

**ANNUAL STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2004**

AUDIT CERTIFICATE

I have examined the Receipts and Payments Account, Income and Expenditure Account for the year ended 31 March 2004 and the Balance Sheet as on 31 March 2004 of Insurance Regulatory and Development Authority, Hyderabad. I have obtained all the information and explanations that I have required, and subject to the observations in the appended Audit Report, which inter-alia, contains following major audit observations-

- o The receipts of Rs. 51.75 crore were held in bank accounts in violation of the directions of the Ministry of Finance for keeping these funds in the Public Account of India. (Para 2.1.1);
- o The Authority has neither refunded the excess renewal fees of Rs. 5.70 lakh nor made any provision in the accounts resulting in overstatement of Reserves and Surplus and Income by like amount. (Para 2.1.3);

I certify, as a result of my audit, that in my opinion these accounts and Balance Sheet are properly drawn up so as to exhibit true and fair view of the state of affairs of the Insurance Regulatory and Development Authority according to the best of information and explanations given to me and as shown by the books of the Organisation.

Place: New Delhi
Dated: 13.05.2005

Director General of Audit
Central Revenues

AUDITOR'S REPORT

Audit Report on the accounts of Insurance Regulatory and Development Authority for 2003-04**Introduction**

The Insurance Regulatory and Development Authority (Authority) was established on 19 April 2000 under Insurance Regulatory and Development Authority Act, 1999 with its headquarters at New Delhi, which was shifted to Hyderabad in August 2002. The audit of the accounts of the Authority is conducted under Section 19(2) of the Comptroller & Auditor General's (Duties, Power & Conditions of Service) Act, 1971 read with Section 17 of IRDA Act, 1999.

1.1 Sources of receipts

During the year 2003-04, the Authority's receipts were Rs. 31.78 crore (after reducing the receipts by Rs. 8.94 crore being the amount payable to the insurers towards the excess amount collected in earlier years). The receipts consisted mainly of fees received from various insurance companies/agents on account of registration and renewal charges.

1.2 Funds

The receipts of the Authority are being held in bank accounts despite directions of the Ministry of Finance for keeping the funds in Public Account of India in non-interest bearing account. As of 31 March 2004, funds amounting to Rs. 66.76 crore were kept in interest bearing deposits with scheduled banks.

2. Comments on accounts**2.1 Balance Sheet****Liabilities****2.1.1 IRDA Fund – Rs. 8.93 lakh**

As per Section 16 of IRDA Act, 1999 all the Government grants, fees and charges received by the Authority are to be credited to IRDA fund after meeting day to day expenses. The Authority had, however, credited the IRDA fund only to the extent of Rs. 8.93 lakh, which represented the value of assets transferred by Interim Regulatory Authority during the year 2000-01. The surplus funds after meeting the expenditure were instead kept in accounts under the head 'Surplus Funds'. The balance of surplus funds as on 31 March 2004 was Rs. 51.75 crore, which should have been transferred to IRDA fund.

The Authority stated (March 2005) that the Balance Sheet had been prepared as per 'Form A' which was duly approved by the competent authority. However, it was observed in audit that 'Form A' also pro-

vided for receipts during the year under IRDA fund. Moreover, as per Section 16 of IRDA Act, 1999 all the Government grants, fees and charges received by Authority were to be credited to the IRDA Fund after meeting day to day expenses. Thus, IRDA Fund should include fees received on account of registration, renewal etc. Hence, it is suggested that the balance at the end of the year under the head 'surplus fund' may be transferred as receipt during the year to the IRDA Fund and depicted in the Balance Sheet.

Though this matter was pointed during the years 2002-03 and 2003-04, the Authority has not credited the surplus to the IRDA fund.

2.1.2. Understatement of Retirement Benefit Fund and Staff Benefit Fund

The Authority made a provision of Rs. 9.29 lakh towards gratuity benefit to employees. The said amount has been arrived at based on the actuarial valuation as required under Accounting Standard (AS) 15. It is observed from the actuarial valuation for the year 2003-04 that the actuary has assumed the salary escalation as 4 percent per annum. The actual salary escalation due to DA increase was 7.12 percent and 5.16 percent during the years 2002-03 and 2003-04, respectively and the salary escalation on account of annual increments was around 3 percent per annum. The 4 percent salary escalation assumed by the actuary as against the actual escalation of 10 percent and 8 percent during the years 2002-03 and 2003-04 respectively is not justified. This has resulted in understatement of liability towards gratuity and overstatement of surplus.

The Authority stated (March 2005) that the Gratuity liabilities would be reviewed during the current financial year and, if found necessary, escalation would be taken at higher rate.

2.1.3. Registration Renewal Fee received in Advance

The Authority received excess renewal fees of Rs. 5.21 lakh and Rs. 0.49 lakh from Maharashtra Government Insurance Fund and Karnataka Government Insurance Department for the years 2003-04 and 2002-03 respectively. However, the Authority has neither refunded the excess renewal fees received, nor made any provision in the accounts for the said amount. This has resulted in understatement of liabilities towards Registration/Renewal fee received in advance and overstatement of Reserves and Surplus by Rs. 5.70 lakh for the year 2003-04 and overstatement of income by Rs. 5.21 lakh and Rs. 0.49 lakh for the years 2002-03 and 2003-04, respectively.

