

CHAPTER - I

Introduction

1.1 About this Report

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of Government to ascertain that provisions of the Constitution of India and applicable laws, rules, regulations, orders and instructions issued by the competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions to determine their legality, adequacy, transparency, propriety, prudence as also their effectiveness in terms of achievement of the intended objectives.

The primary purpose of the Report is to bring to the notice of the Parliament, important results of audit. Auditing Standards require that the materiality level for reporting be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a brief analysis of the expenditure of Scientific and Environmental Ministries/Departments, position of outstanding utilisation certificates, position of proforma accounts of departmentally managed Government Undertakings, losses and irrecoverable dues written off/waived and follow-up on audit reports. Chapters II to VI present findings/observations arising out of the compliance audit of Scientific and Environmental Ministries/Departments and research centres, institutes and autonomous bodies under them. Weaknesses that exist in the system of project management, financial management, internal controls, etc., in various scientific and environmental institutions are also highlighted in the report.

1.2 Audit coverage

The office of the Principal Director of Audit, Scientific Departments is responsible for audit of following Scientific and Environmental Ministries/Departments of the Government of India and their units:

- 1) Department of Atomic Energy (DAE)
- 2) Ministry of Science and Technology
 - a) Department of Bio-Technology (DBT)
 - b) Department of Science and Technology (DST); and
 - c) Department of Scientific and Industrial Research (DSIR)
- 3) Department of Space (DOS)
- 4) Ministry of Earth Sciences (MoES)
- 5) Ministry of Environment, Forest and Climate Change (MoEFCC)
- 6) Ministry of New and Renewable Energy (MNRE)
- 7) Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWRRDGR)

This report covers the audit findings in respect of the above Scientific and Environmental Ministries/Departments and their subordinate/attached offices and autonomous bodies.

1.3 Planning and conduct of Audit

Compliance audit is conducted in accordance with the principles and practices enunciated in the auditing standards promulgated by the C&AG. The audit process starts with the assessment of risk of the Ministry/Department as a whole and each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are issued separately as draft paras to the heads of the Administrative Ministries/Departments for their comments and processed for inclusion in the Audit Reports which are submitted to the President of India under Article 151 of the Constitution of India.

During 2014-15, compliance audit of 175 out of 434 units of Scientific and Environmental Ministries/Departments was conducted.

1.4 Budget and expenditure controls

The comparative position of expenditure of the Scientific and Environmental Ministries/Departments during 2014-15 and preceding two years is given in Table 1.

Table 1 : Details of expenditure incurred by Scientific and Environmental Ministries/ Departments

(₹ in crore)

