

CHAPTER I: INTRODUCTION

1.1 About this Report

Compliance audit refers to examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India, other applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence. Audits are conducted on behalf of the Comptroller and Auditor General (C&AG) as per the Auditing Standards approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse, as well as on weakness that exist in systems of financial management and internal control of the entities audited. The findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

As of March 2016, the gross provision and expenditure of all civil ministries/departments covering 102¹ civil grants during the last two years is given in Table-1 below:

Table 1: Gross Provision and Expenditure

(₹ In crore)

	2014-15			2015-16		
	Gross Provision	Gross Expenditure	Savings	Gross Provision	Gross Expenditure	Savings
Revenue (Charged)	5,19,519	4,91,298	28,221	5,70,014	5,46,699	23,315
Revenue (Voted)	10,81,137	9,64,415	1,16,722	10,55,700	9,92,772	62,928
Capital (Charged)	40,77,324	37,19,863	3,57,461	42,46,002	37,50,287	4,95,714

¹ This includes Defence Civil Grants (2), Telecommunications and Electronics & Information Technology Grants (2), Union Territories (without Legislature) Grants (5), Scientific Department (10) and Central Receipts (3).

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Capital (Voted)	1,47,595	1,14,108	33,487	2,56,908	2,39,715	17,194
Total	58,25,575	52,89,684	5,35,891*	61,28,624	55,29,473	5,99,151*

* In 2014-15, the net savings of ₹ 5,35,891 crore was due to gross savings of ₹ 5,51,532 crore and excess of ₹ 15,641 crore. In 2015-16, the net savings of ₹ 5,99,151 crore was due to gross savings of ₹ 5,99,361 crore and excess of ₹ 210 crore.

In this Report, the observations relating to Civil Ministries/Departments falling under the sectors of General, Social and Economic Services and their autonomous bodies (excluding Ministries/Departments under Defence, Scientific & Environmental, Telecommunications, Electronics and Information Technology, Posts, Union Territories (without Legislature), Department of Revenue and Railways) covering 80 civil grants arising as a result of audit of transactions up to 2015-16 have been included. The gross expenditure incurred by these Ministries/Departments during the last three years are shown in Table 2 below:

Table 2: Gross Expenditure

(₹ In crore)

Sl. No.	Name of Ministry	2013-14	2014-15	2015-16
1.	Agriculture	26056.69	26572.32	22778.34
2.	Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy	731.55	685.19	1112.14
3.	Chemicals and Fertilizers	72625.25	75411.37	77966.79
4.	Civil Aviation	6954.59	6626.28	4168.10
5.	Coal	1329.45	1572.50	1669.72
6.	Commerce and Industry	6606.51	7438.02	7400.47
7.	Consumer Affairs, Food and Public Distribution	104038.31	129663.57	162384.89
8.	Corporate Affairs	229.22	226.23	404.48
9.	Culture	1991.73	2069.19	2011.83
10.	Development of North Eastern Region	1878.63	1761.01	2036.68
11.	Drinking Water and Sanitation	11941.03	12201.46	13481.18
12.	External Affairs	11807.35	12148.82	14472.95
13.	Finance	4125322.51	4340806.54	4487273.80
14.	Food Processing Industries	541.93	596.74	504.44
15.	Health and Family Welfare	31162.47	33046.65	35390.48
16.	Heavy Industries and Public Enterprises	1392.57	1621.43	944.46
17.	Home Affairs (excluding UTs without Legislature)	55724.67	61573.53	70006.68
18.	Housing and Urban Poverty Alleviation	1086.24	2735.40	1766.16
19.	Human Resource Development	91509.98	91249.07	86657.36
20.	Information and Broadcasting	2828.22	3158.53	14681.30
21.	Labour and Employment	4415.68	4320.66	4832.02