The Authority stated (March 2005) that the matter would be examined in detail next year and, if found necessary, the liability towards re-

fundable fees would be provided for in the books of accounts for the year 2004-05.

Assets

2.1.4 Overstatement of Net Block

The Net Block is shown as Rs. 86.88 lakh in the Balance Sheet as against Rs. 86.79 lakh as per the Fixed Asset Register as on 31-03-2004. This has resulted in overstatement of Net Block by Rs. 0.09 lakh for the year.

The Authority stated (March 2005) that the necessary corrections would be made in accounts during the next year.

2.1.5 Misclassification of Rs. 2.01 lakh

The head 'Loans and Advances to staff' includes Rs. 2.01 lakh towards Travel advance given to the employees for performing official duties, which should have been shown under the head 'other current assets'. This resulted in overstatement of 'Loans and Advances to Staff' by Rs. 2.01 lakh and understatement of 'other current assets' by the corresponding amount.

The Authority stated (March 2005) that the observations of audit had been noted for future compliance.

2.2 Income and Expenditure Account

Expenditure

2.2.1 Incorrect classification of development expenditure

It was pointed out in Para 2.2.1 of Audit Report for the year 2002-03 that the Authority contributed Rs. 10 crore to the Institute of Insurance and Risk Management (IIRM), a Joint Venture Company promoted by the Authority in collaboration with Government of Andhra Pradesh and this amount was booked under the head 'development expenditure' instead of depicting it as asset in the Balance Sheet under "investment – others (Subsidiaries and Joint Ventures)" as per Schedule 10 of uniform format of accounts. The incorrect classification of the transaction resulted in overstatement of expenditure by Rs. 10 crore in the Income and Expenditure account and understatement of assets by the corresponding amount.

The Authority stated (July 2004) that the IRDA (Form of Annual Statement of Accounts and Records) Rules, 2001 notified by Central Government in consultation with Comptroller and Auditor General of India

specifically provides a head "Development expenditure" under Income and Expenditure account and that any expenditure incurred by the Authority for the development of insurance market was to be accounted for under the head "Development expenditure". It was further mentioned that the transfer of funds was without recourse to refund and as such could not be considered as an asset.

The Authority further stated (March 2005) that under Rule 291(1) of the General Financial Rules the expenditure on grants-in-aid can not ordinarily be considered as a capital expenditure and shall not, except in cases specifically authorised, be debited to a capital head. Moreover, the classification of Rs. 10.00 crore as revenue expenditure was on the same analogy as expenditure by Government on grants-in-aid to local bodies or institutions for the purpose of constructing assets.

The reply of the Authority is not tenable as Rs. 10.00 crore was given to IIRM as its share of capital investment (Rs. 8.00 crore for creation of endowment fund in the name of IRDA for research and Rs. 2.00 crore for construction of building) as per Minutes of the Meeting of the Authority (31st October 2002) and should, therefore, have been shown as assets in the accounts.

3. General

3.1 Accounting Policies and Notes on accounts:

In Para No.3.2.1 of Audit Report for the year 2002-03 regarding codification of accounts it was suggested that necessary codification of account heads should be carried out for better results. However, it was noticed that the codification has not been carried out. The misclassification of travel advance under advances to the staff instead of under other current assets during the year 2003-04, could have been avoided had the codification of account heads been done.

The Authority stated (March 2005) that the coding of the accounting heads would be implemented as and when felt necessary.

3.2 Internal control system

The Authority has adequate internal control system commensurate with its size and activities.

4. Net impact

The net impact of the audit comments given in the precedent paras is that the assets are overstated by Rs. 0.09 lakh on 31 March 2004 and income was overstated by Rs. 5.21 lakh.

Place; New Delhi
Dated: 13.05.2005

Director General of Audit
Central Revenues

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
BALANCE SHEET AS AT MARCH 31, 2004