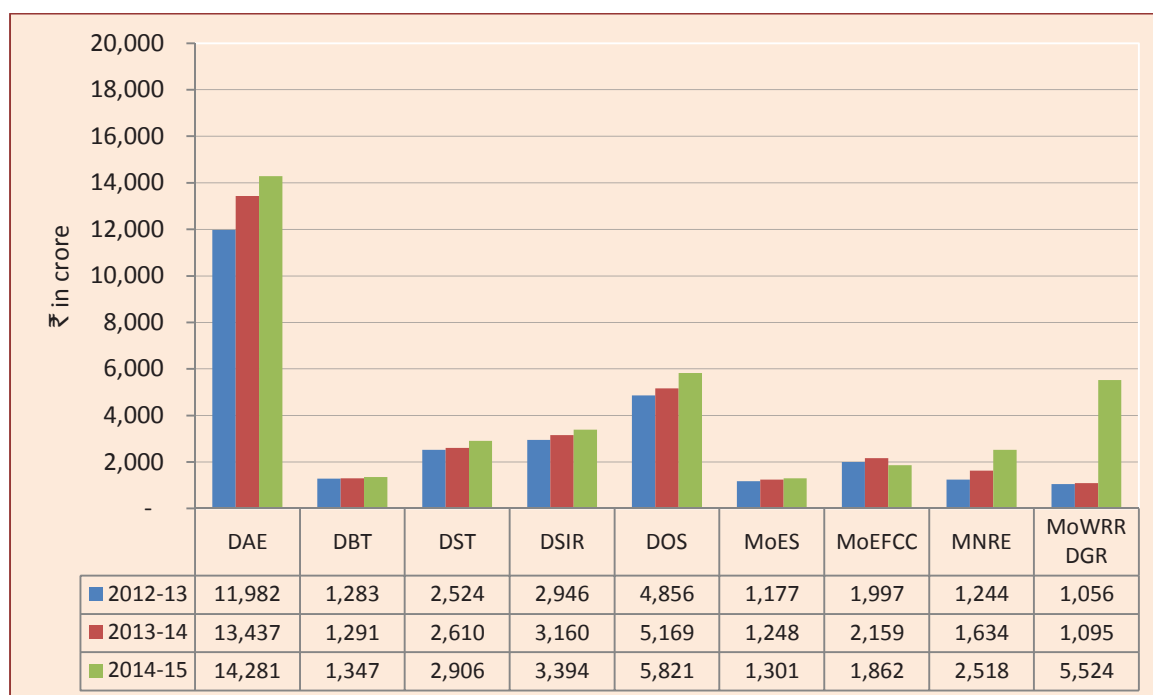
Ministry/Department	2012-13	2013-14	2014-15
1) DAE	11,981.76	13,437.26	14,281.21
2) DBT	1,282.84	1,291.32	1,346.97
3) DST	2,524.22	2,610.22	2,906.18
4) DSIR	2,945.66	3,159.54	3,393.52
5) DOS	4,856.28	5,168.95	5,821.37
6) MoES	1,177.14	1,248.15	1,301.35
7) MoEFCC	1,996.69	2,158.80	1,862.17
8) MNRE	1,243.72	1,633.52	2,518.10
9) MoWRRDGR	1,055.59	1,094.71	5,524.47
Total	29,063.90	31,802.47	38,955.34
Percentage increase(+)/decrease(-)	(-)14.84¹	(+)9.42	(+)22.49

Source : Appropriation Accounts of the respective years

The total expenditure on above listed Ministries/Departments of the Government of India during 2014-15 was ₹ 38,955.34 crore. Of this, 37 per cent of the total expenditure was incurred by DAE, followed by DOS (15 per cent) and MoWRRDGR (14 per cent).

While there was a significant decrease of 14.84 per cent in the overall expenditure of the Scientific and Environmental Ministries/Departments during 2012-13 over 2011-12, there was an increase in total expenditure by 9.42 per cent during 2013-14 over 2012-13. During 2014-15, there was a significant increase in total expenditure by 22.49 per cent due to an increase of 405 per cent in the expenditure incurred by MoWRRDGR.

¹ Calculated on the basis of expenditure of ₹ 34,127.84 crore incurred in 2011-12.

Chart 1: Expenditure incurred by Scientific and Environmental Ministries/Departments

A summary of Appropriation Accounts for 2014-15 in respect of Scientific and Environmental Ministries/Departments is given in Table 2.

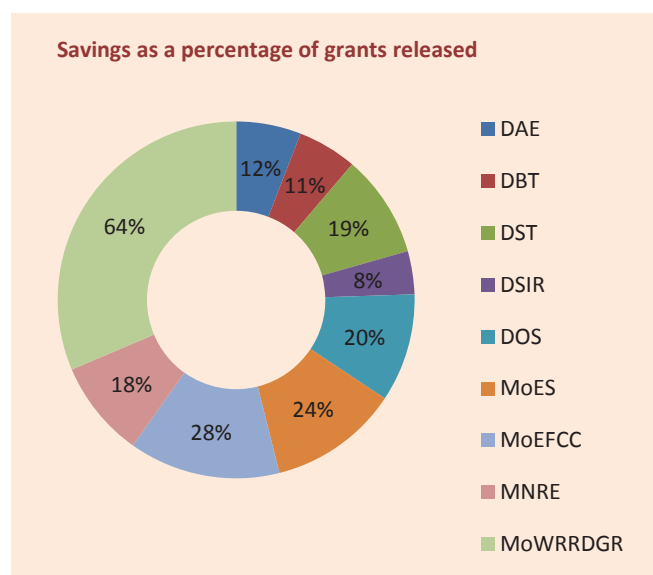
Table 2: Details of provision and expenditure incurred by Scientific and Environmental Ministries/Departments*(₹ in crore)*

