

## Separate Audit Report of the Comptroller & Auditor General Of India on the Accounts of the Sree Chitra Tirunal Institute of Medical Sciences and Technology (SCTIMST), Thiruvananthapuram for the year ended 31 March 2015

1. We have audited the attached Balance Sheet of Sree Chitra Tirunal Institute of Medical Sciences and Technology (SCTIMST), Thiruvananthapuram as at 31 March 2015, the Income & Expenditure Account and the Receipts & Payment Account for the year ended on that date under Section 19(2) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 read with section 18(2) of the SCTIMST Act, 1980. These financial statements include the accounts of Bio-Medical Technology (BMT) wing of the SCTIMST. These financial statements are the responsibility of the SCTIMST's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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-performance aspects etc., if any, are reported through Inspection Reports/ CAG's Audit Reports separately.
3. 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.
4. 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, Income & Expenditure Account and Receipt & Payment Account dealt with by this report have been drawn up in the format approved by the Government of India, Ministry of Finance.
  - iii In our opinion, proper books of accounts and other relevant records have been maintained by the SCTIMST as required under Section 18 (1) of SCTIMST Act, 1980 in so far as it appears from our examination of such books subject to observations made hereunder.
  - iv Based on our audit, we further report that:

### (A) Balance Sheet

A.1 Investment from Earmarked Endowment Funds Rs.69.06 crore.

Technology Development Investment register depicts a balance of Rs.6,68,31,142 under Technology Development Fund as of 31 March 2015 whereas the same was depicted

as Rs.6,70,19,319 in Schedule 9 – Investment from Earmarked Endowment Funds. The difference needs to be reconciled.

### A.2 Earmarked Endowment Funds Rs.21.17 crore

The above included closing balance of (-) Rs.3.68 crore in respect of five projects viz. Stroke care, sleep disorder, Neuro Intervention Centre, Movement disorder and speech therapy among other project/schemes/programmes.

Though these projects/programmes are regular institute programmes, the expenditure incurred on these institute programmes were not shown under the expenditure side of the Income and Expenditure Account and debited to Earmarked Endowment funds. Consequently, Earmarked Endowment Fund and Deficit of SCTIMST was understated by Rs.3.68 crore.

## (B) General

### B.1 Revenue recognition

According to common format of accounts prescribed by Ministry of Finance for Autonomous bodies, Annual Accounts were to be prepared on the basis of accrual basis. Also as per the significant policies (Schedule 24) of SCTIMST, Financial statements are prepared on the accrual method of accounting except in the accounts not directly connected with the functioning of the Institute including staff benevolent fund, pension etc., However, it was observed that the Institute recognize its income such as income from testing charges facility utilization charges fees, subscriptions and Royalty on cash basis. The income receivable was not shown under Current Assets, Loans and Advances (Schedule 11).

### B.2 Retirement Benefit

According to Notes and Instructions for compilation of financial statements framed by Ministry of Finance for the Central Autonomous Bodies liability payable towards Gratuity, Super Annuation and Accumulated Leave Encashment needs to be accounted on accrual basis and provided up to the yearend under Schedule -7 Current Liabilities and Provisions.

As per para 8 of Schedule 24- significant Accounting Policies, retirement benefits are being accounted for on cash basis. As per the actuarial valuation of pension and gratuity got done by the Institute in 2011, it has a liability of Rs.127.34 crore which has not been provided for in accounts.

Thus the SCTIMST is accounting for post retirement benefits on cash basis which is in contravention of Accounting Standard 15, Accounting for retirement benefits in financial statements of Employers'.

### B.3 Disclosure of details of assets acquired out of sponsored projects

In terms of Rule 215(3) of GFR, 2005, while projects are ongoing, the recipient should not treat such assets as their own assets in their Books of Accounts but should disclosure



their holding in the Notes to Accounts, specifically, SCTIMST however did not disclose holding of assets acquired out of sponsored projects in the Notes to Accounts as required in GFR.

Further, on completion of such projects, if the assets are allowed to be retained by the Institute/organization, the implementing agency should include the assets at book value in their own accounts.

