

**SEPARATE AUDIT REPORT ON THE ACCOUNTS OF INDIAN COUNCIL OF  
AGRICULTURAL RESEARCH, NEW DELHI FOR THE YEAR 2009-10**

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- We have audited the attached Balance Sheet of the Indian Council of Agricultural Research (ICAR) as at 31<sup>st</sup> March 2010 and the Income and Expenditure Account/Receipt and Payment Account for the year ended on that date under Section 20 (1) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971. The audit has been entrusted for the period up to 2009-10. These financial statements are the responsibility of the ICAR's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and efficiency-cum-performances aspects, etc., if any, are reported through Inspection Report/CAG's Audit Reports separately.
- We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
- **Based on our audit, we report that:**
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

ii. The Balance Sheet and Income & Expenditure Account/Receipt & Payment Account dealt with by this report have been drawn up in the format prescribed by the Ministry of Finance.

- In our opinion, proper books of accounts and other relevant records have been maintained by the Indian Council of Agricultural Research as required, in so far as it appears from our examination of such books.

iv. We further report that:

## **(A) BALANCE SHEET**

### **1. Corpus Capital fund and Liabilities**

#### **• Capital Fund**

The amount of Rs. 2710.83 crore shown under Capital Fund is arrived at after deducting an amount of Rs. 225.73 crore being shown as utilized from accumulated revenue. ICAR replied that accumulated revenue was utilized because Expenditure Secretary, Govt. of India stated that the reserve fund of ICAR may be used for meeting additional requirements on account of salary revision of scientists.

### **1.2 Reserves**

- (a) Schedule '5-E' of the Consolidated Annual Accounts of ICAR showed addition of Rs.17.90 crore during the year under Deposit Schemes whereas Schedule '2' of Reserves showed asset acquired out of sponsored projects during the year as Rs.21.91 crore resulting in difference of Rs.4.01 crore. The difference needs reconciliation.
- (b) Schedule '5-E' of the Annual Accounts of CPRI<sup>1</sup> showed addition of Rs.2.07 crore during the year under Funded Scheme out of which Rs.1.79 crore pertained to Revolving Funds Scheme. However Schedule '2' - Reserves of the Annual Accounts of CPRI showed the entire amount of Rs.2.07 crore as asset acquired out of sponsored projects during the year instead of Rs.0.28 crore being the value of assets acquired under Funded Schemes (excluding Revolving Funds Scheme). Hence the Reserves were overstated by Rs.1.79 crore.
- (c) Schedule 5E - Fixed Assets 'Deposit Schemes' appended to the Consolidated Balance Sheet of ICAR disclosed depreciation for the year as Rs.3.96 crore whereas in Schedule 2- Reserves, the deduction during the year was shown as Rs 4.25 crore. The reason for

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1. Central Potato Research Institute, Shimla

variation needs to be analyzed for reconciliation and necessary corrections need to be carried out to show the correct picture.

### **1.3 Current Liabilities and Provisions**

(a) Unutilized grants from Government of India-Plan

An amount of Rs. 43.73 crore was shown as unutilized grants from Govt of India-Plan under Schedule 4- Current Liabilities and Provisions at the end of the year. This amount was understated by Rs.3.25 crore due to showing Rs. 43.81 crore as already refunded to Government under the Schedule -9 A- Grants/Subsidies as against Rs. 40.56 crore shown under the repayment of unutilized grants under Receipt & Payment Account.

(b) Provisions-Gratuity, Superannuation pension, leave encashment

No provision for liability towards Gratuity, Superannuation pension, leave encashment was made in the accounts in accordance with Para 6 of Schedule 22 – Significant Accounting Policies regarding retirement benefits which states that the pension, gratuity and leave encashment are provided in the books of accounts based on cash basis. The accounting of retirement benefits on cash basis is against the requirement of Accounting Standard -15 as well as requirement of maintaining the accounts on accrual basis. The liability for retirement benefits is required to be estimated on actuarial basis and at least disclosed in the notes forming part of accounts to present true and fair picture of financial position of ICAR.

## **2. Assets**

### **2.1 Fixed Assets**

- (a) The value of fixed assets of Rs. 74.35 crore as shown in Schedule-5 of the accounts of ICAR Hdqr appended with the accounts could not be verified in the absence/ non production of relevant records from the concerned divisions i.e. works division, store, vehicle etc.

