

CHAPTER I : INTRODUCTION

1.1 About this Report

This Report contains the significant results of the Compliance Audit of financial transactions of the Ministries/Departments of the Union Government and their Autonomous Bodies under General, Social, Scientific Services and Environment Sectors.

The Report has been organised in 14 chapters as under:

- Chapter 1, in addition to explaining the authority, audit jurisdiction, planning and extent of audit, provides a brief analysis of the expenditure of the Union Ministries/Departments under the General, Social, Scientific Services and Environment Sectors for the last three years, outstanding Utilisation Certificates, delays in submission of accounts by Central Autonomous Bodies (CABs), response of the Government to draft paragraphs and follow up action on Audit Reports.
- Chapters 2 to 12 and 14 contain significant observations arising out of compliance audit of various Civil Ministries/Departments falling under the sectors of General, Social, Scientific & Environment and their Autonomous Bodies/Corporations, covering 59 civil grants arising as a result of audit of transactions up to 2018-19.
- Chapter 13 contains significant observations arising from the audit of Government Departments/Offices/Institutions under the control of the five Union Territories without Legislatures (UTs) viz. Andaman and Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu and Lakshadweep covering five grants as a result of audit of transactions up to 2018-19.

1.2 Types of Audit conducted by CAG

CAG broadly carries out three types of audits, viz. Financial Audit, Compliance Audit and Performance Audit. Financial Audit is an expression of audit opinion on the set of financial statements, whereas Performance Audits seek to examine as to how programmes and projects were implemented with regard to economy, efficiency and effectiveness. Compliance Audit refers to the examination of transactions relating to expenditure, receipts as well as assets and liabilities of audited entities to examine and report on their compliance to the provisions of the Constitution of India as well as other applicable laws, rules, regulations and

various orders and instructions issued by competent authorities. 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 the basis of CAG's Auditing Standards. 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 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 and frame such policies and procedures which will lead to improved financial management of the organisations and contribute to better governance.

1.3 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 13 and 17 of the C&AG's (DPC) Act. 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, 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.

1.4 Planning and conduct of Audit

As per the Annual Audit Planning process, units for compliance audit are selected on the basis of risk assessment besides topicality, materiality, social relevance etc. Risk assessment includes appraisal of internal control systems of the units, past instances of defalcation, misappropriation, embezzlement, etc. as well as findings of previous Audit Reports. Inspection Reports are issued to the heads of units after completion of audit. Based on the replies received, audit observations are settled with action for compliance advised, where necessary. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report after seeking responses from the Secretary of the Ministry/Department concerned. Audit Reports are laid before the Parliament/respective State Legislature under Article 151 of the Constitution of India.

1.5 Profile of the Ministries/Departments under the Union Government and audit jurisdiction

The gross provision and expenditure of all Union Ministries/Departments as of March 2019 covering 95¹ civil grants in 2018-19 and 96 civil grants in 2017-18 are given in **Table No. 1**.

Table No. 1: Gross Provision and Expenditure

(₹ in crore)

Nature of Disbursements	2017-18			2018-19		
	Gross Provision	Gross Expenditure	Savings (-) Excess (+)	Gross Provision	Gross Expenditure	Savings (-) Excess (+)
Revenue (Charged)	652480	641217	(-) 11263	715647	695459	(-) 20188
Revenue (Voted)	1480913	1322124	(-) 158789	1627514	1384062	(-) 243452
Capital (Charged)	5799508	5890670	(+) 91162	6215711	6088920	(-) 126791
Capital (Voted)	353322	326541	(-) 26781	420572	358890	(-) 61682
Total	8286223	8180552	(-) 105671	8979444	8527331	(-) 452113

* In 2017-18, the net saving of ₹ 105671 crore was due to gross saving of ₹ 196834 crore and excess of ₹ 91162 crore. In 2018-19, the net saving was ₹ 452113 crore.

The details of tax and non tax revenues in 2017-18 and 2018-19 are given in **Table No. 2**.

Table No. 2: Details of tax and non tax revenues

(₹ in crore)

Revenues		
	2017-18	2018-19
Tax Revenue	1246178	1319011
Non Tax Revenue	441383	486388

Includes Union Territories without Legislatures

The gross expenditure incurred by 37 Ministries/Departments (Civil and Scientific) during 2016-17 to 2018-19 are shown in **Table No. 3** and the details are given in **Appendix-I**.

