

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 2013, there were 52 Civil Ministries/ Departments of the Union Government including Scientific Departments. The gross expenditure of these 52 Ministries/Departments during the last three years is given below:

(₹ in crore)	
Year	Expenditure
2010-11	40,23,332
2011-12	47,62,240
2012-13	47,93,466

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

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Actual disbursements by the major Union Civil Ministries during the last three years ending 31 March 2013 are as shown in the table given below:

(₹ in crore)			
Ministry	2010-11	2011-12	2012-13
Agriculture	24112.00	23396.00	24800.00
Civil Aviation	2527.00	2040.00	7069.00
Commerce and Industry	6458.00	5715.00	6076.00
External Affairs	7159.00	7871.00	10121.00
Health & Family Welfare	24450.00	28683.00	29667.00
Home Affairs	39424.00	45707.00	48030.00
Human Resource Development	51905.00	78798.00	65571.00
Mines	648.00	804.00	799.00
Shipping	1561.00	1664.00	1203.00
Textiles	12997.00	5057.00	4385.00
Tourism	1055.00	1115.00	934.00
Women and Child Development	10688.00	15677.00	17037.00
Youth Affairs & Sports	2841.00	986.00	999.00

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 78 *per cent* of the total disbursements made by the above Ministries during 2012-13.

The share of total central assistance released to all Central Autonomous Bodies (CABs) in the form of grant-in-aid out of the gross budgetary support made to the 52 Civil Ministries /Departments ranged

from 0.96 *per cent* to 1.04 *per cent* during the last three years ending 31 March 2013 as shown in the table below:

Year	Amount of total Central grant to CABs during the year (₹ in crore)	Gross Budgetary Support ² (₹ in crore)	Percentage of Central grant to CABs with reference to gross budgetary support
2010-11	44857.68	4683838.77	0.96
2011-12	45805.03	4935556.56	0.93
2012-13	55573.63	5345367.89	1.04

It may be seen from the above table that the amount of central assistance in the form of grant to CABs as a percentage of the total gross budgetary support recorded a marginal increase of 0.11 *per cent* during 2012-13 over the level of 2011-12.

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 13³ and 17⁴ of the C&AG's (DPC) Act⁵. 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

² Source: Appropriation Accounts – Union Government (Civil) for the respective years.

³ 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.

⁴ Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

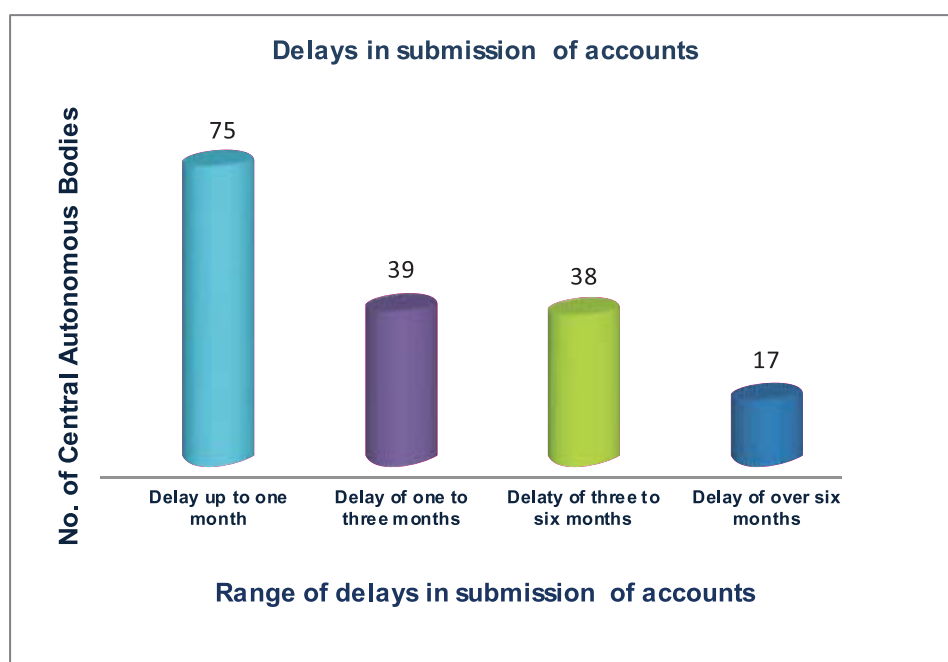
⁵ Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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 2011-12, audit of accounts of 361 CABs was to be conducted by the C&AG. Out of these, the accounts of 169 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 2013 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 2013 was as under:

Year of account	Total number of bodies for which audited accounts were issued but not presented to Parliament in time	Total number of audited accounts presented after due date
2011-12	05	99*

* Includes – 3 audited accounts of 2010-11 and 2 audited accounts of 2009-10

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 42557 outstanding utilisation certificates involving an amount of ₹ 29959.32 crore in respect of grants released up to March 2012 due by March 2013 (after 12 months of the financial year in which the grants were released) are given in **Appendix–IV**. 11 Ministries⁶ did not furnish the information of outstanding utilisation certificates.

The position of outstanding utilisation certificates relating to 10 major Ministries/Departments as on March 2013 is given below:

⁶ Ministry of Parliamentary Affairs, Ministry of Home Affairs, Ministry of Water Resources, Ministry of New & Renewable Energy, Ministry of Science & Technology, Ministry of Drinking Water & Sanitation, Ministry of Women and Child Development, Ministry of Labour and Employment, Ministry of Rural Development, Ministry of Environment & Forests and Ministry of Tourism.

Utilisation Certificates Outstanding as on 31 March 2013

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2011	
		Number	Amount
1.	Health and Family Welfare	3757	11188.58
2.	Agriculture	1496	5483.20
3.	School Education and Literacy	1485	2565.43
4.	Social Justice and Empowerment	10420	1164.93
5.	Common Wealth Games	141	1031.39
6.	Panchayati Raj	242	888.26
7.	Heavy Industry	28	766.64
8.	Commerce	368	702.94
9.	Food Processing Industries	2650	460.63
10.	Urban Development	225	334.89
Total		20812	24586.89

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 Ministries in 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 stated below:

General Comments

- (a) Internal audit of 137 autonomous bodies was not conducted for the year 2012-13 (**Appendix-VI**).
- (b) Physical verification of the Fixed Assets of 115 autonomous bodies was not conducted during the year 2012-13 (**Appendix-VII**).
- (c) Physical verification of the inventories of 102 autonomous bodies was not conducted during the year 2012-13 (**Appendix-VIII**).
- (d) 60 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) 35 autonomous bodies were accounting for the grants on realisation/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance **(Appendix–X)**.
- (f) 86 autonomous bodies had not accounted for gratuity and other retirement benefits on actuarial valuation basis **(Appendix–XI)**.
- (g) No Depreciation on fixed Assets was provided by 35 autonomous bodies **(Appendix–XII)**.
- (h) 29 autonomous bodies revised their accounts as a result of audit **(Appendix–XIII)**.