(b) Leasehold Land

The details of the amount of Rs. 2.76 crore shown under leasehold land in Schedule 5- Fixed Assets were not furnished. We are, therefore, unable to express any opinion on this as to whether the amount shown is correctly shown as leasehold land. Further, no amortization/depreciation was provided for the leasehold land as required based on the tenure of lease.

ICAR replied that the amount under leasehold land were not depreciated as land is considered to have an unlimited useful life and its salvage value is unlikely to be less than its acquisition cost. The reply is not tenable as the ICAR contention of unlimited useful life is applicable only for freehold land. Depreciation for leasehold land has to be provided on the basis of tenure of the lease.

**2.2 Sundry Debtors**

The Council showed debts outstanding for a period exceeding 6 months at Rs 11.99 lakh and others i.e. less than six months at nil under Schedule 7- Current Assets, Loans and advances. It was however seen that the total of consolidated figure was Rs.131.46 crore which was adjusted and shown as nil. The figure under this head for the previous year was Rs.88.54 crore. ICAR stated (November 2010) that the figure Rs. 131.46 Crore represents the accumulation available with the various ICAR units which have been redistributed through the budgetary process. The accounting procedure is not tenable as it is not understood as to how amount under outstanding sundry debtors can be redistributed for utilisation. We therefore are unable to express any opinion on the correctness of these figures shown in the Balance sheet.

**2.3 Advances and other amounts recoverable in cash or kind –**

(a) Advances on capital account (L /C Deposit)

- (i) The Council did not disclose the information relating to capital contracts remaining to be executed but not provided for as well as amount of letters of credit opened and pending as on 31.03.2010 in the notes forming part of accounts.

- (ii) We were not furnished year wise breakup as well as nature of receivable of Others (contingency) of Rs.104.98 crore under Schedule 7- Current Assets Loans and advances. From the preliminary scrutiny of records we understand that this may be one of the amounts of excess grants shown as receivable from Govt under the minus balance of Rs.143.38 crore of Schedule 9-A Grants /Subsidies. It was not explained as to where the remaining amount was grouped and shown.

ICAR replied that advances were paid to unit officers/Scientists to meet contingent requirement for research and education purposes. However the Council is silent about where the minus balance of Rs.143.38 crore of Schedule 9-A Grants /Subsidies have been shown. The amount of Contingent advances has increased significantly from Rs.46.50 crore in the last year to Rs.104.98 crore as on 31-03-2010. We are therefore unable to form any opinion as regards correctness and realisability of these receivables.

## **(B) INCOME AND EXPENDITURE ACCOUNT**

### **1. Income**

Grants and subsidies

- (i) ICAR received Plan grants of Rs 1750.82 crore out of which Rs.260.66 crore was utilized for capital assets and added to the capital fund as per accounting policy. An amount of Rs. 48.77 crore as worked out in Statement A was refundable to the Government leaving the balance of Rs 1441.39 crore, which has been treated as revenue grants and credited to the grants and subsidies. ICAR did not furnish the authority or approval of Government for treating Rs 1441.39 crore of Plan grants as revenue grant.

Similarly ICAR received non plan grants of Rs 1491.50 crore out of which Rs15.71 crore was utilized for capital assets and added to the capital fund as per accounting policy. An amount of Rs.5.59 crore was utilized for loan and advances leaving the balance of Rs 1470.20 crore, which was treated as revenue grants and credited to the grants and subsidies.

Thus, as above, the total amount of Rs2911.59 crore was worked out to be revenue grant. However, ICAR took the credit of Rs 3325.55 crore as a revenue grant as against Rs.2911.59 crore, thus overstating the amount of Grants and subsidies by

Rs.413.96 crore. This resulted in overstatement of Grants and subsidies by Rs.413.96 crore.

ICAR replied that it receives grants-in-aid from the revenue section in the Government books of account. The reply is not specific as to how the grants accounted as Rs 3325.55 crore can be more than that of Rs.2911.59 crore sanctioned by the Government.

- (ii) An amount of Rs 27.21 lakh under plan and Rs 354.86 crore under non plan in Schedule 9-A Grants/ Subsidies, being receipts adjusted by the Institutes under non plan Budget, was added to the respective grants. The addition of receipts of the Institutes to the grants was not correct as these receipts should form part of Income under Income and Expenditure under the separate head if these pertain to current year and not to be added to the grants & subsidies. This resulted in the overstatement of Grants by Rs 27.21 lakh under plan and Rs 354.86 crore under non plan. Further ICAR did not furnish the details of these receipts explicitly indicating the nature of receipts i.e. capital receipts or revenue receipts etc.

