

Audit of Autonomous Bodies

Audit of Autonomous Bodies can aptly be regarded as a delicate audit. The law and the C&AG's mandate concerning this audit support this assertion. Back in 1984, the then C&AG, Gian Prakash emphasized that there was a need to ensure that audit of autonomous bodies did not become a matter of routine. He was also of the view that this area was quite sensitive. But he also laid down the ruling audit philosophy in conducting this audit. His emphasis was that autonomous bodies were 'not to be treated as sacred cows' Audit should ensure that these bodies were properly held accountable for the public funds placed at their disposal and they achieved the objectives with which they were set up or programmes entrusted to them. He, therefore, desired that audit should not take a fragmented view of these institutions but reflect certain sensitivity to the aspiration of the common citizen.

Audit of autonomous bodies is provided for in the C&AG's (DPC) Act, 1971 under sections 14, 15, 19 and 20. The expression 'autonomous body' in this context refers to two types of entities. One: those autonomous bodies that are established by or under law made by Parliament and which have a specific provision for audit by the C&AG of India. In such cases, the C&AG is duty bound to take up these institutions for audit under Section 19(2) of the Act. Two: Section 19(3) is regarding the entrustment of audit of State autonomous bodies to C&AG after consultation with him. Under section 20(1) of the Act, the President or the Governor of a State or Administrator of a Union Territory having a Legislative Assembly can entrust to the C&AG the audit of accounts of certain bodies and authorities that are not covered by section 19 or by any law made by legislature after consultation with the C&AG. In the reverse scenario, sub-section 2 of section 20 gives authority to

the C&AG to propose to the President or the Governor as the case may be to authorize him to undertake audit of accounts of any body or authority not entrusted to him if he is of the view that such audit is necessary, in public interest, because of substantial investment or advances made to such body or authority by the Central/ State/ Union Territory Government.

The term 'bodies or authorities' is not defined in the Act or in the Constitution. However, based on the definition provided by Attorney General, and as given in the Regulations these will mean as below:

Body: Body is interpreted to mean an aggregate of persons, whether incorporated or unincorporated. The expression would, therefore, include institutions or organizations set up as an autonomous organization under specific statutes or as a society registered under the Societies Registration Act, 1860 or Indian Trust Act, 1882 or any other statutes, voluntary organizations, non-government organizations, urban or rural local self government institutions, co-operative societies, societies or clubs, etc.¹

Authority: Authority is interpreted to mean a person or body exercising power or command, vested in it by virtue of provisions in the Constitution or Law passed by Parliament or legislature.

Broadly, therefore, these autonomous bodies may be defined as bodies or authorities established by the Government and having a distinct legal existence. These are broadly independent or autonomous in their day-to-day functioning but concerned Ministries/ Departments have significant control over these bodies in matters of general direction and supervision. CAG's revised Manual of Instructions² on Autonomous Bodies has clarified that 'the terms 'body' and 'authority' used in the Act and indeed in the Constitution have a wide connotation and include a company or corporation'. It would mean that if a company or corporation is not covered by Section 19 (1), 19 (2), or 19 (3) of the Act it is open, strictly speaking, to take up audit under Section 14 (1), 14 (2) or 20 (2), as the case may be, subject to conditions specified in each section being satisfied.

C&AG acts as sole auditor in respect of some of these bodies or authorities (under section 19 and 20) and in that capacity, he conducts financial audit of their annual accounts and issues audit report and certification on financial statements. Besides, he also conducts compliance and VFM audits of these bodies and authorities.

The other group of autonomous bodies that fall under the purview of C&AG's audit are bodies or authorities which are 'substantially financed' by grants or loans from the Union Government or the State Government or Union Territory Government. These bodies are audited under the provision of section 14 of the Act. Mostly, the chartered accountants conduct primary audit of these bodies and C&AG's audit is in the nature of compliance audit or value for money audit and does not involve audit of annual accounts and their certification.

Section 14 (1) confers on the C&AG the right and obligation to audit all receipts and expenditures of such bodies or authorities and report on results of his audit. The condition for such audit is that a body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of a State or Union Territory. The expression 'substantially financed' has been defined both in terms of quantum of grants and loans as well as with reference to the percentage of this to the total expenditure of that body.

Section 14 (2), which was added in 1984 to the Act, allows the C&AG to audit all receipts and expenditure of a body or authority provided it has received a grant or loan of Rs.1 crore and above (irrespective of the fact whether such grant or loan is 75 per cent or more of the total expenditure of the body or authority) during a financial year. C&AG's audit, however, is further subject to the condition that in such cases, previous approval of the President or the Governor of a State or the Administrator of the Union Territory is obtained. Section 14(2) was brought in the Act specifically from the materiality angle of loan and grant given to a body or authority irrespective of its share in the total expenditure or receipts of the body or authority.

Section 14 (3) of the Act grants C&AG the right to conduct audit of a body or authority for a further period of two years even if in those two years the eligibility conditions for grant of audit to the C&AG are not fulfilled.

Section 15 of the Act explains C&AG's responsibilities in regard to grants or loans given to authorities and bodies for specific purpose. His responsibilities relate to the scrutiny of the procedure by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which grants or loans were given to such authority or body (it should not be a foreign State or International organization). For this purpose, C&AG has been given the right of access to the books and accounts of such authority or

body. However, this section has also inbuilt restrictive provisions for C&AG.

As on 31 March 2005, 253 Central autonomous bodies were to be audited by the C&AG as the sole auditor under section 19(2) or 20 (1) of the Act. Essentially, all these autonomous bodies are non-commercial and almost wholly funded by the Government. In fact, these could be classified as extended arms of the Government. Out of these 253 autonomous bodies, funding data available for 242 autonomous bodies for the year 2004–05 shows that they were paid Rs. 12290.67 crore as grants-in-aid and Rs.90.54 crore as loans. Ministry of Human Resource Development was the biggest nodal agency, having disbursed Rs. 5600.48 crore or 45.57% of the total grants for disbursement to 91 educational institutions. This was followed by Ministry of Health and Family Welfare with disbursement of Rs. 870.35 crore (7.08 per cent) and Ministry of Commerce with disbursement of Rs. 340.35 crore (2.77 per cent). Ministry of Culture was also a substantial fund provider with funding of Rs. 173.97 crore. During 2004–05, there were 198 Central autonomous bodies which were substantially financed by grants/loans by Union Government and were, therefore, subject to C&AG's audit under section 14. These bodies received grants/loans amounting to Rs. 3,346.68 crore from the Union Government. It will be pertinent to mention here that the bodies and authorities coming under section 14 are difficult to list out entirely, and therefore, the figures of disbursement of funds to them may not be complete. Some of these aspects are dealt with separately in the sections below.

AUDIT APPROACH

Audit approach, procedure, etc. relating to the audit of autonomous bodies was contained in the Manual of Instructions for Audit of Autonomous Bodies issued by C&AG in 1983. Two years later, in April 1985, K.S. Sastry, then Director of Audit, in his D.O. letter to Heads of Audit Offices, detailed a comprehensive set of instructions and policy decisions on the subject. In August 1991, Headquarters brought out a comprehensive Compendium of Amendments/Instructions to the Manual of Instructions for Audit of Autonomous Bodies which contained all important instructions issued since 1984 and was intended as a supplement to the Manual issued in 1983. This Compendium *inter alia* also included the important orders contained in the set of instructions issued in April 1985. Together,

these two documents constituted for a long time the source book of information for the audit of autonomous bodies as fortified by periodical instructions till a new Manual was issued very recently in July 2007. This was a thoroughly revamped, exhaustive Manual. The contents of this Manual are discussed in subsequent section.

