



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 2018

1. We have audited the Balance Sheet of the Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST), Thiruvananthapuram as at 31 March 2018, 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) Balance Sheet

A.1 Current liabilities and provisions Schedule -7 Rs.52.88 crore

Actuarial valuation of retirement benefits was done for the year 2017-18. As per the actuarial valuation (paragraph 11 of Schedule 25) liability of SCTIMST as at 31 March 2018 towards gratuity, pension and accumulated leave encashment was Rs.51.82 crore, Rs.257.85 crore and Rs.70.50 crore respectively.

Against this Institute has created Pension Fund amounting to Rs.16.42 crore only as on 31 March 2018 when the liability on account of gratuity pension and leave encashment was Rs.380.17 crore. This has resulted into understatement of Schedule - 7 Current Liabilities and Provisions by Rs.363.75 crore (Rs.380.17 crore - Rs.16.42 crore) and understatement of expenses account (Schedule 20 - Establishment Expenses Account).

A. 2 The Institute received the Rs.810.32 lakh general purpose (other than salary) revenue grant from DST towards Scheduled Tribe purpose.

Out of this grant Rs.810.32 lakh, and amount of Rs.2.20 lakh was expensed by SCTIMST for the purpose of Mobile Telemedicine project at Wayanad (Code 5345) for the welfare of scheduled tribes during the year 2017-18. Out of the balance of Rs.810.32 lakh Governing Bodies decided to transfer Rs.564.42 lakh to the project at Wayanad (code no.5345) under 'Schedule - 3: Earmarked/ Endowment fund'. The remaining un-spent balances of Rs.245.90 lakh was held under 'Schedule -1: Capital Fund' of the Balance sheet. Thus, the total unspent balances under the general purpose revenue grant (other than salary) was Rs.808.12 lakh.

It resulted the overstatement of Capital fund by Rs.245.90 lakh and overstated of Earmarked fund by Rs.562.22 lakh and understatement of Schedule - 7 Current Liabilities and Provisions by Rs. 808.12 lakh.

A.3 Accounting of Inventories

The physical verification report of the Hospital wing for the year 2017-18 had reported that inventories available in the books of accounts of the Institute such as accessories, spares, deposit items are not physically available in the store. Similarly BMT wing had also reported missing items due to programmatic error. These discrepancies need to be reconciled/investigated.

(B) General

B.1 Grant in aid

The grants-in-aid received by SCTIMST during the year 2017-18 was Rs.205.03¹ crore



The details of the grants received are as under

- Grants-in-aid towards Salary received from DST was Rs.7441.78 lakh.
- Grants-in-aid towards General purpose (revenue other than salary) received from DST was Rs.3119.58 lakh.
- Grants-in-aid for creation of Capital Asset received from DST was Rs.9941.46 lakh (including Rs.4500 lakh for the construction of New Hospital Block).

Out of these grants of Rs.205.03 crore received, Rs.123.97 crore was utilized and balance of Rs.81.06 crore was un-utilized as on 31 March 2018.

B.2 Understatement of Fixed Asset Account (Schedule - 8) of Rs.117.74 crore by Rs.17.02.crore.

As per Rule 233(iii) of GFR 2017, on completion of the projects or schemes, if the assets are allowed to be retained by the sponsoring Institute/ organization, the implementing agency (SCTIMST) should include the assets at book value in their own accounts. SCTIMST disclosed assets procured out of external aided projects amounting to Rs.17.02 crore under Para No.12 of Schedule No.25 in the Notes to Accounts. However, Institute did not obtain the consent of the sponsoring agencies to include the value of these assets at book value in their accounts. The depreciated value also is required to be ascertained before such inclusion. Thus, Fixed Asset Account was understated by Rs.17.02 crore.

(C) 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.

- 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.

¹Excludes Grants-in-aid for creation of Capital Assets towards Construction of New Hospital Block amounting to Rs. 1006.09 lakh was transferred by Ministry of Health and Family Welfare to CPWD directly.



- 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 2018; and
- b. In so far as it relates to Income & Expenditure Account of the deficit for the year ended on that date.