FORM A

FIGURES FOR THE PREVIOUS YEAR (Rs.)	LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)	FIGURES FOR THE PREVIOUS YEAR (Rs.)	ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
	GENERAL FUND			FIXED ASSETS [See Note 1]	
	i) IRDA Fund [See Note 4]		14,005,987	-Gross Block	16,648,826
893,244	-At beginning of the year	893,244	4,212,070	-Less : Depreciation	7,960,717
-	-Receipts in the year	-	9,793,917	-Net Block	8,688,109
893,244	-Balance at end of the year	893,244	-	-Capital Work-in-Progress	-
	ii) Capital Fund			INVESTMENTS [See Note 2]	
-	-Capital Grants	-		(Method of valuation - at Cost)	
	-Balance at the beginning of the year	-			
	Add: Value of Fixed Assets received as grants during the years	-	-	i) Securities of Central and State Government	-
			-	ii) Units	-
349,394,775	iii) Surplus and Funds		579,253,210	iii) Fixed Deposits with scheduled Bank	667,647,316
	-Balance as per last Balance Sheet	340,090,458	-	iv) Others	-
	Add: Excess of Income Over Expenditure as per Income and Expenditure Account-Annexed	177,429,938			
	-Less: Excess of Expenditure Over Income as per Income and Expenditure Account-Annexed	-	582,910	CURRENT ASSETS, LOANS AND ADVANCES [SEE NOTE 3]	
9,304,317	-Balance at the end of the year	517,520,396	4,778,195	i) Deposits	762,933
340,090,458			187,192	ii) Loans & Advances to Staff	6,694,044
	iv) Gift and Donations	-	31,946,140	iii) Amount Due from Insurance Companies &	186,942
				iv) Other Current Assets	202,920,191
	v) Other Balances	-	19,870	v) Cash & Bank Balances	
			4,722,115	a) Cash in Hand	12,186
				b) Bank Balances	15,031,847
	LOANS				
	i) Secured (stating the security offered for the purpose)	-			
	ii) Unsecured	-			
	iii) Loan from Government of India	-			
	iv) Other Loans	-			

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THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
BALANCE SHEET AS AT MARCH 31, 2004

FIGURES FOR THE PREVIOUS YEAR (Rs.)	LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)	FIGURES FOR THE PREVIOUS YEAR (Rs.)	ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
	<u>CURRENT LIABILITIES AND PROVISIONS</u> [See Note 5]				
	i) SUNDRY CREDITORS:				
568,283	-for Capital Items	377,122			
103,285,486	-for Other Items	153,871,771			
	ii) PROVISIONS:				
187,192	-Provision for doubtful debts and advances	106,750			
-	-Provision for depletion in value of investment	-			
	iii) OTHER LIABILITIES:				
-	1. Unspent Grants	-			
-	2. Interest payable to Government/Other Loans	-			
-	3. Provident, Retirement & Other Welfare Funds:				
295,569	(a) Provident Fund	848			
-	(b) Other Welfare Funds	-			
1,400,067	(c) Retirement Benefit Fund and Staff Benefit Fund:	2,215,551			
	4. Others (Specify)				
1,309,305	-other Liabilities (TDS)	968,435			
183,249,505	-Registration Renewal fee received in Advance	225,974,826			
4,440	-Soft Furnishing Recovery	14,625			
<u>631,283,549</u>		<u>901,943,568</u>	<u>631,283,549</u>		<u>901,943,568</u>

Significant Accounting Policies and Notes Forming Part of Accounts - Annexure IX

Notes

- 1 The information relating to Fixed Assets is given in Annexure I.
- 2 The information relating to Investments is given in Annexure II.
- 3 The information relating to Current Assets, Loans and Advances is given in Annexure III.
- 4 Details of IRDA Fund is given in Annexure IV (Fund includes grants received from Central Government, other organisations and bodies in terms of Section 16 of the Act).
- 5 Details of Contingent Liabilities is given in Annexure V.
- 6 All information relating to significant accounting policies and notes forming part of accounts is given in Annexure IX.
- 7 All annexes to Statement of Affairs and notes/information relating to accounting policy forming part of Accounts.

-sd-
(R.K. Sharma)
 Chief Accounts Officer

-sd-
(P. A. Balasubramanian)
 Member

-sd-
(T.K. Banerjee)
 Member

-sd-
(C. S. Rao)
 Chairman

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
INCOME AND EXPENDITURE AS AT MARCH 31, 2004

FORM B

FIGURES FOR THE PREVIOUS YEAR (Rs.)	EXPENDITURE	FIGURES FOR THE CURRENT YEAR (Rs.)	FIGURES FOR THE PREVIOUS YEAR (Rs.)	INCOME	FIGURES FOR THE CURRENT YEAR (Rs.)
2,046,111	Payment to Chairperson and Members	2,286,370		Grants in Aid	-
16,086,150	Payment to and Provision for members of Staff [See Note 1]	20,293,652		- Received	-
30,272,023	Establishment Expenses [See Note 2]	27,376,436		- Receivable	-
6,837,332	Rent	6,430,147		- Less: Transferred to Capital Fund	-
-	Research & Consultation Fees	-		Registration Fees	-
2,512,886	Seminars, Conference, Publications, etc. [See Contra]	189,475	169,590,200	Agents	170,248,516
-	Interest [See Note 3]	-		- Surveyors and Insurance intermediaries	2,463,025
2,576,292	Depreciation	4,008,647	2,425,000	Brokers	3,800,000
-	Capital Assets Written Off	-	120,000	Third Party Administrators	70,000
6,544	Loss on Write Off of Asset	-	250,000	Insurance Companies	100,000
37,900	Provision for doubtful debts and advances	-		Renewal Fees	-
100,000,000	Development Expenditure	600,000	153,017,041	Insurance Companies	178,418,353
131,833,504	Promotional Expenditure	159,987,648	935,587	Brokers	2,334,968
961,268	Other Expenses	287,473		- Surveyors and Insurance intermediaries	-
80,047,446	Excess of Income Over Expenditure for the year carried down	177,429,938	270,000	Third Party Administrators	-
				- Others	-
				- Penalties, Fines etc.	-
			2,574,750	Seminar, Conferences and Publications etc.	120,504
			43,447,792	Income on Investments - Interest on deposits with Scheduled Banks	40,850,896
				- Interest on Deposits	-
				Interest on advances	-
			147,460	i) granted to members of staff for housing purposes	137,187
			39,276	ii) granted to members of staff for other purposes	84,024
				iii) Others	-
			399,900	Miscellaneous Income	262,313
373,217,456		398,889,786	373,217,456		398,889,786
89,351,763	Fee refundable for the year 2000-01 on levy reduction	-	80,047,446	Excess of Income over Expenditure for the year brought down	177,429,938
-	Excess of Income over expenditure carried to Balance Sheet	177,429,938	9,304,317	Excess of Expenditure over income carried to Balance sheet	-
89,351,763		177,429,938	89,351,763		177,429,938

