

## 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 2010-11, the Ministries of the Union Government released grants/loans aggregating ` 46449.48 crore to 496 autonomous bodies. Of these, the Comptroller and Auditor General of India was the sole auditor in respect of 279 autonomous bodies to whom grants/loans aggregating ` 39232.42 crore were released during 2010-11. The details are given in **Appendix – I**. The Comptroller and Auditor General was also the sole auditor of another 26 Central autonomous bodies to whom no grant or loan was released during 2009-10. Information in respect of 29 bodies was not furnished by the concerned Ministries (**Marked at \* Appendix- I**).

As per the information furnished by various Ministries, grants/loans aggregating ` 7217.06 crore were released to 217 bodies during 2010-11 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.

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 0.96 *per cent* during the last five years ending 31 March 2011 as shown in the table below:

Year	Amount of total central assistance to CAB during the year (Rupees in crore)	Gross Budgetary Support <sup>1</sup> (Rupees in crore)	Percentage of central assistance to CABs with reference to gross budgetary support
2006-07	11500.49	2085164.02	0.55
2007-08	20057.54	2445865.08	0.82
2008-09	28397.88	3220867.31	0.88
2009-10	40495.41	4356312.43	0.93
2010-11	44857.68	4683838.77	0.96

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 an increasing trend in the years 2006-07 to 2010-11 when it increased from 0.55 *per cent* in the year 2006-07 to 0.96 *per cent* in the year 2010-11.

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
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
2009-10	40495.41	3242.32	3195.91	1440.71	2666.44	1676.20	8.00	7.89	3.56	6.58	4.14
2010-11	44857.68	5296.70	3573.54	1586.23	2929.34	1655.40	11.81	7.97	3.54	6.53	3.69
<b>Total</b>	<b>145309.00</b>	<b>15814.51</b>	<b>12441.12</b>	<b>6472.83</b>	<b>11338.5</b>	<b>5994.46</b>					
<b>Grand Total</b>		<b>52061.42</b>									
<b>Percentage of total assistance to five ABs with reference to the total central assistance to all ABs</b>		<b>35.83</b>									

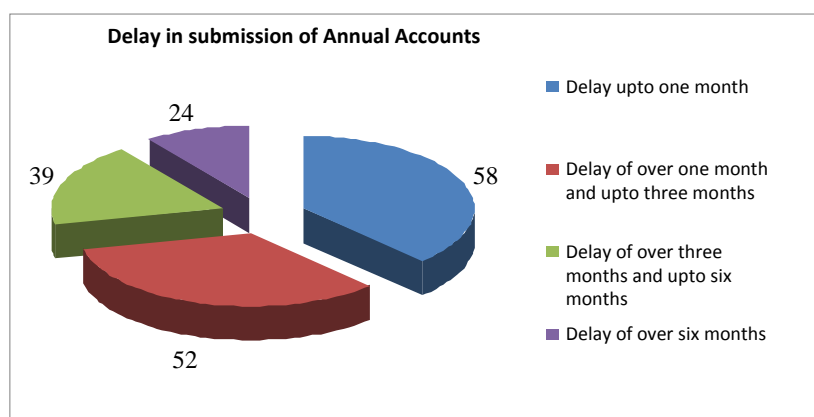
It may be seen from the table that the aforesaid five Central autonomous bodies alone had availed 35.83 *per cent* of the total central assistance to all the Central autonomous bodies during the last five years ending 31 March 2011.

<sup>1</sup> Source: Appropriation accounts – Union Government (Civil) for the respective years

### 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 (5<sup>th</sup> 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 the Parliament within nine months of the close of the accounting year.

For the year 2009-10, audit of accounts of 328 Central autonomous bodies was to be conducted by the Comptroller and Auditor General of India. Out of these, the accounts of 144 autonomous bodies only, were made available for audit within the prescribed time after the close of the financial year. While the accounts of 11 autonomous bodies were not submitted as of December 2011, the accounts of 173 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 2011 are given in **Appendix-III**.

### 1.1.3 Arrears in submission of accounts

11 autonomous bodies have not submitted their accounts for several years ranging between two and five years (**Appendix-IV**).