According to Schedule 3-Earmarked funds, about 50 projects had been completed as of 31 March 2015. However, audit could not ascertain from Schedule 8-Fixed assets, the status of retention of assets procured for such projects.

#### B.4 Investment from special Reserve Fund disclosed, wrongly under investment from Earmarked Fund

The accumulate fund under Reserve and Surplus amount of Rs.56.70 crore was disclosed as Sinking fund Investment and Technology fund Investment under Schedule 9. Investment from Earmarked/Endowment funds instead of under schedule 10. Investment others income of Rs.1.20 crore from that investment was shown under income from Investment from Earmarked/Endowment funds in Schedule 15 instead of income of Special Reserve Funds.

#### (C) Grand in aid

Grant of Rs.90.84 crore (Rs.6.62 crore Plan Salary/General Scheme, Rs.2.61 crore Non Plan Scheme and Rs.1.6 lakh for NCMMR/Nurses Training) was received and utilized during the current year viz.2014-15

#### (D) Management letter

Deficiencies which have not been included in the Separate Audit Report have been brought to the notice of Sree Chitra Tirunal Institute for Medical Sciences and Technology, Thiruvananthapuram 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, Income & Expenditure Account and Receipts & Payment Account dealt with by this report are in agreement with the books of accounts.

vi. 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, subject to the significant matters state above and other matters mentioned in annexure to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India.

In so far as it relates to the Balance Sheet of the state of affairs of the Sree Chitra Tirunal Institute for Medical Sciences & Technology, Thiruvananthapuram as at 31st March 2015 and

in so far as it relates to Income and Expenditure Account of the deficit for the year ended on that date.

For and on behalf of the C &AG of India

Sd/-

Place : NEW DELHI  
Date : 03.12.2015

Principal Director of Audit  
Scientific Departments

### Annexure to Separate Audit Report

#### 1. Adequacy of Internal Audit

The internal audit wing of the Department of Science and Technology is conducting the internal audit of SCTIMST. Internal audit of SCTIMST has been conducted up to the period ending March 2014 and 11 paragraphs are outstanding. Therefore, Internal Audit in SCTIMST is inadequate.

#### 2. Adequacy of internal control.

Internal control is inadequate to the extent that internal audit is inadequate, physical verification of assets not carried out and non completion of fixed assets registers etc.

#### 3. System of physical verification of assets.

Annual Physical Stock Verification of assets items for the year 2014-15 is yet to be completed. Due to non-availability of the verification report Audit could not verify the physical status of the items shown in Schedule-8(Fixed Assets).

#### 3.1 Asset Register

As per Schedule – 8 of the Annual Accounts of SCTIMST for the year 2014-15, the Institute is in possession of Fixed Assets worth Rs.262.12 crores which was not completely reflected in the Asset register.

#### 4. System of physical verification of inventories.

Annual physical verification of inventories, as envisaged in the General Financial Rules, for the entire items held by store, was not carried out for the year 2014-15.

Records made available to Audit revealed that physical verification of inventories has been carried out by the stores divisions frequently on a random basis (about once in two to three months).

#### 5. Regularity of payment of statutory dues.

No irregularity was observed pertaining to payment of statutory dues in SCTIMST

Sd/-

Deputy Director (Insp.)



**Sree Chitra Thirunal Institute for Medical Science & Technology, Trivandrum**  
**Reply To Separate Audit Report on the accounts for the year 2014-15**