ICAR replied that its units were allowed to utilize revenue generated by them against approved budget without remitting to ICAR headquarters. The reply is not specific to the audit observation. The receipts cannot be added to the grants received as shown in the accounts and as such audit is unable to form any opinion on these receipts.

- (iii) Further showing substantial minus balances like Rs 143.38 crore under non-plan under the Schedule 9-A, which has arisen due to accounting of grants and subsidies in excess of sanction and released by the Government did not reflect the correct picture of Grants and subsidies and therefore did not show true and fair picture.

ICAR replied that under Non-Plan the Government Grant was far less than the actual expenditure and the difference was met from the accumulated internal resources. However the Council did not explain where the accumulated internal resources were lying in the accounts and how the substantial minus balances had arisen.

## **2. Expenditure**

Depreciation on fixed Assets

Five implementing centres included an amount of Rs 5.89 crore pertaining to letter(s) of credits/ Foreign Demand Draft outstanding as of 31 March 2010 as fixed assets in

Schedule 5 Fixed Assets appended to Balance Sheet. This resulted in charging of depreciation on fixed assets which were actually not part of the fixed assets as on 31 March 2010. Thus, expenditure was overstated to the extent of depreciation charged.

**(C) ACCOUNTING POLICIES**

**1. Deviation from accrual basis**

As per Schedule 22- Significant Accounting Policies it is stated that the Accounts are prepared under the historical cost convention unless otherwise stated and generally on the accrual method of accounting. However, it was observed that the following items of income and expenditure were accounted for on cash basis but no reasons for accounting the same on cash basis were available in the accounts.

- Sale of publications/journals/information services
- Water and electricity charges
- Application fees
- Sale proceeds of farm produce fruits & vegetable
- Sale proceeds of scrap, unserviceable stores/empties
- Sale of tender papers
- Sale of application forms
- Telephone charges
- Guest House charges
- Registration fees
- Interest on bank deposits
- Insurance charges of vehicles
- Retirement benefits consisting pension, gratuity and leave encashment etc

ICAR replied that recognition of receipt on realization has been adopted on the basis of conservative approach while developing significant accounting policy. However as per Uniform Format of Accounts, all the items should be taken on accrual basis and if there is any deviation, proper reasons thereof should be provided in the accounts.

**(D) GENERAL**

**1. Accounts of GPF/CPF of ICAR**

The Balance Sheet, Income & Expenditure account and Receipt and Payment account of G.P.F, C.P.F attached along with the consolidated accounts were not audited as information and records relating to these were not furnished to audit. The accounting policies and practices adopted in the preparation of GPF and CPF were also not attached and explained to audit. The accounts of GPF and CPF were also not included in the consolidated accounts of ICAR. As per balance sheet of GPF and CPF, an amount of Rs. 932.95 crore was depicted as assets/liabilities.

- 2.** Printed Annual accounts for the previous years which have been placed on both the Houses of Parliament and sent for information to audit contain annual accounts without relevant schedules mentioned in the accounts i.e. Income and Expenditure and Balance Sheet. The accounts are incomplete without the relevant schedules. Our Separate Audit Reports may in many places contain reference to detailed schedules. Therefore it is necessary that annual accounts are printed along with relevant schedules and accounting policies and notes forming part of accounts.

ICAR replied that schedules were not included in the printed report as the compilation would become very bulky and voluminous. However, accounts without relevant schedules, accounting policies and notes forming part of accounts are incomplete and therefore it is necessary that these are printed with the annual accounts.

**(E) GRANT-IN-AID**

Out of the Grant in Aid of Rs. 3242.32 crore received during the year 2009-10 (Rs.58.43 crore received in March), the organization could utilize a sum of Rs.3193.54 crore leaving a balance of Rs 48.78 crore is unutilized as on 31<sup>st</sup> March 2010.

**(F) MANAGEMENT LETTER**

Deficiencies which have not been included in the Audit Report have been brought to the notice of the Director General, Indian Council of Agricultural Research through a management letter issued separately for remedial/corrective action.

- v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income & Expenditure Account/Receipt & Payment Account dealt with by this report are in agreement with the books of accounts.
- In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:
  - In so far as it related to the Balance Sheet, of the state of affairs of the Indian Council of Agricultural Research as at 31<sup>st</sup> March 2010; and
  - In so far as it related to the Income & Expenditure of the deficit, for the year ended on that date.

For and on behalf of the C&AG of India

Place: New Delhi

Date: December 10, 2010

**Principal Director of Audit**

**Scientific Departments**