Significant Accounting Policies and Notes Forming Part of Accounts - Annexure IX

Notes

- 1 The information relating to payment to and provision for employees is given in Annexure VI.
- 2 The information relating to establishment expenses is given in Annexure VII.
- 3 The information relating to interest amount is given in Annexure VIII.
- 4 All Annexures to Income and Expenditure Account and Notes/Information relating to Significant Accounting Policies form part of accounts.

-sd-
(R.K. Sharma)
Chief Accounts Officer

-sd-
(P. A. Balasubramanian)
Member

-sd-
(T.K. Banerjee)
Member

-sd-
(C. S. Rao)
Chairman

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

FORM C

SL.NO.	RECEIPTS	AMOUNT (Rs.)	SL.NO.	PAYMENTS	AMOUNT (Rs.)
1	To Balance brought forward		1	By Research and Consultation Fees	-
	i) Cash at Bank	4,722,115	2	By Seminars, Conference, Publications etc.	189,475
	ii) Cash in hand	19,870	3	By Rent Payments	7,791,866
	iii) Cheques on hand	-	4	By Development Expenditure	600,000
	iv) Cash / Cheques in transit	-			
2	To Registration Fees		5	By Promotional Expenditure	152,597,834
	-Insurance Companies	100,000	6	By Payment to Chairperson and Members	
	-Third Party Administrators	70,000		(i) Pay and Allowances	1,883,572
	-Brokers	3,800,000		(ii) Other Benefits	359,203
	-Insurance Agents	-		(iii) Travelling Expenses	3,849,879
	-Others (Surveyor)	2,463,025	7	By Establishment Expenses	
3	To Registration Renewal Fees			(i) Pay and Allowances	13,404,506
	-Insurance Companies	129,196,624		(ii) Other Benefits	1,567,884
	-Third Party Administrators	-		(iii) Travelling Expenses	7,909,282
	-Insurance Surveyors	-		(iv) Retirement Benefits	3,034,142
	-Insurance Agents	172,844,053	8	By Office Expenses	15,851,475
	-Others (Brokers)	2,334,968	9	By Interest on	
4	To Penalties, Fines from insurers and intermediaries	-		(i) Government Loans	-
5	To Seminar, Conferences etc.	120,504		(ii) Other Loans	-
6	To Income from Investments	-	10	By Purchase of Assets	3,094,000
7	To Sale of Investments	31,006,112	11	By Capital Work-in-Progress	-
8	To Grants		12	By Advances to staff and others including travel advance	6,719,241
	i) Central Government / State Govt/ Others	-	13	By Investments	119,400,218
	ii) Gift and Donations	-	14	By Repayment of Government Loans/ fees [refer note 5]	-
9	To Loans	-	15	By Repayment of Other Loans	-
10	To Sales of Publication etc.	-	16	By Other Expenses	287,473
11	To Sale of Assets	-		By Balance carried forward	
12	To interest received on			i) Cash at Bank	15,031,847
	- Deposits	5,508,713		ii) Cash in hand	12,186
	- Advances	-		iii) Cheques in hand	-
	- Others	-		iv) Cash/ Cheques in Transit	-
13	To Recoveries from Employees				
	(a) Loans and Advances	1,216,228			
	(b) Interest on Loans and Advances	-			
	(c) Misc.	-			
14	To Other Receipts	181,871			
		<u>353,584,083</u>			<u>350,902,869</u>

