

CHAPTER I : INTRODUCTION

1.1 About this Report

Compliance audit refers to the examination of transactions relating to expenditure, receipts as well as assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India as well as 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 weaknesses 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 procedures that will lead to improved financial management of the organisations and thereby contribute to better governance.

The gross provision and expenditure of all civil ministries/departments as of March 2017 covering 95¹ civil grants in 2016-17 and 102 civil grants in 2015-16 are given in **Table No. 1** below:

Table No. 1: Gross Provision and Expenditure

(₹ in crore)

Nature of Disbursements	2015-16			2016-17		
	Gross Provision	Gross Expenditure	Savings (-) Excess (+)	Gross Provision	Gross Expenditure	Savings (-) Excess (+)
Revenue (Charged)	5,70,014	5,46,699	(-) 23,315	6,14,699	6,05,198	(-) 9,501
Revenue (Voted)	10,55,700	9,92,772	(-) 62,928	12,60,178	11,36,498	(-) 1,23,680
Capital (Charged)	42,46,002	37,50,287	(-) 4,95,715	55,10,602	56,97,040	(+) 1,86,438
Capital (Voted)	2,56,908	2,39,715	(-) 17,193	2,61,720	2,07,390	(-) 54,330
Total	61,28,624	55,29,473	(-) 5,99,151*	76,47,199	76,46,126	(-) 1,073

* In 2015-16, the net was savings of ₹5,99,151 crore. In 2016-17, the net saving of ₹1,073 crore was due to gross saving of ₹1,90,227 crore and excess of ₹1,89,154 crore.

¹ This includes Defence Civil Grants (2), Telecommunications and Electronics & Information Technology Grants (2), Union Territories (without Legislatures) Grants (5), Scientific Department (9) and Central Receipts (3).

This Report includes observations relating to Civil Ministries/Departments falling under the sectors of General, Social and Economic Services and their autonomous bodies/corporations (excluding Ministries/Departments under Defence, Railways, Scientific & Environment, Telecommunications, Electronics and Information Technology, Posts, Union Territories without Legislatures and Department of Revenue) covering 74 civil grants arising as a result of audit of transactions up to 2016-17. The gross expenditure incurred by these Ministries/Departments during the last three years are shown in **Table No. 2** below:

Table No. 2: Gross Expenditure

(₹ in crore)

Sl. No.	Name of Ministry	2014-15	2015-16	2016-17
1.	Agriculture	26572.32	22778.34	48997.61
2.	Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy	685.19	1112.14	1292.60
3.	Chemicals and Fertilizers	75411.37	77966.79	70604.54
4.	Civil Aviation	6626.28	4168.10	3405.79
5.	Coal	1572.50	1669.72	1338.04
6.	Commerce and Industry	7438.02	7400.47	6507.48
7.	Consumer Affairs, Food and Public Distribution	129663.57	162384.89	147333.84
8.	Corporate Affairs	226.23	404.48	397.28
9.	Culture	2069.19	2011.83	2302.55
10.	Development of North Eastern Region	1761.01	2036.68	2543.61
11.	Drinking Water and Sanitation	12201.46	13481.18	26475.66
12.	External Affairs	12148.82	14472.95	12772.62
13.	Finance	4340806.54	4487273.80	6412578.52
14.	Food Processing Industries	596.74	504.44	716.97
15.	Health and Family Welfare	33046.65	35390.48	40407.08
16.	Heavy Industries and Public Enterprises	1621.43	944.46	8367.50
17.	Home Affairs (excluding UTs without Legislatures)	61573.53	70006.68	81310.12
18.	Housing and Urban Poverty Alleviation	2735.40	1766.16	5220.99
19.	Human Resource Development	91249.07	86657.36	91673.04
20.	Information and Broadcasting	3158.53	14681.30	3978.30
21.	Labour and Employment	4320.66	4832.02	5313.31
22.	Law and Justice	1932.84	3127.96	3851.01
23.	Micro, Small and Medium Enterprises	2767.82	2834.41	3650.07
24.	Mines	868.16	993.80	1075.97
25.	Minority Affairs	3090.51	3654.85	3049.15
26.	Overseas Indian Affairs	64.09	68.34	--
27.	Panchayati Raj	3390.56	208.67	673.98