Sl. No	Audit Comments	Reply
(A)	<p><b>Balance Sheet</b>  <b>A.1 investment from Earmarked Endowment Funds Rs.69.06 crore.</b>            Technology Development Investment register depicts a balance of Rs.6,68,31,142 under Technology Development Fund as of 31 March 2015 whereas the same was depicted as Rs.67019319 under Schedule 9 – investment from Earmarked Endowment Funds. The difference meets to be reconciled.</p>	<p>Technology Development Investment register has been added with FD of Rs.1,88,177, and as on date (2015-16) Investment Register is tallied with Technology development fund account.</p>
	<p><b>A.2 Earmarked Endowment Funds Rs.21.17 crore</b>            The above included closing balance of (-) Rs.3.68 crore in respect of five projects viz. Stroke care, sleep disorder, Neuro Intervention Centre, Movement disorder and speech therapy among other project/schemes/programmes. Though these projects/programmes are regular institute programmes, the expenditure incurred on these institute programmes were not shown under the expenditure side of the Income and Expenditure Account and debited to Earmarked Endowment funds. Consequently, Earmarked Endowment Fund and Deficit of SCTIMST was understated by Rs.3.68 crore.</p>	<p>Necessary accounting entries will be made in the accounts.</p>
(B)	<p><b>General</b>  <b>B.1 Revenue recognition</b>            According to common format of accounts prescribed by Ministry of Finance for Autonomous bodies, Annual Accounts were to be prepared on the basis of accrual basis. Also as per the significant policies (Schedule 24) of SCTIMST, Financial statements are prepared on the accrual method of accounting except in the accounts not directly connected with the functioning of the Institute including staff benevolent fund, pension etc., However, it was observed that the Institute recognize its income such as income from testing charges facility utilization charges fees, subscriptions and Royalty on cash basis. The income receivable was not shown under Current Assets, Loans and Advances (Schedule 11).</p>	<p>Institute has adopted accrual system of accounting for miscellaneous income/interest income, testing and facility utilization charges, fees etc., to the extent possible. Estimating Royalty income after ascertaining the quantum of income earned by companies to which technology transfer has been done (within the date of finalization of accounts of this Institute) is not within the powers of the Institute.</p>
	<p><b>B.2 Retirement Benefit</b>            According to Notes and Instructions for compilation of financial statements framed by Ministry of Finance for the Central Autonomous Bodies liability payable towards Gratuity, Superannuation and Accumulated Leave Encashment needs to be accounted on accrual basis and provided up to the year end under Schedule -7 Current Liabilities and Provisions.            As per para 8 of Schedule 24- significant Accounting Policies, retirement benefits are being accounted for on cash basis. As per the actuarial valuation of pension and gratuity got done by the Institute in 2011, it has a liability of Rs.127.34 crores which has not been provided for in accounts.            Thus the SCTIMST is accounting for post retirement benefits on cash basis which is in contravention of Accounting Standard 15, Accounting for retirement benefits in financial statements of Employers’.</p>	<p>Actuarial valuation will be done and provision for retirement benefit will be provided in the accounts from the year 2015-16.</p>



	<p><b>B.3 Disclosure of details of assets acquired out of sponsored projects</b>                  In terms of Rule 215(3) of GFR, 2005, while projects are ongoing, the recipient should not treat such assets as their own assets in their Books of Accounts but should disclose their holding in the Notes to Accounts, specifically, SCTIMST however did not disclose holding of assets acquired out of sponsored projects in the Notes to Accounts as required in GFR.                  According to Schedule 3-Earmarked funds, about 50 projects had been completed as of 31 March 2015. However, audit could not ascertain from Schedule 8-Fixed assets, the status of retention of assets procured for such projects.</p>	<p>From the current financial year onwards Institute will disclose the value of assets acquired out of sponsored projects in the Note to Accounts.</p>
	<p><b>B.4 Investment from special Reserve Fund disclosed, wrongly under investment from Earmarked Fund</b>                  The accumulate fund under Reserve and Surplus amount of Rs.56.70 crore was disclosed as Sinking fund Investment and Technology fund Investment under Schedule 9. Investment from Earmarked/Endowment funds instead of under schedule 10. Investment others income of Rs.1.20 crore from that investment was shown under income from Investment from Earmarked/Endowment funds in Schedule 15 instead of income of Special Reserve Funds.</p>	<p>Necessary disclosure will be made from the year 2015-16 onwards.</p>
(C)	<p><b>Grand in aid</b>                  Grant of Rs.90.84 crore (Rs.6.62 crore Plan Salary/General Scheme, Rs.2.61 crore Non Plan Scheme and Rs.16 lakh for NCMMR/Nurses Training) was received and utilized during the current year viz.2014-15</p>	<p>Noted.</p>