The 1985 letter sets out guidelines to the Accountants General for taking up of audit under section 14(2) or 20(2). As a general thumb-rule, it was suggested that there should be a professional approach to taking up these audits and wherever adequate arrangement already existed for audit, C&AG's audit need not be fostered; conversely, where such arrangements were inadequate, public audit had a moral responsibility to draw the attention of appropriate authorities 'and, if need be and permissible, take up the audit'.

An important requirement provided in this letter was that whenever such an audit is proposed to be undertaken by the AG under the relevant sections of the Act, a personal discussion must be held by the AG with the Finance Secretary and Secretary of the concerned Department before sending the formal proposal. This would avoid a situation where a proposal of the C&AG for entrustment of the audit is accepted by the Government.

Applicability of Section 14(1) or 14(2) of the Act to institutions receiving grants or loans through an autonomous body which is itself financed by Government has been an issue. The 1985 letter said that the legal position in such cases was not clear; but went on to say that where 'these bodies act as mere agents of Government for remitting the grant or loan provided by Government, then the recipient body would be subject to audit under section 14(1) or 14(2) as the case may be'. In September 1987, C&AG ruled that in terms of section 16 of the UGC Act, 1956, fund of the Commission is a statutory fund which cannot be treated as grant paid out of Consolidated Fund of India or State and would not attract provisions of section 14 of DPC Act.

To make the position clear, in 1999 an amendment was suggested according to which the C&AG was to be made responsible for audit of a body or authority which receives more than Rs.75 lakh by way of grant or loan from another body or authority substantially financed by State/ Centre/ Union Territory Government. A draft note to the Cabinet suggesting the above amendment was proposed by the Government which the C&AG concurred in January 2004.

C&AG's decision in case of UGC was that he would not take up audit of grantee institutions to which funds are disbursed by the UGC. However, on reconsideration of the entire issue, the C&AG in June 2007 took the stand that there was, in fact, no need for an amendment to the Act, as it should be possible to audit these grantee institutions under the provisions of the existing Act.

In a letter to Joint Secretary and Government Counsel, Ministry of Law and Justice, in June 2007, the Director General (Audit) made the following substantive reasoning in this regard:

'In fact, an amendment to the Act is not really called for. The spirit of Section 14 is quite clear that substantial grants and loans from the Government to any body or authority should be audited. This right of the C&AG to audit the grants does not and should not get infringed just because grants are routed through some other authority. This is specially so as there is no value addition by the immediate grantee. The final destination of the grants as well as the terms and conditions are clearly known even when these grants are released from the Consolidated Fund. Thus the spirit of the Act clearly allows for such audits.³⁷

In view of the above, the letter requested a clarification from Ministry 'to finally settle the issue'.

MANUAL OF INSTRUCTIONS FOR AUDIT OF AUTONOMOUS BODIES

Since a series of instructions had been issued after printing of Manual of Instructions for Audit of Autonomous Bodies in 1983 and supplemented by a Compendium issued in 1991, C&AG brought out second edition of the Manual of Instructions for Audit of Autonomous Bodies in 2007 incorporating instructions issued from time to time and best audit practices consistent with the principles underlying the Uniform Format of Accounts prescribed by the Government of India. The present edition has been prepared in two volumes. Volume I includes the legal framework for the audit of autonomous bodies, principles of financial audit of autonomous bodies, quality control in audit process and other matters. Volume II contains the Uniform Format of Accounts and Common framework for Financial Reporting for Port Trusts.

The new Manual has the merit of being not only exhaustive in its coverage of the various aspects relating to the audit of autonomous bodies but, and more importantly it has set out very

clearly in simple language provisions relating to the following major areas:

- ❖ Part I contains legal frame work and related procedures
- ❖ Part II contains instructions on financial audit of autonomous bodies and
- ❖ Part III which is a major addition compared to the previous manual contains instructions on performance audit , compliance audit, audit quality management framework, audit of autonomous bodies in a computerized environment and other related matters.

FORMAT OF ACCOUNTS AND RELATED MATTERS

An important development has been that a committee of experts headed by CGA was appointed by the Government to prepare a common format of accounts applicable to all the Central autonomous bodies. This was cleared by the C&AG in March 2002 with a rider that those autonomous bodies that were created by an Act of Parliament and where C&AG was the sole auditor will not be covered by this accounting format and in their case separate accounting format already approved would prevail. Recently, on the suggestion of C&AG, this position has changed 'for bringing about uniformity and transparency in the accounts' and Government have now notified that the common accounting format would be applicable to all the Central autonomous bodies⁴. As regards major port trusts separate accounting format has been prescribed by the Ministry of Shipping (Ports wing) in consultation with the C&AG. This new accounting framework for financial reporting is applicable from the fiscal year 2003-04. The State autonomous bodies are not bound by the common format prescribed for the Central autonomous bodies.

The April 1985 letter of Headquarters cited, discussed the approach of the Department towards the appointment of a chartered accountant as primary auditor of a body or authority. The letter stated that in the event of a chartered accountant being the primary auditor of a body or authority, his appointment would be on C&AG's advice and he would conduct audit as per guidelines issued by C&AG's office. Audited accounts and audit report thereon were required to be submitted to C&AG who was to have right to conduct test check of the accounts. C&AG's observations in such cases were to be in the form of comments on accounts audited by chartered accountant. That meant that C&AG was not

to certify accounts, but to issue comments in the same manner as is done in case of government companies under the Companies Act. There was to be no objection to the inclusion of this position in the rules, regulations or articles of association of the body or authority. Further, the conditions of grant, loan or investment may stipulate that the auditor for certification of accounts 'may be required to be appointed on the advice of the C&AG of India'. The letter went so far as to say that even if the audit of any body or authority is not entrusted to C&AG, there would be no objection to C&AG recommending the appointment of a chartered accountant as auditor.

The guidelines further added that C&AG would not insist on being the sole auditor for autonomous bodies unless there was substantial surplus staff. Conversely, if there was a shortage of staff, the AG could in rare cases insist on the appointment of a primary auditor.

These provisions, however, it seems, remained mostly on paper, and were not put to practice. Enquiries reveal that commercial audit wings were not asked for names from the panel of chartered accountants maintained by them for this purpose.

REPORTING AUDIT FINDINGS

Periodicity of Audit: Where the C&AG is the sole auditor and, therefore, has the responsibility of certification of accounts under section 19(2), 19(3) or 20(1), this duty has to be carried out regularly every year as clarified by the Headquarters on 17 March 1992. According to Manual of Instructions for Audit of Autonomous Bodies, (1983 Edition Para 9.03), rotational audit of branch units was to be carried out in such a way that no branch unit escapes from audit altogether. Headquarters circular dated 29 April 1985 laid down that it would suffice if the accounts of institutions are audited annually and audit of transactions of individual units was done once in three years. It was also decided that audit under section 14, 19 & 20 of the Act would be done on annual basis except by offices which had shortage of staff. However, the 1992 instructions made it abundantly clear that the certification audit would be done every year on priority basis. Propriety audit under section 14, 19 and 20 was to be conducted in cycles ensuring that all autonomous bodies were covered once in three years or less. Major autonomous bodies viz. port trusts, UGC etc. were to be subjected to propriety audit every year.

Another important instruction related to the contents of SAR. It was clarified that SAR in respect of Section 19 and 20 of the Act, should contain only 'comments on accounts' and the then prevailing system of 'including all the audit points' in the SAR was to be discontinued. The rationale of delinking the audit comments from the SAR was clear: the emphasis in this situation will be more on the 'comments on accounts' per se, in line with the commercial audit pattern. Since then, more refinements have taken place as regards the SAR. There are instructions now that the important comments on the accounts contained in SAR should be included in the audit certificate itself as 'significant comments'. In the revised Manual (July 2007 Edition), Chapter 12 on Compliance Audit has emphasized that a risk-based approach should be adopted to select entities for compliance audit and more frequent and intensive audit for the 'very high risk category' entities should be undertaken (para 12.06).