22.	Law and Justice	1993.35	1932.84	3127.96
23.	Micro, Small and Medium Enterprises	2626.12	2767.82	2834.41
24.	Mines	1037.41	868.16	993.80
25.	Minority Affairs	3026.74	3090.51	3654.85
26.	Overseas Indian Affairs	84.80	64.09	68.34
27.	Panchayati Raj	3462.08	3390.56	208.67
28.	Parliamentary Affairs	11.36	13.79	15.09
29.	Personnel, Public Grievances and Pensions	947.83	1041.80	1127.29
30.	Petroleum and Natural Gas	85418.39	60310.18	31286.74
31.	Planning	1733.38	1808.33	1781.03
32.	Power	5513.69	13817.43	9216.23
33.	The President, Lok Sabha, Rajya Sabha, Union Public Service Commission, the Secretariat of the Vice President and Election Commission	1069.21	1057.98	1189.81
34.	Road Transport and Highways	46011.63	54493.73	84986.39
35.	Rural Development	99983.54	111136.62	121366.19
36.	Shipping	1870.20	1340.21	1689.47
37.	Skill Development and Entrepreneurship	--	--	1007.47
38.	Social Justice and Empowerment	5519.90	5802.88	6309.64
39.	Statistics and Programme Implementation	4843.37	4068.78	4178.40
40.	Steel	78.02	71.31	31.90
41.	Textiles	3954.98	3987.87	4145.98
42.	Tourism	1029.20	987.03	903.94
43.	Tribal Affairs	3839.35	3852.68	4495.18
44.	Urban Development	9533.55	13409.64	18752.54
45.	Women and Child Development	18038.59	18541.14	17260.28
46.	Youth Affairs and Sports	1143.78	1144.14	1460.90
Total		4862945.08	5124484.00	5334036.79

1.2 Authority for Audit

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13² and 17³ of the C&AG's (DPC) Act⁴. Bodies established by or under law made by

² Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts.

³ Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

⁴ Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

the Parliament and containing specific provisions for audit by the C&AG 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 (the Act). Audit of other organisations (Corporations or Societies) is entrusted to the C&AG in public interest under Section 20(1) of the Act. Besides, Central Autonomous Bodies (CABs), which are substantially financed by grants/loans from the Consolidated Fund of India, are audited by the C&AG under the provisions of Section 14(1) of the Act.

1.3 Utilisation Certificates

As per General Financial Rules, certificates of utilisation 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 42314 outstanding utilisation certificates involving an amount of ₹ 31153.13 crore in respect of grants released up to March 2015 due by March 2016 from 33 Ministries/Departments (after 12 months of the financial year in which the grants were released) are given in **Appendix-I**.

The position of outstanding utilisation certificates with significant money value relating to 10 Ministries/Departments as on March 2016 is given below:

Utilisation Certificates Outstanding as on 31 March 2016

(₹ in crore)

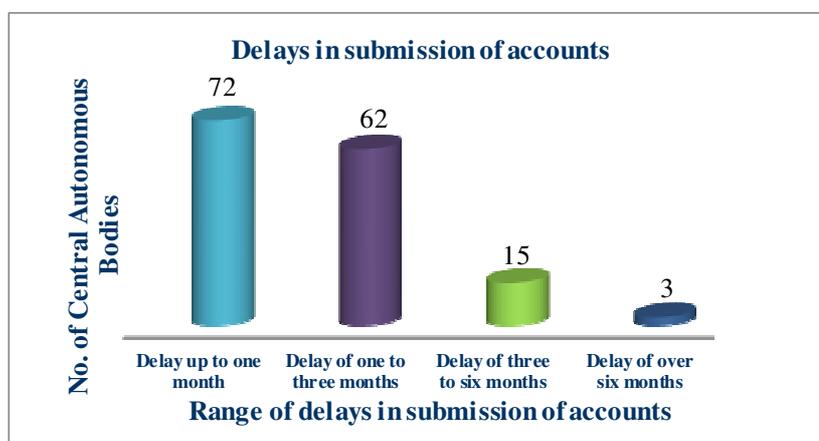
Sl. No.	Ministry/Department	For the period ending March 2015	
		Number	Amount
1.	Ministry of Agriculture & Farmer Welfare ⁵	832	1942.98
2.	Department of School Education & Literacy	1671	8855.02
3.	Department of Higher Education	2444	1318.25
4.	Ministry of Urban Development	304	3113.66
5.	Ministry of Tribal Affairs	368	1301.83
6.	Ministry of Housing & Urban Poverty Alleviation	543	3091.59
7.	Department of Heavy Industry	15	1301.92
8.	Ministry of Electronics and Information Technology	439	1133.52
9.	Ministry of Law and Justice	7	3125.00
10.	Ministry of Textiles	4829	1862.53
	Total	11452	27046.30

