AGENDA

COCHIN SPECIAL ECONOMIC ZONE AUTHORITY

53rd Meeting

Date	**:**	**30.10.2024**
Time	**:**	**11.30 a.m.**
Venue	**:**	**CSEZ Admn. Building**

COCHIN SPECIAL ECONOMIC ZONE AUTHORITY (CSEZA)
53rd MEETING OF THE COCHIN SPECIAL ECONOMIC ZONE AUTHORITYON 30.10.2024

COCHIN SPECIAL ECONOMIC ZONE AUTHORITY (CSEZA)
53rd MEETING OF THE COCHIN SPECIAL ECONOMIC ZONE AUTHORITYON 30.10.2024

A: Confirmation of the minutes of the 52nd CSEZ Authority meeting held on 20.06.2024

The minutes of the 52nd CSEZ Authority meeting held on is placed before the Committee for confirmation.

Minutes of 52nd meeting of CSEZ Authority held on 20.06.2024

Cochin Special Economic Zone Authority (CSEZA)
Ministry of Commerce & Industry,
Department of Commerce, Government of India
Administrative Building
Kakkanad, Cochin-682 037.

Minutes of the 52nd meeting of the CSEZ Authority held on 20.06.2024 at 3.30 P.M. under the Chairmanship of Smt.Hemalatha P, Development Commissioner, CSEZ & Chairperson, CSEZ Authority.

The following Members of the Authority were present.

1.	Smt P Hemalatha IAS Development Commissioner, Cochin Special Economic Zone.	: Chairperson (ex-officio)
2.	Shri Boni Prasada Rao, Deputy Development Commissioner , Cochin Special Economic Zone.	: Member (ex-officio)
3.	Shri Hassan Usaid N A, Assistant Director General of Foreign Trade, Kakkanad, Cochin.	: Member (ex-officio)
4.	Shri Koshy George, Managing Director, M/s. CII Guardian International Ltd.	: Member
5.	Shri N. Jehangir, Managing Director, SFO Technologies Pvt. Ltd.	: Member

Besides the members, Shri Pramodu S, Secretary-in-Charge, CSEZA, Shri.Harikumar K.K., Estate Manager in-Charge, CSEZ, Shri Savio T A, Assistant, CSEZ and Smt. Vijitha M.S, Assistant, CSEZ were also present to assist the Authority.

Agenda Item No.A: Confirmation of the minutes of 51st meeting of the CSEZ Authority held on 26.03.2024

The minutes of the 51st meeting, circulated among the members in advance, was confirmed.

Agenda item No.B: Action taken on decisions of the previous meeting.

Action taken on the decisions/approvals of previous meeting as reported was noted by the Authority.

Agenda item No.C:

(i) Annual Accounts for the year 2023-24 of CSEZ Authority

The Authority, after due deliberations, approved the Annual Accounts for the financial year 2023-2024. The Authority further approved to forward the accounts to the Office of the C&AG for conducting statutory audit.

The meeting ended at 3.50 P.M. with thanks to the Chair.

Hemalatha P

(P Hemalatha)
Chairperson
CSEZ Authority

B: Action taken on decisions of the previous meeting.

Agenda No. C	Date	Subject	Action taken
(i)	20.06.2024	Annual Accounts for the year 2023-24 of CSEZ Authority	Approved

C: Proposal for consideration.

(i) Annual Report for the year 2023-24 of CSEZ Authority

As per Section 39(2) of the SEZs Act 2005, every Authority has to submit an Annual Report to the Central Government giving a true and full account of its activities, policy and programmes during the previous financial year so as to place the same before each House of Parliament. Annual Report of CSEZA for the year 2023-24 is placed as Annexure – I for consideration of the Authority.

(ii) Extension of tenure of existing Project Management Consultancy – M/s.WAPCOS Ltd.

M/s.WAPCOS Ltd. has been the O&M agency for Estate, IWMS and Power distribution in CSEZ since October 2016. The contract period of M/s.WAPCOS Ltd. was extended upto 31.10.2024 on the existing terms and conditions except the subcontractors for various activities under Estate, IWMS and Power distribution in CSEZ as the selection of new O&M agency has bee under process.

The matter is placed before the Authority for ratification.