Ministry/ Department	Grant/ Appropriation (including Supplementary Grant)	Expenditure	(-) Savings/ (+) Excess	Percentage of unspent grant
1) DAE	16,147.00	14,281.21	1,865.79	12
2) DBT	1,517.24	1,346.97	170.27	11
3) DST	3,567.13	2,906.18	660.95	19
4) DSIR	3,707.17	3,393.52	313.65	8
5) DOS	7,241.06	5,821.37	1,419.69	20
6) MoES	1,702.23	1,301.35	400.88	24
7) MoEFCC	2,594.52	1,862.17	732.35	28
8) MNRE	3,057.39	2,518.10	539.29	18
9) MoWRRDGR	15,389.06	5,524.47	9,864.59	64
Total	54,922.80	38,955.34	15,967.46	29

Source: Appropriation Accounts for 2014-15

It can be seen from the above table that with reference to total budget allotment of ₹ 54,922.80 crore, the Scientific and Environmental Ministries/ Departments had an overall savings of ₹ 15,967.46 crore which constitutes 29 *per cent* of the total grant/appropriation. Out of total savings of ₹ 15,967.46 crore, savings of ₹ 9,864.59 crore (62 *per cent*) were contributed by MoWRRDGR alone.

Chart 2: Ministry/ Department wise percentage of savings



With the exception of DSIR, all the other Scientific and Environmental Ministries/Departments had significant savings ranging between 11 *per cent* and 64 *per cent*. Proportion wise, of the grants released to the Scientific and Environmental Ministries/ Departments, the savings of MoWRRDGR were the highest (64 *per cent*), followed by MoEFCC (28 *per cent*).

1.5 Audit of accounts of Autonomous Bodies

Principal Director of Audit, Scientific Departments is the sole auditor of 14 autonomous bodies for which Separate Audit Reports (SARs) are prepared on their annual accounts under sections 19(2) and 20(1) of the C&AG's (DPC) Act, 1971. The total grants released to these 14 autonomous bodies during 2014-15 were ₹ 4,489.96 crore, as detailed in Table 3.

Table 3: Details of grants released to Central Autonomous Bodies*(₹ in crore)*

Name of the Autonomous Body	Ministry/ Department	Amount of Grant released during 2014-15
1) Science and Engineering Research Board, New Delhi	DST	535.00
2) Sree Chitra Tirunal Institute of Medical Sciences and Technology, Thiruvananthapuram	DST	90.84
3) Technology Development Board, New Delhi	DST	6.75
4) Council of Scientific and Industrial Research, New Delhi	DSIR	3,334.88
5) Animal Welfare Board of India, Chennai	MoEFCC	16.87
6) Central Zoo Authority, New Delhi	MoEFCC	29.50
7) National Biodiversity Authority, Chennai	MoEFCC	19.06
8) National Mission for Clean Ganga, New Delhi	MoEFCC	254.88
9) National Tiger Conservation Authority, New Delhi	MoEFCC	10.00
10) Wildlife Institute of India, Dehradun	MoEFCC	22.30
11) Betwa River Board, Jhansi	MoWRRDGR	17.00
12) Brahmaputra Board, Guwahati	MoWRRDGR	80.00
13) Narmada Control Authority, Indore	MoWRRDGR	10.88
14) National Water Development Agency, New Delhi	MoWRRDGR	62.00
Total		4,489.96

Source: Separate Audit Reports/Annual accounts of the Autonomous Bodies for the year 2014-15

In addition, supplementary/superimposed audit of 68 other autonomous bodies are conducted under Sections 14 or 15 of the C&AG's (DPC) Act, 1971. The total grants released to 44² autonomous bodies during 2014-15 were ₹ 3,353.23 crore.

1.5.1 Delay in submission of accounts

The Committee on Papers Laid on the Table of the House recommended in its First Report (Fifth 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.

