

GOVERNMENT OF ASSAM
DEPARTMENT OF PUBLIC ENTERPRISES
ASSAM SECRETARIAT (CIVIL)

No. PE. 31/79/151

Dated Dispur, The 10th January, 1985

OFFICE MEMORANDUM

Many Chief Executives attending the seminar held on 6th January, 1985 at Gauhati expressed the view that the completion of statutory audit and compilation of accounts of public enterprises suffer a great deal due to:-

- i) delay in appointment of Statutory Auditors by the Company Law Board;
- ii) inadequate remuneration for Statutory Auditors approved by the Company Law Board.
- iii) the term of appointment of Statutory Auditors being only one year in many cases;
- iv) delay tactics adopted by some Statutory Auditors in completing the audit perhaps because of the inadequate remuneration and-
- v) refusal of the Boards of Directors of some of the Public enterprises to recommend to the Company Law Board for higher remuneration to the auditors on the ground that the Boards are not competent to make such recommendations under the Company Law.

In connection with this all the Chief Executives of the Public Enterprises covered under the Companies Act, 1956, are hereby requested to furnish to the Government in the Public Enterprises Department the following information well on or before 20th January, 1985:-

1. Names of Statutory auditors from 1980-81 onwards.
2. Period for which Statutory Auditors (as above) appointed by the company Law Board.
3. Remuneration paid (year-wise) from 1980-81 onwards.
4. Dates of proposals with reference nos of letters sent to Company Law Board for Appointment of statutory Auditors for accounting years from 1980-81 onwards.
5. Remunerations for the Statutory Auditors recommended, if any, by the company to the Company Law Board, from 1980-81 onwards.
6. Memo Nos with dates of appointment orders issued by the Company Law Boards for accounting years from 1980-81 onwards.
7. Time taken by Company Law Board to approve Statutory Auditors form 1980-81 onwards.
8. Dates of completion of Statutory Audits for Accounting year from 1980-81 onwards.
9. Time taken (in months) by Statutory Auditors to complete statutory audit after appointment for accounting year from 1980-81 onwards.
10. Position of appointment of 'statutory Auditors for 1984-85 Accounting Year.
11. Whether any follow-up action for appointment of Statutory Auditors for

1984-85 taken with Company Law Board/Administrative/Department/Public Enterprises Department. If yes, the dates and letter nos etc

This information will enable the Department of Public Enterprises to take up the matter with the Company Law Board.

Sd/ -PRADEEP SINGH
Joint Secy. to the Govt. of Assam.
Public Enterprises Department.

GOVERNMENT OF ASSAM
DEPARTMENT OF PUBLIC ENTERPRISES
ASSAM SECRETARIAT (CIVIL)

NO. PE. 31/79/296

Dated Dispur, The 28th October, 1988

From : Shri S Chatterjee, IAS
Secretary to the Govt. of Assam

To : The Under Secretary to the Company Law Board,
Government of India, Deptt. of Company Affairs,
9th Floor, Kanchanjanga Building,
18th Barakhamba Road, New Delhi- 110001

Sub : APPOINTMENT OF STATUTORY AUDITORS.

Sir,

I am directed to inform you that the matter regarding finalisation of arrear accounts of the Sate Public Enterprises was discussed with the Chief Executive Officers of Public Enterprises and it was found that delay/arrears in finalisation of accounts are to a great extent due to delay in appointment of Statutory Auditors. Further the delay in auditing of accounts have also been identified as another major reason for non-finalisation of annual accounts leading to lack of information to the management of the Public Enterprises in particular and the State Government in general regarding financial Status and position of the enterprises.

As per discussion with the Chief Executive Officers, I therefore, request you to examine the following suggestions:

- a) Speedy appointment of Statutory Auditors immediately on receipt of information from them.
- b) Fixation of time limit to the statutory auditors to complete their audit works.
- c) Imposition of penal action for non-compliance of the terms of appointment.
- d) Rationalisation of the forms for fixation of audit fees of the statutory auditors.
- e) Nomination of auditors from the State as far as practicable.
- f) Deletion of the provision that accounts of successive years cannot be audited without adoption of previous year's annual accounts in the AGM.
- g) Exploration of the possibility of appointing auditors for a continuous period of five years. Expediting clearance of annual accounts and speeding up the process of appointment of statutory auditors at the level of A.G. only.