Certification of Accounts: C&AG issues an audit certificate along with his Audit Report⁵ containing 'comments on accounts' in respect of all entities audited under Section 19(2), 19(3) and Section 20. The format of audit certificate that was in use since 1989, was revised in April 2004 to include significant audit findings in the body of the certificate. In October 2005, Commercial audit wing modified the audit certificate to be issued in respect of statutory corporations where C&AG is the sole auditor based on Auditing and Assurance Standards (28) of the Institute of Chartered Accountants of India. With a view to having uniformity in audit certificate to be issued in case of all bodies, authorities, corporations or societies subject to C&AG's sole audit, format of audit certificate was thoroughly revised in 2006 by the Autonomous Bodies Wing. All the Audit Reports containing comments on accounts and forming part of audit certificates are placed before Parliament/ legislature in respect of entities audited under Section 19(2) and 19 (3). However in case of audit under Section 20, the Audit Reports are placed before Parliament/ legislature only if the accounts of the said entity are to be placed before Parliament/ legislature as per the statute governing the entity or the recommendations of the appropriate committee of the Parliament/legislature. In each case, it has to be ascertained from the Government concerned. All SARs to be placed before Parliament/ legislature require clearance by the office of C&AG.

INSTRUCTIONS ON SEPARATE AUDIT REPORTS IN THE
NEW MANUAL

The new Manual of July 2007 has comprehensively dealt with the contents of Separate Audit Reports. It lays down the principle that no precise rules can be made to guide auditors in determining what facts are of substantial importance to warrant a reference in the Separate Audit Report and what facts are not so important. These are to be determined by individual auditors. It goes on to detail the guiding principles on the kind of comments on accounts which should find place in SAR on the basis of attributes of materiality and significance. These include the following:

- ❖ non-compliance of accounting standards or instructions contained in the Common Format of Accounts;
- ❖ Porrections/rectifications/revisions carried out at the instance of audit;
- ❖ cases where assurances for rectifications are not fulfilled after a couple of years;
- ❖ where corrective measures have been taken by the management in relation to matters brought to their attention by the auditors, it may still be necessary for the auditors to report certain cases to the governing body; for example, cases relating to fraud/ embezzlement committed but compensated by officials; and
- ❖ deficiencies in system of financial control and maintenance of financial record.

Other instructions contained in the Manual are regarding placement of the comments in the SAR.

Management Letters: Another good strategy prescribed in the new Manual is issue of management letter in addition to SAR/audit certificate. The management letter is issued to the management and contains a detailed report on the procedures, systems, weaknesses in internal control etc. which are of importance to the management and which would enable them to exercise a better control over the operations of the body. The Manual has also given, by way of illustration, the nature of objections which can be included in the management letter. These include errors in annual accounts not considered material, deficiencies in the accounting records, systems and control alongwith audit recommendations for their improvement, non-compliance with financial control/ internal control procedures etc. The Management letter is to be addressed to the chief executive officer of the autonomous body.

It is also enjoined that a mention must be made in the SAR about the issue of a separate management letter. The management letter is to be issued only at the time of issue of final SAR. A copy of the management letter is also to be sent to the headquarters.

In addition to reporting results of financial audit to Parliament/ legislature, C&AG also reports major audit findings arising from compliance audit and performance audit through the Audit Reports prepared under the provisions of Article 151 of the Constitution. Prior to 2006, C&AG was bringing out an exclusive report on audit of autonomous bodies. The report was titled 'Report of the C&AG for the year ended Union Government (Civil) Autonomous Bodies'. Since 2006, there are two Audit Reports on Autonomous Bodies—one containing audit findings arising from compliance (transactions) audit and the other on performance audit in respect of Central autonomous bodies audited under Sections 19(2), 20(1) and 14. Even though Section 15 does not contain any provision for reporting the results of audit of loans or grants by C&AG, it has been clarified that since the grants /loans constitute expenditure out of Consolidated Fund, reporting thereon is automatic in terms of Section 13 of the Act.

The results of audit in respect of autonomous bodies of States audited under Section 14, 19(3) and 20(1) are incorporated in the C&AG's Report (Civil) of respective States. These are generally single volume Report containing audit findings on both transaction (compliance) audit as well as performance audit.

Inspection reports on compliance (transaction) audit of Central autonomous bodies are finalized and issued by the field audit offices. Important paras that merit a place in C&AG's Audit Report are proposed to Headquarters in the usual manner for inclusion in the Central Audit Report on Autonomous Bodies signed by the DGACR. DGACR acts as the nodal authority for the draft paras pertaining to autonomous bodies. IR paras relating to State autonomous bodies are sent by respective State AsG and processed similarly at Headquarters for inclusion in the Civil Audit Report of respective State.

ISSUES OF MANDATE ETC.

In the initial phase of the audit of autonomous bodies, a number of issues cropped up -mostly concerning the nature, scope and even authority of C&AG to take up this audit. Certain state governments expressed reservations about C&AG taking up audit

of bodies and authorities due to the interpretation of words 'subject to the provisions of any law for the time being in force applicable to the body and authority' appearing in Section 14 (1) of the Act. While Audit view was (and this was based on the advice of the Law Ministry) that if the relevant statute under which the body or authority was set up did not expressly exclude and prohibit audit by the C&AG, he had a right to audit the institution under the section concerned, some of the State Governments (there were six such States) were of the view that since in their statute creating the body or authority, audit was entrusted to some other authority for example, Examiner of Local Funds, by implication the C&AG's audit was to be excluded. Their interpretation of the term 'subject to the provisions of any law' was that once State law had provided for audit by some other authority, it automatically excluded audit by the C&AG. Interestingly, both the interpretations were based on two different rulings given by the Hon'ble Supreme Court.

Based on the C&AG's suggestion in 1980, the Act was amended in 1984 and the amendment became effective from the accounting year 1983-84. This new law made it clear that no law of State legislature can supersede or abridge the duties and powers of the C&AG prescribed by Parliament. In view of this, the clause 'subject to any law for the time being in force' occurring in section 14(1) was interpreted to mean that C&AG's audit will co-exist with and complement the audit arrangements that may be specified in State law.

In June 1983, the Indian Institute of Technology (IIT), New Delhi raised a doubt regarding the right of C&AG to conduct efficiency-cum-performance review of that institution. The question was eventually examined by Law Ministry. IIT was of the view that under the Institute of Technology Act 1961, only the Visitor was empowered to direct such a review to be done. The Law Ministry gave the following opinion:

'Under section 23(3) of the Institute of Technology Act 1961, the C&AG of India, inter-alia, has the same right, privileges etc. in auditing the accounts of the Institute as he has in connection with the audit of the Government accounts'. The opinion also mentioned about C&AG's powers to make regulations for carrying into effect the provisions of the Act in so far as they relate to the scope and extent of audit and concluded that in exercise of those powers, 'the C&AG had issued standing orders and under paragraph 56(1) of MSO (T)

C&AG also had a right to examine how far the agency or authority is discharging its responsibilities in regard to the various schemes undertaken by it.' The Law Ministry therefore concluded that 'C&AG is empowered to undertake efficiency cum performance audit of Government accounts and therefore under section 23 of Indian Institute of Technology Act, the C&AG of India is entitled to undertake efficiency cum performance audit of Institute's accounts even independently of the directions of PAC'.

The Ministry of Education and Culture in their letter of May 1983 to the Registrar of Indian Institute of Technology and copy endorsed to the Principal Director of Audit, Central Revenues clarified that the Law Ministry were consulted and they had clearly opined that 'C&AG is empowered to undertake efficiency cum performance audit of Indian Institute of Technology'.