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

- grants were utilized 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:

<b>Year of account</b>	<b>Total number of bodies for which audited accounts were issued but not presented to Parliament</b>	<b>Total number of audited accounts presented after due date</b>
2009-10	38*	45**
2010-11	107	-

\* includes 1 case of 2006-07, 4 cases of 2007-08 and 5 cases of 2008-09

\*\*includes 2 cases of 2008-09

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 –V** and **Appendix –VI**.

### 1.3 Utilisation Certificates

As per Financial Rules, certificates of utilization of grants in respect of grants released to statutory bodies/organizations are required to be furnished within 12 months from the closure of the financial year by the bodies/organizations concerned. Ministry/Department – wise details indicating the position of the total number of 48392 outstanding utilization certificates involving an amount of ` 37559.50 crore in respect of grants released up to March 2010 due by March 2011 (after 12 months of the financial year in which the grants were released) are given in **Appendix-VII**. Ministry of External Affairs, Ministry of Home Affairs, Ministry of Development of North – Eastern Region, Ministry of Overseas Indian Affairs, Ministry of Tribal Affairs, Ministry of Parliamentary Affairs did not furnish the information of outstanding utilization certificates.

Out of the total number of 13695 Utilisation Certificates amounting to ` 28730.81 crore awaited from 10 major Ministries /Department at the end of March 2011, 11571 certificates amounting to ` 18231.68 crore related to grants released up to March 2009 as shown below:-

#### Utilisation Certificates outstanding as on 31 March 2011

(` in crore)

Sl. No.	Ministry/Department	For the period ending March 2010		For the period ending March 2009	
		Number	Amount	Number	Amount
1.	Family Welfare	1862	6172.91	1767	6751.10
2.	Rural Development	1348	5638.79	955	1713.63
3.	Department of School Education and Literacy	1427	4276.44	1373	1049.49
4.	Health	2863	4201.32	2508	3496.42
5.	Agriculture	1079	4833.37	919	2333.01
6.	Panchayati Raj	299	1190.24	96	1249.09
7.	Information Technology	625	1107.50	578	827.03
8.	AYUSH	1989	1010.10	1574	632.03
9.	Earth sciences	1309	215.52	1230	128.77
10.	Atomic Energy	894	84.62	571	51.11
<b>Total</b>		<b>13695</b>	<b>28730.81</b>	<b>11571</b>	<b>18231.68</b>

### 1.4 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 Central autonomous bodies/Ministries concerned are stated below:

**1.4.1 General Comments:**

- (a) Internal audit of 83 autonomous bodies as per **Annexure-I** was not conducted for the year 2010-11.
- (b) Physical verification of the Fixed Assets of 89 autonomous bodies as per **Annexure-II** has not been conducted during the year 2010-2011.
- (c) Physical verification of the inventories of 70 autonomous bodies as per **Annexure-III** has not been conducted during the year 2010-2011.
- (d) 32 autonomous bodies as per **Annexure-IV** have not made investment of provident fund balances as per the pattern of investment prescribed by the Ministry of Finance.
- (e) 56 autonomous bodies as per **Annexure-V** are accounting for the grants on realization/ cash basis which is inconsistent with the common format of accounts prescribed by the Ministry of Finance.
- (f) 95 autonomous bodies as per **Annexure-VI** have not accounted for gratuity and other retirement benefits on actuarial valuation basis.
- (g) No Depreciation on fixed Assets has been provided by 23 autonomous bodies as per **Annexure-VII**.
- (h) 17 autonomous bodies have revised their accounts as a result of audit as per **Annexure-VIII**.

**1.4.2 Significant observations on the accounts of individual Central autonomous bodies:**

**(a) National Institute of Technology, Warangal**

**i) Current Liabilities and Provisions – ` 7.40 crore**

This does not include provision for outstanding expenses payable for the period ending 31 March 2011 amounting to ` 6.44 crore.

**(b) Mormugao Port Trust, Goa**

**i) Current Liabilities and Provisions – ` 101.56 crore**

The above does not include ` 4.16 crore being the claims preferred by contractors for the works done prior to 31 March 2011.

**ii) Finance and Miscellaneous Expenses – ` 89.16 crore**

As per the actuarial valuation, the liability towards contribution to Gratuity Fund and Pension Fund as on 31 March 2011 were ` 83.39 crore and ` 594 crore respectively, against which the provision made in the accounts was ` 43.48 crore and ` 307.31 crore respectively.

