

CHAPTER - I

Introduction

1.1 About this Report

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of Government to ascertain whether the provisions of the Constitution of India and applicable laws, rules, regulations, orders and instructions issued by the competent authorities are being complied with and also to determine their legality, adequacy, transparency, propriety, prudence and effectiveness in terms of achievement of the intended objectives.

The Auditing Standards adopted by the Comptroller and Auditor General of India require that the materiality level for reporting be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations thereby contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a brief analysis of the expenditure of the Scientific and Environmental Ministries/Departments and their financial management. Audit selected one of the Ministries for review of its Outcome Budget to ascertain whether it was in conformity with the stipulated guidelines. The Ministry selected was that of New and Renewable Energy and the audit findings are brought out in Chapter II. Chapters III to IX present findings/observations arising out of the compliance audit of the Scientific and Environmental Ministries/Departments and research centres, institutes and autonomous bodies, while Chapter X contains audit findings relating to Central Public Sector Enterprises (CPSEs) under their administrative control.

1.2 Audit coverage

This Audit Report contains Audit findings relating to the following Scientific and Environmental Ministries/Departments of the Government of India and their units including CPSEs:

- 1) Department of Atomic Energy (DAE)
- 2) Ministry of Science and Technology
 - a) Department of Bio-Technology (DBT)

- b) Department of Science and Technology (DST); and
- c) Department of Scientific and Industrial Research (DSIR)
- 3) Department of Space (DOS)
- 4) Ministry of Earth Sciences (MoES) including India Meteorological Department
- 5) Ministry of Environment, Forest and Climate Change (MoEFCC)
- 6) Ministry of New and Renewable Energy (MNRE)
- 7) Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWRRD&GR)

1.3 Planning and conduct of audit

Compliance audit is conducted in accordance with the principles and practices enunciated in the auditing standards promulgated by the C&AG. The audit process commences with the assessment of risk of the Ministry/Department as a whole and of each unit based on expenditure incurred, the criticality/complexity of its activities, the level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit is decided. An annual audit plan is thereafter formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are issued separately as draft paras to the heads of the Administrative Ministries/Departments for their comments and processed for inclusion in the Audit Reports which are submitted to the President of India under Article 151 of the Constitution of India.

During 2016-17, compliance audit of 180 out of 465 units of Scientific and Environmental Ministries/Departments was conducted based on available resources and risk assessment of the units. In addition, compliance audit was also conducted in 15 CPSEs.

1.4 Budget and expenditure controls

The comparative position of budget and expenditure of the Scientific and Environmental Ministries/Departments during 2016-17 and preceding two years is given in Table 1.1 below.

Table 1.1: Budget and Expenditure of Scientific and Environmental Ministries/Departments

(₹ in crore)

Ministry/ Department	2015-16				2016-17				Share in AE	
	BE	AE	Un-spent budget	Un-spent budget as % of BE	BE	AE	Un-spent budget	Un-spent budget as % of BE	2015-16	2016-17
1) DAE	17,702.1	16,380.7	1,321.4	7.46	20,105.4	18,238.4	1,867.0	9.29	34.1	32.8
2) DBT	1,625.2	1,554.3	70.9	4.36	1,917.2	1,895.5	21.7	1.13	3.2	3.4
3) DST	3,861.9	3,658.5	20.3	0.53	4,496.4	4,325.6	170.8	3.80	7.6	7.8
4) DSIR	4,038.0	4,028.6	9.4	0.23	4,064.6	4,051.7	12.9	0.32	8.4	7.3
5) DOS	7,388.2	6,920.0	468.2	6.34	8,344.4	8,040.0	304.4	3.65	14.4	14.5
6) MoES	1,622.7	1,328.3	294.4	18.14	1,675.5	1,464.2	211.3	12.61	2.8	2.6
7) MoEFCC	2,122.7	2,024.7	98.0	4.62	3,518.3	3,360.3	158.0	4.49	4.2	6.0
8) MNRE	4,303.3	4,244.8	58.5	1.36	9,997.8	7,754.1	2,243.7	22.44	8.8	14.0
9) MoWRRD&GR	9,272.9	7,906.9	1,366.0	14.73	8,815.5	6,427.3	2,388.2	27.09	16.5	11.6
Total	51,936.9	48,046.7	3,707.1	7.14	62,935.1	55,557.1	7,378.0	11.72	100.0	100.0

Source: Appropriation Accounts of the respective years

BE and AE refer Budget Estimates and Actual Expenditure respectively

The total expenditure of the Scientific and Environmental Ministries/Departments of the Government of India during 2016-17 was ₹ 55,557.1 crore as against ₹ 48,046.7 crore in 2015-16 viz. an increase of ₹ 7,510.4 crore (15.6 per cent). Of the total expenditure of ₹ 55,557.1 crore incurred by the Scientific and Environmental Ministries/Departments during 2016-17, 32.8 per cent was incurred by DAE followed by DOS and MNRE (14.5 and 14.0 per cent respectively).