(iii) Selection and engagement of new O&M Agency for Power distribution system, Estate and IWMS in CSEZ.

CSEZA had invited Request for Proposal (RFP) from public sector undertakings for operation, maintenance and management consultancy (OMMC) services of infrastructure facilities under Power Distribution System (PDS), Estate and Integrated Water Management System (IWMS) in CSEZ. As the power distribution is a regulated activity, separate RFPs were invited – 1) for PDS in CSEZ and 2) for Estate & IWMS. The selection process has been completed and M/s.Hindustan Steelwork Constructions Ltd. (HSCL) became the lowest bidder in both the RFPs with Rs.65.00lakh per annum for PDS and Rs.71.02 lakh per annum for Estate & IWMS respectively. Accordingly, M/s.HSCL commenced their OMMC services of PDS w.e.f. 01.10.2024 and Estate & IWMS w.e.f. 15.10.2024. To bring down disturbances to units in the Zone owing to taking over the said OMMC services and also to have smooth transition, the contract tenure of WAPCOS Ltd. was extended upto 31.10.2024 on the existing terms and conditions requiring payments to both the agencies during the overlapping during the month of October 2024.

The matter is placed before the Authority for consideration.

(iv) Selection and engagement of new sub-contractors for Power Distribution System, Estate & IWMS in CSEZ – reg.

The CSEZA has been operating and maintaining Power Distribution System (PDS), Estate and Integrated Water Management System by engaging an O&M agency, who in turn has been selecting sub-agencies for carrying out various activities under the above three strategic centres. As this arrangement has resulted in issues related to Goods and Services Tax, CSEZA has directly invited tenders for selection of sub-agencies for the following works under the above three strategic centres and the agencies have been engaged w.e.f. 1st October 2024.

1) Estate – Lift, Fire Fighting, Weighbridge, MLCP & Watch and Ward
2) Estate – House Keeping and General Cleaning
3) Estate – Gardening and Arboriculture
4) IWMS – 2.25 MLD Water Treatment Plant and Distribution System
5) IWMS – Common Effluent Treatment Plant
6) IWMS - Operation & Maintenance of Solid Waste Management Facility
7) Power – 110/11 kV Substation and power distribution system
8) Power – Prepaid energy management system

The matter is placed before the Authority for ratification.

D. Any other items as approved by Chairman

Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of the Cochin Special Economic Zone Authority (CSEZA), Kakkanad for the year ended 31 March 2024.

We have audited the attached Balance Sheet of Cochin Special Economic Zone Authority as at 31 March 2024, the Income & Expenditure Account and Receipts & Payments Account for the year ended on that date under Section 19(2) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 read with Section 37(2) of the Special Economic Zones Act, 2005. The preparation of the financial statements is the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and efficiency cum-performance aspects, etc., if any, are reported through Inspection Report/CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by authority, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

(i) We have obtained all the information which to the best of our knowledge and belief was necessary for the purpose of our audit.

(ii) The Balance Sheet, Income & Expenditure Account and Receipts & Payments Account dealt with by this report have been drawn up in the format of accounts prescribed by Ministry of Finance, Government of India, under Section 37(1) of the Special Economic Zones Act, 2005.

(iii) In our opinion, proper books of accounts and other relevant records have been maintained by the Authority as required under Section 37(1) of the Special Economic Zones Act, 2005 in so far as it appears from our examination of such books.

(iv) We further report that:

A. BALANCE SHEET

A.1 – Schedule 1 – Corpus/Capital Fund – Rs.71.70 crore

The above is understated by Rs.226.57 crore with corresponding over-statement of Schedule 2 – Reserves and Surplus due to incorrect presentation of 'balance of net income/expenditure transferred from Income and Expenditure account' under Schedule 2 – Reserves and Surplus instead of Corpus/Capital Fund as required in the Uniform Format of Accounts for Central Autonomous Bodies (CABs).

CSEZA accepted the observation and stated that the presentation error shall be corrected in the FY 2024-25.

A2 – Schedule 4 – Current Liabilities and Provisions – Rs.12.53 crore

The above is understated by Rs.4.21 lakh due to the following:

(i) Understatement of advance rent by Rs.13.93 lakh due to accounting of advance rent received as rental income of current year for six plots.