**(c) Mumbai Port Trust, Mumbai**

**i) Fixed Assets**

**Work-in-progress – ` 241.83 Crore**

This includes works valued at ` 5.65 crore relating to CE Department which were completed during 2010-11 and pending transfer to Fixed Assets.

**ii) Docks, Sea Walls, Piers, Navigational Aids – ` 368.62 crore**

This includes one Caisson Gate with a gross value of ` 3.43 crore and depreciated value of ` 2.25 crore which was disposed of on 31 January 2011 at ` 0.29 crore.

**(d) Mumbai Port Trust, Pension Fund Trust**

**i) Income from investment – ` 360 crore**

The Port had accounted for interest income of ` 1.35 crore on accrual basis on Bonds issued by Uttar Pradesh Co-op. Spinning Mills Federation and Uttar Pradesh State Yarn Company Ltd., which matured in December 2004 and February 2005 respectively. As the realization of this interest receipt is uncertain, the same should not have been recognized as income.

**(e) Indian Institute of Technology, Mumbai**

**i) Current Liabilities and Provisions**

Supreme Court vide its Order dated 9 April 2010, has directed the Institute to pay arrears to 71 faculty members amounting to ` 3 crore as estimated by the Institute. Out of this ` 0.35 crore was paid to the professors as interim relief only. Provision of balance amount of ` 2.65 crore was not made in the accounts.

**(f) Employees Provident Fund Organization**

**i) Balance under Interest Suspense Account – ` 22461.15 crore**

The above included an amount of ` 8006.08 crore available for crediting into EPF subscribers' account up to 31 March 2011. It also included an amount of ` 14455.06 crore to be credited to subscribers' accounts during next year.

Interest on 7.28 crore members' accounts was yet to be worked out and credited which was pending as on 31 March 2011. The actual interest liability in respect of 7.28 core subscribers' accounts was not known to the EPFO. In the absence of the working of the interest creditable to the subscribers' accounts we are not able to form an opinion on the adequacy of ` 8006.08 crore for pending accounts which could not be reviewed and verified in Audit.

**ii) Fixed Assets**

Expenditure incurred on Fixed Assets except Land and Buildings has been treated as revenue expenditure resulting in understatement of Fixed Assets and overstatement of revenue expenditure. The accounting policy of charging expenditure on Fixed Assets, other than Land and Building as revenue expenditure was not as per accepted accounting principles. The annual accounts therefore did not depict complete panoramic view of the various assets held by EPFO. This is violation of accounting standards 10 issued by ICAI. Despite being pointed out in the reports for the years 2006-07, 2008-09 and 2009-10, same practice continued in 2010-11.

**(g) Securities and Exchange Board of India**

**i) Corpus/Capital Fund – ` 1900.71 crore**

Ministry of Finance, Department of Economic Affairs issued instruction in 2005, directing all the Ministries and Departments to ensure that Regulatory Bodies maintain their surplus funds in 'Public Accounts'. Despite the Government's instructions, the Board had not transferred the surplus funds amounting to ` 1617.43 crore in 'Public Accounts'. Besides, no suitable disclosure was made in the 'Notes on Accounts'.

**(h) Marine Products Exports Development Authority, Kochi**

**i) Expenditure on Grants and Subsidies – ` 67.27 crore**

This is overstated by ` 2 crore due to inclusion of advances paid for participation in expo's during the year 2011-12.

**(i) Coir Board, Kochi**

**i) Establishment Expenses – ` 65 lakh**

This is understated by ` 59.87 crore due to non-provision of liability towards Pension: ` 48.20 crore, Leave Encashment: ` 5.46 crore and Death cum Retirement Gratuity: ` 6.21 crore

**(j) Insurance Regulatory Development Authority (IRDA)**



### **IRDA Fund**

(i) Section 16 of the Insurance Regulatory and Development Authority Act, 1999 provides that all Government grants, fees and charges received by the Authority be credited to the Insurance Regulatory and Development Authority (IRDA) Fund. The Fund shall be applied for meeting the salaries and other expenses of the Authority. In the Balance Sheet, the Authority showed surplus accumulated balances of ` 664.84 crore under the head “Surplus and Funds” instead of “IRDA Fund”.