Table No. 3: Gross Expenditure

(₹ in crore)

Period	Amount
2016-17	738280.02
2017-18	871296.68
2018-19	867163.77

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

1.6 Audit of Union Territories

There were seven Union Territories² (UTs) specified under Part II of the First Schedule to the Constitution of India, *viz.* Andaman and Nicobar Islands, Chandigarh, Dadra & Nagar Haveli and Daman & Diu, Lakshadweep, National Capital Territory of Delhi and Puducherry. Except for the National Capital Territory of Delhi and Puducherry, UTs do not have Legislatures.

Under the Government of India (Allocation of Business) Rules, 1961, the Ministry of Home Affairs (MHA) is the nodal Ministry for legislative matters, finance and budget and services for the UTs. Each UT functions under an Administrator appointed by the President under Article 239 of the Constitution of India. In the Andaman and Nicobar Islands, the Lt. Governor is designated as the Administrator while the Governor of Punjab is the Administrator of Chandigarh. Administrators are also separately appointed for Dadra & Nagar Haveli and Daman & Diu and Lakshadweep. The Administrator's Advisory Councils in these UTs advise the Administrators. The Home Minister's 'Advisory Committees' in these UTs address general issues relating to the social and economic development of the UTs. The Island Development Authority (IDA) facilitates the integration of high level decisions concerning the island UTs of the Andaman and Nicobar Islands and Lakshadweep. The budget provisions in respect of UTs are under the administrative control of the MHA. The MHA prepares the Demands for Grants and Detailed Demand for Grants (DDGs) relating to these UTs for approval of Parliament. While the general administration of the UTs is the responsibility of the MHA, other Ministries/Departments of the Union Government administer funds on the subjects mentioned in Lists I and II of the Seventh Schedule to the Constitution of India insofar as they exist in regard to these territories. Thus, the DDGs also contain proposals of other Ministries and Departments relating to the expenditure on these UTs on activities concerning these Ministries and Departments. Administrators of the UTs have been delegated financial powers upto a certain limit by MHA for sanction of plan schemes.

1.6.1 Provision and Expenditure in UTs

Details of budgetary allocation and expenditure in the five UTs in 2018-19 are given in **Table No. 4**.

² Now there are Eight Union Territories *viz.* Andaman and Nicobar Islands, Chandigarh, Dadra & Nagar Haveli and Daman & Diu, Jammu & Kashmir (w.e.f. 9 August 2019), Ladakh (w.e.f. 9 August 2019), Lakshadweep, National Capital Territory of Delhi and Puducherry.

Table No. 4: Budgetary allocation and expenditure

(₹ in crore)

Name of Union Territory	Total Grant/Appropriation		Actual Expenditure		Savings			
	Revenue	Capital	Revenue	Capital	Revenue		Capital	
					Amount	Per cent	Amount	Per cent
Andaman and Nicobar Islands	4185.53	600.94	4180.53	473.37	5.00	0.12	127.57	21.23
Chandigarh	4031.55	505.12	3946.12	483.95	85.43	2.12	21.17	4.19
Dadra & Nagar Haveli	822.86	318.35	820.48	263.72	2.38	0.29	54.63	17.16
Daman & Diu	1364.09	323.45	1321.12	323.41	42.97	3.15	0.04	0.01
Lakshadweep	1130.64	266.71	1094.12	153.45	36.52	3.23	113.26	42.46
Total	11534.67	2014.57	11362.37	1697.89	172.30	1.49	316.68	15.72

Source: Union Government-Appropriation Accounts (Civil) 2018-19

In Andaman and Nicobar Islands, savings occurred under the capital section due to pending arbitration cases in Tsunami Reconstruction Projects by Central Public Works Department, delay in sanction and execution of works by Andaman Lakshadweep Harbour Works, delay in finalisation of dredging work at Car Nicobar.

In Chandigarh, savings occurred due to non filling up of posts, non implementation of the recommendations of the Punjab Pay Commission, and non holding of elections of Municipalities and Gram Panchayats.

In Daman and Diu, significant savings occurred under revenue section mainly due to non filling up of vacant posts, less tours undertaken and availability of unspent balance of previous year.

In Dadra and Nagar Haveli, significant savings occurred in the capital section mainly due to delay in finalisation of proposals for Kala Kendra Phase-II, for land acquisition of Anganwadi centres, beautification and strengthening of roads at Silvassa.

