

Action Taken Notes on the comments on Accounts raised in the Separate Audit Report of Cochin Port Trust for the year ended 31.03.2021

A. Balance Sheet:

A.I. Application of Funds

A.I.1 Current Liabilities and Provisions (Sch. VIII): ₹799.46 Crore

The liability on account of pension and gratuity contribution of existing employees and pensioners works out to ₹3453.55 crore as per actuarial valuation. However, the contribution made towards LIC and interest earned towards the contribution as on 31 March 2021 was ₹480.56 crore only. Thus there is a shortfall in contribution of ₹2972.99 crore. The Port Trust has not made any provision on this account. This has resulted in understatement of Current Liabilities and Provisions and consequent overstatement of Profit by ₹2972.99 crore.

- *The current financial position of Cochin Port is not favourable to make adequate provisions based on Actuarial Valuation of Pension & Gratuity Contribution which may result in huge loss and may also render Cochin Port Trust ineligible for Government Grant in Aid/raising funds from financial institutions. Hence, provision was not made for shortfall in contribution to Pension & Gratuity funds.*

B. Profit & Loss Account

B.I. Expenditure

B.I.2. Finance & Miscellaneous Income (Sch. M) - ₹376.35 Crore

(i) CoPT decided to settle an Arbitration with M/s Jaisu Shipping Co. (P) Ltd by adjusting ₹1,57,05,733 payable to them on account of maintenance dredging charges from an amount due from them in another litigation. Eventhough, CoPT sent a notice on 24.03.2021 intimating the settlement, no response was received from the party and the process of adjustment is still pending.

Since the liability on account of Arbitration Award was crystallized prior to 31.03.2021, provision should have been created for the same. Due to non provision of this amount, Finance and Misc. Expenses and Current Liabilities and Provisions are understated and current year Profit overstated by ₹1,57,05,733.

(ii) Hon'ble Supreme Court ordered (05.08.2020) CoPT to refund the excess amount of Ground rent collected from Steamer Agents and an amount of ₹1,29,41,413 (Provisional) is refundable to 7 parties for handling 55 containers. Due to non provision of this amount, Finance and Misc. Expenses and Current Liabilities and Provisions are understated and current year Profit overstated by ₹1,29,41,413.

- i. *It has been decided that the amount of Rs.87 Lakhs plus interest payable to M/s Jaisu Shipping will be adjusted against amount receivable from M/s Jaisu Shipping amounting to Rs.2.98 Crores plus interest.*

Hence, the net impact will be accounted in the year of Final Settlement.

- ii. *We hereby state that necessary provision will be created in 2021-22 for the refund of excess ground rent collected after obtaining approval from competent authority.*

C. General:

C.1 As required by Accounting Standard (AS) 15, 'Accounting for Retirement Benefits in the Financial Statements of Employers', the Port has neither carried out Actuarial Valuation nor provided for the Liability towards EL Encashment of its employees in the Accounts for the year 2020-21.

- *Annual Accounts of Port Trust are prepared based on the recommendations given in the Billimoria Report which neither specifies the need for Actuarial Valuation of EL Encashment nor providing liability towards the same. Hence, Port does not follow the practice of taking Actuarial Valuation of EL Encashment of employees. Also the financial position of Cochin Port is not favourable to make adequate provision for EL encashment.*

D. Grants in Aid

Opening Balance of grant as on 01 April 2020 was ₹16.86 cr. Grant in aid received by the port during 2020-21 was ₹14.69 cr of which a sum of ₹3.08 cr was received during March 2021. A sum of ₹12.25 cr was expended during the year 2020-21 of which ₹0.72 cr was spent out of Port's own fund. A sum of ₹20.02 cr remained towards unutilized grant as on 31 March 2021.

- *Factual*

ANNEXURE I

Internal Audit & Internal Control:

1) Adequacy of Internal Audit:

The Internal Audit of the Port was entrusted to Chartered Accountants. Internal Audit of CoPT for the year 2020-21 was completed. However, Special Audit of Revenue from IGTPPL for the year 2020-21 is pending.

- *The Internal Audit for the year 2020-21 is completed and we have received the final Audit report. The Special Audit of Revenue from IGTPPL commences after completion of Statutory Audit of IGTPPL.*

2) Adequacy of Internal Control System:

Internal Control system provides a reasonable assurance on the achievement of the objectives of an organisation regarding efficiency and effectiveness of operations, compliance with rules and regulations and the adequacy of financial reporting system. Physical verification and certification of Cash balances, FD Receipts and Bank Guarantees as at 31st March 2021 has not been done.

- *Physical verification of Cash, FDs and BGs are being carried out on a monthly basis. For the year 2020-21, the verification was carried out till the month of February 2021. However, verification could not be conducted as on 31.03.2021 due to holidays (01.04.2021 - Maundy Thursday, 02.04.2021- Good Friday, 03.04.2021- Saturday Work From Home for weekly sanitisation of offices, 04.04.2021-Sunday holiday, 05.04.2021 to 07.04.2021- election duty. Since physical verification for March 2021 got delayed, next physical verification was done for the month of April 2021.*

3) Physical verification of Fixed Assets

No discrepancies were noticed in the system of verification of Fixed Assets.