The actual expenditure of all Scientific and Environmental Ministries/Departments increased from one to 82.7 per cent during 2016-17 over the expenditure during 2015-16 except MoWRRD&GR. There was a significant increase in expenditure of MNRE (82.7 per cent), MoEFCC (66 per cent) and DBT (22 per cent) during 2016-17 over the previous year whereas there was a marked decrease in expenditure in MoWRRD&GR during 2016-17 by 18 per cent over the previous year.

With reference to the total budget allotment of ₹ 62,935.1 crore, the Scientific and Environmental Ministries/ Departments had an overall unspent budget of ₹ 7,378 crore which constitutes 11.72 per cent of the total grant/appropriation as against the unspent budget of only seven per cent during 2015-16. While there was a significant unspent budget of 18.14 per cent in MoES during 2015-16, significant unspent budget of 27.09 per cent was recorded in MoWRRD&GR during 2016-17.

Out of the total unspent budget of ₹ 7,378 crore, the unspent budget in MoWRRD&GR (27.09 per cent) and MNRE (22.44 per cent) were the highest.

1.5 Audit of Autonomous Bodies

There are 14 Autonomous Bodies (ABs) under the nine Scientific and Environmental Ministries/Departments for which Separate Audit Reports (SARs) are prepared on their accounts under sections 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 14 ABs during 2016-17 were ₹ 5,421.84 crore including previous year unspent grants as detailed in Table 1.2. below.

Table 1.2: Grants released to Central Autonomous Bodies

(₹ in crore)

Autonomous Body	Ministry/ Department	Amount of Grant released during 2016-17
1) Science and Engineering Research Board, New Delhi	DST	767.00
2) Sree Chitra Tirunal Institute of Medical Sciences and Technology, Thiruvananthapuram	DST	160.93
3) Technology Development Board, New Delhi	DST	30.30
4) Council of Scientific and Industrial Research, New Delhi	DSIR	589.87
5) Animal Welfare Board of India, Chennai	MoEFCC	3.70
6) Central Zoo Authority, New Delhi	MoEFCC	10.93
7) National Biodiversity Authority, Chennai	MoEFCC	18.69
8) National Tiger Conservation Authority, New Delhi	MoEFCC	7.41
9) Wildlife Institute of India, Dehradun*	MoEFCC	26.50
10) Betwa River Board, Jhansi	MoWRRD&GR	26.10
11) Brahmaputra Board, Guwahati	MoWRRD&GR	71.39
12) Narmada Control Authority, Indore	MoWRRD&GR	21.68
13) National Mission for Clean Ganga, New Delhi	MoWRRD&GR	3,612.51
14) National Water Development Agency, New Delhi	MoWRRD&GR	74.83
Total		5,421.84

Source: Separate Audit Reports/Annual accounts of the Autonomous Bodies for the year 2016-17
*Entrustment of audit of accounts for the year 2016-17 onwards is awaited.

In addition, compliance audit of ABs is also conducted under Sections 14 or 15 of the C&AG's (DPC) Act, 1971. The total grants released to 56 ABs during 2016-17 were ₹ 4,265.67 crore. The details are given in **Appendix I**.

1.5.1 Delay in submission of accounts

The Committee on Papers Laid on the Table of the House in its First Report (Fifth Lok Sabha) 1975-76 and Rule 237 of General Financial Rules (GFR), 2017 mention that every AB should complete its accounts within a period of three months after the close of the accounting year and make their accounts available for audit and that the Annual Reports along with the audited annual accounts should be laid before Parliament within nine months of the close of the accounting year.

Out of the 14 ABs, three ABs¹ submitted their accounts for the year 2016-17 after delay of one month or more.

¹ Technology Development Board, New Delhi, National Tiger Conservation Authority, New Delhi, and Narmada Control Authority, Indore.

1.6 Outstanding Utilisation Certificates

Ministries and Departments are required to obtain certificates of utilisation of grants from the grantees i.e. statutory bodies, non-governmental institutions, etc. indicating that the grants had been utilised for the purpose for which these were sanctioned and where the grants were conditional, the prescribed conditions had been fulfilled. According to information furnished by nine Ministries/Departments, 65,182 Utilisation Certificates (UCs) due by March 2017 for grants released upto March 2016 aggregating ₹ 22,421.79 crore were outstanding as given in Table 1.3. below.

