

To

**The Members of**

**GENERAL INSURANCE CORPORATION OF INDIA**

## 1. Report on Standalone Financial Statements

We have audited the accompanying standalone financial statements of **GENERAL INSURANCE CORPORATION OF INDIA ('the Corporation')**, which comprise the Balance sheet as at 31<sup>st</sup> March, 2018, the Revenue Accounts of Fire, Miscellaneous, Marine and Life Insurance and the Profit and Loss Account and the Cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, in which are incorporated the returns of three Foreign Branches and one Domestic Branch audited by branch auditors appointed by Comptroller and Auditor General of India, New Delhi and one Foreign Representative Office certified by the local Auditor appointed by the Corporation.

## 2. Management's Responsibility for the Financial Statements

The Corporation's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Insurance Act, 1938, the accounting principles as prescribed in Insurance Regulatory and Development Authority of India (IRDAI) (Preparation of Financial Statements and Auditor's Report on Insurance Companies) Regulations, 2002 and orders or direction issued by the IRDAI including Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Corporation

and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## 3. Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

#### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared in accordance with the requirements of the Insurance Act, 1938, IRDAI (Preparation of Financial Statements and Auditor's Report on Insurance Companies) Regulations, 2002 and the Companies Act, 2013, to the extent applicable and in the manner so required and the financial statements read with significant accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India as applicable to insurance companies of state of affairs of the Corporation as at 31<sup>st</sup> March, 2018 and of surplus of revenue accounts of Fire, Miscellaneous, Marine and Life business and its profit and its cash flows for the year ended on that date.

#### 5. Emphasis of matter

We draw attention to Note no. 50 to the financial statement in respect of irregularities detected in acceptance of reinsurance contracts and short collection of premium by an employee. Total loss incurred by the Corporation on account of such unauthorised transaction is ₹ 443,500 thousand till the date of the Balance Sheet. Our opinion is not qualified in respect of this matter.

#### 6. Other matter

We did not audit the financial statements/information of three foreign branches and one foreign representative office and one domestic branch included in the standalone financial statements of the Corporation whose financial statements/financial information reflect total assets of ₹ 64,798,768 thousand as at 31<sup>st</sup> March, 2018 and total revenues of ₹ 34,512,157 thousand for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these branches and representative office have been

audited by the other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches and office, is based solely on the report of such other auditors. Our opinion is not qualified in respect of this matter.

#### 7. Reports on Other Legal & Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. in our opinion proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches and representative office not visited by us.
- c. The reports of three foreign branches on the accounts of the branch offices of the Corporation audited by branch auditors and one representative office certified by other auditor under section 143 (8) of the Act have been sent to us and have been properly dealt with by us in preparing this report.
- d. The Balance Sheet, Revenue Accounts, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account and with the returns received from branches and representative office not visited by us.
- e. The Balance Sheet, The Revenue Accounts and the Profit and Loss Account have been drawn in accordance with the Insurance Act, 1938, the IRDAI Act, 1999 and the Act except for the Cash Flow Statement, (**Refer Note 52**) which is prepared under Indirect Method, whereas IRDAI regulations require Cash Flow Statement to be prepared under direct method.

- f. The actuarial valuation of liabilities is duly certified by the appointed actuary including to the effect that the assumptions for such valuation are in accordance with the guidelines issued by the Institute of Actuaries of India to its members and has been forwarded to IRDAI.
- g. On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- h. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and are also in conformity with the accounting principles as prescribed in the IRDAI Regulations.
- i. Investments have been valued in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) and IRDAI (Auditor's report) Regulations, 2002.
- j. The accounting policies selected by the Corporation are appropriate and are in compliance with the applicable accounting standards and with the accounting principles, as prescribed in the IRDAI (Auditor's report) Regulations, 2002 or any order or direction issued by the IRDAI in this behalf.
- k. The Corporation being the Insurance Company, the Companies (Auditor's Report) Order, 2016 ("the order") as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act is not applicable.
- l. With respect to the adequacy of the internal financial controls over financial reporting of the Corporation and the operating effectiveness of such controls, refer to our separate report in "**Annexure A**".
- m. With respect to the directions issued by Comptroller and Auditor General of India as per Section 143 (5) of the Act, in our opinion and to the best of our information and according to the explanations given to us:
- The Corporation has disclosed the impact in its financial statement due to difference between title of ownership in respect of CGS/SGS/bonds/ Debentures/Shares available in physical/demat format vis a vis amount shown in the books. [Refer note no.1(a) & 6]
  - The Annual Investment Policy, 2017-18 of the Corporation, as approved by the Board, has not prescribed any stop-loss limits in respect of the investment activity. Stop-loss limits have been prescribed, under the said policy, in respect of scrips forming part of the equity trading portfolio. However, the Corporation has not carried out any trading activity in equity during the year under consideration.
  - During the year under audit the Corporation has entered/renewed/signed 12 Capital Gearing Reinsurance Treaties. In the absence of any specific IRDAI Guidelines on accounting of such treaties, the accounting is done by the Corporation on the basis of the accounting policy adopted by the Corporation for other treaties except that no Unexpired Risk Reserve is created on such treaties in view of the fact that the loss, to the extent of loss-ratio specified in each treaty, is already provided for during the year.
- n. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. the Corporation has disclosed the impact of pending litigations on its financial position in its financial statements. [Refer Note 47(g)];
  - ii. the Corporation has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts [Refer Schedule 13 & 14];
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Corporation.
- o. We further certify that
- i. We have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements.
  - ii. The Corporation has complied with the terms and conditions of the registration stipulated by the Authority (IRDAI).
- iii. We have verified the cash balances, investments and securities relating to loans given by the Corporation on test check basis, by actual inspection or by production of certificates or other documentary evidence except to the extent of investments of the value aggregating to ₹ 682 thousand as mentioned in Notes 1(a) to the accounts.
  - iv. The Corporation has not undertaken any transaction relating to any trust as a trustee. However, the Corporation is acting as a Manager of Terrorism pool and Nuclear Pool. The financial statements of the Corporation do not include the investments, assets and liabilities pertaining to the pool.
  - v. No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 (4 of 1938) relating to the application and investments of the policyholders' funds.

**For, GBCA & Associates**  
**Chartered Accountants**  
**{ICAI Firm Regn. No. 103142W}**

**Sanjeev Lalan**  
**Partner**  
**Membership No. 045329**

**For, Samria & Co.**  
**Chartered Accountants**  
**{ICAI Firm Regn. No. 109043W}**

**Adhar Samria**  
**Partner**  
**Membership No. 049174**

Place : Mumbai

Date : 25<sup>th</sup> May, 2018

## **Annexure - A to the Auditors' Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of General Insurance Corporation of India ("the Corporation") as of 31<sup>st</sup> March, 2018 in conjunction with our audit of the standalone financial statements of the Corporation for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Corporation's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Corporation's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Corporation's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the

extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Commensurate to the size and nature of the business, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Corporation's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A Corporation's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Corporation's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorisations of management and directors of the Corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and

not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, commensurate with the size & nature of business, the Corporation has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2018, based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For GBCA & Associates**  
**Chartered Accountants**  
**{Firm Regn. No. 103142W}**

**Sanjeev Lalan**  
**Partner**  
**Membership No. 045329**

**For Samria & Co.,**  
**Chartered Accountants**  
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**Adhar Samria**  
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Place : Mumbai  
Date : 25<sup>th</sup> May, 2018