In Lakshadweep, savings under capital section occurred mainly due to delay in acquisition of land for construction of schools, delay in construction of desalination plants, delay in approval for acquisition of ships.

1.7 Audit of Autonomous Bodies

Separate Audit Reports (SARs) are prepared on the accounts of Autonomous Bodies (ABs) coming under various Ministries/Departments under sections 14, 19(2) and 20(1) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The total grants released to these ABs during 2018-19 aggregated to ₹ 52337.24 crore including previous year's unspent grants. The details are given in **Appendix-II**.

1.8 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 92620 Utilisation Certificates (UCs) involving an amount of ₹ 37182.21 crore in respect of grants released up to March 2018 by 14 Ministries/Departments that were outstanding after 12 months of the financial year in which the grants were released are detailed in **Appendix-III**.

The period of pendency of Utilisation Certificates are depicted in **Table No. 5**.

Table No. 5: Period of Pendency of UCs

(₹ in crore)

Period	No. of UCs	Amount
Upto March 2012	38586	12289.28
2012-17	40741	20759.63
2017-18	13293	4133.30
Total	92620	37182.21

The pendency of Utilisation Certificates for such a long duration defeats the very purpose of certificate. The procedure prescribed in Rule 238 of GFRs that the further grants should not be released by the Sanctioning Authority before receipt of Utilisation Certificate for earlier grants needs to be strictly enforced.

The position of outstanding Utilisation Certificates with significant money value relating to five Ministries/Departments as of March 2019 is given in **Table No. 6**.

Table No. 6: Utilisation Certificates Outstanding as on March 2019

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2018	
		Number	Amount
1.	Department of Science and Technology	46050	9618.19
2.	Ministry of Tribal Affairs	459	1572.02
3.	Ministry of Food Processing Industries	2013	624.25
4.	Ministry of Culture	4315	571.66
5.	Atomic Energy	1897	211.33
Total		54734	12597.45

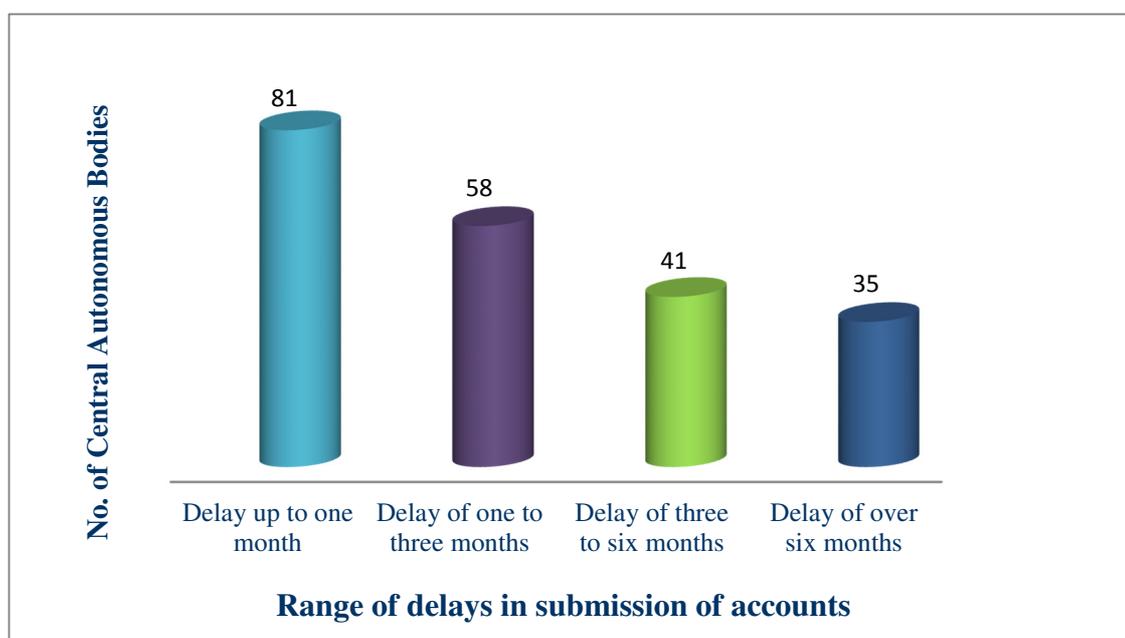
1.9 Delays in submission of accounts to audit and presentation of audited accounts of Central Autonomous Bodies before both the Houses of Parliament by Central Autonomous Bodies

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 Rule 237 of the General Financial Rules, 2017. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

a) Delays in submission of accounts to audit

Audit of accounts of 462 CABs was to be conducted by the C&AG for the year 2017-18. Out of these, the accounts of 215 CABs were furnished after the due date as indicated in the **Chart No. 1**.

