

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, 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 Standards¹ 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. 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 organizations, thus, contributing to better governance.

As of March 2014 there were 53 Civil Ministries/ Departments of the Union Government including Scientific Departments. The gross expenditure of the Ministries/Departments during the last three years is given below:

(₹ in crore)

Year	Expenditure
2011-12	47,62,240.00
2012-13	47,93,466.00
2013-14	49,90,057.83

¹ www.cag.gov.in/html/auditing_standards.htm

Actual disbursements by the major Union Civil Ministries during the last three years ending 31 March 2014 are as shown in the table given below:

(₹ in crore)

Ministry	2011-12	2012-13	2013-14
Agriculture	23396.00	24800.00	26056.69
Civil Aviation	2040.00	7069.00	6954.59
Commerce and Industry	5715.00	6076.00	6606.51
External Affairs	7871.00	10121.00	11807.35
Health & Family Welfare	28683.00	29667.00	31894.03
Home Affairs	45707.00	48030.00	53904.08
Human Resource Development	78798.00	65571.00	71521.74
Mines	804.00	799.00	1037.41
Shipping	1664.00	1203.00	1870.20
Textiles	5057.00	4385.00	3954.98
Tourism	1115.00	934.00	1029.20
Women and Child Development	15677.00	17037.00	18038.59
Youth Affairs & Sports	986.00	999.00	1143.78

As would be seen from the above table, a major portion of expenditure was incurred by four Ministries viz., Agriculture, Health & Family Welfare, Home Affairs and Human Resource Development which constituted 77.76 per cent of the total disbursements made by the above Ministries during 2013-14.

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 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, 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 Delays in submission of accounts by central autonomous bodies

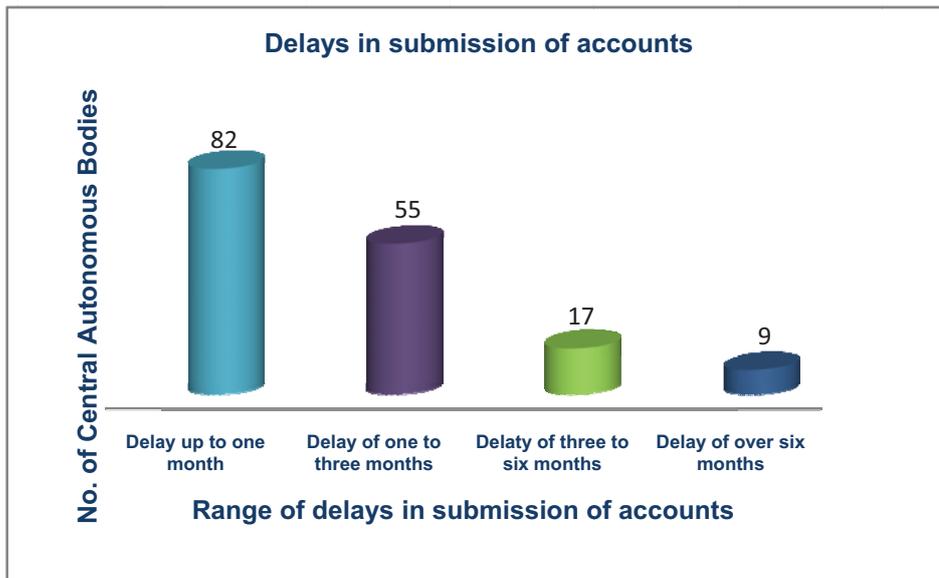
The Committee on Papers Laid on the Table of the House recommended in its First Report (5th Lok Sabha) 1975-76 that after the close of the accounting year, every autonomous body should complete its accounts within a period of three months and make them available for audit. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

For the year 2012-13, audit of accounts of 371 CABs was to be conducted by the C&AG. Out of these, the accounts of 163 CABs were furnished after the due date, as indicated in the following chart:

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 details of CABs whose accounts were delayed beyond three months as of December 2014 are given in **Appendix – I**.

1.4 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 December 2014 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	18 [#]	83 [*]

[#] Includes – 2 bodies of 2011-12

^{*} Includes – 2 audited accounts of 2011-12

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–II** and **Appendix–III**.

1.5 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 44329 outstanding utilisation certificates involving an amount of ₹ 43874.99 crore in respect of grants released up to March 2013 due by March 2014 (after 12 months of the financial year in which the grants were released) are given in **Appendix–IV**. 13 Ministries⁵ did not furnish the information of outstanding utilisation certificates.

The position of outstanding utilisation certificates relating to 10 major Ministries/Departments as on March 2014 is given below:

Utilisation Certificates Outstanding as on 31 March 2014

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2013	
		Number	Amount
1.	Health and Family Welfare	6724	16192.46
2.	Agriculture	3089	12380.20
3.	Human Resource Development	3889	9954.21
4.	Youth Affairs and Sports	7100	1439.31
5.	Social Justice and Empowerment	10046	653.26
6.	Housing and Urban Poverty Alleviation	343	591.08
7.	Food Processing industries	2704	483.59
8.	Tribal affairs	164	365.93
9.	Woman and Child Development	4611	312.72
10.	Culture	3248	245.09
Total		41918	42617.85

⁵ Department Of Power, Ministry of Panchayati Raj, Ministry of Rural Development, Department of Public Enterprises, Ministry of Petroleum and Natural gas, Department of IPP, Ministry of Corporate Affairs, Ministry of Civil Aviation, Ministry of Textile, Department of commerce, Ministry of Law and justice, Ministry of Planning and Ministry of Overseas Indian Affairs.

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 accounts of individual central autonomous bodies are given in **Appendix-V**.

Some of the important comments which were issued to the central autonomous bodies/Ministries concerned are as below:

- (a) Internal audit of 123 autonomous bodies was not conducted for the year 2013-14 (**Appendix-VI**).
- (b) Physical verification of the Fixed Assets of 131 autonomous bodies was not conducted during the year 2013-14 (**Appendix-VII**).
- (c) Physical verification of the inventories of 103 autonomous bodies was not conducted during the year 2013-14 (**Appendix-VIII**).
- (d) 68 autonomous bodies did not make investment of provident fund balances as per the pattern of investment prescribed by the Ministry of Finance (**Appendix-IX**).
- (e) 94 autonomous bodies were accounting for the grants on realization/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance (**Appendix-X**).
- (f) 135 autonomous bodies has not accounted for gratuity and other retirement benefits on actuarial valuation basis (**Appendix-XI**).
- (g) No Depreciation on fixed Assets was provided by 23 autonomous bodies (**Appendix-XII**).
- (h) 31 autonomous bodies revised their accounts as a result of audit (**Appendix-XIII**).