-sd-
(R.K. Sharma)
 Chief Accounts Officer

-sd-
(P. A. Balasubramanian)
 Member

-sd-
(T.K. Banerjee)
 Member

-sd-
(C. S. Rao)
 Chairman

ANNEXURE I

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2004**

FIXED ASSETS SCHEDULE

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as 1.04.2003	Additions During the Year	Sold/Disposed Off During the Year	As on 31.03.2004	For the year 31.03.2004	Adjustments 31.03.2004	Upto 31.03.2004	As at 31.03.2003	As on 31.03.2003
Office Premises									
(a) Land	-	-	-	-	-	-	-	-	-
(b) Building	-	-	-	-	-	-	-	-	-
Residential Flats									
(a) Land	-	-	-	-	-	-	-	-	-
(b) Building	-	-	-	-	-	-	-	-	-
Vehicles	577,255	-	-	577,255	112,688	-	254,688	322,567	435,255
Equipments	2,162,071	908,667	-	3,070,738	383,545	-	879,294	2,191,444	1,666,322
Furniture and Fixtures	3,332,184	385,784	260,000	3,457,968	758,784	260,000	1,188,158	2,269,810	2,642,810
Computers	7,934,477	1,608,388	-	9,542,865	2,753,630	-	5,638,577	3,904,288	5,049,530
Total	14,005,987	2,902,839	260,000	16,648,826	4,008,647	260,000	7,960,717	8,688,109	9,793,917

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2004**

INVESTMENTS

Sl.No.	Particulars				Figures for the Current Year Rs.	Figures for the Previous Year Rs.	
					667,647,316	579,253,210	
1	Fixed Deposits with Scheduled Banks						
Name of the Bank	Date	Amount	Rate of Interest	Period	Date of Maturity	Interest Received	Interest Accrued
Indian Overseas Bank, New Delhi	7-Dec-01	300,000	8.25%	845	7-Dec-04		62,634
	26-Dec-01	50,000,000	8.50%	826	26-Dec-04		10,501,577
	27-Dec-01	44,000,000	8.50%	825	27-Dec-04		9,228,972
	1-Jan-02	50,000,000	8.50%	820	1-Jan-05		10,416,927
	1-Jan-02	50,000	8.25%	820	1-Jan-05		10,085
	29-Dec-01	42,357,557	8.50%	823	29-Dec-04		8,860,567
	9-Jan-02	326,807	8.25%	812	9-Jan-05	-	65,306
	24-Jan-02	325,260	8.25%	797	24-Jan-05		63,696
	3-Oct-02	110,209,779	7.50%	545	3-Oct-05		12,992,256
		297,569,403					52,202,020
Indian Overseas Bank, Hyderabad	3-Sep-02	1,000,000	7.50%	575	3-Sep-05		124,587
	3-Sep-02	1,000,000	7.50%	575	3-Sep-05		124,587
	25-Jun-03	2,000,000	6.00%	280	25-Jun-06		93,770
	1-Oct-03	2,500,000	5.50%	182	1-Oct-06		69,223
	4-Dec-03	5,000,000	5.50%	118	4-Dec-06		89,428
	24-Dec-03	50,000,000	5.50%	98	24-Dec-04		741,112
	16-Feb-04	5,000,000	5.75%	44	16-Feb-05		34,753
	28-Feb-04	2,625,000	5.75%	32	28-Feb-05		13,269
	12-Mar-04	2,659,950	5.25%	19	12-Mar-05		7,289
	18-Mar-04	5,000,000	5.75%	13	18-Mar-05		10,268
		76,784,950					1,308,286
HDFC, New Delhi	13-Sep-03	591,090	5.50%	200	14-Sep-04		18,019
	3-Dec-03	4,735,971	5.75%	119	4-Jun-04		89,328
	5-Jan-04	1,182,686	5.25%	86	5-Feb-05		14,670
	8-Jan-04	1,182,685	5.25%	83	8-Feb-05		14,158
	10-Jan-04	1,182,683	5.25%	81	10-Feb-05		13,817

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ANNUAL REPORT 2004-05

Name of the Bank	Date	Amount	Rate of Interest	Period	Date of Maturity	Interest Received	Interest Accrued
	11-Jan-04	1,796,261	5.25%	80	11-Feb-05		20,726
	16-Jan-04	1,197,504	5.25%	75	16-Feb-05		12,954
	22-Jan-04	1,179,522	5.25%	69	22-Feb-05		11,738
	31-Jan-04	1,194,561	5.25%	60	28-Feb-05		10,338
		14,242,963					205,748
ICICI Bank, Hyderabad	14-Dec-02	2,450,000	7.00%	473	15-Dec-05		231,260
	20-Dec-02	3,600,000	6.50%	467	21-Dec-05		310,524
	26-Dec-02	1,500,000	6.50%	463	24-Dec-05		127,933
	31-Dec-02	24,500,000	7.00%	456	1-Jan-06		2,220,106
	18-Jan-03	6,500,000	6.50%	438	19-Jan-06		524,524
	30-Jan-03	7,000,000	6.25%	426	31-Jan-06		527,148
	19-Feb-03	4,000,000	6.25%	406	20-Feb-06		286,612
	19-Jun-03	4,000,000	6.00%	286	19-Jun-06		191,676
	26-Jun-03	3,000,000	6.00%	279	27-Jun-06		140,138
	14-Jul-03	5,000,000	6.00%	261	14-Jul-06		218,203
	17-Sep-03	5,000,000	5.75%	196	18-Sep-06		156,161
	19-Nov-03	5,000,000	5.50%	133	20-Nov-06		100,917
	9-Jan-04	30,000,000	5.75%	82	9-Apr-05		388,599
	21-Jan-04	5,000,000	5.50%	70	22-Jan-07		52,885
	3-Mar-04	5,000,000	5.50%	28	3-Apr-07		21,154
	9-Mar-04	5,000,000	5.25%	22	9-Apr-05		15,865
		116,550,000					5,513,705
Bank of India, New Delhi	4-Apr-02	5,000,000	8.00%	727	4-Apr-05		857,035
		5,000,000					857,035
Bank of India, Hyderabad	10-Jun-03	2,500,000	5.00%	295	10-Jun-04		102,412
	24-Jun-03	5,000,000	6.00%	281	24-Jun-08		234,425
	30-Jun-03	5,000,000	6.00%	275	27-Jun-08		229,254
	21-Aug-03	5,000,000	5.25%	223	21-Aug-06		160,979
	7-Nov-03	4,000,000	5.25%	145	7-Nov-06		82,894
	16-Jan-04	10,000,000	5.50%	75	16-Jan-07		113,324
	20-Jan-04	5,000,000	5.50%	71	20-Jan-07		53,640
	23-Jan-04	5,000,000	5.50%	68	23-Jan-07		51,374
	17-Mar-04	5,000,000	5.25%	68	17-Mar-07		10,096
	15-Mar-04	5,000,000	5.25%	16	15-Mar-07		11,538
		51,500,000					1,049,936

