

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 2009-10, the Ministries of the Union Government released grants/loans aggregating ₹ 40645.71 crore to 487 autonomous bodies. Of these, the Comptroller and Auditor General of India was the sole auditor in respect of 262 autonomous bodies to whom grants/loans aggregating ₹ 35073.03 crore were released during 2009-10. The details are given in **Appendix – I**. The Comptroller and Auditor General was also the sole auditor of another 42 Central autonomous bodies to whom no grant or loan was released during 2009-10. Information in respect of 11 bodies was not furnished by the concerned Ministries (**Marked at * in Appendix - I**).

As per the information furnished by various Ministries, grants/loans aggregating ₹ 5572.68 crore were released to 225 bodies during 2009-10 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 1.06 *per cent* during the last five years ending 31 March 2010 as shown in the table below:

Year	Amount of total central assistance to CAB during the year (Rupees in crore)	Gross Budgetary Support ¹ (Rupees in crore)	Percentage of central assistance to CABs with reference to gross budgetary support
2005-06	16189.34	1523189.46	1.06
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

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 a considerable decrease from 1.06 *per cent* in the year 2005-06 to 0.55 *per cent* in the year 2006-07, it registered an increasing trend in the years 2007-08 to 2009-10 when it increased from 0.82 *per cent* in the year 2007-08 to 0.93 *per cent* in the year 2009-2010.

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
2005-06	16189.34	1839.00	1176.61	1078.02	1453.49	721.85	11.36	7.28	6.66	8.98	4.46
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
Total	116640.66	12356.81	10044.19	5964.62	9862.65	5060.91					
Grand Total	43289.18										
Percentage of total assistance to five ABs with reference to the total central assistance to all ABs	37.11										

It may be seen from the table that the aforesaid five Central autonomous bodies alone had availed 37.11 *per cent* of the total central assistance to all the Central autonomous bodies during the last five years ending 31 March 2010.

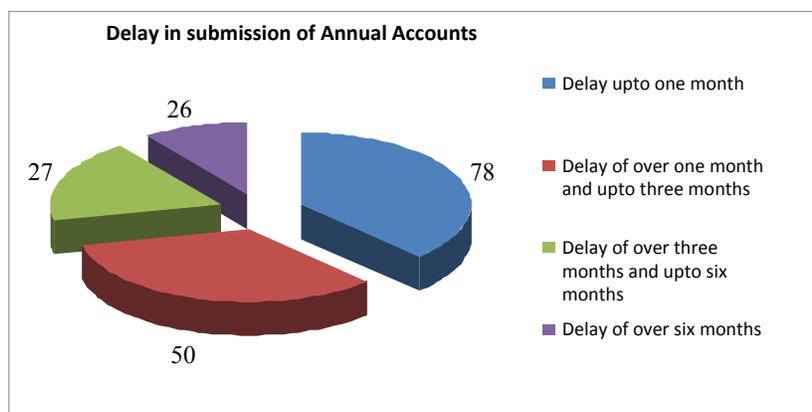
¹ Source: Appropriation accounts – Union Government (Civil) for the respective years

It was further observed that out of the total grant of ₹ 43289.18 crore during the years 2005-06 to 2009-10, the unspent balance at the end of the respective years was ranging from ₹ 48.50 crore to ₹ 584.07 crore.

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 (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 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 2008-09, audit of accounts of 292 Central autonomous bodies was to be conducted by the Comptroller and Auditor General of India. Out of these, the accounts of 109 autonomous bodies only, were made available for audit within the prescribed time after the close of the financial year. While the accounts of two autonomous bodies were not submitted as of December 2010, the accounts of 181 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 2010 are given in **Appendix - III**.

1.1.3 Arrears in submission of accounts

Two autonomous bodies have not submitted their accounts for several years ranging between four and twenty years (**Appendix - IV**).

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

- Grants received, if any 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 the 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:

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
2008-09	12*	29**
2009-10	80	2

* includes 1 case of 2006-07 and 4 cases of 2007-08

**includes 2 cases of 2006-07 and 8 cases of 2007-08

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 31243 outstanding utilization certificates involving an amount of ₹ 25272.94 crore in respect of grants released up to March 2009 due by March 2010 (after 12 months of the financial year in which the grants were released) are given in **Appendix - VII**. Ministry of External Affairs, Ministry of Social Justice and Empowerment, Ministry of Railways, Ministry of Culture, Ministry of Home Affairs, Ministry of Women and Child Development, Ministry of Development of North-Eastern Region and Dadar & Nagar Haveli Administration did not furnish the information of outstanding utilization certificates.

