

CHAPTER I : GENERAL

1.1 Annual accounts of autonomous bodies

1.1.1 Grants and loans released to Central autonomous bodies

Bodies established by or under law made by the Parliament and containing specific provisions for audit by the Comptroller and Auditor General of India are statutorily taken up for audit under Section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (Act). Audit of other organisations (corporations or societies) is entrusted to the Comptroller and Auditor General of India in public interest under section 20(1) of the Act *ibid*. The nature of audit conducted under these provisions is certification of annual accounts as well as value for money audit. Besides, Central autonomous bodies, which are substantially financed by grants/loans from the Union Government, are audited by the Comptroller and Auditor General of India under the provisions of Section 14(1) and 14(2) of the Act *ibid*. Audit under these provisions is in the nature of value for money audit.

During 2008-09, the Ministries of the Union Government released grants/loans aggregating Rs. 28636.19 crore to 392 autonomous bodies. Of these, the Comptroller and Auditor General of India was the sole auditor in respect of 235 autonomous bodies to whom grants/loans aggregating Rs. 24845.65 crore were released during 2008-09. The details are given in **Appendix – I**. The Comptroller and Auditor General was also the sole auditor of another 47 Central autonomous bodies to whom no grant or loan was released during 2008-09.

As per the information furnished by various Ministries, grants/loans aggregating Rs. 3790.54 crore were released to 157 bodies during 2008-09 whose financial/certification audit was entrusted to private auditors. The details are given in **Appendix – II**. The compliance and performance audits of these bodies are the responsibility of the Comptroller and Auditor General of India.

Information in respect of ten bodies was not furnished by the concerned Ministries (**Appendix- III**).

The share of total central assistance released to all Central autonomous bodies in the form of the grant-in-aid out of the gross budgetary support made to the civil ministries /departments ranged from 0.55 *per cent* to 1.59 *per cent* during the last five years ending 31 March 2009 as shown in the table below:

Year	Amount of total central assistance to CAB during the year (Rupees in crore)	Gross Budgetary Support ¹ (Rupees in crore)	Percentage of central assistance to CABs with reference to gross budgetary support
2004-05	15637.35	982389.63	1.59
2005-06	16189.34	1523189.46	1.06
2006-07	11500.49	2085164.02	0.55
2007-08	20057.54	2445865.08	0.82
2008-09	28397.88	3220867.31	0.88

It may be seen from the above table that while the amount of Central assistance to Central autonomous bodies as a percentage of the total gross budgetary support recorded a considerable decrease from 1.59 *per cent* in the year 2004-05 to 0.55 *per cent* in the year 2006-07, it registered an increasing trend in the years 2007-08 and 2008-09 when it increased from 0.55 *per cent* in the year 2006-07 to 0.88 *per cent* in the year 2008-09.

Further analysis of the central assistance released to the Central autonomous bodies during the last five years, revealed that five Central autonomous bodies received grants of five *per cent* or more in each case of the total central assistance to all Central autonomous bodies as given in the following table:

Year	Total central assistance to all Central Autonomous Bodies (Rupees in crore)	Amount of Central assistance to the Central Autonomous Body (Rupees in crore)					Percentage of assistance to the Body with reference to the total central assistance to all Central Autonomous Bodies				
		ICAR	UGC	PB	CSIR	NVS	ICAR	UGC	PB	CSIR	NVS
2004-05	15637.35	1626.96	1902.60	1010.78	1266.47	588.66	10.40	12.17	6.46	8.10	3.76
2005-06	16189.34	1839.00	1176.61	1078.02	1453.49	721.85	11.36	7.28	6.66	8.98	4.46
2006-07	11500.49	2174.59	1321.33	1133.68	1522.82	8.19	18.91	11.49	9.86	13.24	0.07
2007-08	20057.54	2230.43	1836.34	1093.27	1863.70	1104.80	11.12	9.16	5.45	9.29	5.51
2008-09	28397.88	2870.47	2514.00	1218.94	2356.20	1549.87	10.11	8.85	4.29	8.30	5.46
Total	91782.60	10741.45	8750.78	5534.69	8462.68	3973.37					
Grand Total		37462.97									
Percentage of total assistance to five ABs with reference to the total central assistance to all ABs		40.82									