28.	Parliamentary Affairs	13.79	15.09	17.09
29.	Personnel, Public Grievances and Pensions	1041.80	1127.29	1279.12
30.	Petroleum and Natural Gas	60310.18	31286.74	30231.29
31.	Planning	1808.33	1781.03	225.69
32.	Power	13817.43	9216.23	11768.35
33.	The President, Lok Sabha, Rajya Sabha, Union Public Service Commission, the Secretariat of the Vice President and Election Commission	1057.98	1189.81	1368.20
34.	Road Transport and Highways	54493.73	84986.39	94752.09
35.	Rural Development	111136.62	121366.19	157952.27
36.	Shipping	1340.21	1689.47	1734.92
37.	Skill Development and Entrepreneurship	--	1007.47	1553.09
38.	Social Justice and Empowerment	5802.88	6309.64	7305.78
39.	Statistics and Programme Implementation	4068.78	4178.40	4270.84
40.	Steel	71.31	31.90	437.80
41.	Textiles	3987.87	4145.98	6227.51
42.	Tourism	987.03	903.94	1638.60
43.	Tribal Affairs	3852.68	4495.18	4822.29
44.	Urban Development	13409.64	18752.54	32297.61
45.	Women and Child Development	18541.14	17260.28	17097.61
46.	Youth Affairs and Sports	1144.14	1460.90	1576.20
Total		5124484.00	5334036.79	7362393.97

1.2 Authority for Audit

The authority for audit by the C&AG and reporting to 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 (the Act). The 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 the Parliament and containing specific provisions for audit by the C&AG are statutorily taken up for audit under Section 19(2) of 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. In addition, Central Autonomous Bodies (CABs), which are substantially financed by grants/loans from the Consolidated Fund of India, are audited by the C&AG under Section 14(1) of the Act.

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.

1.3 Utilisation Certificates

As per the 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. There were a total of 13,028 utilisation certificates involving an amount of ₹ 35,289 crore in respect of grants released up to March 2016 by 30 Ministries/Departments that were outstanding after 12 months of the financial year in which the grants were released as detailed in **Appendix-I**.

The position of outstanding utilisation certificates with significant money value relating to 10 Ministries/Departments as of March 2017 is given in **Table No. 3** below:

Table No. 3: Utilisation Certificates Outstanding as on 31 March 2017

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2016	
		Number	Amount
1.	Rural Development	138	9354.22
2.	Urban Development	422	6676.55
3.	Power	25	5009.79
4.	Housing and Urban Poverty Alleviation	590	4125.08
5.	Agriculture (Agriculture Cooperation + Animal Husbandry and Dairy)	1095	3416.68
6.	Textiles	5117	3037.03
7.	Skill Development & Entrepreneurship (NSDA+NSDF)	3	975.52
8.	Electronics and Information Technology	266	745.80
9.	Culture	3570	446.42
10.	Heavy Industry	23	302.35
	Total	11249	34089.43

1.4 Delays in submission of accounts by central autonomous bodies⁵

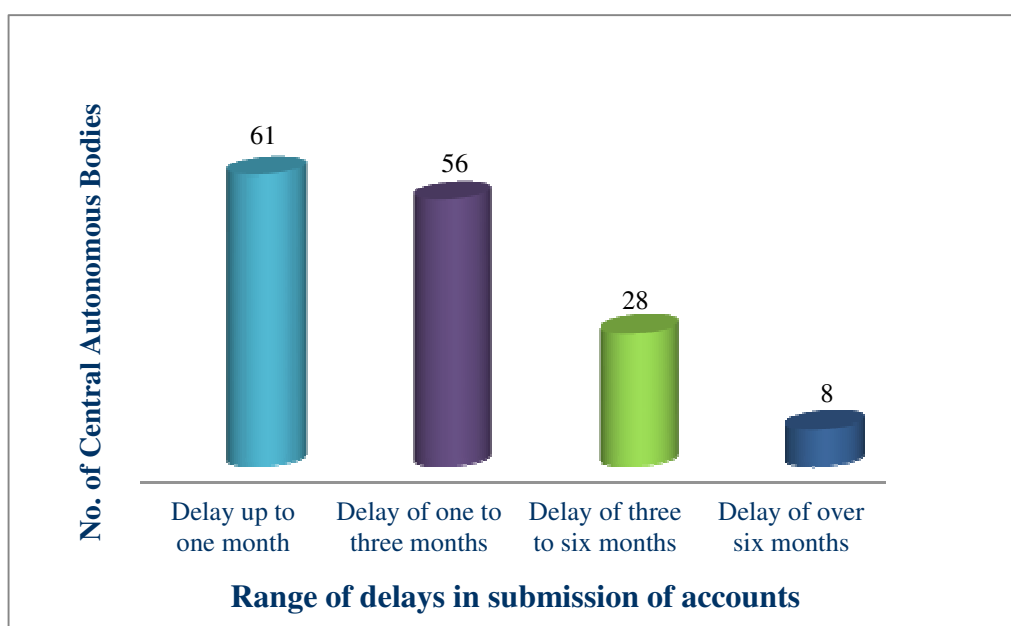
The Committee on Papers Laid on the Table of the House had recommended in its First Report (5th Lok Sabha) 1975-76 that every autonomous body should complete its accounts within a period of three months after the close of the accounting year and make them available for audit. This is also stipulated in

⁵ Excluding Ministries of Earth Sciences, Environment and Forest, New and Renewable Energy, Scientific and Technology, Water Resources, Department of Atomic Energy and Department of Space.