The position of submission of accounts for the year 2014-15 to audit is indicated in Table 4.

² Information in respect of 16 autonomous bodies under DBT and eight autonomous bodies under MoEFCC was not furnished by the Department/Ministry.

Table 4: Position of submission of accounts by Autonomous Bodies

Name of Autonomous Body	Ministry/ Department	Date of submission of accounts to Audit	Delay in submission of accounts (in months)
1) Science and Engineering Research Board, New Delhi	DST	15.09.2015	2
2) Sree Chitra Tirunal Institute of Medical Sciences and Technology, Thiruvananthapuram	DST	13.08.2015	1
3) Technology Development Board, New Delhi	DST	01.10.2015	3
4) Council of Scientific and Industrial Research, New Delhi	DSIR	10.07.2015	-
5) Animal Welfare Board of India, Chennai	MoEFCC	23.06.2015	-
6) Central Zoo Authority, New Delhi	MoEFCC	30.06.2015	-
7) National Biodiversity Authority, Chennai	MoEFCC	09.06.2015	-
8) National Mission for Clean Ganga, New Delhi	MoEFCC	30.06.2015	-
9) National Tiger Conservation Authority, New Delhi	MoEFCC	22.06.2015	-
10) Wildlife Institute of India, Dehradun	MoEFCC	01.07.2015	-
11) Betwa River Board, Jhansi	MoWRRDGR	26.06.2015	-
12) Brahmaputra Board, Guwahati	MoWRRDGR	06.07.2015	-
13) Narmada Control Authority, Indore	MoWRRDGR	16.06.2015	-
14) National Water Development Agency, New Delhi	MoWRRDGR	30.06.2015	-

It can be seen from the above table that three autonomous bodies submitted their accounts after delay of one month or more.

1.5.2 Significant deficiencies in accounts

Some of the important issues highlighted in SARs on the accounts for the year 2014-15 are listed below:

1.5.2.1 Provisions of Gratuity and other retirement benefits

- i) Betwa River Board, National Mission for Clean Ganga and Brahmaputra Board did not include the provision for retirement benefits such as gratuity and leave encashment etc. in the annual accounts.
- ii) Accounting policy in regard to post employment benefit/retirement benefit e.g. gratuity and pension and other benefit was not disclosed in Notes to

accounts of Science and Engineering Research Board in pursuance with accounting standard 15 of ICAI.

- iii) National Biodiversity Authority did not make provision for terminal benefits for the year 2014-15. Besides, an amount of ₹ 24.83 lakh provided as provision for gratuity, leave encashment etc., for previous years was also reversed and credited to Capital Fund. This resulted in understatement of liabilities and overstatement of Capital Fund to that extent.
- iv) As per the actuarial valuation of pension and gratuity got done by Sree Chitra Tirunal Institute of Medical Science and Technology in 2011, it had a liability of ₹ 127.34 crore which was not provided for in the accounts.
- v) As per actuarial valuation of Gratuity and Leave encashment as on 31.03.2015, National Water Development Authority had total liability of ₹ 43 crore of which the Authority made provision for only ₹ 11.04 crore which resulted in short provisioning of liability of ₹ 31.96 crore.

1.5.2.2 Other comments

- i) Science and Engineering Research Board received an amount of ₹ 535.00 crore under the Object Head-31 'Grant-in-aid General' during 2014-15 including an amount of ₹ 172.86 crore which was diverted towards 'Grants for Creation of Capital Assets' without obtaining the approval for re-appropriation from the Ministry of Finance through the controlling Ministry/Department.
- ii) National Biodiversity Authority depicted an amount of ₹ 15.56 crore representing royalty, fee, subscription as Income in Income and Expenditure account instead of showing the amount as addition to Earmarked/Endowment fund under 'liabilities'. Besides, an amount of ₹ 10.77 lakh being interest earned on investment made out Earmarked Funds was also booked as income. This led to overstatement of Income to the extent of ₹ 15.67 crore.
- iii) National Biodiversity Authority accounted interest on Savings Bank Account on cash basis in contravention of its significant accounting policy which stated that accounts were prepared on accrual basis.
- iv) The annual accounts of National Tiger Conservation Authority were revised based on audit comments. The impact of revision of accounts was that Assets/Liabilities were increased by ₹ 1.21 crore and excess of Expenditure over Income increased by ₹ 61.93 lakh.
- v) Expenditure of ₹ 1.14 crore incurred by Science and Engineering Research Board on customisation and training charges etc. on developing application

