



**Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of the
Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST),
Trivandrum for the year ended 31 March 2017**

1. We have audited the Balance Sheet of the Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST), Thiruvananthapuram as at 31 March 2017, 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 this office 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) Revision in Accounts

Based on the Audit Observation, SCTIMST had effected revisions in their accounts and revised accounts duly approved by the competent authority was submitted. The following revisions were made based on the comments of Audit.

- SCTIMST did not include interest on saving account of ₹ 43908 under schedule 17-Interest earned



and application fee amount of ₹1,63,0424 as income under Schedule 18 : Other Income. With the result these income side of the Income and Expenditure Account were understated by ₹16.74 lakh and bank balances under Schedule-11 current asset of the Balance sheet were understated by the same amount. On being pointed out SCTIMST revised their accounts.

- Amount received as Advances amounting to Rs.46.30 lakh shown under Sundry debtors account of the previous year (2015-16) were rectified and correctly shown under Schedule 11 Current Liabilities of the previous year.
- The disclosures under Grants-in-aid Salary, General were correctly disclosed under ‘Schedule-20: Establishment expenses’ and ‘Schedule 21-Other Administrative Expenses’.
- The PF investment as per the investment register was closed to the balance of Rs. 34.51 crore (as on 31st March 2017), the figures under the asset side of PF balance sheet was Rs. 30.78 crore. Thus, the financial statement of the PF asset/ investment account was understated by Rs.3.73 crore. SCTIMST since rectified in the financial statement of PF account.
- Though Emergency Reserve Fund was reduced from Rs. 50 crore to Rs. 15 crore the same was not disclosed. The revision is now disclosed under Para 10 of Schedule-24: Significant Accounting Policies of the Institute.

(B) Balance Sheet

B.1 Current Assets (Schedule 11) of Rs.103.11 crore

During the year 2016-17 SCTISMT in two cases (1000 number of disposable MRI syringes amounting to ₹12 lakh and 1000 number of DVD amounting to ₹0.20 lakh) misclassified consumables worth Rs. 12.20 lakh as equipment/fixed assets. This resulted in understatement of Current Assets account and overstatement of Fixed Assets account by Rs.12.20 lakh each.

B.2 Understatement of Reserves and Surplus (Schedule-2) of Rs. 22.16 crore by Rs.33.47 lakh

According to the Uniform Format of Accounts prescribed by Ministry of Finance for Central Autonomous Bodies Fixed Assets received by way of non-monetary grants (other than towards the Corpus Funds), are to be capitalized at values stated, by corresponding credit to Capital Reserve. SCTIMST received four Infant Warmer Bed Units amounting to ₹ 33.47 lakh as non-monetary grant (of Rs.33,47,000 during the year 2016-17 under Member of Parliament Local Area Development Scheme in the form of four Infant Warmer Bed Units for its Paediatric Cardiac Surgery Division. However, SCTIMST did not disclose this amount under its Capital Reserve. The expenditure incurred from this fund to control the expenditure. This resulted in understatement of Reserves and Surplus account (Capital Reserves) of liability side by Rs.33.47 lakh.

B.3 Current liabilities and provisions (Schedule-7) of Rs.24.82 crore

As per Accrual Valuation Rs. 208.44 crore to be provided for retirement benefits, SCTIMST has created the provision of Rs. 17.17 crore only. Short provision for retirement benefit by Rs. 190.67 crore has resulted in Overstatement of Current Liabilities & Provisions and Administrative Expenses by Rs. 190.67 crore.



(C) Income and Expenditure Account

C.1 Other Income of Rs.89.61 lakh

The expenses on the in-house projects (both revenue and capital expenses) are to be expended from the income of the Institute. In-house projects are direct appropriation from the Institute Income, close to accounts and would not hold any balance.

Audit scrutiny, however revealed that out of a total of 24 in-house projects, in sixteen projects institute held a balance of Rs. 16.89 lakh as on 31st March 2017. These balances may be credited immediately to 'Other Income'. Thus, 'Other Income' account of 'Income and Expenditure Account' is understated by Rs. 16.89 lakh.

(D) General

D.1 Provident fund

The institute maintains the provident fund account of its employees. Prior to 1989 it was maintained by Regional Provident Fund Commissioner, Trivandrum. As of 31 March 2017, an amount of Rs.84.03 lakh was still receivable from the EPF Commissioner. This amount is constantly appearing in Provident Fund account for 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. However, SCTIMST could not obtain confirmation of the balance.

