Annotated Statement on Reply of DUAC to HMs on Annual Accounts for the year 2018-19

S.no	HM	Reply of DUAC	
1.	**Variation in previous year figures of 2018-19 with figures in previous year audited accounts of 2017-18.** Previous year figures in Financial Statement (F.Y.) for 2018-19 do not tally with corresponding previous year (i.e. 2017-18) as tabulated in Annex I. Reason for variation may be intimated and the previous year (2017-18) figures in current year (2018-19) may be reconciled with figures stated in audited accounts of 2017-18.	During the year the commission has adopted the change in presentation of financial statements according to which the interest income earned on saving account and FDR account are clubbed with grant received. Since government grant receivable in subsequent years are received after adjustment of such interest income and indirectly interest so earned is forming part of grant received. The difference pointed out by audit team is of interest income. The same is disclosed vide Point No. 10 of Schedule No. 10 of financial statements. Moreover, vide Point No. 12 of the Schedule No. 10 it is also stated that corresponding figures for the previous year has been regrouped and rearranged wherever necessary. Accordingly, the previous year's figures have been modified to confirm the current year presentation. Moreover, such change in presentation has no impact on Net Results. We assure audit team that in future year such changes will be disclosed separately. In respect of fixed assets variation in the previous year the audit team has pointed a typographical error which has been rectified in current year presentation. Hence audit team is requested to drop the para.	

2.	**Copy of Accounts for the year 2018-19 Approved by Commission** The accounts for the year 2018-19 were approved by the commission in its 1500th meeting held on 01-08-2019. Agenda/Minutes of the same were reviewed, it was found that copy of accounts approved by the commission were neither attached with Agenda nor with corresponding Minutes. Thus it could not be ascertained which copy of accounts was approved by the commission for the year 2018-19.	The signed Copy of Annual Accounts 2018-19 has now been attached with the corresponding agenda 1500th Meeting of DUAC which was held on 01.08.2019. Hence audit team is requested to drop the para.	
3.	**Income and Expenditure Accounts-Income-Other Income (Sch.6)-Rs 97,487, Expenditure-Establishment Expenses (Sch7)-Rs 3,76,79,925.** Other income includes Interest on housing loan to staff amounting to Rs. 81787. which further includes an amount of Rs. 23248 on account of salary recovered (half pay leave recovery) as detailed in Annex-I As excess HPL recovery is not an income of DUAC, hence Other Income and Establishment Expenses (which includes salary expenditure) account heads overstated to the extent of Rs. 23248.	We agree with the findings of Audit Team and like to submit that the necessary adjustments as advised by audit team will be done in the subsequent year. Since there is no impact on total income and expenditure of current year , audit team is requested to drop the Half Margin.	

4.	**Income and expenditure Account-Exp-Establishment Expenses (Sch 7) Rs 3.76 crore.** The above includes Establishment expense of DUAC amounting to Rs. 2.85 crore (Schd 7 of DUAC) which further includes expenses of CPF (DUAC's contribution) amounting to Rs. 1117573, this includes Rs. 138901 relating to loss of PF Trust for the year 2017-18 reimbursed by DUAC in 2018-19, As CPF trust is an independent body, reimbursement of CPF trust loss by DUAC is not correct as that would indicate taking into account expenses/loss of other body corporate into account of DUAC's account. Accountal of above has resulted in overstatement of establishment expenses and understatement of recoverable from CPF trust to the extent of Rs. 138901. This would result in reduction of excess of expenses over income and increase in recoverable from CPF Trust under current assets to the extent of Rs. 138901. Approval of competent authority authorizing reimbursement of loss of CPF Trust by DUAC may kindly be furnished to audit	We agree with the findings of the Audit Team and like to submit that the Amount ₹ 1,38,901/- shall we recovered from future earning of Contributory Provident fund investment. Hence audit team is requested to drop the para.	
5.	**Cash Transaction in excess of Rs. 10000** The verification of Cash Book of the DUAC City Level Project revealed that the expenses were being paid in Cash in excess of Rs. 10000, details of cash transaction is enclosed in Annex-1, which are disallowed u/s 40A(3a) of the Income Tax Act 1961. This indicates deficient internal control in this aspect.	DUAC is aware of the Government polices that payment beyond of ₹ 10,000/- should not be on cash basis. However the cash transaction was done due to the emergent requirements and the fact that the vendors insisted on cash payment only. The observation of Audit have been noted for future compliance. Hence audit team is requested to drop the para.	