There were, however, certain other issues, which needed changes in the existing provisions of the Act to make the C&AG's mandate really effective. One such issue related to the existing wording of Section 14(1) which explains the expression 'substantial' to mean grant or loan from Govt. not less than Rs.25 lakh and the amount of such grant or loan not being less than 75 per cent of total expenditure of that body or authority. The difficulty here comes in ascertaining as to whether grant or loan to the institutions concerned was 75 per cent or more of their expenditure. The source for information on this point is often blurred. The institutions are not obliged to provide this information. In the situation, a number of such institutions, some even completely funded by Govt., escape audit. The XIX Accountants General Conference held in November 1996 deliberated on this issue and suggested amendment to the Act to remedy the problem.

The C&AG, accepting the viewpoint, addressed the Finance Minister in January 1997, suggesting that explanation below Section 14(1) be amended and all institutions in receipt of substantial amount be subjected to audit. The substantial amount could be defined to mean Rs.50 lakh or more. This will mean that the provisions regarding the grant being a certain percentage of the total expenditure will no more remain on the statute. A formal proposal from the C&AG to Expenditure Secretary for draft amendment was sent in March 1999, which included amendment of Section 14 which the C&AG termed as of some urgency 'so as to ensure normal expectations concerning accountability in the matter

of utilization of public money transferred to bodies or authorities for the purpose of development of socio-economic infrastructure and/ or improving the quality of life of the common man'. After some correspondence, however, a revised draft amendment, which proposed the floor limit of grant or loan of Rs.1 crore or more to be made subject to C&AG's audit irrespective of the percentage share of Govt. funds in the total annual expenditure of that body or authority was proposed to the Ministry. Decision is pending.

The present C&AG has examined issues involved in the audit of autonomous bodies on several occasions. He desired in August, 2005 in a detailed note that Autonomous Bodies Wing should thoroughly examine the scope of audit under sections 14, 15, 19 and 20 of C&AG's (Duties, Powers and Conditions of Service) Act, 1971. C&AG's directions were on the following broad areas that concerned audit of autonomous bodies:

- (i) a de novo examination of his audit mandate, specially with reference to the NGOs;
- (ii) preparing a reliable and complete database of entities that would come under audit of one of the sections relevant for autonomous bodies audit;
- (iii) preparation of a new comprehensive manual of Audit of Autonomous Bodies; and
- (iv) autonomous Bodies Wing to carry out a review of the extent and scope of audit of Autonomous Bodies already being covered by that Wing.

The C&AG referred to the view held by many that he did not have a clear mandate 'to follow' the taxpayers' money as in USA or UK. In this context, he queried whether C&AG's legal mandate for the audit of NGOs was unambiguous and clear. In doing so, apparently C&AG was moved by the fact that there has been, of late, a very marked shift in government policy towards involving NGOs as partners in the implementation of Govt. programmes on socio economic developmental activity. In a large number of programmes, NGOs were involved in some capacity or other and this involvement is likely to be much more in the future. In this context, substantial funds made available to the NGOs needed a proper and suitable accountability mechanism. The examination of this issue by the Autonomous Bodies Wing concluded that C&AG has a clear and unambiguous mandate to audit the NGOs subject to the conditions laid down in the relevant sections of the Act. The new GFR has also clarified (Rule 211) that the accounts of all

grantee institutions or organizations shall be open to inspection by the sanctioning authority and audit both by the C&AG of India under the provisions of C&AG's (DPC) Act, 1971, as also by internal audit. It also provides that such a provision should be incorporated in all orders sanctioning grants-in-aid.

While the policy of engaging the NGOs as partners in the developmental programmes is fairly established now, very little has been done to have a reliable source to get data regarding the total funds made available to these bodies. The Planning Commission is making attempts to collect the relevant data on funding of these bodies.

RELIABLE AND COMPLETE DATA BASE

The question of a reliable and complete database is an old one. It has been one of the problems encountered in audit of autonomous bodies. The difficulty of preparing such a reliable database is more pronounced in case of bodies and authorities that fall within the scope of audit under section 14. In the absence of a comprehensive database of all such organizations, it becomes difficult to establish an appropriate timeframe and suitable programmes for completing audit. To overcome this problem, the Headquarters office has been requesting all State Accountants General to impress upon the concerned State Governments to invariably forward to Audit in time all sanctions of grants-in-aid given to the autonomous bodies. Despite best efforts, large gaps still exist in the data availability, although, for the purpose of collecting this data and to prepare the data base, special cells were sanctioned to field offices. These cells partially succeeded in the building up of database of NGOs/ private bodies etc., mostly by referring to the respective demands for grants which contain information on such bodies receiving grants of above Rs.5 lakh (recurring) and Rs.10 lakh (non-recurring). From this data, it was possible for the Accountants General to cull out details of the bodies that were receiving grants of more than Rs.25 lakh; the data was also helpful in identification of schemes financed by Ministries/ Departments which would attract audit under Section 15. In February 2001, the three Principal Audit Offices in Delhi were encouraged by the then ADAI (RC) to create one more data-base by collecting information from the records of PAOs/ Ministries. Incidentally, the D.O. letter of 29 April 1985 from K.S. Sastry which set out elaborate instructions on the autonomous bodies audit, also deals with the procedure for

collection of data, apart from the detailed provisions contained in Chapter-3 of the Manual. As far as Central autonomous bodies are concerned, a system was devised in the year 2001 between the C&AG's office and the Controller General of Accounts (CGA) whereby the CGA organization was to send, ministry-wise, a list of all the grantee institutions alongwith the grants made during the preceding years. This list was to be sent by each Principal Controller of Accounts to the DGACR with a copy of forwarding letter to the C&AG for information. This system had been built to give a good source of information as far as Central autonomous bodies are concerned.

Despite all the measures detailed above, a comprehensive and satisfactory database of all autonomous bodies still eludes the Audit Department.

Aware of the magnitude of this problem, the present C&AG directed (in October 2004) that a complete data base (census) on autonomous bodies receiving assistance from the government must be prepared expeditiously. Accordingly, in June, 2006, Principal Director, HQrs addressed all State Accountants General/ Principal Directors of Audit, with a fresh set of instructions that a complete data base (census) of the Central and State autonomous bodies and Non-Government Organizations (NGOs) must be compiled. The directions also included the procedure and the time frame for collection and compilation of the data and its submission to Headquarters Office, along with the formats for the purpose. The data was required for the years 2003-04 to 2005-06. The Headquarters office instructions also envisaged that this data-base must be updated every year and will be in addition to the records required to be maintained as per the provisions of the Manual of Instructions for Audit of Autonomous Bodies.

To overcome the problem of collecting details of grants/loans etc. released to grantee/bodies by the departments of the government, the Regulations notified in November 2007, have made specific provisions⁶ regarding essential requirements to be met in the issue of sanction of grants and loans and forwarding of statement of bodies and authorities receiving assistance.

SPECIAL ECONOMIC ZONES

A recent development of considerable importance vis-à-vis the audit of autonomous bodies, is the enactment of the Special Economic Zones Act, 2005 which has prescribed C&AG as the

auditor for accounts of every Special Economic Zone Authority that will be constituted/ have been constituted under the Act. The number of such Authorities is likely to be substantial. In February 2007, HQrs addressed all Principal AsG/ AsG (Civil) regarding audit of these Authorities. Audit of these Authorities falls under section 19(2) of C&AG's (DPC) Act read with section 37 of the SEZ Act, 2005. The PDAESM, being the Principal Auditor of the Ministry of Commerce and Industry is the coordinating authority and is to 'clarify issues concerning audit and certification'. He is also to prepare a detailed checklist and procedure of audit of SEZ Authority.

The letter also clarified that audit of SEZ will include financial and performance audit.

AUDIT COVERAGE OF AUTONOMOUS BODIES

The entrustment of audit for 105 autonomous bodies set up/ constituted by State Governments was given to various State Accountants General offices. Besides, there are State Commercial Corporations entrusted to Accountants General under section 19(3) and 20 of C&AG's (DPC) Act, 1971. It was also noted that these entrustments were given several years back and were continuing.