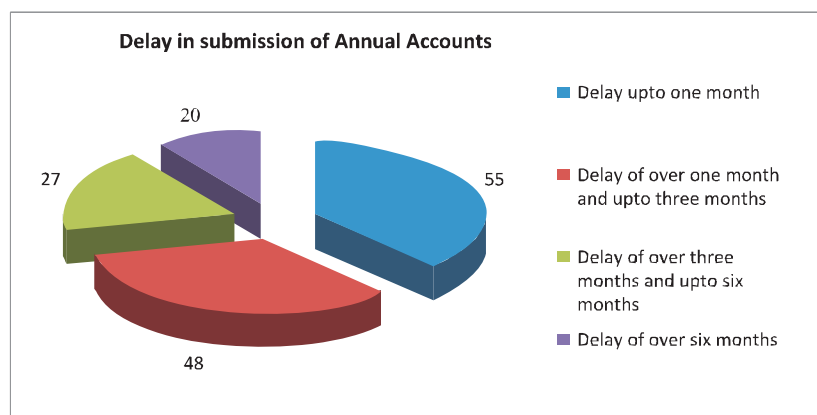
¹ Source: Appropriation accounts – Union Government (Civil) for the respective years

It may be seen from the table that the aforesaid five Central autonomous bodies alone had availed 40.82 *per cent* of the total central assistance to all the Central autonomous bodies during the last five years ending 31 March 2009. It was further observed that out of the total grant of Rs. 37462.97 crore during the years 2004-05 to 2008-09, the unspent balance at the end of the respective years was ranging from Rs. 179.23 crore to Rs. 997.15 crore.

1.1.2 Delay in submission of accounts by Central autonomous bodies

The Committee on Papers Laid on the Table of the House recommended in its First Report (5th Lok Sabha) 1975-76 that after the close of the accounting year every autonomous body should complete its accounts within a period of three months and make them available for audit and that the Reports and the audited accounts should be laid before Parliament within nine months of the close of the accounting year.

For the year 2007-08, audit of accounts of 278 Central autonomous bodies was to be conducted by the Comptroller and Auditor General of India. Out of these, the accounts of 123 autonomous bodies only, were made available for audit within the prescribed time after the close of the financial year. While the accounts of six autonomous bodies were not submitted as of December 2009, the accounts of 150 autonomous bodies were furnished after the due date as indicated in the following chart:



The details of autonomous bodies whose accounts were delayed beyond three months and those in respect of which accounts were not received as of December 2009 are given in **Appendix IV**.

1.1.3 Arrears in submission of accounts

Four autonomous bodies have not submitted their accounts for several years ranging between four and nineteen years (**Appendix-V**).

Due to non-submission of accounts and audit, it would not be possible to provide reasonable assurance as to whether:

- grants were utilised in accordance with the prescribed rules for the intended purpose;
- receipts were correctly assessed, received and accounted for;
- a proper system was in place for investment of surplus funds and unspent balances;
- creation of liabilities was legitimate and provisions were made for all known liabilities and losses;
- assets and other resources were in existence; and
- accounting records were accurate and complete.

This would indicate lack of financial reporting system and lack of control over these autonomous bodies.

Thus, non-submission of accounts by the autonomous bodies not only contravened the provisions of the Act but was also fraught with the possibility of fraud and mismanagement.

1.2 Delay in presentation of audited accounts of Central autonomous bodies before both the Houses of Parliament

The audited accounts of Central autonomous bodies audited by the Comptroller and Auditor General of India are required to be presented to Parliament within nine months i.e. by 31 December of the following financial year. The Committee on Papers Laid on the table of the House, in its First Report (1975-76), had recommended that the audited accounts of the autonomous bodies be laid before Parliament within nine months of the close of the accounting year.

Review of the status of laying of the audited accounts before the Parliament disclosed as under:

Year of account	Total number of bodies for which audited accounts were issued but not presented to Parliament	Total number of audited accounts presented after due date
2006-07	3	1
2007-08	17	20
2008-09	49	--

It would, thus, be seen that a large number of audited accounts had not been placed before the Parliament within the prescribed time.

Statements containing the names of autonomous bodies, whose audited accounts had not been laid/laid after due dates before Parliament are included in **Appendix – VI** and **Appendix – VII**.

1.3 Results of certification of audit

Separate audit reports for each of the autonomous bodies audited under Sections 19(2) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 are appended to the certified final accounts required to be tabled by Ministries in Parliament. Some of the important comments which were issued to the Organizations/Ministries concerned are stated below:

1.3.1 Revision of Accounts

As a result of audit of the financial statements of the Central autonomous bodies for the year 2008-09 by the Comptroller and Auditor General of India, 12 Central Autonomous Bodies revised their accounts. The aggregate impact of revision of accounts at the instance of audit is indicated in the following table:

<i>(Rupees in crore)</i>			
Sl. No.	Account Heads	Increased by	Decreased by
1	Assets	6.52	126.32
2	Liabilities	6.52	126.32
3	Surplus	20.28	4.09
4	Deficit	0.02	0.17

1.3.2 Significant observations on the accounts of Central autonomous bodies:

(a) Tuticorin Port Trust

Capital Reserve (Rs. 620.48 crore)

This was overstated by Rs. 40.64 crore due to the following.