Chart No. 1: Delay in submission of accounts



The details of CABs whose accounts were delayed beyond three months as of December 2018 are given in **Appendix-IV**.

b) Delay in presentation of audited accounts to the Parliament

The status of laying of the audited accounts before the Parliament as on 30 September 2020 is given in **Table No. 7**.

Table No. 7: 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
2012-13	02	-
2013-14	01	-
2014-15	06	-
2015-16	07	-
2016-17	14	-
2017-18	37	33

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

1.10 Results of Certification of audit

Separate Audit Reports for each of the CABs 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.

Some of the important deficiencies noticed in the annual accounts of the Central Autonomous Bodies for the year 2018-19 (details in **Appendix-VII**) are as below:

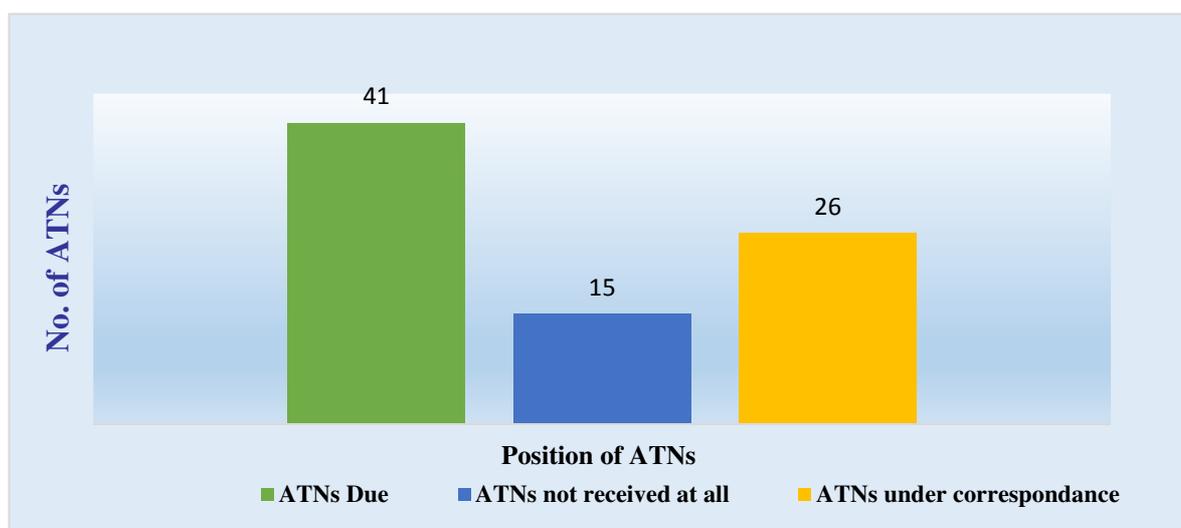
- (a) Internal audit of **151** CABs was not conducted (**Appendix-VIII**);
- (b) Physical verification of the fixed assets of **120** CABs was not conducted (**Appendix-IX**);
- (c) Physical verification of the inventories of **111** CABs was not conducted (**Appendix-X**);
- (d) **68** CABs were accounting for grants on realisation/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance (**Appendix-XI**);
- (e) **161** CABs had not accounted for gratuity and other retirement benefits on actuarial valuation basis (**Appendix-XII**);
- (f) No depreciation on fixed assets had been provided by **eight** CABs (**Appendix-XIII**); and
- (g) **31** CABs revised their accounts as a result of audit (**Appendix-XIV**). The impact of the revision was a net increase in assets/liabilities by ₹ 11.48 crore and net decrease in surplus by ₹ 13.06 crore and net increase in deficit by ₹ 2.63 crore.

1.11 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 2018, as of September 2020, disclosed the position, in **Chart No. 2**.

Chart No. 2: Summarised position of ATNs



Out of 41 paragraphs on which ATNs were required to be sent, ATNs in respect of 15 paragraphs were not received at all while the remaining 26 were pending at various stages. Year wise details are indicated in **Appendix-XV**.

In respect of Union Territories, Audit observed that 12 ATNs pertaining to the Audit Report of the C&AG for the period upto September 2020 were pending as given in **Appendix-XVI**.