Another survey done by PD (Autonomous Bodies) was regarding status of audit under section 15. It was revealed that audit under section 15 had large gaps in coverage and was practically non-existent in some States. Information called from all the concerned offices for the year 2005-06 revealed the following picture.

(i) Audit identified	799
(ii) Audit planned	390
(iii) Audit actually done	349

If the auditee units identified/planned/audited by Principal Accountant General (Audit) Kerala (374/135/134), AG-II Nagpur (38/38/38), PAG Rajasthan (30/30/28) and PAG-I Maharashtra (92/64/64) are excluded, position of section 15 audit in other States would be considered poor.

Audit under section 15 could be an important source of information about the prevalent systems and procedures by which the Government could assure itself that the funds given to autonomous bodies were being used judiciously and for the purpose for which they were given. But as the survey revealed many issues relating to this audit needed to be addressed.

In nut shell, it would appear that audit of autonomous bodies has taken a back seat partly on account of the lack of information flow on such bodies and authorities that exist and qualify for audit under section 14 (1) or 14 (2). Essentially it is a question of a good data bank on these bodies or authorities. Secondly, it is also true that of late State Governments are quite reluctant to approach C&AG for entrusting audit of these bodies or authorities.

Because of lack of strong audit of the Secretariat/ Departments in the State Governments, vital information which AG can get on these Autonomous Bodies is not available to him. C&AG Kaul conscious of this, has initiated several steps towards improving matters. This includes a comprehensive census of all bodies and authorities that attract provisions of section 14(1) or section 14(2) of the Act.

SOME IMPORTANT PARAGRAPHS FROM AUDIT REPORTS

Coffee Board, Bangalore: The Coffee Board was set up under the Coffee Act, 1942 (Act) to promote the development of Coffee Industry by promoting coffee cultivation, research, sale and consumption of coffee. An audit review on the working of Coffee Board, brought out interesting findings on its functioning, weaknesses and success in achieving its objectives. The world market of coffee being volatile sustained efforts were called for even to retain their prevailing share of exports (2.2 to 2.7 per cent during 1985–89). Its efforts to promote export of Indian Coffee showed skewed picture with nearly half of the total exports going to USSR; worse in terms of value the picture was dismal as there was a shortfall in average unit value realized. The Audit view was that initiatives of the Board for promoting export of Indian Coffee abroad were minimal. Seventh Plan envisaged a target production of 1.80 lakh tonne by the end of 1989–90 at an annual growth rate of 5.5 per cent, the biennial average production achieved at the end of the plan period 1988–90 was 1.68 lakh tonne, giving an average growth rate of 2.5 per cent only. No outturn standards were laid down by the Board for curing works despite the existence of internal norms for such outturns. Short outturn of cured coffee during 1986–89 (5509.28 tonne) compared to the standard outturns fixed caused a loss of Rs. 11.23 crore to the pool growers. Actual cured coffee outturn reported by the curing works during 1987–88 was lower compared to the norms by 6,894 tonne resulting in a loss of Rs. 11.93 crore to the pool fund. Deficient agreements with curing workers did not

make the curers accountable for time taken in curing, outturn declared and the coffee graded. While the Board relied on the certificates furnished by the curing works for the stock, on receipt of complaints, the Board carried out stock verification of one curing works and discovered shortage of coffee valued at Rs. 73.65 lakh in this one works alone. Cases of gross mismanagement of contracts were in evidence as the Board ignored the action of a curing works in not distributing to the growers anything out of Rs. 83 lakh it withdrew from the Board and compounded this by releasing further sum of Rs.1.60 crore to them of which the curer failed to render accounts for Rs. 1.17 crore. Sluggish marketing efforts led to accumulation of stocks and down—gradation of coffee which resulted in 10,509 tonne of such downgraded coffee yielding very low prices during 1986–90.

Release of coffee for domestic markets was stagnant and less than the targets except during 1989–90 and did not reflect any efforts to boost sales in the domestic market.

(Report No. 14 of 1991)

Material Management In DDA: DDA has a strong Engineering Department headed by a Member (Engg.). It has years of experience in building houses for Delhi population. And yet, as this Audit study brings out DDA's Material Management was shoddy and reflected that Authority was negligent, lethargic and generally immune to protecting DDA's interests. Failure of Engineering Department to intimate annual requirement of stores for various works resulted in delays in execution of works and additional expenditure of Rs. 199.93 lakh to the contractors.

DDA failed to levy damages amounting to Rs. 1164.56 lakh in cases of delayed supplies of cement and steel.

DDA failed to put up its claims of Rs. 2.59 crore in time before the arbitrator for consideration. DDA also failed to fix responsibility for this negligence. Delay in placing orders for supply of cement resulted in loss of Rs. 60 lakh. The supplier was requested to complete the entire supply of cement by July 1990. However, he could supply only 8039 tonne. For balance of 11961 tonne, DDA awarded work to other firms in February 1990 at risk and cost of the defaulting firm. When DDA went into arbitration, the arbitrator in his award of October 1993 rejected the demand of Rs. 60 lakh on account of additional expenditure on purchase of balance quantity of cement on the ground that DDA has placed the order for balance quantity after lapse of 8 to 9 months of the last date of

agreement. Purchase of steel in piecemeal resulted in extra expenditure of Rs. 49.51 lakh.

No action was taken to recover Rs. 154.74 lakh from the firms, which had supplied cement during 1984-87. Wrong application of issue rate of cement resulted in loss of Rs. 51.22 lakh.

(Para 61 of Report No. 11 of 1995)

SCOPE Minar Project: This Para highlights the mismanagement of the construction of a building complex for use by the Public Sector Undertakings (PSUs) by Standing Conference of Public Enterprises (SCOPE) that comprises all the Chief Executive Officers of the PSUs.

SCOPE decided to assist the public sector enterprises in having their own buildings on a pooled basis in a major combined office complex and accordingly decided in 1978 to construct an office complex called MINAR project. The office complex to be developed on the land allotted by the Government at Laxmi Nagar, Delhi in 1982 was financed by the participant enterprises. The Project was to be completed by 1991 at a projected cost of Rs. 74.38 crore.

An architect and a Coordinator were appointed to design, plan, execute, supervise and ensure timely completion of the project. As of December 1997 the work was still in progress, and as a consequence, cost escalated to Rs. 183.25 crore by 1996.

Despite such shoddy performance by the Architect, he was given undue financial benefit of Rs. 1.64 crore through unjustified hike in fee and other irregular/ inadmissible payments. While civil contractor got a bounty of Rs.6.52 crore on account of delayed handing over of site and unjustified midway revision in the labour escalation formula, the other service contractors were also compensated by Rs.2.38 crore.

The project coordinator, who was the person responsible for timely completion of the project, was, instead of being penalized, actually benefited by Rs.2.75 crore due to faulty and ambiguous terms of the contract.

SCOPE paid interest free special advances of Rs.8.93 crore to the contractors which were outside the scope of the contract. In addition, eight contractors were paid Rs. 1.44 crore interest free mobilization advances over and above the normative advance.

The Para brings out that an apex body of the highest professionals of Indian Public Sector could not even ensure execution in time and within cost estimate, a building project for their own use.

(Para 20 of Report No.4 of 1998)

Council for Advancement of People's Action and Rural Technology: The Council for Advancement of People's Action and Rural Technology was set up as an autonomous body in September 1986, to encourage, promote and assist voluntary action in implementing rural development schemes. An audit review of this organization lays bare the gross mismanagement and irregularities in this organization.

The Council sanctioned projects without observing the laid down norms and without verifying the eligibility, credibility, professional competence and genuineness of the documents submitted by the voluntary organizations (VOs).