(ii) Ministry of Finance had directed the Authority since July, 2002 (latest being in February 2008) that the moneys collected by it should be deposited in the Public Account of India in a non-interest bearing account and the Authority would be allowed to withdraw specified amounts in the beginning of each year from the Public Account for meeting its expenditure. The Authority had not taken any action in this regard.

#### **(k) Cochin Port Trust, Kochi**

##### **i) Work in Progress – ` 75.67 crore**

This is overstated by ` 1.25 crore due to inclusion of expenditure incurred on improvement works on existing residential quarters such as painting, tilling, plastering etc.

##### **ii) Loan and Advances – ` 101.64 crore**

This includes ` 3.21 crore representing aggregate of advances granted to various Heads of Department for procuring materials for specific activities and remaining unadjusted for more than 15 years for which no details are available.

##### **iii) Dredging and Marine Survey – ` 91.97 crore**

This is understated by ` 9.48 crore due to accounting of maintenance dredging expenditure as capital dredging.

#### **(l) Employees State Insurance Corporation**

##### **i) Medical Benefit – ` 2123.67 crore**

The above includes ` 132.33 crore on account of purchase of medical equipment, inspection charges for establishment of its own Medical Colleges and related expenditure which should be capitalized.

#### **(m) Paradip Port Trust, Paradip**

**i) General Cargo Handling Equipments: ` 35.04 crore**

The above includes ` 3.09 crore being the cost of two numbers of Pay Loaders capitalized in 2001-02 and fully depreciated by 2008-09. The Port continued to charge depreciation @ 12.5 *per cent* for two years i.e. 2009-10 & 2010-11 amounting to ` 77.32 lakh.

**(n) Jamia Millia Islamia, New Delhi**

**i) Current Assets, Loan and Advances – ` 136.49 crore**

Accrued interest amounting to ` 1.69 crore Urban Development Fund (UDF) ` 13.71 lakh, Earmarked ` 51.87 lakh, Deposit ` 91.00 lakh, Revenue ` 1.60 lakh, Hostel & Kitchen ` 1.47 lakh and Plan ` 9.02 lakh) has not been taken into account.

**ii) Administrative Expenses – ` 12.03 crore**

No provisions were made for outstanding expenses of ` 79.27 lakh.

**(o) Delhi Development Authority, New Delhi**

**i) Earmarked/Endowment Fund – ` 3757.46 crore**

The above does not include an amount of ` 9.51 crore on account of interest accrued during the year on the loan given by Authority from UDF reserve to GNCTD and MCD.

**ii) Current Liabilities – ` 11420.71 crore**

The above does not include an amount of ` 4.20 crore towards works executed for Common Wealth Games which have been completed and put to use.

**(p) Indian Institute of Technology, Roorkee**

**i) Current Liabilities & Provisions – ` 146.38 crore**

The above does not include bill of ` 7.96 crore for construction of Multistoried Technology Building at Saharanpur, received prior to 31 March 2011.

**(q) Indian Council of Medical Research, New Delhi**

**i) Current Assets, Loans & Advances**

The above includes advance of ` 2.54 crore in respect of ICMR Headquarters pertaining to the years from 1982-83 to 2006-07. Possibility of recovery/adjustment of these old contingent advances was not assessed

**ii) Grants and Subsidies – ` 556.35 crore**

The grants and subsidies under income was overstated by ` 39.22 crore and liabilities was understated to that extent being unutilized amount of Grant.

**(r) Chennai Port Trust**

**i) Current Liabilities and Provisions – ` 2180.90 crore**

As per the actuarial valuation, the liability for Pension Fund and Gratuity Fund should be ` 2013.52 crore and ` 212.65 crore against which the Port Trust had provided an amount of ` 1525.19 crore (Pension Fund) and ` 154.72 crore (Gratuity Fund) upto 31.03.2011 resulting in short provision of ` 488.33 crore and ` 57.93 crore.