Out of the total number of 11623 utilisation Certificates amounting to ₹ 20767.57 crore awaited from 10 major Ministries /Department at the end of March 2010, 7855 certificates amounting to ₹ 6591.29 crore related to grants released up to March 2008 as shown below:

Utilisation Certificates outstanding as on 31 March 2010

(Rupees in crore)

Sl. No.	Ministry/Department	For the period ending March 2009		For the period ending March 2008	
		Number	Amount	Number	Amount
1.	Family Welfare	1767	6751.10	1407	2540.55
2.	Health	2508	3496.42	1630	1301.10
3.	Agriculture	919	2333.01	468	340.06
4.	Rural Development	955	1713.63	196	207.19
5.	Textiles	1601	1463.54	1401	96.56
6.	Commerce	252	1252.23	93	354.28
7.	Panchayati Raj	96	1249.09	52	233.62
8.	Department of Secondary Education and Literacy	1373	1049.49	1308	590.86
9.	Information Technology	578	827.03	407	657.67
10.	AYUSH	1574	632.03	893	269.40
Total		11623	20767.57	7855	6591.29

1.4 Results of certification of audit

Separate Audit Reports for each of the autonomous bodies audited under Section 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 the 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 58 autonomous bodies as per **Annexure - I** was not conducted for the year 2009-2010.
- (b) Physical verification of the Fixed Assets of 83 autonomous bodies as per **Annexure - II** has not been conducted during the year 2009-2010.
- (c) Physical verification of the inventories of 62 autonomous bodies as per **Annexure - III** has not been conducted during the year 2009-2010.
- (d) 28 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) 18 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) 41 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 22 autonomous bodies as per **Annexure - VII**.
- (h) 18 autonomous bodies have revised their accounts as a result of audit as per **Annexure - VIII**.

1.4.2 Significant observation on the accounts of individual central autonomous bodies

(a) Chennai Port Trust

Statutory Reserve - ₹ 911.62 crore

- (i) The Government had directed the Port to set up two statutory reserves viz. Capital Asset Replacement Reserve and Reserve for Development, Repayment of Loans & Contingencies with a minimum contribution of three *per cent* of Capital Employed in each reserve. The three *per cent* of the Capital

Employed for the year works out to ₹ 57.62 crore where as the amount transferred to the statutory reserves was ₹ 45.00 crore each which had resulted in short provisions of ₹ 25.24 crore (₹ 12.62 crore x 2) to the above statutory reserves.

Current liabilities & Provisions - ₹ 2185.62 crore

(ii) As per actuarial valuation, the Gratuity Fund Corpus should be ₹ 207.38 crore against which Port has provided a liability of ₹ 136.07 crore as on 31 March 2010. This has resulted in understatement of Gratuity Fund and overstatement of Profit by ₹ 71.31 crore.

(iii) Port has not got done the actuarial valuation of the earned leave encashment liability in contravention of Accounting Standard 15.

Income

Port and Dock Charges - ₹ 195.97 crore

(iv) The above is understated by ₹ 4.54 crore due to non-transfer of port and dock charges (including pilotage) to Income account from “Deposits from Merchants, Contractors and Others” on accrual basis though the services to that extent have been completed before 31 March 2010 and the vessels were sailed out before that date and the final bills were prepared before approval of the Balance Sheet by the Board. This has resulted in overstatement of Deposits from Merchants, Contractors and Others by ₹ 4.54 crore and understatement of Profit before tax to that extent.

(b) Cochin Port Trust

Capital Work in Progress - ₹ 128.38 crore

(i) This is overstated by ₹ 15.66 crore due to non-capitalization of works which had been completed and put to use two to four years back. Non capitalization also resulted in short provision for depreciation for the year ₹ 72.45 lakh and accumulated depreciation by ₹ 2.75 crore with resultant understatement of loss for the year and accumulated loss by ₹ 72.45 lakh and ₹ 2.75 crore respectively.

Loan and Advances – ₹ 164.60 crore

(ii) This included ₹ 2.54 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. Suitable adjustment should have been made to charge off the amount as expenditure under relevant heads of account.

(c) Kandla Port Trust

Fixed Assets - ₹ 729.73 crore

Fixed assets were overstated by ₹ 6.14 crore due to non-adjustment of cost of assets which have outlived their life and declared unserviceable.

(d) Kolkata Port Trust

Sundry Debtors - ₹ 1649.10 crore

(i) An amount of ₹ 3.49 crore was lying unadjusted in the head DPR fish harbour project at Roychowk under current assets for more than five years. This amount is stated to be recoverable from the Ministry of Agriculture, Govt. of India. However, Ministry of Agriculture had denied the liability. This amount should have been written off from the accounts. This has resulted in overstatement of sundry debtors by ₹ 3.49 crore and overstatement of profits to the same extent.

Expenditure - ₹ 1057.97 crore

(ii) An expenditure of ₹ 4.33 crore incurred for items of normal repairs has been shown as capital expenditure instead of revenue expenditure. This has resulted in understatement of revenue expenditure and overstatement of capital expenditure by ₹ 4.33 crore each.

(e) Mumbai Port Trust

Operating Income - ₹ 895.14 crore

The above did not include welfare charges amounting to ₹ 5.36 crore receivable from Hindustan Petroleum Corporation Limited (HPCL) relating to the period 2009-10. This had resulted into understatement of sundry debtors as well as Operating Income for the year by ₹ 5.36 crore.

(f) New Mangalore Port Trust

Pension Fund - ₹ 2.99 crore

According to the actuarial valuation done by the Life Insurance Corporation of India, there was a deficit of ₹ 4.34 crore in the Pension Fund as on 31 March 2010. As per AS-15, the entire deficit should have been provided in the books of account. This violation had resulted in short provision of ₹ 4.34 crore and

understatement of Finance and Miscellaneous expenditure and overstatement of net Surplus to the same extent.