Yours faithfully,

Sd-
Secretary to the Govt. of Assam,
Department of Public Enterprises.

GOVERNMENT OF ASSAM
DEPARTMENT OF PUBLIC ENTERPRISES
ASSAM SECRETARIAT (CIVIL)

NO. PE. 31/79/153

Dated Dispur, the 11th February, 1985

From : Shri Pradeep Singh, IAS
Joint Secretary to the Govt. of Assam

To : All Chairmen/ MDs of PEs of Assam

Sub : Guideline for appointment etc. of Statutory Auditors

Sir,

I am directed to state that as you are undoubtedly aware that the Public Enterprises of Assam are facing many problems in connection with the maintenance and finalisation of their accounts. One of the important problems faced concerns the appointment, terms and period of appointment etc. of the statutory auditors. A number of Chief Executives in the past expressed their satisfaction with the state of affairs and some of them reiterated the same in the seminar on financial management held last month at Gauhati.

The Department of Public Enterprises, Govt. of Assam, has been seized with the matter for some time past and had taken it up with the Comptroller and Auditor General of India as well as the Company Law Board. Also recently meetings were held by this department with the concerned officers in New Delhi. A number of clarifications have emerged and some decisions arrived at in these meetings which are summarised below for information and guidance of all public enterprises of Assam.

1. Statutory auditors are appointed by the Company Law Board in the Ministry of Law and Justice, Govt. of India on the advice, which is mandatory on the Comptroller and Auditor General of India. It is a general policy of the Comptroller and Auditor General of India not to appoint statutory auditors for a particular year for a public enterprise until the accounts of the preceding year of the enterprise have been duly audited and certified by the statutory auditors. Many public enterprises of Assam do not appear to be aware of this and have entered into unnecessary correspondence followed by number of reminders with the Company Law Board as well as Comptroller and Auditor General of India for appointment of statutory auditors for a particular year even when the statutory auditors appointed for the preceding years had not completed their work. This is to inform all public enterprises that they should ensure that accounts for the preceding years have been duly certified by the statutory auditors and this information supplied to the Comptroller and Auditor General of India as well as the Company Law Board while sending proposals for appointment of statutory auditors for any particular year.

However, the Comptroller and Auditor General of India and the Company Law Board have agreed to consider on merit the question of appointment of statutory auditors for a period up to 3 years at a time in the case of these companies/corporations whose accounts are in heavy arrears. Public enterprises of Assam should take steps on these and submit proposals immediately to this department as well as to

the Comptroller and Auditor General of India and the Company Law Board directly. Proposals may be framed keeping in mind that the same statutory auditors are generally not appointed for a period greater than 3 years.

2. The fees to be paid to statutory auditors are fixed by the Company Law Board on the basis of the recommendations of the Board of Directors of the public enterprises concerned. It is thus within the powers and duties vested in the Board of Directors to recommend to the Company Law Board, a suitable auditor's fee along with proposals for appointment of statutory auditors. The Company Law Board has framed certain guidelines for the benefit of public enterprises for fixing the remuneration to be paid to statutory auditors. A copy of the same is enclosed for your guidance.

3. Your attention is invited to section 215 of the Indian Companies Act which envisages that the statutory auditors will commence work only after the accounts of a company have been duly compiled and authenticated by the Board of Directors and handed over to statutory auditors. Thus it would strictly speaking be not correct to call the statutory auditors to commence work until these conditions have been met. Both the Company Law Board and the Comptroller and Auditor General of India have expressed their willingness to take action against the auditors who do not undertake work expeditiously by blacklisting them as well as take up the matter with the Institute of Chartered Accountants provided the cases of default were duly and quickly brought to the notice of the Company Law Board and the Comptroller and Auditor General of India by the concerned public enterprises. You are therefore urged to take effective steps in this regard and bring all such cases to the notice of the department and to concerned authorities at the very earliest along with the recommendation for appointment of some other statutory auditors.

