

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 2015 there were 53 Civil Ministries/ Departments of the Union Government including Scientific Departments. The gross expenditure of these 53 Ministries/Departments during the last three years is given in **Table-1**:

Table-1

(₹ in crore)	
Year	Expenditure
2012-13	47,93,466.00
2013-14	49,90,057.83
2014-15	52,89,683.66

Actual disbursements by the major Union Civil Ministries during the last three years ending 31 March 2015 are as shown in subsequent **Table-2**:

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

Table-2

(₹ in crore)

Ministry	2012-13	2013-14	2014-15
Human Resource Development	65571.00	71521.74	91249.07
Home Affairs	48030.00	53904.08	61573.53
Health & Family Welfare	29667.00	31894.03	33731.84
Agriculture	24800.00	26056.69	26572.32
Women and Child Development	17037.00	18038.59	18541.14
External Affairs	10121.00	11807.35	12148.82
Civil Aviation	7069.00	6954.59	6626.28
Commerce and Industry	6076.00	6606.51	7438.27
Textiles	4385.00	3954.98	3987.87
Shipping	1203.00	1870.20	1340.21
Youth Affairs & Sports	999.00	1143.78	1144.14
Tourism	934.00	1029.20	987.03

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 80.06 per cent of the total disbursements made by the above Ministries during 2014-15.

1.2 Authority for Audit

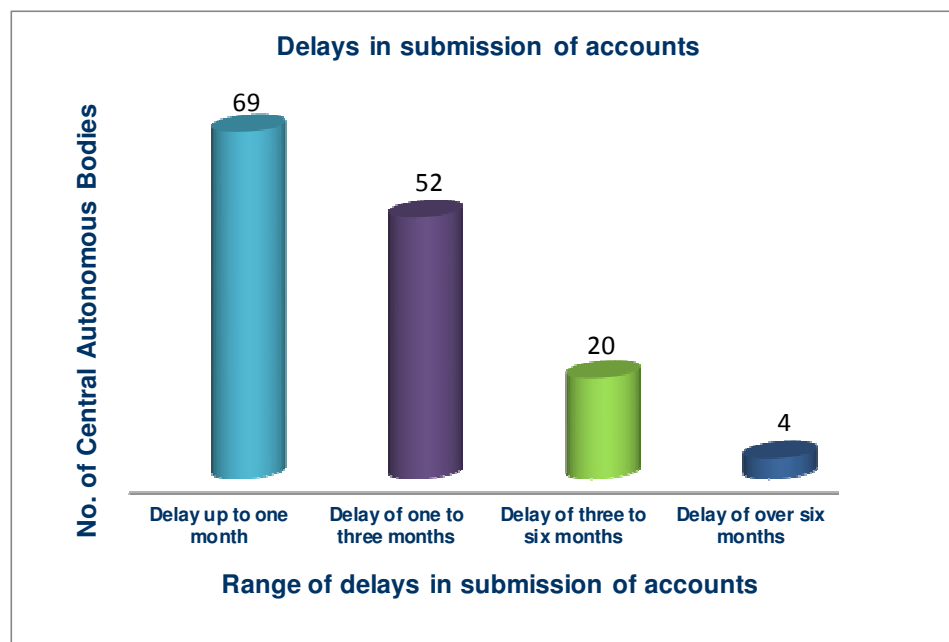
The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments 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

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.

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 2013-14, audit of accounts of 366 CABs was to be conducted by the C&AG. Out of these, the accounts of 145 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 – 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 2015 was as under:

Table-3

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	21	38

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 **39237** outstanding utilisation certificates involving an amount of **₹ 53248.98** crore in respect of grants released up to March 2014 due by March 2015 from 30 Ministries/Department (after 12 months of the financial year in which the grants were released) are given in **Appendix–IV**.

The position of outstanding utilisation certificates relating to 10 major Ministries/Departments as on March 2015 is given in **Table-4**:

Table-4

Utilisation Certificates Outstanding as on 31 March 2015

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2014	
		Number	Amount
1.	School Education & Literacy	1957	21845.98
2.	Agriculture and Farmers Welfare*	4232	19086.08
3.	Development of North Eastern Region	929	3840.92
4.	Textile	3984	1752.16
5.	Housing & Urban Poverty Alleviation	489	1120.04
6.	Higher Education	2565	903.21
7.	Heavy Industry	14	882.95
8.	Social Justice & Empowerment	10427	681.22
9.	Industrial Policy & Promotion	24	525.06
10.	Environment & Forests	6150	461.51
Total		30771	51099.13

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

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.

For the year 2014-15, 229 SARs were issued on the accounts of CABs (December 2015). Significant observations on the accounts of individual CABs are given in **Appendix-V**.

Some of the important deficiencies noticed in the accounts of the central autonomous bodies are as below:

- (a) Internal audit of 127 autonomous bodies was not conducted for the year 2014-15 (**Appendix-VI**).
- (b) Physical verification of the Fixed Assets of 125 autonomous bodies was not conducted during the year 2014-15 (**Appendix-VII**).
- (c) Physical verification of the inventories of 94 autonomous bodies was not conducted during the year 2014-15 (**Appendix-VIII**).
- (d) 42 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-IX**).
- (e) 145 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 13 autonomous bodies (**Appendix-XI**).
- (g) 33 autonomous bodies revised their accounts as a result of audit (**Appendix-XII**). The impact of result of audit was decrease in Assets/Liabilities by ₹ 166.63 crore, increase in Surplus by ₹ 6.61 crore and decrease in Deficit by ₹ 13.99 crore.

1.7 Response of the Ministries/Departments to draft paragraphs

On the recommendation of the 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.

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

(₹ in lakh)

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	Action taken by Ministry/ Department
1.	Sashastra Seema Bal (SSB)	Home Affairs	Irregular payment of risk allowance	83.64	34	DG SSB issued (December 2015) instructions to all SSB units to regulate the payment of risk/ hardship allowances.
2.	Bureau of Indian Standard (BIS)	Consumer Affairs, Food & and Public Distribution	Overpayment of transport allowance	187	31.71	BIS decided (October 2015) to recover overpaid transport allowance since September 2008. It further stated (December 2015) that overpayment of ₹ 31.71 lakh has been recovered.
3.	Information & Library Network Centre, UGC	Human Resource Development	Overpayment of price variation	55	55	--
4.	Unique Identification Authority of India (UIDAI)	Niti Aayog	Short levy of liquidated damages	73	73	--
5.	Visakhapatnam Port Trust	Shipping	Recovery of service tax	2625	2625	--
6.	Director General of Shipping, Mumbai	Shipping	Recovery of annual fees from training institutions	409	409	--
7.	Kandla Port Trust	Shipping	Recovery of amount paid as irregular leave encashment	5.95	3.44	Ministry issued (June 2015) direction for the recovery of principal amount and interest thereof.

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	Action taken by Ministry/ Department
8.	Cochin Port Trust	Shipping	Recovery of penalty, damages and adjustment of medical advance	96.98	70.12	--
9.	Central Public Works Department	Urban Development	Recovery of de-escalation and overpayment on account of variation in prices	53.23	53.23	--
Total					3354.50	

This report of the Comptroller and Auditor General of India for the year ended March 2015 contains 49 detailed audit observations pertaining to various Ministries/Departments and their Autonomous Bodies involving a money value of ₹ 711.80 crore. Replies to the 33 Audit Paragraphs were received and have been suitably incorporated in the report.