A large number of the beneficiary VOs were blacklisted (248) spread over 16 States for various reasons. About 60 per cent of the funds given to these VOs were misutilised. Several VOs were found non-existent. Besides, 226 VOs to whom Rs. 2.25 crore were released were placed under 'Further Assistance Stopped' category on the basis of adverse reports of monitors, etc. The Council admitted nexus between officials of the Council including monitors, in cheating, forgery, criminal conspiracy and misappropriation of Government funds.

92 per cent of the projects sanctioned upto 1995-96 involving Rs. 224.07 crore were incomplete as of July 1997, although 95 per cent of the projects assisted by the Council were of short duration of six months to one year.

Sample evaluation of the implementation of the Accelerated Rural Water Supply Programme in Uttar Pradesh revealed that 33 per cent of the hand pumps had inadequate discharge of water, 31 per cent were installed in locations to selected persons; no provision for maintenance was made in respect of 68 per cent of hand pumps and no training for maintenance was provided in 50 per cent of the cases.

Sample evaluation of the Central Rural Sanitation Programme revealed that 75 per cent of the latrines were provided to ineligible households, latrines constructed were of poor quality and complete sanitation of village through construction of drains etc. was not taken up.

(Para 25 of Report No. 4 of 1998)

Indira Gandhi National Centre for Arts, New Delhi: Department of Culture, Ministry of Human Resources Development had approved major amendments in the original deed of declaration of 1987, thereby abdicating its responsibility for administrative and

financial control over this autonomous body funded by Government.

Ministry released Corpus Fund of Rs. 50 crore in violation of General Financial Rules. The interest accruals from corpus funds aggregating Rs.24 crore were further reinvested by IGNCA to gain further income instead of spending on programmes and projects of the Centre.

Unutilized Martyrdom fund: Rs. 2.85 crore out of Rs.3 crore sanctioned separately for observing 10th Martyrdom Anniversary of Indira Gandhi remained unutilized.

Building complex: Further, out of a total amount of Rs.84.55 crore granted in addition to Corpus Fund for construction of a building complex since 1987–88, only Rs.45.52 crore were spent up to March 1998. The building complex remained incomplete as of September 1998.

Even though the expenditure on architectural services worked out to 20 per cent of project costs (as against the service norm of 3 per cent), no penalty was levied on the architect for the inordinate delay in completion of the building. A private company was favoured to act as construction management agency, without recording reasons. This resulted in avoidable expenditure of Rs.2.40 crore.

(Para 6.1 of Report No.4 of 1999)

Non-Repayment of Loan to Government of India: Security and Exchange Board of India defaulted in repayment of loan of Rs.115 crore granted by the Government of India during 1992–97 and did not make timely effort to realise fees due from merchant bankers.

(Para 4.1 of Report No.4 of 2000)

All India Institute of Medical Sciences (AIIMS): AIIMS was established as a teaching hospital for developing excellence in medical education and research in 1956. Over the years while it developed into a large hospital emphasis on teaching or research grew weaker. Teaching suffered due to shortage of teaching staff; research was not able to get resources. A large complement of teaching staff was employed on adhoc basis. Out of 339 research projects sanctioned during the decade 1991–2000, final reports were received only in respect of 153 projects (upto March 2001). There was no evidence of utilization of research findings. The hospital infrastructure was found deficient. The specialized centers for treatment of cancer and trauma were not developed. The drug addiction centre was not fully functional. A substantial part of

resources received from the National Illness Assistance Fund for providing treatment to the poor remained unutilized. Large shortages in the cadre of doctors and nurses resulted in depriving the patients of diagnosis, treatment and medical care. The doctor patient ratio was very high and the waiting time of surgery was also very long. Various instances of losses and mismanagement were noticed in the administration of the Institute. The study also found that large investments in providing subsidized medical education for providing excellence and sufficiency had gone substantially unreturned, as at least 49 per cent of doctors trained at the Institute found their vocations abroad.

(Para 1 of Report No.4 of 2001)

Paragraphs pointing out irregularities in AIIMS have been repeatedly printed in Audit Reports. Para 40 of Report No.11 of 1991 commented on purchase of a lithotripter machine in September 1988 at a total cost of Rs.192.76 lakh which included Rs.18.97 lakh towards Indian agent's commission. The Indian agent's commission paid by AIIMS worked out to 11 per cent of the f.o.b. price of the equipment and was prima facie excessive. The agency commission paid by the Director General of Supplies and Disposals for purchase of a similar machine from the same firm for the Lok Nayak Jai Prakash Narain Hospital, New Delhi was only 7.5 per cent of the f.o.b. price.

Failure to ensure advance preparatory action resulted in the machine remaining idle for seven months.

The AIIMS approved levy of charges of lithotripsy at the rate of Rs.7000 per case in October 1989. From August 1989 to March 1990, the average number of patients treated was 12 per month against anticipated average output of 42 patients due to non-availability of required staff.

Audit Paras 10.1 and 10.2 in Report No.4 of 2005 highlighted irregular payment of conveyance allowance amounting to Rs.68.59 lakh during 2002-04 to ineligible staff despite clear orders and irregular payment of Rs.42.97 lakh to ineligible staff members due to non adherence to the guidelines for the grant of financial assistance to attend conferences respectively.

Navodaya Vidyalaya Samiti: Navodaya Vidyalaya Samiti (Samiti) was set up as a registered Society in February 1986 to implement the Navodaya Vidyalaya Scheme (Scheme) which is aimed at establishing, endowing, maintaining, controlling and managing model schools called Jawahar Navodaya Vidyalayas (JNVs) having

co-educational and residential facilities for providing good quality modern education to the talented children predominantly from rural areas. The broad aims of JNVs are to serve the objectives of excellence coupled with equity, to promote national integration, provide opportunities to the talented children to develop their full potential and to facilitate the process of school improvement. The JNVs set up under the scheme, one in every district, were to act as pacesetter institutions, fortified with an integrated core curriculum and complement of high caliber teachers. A comprehensive review of this scheme in audit brought out several shortcomings in implementation. The quality of infrastructure and academic support was unsatisfactory. The examination results of JNVs were found consistently good in terms of achieving a very satisfactory overall pass percentage but were not impressive in comparison to the results of private educational institutions in the category of high achievers (75 per cent and above). Further, a laudable objective of the scheme was inculcation of the spirit of national integration among the students through the concept of inter-state migration of students for brief periods. This, however, became a problem area in actual implementation. The so called Migration Policy failed due to a number of reasons and it became imperative that an urgent review of the Policy was done for its proper implementation. JNVs have thus not acted as pace-setting institutions as visualized despite strong financial and policy support largely because of the absence of strong academic backup and academic leadership. A large number of posts of academic staff remained vacant and 23 principals resigned without completing the tenure. The scheme needed strong monitoring in order to keep the performance of institutions in line with the objectives; no serious monitoring was undertaken by the administrators of the scheme.

(Para 1.2 of Report No. 4 of 2002)

Prasar Bharti: The Audit Paras on the deficient financial and programme management of Doordarshan (DD)/ Prasar Bharati became a regular feature of the successive Audit Reports; these gave enough evidence that Doordarshan authorities were not only indulging in such malpractices, worse they hardly bothered about these since they indulged in more irregularities of similar nature. In the event, the overall impression these Paras generate about Doordarshan is that it does not care much about its accountability. A few of the audit Paragraphs given below will testify to this:

DD hire-purchased three digital storage systems from National Film Development Corporation (NFDC) for capsuling and playback of programmers and the systems were installed in 1995. However, these were not found suitable/ useful for DD programmers and the Director General, Doordarshan, directed their disposal in December 1996 resulting in unfruitful expenditure of Rs.5.40 crore on hiring a system which remained unutilized, besides an overpayment of Rs.2.40 crore to NFDC was also made.