D.2 Grant in aid

Grant-in-aid of Rs.160.93 crore (39.62 crore + 72.74 crore + 48.57 crore) was received from Government of India and utilized during the current year viz. 2016-17.

(E) Management letter

Deficiencies which have not been included in the Draft Separate Audit Report have been brought to the notice of Sree Chitra Tirunal Institute for Medical Sciences and Technology, Thiruvananthapuram through a Draft Management letter issued separately for remedial/corrective action.

- i) 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.
- ii) 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 stated 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.
 - a. 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 2017; and
 - b. In so far as it relates to Income & Expenditure Account of the deficit for the year ended on that date.

Sd/-
Principal Director of Audit



Reply to Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of the Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST), Thiruvananthapuram for the year ended 31 March 2017

Audit Comments	Reply of the Institute
<p data-bbox="172 493 1053 524">(A) Revision in Accounts</p> <p data-bbox="172 534 1053 627">Based on the Audit Observation, SCTIMST had effected revisions in their accounts and revised accounts duly approved by the competent authority was submitted. The following revisions were made based on the comments of Audit.</p> <ul data-bbox="172 644 1053 1379" style="list-style-type: none"><li data-bbox="172 644 1053 830">• <u>SCTIMST did not include interest on saving account of Rs. 43908 under schedule 17-Interest earned and application fee amount of Rs. 1,63,0424 as income under Schedule 18 : Other Income. With the result these income side of the Income and Expenditure Account were understated by Rs. 16.74 lakh and bank balances under Schedule-11 current asset of the Balance sheet were understated by the same amount. On being pointed out SCTIMST revised their accounts.</u><li data-bbox="172 861 1053 948">• Amount received as Advances amounting to Rs.46.30 lakh shown under Sundry debtors account of the previous year (2015-16) were rectified and correctly shown under Schedule 11 Current Liabilities of the previous year.<li data-bbox="172 986 1053 1073">• The disclosures under Grants-in-aid Salary, General were correctly disclosed under ‘Schedule-20: Establishment expenses’ and ‘Schedule 21-Other Administrative Expenses’.<li data-bbox="172 1110 1053 1259">• The PF investment as per the investment register was closed to the balance of Rs. 34.51 crore (as on 31st March 2017), the figures under the asset side of PF balance sheet was Rs.30.78 crore. Thus, the financial statement of the PF asset/ investment account was understated by Rs.3.73 crore. SCTIMST since rectified in the financial statement of PF account.<li data-bbox="172 1297 1053 1379">• Though Emergency Reserve Fund was reduced from Rs. 50 crore to Rs. 15 crore the same was not disclosed. The revision is now disclosed under Para 10 of Schedule-24: Significant Accounting Policies of the Institute.	<p data-bbox="1066 534 1441 841">Based on the audit observations, the account for the year 2016-17 has been corrected wherever required. The corrected Accounts were submitted to audit duly signed by the Competent Authority. The accounts placed before the Governing Body/ Institute body along with the SAR for final approval.</p>