- (i) The Capital Reserve included a sum of Rs. 40.64 crore invested by the Government at the time of formation of the Trust viz. 1 April 1979 under Section 29 (1) (c) of the MPT Act, 1963 and treated as loans in perpetuity, repayable at a concessional rate of interest at half the normal rate of interest fixed by the Government from time to time. The port's request (May 1993) to treat the entire capital as grant in aid was not acceded to by the Government. Hence, the entire initial capital should be shown under the 'Capital Debt'

instead of showing under 'Capital Reserve'. No provision was made in the accounts for payment of interest.

Current Liability (Rs. 114.57 crore)

(i) Contribution payable at 0.30 *per cent* to Tamil Nadu Manual Workers Welfare Board - liability not created.

According to Tamil Nadu Manual Workers (Regulation of Employment and Condition of Work) Act, 1982 and Tamil Nadu Manual Workers (Construction Workers) Welfare Schedule 1994, 0.30 *per cent* of the estimated cost of every work executed by the Port should be remitted to Tamil Nadu Manual Workers Welfare Fund/Board effective from 1 July 1997. Contributions payable for the period from 1997-98 to 2008-09 was Rs. 1.94 crore. As the payments of such contributions are mandatory as per provisions of the Act, the same should be exhibited in the accounts. Thus, liability was understated to that extent.

(ii) The Ministry of Shipping directed (January 2006) the Port to contribute Rs. 2.65 crore as its share towards setting up of the National Maritime Academy and asked to release the amount in phases. The first installment of Rs. 88 lakh was paid in July 2006. The balance amount of Rs. 1.77 crore had neither been paid nor provision made in the accounts till 31 March 2009. The reply of the Port that no communication in this regard either from the Indian Port Association or from the National Maritime Academy had been received, is not acceptable as Port's share was pre-determined and the first installment was paid accordingly. Non-provision of Rs. 1.77 crore in the accounts resulted in understatement of liability to that extent.

Current Assets (Rs. 49.82 crore)

(i) Tuticorin Port Trust Board had accorded (June 2005) approval for executing the work on behalf of M/s Sethu Samudrum Corporation Ltd. (SSCL) as a deposit work. The total value of the works executed as on 31 March 2009 was Rs. 156.60 crore. As per Central Public Works Account code, centage charges were to be levied at the rate of seven *per cent* of the total work done by the executing agency. The centage charges accrued against SSCL up to 31 March 2009 worked out to Rs. 10.96 crore. The centage charges recoverable from SSCL had not been accounted for in the accounts. The reply of the port that the decision of the Government of India for collecting the charges was awaited was not acceptable.

Investment (Rs. 581.94 crore)

(i) Investment made in violation of Government Guidelines

As per the Government of India, Ministry of Surface and Transport, Memorandum dated 4 September 1996 and letter no PR15018/11/96-PG dated 24 April 1997, all major ports should comply with the guidelines issued by the Department of Public Enterprises while making investment of surplus funds. According to the guidelines (14 December 1994), investment should not be made for more than one year maturity period except term-deposit with Banks. However, as seen from the investment register for 2008-09, an amount of Rs. 162 crore was invested in securities and bonds with maturity period ranging from more than one year to 10 years in violation of Government guidelines despite being pointed out in Audit Reports of earlier period.

(b) New Mangalore Port Trust

Finance and Miscellaneous Income (Rs. 52.99 crore)

This included Rs. Nine crore received from the Udupi Power Corporation Ltd. (UPCL) as 'upfront premium' for allotment of land on lease for a period of 30 years for construction of a Coal Jetty. As per Accounting Standard – 19 (AS-19), the amount should have been recognized equally over a period of 30 years. Non-recognition of income as per AS-19 resulted in overstatement of Finance and Miscellaneous Income and net surplus by Rs. 8.70 crore.

(c) Jawahar Lal Nehru Port Trust

Sundry Debtors (Rs. 395.65 crore)

Sundry debtors included Rs. 291.24 crore being outstanding dues recoverable from tank farm operators towards lease rentals, way-leave charges, buried pipeline charges, minimum guaranteed throughput charges and water charges. The dues had been outstanding for periods ranging from one to nine years and the matter was under arbitration. The fact that this amount has not been realized for long indicated that the realization of the same was doubtful and required a suitable provision for doubtful debts based on the Generally Accepted Accounting Principles.

Provision for tax (Rs. 211 crore)

The above did not include tax payable on the excess provision made in respect of Government of India loan and interest thereon written back (Rs. 37.53

crore) during the year 2008-09. This resulted in understatement of profit before tax by Rs. 11.26 crore and corresponding understatement of provision for taxation.

(d) Paradip Port Trust

Pension and Gratuity fund

(i) Liability towards arrears payable to retired employees on account of revision of pension from 1 January 2007 to 31 March 2009 was omitted. This resulted in understatement of Current liabilities and Finance and Miscellaneous expenses and overstatement of net surplus before tax by Rs. 6.88 crore.

