. The Accountant General has pointed out that with the staff available at his disposal, it will be very difficult if all the Companies rush in their accounts in August/September. As the process of certification by the Accountant General includes audit of the Balance Sheet figures, issues of comments, receipt of replies thereto and issue of audit certificate, the accounts have to be sent for AG's audit by the Government Companies sufficiently early and atleast by first August of the accounting year.

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I am therefore to request you to kindly see that the date for the Annual General Meeting is fixed in such a manner as to allow a week's time for the Accountant General to conduct his audit and necessary checks. For this purpose the accounts of your Corporation are to be finalised and the statutory audit completed at the latest by 15th August each year. This would avoid eleventh hour rush in getting comments from the Accountant General. I am to request you to kindly adhere to this time schedule. I am also to request you to place this letter before the Board of your Corporation in the next meeting.

The receipt of this letter may be acknowledged.

Yours faithfully,

A. Dewaraj
for JOINT SECRETARY TO GOVT.
A. Dewaraj

Anita Praveen, IAS.,
Special Secretary to Government



Finance Department,
Secretariat,
Chennai -600 009.

Lr.No.31472/Fin(BPE)/08 dated 31.5.2008

To

The Chief Executive Officers
of all State Public Sector Undertakings / Boards
The Secretaries to Government, All Departments in Secretariat except School
Education, Law, Higher Education, Tamil Development & Religious Endowment and
Legislative Assembly

Sir/Madam,

Sub: Avoidance of delay in placing Annual Accounts of PSUs/Boards -
instructions -Regarding.

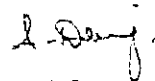
As per Section 619 A(3) of the Companies Act 1956 where State Government is a member of a Company the State Government shall cause an annual report on the working and affairs of the Company along with audit report and comments of supplement of the Comptroller and Auditor General of India to be placed before State Legislature within 3 months from the date of Annual General Meeting on which the accounts have been adopted. As per the statutory requirements, all the PSUs /Boards are supposed to finalize their Annual Accounts and to place it before the AGM before the end of September after closure of every financial year. Besides, they are also supposed to place the same before the Legislature.

2) But, Of late, it is noticed that there is delay in placing the Annual Accounts of the Corporations/Boards in the Legislative Assembly. Hence, to avoid delay in placing the Annual Accounts of the Corporations/Boards in the Legislature the following instructions are issued in pursuance of the earlier instructions issued vide Lr.No.2642/BPE/87-1 dt.30.1.92 for strict compliance with immediate effect.

- (i) The Annual Accounts of the Corporation after closure of every financial year should be sent to the Government before 10th October every year. While sending the printed copies (both English and Tamil) of the Annual Accounts to the Government i.e., administrative department, a copy of the same may be handed over to BPE also ;
- (ii) The Annual Accounts of the Corporation should be placed on the table of the House along with a note on Government's review on the performance of the Undertaking for the year within 31st March of the subsequent year to the year of closure of Annual Accounts. If it could not be placed on the table of the House, a delay statement in the prescribed form should be invariably accompany the Annual Accounts. Hence, while sending the printed copies of the Annual Accounts to Government, the Corporation should invariably send the delay statement duly filled in both in English and Tamil. The printed copies of

- the Annual Accounts of the Corporation should also be sent both in English and Tamil within the stipulated time.
- (ii) The administrative departments concerned on receipt of printed copies of the Annual Accounts from the Corporation should fill up the relevant column in the delay statement if any, prepare the review note, obtain orders of the minister concerned in circulation and should place it in the Assembly within 1 month from the date of receipt of printed copies of the Accounts without fail. If the House is not in session at that time, they should be placed within 7 days of the reassembly of the House;
- (iv) The departments of Secretariat need not send the files relating to placing the Annual Accounts of the Corporation in the Assembly to Finance (BPE) Department as there is no need for any scrutiny by Finance Department at this stage;
- (vi) The CEOs of the Corporation should instruct that the Company Secretaries of the Corporations should follow up with the administrative department for placing the Annual Accounts before legislature without any delay;
- 3) The above instructions should be followed scrupulously and there should be no delay in the administrative department of Secretariat for placing the Annual Accounts in the House after its receipt from the Corporations/Boards.

Yours faithfully,



for Special Secretary to Government.