software for online submission and processing of research proposals, which was of revenue nature, was included in Fixed Assets. This resulted in overstatement of Fixed Assets and understatement of Revenue Expenditure by ₹ 1.14 crore.

- vi)** 14 laboratories/ institutes of CSIR did not account for interest amounting to ₹ 11.88 crore accrued during the year on Term Deposits made out of funds of Laboratory Reserve Fund (LRF) available with them, resulting in understatement of LRF and Current Assets by ₹ 11.88 crore.
- vii)** Five laboratories/ institutes of CSIR booked interest amounting to ₹ 23.06 crore earned on grants-in-aid for sponsored projects, as generation of LRF during the year. Further, seven laboratories/ institutes also booked the unspent balances of completed/closed externally funded projects amounting to ₹ 10.64 crore as their income generated during the year in LRF.
- viii)** Interest amounting to ₹ 1.42 crore accrued by National Aerospace Laboratories (NAL-laboratory of CSIR) during the year 2014-15 on Term Deposits made from the funds of Externally Funded Projects and LRF was not accounted in the books of accounts for the year 2014-15, resulting in understatement of Liabilities against Government Grant and Reserve and Surplus (LRF) by ₹ 1.42 crore, besides understatement of Current assets by same extent.
- ix)** CSIR (Headquarters) drew an amount of ₹ 20.00 lakh in 2005-06 for opening of a Savings Bank Account with ICICI Bank and inadvertently booked the same as expenditure in its books of accounts of the respective year, resulting in understatement of Currents Assets (Bank balance in Savings Accounts) and Current Liabilities (Miscellaneous Deposit and Advances) each by ₹ 20.00 lakh.
- x)** During 2014-15, NAL rendered its services to sponsoring departments/ agencies and paid Service Tax/ Value Added Tax of ₹ 1.96 crore which could not be realised from their respective sponsoring departments/ agencies as of 31 March 2015. The amount was booked as expenditure in its books of accounts for the year 2014-15 instead of disclosing under Current Assets (Payments on behalf of other bodies due) resulting in understatement of Current Assets (Payments on behalf of other bodies) by ₹ 1.96 crore and overstatement of Expenditure by same extent.

- xi)** Central Drug Research Institute (CDRI- Laboratory of CSIR) adjusted/ capitalised ten items of advances worth ₹ 11.65 crore in their respective years and the same were not in existence during the year 2014-15. Similarly, five items of advances against which cheques valuing ₹ 7.85 crore were drawn in March 2013 to September 2013 were cancelled in same year and as a result of this, advances were settled in the same year too. However, CDRI again adjusted/ capitalised the same by fictitious adjustment of actual/ genuine advances which were still pending for adjustment as of 31 March 2015.
- xii)** CDRI drew advances of ₹ 50.30 crore between 2012-13 and 2014-15. Therefore, depreciation at the rate of 10 *per cent* per annum for the period ranging from three to one years was required to be charged on Fixed Assets, considering that desired materials were received in the same year. However, depreciation at the rate of 10 *per cent* per annum for the period 10 to eight years was actually charged by CDRI resulting in charging of depreciation in excess of actual.
- xiii)** Betwa River Board maintained its accounts on cash basis, instead of accrual basis.
- xiv)** National Mission for Clean Ganga did not prepare its accounts in the Common Format of Accounts prescribed for Autonomous Bodies.