⁵ Includes figures of Department of Agriculture & Cooperation and Department of Animal Husbandry, Dairying and Fisheries only

1.4 Delays 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. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

For the year 2014-15, audit of accounts of 364 CABs was to be conducted by the C&AG. Out of these, the accounts of 152 CABs were furnished after the due date, as indicated in the following chart:



The details of CABs whose accounts were delayed beyond three months as of December 2015 are given in **Appendix – II**.

1.5 Delay in presentation of audited accounts of central autonomous bodies before both the Houses of Parliament

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 i.e. by 31 December of the following financial year.

Status of laying of the audited accounts before the Parliament as on 31 October 2016 was 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
2012-13	11	Nil
2013-14	09	03
2014-15	13	40

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

The particulars of CABs, whose audited accounts had not been laid or laid after due dates before Parliament, are given in **Appendix-III** and **Appendix-IV**.

1.6 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 respective Ministries in the Parliament.

Significant observations on the annual accounts of central autonomous bodies for the year 2015-16 are given in **Appendix-V**.

Some of the important deficiencies noticed in the annual accounts of the central autonomous bodies for the year 2015-16 are as below:

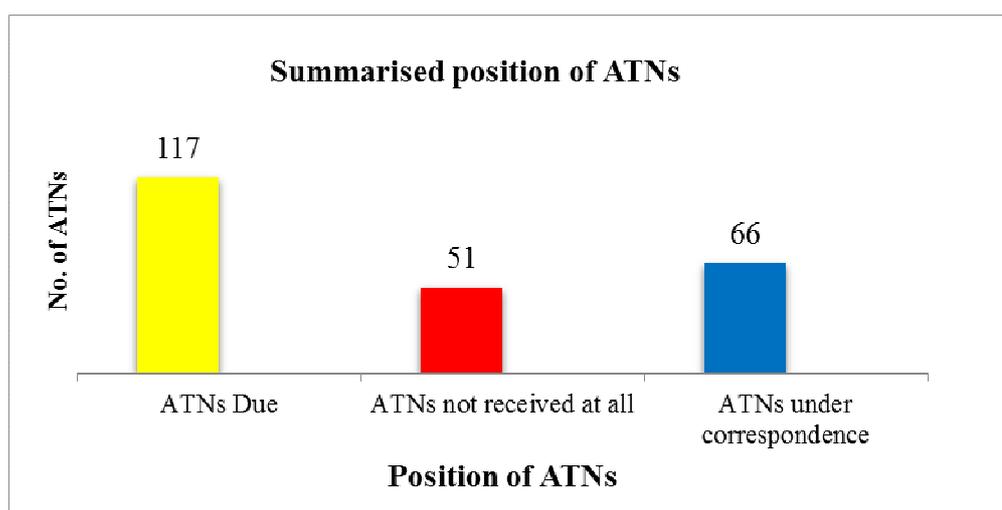
- (a) Internal audit of 104 autonomous bodies was not conducted (**Appendix-VI**).
- (b) Physical verification of the Fixed Assets of 91 autonomous bodies was not conducted (**Appendix-VII**).
- (c) Physical verification of the inventories of 73 autonomous bodies was not conducted (**Appendix-VIII**).
- (d) 41 autonomous bodies were accounting for the grants on realisation/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance (**Appendix-IX**).
- (e) 139 autonomous bodies has not accounted for gratuity and other retirement benefits on actuarial valuation basis (**Appendix-X**).
- (f) No Depreciation on fixed Assets was provided by **six** autonomous bodies (**Appendix-XI**).

- (g) **28** autonomous bodies revised their accounts as a result of audit (**Appendix-XII**). The impact of result of audit was net increase in Assets/Liabilities by ₹ 38.85 crore, and net increase in Surplus by ₹ 4.32 crore.