(e) Kandla Port Trust

Fixed Assets, Gross Block (Rs. 1002.25 crore)

(i) Fixed assets were overstated by Rs. 5.15 crore due to non-adjustment of cost of assets which outlived their effective life and declared unserviceable.

Income and Expenditure Account

(i) Ground lease and profit for the year 2008-09 was overstated by Rs. 3.19 crore due to treatment of recovery of lease rent of previous year due from the Indian Oil Corporation as income for the year instead of crediting Sundry debtors. Consequently, Sundry debtors were overstated by Rs. 3.19 crore.

(f) Kolkata Port Trust

Profit and loss Account

(i) Debit notes for Rs. 26.85 crore submitted by the Dredging Corporation of India on account of dredging charges for the month of March 2009 pertained to the accounting year 2008-09 should have been accounted for during 2008-09. Non-accountal resulted in under-statement of revenue expenditure for the year as well as over-statement of surplus by Rs. 26.85 crore.

(g) University Grants Commission

Current Liabilities and Provision (Rs. 1.31 crore)

(i) No Provision had been made for pension, leave encashment and gratuity.

Income & Expenditure Account

(i) Unspent grant of Rs. 19.59 crore (Non-Plan: Rs. 37.74 crore and Plan: Rs. (-) 18.15 crore) of the previous year had been shown as income. Similarly, the closing balances of the previous years' grants of Rs. 27.69 crore pertaining to the Ministry of Tribal Affairs, Rs. 60 lakh pertaining to the 'National sports Organisation Programme', Rs. 24 lakh of the 'Endowment Fund' and Rs. one lakh pertaining to 'Commonwealth' were also shown as income. This resulted in overstatement of 'Income' by Rs. 48.13 crore.

(h) Kendriya Vidyalaya Sangathan

General

(i) No provision has been made for gratuity, pension and leave encashment as required under the common format of accounts for autonomous bodies.

(i) All India Council of Technical Education

General

(i) No provision had been made for gratuity and leave encashment as required under the common format of accounts for autonomous bodies.

Fixed Assets (Rs. 11.73 crore)

(i) No depreciation had been provided on fixed assets resulting in overstatement of fixed assets and understatement of expenditure.

(j) Khadi & Village Industries Commission

Current Assets, Cash and Bank Balances – (Rs. 123.84 crore)

Cheques for Rs. 136.75 crore drawn in March 2009 were issued to the Bank in April 2009 for obtaining demand drafts to release grants to various field offices. This amount had been booked as expenditure for 2008-09. This resulted in understatement of the bank balance and overstatement of expenditure in the Income and Expenditure Account to the extent of Rs. 136.75 crore.

1.4 Utilisation certificates

As per the General Financial Rules, certificates of utilisation of grants in respect of grants released to statutory bodies/organisations are required to be furnished within 12 months from the closure of the financial year by the bodies/organisations concerned. Ministry/Department-wise details indicating the position of the total number of 34845 outstanding utilisation certificates involving an amount of Rs. 21930.12 crore in respect of grants released up to March 2008 due by March 2009 (after 12 months of the financial year in which the grants were released) are given in **Appendix – VIII**. Ministry of Consumer Affairs, Ministry of External Affairs, Ministry of Social Justice and Empowerment, Ministry of Tourism, Ministry of Railways, Ministry of Corporate Affairs, Ministry of Coal, Ministry of Women and Child Development, Ministry of Development of North-Eastern Region, Ministry of Youth Affairs and Sports, Ministry of Science and Technology, Dadra and Nagar Haveli Administration, and Central Board of Excise and Customs did not furnish the information of outstanding utilisation certificates.

Out of the total number of 19182 utilisation certificates amounting to Rs. 17868.23 crore awaited from 10 major Ministries/Departments at the end of March 2009, 15269 certificates amounting to Rs. 7096.31 crore related to grants released up to March 2007 as shown below:

Utilisation certificates outstanding as on 31 March 2009

(Rupees in crore)

Sl. No.	Ministry/Department	For the period ending March 2008		For the period ending March 2007	
		Number	Amount	Number	Amount
1	Family Welfare	2083	7785.90	1605	3273.30
2	Health	2091	2003.24	1377	897.09
3	Department of Secondary Education and Literacy	1476	1687.27	1262	536.63
4	Information Technology	754	1240.00	399	735.01
5	Commerce	214	1122.55	80	129.90
6	Rural Development	579	1018.19	63	17.99
7	Agriculture	439	883.74	253	469.79
8	Department of Higher Education	2439	798.57	2241	360.84
9	Environment & Forests	8835	770.60	7914	507.09
10	Urban Development	272	558.17	75	168.67
Total		19182	17868.23	15269	7096.31