DD fixed, in May 1995, the Sponsorship Fee and Free Commercial Time (FCT) for repeat telecast on its international channel and also provided additional FCT which could be banked and utilized in other national channels within a period of seven days which was increased to 30 days in August 1996 when sponsorship fee and FCT were revised. However, in violation of its own rules, DD allowed the producers to utilize the additional FCT banked by them during the period from May 1995 to March 2002 after the expiry of the stipulated period of seven and thirty days which resulted in a loss of Rs.2.31 crore to DD.

Incorrect interpretation of commercial rates by Doordarshan Kendra, Kolkata resulted in extension of undue financial benefit of Rs. 2.20 crore to sponsors for telecast of two sponsored programmes.

Amongst other financial misdemeanour indulged in by DD were, clearance of an advance to a State Government Company in the year 2000; Company closed down its business in January, 2001 and the advance of Rs. 4.41 crore alongwith interest at 15 per cent remained outstanding as of April, 2004.

Doordarshan allowed full production/ commissioning cost to a firm and did not bill for 6,329 seconds of commercial time, incurring loss of revenue of Rs. 1.50 crore.

Doordarshan acted arbitrarily in granting free commercial time in excess of admissible limit in respect of a sponsored programme, which resulted in loss of revenue of Rs. 74.10 lakh.

Doordarshan failed to deduct income tax at source from World Tel which led to levy of penalty and interest amounting to Rs. 4.43 crore by the Income Tax Department.

Prasar Bharati did not adhere to the schedule of payment of installments of telecast right fees to Board of Control for Cricket in India, during the period 1990–2003, which resulted in avoidable payment of interest of Rs. 1.42 crore.

Prasar Bharati irregularly allowed agency commission at the rate of 15 per cent to National Film Development Corporation for the telecast of 210 films between June, 2001 and September, 2003 which resulted in irregular expenditure of Rs. 22.68 lakh.

Grant of additional Free Commercial Time and repeating this next year also resulted in undue financial benefit of Rs. 10.66 crore to the producer on these counts.

Failure to appoint operational and maintenance staff for nine low powers TV transmission systems built during March, 2002 to September, 2004 resulted in their idling as well as idling of investment of Rs. 6.74 crore. Further, DD also failed to commission studios set-up at six stations during March, 2001 to March, 2005 at a cost of Rs. 22.55 crore even 12 to 48 months after their completion.

Doordarshan procured two transmitters before erecting the TV Tower at Vadodara which resulted in idling of Rs. 3.82 crore for two to four years as of July, 2005. The guarantee for the equipment also lapsed while these were idling.

In summary, DD was put to a loss of Rs.46.26 crore due to irregularities mentioned above.

Allotment of Land to Private Hospitals and Dispensaries by Delhi Development Authority (DDA): This Review brings out with authenticity what is commonly perceived by the people in Delhi viz. getting land at concessional rates in lieu of fulfilling social obligations but after getting and commissioning never fulfilling it. Allotment of land to Private Hospitals and Dispensaries by DDA was made at concessional rates in consideration of certain commitments. However, DDA failed to enforce the terms of allotment of institutional land, at concessional rates, to 53 hospitals and 12 dispensaries. The primary objective of these allotments was to provide 25 per cent free indoor and 40 per cent free outdoor treatment facilities to the poor. This was not done. Allotment of land was made to three ineligible institutions which deprived DDA of revenue of Rs. 38.54 crore. There is no system in place to deal with complaints received against the defaulting hospitals and dispensaries in contravention of the terms and conditions of allotment. Twenty-three out of 27 hospitals had not started functioning as of July 2003, even after lapse of periods ranging from 4 to over 30 years from the date of allotment of land. Ineffective pursuance of outstanding dues led to accumulation of arrears of Rs. 3.54 crore besides ground rent and interest of Rs. 2.46 crore.

(Para 3.1 of Report No. 4 of 2004)

Para 13 of Report No. 4 of 2002 highlighted cancellation of allotment of houses at Narela due to lack of basic amenities leading to blockage of funds of Rs. 36.08 crore for 3–7 years, extra expenditure of Rs .7.20 crore due to delay in supply of layout plans and materials, extra expenditure of Rs. 1.59 crore due to defective designing of pile foundation, cost overrun of Rs. 1.18 crore due to belated decisions and delay in supply of drawing/ materials for Nagin Lake Apartments, etc.

NOTES: CHAPTER-13

¹As per Regulations on Audit and Accounts, 2007 and Manual of Instructions for Audit of Autonomous Bodies 2007 edition.

²Para 2.02 (ii) of chapter 2, Manual of Instructions for Audit of Autonomous Bodies (Volume I), Second Edition issued in July 2007.

³DG (Audit) D.O No. Audit (AB)/17-2006 dated June 1, 2007 addressed to Joint Secretary and Government Counsel Ministry of Law and Justice, Department of Legal Affairs, New Delhi-110001

⁴C&AG's OM No. 131-Rep (AB)/71-2004 dated 14 August 2006

⁵Earlier these were called Separate Audit Report (SARs) perhaps to distinguish them from the C&AG's Audit Reports on Union Government or State Government Accounts to Parliament.

⁶Regulations 83 and 84 contain detailed provisions in this regard.

LIST OF KEY EVENTS

29 April 1985	Policy decisions /clarifications on the audit of autonomous bodies conveyed to field offices.
3 September 1987	C&AG clarified that grants paid to institutions by U.G. C. should not be taken into account for applying provisions of Section 14 of DPC Act.
17 March 1992	Instructions issued regarding certification of Accounts, propriety audit etc.
21 June 1993	Title of separate audit reports in respect of all Autonomous Bodies including Port Trusts was changed as 'Audit Report on the accounts of thefor the year
March 2002	A common format of accounts of central autonomous bodies was introduced to bring about uniformity and transparency. The format was applied to Autonomous Bodies governed by separate Acts of Parliament in August 2006.
October 2004	C&AG directed that a complete data base on all autonomous bodies receiving assistance from Government must be prepared expeditiously.
February 2007	C&AG's office addressed all field offices regarding financial and performance audit of Special Economic Zones.
1 June 2007	DG (Audit) wrote to Joint Secretary and Government counsel Ministry of Law and Justice that right of C&AG to audit grants paid by UGC does not get infringed just because grants are routed through UGC.

DOCUMENTS

1

D.O.No.364-AuditII/72-91

Dated:- 17-3-1992

S. LAKSHMINARAYANAN
Pr. DIRECTOR

Dear Shri

Kindly refer to Shri K.S. Sastry, Director of Audit's D.O. letter No. 649-Au. II/143-85 dated 29.4.1985 and Shri G.M. Mani, ADAI's circular D.O. letter No. 157-Rep (AB)/20-86 dated 31.5.88 regarding audit of autonomous bodies and preparation of SARs. In para 1.7 of Shri Sastry's D.O. letter it was decided that audit under Section 14,19 and 20 will be done on an annual basis except in offices which have shortages in which case suitable relaxation may be sought from Headquarters office.

2. From the annual returns furnished by various Accountants General, it has been observed that arrears in audit of accounts of autonomous bodies subject to audit under Section 14, 15, 19 and 20 have been on the increase. The arrears are mainly attributable to shortage of staff or non-finalization of accounts by the autonomous bodies.

3. In order to streamline the procedure for audit of autonomous bodies, certification of accounts and preparation of SARs, the following changes in the existing instructions are made:

- (i) Certification of accounts will be done every year. Where there are arrears in certification of accounts already received, Accountants General concerned should take steps to immediately clear these arrears by deputing special parties. This work should be given priority every year.
- (ii) Propriety audit under Section 14, 19 and 20 should be conducted in cycles ensuring that they are covered once in three years or less. The list drawn up should be sent to Headquarters (AB section) by the middle of March every year. The first list should be sent to Headquarters by the middle of May 1992. Interse priority of the audit of these organizations/bodies should be decided by the Accountants General vis-à-vis the civil, Forest and works audit under their charge. In this connection the Accountants General may carry out an exercise to determine the need for the existing periodicity in the Civil, Works and forest wings keeping in view the fact that there is a major shift in the expenditure pattern due to introduction of social and developmental schemes in areas other than works, Forest etc. Such studies will help in redeploying the manpower resources to areas like Sections 14, 15, 19 and 20 audits which are assuming greater importance. Major autonomous bodies viz; Port trusts, UGC etc. should be subject to propriety audit every year.