Contd...

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Name of the Bank	Date	Amount	Rate of Interest	Period	Date of Maturity	Interest Received	Interest Accrued
Canara Bank, Hyderabad	11-Oct-02	2,500,000	7.75%	537	11-Oct-05		299,798
	11-Oct-02	2,500,000	7.75%	537	11-Oct-05		299,798
	15-Nov-02	2,000,000	7.00%	502	15-Nov-05		200,948
	15-Nov-02	1,500,000	7.00%	502	15-Nov-05		150,711
	15-Nov-02	1,500,000	7.00%	502	15-Nov-05		150,711
	18-Dec-02	6,000,000	6.75%	469	18-Dec-05		540,563
	30-Dec-02	5,000,000	6.75%	457	30-Dec-05		437,364
	15-Jan-03	26,000,000	6.50%	441	15-Jan-06		2,112,952
	13-Jun-03	3,000,000	6.00%	292	13-Jun-06		146,860
	12-Aug-03	1,500,000	6.00%	232	12-Aug-06		58,074
	30-Aug-03	5,000,000	6.00%	214	30-Aug-06		178,296
	31-Dec-03	27,500,000	6.00%	91	30-Dec-06		412,500
	5-Feb-04	5,000,000	5.60%	55	5-Feb-07		42,308
	11-Mar-04	1,000,000	5.50%	20	11-Mar-07		3,022
	24-Mar-04	2,500,000	5.50%	7	24-Mar-07		2,644
		92,500,000					5,036,549
State Bank of Hyderabad	24-Mar-04	2,500,000	5.50%	7	24-Mar-07		2,644
		2,500,000					2,644
Andhra Bank, Hyderabad	25-Sep-03	1,000,000	5.50%	188	25-Sep-06		28,620
	31-Dec-03	1,450,000	5.75%	91	31-Dec-06		20,844
	31-Dec-03	1,450,000	5.75%	91	1-Jan-07		20,844
	31-Dec-03	1,450,000	5.75%	91	2-Jan-07		20,844
	31-Dec-03	1,450,000	5.75%	91	3-Jan-07		20,844
	31-Dec-03	1,450,000	5.75%	91	4-Jan-07		20,844
	31-Dec-03	1,450,000	5.75%	91	5-Jan-07		20,844
	31-Dec-03	1,450,000	5.75%	91	6-Jan-07		20,844
	31-Dec-03	1,300,000	5.75%	91	6-Jan-07		18,687
		11,000,000					172,371
2 Others							
(a) Quoted- Cost and Market Value						Nil	Nil
(b) Unquoted						Nil	Nil

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2004**

CURRENT ASSETS, LOANS AND ADVANCES

Particulars	Figures for the Current Year Rs	Figures for the Previous Year Rs
DEPOSITS		
-For Premises	599,050	525,750
-with Others - MTNL	39,760	33,760
-with Electricity	120,123	19,400
-For Fuel	4,000	4,000
	762,933	582,910
LOANS & ADVANCES TO STAFF		
-Housing Loan to Staff	2,903,200	2,654,400
-Loans to Staff for other purposes	2,992,865	1,622,058
-Other Advances - Festival	145,433	141,283
-Others - Advance for Travel	200,850	75,732
-Interest Recoverable	397,281	176,070
-Advance - others	54,415	108,652
	6,694,044	4,778,195
AMOUNTS DUE FROM INSURANCE COMPANIES & OTHERS		
-Insurance Companies' - [Indicates the amount due from State Insurance Companies]	149,292	149,292
-Agents - [Indicates the amount of expired cheques in hand received from agents earlier]	37,650	37,900
	186,942	187,192
OTHER CURRENT ASSETS		
-Expense Recoverable	230	230
-Prepaid Expenses	457,977	236,732
-Interest Accrued but not due - Bank deposits	66,348,294	31,006,111
-Interest Accrued but not due - Staff Loans	-	-
-Advances on Capital Account - [For software development]	525,000	525,000
-Advance to Institute of Insurance and Risk Management	3,687,133	178,067
- Advance to PFRDA	12,100	-
-Advance to IRDA Superannuation Trust	47,219	-
-Advance to Prasar Bharti	131,842,238	-
	202,920,191	31,946,140
CASH AND BANK BALANCES		
-Cash in hand	12,186	19,870
-Cheques in hand	-	-
-Cash/ Cheque in transit	-	-
-Balances with Scheduled Banks		
(a) In Current Account	12,350,633	4,722,115
(b) on Deposit Account	-	-
(c) on savings bank Account	2,681,214	-
	15,044,033	4,741,985
-Balance with Non Scheduled Bank		
(a) In Current Account	-	-
(b) In Deposit Account	-	-
	TOTAL	TOTAL
	-	-