6.	**Non-Maintenance of FDR Register for the year 2018-19** Opening balances of FDR was Rs. 1,51,4738.00, during the year all FDRs were encased resulted in Nil balance on 31.03.2019. Details of FDR encashed during 2018-19 were not verifiable from FDR Register maintained. Thus Internal Control is deficient to this extent.	The observation of Audit have been noted for future compliance. Hence audit team is requested to drop the para.	
7.	**Income and Expenditure Accopunts-Income-Other Admin. Expenses (Sch. 8)- Rs 1,63,25,529 Balance Sheet-Fixed Assets (Sch 4)-Rs 28,41,822.** Fixed Assets addition during the year has to be shown in Fixed Assets (Schedule-4). Details of Fixed Assets added amounting to Rs. 7,40,875 is enclosed as Annex-I. However, Other Administration Expenses included fixed assets addition during the year amounting to Rs. 66240 details of the same is enclosed as Annex-II as these entries are of capital nature, so these are to be non-Accountal of. Above has resulted in understatement of Fixed Asset and overstatement of Income & Expenditure Account-Expenditure to the extent of Rs. 66240.	1. During the year hard disk was purchased by DUAC of Rs. 29,500 and by DUAC City Level Project of Rs. 13,400 as a replacement and hence it was not capitalized and considered as maintenance expenses and accordingly charged to revenue account. 2. In respect of paper Shredder purchased, we agree with the findings of audit team and assured that necessary adjustments will be made in current financial year through prior period adjustment account. 3. In respect of Mouse purchased of Rs. 6200 and WIFI billing of Rs. 1800, we submit that both the expenses were incurred for replacement & hence charged to revenue account. Hence, audit team is requested to drop the audit Para.	

8.	**Receipts and Payments Account** **Receipts-Stale Cheques-Rs 98967** **Expenditure-Salary/Manpower Charges Rs. 38139389** **News paper advertisement-Rs 91413** **Telephone Expenses-Rs 450948** The Receipts includes City Level Project receipts on account of stale cheques amounting to Rs. 98967 The Expenditure in above account heads corresponding to City Level Project amounted to Rs. 8779406, Rs 91413 and Rs. 297815 respectively. The stale corresponding to above account heads amounted to Rs 34560, Rs 63286 and Rs. 1121 respectively, which were transferred to Manpower charges payable, News paper advertisement payable and Telephone expenses payable on account of Stale cheques . Thus indicating that expenditure to the extent of Rs. 98967(34560+63286+1121) was not incurred during 2018-19, but the same has been booked under corresponding expenditure account heads. Similarly, there was no actual receipt of funds on account of stale cheques, yet the same has been booked under receipts. Accountal of above has resulted in overstatement of receipts as well as expenses in Receipt and Payments to the extent of Rs. 98967.	We agree with the findings of the Audit team and assured that in subsequent years as advised by the audit team the stale cheque (i.e., the cheque issued but not presented in bank) will be net off with the expenditure. We further submit that disclosures of stale cheque separately in receipt and payment account does not impact the closing cash and bank balance. Hence, audit team is requested to drop the audit Para.	

9.	**Income and Expenditure Account –Expenses-Establishment expenses-Rs 37679925.** The above includes establishment expenses of DIAC amounting to Rs. 28586691, which further includes CPF contribution amounting to Rs. 1117573. This CPF contribution includes Rs 37377 pertaining to arrears of CPF contribution paid to an official. As this arrear pertained to Nov"99 to Nov"18, arrear amounting to Rs 5330 pertaining to 2018-19 be charges under establishment expenses and remaining amount of Rs. 32047 be charged to prior period expenses account. Non-accountal of above has resulted in overstatement of establishment expense and understatement of prior period expenses to the extent of Rs 32047.	This is to submit that the payment of Rs. 32,047 pertain to previous years which arises in current year mainly due to shortfall in PF contribution by DUAC due to revision in pay scale of employee. The amount of shortfall in PF paid to employee was brought into the knowledge of commission by employee on 06.02.19 after his retirement. In earlier year commission was not aware of such shortfall in PF paid. Thus, the same amount paid in current year and charged as establishment expenses of current year. We further submit that there will not be any impact on net financial results of the commission since there will be change in nomenclature of expenses head only. Hence, audit team is requested to drop the audit Para.	
10.	**Income and Expenditure Accounts-Income-Other Admin. Expenses (Sch. 8)- Rs 1,63,25,529 Balance Sheet-Current Assets, Loan & Advances (Sch. 5)-Rs 92,35,356.** Printing & Stationery amounting to Rs. 18,05,282 included expenses amounting to Rs. 194224 incurred on computer cartridge. Computer cartridges purchased at year end (March 2019) amounting to Rs. 4,70,729 were accounted for in Current Assets under computer cartridge along with opening stock amounted to Rs. 1,42,607. The expenditure of Rs 4,70,729 in view of accrual accounting was required	In respect of computer cartridge purchased at the year end (last week of Mar 19) amounting to Rs. 470729.00 we hereby submit that as on 31st March. 2019, Such stocks was not utilized in F.Y. 2018-19 and accordingly as per accrual accounting this amount was not charged to revenue account and shown as cartridge stocks in hand under current assets. We further submit that as on today also the Commission is having stocks of cartridge of more than Rs. 4.63lacs approx. which is yet to	