1.7 Status of pending ATNs

In its 105th Report (10th Lok Sabha – 1995-96) presented to the Parliament on 17 August 1995, the Public Accounts Committee had recommended that Action Taken Notes (ATNs) on all paragraphs of the Reports of the C&AG should be furnished to the Committee through the Ministry of Finance (Department of Expenditure) within a period of 4 months from the date of laying of Audit Reports on the Table of the House starting from 31 March 1996 onwards. Subsequently, a Monitoring Cell has been created under the Department of Expenditure who is entrusted with the task of coordination and collection of the remedial/corrective ATNs on the various Audit Paragraphs from all the Ministries/Departments concerned duly vetted by Audit and send the same to the Public Accounts Committee within the stipulated period of four months from the date of presentation of Audit Report to the Parliament.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Civil) up to the period ended March 2015 disclosed the following position as of December 2016.



As can be seen out of 117 paragraphs on which ATNs were required to be sent, ATNs in respect of 51 paragraphs were not received at all, while the remaining 66 which were under correspondence were pending at various stages. Year wise details are indicated in **Appendix-XIII**.

1.8 Response of the Ministries/Departments to draft paragraphs

On the recommendation of the Public Accounts Committee (PAC), Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs. Accordingly, the draft paragraphs are forwarded to Secretaries of the Ministries/Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks.

In the following cases the Ministries/Departments have taken action and ordered recoveries as detailed below:

(₹ in crore)

Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
1.	CGHS Headquarters	Health and Family Welfare	Non-collection of service fees from Autonomous Bodies availing CGHS benefits	2.43	13.96	Audit pointed out failure of CGHS to link the collection of service fees with availing of benefits by ABs. After the issue was raised by audit in five test checked cases, CGHS reconciled the position and recovered outstanding of ₹ 13.96 crore from 41 ABs for the period 2012-16.
2.	Department of Agricultural Research and Education	Agriculture and Farmers' Welfare	Short refund of interest amount earned on corpus	7.49	8.92	ICAR failed to refund interest earned on the corpus released to it for the scheme on scaling up of water productivity in Agriculture for livelihoods. Though it had refunded the corpus it failed to reckon the entire period for calculation of interest. After the issue was pointed out it reworked the total period and refunded ₹ 8.92 crore earned by it on the corpus.

Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
3.	Visakhapatnam Port Trust	Shipping	Short collection of cost of damages, advance berth reservation charges, vessel related charges and non-levy and collection of penal charges	4.94	4.94	At the instance of Audit entire amount of ₹ 4.94 crore was recovered as under: Short collection of cost of damages (₹ 1.74 crore), Advance berth reservation charges (₹ 0.70 crore) Vessel related charges (₹ 1.34 crore) Non-levy and collection of penal charges (₹ 1.16 crore)
4.	Urban Development(National Building Construction Corporation)	Urban Development	Funds released to NBCC for construction of two projects were not refunded by NBCC	7.87 (including interest of ₹ 3.13 crore)	4.91	MOUD allotted two construction projects to NBCC (Assam and Meghalaya) in 2003 and 2008 respectively. In the first case the work was transferred to Government of Assam but NBCC did not refund the amount of ₹ 1.88 crore released to it. In the second case the balance amount of ₹ 2.86 crore was not refunded by NBCC after completion of work. After the issue was raised by Audit, NBCC refunded ₹ 4.91 crore including interest of ₹ 17 lakh
5.	Central Public Works Division, Vadodra	Urban Development	Non remittance of Building and Other Construction Workers' Cess	1.82	1.20	Between April 2011 and March 2016, CPWD, Vadodra collected Labour Welfare Cess of ₹ 1.20 crore but did not remit the same to Building and other Construction Workers Welfare Board. This amount was remitted at the instance of audit. However penal interest of ₹ 62 lakh

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Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
						was not remitted as stipulated under Rules.
Total					33.93	

This report of the Comptroller and Auditor General of India for the year ended March 2016 containing 62 paragraphs pertaining to various Ministries/ Departments and their Autonomous Bodies involving a money value of ₹ 676.72 crore. Replies to the 59 Audit Paragraphs were received and have been suitably incorporated in the report.