

Office of The Principal Director of Audit (Agriculture, Food & Water Resources) New Delhi

Confidential

No. 890-PDA(AFWR)/co/A/cs/FCTL/2020-21/1562
Dt 18.09.2020

To
The Chairman and Managing Director
FACT Township
Eloor, Udyogamandal - 683 501
Kochi, Kerala

Sub: Comments on financial accounts (standalone) of Fertilisers and Chemicals Travancore Limited for the year ended 31 March 2020 under article 143 (6) (b) of the Companies Act 2013 by the Comptroller and Auditor General of India

Sir

We are sending herewith the comments on the financial accounts (standalone) of Fertilizers and Chemicals Travancore Limited for the year ended 31 March, 2020 under Article 143 (6) (b) of the Companies Act 2013.

Please acknowledge.

Yours faithfully

Encl: as above

Sd/-
(Amitabh Prasad)
Principal Director of Audit
(Agriculture, Food and Water Resources)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED (Standalone) FOR THE YEAR ENDED 31 MARCH 2020

The preparation of financial statements of THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED (Standalone) for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act, are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the Standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their **Audit Report dated 25.06.2020**.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of **The Fertilisers and Chemicals Travancore Limited** for the year ended 31 March 2020. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

A. Comment on Financial Position

Balance Sheet

Other Intangible Assets (Note-1B) ₹ 110.64 lakh

The above is understated by ₹42.06 lakh due to non-inclusion of value of software work completed during the year. The work of SAP migration and up-gradation was completed on 12 February 2020. However, Company did not capitalize related charges of ₹42.06 lakh during the year payable to vendor.

This has resulted in understatement of other intangible Assets by ₹40.93 lakh and amortization by ₹1.13 lakh. Consequently, profit for the year is also overstated by ₹1.13 lakh and current liabilities understated by ₹42.06 lakh.

B. Comment on Disclosure

Notes to Standalone Financial Statements

Estimated amount of contracts remaining to be executed on capital account and not provided for (Note-50): ₹1347.08 lakh

The above is overstated by ₹ 294.65 lakh due to inclusion of :

- (i) ₹24.59 in respect of M/s.Agilent Technologies India Pvt Ltd. The related work already completed before 31 March 2020 and liability was provided for the value of work done.
- (ii) ₹135 lakh in respect of M/s.Bharat Heavy Electricals Limited. The related work already completed before 31 March 2020 and liability was provided for the value of work done.
- (iii) ₹135.06 lakh in respect of M/s.Sify Technologies Limited. Out of this, work valuing ₹ 42.06 lakh was completed before 31 March 2020. Remaining ₹ 93 lakh being in the nature of maintenance contract should be disclosed under the head other commitments instead of contracts remaining to be executed on capital account and not provided for

Sd/-
(Amitabh Prasad)
Principal Director of Audit
(Agriculture, Food and Water Resources)

REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED (Standalone) FOR THE YEAR ENDED 31 MARCH 2020

Comments of C & AG	Reply
<p>A. Comment on Financial Position</p> <p>Balance Sheet Other Intangible Assets (Note-1B) ₹ 110.64 lakh The above is understated by ₹42.06 lakh due to non-inclusion of value of software work completed during the year. The work of SAP migration and up-gradation was completed on 12 February 2020. However, Company did not capitalize related charges of ₹42.06 lakhs during the year payable to vendor This has resulted in understatement of other intangible Assets by ₹40.93 lakh and amortization by ₹1.13 lakh. Consequently, profit for the year is also overstated by ₹1.13 lakh and current liabilities understated by ₹42.06 lakh</p>	<p>Audit comment is noted.</p> <p>The amount involved does not have any material impact on the Financial position/ Financial Statements of the Company.</p>
<p>B. Comment on Disclosure</p> <p>Notes to Standalone Financial Statements Estimated amount of contracts remaining to be executed on capital account and not provided for (Note-50): ₹1347.08 lakhs</p> <p>The above is overstated by ₹294.65 lakhs due to inclusion of :</p> <ul style="list-style-type: none"> (iv) ₹24.59 in respect of M/s.Agilent Technologies India Pvt Ltd. The related work already completed before 31 March 2020 and liability was provided for the value of work done (v) ₹135 lakh in respect of M/s.Bharat Heavy Electricals Limited. The related work already completed before 31 March 2020 and liability was provided for the value of work done (vi) ₹135.06 lakh in respect of M/s.Sify Technologies Limited. Out of this, work valuing ₹42.06 lakh was completed before 31 March 2020. Remaining ₹93 lakh being in the nature of maintenance contract should be disclosed under the head other commitments instead of contracts remaining to be executed on capital account and not provided for 	<p>Audit comment on disclosure is noted.</p> <p>It may please be noted that the overstatements in notes on Financial Statement does not have any impact on the Financial Results of the Company.</p>