- *Factual*

4) System of Physical Verification of Inventories.

No discrepancies were noticed in the system of verification of Inventories

- *Factual*

5) Regularity in payment of Statutory dues

The Port is paying Statutory dues such as Provident Fund, ESI, Income Tax, GST, etc. on due dates. However, Port has defaulted repayment of one installment of Govt. of India Loan.

- *Due to Covid-19 Pandemic and resultant decline in the traffic and financial condition of the Port, CoPT has submitted a proposal to the Ministry for seeking moratorium of 3 years for the repayment of installments of Government of India Loan with the approval of the Board in its meeting held on 26.03.2021. Hence, CoPT has not paid the third installment of GOI Loan amounting to Rs.55.85 Crores which was due in 2020-21. The Proposal of moratorium is under active consideration of Ministry.*

ANNEXURE II

1. Financial Position:

The following table summarises the financial position of the Port Trust at the end of each of the three years ending 31 March 2019, 2020 and 2021.

(₹ in crore)

PARTICULARS		2018-19	2019-20	2020-21	
A	LIABILITIES				Factual
(i)	Capital Reserves	84.84	84.84	84.84	
(ii)	Other reserves	43.21	34.26	37.42	
(iii)	Borrowings - Capital debts, Loan from Govt.	232.33	206.51	206.51	
	Other loans	0.30	0.30	0.30	
(iv)	Current liabilities and Provisions	955.25	868.39	971.06	
(v)	Other liabilities	64.95	68.35	70.98	
	Total	1380.88	1262.65	1371.11	
B	ASSETS				
(i)	Fixed Assets	688.71	676.60	702.36	
(ii)	<u>Less:</u> Depreciation	(302.34)	(306.00)	(324.30)	
(iii)	Net fixed assets	386.37	370.60	378.05	
(iv)	Capital work in progress	20.54	28.23	3.71	
(v)	Investments	0.15	1.15	1.15	
(vi)	Current assets, Loans & advances	460.08	370.23	502.97	
(vii)	Accumulated deficit	513.74	492.44	485.24	
	Total	1380.88	1262.65	1371.11	
C	Working Capital ¹	(-)495.17	(-)498.16	(-)468.09	
D	Net worth ²	(-)385.69	(-)373.34	(-)362.98	
E	Capital employed ³	(-)108.80	(-)127.55	(-)90.04	
F	Return on capital employed ⁴ (in %)	(+)17.63	(+)16.70	(+)8.00	
1	Working capital represents current assets less Current liabilities including Interest accrued on loans.				
2	Net worth represents Capital reserves and Other reserves and Surplus less Accumulated deficit.				
3	Capital employed represents Net fixed assets and Working capital				
4	Return on Capital employed represents percentage of Net surplus/deficit (before appropriation) to Capital employed.				

2. Working Results:

The working results of the Port Trust for the three years ending 31 March 2021 are summarized below:-

		(₹ in crore)			
	PARTICULARS	2018-19	2019-20	2020-21	
A	Revenue				
(i)	Operating income	585.51	649.03	683.32	
(ii)	Non-operating income	46.61	43.20	43.66	
	Total	632.12	692.23	726.98	
B	Expenditure				
(i)	Operating Expenditure	374.67	355.88	343.43	
(ii)	Non-operating expenditure	238.27	315.05	376.35	
	Total	612.94	670.93	719.78	
C	Net surplus/deficit before appropriation	(+19.18)	(+21.30)	(+7.20)	Factual
D	<u>Less: Appropriations /</u> <u>add: transfers (net)</u>	0	0	0	
E	Surplus/deficit transferred to revenue Reserve	(+19.18)	(+21.30)	(+7.20)	
F	Percentage of net surplus/ deficit to:				
(i)	Operating income	(+3.28)	(+3.28)	(+1.05)	
(ii)	Net fixed assets	(+4.96)	(+5.75)	(+1.90)	
(iii)	Net worth	(+4.97)	(+5.70)	(+1.98)	

3. Ratio Analysis:

Some important ratios on liquidity and solvency of the Port Trust are shown below:-

Percentage of Current assets to Current liabilities was 48.16, 42.63 and 51.80 during 2018-19, 2019-20 and 2020-21 respectively.	Factual
Percentage of Quick assets to Current liabilities was 39.53, 33.89 and 43.88 during 2018-19, 2019-20 and 2020-21 respectively.	
Percentage of Sundry debtors to Operating income was 23.59, 9.57 and 7.59 during 2018-19, 2019-20 and 2020-21 respectively.	
Capital debt to Capital reserves & General reserves Ratio was 2.28, 2.02 and 2.02 during 2018-19, 2019-20 and 2020-21 respectively.	

Sd/-

**FINANCIAL ADVISER &
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