ANNEXURE IV

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2004
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND**

Particulars	Figures for the Current Year Rs.	Figures for the Previous Year Rs.
Grant from Government of India	-	-

ANNEXURE V

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2003
CONTINGENT LIABILITIES**

Particulars	Figures for the Current Year Rs.	Figures for the Previous Year Rs.
	-	-

ANNEXURE VI

**THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE
ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004
PAYMENT TO AND PROVISION FOR EMPLOYEES**

Particulars	Figures for the Current Year Rs.	Figures for the Previous Year Rs.
i) Salaries, Allowances, Wages and Bonus	15,212,681	11,738,053
ii) Bonus	-	-
iii) Contribution to Provident Fund, etc [including contribution to superannuation fund of Rs 1,361,481]	2,408,731	2,805,280
iv) Gratuity	451,524	267,070
v) Staff Welfare Expenses	36,457	213,029
vi) Others		
-Book Grant	-	-
-Leave Travel Concession	526,255	79,566
-Insurance	-	-
-Canteen Expenses	-	-
-Monetary Award - Studies	-	-
-Contribution to Group Insurance Scheme	397,992	66,555
-Reimbursement of expenses incurred by Staff	675,569	366,720
-Leave Salary	584,443	549,877
TOTAL	20,293,652	16,086,150

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, HYDERABAD
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE
EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004
ESTABLISHMENT EXPENSES

Particulars	Figures for the	Figures for the
	Current Year	Previous Year
	Rs	Rs
Repairs & Maintenance of Buildings & Premises	673,620	1,691,225
House Keeping - Office Maintenance	632,833	1,280,620
Repairs & Maintenance of Equipments	-	-
Repairs and Maintenance - Others	-	179,319
Electricity & water Exp	715,739	687,314
Insurance exp	115,698	81,030
Rates and Taxes	-	-
Printing and Stationery	651,120	1,642,539
Books/Journals etc.	67,697	99,644
Postage, Telegraphs, Telephones, etc.	2,067,620	1,755,004
Travelling and Conveyance Inland	8,206,805	7,523,213
Travel - Foreign	3,195,243	6,594,150
Legal and Professional charges	7,810,977	3,797,364
Education/Training/R&D/Grievances Redressal Expenses	-	-
Audit Fees	-	89,450
Software	-	-
Publicity & Advertisement	82,805	1,295,406
Recruitment	-	-
Expenses of Meetings of Authority & Advisory Committee & Other meeting expenses including daily allowances paid to the members of the Committee	1,020,502	880,528
Membership and Subscription	770,295	1,069,338
Security Services	358,721	381,790
Web Portal Development Expenses	200,000	509,508
Canteen Exp	373,611	320,825
Car Repair and Maintenance Expenses	41,480	91,916
Other Expenses	391,670	301,840
TOTAL	27,376,436	30,272,023

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR
THE YEAR ENDED MARCH 31, 2004

INTEREST

Particulars	Figures for the	Figures for the
	Current Year	Previous Year
	Rs	Rs
Government	-	-
Banks	-	-
Others	-	-
TOTAL	-	-

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

[Unless otherwise specified, all amounts are in rupees]

1. BACKGROUND

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

(The Authority) was established by an Act of Parliament – Insurance Regulatory & Development Authority Act, 1999 [Act] - and was constituted on April 19, 2000 by a notification issued in the Gazette of India. The Authority was established with a view to protecting the interests of the holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto, issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel registration, and levy fees and other charges for carrying out the purposes of the Act. The Authority, in terms of section 13 of the Act has been vested with the assets and liabilities of the Interim Insurance Regulatory Authority as are available on the appointed day i.e. April 19, 2000. In terms of section 16 of the Act a fund shall be constituted namely 'The Insurance Regulatory and Development Authority Fund' [Fund]. The Fund shall constitute of all Government grants, fees and charges received by the Authority, all sums received by the Authority from such other source as may be decided upon by the Central Government and the percentage of prescribed premium income received from the insurer. The Fund shall be applied for meeting the salaries, allowances and other remuneration of the members, officers and other employees of the Authority and the other expenses of the Authority in connection with discharge of its functions and for the purposes of the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting save for revenue recognition on cash basis as explained hereunder, and in accordance with the applicable standards on accounting issued by the Institute of Chartered Accountants of India. The significant accounting policies are as follows:

(a) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is provided pro-rata to the period of use on reducing balance method using rates determined based on the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing less than 5,000 have been depreciated 100% in the year of purchase unless the assets constitutes more than 10% of the respective block, in which case the asset is depreciated at the rates specified in the said Schedule XIV.