- (iii) In respect of Section 14(1) &(2) it should be kept in mind that a body or authority fulfilling the conditions of audit in any year is also liable for audit for a further period of two subsequent years and any audit due should be completed within this time span. Separate inspection reports may be issued on such audits and points of interest and of great importance should be reflected in the conventional audit reports.
- (iv) In respect of Section 19&20, from now onwards, the SAR should contain only 'comments on accounts' and the existing procedure of including all the audit points in the SAR may be discontinued.

By delinking the audit comments from the SAR, we will be laying more emphasis on the 'comments on Accounts' which will be more on the commercial pattern. Our experience on the commercial side indicates that we can be more effective by Delinking the two issues. Observations arising out of transaction audit can be issued separately and will not form part of certification of accounts. The comments on accounts will then be brief, concise and more effective.

Important irregularities, points of interest and importance etc. noticed during audit of an organization should be highlighted through the conventional Audit Report, while the other irregularities will be pursued through the Inspection Report like in the case of other audits.

Hindi version will follow.

Yours sincerely,
Sd/-

(S. LAKSHMINARAYANAN)

2

Copy of Comptroller and Auditor General of India, New Delhi- 110 002, letter No. 250-Rep (AB)/20-86 Dated: 21.06.93 addressed to Director General of Audit/ Principal Directors of Audit

Sub.:Quality and contents of Separate Audit Reports on the Central /State autonomous bodies.

Sir,

Instructions have been issued in this office circular letter No. 240-Rep (AB)/20-86 dated 07-08-1991 to include in all the draft Separate Audit Reports on the Central and State autonomous bodies, a paragraph on 'outstanding audit objections/inspection reports'. Consequent on the instructions issued in Shri S. Lakshminarayanan, Principal Director (Audit)'s circular d.o. letter No. 364—Audit II/72-90 dated 17-03-92 to streamline the procedure for audit of autonomous bodies, certification of accounts and preparation of Separate Audit Reports etc. the position about using caption/title in Separate Audit Reports, including paras on outstanding audit objections/inspection reports, etc. has been reviewed. In respect of all the autonomous bodies, including the port trusts, it has since been decided that the Separate Audit Reports may henceforth be captioned/titled as 'Audit Report on the accounts of thefor the year and the statistical para on

outstanding audit objections/inspection reports may also not be included in the Separate Audit Reports.

2. It is requested that Separate Audit Reports may henceforth be prepared accordingly.

3. Hindi version will follow.

Sd/-
(SMT. ANJALI SEN)
Director (AB)

3

No-131 -Rep (AB)/71-2004
Dated: 14.08.2006

To

All Directors General/Pr. Directors of Audit/ Pr. Accountants General/
Accountants General (Audit)

(As per list enclosed)

Sub.:Common format of accounts for Central Autonomous organizations

Ref: 1. Headquarters' circular letter no. 103-Audit II/88-2000 dated 27.3.2002

2. Headquarters' circular letter no. 201-Rep (AB)/67-99 dated 08.07.2002

Sir/Madam,

I am to invite a reference to the letters cited and to state that a common format of accounts was prepared/introduced by the Committee of Experts to bring about uniformity and transparency in the accounts of Central Autonomous Bodies. A copy of this common format was forwarded vide this office circular letter no. 103-Audit II/88-2000 dated 27.03.2002. However, the Central ABs governed by separate Acts of Parliament and where C&AG is the sole auditor, were exempted from adoption of new format of accounts and their format of accounts earlier approved remained unchanged.

Due to several shortcomings in the accounting formats of these Central ABs, exempted earlier, matter was taken up with the Controller General of Accounts to bring about uniformity and transparency in the accounts. Now CGA, M/o Finance has revised the instructions issued earlier and has decided that the common format of accounts of autonomous organizations prescribed by the Committee of Experts would also be applicable, in the interest of transparency and comparability, to such Central ABs, which were exempted earlier. A copy of CGA's office memorandum dated 23.7.2006 is sent herewith for information.

It is, therefore, requested that these instructions may be kept in view and preparation of accounts in new format may be insisted upon all the Central ABs.

Hindi version will follow.

Yours faithfully,
SD/-
(R.N.Ghosh)
Pr. Director (AB)

4

D.O No. 172 Audit (AB)/17-2006
June 1, 2007

AJANTA DAYALAN
Director General (Audit)

This is regarding clarification on Section 14 of the C&AG's (DPC) Act, 1971 which authorizes the C&AG to audit all receipts and expenditure of bodies or authorities which are substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having Legislative Assembly.

2. In case of University Grants Commission, funds are received from Government of India for release to other Universities, Colleges etc. The grants from Government of India are first credited to the UGC Fund established under Section 16 of the UGC Act, 1956. Thereafter these are released to the nominated Universities, Colleges etc. Thus the UGC acts only as an agent of Government of India to pass on the grants to other Universities, Colleges etc.

3. There are many other organizations which receive grants or loans from the Government of India or a State Government or Government of Union Territory having Legislative Assembly, to pass on the same to sub-grantees. As these funds are first credited to the Organizations' own Funds, any release of funds therefrom to the sub-grantees can not be taken to be at par with the release from Consolidated Fund of India or of the State or Union Territory. Hence, the authority of C&AG under Section 14 of the C&AG's (DPC) Act, 1971 to audit receipts and expenditure of such sub-grantees can get questioned.

4. The fact, however, remains that all these sub-grantees are receiving substantial amounts from Union Government, State Government or the Union Territory Government- though not directly. As these sub-grantees are, in fact, substantially financed from the Government, common logic makes it abundantly clear that the authority of C&AG to audit substantially financed bodies and authorities under Section 14 of the C&AG's (DPC) Act, 1971 should extend to such sub-grantees as well.

5. An amendment of the Act to this effect was also considered at one stage and was accepted by the Ministry of Finance. In this connection, Ministry of Finance reference No. F. N. 6(5)-B (R)/99 dated December 31, 2004 read with Para 8 of the Note for Cabinet refers. The matter is still pending.

6. In fact, an amendment to the Act is not really called for. The spirit of Section 14 is quite clear that substantial grants and loans from the Government to any body or authority should be audited. This right of the C&AG to audit of grants does not and should not get infringed just because grants are routed through some other authority. This is specially so as there is no value addition by the immediate grantee. The final destination of the grants as well as the terms and conditions are clearly known even when these grants are released from the Consolidated Fund. Thus the spirit of the Act clearly allows for such audits.

7. In view of the above, a clarification on the matter is sought from the Ministry to finally settle the issue.

I would be grateful for an early reply.

Yours sincerely,
Sd/-
(Ajanta Dayalan)

Shri M.A Khan Yusufi
Joint Secretary and Govt. Counsel
Ministry of Law & Justice
Department of Legal Affairs
Copy to Joint Secretary (Budget), Ministry of Finance, Department of Economic
Affairs , North Block, New Delhi-110001

SD/-
(Ajanta Dayalan)

GLOSSARY OF ABBREVIATIONS

CGA	Controller General of Accounts
GFR	General Financial Rules
IIT	Indian Institute of Technology
IR	Inspection Report
NGO	Non-Governmental Organization
PAOs	Pay and Accounts Offices
SAR	Separate Audit Report
SEZ	Special Economic Zone
UGC	University Grants Commission
UK	United Kingdom
USA	United State of America
VFM	Value for Money