(ii) Overstatement of Advance rent by Rs.33.79 lakh due to non-adjustment of rent dues of current year from advance rent of three units.

(iii) Understatement of Refundable Security Deposit by Rs.24.07 lakh due to accounting of Refundable Security Deposit received from three units as advance rent.

CSEZA accepted the observation and stated that the error shall be corrected in the FY 2024-25.

A3 –Trade Receivables: Estate Division: Rs.12.20 crore

The above includes outstanding rent of Rs.2.14 crore and Rs.1.39 crore receivable under Estate for more than two and three years respectively. The Authority has not formulated a policy to categorise the receivables as good, doubtful and bad. Hence, the above is overstated to the extent of bad and doubtful debts. Audit could not quantify the bad debts and doubtful debts in view of non-formulation of the stated policy.

CSEZA replied that a policy shall be formulated to categorise the receivables as good, doubtful & bad and assured that steps have been taken for recovery of rental arrears.

B. INCOME AND EXPENDITURE ACCOUNT

B.1 – Schedule 7 – Income from Services – Rs.77.07 crore

The above is overstated by Rs.2.94 lakh due to the following:

(i) Overstatement of income by Rs.13.93 lakh due to incorrect accounting of advance rent as rental income received during the year.

(ii) Understatement of rental income by Rs.10.09 lakh due to non-demanding of rental income in three units for the last quarter.

CSEZA accepted the observation and informed that the matter shall be corrected in the financial year 2024-25.

C. Accounting Policies

Schedule 13 – Contingent Liabilities and Notes on Accounts – Non-disclosure

Contingent liability of land tax arrears demanded by revenue authorities was not disclosed in the Notes on Accounts.

CSEZA accepted the observation and informed that CSEZA has taken note of the observation and necessary disclosure in this regard would be made in "Notes on Accounts" for the financial year 2024-25.

D. Grant-in-Aid

No Grant-in-Aid was received by the Authority during FY 2023-24 and non Grant-in-Aid is pending utilization.

(v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet, Income & Expenditure Account and Receipt & Payment Account dealt with by this Report are in agreement with the books of ………….

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India:

a. In so far as it relates to the Balance Sheet of the state of affairs of the Cochin Special Economic Zone Authority as of 31 March 2024; and

b. In so far as it relates to Income & Expenditure Account for the year ended that date.

For and on behalf of the C& AG of India.

Sd/-

Director General of Audit (Central)

Place: Chennai

Date : 24.10.2024

Annexure – I

Adequacy of Internal Audit System

There is no dedicated Internal Audit Wing for the Authority. Internal Audit of the Authority for the year 2023-24 was conducted by engaging a Chartered Accountant's Firm on contract basis.

Adequacy of Internal Control System

The Internal control of the Authority is inadequate to the extent mentioned below:

(i) No recruitment policy and Rules have been framed for recruiting necessary staff to the Authority. Staff of Development Commissioner, CSEZ is given additional charges for attending to works relating to the Authority, in addition to their normal works. However, the Authority has not framed a policy to allocate a portion of the establishment cost of such staff towards revenue expenditure of the Authority. Hence the excess of income over expenditure for the year is overstated to the extent of proportionate establishment cost of such staff.

(ii) There were lapses in demanding and accounting the receipts of rental income and security deposits under the respective heads of accounts due to absence of a supervisory check to ensure booking of the transactions under the correct head of account.

(iii) No effective departmental mechanism was in place to monitor the performance of the consultants to ensure that the output of the consultants is in line with the Objectives of the Department.

System of Annual Physical verification of assets

Physical verification of the Fixed Assets of the Authority has been conducted by a committee comprising of Internal Auditors and O&M Agency. However, no Unique

Asset Identification Number was provided against the Assets, which makes it difficult to monitor the status of Assets. Further, certificate regarding conduct of physical verification of fixed assets was not noted in the Asset Registers.

System of Physical verification of Inventory

Physical verification of Inventories of operative segments of power distribution and IWMS has been conducted by the Internal Auditors.

Regularity in payment of statutory dues

The Land Tax demanded by revenue Authorities for Freehold land in possession of the Authority is pending payment.

Sd/-

Director General of Audit (Central)