



**PLANNING AND ECONOMIC AFFAIRS (BPE)
DEPARTMENT**

**No. 20808/BPE-2/93/Plg., Thiruvananthapuram,
dated 27th November 1993**

CIRCULAR

Sub.- Finalisation of Annual Accounts of Public Sector Undertakings and submission of administration report to Legislature.

- Ref.-*
1. Circular D.O. letters No. 27040/BPE/86/Plg., dated 21st May 1988, 15th July 1989 and 10th December 1990..
 2. Govt. Circular No. 21295/BPE-2/91/Plg., dated 10th February 1992.
 3. Govt. Circular No. 17070/NPE-2/91/Plg., dated 10th February 1992.
 4. Govt. Circular No. 10303/BPE-2/92/Plg., dated 19th August 1992.

Government of India and Accountant General have time and again pointed out to the undue delay in finalisation of annual accounts of some of the Public Sector Undertakings. The Rules Committee of Legislature has now pointed out the delay in submitting the Administration Report to the Legislature.

2. In this connection attention of the Chief Executives of Public Sector Undertakings are invited to the Circular D.O. letters first cited wherein they were requested to take all possible steps on a war footing to finalise annual accounts within the time-limit prescribed under the Companies Act.

3. In the Circular second cited certain suggestions were made to facilitate clearance of the arrears in the finalisation of annual accounts. In the Circular fourth cited, the Chief Executives were requested to chalk out action plan to clear the backlog in the finalisation of annual accounts. But progress achieved in clearing the arrears in audit and finalisation of accounts of Public Sector Undertakings is rather unsatisfactory.

4. In this connection attention of all the Chief Executives and Administrative Departments of Public Sector Undertakings are once again invited to the under-mentioned provisions of the Companies Act, 1956.

5. As per the provisions of section 166 read with section 210 of the Companies Act, Board of Directors of every company has to ensure that the audited annual accounts of the companies are to be presented to the Annual General Meeting within six months of the end of every financial year. An extension of three months for holding Annual General Meeting is allowed under very special circumstances. Company Law does not provide for any further extension of time. Default beyond the specified period is an offence under the Companies Act-every officer of the company in charge of the conduct of the Annual General Meeting being liable for a flat fine of Rs.

5,000 and a fine of Rs. 250 per day for every day of continuing default. If any person, who is a Director of the Company, fails to take all reasonable steps to ensure proper maintenance of the books of accounts and to comply with the provisions relating to presentation of annual accounts and balance sheet can be punished with imprisonment for a term which may extend up to six months or with fine up to one thousand rupees or with both.

6. Section 619 (A) (3) of the Act stipulates that the State Government shall cause an annual report on the working and affairs of Government Companies to be prepared within three months of the adoption of the annual accounts by the Annual General Meeting and lay the same before the Legislature with copy of the Audit Report.

7. The Government Companies are, therefore, once again directed to finalise annual accounts within the prescribed time limit and forward sufficient number of the annual accounts with the copies of audit certificate to their Administrative Department soon after the adoption of the accounts by the Annual General Meetings.

8. The companies whose accounts are in arrears should clear the arrears within six months of receipt of this Circular in respect of the years for which statutory auditors have already been appointed and take up with the Company Law Board the issue of appointing auditors for remaining years if any, as soon as the statutory audit of the accounts for the year upto which auditors have already been appointed.

9. Since every Director of the Company, in addition to the Chief Executive is responsible to take reasonable steps to ensure maintenance of proper accounts and to comply with the provisions of the Companies Act in respect of presentation of accounts, a copy of this Circular along with an action plan for clearing the arrear in audit, if any, maybe placed before the next meeting of Board of Directors to ensure strict compliance with the provisions of Companies Act. A copy of the action plan and details of the decision taken by the Board may be forwarded to the Administrative Department and Bureau of Public Enterprises for reference.

K.M. CHANDRASEKHAR
Secretary