1.6 Outstanding Utilisation Certificates

Ministries and Departments are required to obtain certificates of utilisation of grants from the grantees i.e., statutory bodies, non-governmental institutions, etc., indicating that the grants had been utilised for the purpose for which these were sanctioned and where the grants were conditional, the prescribed conditions had been fulfilled. According to the information furnished by six³ Ministries/Departments, 9,307 Utilisation Certificates (UCs) due by March 2015, for grants aggregating ₹ 1,573.86 crore were outstanding as given in **Appendix I**. DST, DBT and DSIR did not furnish information about pending UCs.

Ministry/Department-wise position of outstanding UCs is given in Table 5.

³ DAE, DOS, MoES, MoEFCC, MNRE and MoWRRDGR

Table 5: Utilisation Certificates outstanding as on 31 March 2015**(Amount in ₹ crore)**

Ministry/Department	For the period ending March 2014	
	Number	Amount
1) DAE	1,162	89.61
2) DBT	Details not available	
3) DST	Details not available	
4) DSIR	Details not available	
5) DOS	289	14.66
6) MoES	724	55.70
7) MoEFCC	6,150	461.51
8) MNRE	733	850.31
9) MoWRRDGR	249	102.07
TOTAL	9,307	1,573.86

1.7 Departmentally Managed Government Undertakings - Position of Proforma Accounts

Rule 84 of the General Financial Rules, 2005 stipulates that departmentally managed Government Undertakings of commercial or quasi-commercial nature will maintain such subsidiary accounts and proforma accounts as may be prescribed by the Government in consultation with the C&AG.

There were two departmentally managed Government Undertakings of commercial or quasi-commercial nature as of 31 March 2015 under audit jurisdiction of this office, viz. Nuclear Fuel Complex, Hyderabad and Heavy Water Board, Mumbai under DAE. The financial results of these undertakings are to be reported through proforma accounts generally consisting of Trading Account, Profit and Loss Accounts and Balance Sheet. However, proforma accounts of both Heavy Water Board and Nuclear Fuel Complex for the period 2014-15 were not received for audit even after delay of more than one year.

1.8 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues written off/waived during 2014-15 furnished by four Ministries/Departments is given in **Appendix II** to this Report. It can be seen from the Appendix that in 47 cases involving ₹ 21.02 lakh, the amounts were written off for 'other reasons'; in one case each, amount of ₹ 7,000 pertaining to waiver of recoveries and ₹ one lakh towards ex-gratia payment, were written off during 2014-15.

1.9 Response of the Ministries/Departments to Draft Audit Paragraphs

On the recommendations of the Public Accounts Committee, Ministry of Finance (Department of Expenditure) issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the C&AG within six weeks. This time frame has also been prescribed under Para 207 (1) of Regulations on Audit and Accounts made by the C&AG.

The Draft Paragraphs are forwarded to the Secretaries of the Ministries/Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. It is brought to their personal attention that in view of likely inclusion of such Paragraphs in the Audit Reports of the C&AG, which are placed before Parliament, it would be desirable to include their comments in the matter.

Draft Paragraphs proposed for inclusion in this report were forwarded to the Secretaries concerned between December 2015 and January 2016 through letters addressed to them personally.

This report contains 11 paragraphs including four long paragraphs involving ₹ 32.49 crore, featured in Chapters II to VI. The replies of concerned Ministries/Departments were received in respect of eight of the 11 paragraphs. Of these, audit observations in two paragraphs were accepted by the Department. The responses received in respect of the remaining six paragraphs have been suitably incorporated in the Report.

1.10 Follow-up on Audit Reports

In its Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997, the Public Accounts Committee had recommended that Action Taken Notes (ATNs) on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them, duly vetted by Audit, within four months from the laying of the reports in Parliament.

A review of outstanding ATNs on paragraphs included in the Reports of the C&AG pertaining to Scientific and Environmental Ministries/Departments as of 31 December 2015 (details in *Appendix III*) revealed that a total of five ATNs pending from three Ministries/ Departments were not received even for the first time, indicating delay in submission of ATNs ranging between 10 to 37 months. Also, revised ATNs in respect of 42 paras were pending from seven Ministries/ Departments ranging up to 104 months (*Appendix IV*).

The total position of outstanding ATNs is summarised in the Chart below:

Chart 3: Number of outstanding ATNs of Audit Reports