Rule 237 of the General Financial Rules 2005. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

Audit of accounts of 389 Central Autonomous Bodies (CABs) was to be conducted by the C&AG for the year 2015-16. Out of these, the accounts of 153 CABs were furnished after the due date as indicated in the **Chart No. 1** given below:

Chart No. 1: Delay in submission of accounts



The details of CABs whose accounts were delayed beyond three months as of December 2016 are given in **Appendix – II**.

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

The Committee on Papers Laid on the Table of the House (First Report 1975-76) as well as Rule 237 GFR 2005 also stipulated that the audited accounts of autonomous bodies should be laid before Parliament within nine months of the close of the accounting year i.e. by 31 December of the following financial year.

The status of laying of the audited accounts before the Parliament as on 30 November 2017 is given in **Table No. 4** below:

Table No. 4: Status of laying of the audited accounts in the Parliament

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
2013-14	01	Nil
2014-15	01	04
2015-16	39	62

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 that are to be tabled by respective Ministries in Parliament.

Significant observations on the annual accounts of central autonomous bodies for the year 2016-17 are given in **Appendix-V**. Some of the important deficiencies noticed in the annual accounts of the central autonomous bodies for the year 2016-17 are as below:

- (a) Internal audit of 81 autonomous bodies was not conducted (**Appendix-VI**);
- (b) Physical verification of the fixed assets of 66 autonomous bodies was not conducted (**Appendix-VII**);
- (c) Physical verification of the inventories of 66 autonomous bodies was not conducted (**Appendix-VIII**);
- (d) 35 autonomous bodies were accounting for grants on realisation/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance (**Appendix-IX**);
- (e) 105 autonomous bodies had not accounted for gratuity and other retirement benefits on actuarial valuation basis (**Appendix-X**);
- (f) No depreciation on fixed assets had been provided by seven autonomous bodies (**Appendix-XI**); and
- (g) 25 autonomous bodies revised their accounts as a result of audit (**Appendix-XII**). The impact of the revision was a net decrease in

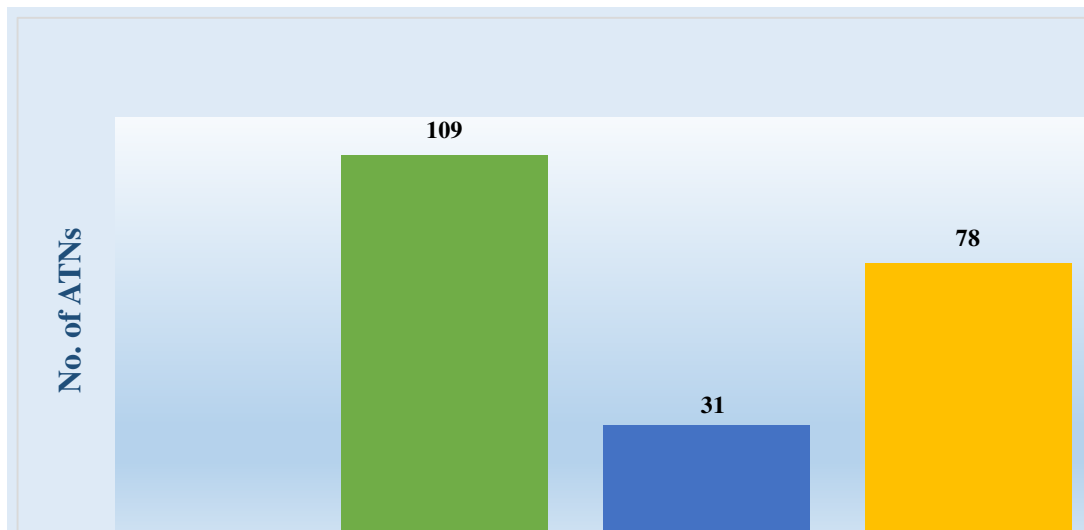
assets/liabilities by ₹ 7.46 crore and net decrease in surplus by ₹ 149.92 crore.