(B) Balance Sheet	
<p>B.1 Current Assets (Schedule 11) of Rs.103.11 crore</p> <p>During the year 2016-17 SCTISMT in two cases (1000 number of disposable MRI syringes amounting to Rs. 12 lakh and 1000 number of DVD amounting to Rs. 0.20 lakh) misclassified consumables worth Rs. 12.20 lakh as equipment/fixed assets. This resulted in understatement of Current Assets account and overstatement of Fixed Assets account by Rs.12.20 lakh each.</p>	<p>The audit observation is noted and consumables are to be classified as revenue expenditure. Necessary accounting entries have been made during the month of August 2017 and will be reflected in the accounts for the year 2017-18. (Journal voucher Number 2748 dated 10.08.2017).</p>
<p>B.2 Understatement of Reserves and Surplus (Schedule-2) of Rs. 22.16 crore by Rs.33.47 lakh</p> <p>According to the Uniform Format of Accounts prescribed by Ministry of Finance for Central Autonomous Bodies Fixed Assets received by way of non-monetary grants (other than towards the Corpus Funds), are to be capitalized at values stated, by corresponding credit to Capital Reserve.</p> <p>SCTIMST received <u>four Infant Warmer Bed Units</u> amounting to Rs. 33.47 lakh as non-monetary grant (of Rs.33,47,000 during the year 2016-17 under Member of Parliament Local Area Development Scheme in the form of four Infant Warmer Bed Units for its Paediatric Cardiac Surgery Division. However, SCTIMST did not disclose this amount under its Capital Reserve. The expenditure incurred from this fund to control the expenditure. This resulted in understatement of Reserves and Surplus account (Capital Reserves) <u>of liability side</u> by Rs.33.47 lakh.</p>	<p>Institute received non-monetary grant for the first time during 2016-17. Suitable Accounting policy is being evolved and assets received by way of non-monetary grants will be capitalized and proper disclosure made in the accounts for the year 2017-18.</p>
<p>B.3 Current liabilities and provisions (Schedule-7) of Rs.24.82 crore</p> <p>As per Accrual Valuation Rs. 208.44 crore to be provided for retirement benefits, SCTIMST has created the provision of Rs. 17.17 crore only. Short provision for retirement benefit by Rs. 190.67 crore has resulted in Overstatement of Current Liabilities & Provisions and Administrative Expenses by Rs. 190.67 crore.</p>	<p>The liability in respect of Gratuity, Pension and Leave Encashment is disclosed in para 11 of Schedule No. 25- Notes on accounts. Governing Body of the Institute in its meeting held on 30.07.2016 and 08.07.2017 discussed the need for creation of a separate fund for Gratuity, Pension and Leave Encashment and transfer required contribution to those funds so as to comply with the requirements of Accounting Standards 15. However, considering the present financial position of the Institute, GB decided to continue the existing practice of settling the payments on cash basis and creation of funds to be considered once the financial position improves. GB also approved that, every year the liability may be reassessed and proper disclosure made in the financial statements.</p>



(C) Income and Expenditure Account	
<p>C.1 Other Income of Rs.89.61 lakh</p> <p>The expenses on the in-house projects (both revenue and capital expenses) are to be expended from the income of the Institute. In-house projects are direct appropriation from the Institute Income, close to accounts and would not hold any balance.</p> <p>Audit scrutiny, however revealed that out of a total of 24 in-house projects, in sixteen projects institute held a balance of Rs. 16.89 lakh as on 31st March 2017. These balances may be credited immediately to 'Other Income'. Thus, 'Other Income' account of 'Income and Expenditure Account' is understated by Rs. 16.89 lakh.</p>	<p>In order to meet the objectives of the Institute, i.e. Research & Development, funds have been allocated to various internal projects. The balance funds in these projects will be transferred to Institute account after completion of the project. If in any case the project is abandoned or not pursued then the amount will be re paid to the Institute. The audit comment is noted for evolving a policy in this regard.</p>
(D) General	
<p>D.1 Provident fund</p> <p>The institute maintains the provident fund account of its employees. Prior to 1989 it was maintained by Regional Provident Fund Commissioner, Trivandrum. As of 31 March 2017, an amount was Rs.84.03 lakh was still receivable from the EPF Commissioner. This amount is constantly appearing in Provident Fund account for 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. However, SCTIMST could not obtain confirmation of the balance.</p>	<p>Institute requested EPF authorities to confirm the balance in the previous years. No reply has been received so far. EPF authorities settled the dues after constant follow up by the Institute and they have migrated to fully computerized program. On enquiry EPF authorities informed that they have settled all the dues as per the available records and they have migrated to new computerized system and therefore old records cannot be further traced. Once again the matter will be followed up with EPF authorities and after getting a written confirmation, Institute will settle the account after getting the approval of competent authority.</p>
<p>D.2 Grant in aid</p> <p>Grant-in-aid of Rs.160.93 crore (39.62 crore + 72.74 crore + 48.57 crore) was received from Government of India and utilized during the current year viz. 2016-17.</p>	<p>Noted.</p>
(E) Management letter	
<p>Deficiencies which have not been included in the Draft Separate Audit Report have been brought to the notice of Sree Chitra Tirunal Institute for Medical Sciences and Technology, Thiruvananthapuram through a Draft Management letter issued separately for remedial/corrective action.</p>	<p>The observations mentioned in the Management letter have been noted for future guidance.</p>