(b) Investments

Investments of the nature of fixed deposits with banks are stated at cost.

(c) Revenues

(i) Registration Fees

- (a) Received from insurer seeking for the first time, registration for carrying on any class of insurance business in India, are treated as income of the year of receipt.
- (b) Received in advance from existing insurers for renewal of registration already granted are treated as income of the year to which they relate.

(ii) Licence Fees

Licence fees received from insurance agents, surveyors, brokers and other insurance intermediaries are treated as income of the year in which it is received. Licences issued to insurance agents, surveyors, brokers and other insurance intermediaries are current for those years from date of issue and subject to renewal at the end of their currency. It is not practicable to distribute the Licence fees over the years to which they relate.

(iii) Grant from Ministry of Finance, Government of India

Initial Grant received has been treated as income of the year in which it is received.

(d) Foreign currency transactions

Non-monetary foreign currency transactions are recorded at rates of exchange prevailing on the dates of the transactions. Monetary foreign currency assets and liabilities are translated into rupees at the rates of exchange prevailing on the balance sheet date. The differences in translation of foreign currency liabilities related to the acquisition of fixed assets are adjusted in the carrying value of fixed assets. Other translation differences are reflected in the Income and Expenditure Account.

(e) Web Portal Development and Maintenance

Expenses incurred on Web Portal Development and Maintenance is charged to the Income and Expenditure Account in the year of incurrence.

(f) Retirement benefits Retirement benefits to employees comprise contribution to provident fund, gratuity fund, Superannuation fund and provision of leave encashment, which are provided in accordance with the Regulations made under the Act. Leave encashment is provided for at the current encashable salary for the entire unavailed leave balances. The Authority contributes to IRDA Employees Fund and IRDA Superannuation Fund trust. The liability for gratuity is determined based on actuarial valuation, in accordance with gratuity scheme framed by the Authority.

3. INCOME-TAX

No income tax provision has been made in view of income of the Authority being exempt under section 10 (23BBE) of the Income-tax Act, 1961.

4. REGISTRATION/RENEWAL FEES

(a) In pursuance of Authority's decision to scale down the levy of renewal fees for registration on the insurers to 0.1% of the gross premium from 0.2% of the gross premium, retrospectively for the financial years with effect from April 01, 2001, the income for the year has been accordingly accounted for.

(b) The renewal fees from some of the State Insurance agencies have not been accounted for in the absence of information of gross insurance premium.

5. DEPOSIT OF FUNDS OF THE AUTHORITY INTO PUBLIC ACCOUNT OF INDIA

The Authority, in the previous year received a letter from Ministry of Finance, Department of Economic Affairs dated July 17, 2002 directing the Authority to deposit the moneys so far collected by the Authority in the Public Account of India as non-interest bearing account and allowing the Authority to withdraw a specified amount in the beginning of each year from the said Public Account for meeting its expenditure. The Authority based on a legal opinion obtained requested for review of the direction received, in its view the funds raised by it from the insurers and the intermediaries do not have the character of Government Revenue and cannot form part of the Public Fund of India, is pending.

6. HEADQUARTERS OF THE AUTHORITY

The Authority, in pursuance of the decision taken by the Government of India in November 2001 to shift the Headquarters of the Authority from New Delhi to Hyderabad, shifted the actuarial department in April 2002 and the other departments in August 2002. The office of the Authority is located in Parisrama Bhavanam where a portion of the third floor has been given to it free of rent by Andhra Pradesh Industrial Development Corporation Limited [APIDC].

The Government of Andhra Pradesh through A. P. Industrial Infrastructure Corporation Limited [APIIC] has allotted a plot of five acre land in the financial district at Nanakramguda Village, Serilingampally Mandal, RR District, Hyderabad free of cost, possession whereof is yet to be taken.

7. OPERATING LEASES

There are no non-cancellable lease arrangements. The lease payments are made in accordance with the lease agreements. The Authority is in occupation of portion of premises at Hyderabad at free of rent but is obliged to hand over the premises on a "as is where is basis" to Andhra Pradesh Industrial Development Corporation Limited upon vacation. The lease payments in respect

of other premises recognized in the income and expenditure account is Rs. 1,940,978 [Previous year Rs. 6,430,147].

8. PRIOR YEAR COMPARATIVES

Previous year figures have been regrouped, wherever considered necessary to make them comparable with the current year's figures.

-sd-
(R.K. Sharma)
CAO

-sd-
(P. A. Balasubramanian)
Member

-sd-
(T.K. Banerjee)
Member

-sd-
(C. S. Rao)
Chairman