1.12 Saving of over ₹ 500 crore in Eight Major Schemes

The Public Accounts Committee (PAC) in Para 14 of the 17th Report relating to Union Government Appropriation Accounts (Civil) 1996-97 has observed that “large scale unspent provisions under Grants/Appropriations by the Civil Ministries/Departments have become an almost recurring feature and the position is still to improve and had concluded that the concerned Ministries/Departments have not made any serious attempts to apply effective corrective measures in accordance with the Committee’s recommendations”. Therefore, in compliance with the recommendation made by the PAC in this regard, the Ministry of Finance requested all the Financial Advisers to carry out a thorough study of the cases/schemes where large scale unspent provisions have occurred and take appropriate action so as to avoid recurrence of large-scale unspent provisions in their respective Demands for Grants.

Savings of ₹ 500 crore and above constituting more than 15 per cent of the budget provisions occurred in the following eight Major schemes implemented by various Ministries/Departments during 2018-19 as detailed in **Table No. 8**. Large savings is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. Such savings not only indicated poor budgeting, it also implies unnecessary provisioning of resources through taxes etc., and depriving resources to other deserving sectors of the economy.

Table No. 8: Savings of ₹ 500 crore and above constituting more than 15 per cent of the budget provisions

(₹ in crore)

Sl. No.	Ministry	Scheme	Budget Estimates	Actuals	(-) Savings	Savings in Percentage
1.	Agriculture and Farmers’ Welfare	Pradhan Mantri Krishi Sinchai Yojna (PMKSY)	4,000.00	2,918.38	-1,081.62	27.04
2.	Human Resource Development	Rashtriya Madhyamik Shiksha Abhiyan	4,213.00	3,399.40	-813.60	19.31
3.	Rural Development	National Social Assistance Programme	9,975.00	8,418.47	-1,556.53	15.60
		Pradhan Mantri Gram Sadak Yojna (PMGSY)	19,000.00	15,417.55	-3,582.45	18.86
4.	Drinking Water and Sanitation	National Rural Drinking Water Mission	7,000.00	5,484.34	-1,515.66	21.65
		Swachh Bharat Mission-Rural	15,343.10	12,931.96	-2,411.14	15.71
5.	Skill Development and Entrepreneurship	Pradhan Mantri Kaushal Vikas Yojana	3,071.00	2,502.89	-568.11	18.50

Sl. No.	Ministry	Scheme	Budget Estimates	Actuals	(-) Savings	Savings in Percentage
6.	Water Resources, River Development and Ganga Rejuvenation	National Ganga Plan and Ghat Works	2,300.00	687.5	-1,612.50	70.11

Source: Accounts at Glance for the year 2018-19, Department of Expenditure, Ministry of Finance

1.13 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.

Concerned Ministries/Departments did not send replies to 13 out of 38 paragraphs (up to December 2020) featured in **Chapters-II to XIV**. The response of the concerned Ministries/Departments received in respect of 25 paragraphs has been suitably incorporated in the Report.

An amount aggregating ₹ 89.30 crore has been recovered during the compliance audit process as per details given in **Table No. 9**.

Table No. 9: Details of recovery

(₹ in crore)

Sl. No.	Ministry/Department	Audit observations	Amount recovered
1.	Ministry of Human Resource Development (Now Ministry of Education) Department of Higher Education (All India Council for Technical Education)	After being pointed out by Audit, All India Council of Technical Education recovered ₹ 2.01 crore on account of electricity & water charges, common maintenance charges, property tax and other levies from January 2010 to December 2016 from its tenant National Board of Accreditation.	2.01
2.	Consumer Affairs, Food and Public Distribution	Amount recovered in case of PSUs/Statutory Corporation. Appendix-XVII	79.91
3.	Department of Atomic Energy		0.57
4.	Ministry of External Affairs	Failure of EOI Washington to observe prescribed rules and procedures led to payment of Air Fare by non entitled class/unapproved route. The Mission has recovered ₹ 4.52 lakh (₹ 0.05 crore) on account overpayment at the instance audit.	0.05
5.	Ministry of Health and Family Welfare (All India Institute of Medical Sciences, New Delhi)	In compliance of the audit observations, AIIMS, New Delhi, recovered GST aggregating to ₹ 6.76 crore paid to M/s Tata Consultancy Services Ltd.	6.76
Total			89.30