

## **Synopsis of the Committee Report on Cost Accounting Records and Cost Audit**

- Every company having aggregate turnover limit of Rs.75 crore of the products and services would be covered under CCRA Rules for cost records maintenance and as well as for cost audit.
- Maintenance of cost records and conduct of cost audit in the current financial year shall be applicable if aggregate turnover of the covered products or services exceeds Rs.75 crore in any one of the immediately preceding three years.
- Cost statements to be furnished for each major saleable product/service separately. Major saleable product/service mean a product or service which is contributing at least 5% of total turnover of all products/services covered under a particular code.
- In place of existing Table-A & Table-B, combined list of industries/sectors/products/ services has been recommended.
- Recommended inclusion of the following:
  - o Gems & Jewellery; Films, Media & Entertainment; Waste Management; Hospitality (Hotels etc.); IT Services; Companies involved in Food Processing; Quarrying; Paints & Varnishes; Online Information & Data Retrieval; Sheets for Veneering; Particle Board, Fibre Board & Plywood; Tiles & Marble; and Ceramic Items.
  - o Specialized vehicles for defence, police forces, paramilitary forces, space and atomic energy procured by Government.
  - o Uncoated Kraft Paper and Paperboard; and Corrugated Paper and Paperboard (CTA Code-4804 and 4808) in Pulp and Paper
  - o Construction services related to infrastructure projects of the Rail systems, Metro rail roads and other railway related services; Irrigation, dams, and flood control waterworks; Urban and Rural housing including public/mass housing upto carpet area 60 sq. mts.
  - o Storage for Agro products covered under PDS
  - o Unarmed Aircraft
- Proposed exclusion of few sectors viz. Glass, Milk Power, Rubber, Coffee & Tea. However, it said that Government may take a view in each sector in consultation with the concerned Ministry/Department.
- Recommended revised format of the Cost Auditor's Report, as suggested by ICAI.
- While filing Form CRA-4 with the Central Government, the company should mandatorily attach a copy of the Form CRA-3 (duly signed by the Cost Auditor).
- To include Key Performance Parameters in CRA-3 (Cost Audit Format). A statement covering these Key Performance Parameters based on unaudited data to be placed before the Board and Audit Committee by the Company on a quarterly/half-yearly basis.
- Board report to include disclosure relating to maintenance of cost records and cost audit and whether cost auditor has been appointed or not.
- CARO certificate in respect of the maintenance of cost records to be deleted.
- MCA to examine amendment of Section 177 of the Companies Act 2013 to include discussion of cost audit report in the Audit Committee.
- Appointment, removal, rotation of cost auditors and fixing a cap on maximum no. of cost audits by the cost auditor may be done in line with the statutory auditors. Further, MCA may examine in consultation with Department of Expenditure appointment of cost auditors in Government companies by the C&AG.

- To amend Companies (Audit and Auditors) Rules, 2014 and include all provisions relating to the appointment including remuneration of Cost Auditor in the CCRA Rules.
- Information relating to significant performance parameters and key cost trends may be included in the Annual Report.
- MCA to examine amendment of section 148 to include provisions relating to Cost Accounting Standards.
- Principles and practices of maintenance of Cost Accounting Records and Cost Audit to be extended to the co-operative societies, trusts, autonomous bodies, other authorities such as public transport service providers including rail, metro and State Road Transport etc. in the Fertilizer, Sugar, Education, Health, Transport and Port services Sectors and all such sectors which are either in receipt of subsidy/incentives/grant from the Government or engaged in the activities covered under CCRA rules. Department of Expenditure, Ministry of Finance to examine this recommendation.
- All public infrastructure projects to maintain proper time & cost records. An independent professional cost accountant to submit quarterly/half-yearly comprehensive report to the concerned ministry, department, or public authority, covering activity-wise, milestone-wise and element-wise examination & analysis of time and cost.
- To bring uniformity in PLI scheme across all the Ministries, every PLI scheme to include a provision stating that amounts under PLI scheme may be released based on an audit report by a Chartered Accountant or a Cost Auditor and expenses of which will be met within the allocation of the scheme.
- To appoint a nodal officer by each administrative departments/Ministry to whom access to the Cost Audit Reports relating to respective Sectors may be given by MCA. The nodal officer may analyze the Cost Audit reports of the sector related to the concerned Department/ministry and report valuable insights to the Department/ministry for policy formulation and informed decision making.
- An IT software enabling user friendly Dashboard may be developed in consultation with Cost Audit Branch of MCA to build benchmark costs of each major product(s)/service(s) per unit which may enable inter-firm comparison and better decision-making.
- Follow a proactive approach involving regular advocacy efforts tailored to the specific needs and concerns of user departments. MCA in consultation with the Department of Expenditure may conduct a tailored training programme among the Financial Adviser of the Government of India about the usefulness of the cost audit reports.
- Sectoral Review to be done by the Cost Audit Branch/Administrative Ministry. Every year 2-3 sectors may be taken up for review. Preference to be given to the Sectors which are prone to cartelization or having larger public interest or facing financial difficulties i.e. high number of insolvencies or sectors which are having complaints of financial irregularities; and Sectors which have seen high rise in products/service prices in short period of time or reduced availability of products/services against the demand or witnessed high imports.
- Recommended periodic review of Cost Audit Reports by the Cost Audit Branch of MCA. Reports selected may cover at least 1/3<sup>rd</sup> of sectors covered under Cost Audit and all the sectors should be taken up for review by rotation.
- Recommended revised Report formats. Further, MCA to develop separate Cost Audit formats for specific sectors in consultation with ICMAI and the respective industries/stakeholders,

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