**(s) VOC Port Trust Tuticorin**

**i) Capital Reserve – ` 908.74 crore**

This includes ` 40.64 crore being the capital expenditure incurred by Central Government at the time of formation of the Port which is required to be repaid to the Central Government under section 31 of the Major Port Trusts Act, 1963. Despite being pointed out in earlier years, the Port continues to exhibit the same under Capital Reserve on the plea that orders from Government on their request for treating the initial capital as grant-in-aid had not been received. Moreover, Government, as early as in May 1993, had suggested treating the initial capital as loan in perpetuity repayable at a concessional rate of interest. Thus, inclusion of a liability for repayment of a loan due under an Act in the Capital Reserve resulted in overstatement of Capital Reserve and understatement of Government Loans by ` 40.64 crore, which also had a bearing on the computation of Debt/Capital Reserve and General Reserve ratio.

**ii) Handling and Storage charges on General cargo – ` 36.46 crore**

The above head is overstated by ` 1.16 crore due to recognition of wharfage charges in violation of the Significant Accounting Policy No. 4 in respect of vessels for which services were completed after 31 March 2011.

**(t) Indian Council of Agricultural Research, New Delhi**

**i) Fixed Assets – ` 2591.35 crore**

The above does not include huge areas of land for utilization on research for agriculture and other related activities and residential purpose in respect of the various Institutes of ICAR. Test check of some of the Institutes revealed that value of land (free hold and lease hold) was not shown in the accounts of five Institutes.

Adequate records for the land were not maintained and included in the accounts. There were cases of land which were received as grants/gifts, however, the same were either not valued or not included in the assets registers at the token price for control purposes.

**ii) Grants and Subsidies – ` 4806.94 crore**

The above is overstated by ` 133.60 crore being amount carried forward (unspent balance) to be adjusted in future grants or refundable to Government, resulting in understatement of Liability by the same amount.

The Council showed unutilized grants to be refunded as ` 67.99 crore under Schedule 4 Current Liabilities & Provisions. However, as per detailed account of all units of ICAR, total of unutilized grant refundable to Government of India worked out to ` 245.67 crore (Plan: ` 216.97 crore, Non-plan: ` 23.68 crore and AP Cess: ` 5.02 crore), leading to a difference of ` 177.68 crore.

**(u) ICAR GPF Accounts**

**i) Income ` 125.97 crore**

The figures of interest accrued of ` 99.24 crore for the year 2010-11 shown in the Income and Expenditure account is overstated by ` 66.54 crore. This comprises of ` 59.97 crore on interest on bank fixed deposits and ` 6.57 crore on bonds and other investments due to errors and misstatement in the estimation of accrued interest.

**(v) Khadi & Village Industries Commission, Mumbai**

**(i) Endowment Fund – ` 374.63 crore**

This stands understated to the extent of ` 133.01 crore due to:

<b>` in crore</b>		
(i)	Transfer of un-utilized (imprest) grant to Capital Reserve from the Endowment Fund	123.90
(ii)	Crediting of un-utilized non-plan grant to Reserve and Surplus instead to the Endowment Fund	4.71
(iii)	Non-reversal of cheques issued but not encashed within the validity period of six months	5.53
(iv)	Crediting of amounts received on account of administrative charges on completed biogas plants to this account instead of to the IRG account under Reserves and Surplus	(-) 1.13
	<b>Total</b>	<b>133.01</b>

**(w) All India Institute of Medical Sciences**

**(i) Fixed Assets**

This is overstated due to wrong capitalization of expenditure on account of “Comprehensive Annual Maintenance Contract” amounting to ` 1.34 crore given to the various companies for the maintenance of various machinery and equipment during the year. This resulted into understatement of expenditure in the Income and Expenditure account as well by like amount.

**(x) Jamia Millia Islamia University**

**(i) Fixed Assets – ` 334.89 crore**

This is overstated by ` 14.62 crore due to inclusion of assets created out of Sponsored Projects in the University’s assets, though these cannot be treated as part of the University’s assets till the projects are completed and the assets are handed over to the University by the respective Sponsoring Authorities. This is in contravention to the significant accounting policies (Sl. No. 9) of the University that states that amounts received for projects from the Sponsors are being treated as liability, hence the merger of assets created out of such funds with the assets of the University is incorrect.

**(y) Gandhi Smriti & Darshan Samiti**

**(i) Current Assets, Loans and Advances**

This does not include an advance amounting to ` 1.84 crore given to CPWD on 30 March 2011. Instead this amount was treated as expenditure in the Income and Expenditure account resulting into overstatement of the expenditure also.