Table 1.3: Utilisation Certificates outstanding as on 31 March 2017

Ministry/Department	Number of outstanding UCs	Share of total outstanding UCs (%)	Amount pertaining to outstanding UCs (₹ in crore)	Share of amount pertaining to total outstanding UCs (%)
1) DAE	1,865	2.9	172.57	0.8
2) DBT	21,043	32.3	5,589.65	24.9
3) DST	35,224	54.0	10,427.01	46.5
4) DSIR	869	1.3	1,373.27	6.1
5) DOS	261	0.4	11.97	0.1
6) MoES	857	1.3	240.80	1.1
7) MoEFCC	4,027	6.2	469.62	2.1
8) MNRE	769	1.2	1,845.14	8.2
9) MoWRRD&GR	267	0.4	2,291.76	10.2
TOTAL	65,182	100.0	22,421.79	100

It can be seen from the above table that the maximum number of outstanding UCs relate to DST and DBT.

Ministry/Department-wise and period wise position of outstanding UCs is given in *Appendix II*. In terms of period of pendency, maximum number and value of UCs outstanding for more than five years were in DST.

1.7 Departmentally Managed Government Undertakings - Position of Proforma Accounts

Rule 84 of the GFRs, 2005, stipulates that Government Departments working on a commercial or quasi-commercial basis shall be required to maintain such subsidiary proforma accounts in commercial form as may be agreed between Government and the Comptroller and Auditor General of India. This includes the maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheet.

There were two Departmentally Managed Government Undertakings of commercial or quasi-commercial nature as of 31 March 2017 under DAE, viz. Nuclear Fuel Complex, Hyderabad (NFC) and Heavy Water Board, Mumbai (HWB). The financial results of these undertakings are to be reported through proforma accounts generally consisting of Trading Account, Profit and Loss Account and Balance Sheet.

Audit of proforma accounts of NFC for the year upto 2010-11 was completed. Proforma accounts for the years 2011-12 and 2012-13 were found to be incomplete as DAE had not included the cost of imported fuel in the same. The matter was referred to DAE and a decision was still awaited as of August 2017. The proforma accounts of HWB for the period up to 2012-13 were received for audit. Accounts for the subsequent years were not received for audit.

1.8 Audit of Central Public Sector Enterprises

The accounts of Government Companies set up under the provisions of the Companies Act (including Companies deemed to be Government Companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (C&AG) under Section 143(6) of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the C&AG under the Companies Act are subject to supplementary audit by C&AG whose comments supplement the reports of the Statutory Auditors. In addition, these companies are also subject to audit by C&AG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by C&AG under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

There were 25 CPSEs under the nine Scientific and Environmental Ministries/Departments audited under Section 143(6) of the Companies Act, 2013 for 2016-17. A list of these Companies is given in **Appendix-III**.

1.9 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues written off/waived during 2016-17 furnished by seven Ministries/Departments is given in **Appendix IV** to this Report. A total amount of ₹ 16.96 lakh was written off in 30 cases under the category 'other reasons' in DAE and DOS.

1.10 Response of the Ministries/Departments to Draft Audit Paragraphs

On the recommendations of the Public Accounts Committee (PAC), Ministry of Finance (Department of Expenditure) issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the C&AG within six weeks. This time frame has also been prescribed under Para 207 (1) of Regulations on Audit and Accounts, 2007, made by the C&AG.

The Draft Paragraphs are forwarded to the Secretaries of the Ministries/Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. Draft Paragraphs proposed for inclusion in this

report were forwarded to the Secretaries concerned between June 2017 and November 2017 through letters addressed to them personally.

This report contains 20 paragraphs. The replies of concerned Ministries/Departments were received in respect of only three paragraphs. The responses received have been suitably incorporated in the Report.

1.11 Follow-up on Audit Reports

In its Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997, the PAC recommended that Action Taken Notes (ATNs) on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards should be submitted to them, duly vetted by Audit, within four months from laying of the reports in the Parliament.

A review of outstanding ATNs as of 31 December 2017 on paragraphs included in the Reports of the C&AG pertaining to Scientific and Environmental Ministries/Departments (details in **Appendix V-A**) revealed that seven ATNs pending from six Ministries/ Departments were not received even for the first time. In addition, two ATNs pertaining to CPSEs under administrative control of three Ministries/Departments were not received even for the first time (details in **Appendix V-B**). Also, revised ATNs of 39 cases were pending from seven Ministries/ Departments for periods ranging up to eight months as of December 2017 (**Appendix VI**).