4. You are also requested to furnish at the earliest information to this Department in the following proforma for our use:

1. Name of the Public Enterprise
2. Name of the Chief Executive
3. Year up to which accounts have been finalised.
4. The year up to which accounts have been audited by the statutory auditors but not finalised.
5. Year up to which accounts have been compiled – and authenticated by the Board of Directors.
6. Year up to which thus authenticated accounts have been placed at the disposal of the statutory auditors for auditing after approval of Board of Directors.
7. The last date on which action as per 6 above was taken.

Yours faithfully,

Sd/-

Joint Secretary to the Govt. of Assam,
Department of Public Enterprises

Memo No. PE. 31/79/153-A

Dated Dispur, 11th February, 1985

Copy forwarded to :-

1. P.S. to Chief Secretary, Assam for favour of his information.
2. Commissioners/Secretaries of all concerned Admn. Deptt. , Dispur.
3. All Members of Board of Directors of all PEs under Govt. of Assam.

Yours faithfully,

Sd/-

Joint Secretary to the Govt. of Assam,
Department of Public Enterprises.

Government of India
Ministry of Law Justice and company Affairs,
Department of Company Affairs, company Law Board,
9th Floor, Kanchanjanga Building, 18-Barakhamba Road.

New Delhi- 1 dtd. 8th April, 1976.

The
Managing Director/Secretary
Of all Government Companies.

Sub:- FIXATION OF AUDIT FEES FOR STATUTORY AUDITORS APPOINTED
UNDER SECTION 619 (2) OF THE COMPANIES ACT, 1956.

Sir,

In case of Government Companies, the Statutory Auditors are appointed by the Company Law Board in consultation with the Comptroller and Auditor General of India in terms of Section 619 of the Companies Act, 1956. So far as their remuneration is concerned it is solely decided and fixed by the Company Law Board on the basis of the recommendations made by the Board of Directors of the Company and in the light of factual merits of each case. It has, however, it has been observed that a number of representations are received every year from the auditors generally complaining about the inadequacy of the remuneration fixed by the Company Law Board. These representations by and large point to the need for fixing some norms which may be followed informally by the Government Companies while sending their recommendation to us so as to avoid discrimination and disparity in making a proper assessment of reasonable remuneration. It has, therefore, been considered necessary to issue guidelines for the Government Companies regarding fixation of auditor's remuneration and necessary action in determining the remuneration reasonably in accordance with norms specified therein and recommending the same to this Board for consideration as and when the occasion arises.

Yours faithfully,

Sd/- (K, M. SHARMA)
Under Secretary to the Company Law Board.

GUIDELINES FOR GOVERNMENT COMPANIES REGARDING FIXATION OF AUDITOR'S REMUNERATION :

While recommending the remuneration of the auditors, the board of Directors of company concerned should take a comparative view of the affairs of the company, so as to assess whether there has been any significant growth in its activities since the preceding year. Where however, the same fee has been continued to be paid to the auditors during the past few years, the comparative view of its activities may be taken into account since the period when the fee was last fixed or revised.

(2) The following items of income, expenditure, and other aspects mentioned below should, inter alia, be taken into account for determining the extent of growth of the activities of a company:-

- (i) Production/Sales in terms of quantity and money value;
- (ii) Other substantive income;
- (iii) Purchase in term of quantity and money value;
- (iv) Total revenue expenditure;
- (v) Capital employed (i.e. aggregate of paid up capital, reserves and surplus and long term liabilities, as reduced by the debt balance in "Miscellaneous Expenditure" and "Profit and loss account);
- (iv) Fixed assets acquired;
- (vii) Total investments together with number and amount of transactions involved, where a company is engaged in promotion of industries and participates in the shares, stocks, debentures and other securities of Joint Stock Companies or is otherwise an Investment Company within meaning of provision to sub-section (I) of Section 372 of the Companies Act. 1956.
- (viii) Total loans and advances made, together with number and amount of transactions involved where a company is engaged in rendering financial assistance to various types of industries or dealing in hire-purchase business;
- (ix) Total number of vouchers (Cash and Journal) both with respect to accounts maintained at Head Office and at branches, units, project sites etc.
- (x) Whether it is necessary for the auditors to visit those places for auditing the accounts if maintained there;
- (xi) Time spent by the auditors and their staff in terms of man-hours (partner and assistant wise) in completing the audit;

Government of India
Ministry of Law Justice and company Affairs,
Department of Company Affairs, company Law Board,
903 Kanchanjanga Building, 18-Barakhamba Road.