(g) Tuticorin Port Trust

Expenditure

Contribution to Pension Fund and Gratuity Fund - ₹ 15.00 crore

The above head is under stated by ₹ 73.36 crore due to contribution of lesser amount than the actuarial valuation to Pension Fund (₹ 72.01 crore) and Gratuity Fund (₹ 1.354 crore). This has resulted in over statement of Net surplus before tax by ₹ 73.36 crore.

(h) Visakhapatnam Port Trust, Visakhapatnam

Sundry Creditors – ₹ 2.98 crore

(i) The Port had transferred an amount of ₹ 4.86 crore to Miscellaneous Receipts from Sundry Creditors inflating the income on the plea that these amounts represent incorrect DRRs which remained unclaimed for three years. The transfer was not supported by adequate evidence linking to original transactions. But for this injudicious transfer the port accounts would have depicted a net loss of over ₹ 3.00 crore instead of net profit.

Cargo Handling and Storage Charges - ₹ 132.62 crore

(ii) A Capital expenditure on design, manufacture, supply, erection and commissioning of one set of Apron Feeder for wagon tippler-150 at IOHP amounting to ₹ 1.65 crore was booked as revenue expenditure resulted in overstatement of above head, understatement of Fixed Assets and understatement of Net Surplus by ₹ 1.65 crore. Depreciation is understated by ₹ 8.23 lakh with corresponding overstatement of Net Surplus by equal amount.

(i) Insurance Regulatory and Development Authority

IRDA Fund - ₹ 8.93 lakh

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 after meeting its day-to-day expenses. The Authority showed surplus accumulated balances of ₹ 550.57 crore under the head “Surplus and Funds” instead of “IRDA Fund”. This resulted in understatement of IRDA Fund to the extent of ₹ 550.57 crore and overstatement of Surplus and Funds.

(j) Employees State Insurance Corporation

Medical Benefit – ₹ 1626.93 crore

(i) This included ₹ 18.07 crore on account of purchase of medical equipment, inspection charges for establishment of its own medical colleges and related expenditure. This expenditure was of capital nature and the same should have been capitalized. This has resulted in understatement of Fixed Assets and overstatement of revenue expenditure by ₹ 18.07 crore.

(ii) The above also included ₹ 3.78 crore being cost of computers, furniture, office equipment etc. purchased during the year. Since this expenditure is of capital nature the same should have been capitalized. This has resulted into overstatement of administrative expenditure and understatement of fixed assets by ₹ 3.78 crore each.

(k) The Jute Manufactures Development Council

Current Assets - ₹ 41.77 crore

The Council under the project of JTM had incurred an expenditure of ₹ 7.64 crore as Working capital (75 *per cent* of the total working capital as per agreement) for establishment of Centre of Jute Machinery Development (CJMD), for a private company through Public Private Partnership. As per the agreement working capital would be recovered from the sale for the machinery developed. Since the amount was recoverable it should have been shown as Loan or Advance. However, the Council booked whole expenditure under the head 'Expenditure under JTM Scheme-Machinery Development'. This had resulted in understatement of Current Assets and as well as Capital Funds by ₹ 7.64 crore.

(l) Employees Provident Fund Organization

Interest suspense Account (Schedule VI) - ₹ 16998.78 crore

(i) The above include total amount of ₹ 4671.83 crore available for crediting into EPF subscribers accounts as on 31 March 2010. However, it was observed that interest on 4.72 crore members' accounts were yet to be credited and were pending as on 31 March 2010. The actual interest liability on 4.72 crore pending accounts was not ascertainable. In the absence of the same the adequacy of above balance of ₹ 4671.83 crore to meet the future interest liability for pending accounts cannot be verified in audit.

Annual valuation:

(ii) As per paragraph 32 of Employees Pension Scheme 1995, the Union Government is required to get annual valuation of the Employees' Pension Fund conducted by a Valuer appointed by it. The valuation report as on 31 March 2006 received from Valuing Actuary had not yet been adopted by the Central Board/Central Government and the annual valuation for the year 2007-08, 2008-09 and 2009-10 was yet to be conducted.

(m) Maulana Azad National Urdu University

Fixed Assets - ₹ 46.88 crore

Building worth ₹ 16.54 crore completed by CPWD and handed over to University was not capitalized pending receipt of final cost incurred by CPWD despite the fact that they were put to use before 31 March 2010.

(n) Export Inspection Agency

General

A mention was made in the Separate Audit Report for the year 2008-09 that EIA, Kolkata was incurring more than its income which has resulted in accumulation of Excess of Expenditure over Income amounting to ₹ 61.87 crore. The process by which this amount would be written off had neither been decided nor the fact thereof disclosed in the Accounts. Though the accumulation of excess of expenditure over income amounting to ₹ 67.58 crore was shown in the year 2009-10, the Agency neither took any action, by declaring the process by which this amount would be written off, nor disclosed the fact in the Accounts.