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 four months from the date of laying of the Audit Reports on the Table of the House starting from 31 March 1996 onwards. Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs from all Ministries/Departments concerned duly vetted by Audit and sending them to the Public Accounts Committee within the stipulated period of four months from the date of presentation of the 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 2016 disclosed the position, in **Chart No. 2** given below, as of November 2017.

Chart No. 2: Summarised position of ATNs



Out of 109 paragraphs on which ATNs were required to be sent, ATNs in respect of 31 paragraphs were not received at all while the remaining 78 were pending at various stages. Year wise details are indicated in **Appendix-XIII**.

Further, in respect of the last five years' Audit Reports on Food Corporation of India, out of 21 paragraphs on which ATNs were required to be sent, ATNs in respect of eight paragraphs were not received at all while the remaining 13 were pending at various stages.

1.8 Response of the Ministries/Departments to audit paragraphs

On the recommendation of the Public Accounts Committee (PAC), the 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.

An amount of ₹ 87.34 crore had been recovered out of over-payment/inadmissible payments of ₹ 102.58 crore by two Ministries/Departments as detailed in **Table No. 5a & 5b** below:

Table No. 5a: Recovered amount out of over-payment/inadmissible payments in case of autonomous bodies

(₹ 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.	Central Board of Secondary Education	Human Resources Development Department of School Education and Literacy	Non-recovery of license fee	0.83	0.73	The Central Board of Secondary Education (CBSE) allotted space to three branches of Syndicate Bank in its premises. CBSE, however, did not charge licence fee from the Bank as prescribed by Directorate of Estate resulting in non-recovery of licence fee aggregating ₹ 83.41 lakh.
2.	EPFO, Regional Office, Kolkata	Labour	Short realization of interest and penal damages	3.21	3.05	The EPFO, Regional Office Kolkata, miscalculated the period (15 February 2011 to 18 December 2014 instead of 15 November 2000 to 18 December 2014) for charging of interest and penal damages to be recovered due to delay in deposit of EPF contribution and other Admn charges by

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
						BSNL Kolkata. On being pointed out by audit, RO, EPFO, Kolkata issued orders (September 2017) for recovery of interest and penal damages of ₹ 3.05 crore (₹ 0.17 crore as penal damages and ₹ 2.88 crore as interest) which was recovered in September 2017. However ₹ 0.16 crore is still recoverable as RO EPFO, Kolkata erroneously deducted ₹ 10.07 crore instead of ₹ 9.91 crore from the total recovered interest and penal damages from BSNL.
Total				4.04	3.78	

Table No. 5b: Recovered amount out of over-payment/inadmissible payments in case of Food Corporation of India

(₹ 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
3.	Food Corporation of India	Ministry of Consumer Affairs, Food and Public Distribution	Inadmissible payments	7.49	7.49	Excess payment to State Government Agencies on account of gunny depreciation due to use of old gunny in procurement of paddy.
				6.21	6.21	Excess payment of custody and maintenance charges
				6.73	6.73	Non-recovery on account of short delivery of levy rice of crop years 2006-07, 2008-09, 2009-10 and 2010-11.
				0.93	0.93	Non taking of direct delivery of wheat at Sardulgarh Centre.
				15.84	15.84	Excess payment on account of storage charges on fixation of final rates of RMS 2007-08 and 2008-09.

Report No. 4 of 2018

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
				13.18	0.23	Avoidable payment of elements of service tax on transportation of food grains.
				1.23	1.23	Deficiencies noticed in payment of incentive to the departmental labour.
				8.17	4.87	Non imposition of penalty due to delay in delivery of resultant rice of paddy procured.
				5.59	8.22	Non-recovery due to revision of final rate of Rabi Marketing Season (RMS) 2007-08.
				33.17	31.81	Excess reimbursement for gunny bags on procurement of Custom Milled Rice for the Kharif Marketing Season 2010-15.
Total				98.54	83.56	

This report for the year ended March 2017 contains 62 paragraphs (78 cases⁶) pertaining to various Ministries/Departments and their autonomous bodies/ corporations involving a money value of ₹ 1,179.16 crore. Replies were received in respect of 24 paragraphs and they have been suitably taken into account and incorporated in the report.

⁶ 78 cases include three Paragraphs clubbed under Para 1.8 under 'Action taken/ recoveries effected by Ministries & Departments' and 62 individual Paragraphs. Further, 18 cases are clubbed under five Paragraphs (Paragraph Nos. 7.2, 7.3, 12.4, 12.10 and 12.17) as they fell under common lapses.