New Delhi- 1 dtd. 7th July, 1984.

To
Managing Director/Secretary,

Sub:- FIXATION OF AUDIT FEES FOR STATUTORY AUDITORS APPOINTED
UNDER SECTION 619 (2) OF THE COMPANIES ACT, 1956.

Sir,

The Government had circulated guidelines in 1976 vide Circular No.7/76 dated 8th April, 1976 (copy enclosed for ready reference) regarding fixation of audit fees for Statutory Auditors, for Government Companies, appointed under Section 619 (2) of the Companies Act,1956.

The Institute of Chartered Accountants of India has represented that there has been phenomenal increase in the cost of service relating to audit particularly in respect of salaries paid to audit staff, stationery costs and other miscellaneous costs on account of general rise in prices due to inflationary pressures but there has not been corresponding increase in the audit fees of auditors die to rise in the cost of services.

It has, therefore, been considered necessary that the Board of Directors of Government Companies/deemed Government Companies while recommending fixation/re-fixation of audit fee for their statutory auditors in accordance with the norms, as specified in the curricular mentioned above should also take into account the effect of rising cost due to inflation/rise in prices as additional factors while suggesting the quantum of audit fee to be fixed for such auditors.

Yours faithfully,
Sd/- R. N. BANSAL.
Member Company Law Board.

APPENDIX

GUIDELINES FOR THE INFORMATION TO BE FURNISHED.

1. (a) Please check the report made by the Accountant General about your organisation and point out if a change should be made therein.

(b) The Accountant General's report obviously refers to Audited Accounts. Please let this Department know the position about provisional Accounts made ready by you for submission to the Auditors.

2. Your replies should be brief and to the point.

3. While mentioning the factors that have caused the delay, those may be clubbed under two groups, viz. external and internal factors. External factors are those over which your organisation has no control, e.g. non-appointment of statutory auditors by the Government, the internal factors are those over which your organisation can exercise controls.

4. While preparing your reply, the situation should be properly analysed to identify the contributory factors; to assess the inter-se importance to those factors, to evaluate the underlying cause or causes that throw up the factors seen on the surface; to review the accounting system and procedures in vogue in your organisation with reference to their strength and weaknesses, this aspect will be more significant in multi-unit enterprises and those existing personnel to cope with the tasks required to them; to formulate your constructive suggestions as regards difficulties you face.

5. While preparing your reply it should be kept in mind that the intention of the government is not to make you accountable/responsible for past weaknesses in preparation and finalisation of accounts. The intention is to find out the best way of solving the problems in consultation with you. Therefore, attempt should be made to bring out the real situation that improvements can be effected.

6. While mentioning the external factors, please distinguish between (a) those over which the Union/State Government have control and (b) those over which the Governments too may not have control. Please offer your constructive suggestions about steps to be taken in regard to both groups of factors. Please also attach copy of your last letter to the Union Government requesting appointment of Statutory Auditors.

7. Please feel free to mention any other point which you feel to be relevant to the matter under discussion.

Govt. of Assam
Public Enterprises Dept., Dispur
Guwahati-6

No. PE 47/2010/30

Dated Dispur, 1st January 2011

From :

Sri P K Das
Adviser,
Public Enterprises Dept., Dispur, Guwahati

To,

The Chairman/ Chairman-cum-Managing Director/ Managing Director

Sub : Liquidation of arrears in finalisation of accounts in State public Sector Undertakings

Ref : Letter No CAW/3-17/Vol-III/2004-05 dt. 02-03-2010

Sir,

With reference to the above subject, I am directed to enclose herewith a copy of letter under reference, received from the Senior Deputy Accountant General (IC&C) for necessary action to facilitate early liquidation of arrears in accounts.

Copy encl: As stated

Yours faithfully,

Sri P K Das
Adviser,
Public Enterprises Dept., Dispur,

Guwahati