

FORM B
Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	MMTC Limited
2.	Annual financial statements for the year ended	31 st March 2013
3.	Type of Audit qualification	Basis of Qualified Report - There are total 10(Ten) observations as stated in Para (iv) and Para (vii) of Annexure to the main Audit Report as mentioned at Para 4 hereunder.
4.	Frequency of qualification	Frequency
	Observation in audit report	
	Para iv of Annexure to main Audit Report:- As regards the purchases and sales of goods and stocks that are dealt with by the Company needs to be strengthened further as it is noticed that due to delay/absence in price fixing with the foreign supplier, the purchases and the further stock transferred remains unrecorded in the books. Further, the internal control mechanism needs to be strengthened besides the areas mentioned hereinbefore, in the following areas:-	Appeared first time
	a) Periodic quantity reconciliation of goods traded by the Company (particularly bullion / retail trade) between the ERP and other standalone inventory system (RMS).	Appeared second time since 2011-12
	b) Risk management particularly at foreign exchange exposure and its subsequent documentations / record keeping and also time to time monitoring of risk to the Company.	Appeared second time since 2011-12
	c) The books of accounts at Regional Office, Hyderabad contain many incorrect / unexplained accounting entries deliberately recorded to suppress sundry debtors recoverable from a particular party / group during the financial years 2011-12 and 2012-13.	Appeared first time

<p>d) Wherever claims / recoveries on account of subsidy allowable / allowed by the Central / State Government in respect of Agro Products imported at its behest and follow up of old debts, advances, claims, court cases by respective commodity division.</p>	<p>i) Observation relating to subsidy claim appeared first time. ii) Observation relating to follow up of old debts, advances etc. are appearing since 1996-97.</p>
<p>e) As the prevalent / existing ERP System being quite old and obsolete and the same being not audit and internal control friendly needs to be revamped in the light of the complexities in the bullion business, changing reporting requirements and concept of maker / checker to be rigorously enforced. However, the Company has initiated steps to replace the existing ERP system.</p>	<p>Appeared first time</p>
<p>f) Entries are not passed in the accounts / stock records signifying the obtaining of jewellery against the bullion given and vice-a-versa for the purpose of exhibition / normal trade.</p>	<p>Appeared first time</p>
<p>g) Differences and lack of reconciliation in respect of sales and purchases, input / output VAT as per financial records vis-à-vis sales, purchases, input / output VAT.</p>	<p>Appeared first time</p>
<p>h) Accounting entries in respect of high seas sales should be as per the respective sale agreement with the respective customers.</p>	<p>Appeared first time</p>
<p>Para vii of Annexure to main Audit Report:- In our opinion, the Internal Audit function carried out by the management needs to be well structured, more exhaustive and extensive both in terms of scope and periodicity; the exercise carried out by external Internal Auditors / Internal Audit Department is not commensurate with the existing programme of the Company and the nature of its business. The same is noted to be very inadequate at Regional Office Hyderabad & Regional Office Chennai in particular. However, management has initiated the steps to strengthen Internal Audit system.</p>	<p>Repetitive since 2011-12</p>

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5 Draw attention of relevant notes in the annual financial statements and management response to the qualification in the directors report:			
Reference to observation in main Audit Report	Observation	Reference to Note in Annual Financial Statements	Reference to Management's response in Director's Report
Para (iv) of Annexure to main Audit Report	As regards thein the books	---	Page 60 of Annual Report
Para (iv) (a) of Annexure to main Audit Report	Periodic quantity reconciliation.....inventory system (RMS).	---	Page 60 of Annual Report
Para (iv) (b) of Annexure to main Audit Report	Risk management to the Company.	---	Page 60 of Annual Report
Para (iv) (c) of Annexure to main Audit Report	The books of and 2012-13.	Note no. 17 (ii) (Page 88 of Annual Report)	Page 61 of Annual Report
Para (iv) (d) of Annexure to main Audit Report	Wherever claims / recoveries commodity division.	Note no. 35 (page 95 of Annual Report)	Page 61 of Annual Report
Para (iv) (e) of Annexure to main Audit Report	As the prevalent / existing ERP system	Note no. 24 (page 91 of Annual Report)	Page 61 of Annual Report
Para (iv) (f) of Annexure to main Audit Report	Entries are not passed exhibition / normal trade.	---	Page 61 of Annual Report
Para (iv) (g) of Annexure to main Audit Report	Differences and lack of input / output VAT.	---	Page 61 of Annual report
Para (iv) (h) of Annexure to main Audit Report	Accounting entries in respect of respective customers.	---	Page 61 of Annual Report

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