	to be booked under printing & Stationery and Rs. 1,42,607 be now routed through prior period expenses. The above accountal has resulted in overstatement of assets & understatement of expenditure to the extent of Rs. 6,13,336.	be used and will be charged to revenue as & when used. In respect of other cartridge stocks of Rs. 142607 we agree with the finding of the audit team and assure that necessary adjustments will be made in current F.Y 2019-20 through prior period adjustment account. Hence, audit team is requested to drop the Half Margin.	
11.	**Deficient Internal Controls- Utilisation Certificate .** 1. During 2018-19 , revenue grant amounted to Rs. 37270627 which was received by DUAC. out of which Rs. 740875 was utilized on capital expenditure-additions to Fixed Assets. In accounting policy no. 2-Schedule 9, DUAC has disclosed that capital expenditure were incurred from grant received for administrative expenditure as no separate grant for acquisition of capital expenditure was received. However, capital expenditure of Rs. 740875 was required to be shown separately in componetwise utilization of grant but the same was not shown separately rather included in utilization of grant for general purpose. The above has resulted in incorrect disclosure of component wise utilization of grants in Utilisation Certificate (UC) for 2018-19.	1. DUAC has been receiving Grant-in-aid from the Government under two heads namely \`Salary Head\` and \`General Head\` under demand No. 56. Consequently all capital expenditure is done under \`General Head\`. The Utilization of fund during the year under the aforesaid two heads are reflected in the Utilization Certificate in the prescribe format (GFR 12A) under the aforesaid two Heads that \`Salary Head\` and \`General Head\`. The form 12A also has a column on Grant-in-aid \`Creation of capital assets\`. However, as funds are received from the Government under \`Salary Head\` and \`General Head\` , the column of Grant-in-aid \`Creation of capital assets\` has been left blank.	

	2. DUAC earned interest amounting to Rs. 219591 on unspent balances of grant received in earlier years and Rs. 120003 on account of Misc. receipts. Utilisation certificate has been prescribed in GFR Rules 2017 in form GFR 12A, which do not permit disclosure of interest other than interest received earned on unutilized grant. Thus the above has resulted in incorrect disclosure of interest earned in UC to the extent of Rs. 1200003, this shall further reduce balances disclosed in UC relating to total funds available and closing balance to the extent of Rs. 120003.	2. As regards miscellaneous receipts there been no separate column in form 12A to reflect the same. As the amount received is deposited in the same bank account in which Grant received, in case miscellaneous receipts are not to be reflected in the Utilization Certificate , it will result in mismatch between the figures appearing in the Utilization Certificate and bank statement. In view of above audit is requested not to insist for removal of money received under the miscellaneous receipts from the Utilization Certificate. Hence, audit team is requested to drop the Half Margin.	
12.	**Non-compliance of previous year assurance no. 7 relating to Excess provision for gratuity amounting to Rs. 1 lakh in 2017-18.** Kindly find enclosed an annotated statement containing audit issue, reply of DUAC containing assurance and further reply of DUAC furnished during the audit. No rectification adjustment was made in FY 2018-19. Reply is not tenable as excess provision was made out in FY 2017-18 and it not related to demand made by LIC in 2018-19	We agree with the finding of audit team and assure that necessary adjustments and disclosures as per requirement of accounting standards will be made in current financial year 2019-20. Hence, audit team is requested to drop the Half Margin.	

13.	**Deficient Internal Control- Non implementation of accrual accounting policy schedule No. 9 Note 5- Recognition of Expenditure** Closing stock balance of the cartridge as per stock certificate amounted to Rs. 4,63,530. As per financial accounts, the balance of cartridge amounted to Rs. 613336. Reasons for variance of Rs. 149806 may be furnished and the same may be reconciled.	The closing stock balance of Rs. 463530 is as per stock certificates submitted to audit team is of latest date i.e. 24.10.2019 and as on 31.03.2019, the stocks was of Rs. 613336.00. The reason for variance is that the cartridge stocks of Rs. 149806 is already consumed by the commission partly in financial year 2018-19 and partly in current financial year 2019-20 till date. In this regard vide reply of HM10 we have already assured to the audit team that necessary adjustments of cartridge consumed will be made in current F.Y. 2019-20 through prior period adjustment account. Hence, audit team is requested to drop the Half Margin.	