Sd/-

Director General of Audit



**REPLY OF THE INSTITUTE TO SEPARATE AUDIT REPROT ISSUED BY C &
AG AUDIT ON THE ACCOUNTS FOR THE YEAR 2017-18**

Audit Para No. & date	Audit Para	Reply of the Institute
<p>A. Balance Sheet</p>	<p>A.1 Current liabilities and provisions Schedule -7 Rs.52.88 crore</p> <p>Actuarial valuation of retirement benefits was done for the year 2017-18. As per the actuarial valuation (paragraph 11 of Schedule 25) liability of SCTIMST as at 31 March 2018 towards gratuity, pension and accumulated leave encashment was Rs.51.82 crore, Rs.257.85 crore and Rs.70.50 crore respectively.</p> <p>Against this Institute has created Pension Fund amounting to Rs.16.42 crore only as on 31 March 2018 when the liability on account of gratuity pension and leave encashment was Rs.380.17 crore. This has resulted into understatement of Schedule - 7 Current Liabilities and Provisions by Rs.363.75 crore (Rs.380.17 crore - Rs.16.42 crore) and understatement of expenses account (Schedule 20 - Establishment Expenses Account).</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 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. Actuarial valuation was done as on 31.03.2018 to ascertain the current liability on account of Gratuity, Pension and Leave Encashment. The Institute had complied with the decision of Governing Body and liability disclosed in the notes to accounts.</p>



A.2 The Institute received the Rs.810.32 lakh general purpose (other than salary) revenue grant from DST towards Scheduled Tribe purpose.

Out of this grant Rs.810.32 lakh, and amount of Rs.2.20 lakh was expensed by SCTIMST for the purpose of Mobile Telemedicine project at Wayanad (Code 5345) for the welfare of scheduled tribes during the year 2017-18. Out of the balance of Rs.810.32 lakh Governing Bodies decided to transfer Rs.564.42 lakh to the project at Wayanad (code no.5345) under 'Schedule - 3: Earmarked/Endowment fund'. The remaining un-spent balances of Rs.245.90 lakh was held under 'Schedule -1: Capital Fund' of the Balance sheet. Thus, the total unspent balances under the general purpose revenue grant (other than salary) was Rs.808.12 lakh.

It resulted the overstatement of Capital fund by Rs.245.90 lakh and overstated of Earmarked fund by Rs.562.22 lakh and understatement of Schedule - 7 Current Liabilities and Provisions by Rs. 808.12 lakh.

DST released a total of Rs.810.32 lakh under the head "ST-General Component" during the years 2016-17 & 2017-18. Since the amount could be used only of specific purpose, a proposal was placed before Governing Body for the implementation of "Mobile Telemedicine Project for Wayanad", as a project of Achutha Menon Centre for Health Science Studies (AMCHSS) to provide specialists services in the Wayanad district of State of Kerala, based on the established theory of Social Shaping of Technology (SST) concepts. Governing Body of the Institute approved the project at a cost of Rs.564.42 lakh vide P & A order No.30 dated 22.03.2018 and the amount was transferred to a project account (General Ledger code No.5345) which is shown as liability under Schedule 3 with corresponding entry in Administrative expenses (Schedule 21). The balance available amounting to Rs.2.46 crore (Rs.1.27 crore & Rs.1.19 crore) was received in the Institute only at the fag end of the financial year ie.Feb/ March 2018. This amount has been shown as income and finally transferred to Capital fund. Institute is committed to utilize this amount only for the purpose for which it is sanctioned and necessary entries will be made in the books of accounts after identifying the proposals in the year 2018-19.



	<p>A.3 Accounting of inventories</p> <p>The physical verification report of the Hospital wing for the year 2017-18 had reported that inventories available in the books of accounts of the Institute such as accessories, spares, deposit items are not physically available in the store. Similarly BMT wing had also reported missing items due to programmatic error. These discrepancies need to be reconciled/investigated.</p>	<p>The audit observation is noted for future guidance. Stores division of Hospital wing and BMT wing has been directed to look in to the discrepancies noticed in physical verification of inventories and to submit report in a time bound manner so that necessary proposal can be placed before Finance Committee and Governing Body of the Institute to write off the balances after following due diligence process. The process is planned to be completed by March 2019.</p>
<p>B. General</p>	<p>B.1 Grant in aid</p> <p>The grants-in-aid received by SCTIMST during the year 2017-18 was Rs.205.03 crore. The details of the grants received are as under.</p> <ul style="list-style-type: none"> • Grants-in-aid towards Salary received from DST was Rs.7441.78 lakh. • Grants-in-aid towards General purpose (revenue other than salary) received from DST was Rs.3119.58 lakh. • Grants-in-aid for creation of Capital Asset received from DST was Rs.9941.46 lakh (including Rs.4500 lakh for the construction of New Hospital Block). • Out of these grants of Rs.205.03 crore received, Rs.123.97 crore was utilized and balance of Rs.81.06 crore was un-utilised as on 31 March 2018. 	<p>Institute received an amount of Rs.205.03 core (Revenue grant & Capital grant) as grant in aid from Department of Science and Technology, New Delhi during the year 2017-18. Rs.81.06 crore includes Rs.45 crore for the construction of New Hospital Block, Rs.20 crore for completion of balance construction works of Combinational Devices Block and animal house, Rs.16.06 crore for procurement of equipments. The amount will be released to CPWD when demanded by them who is the executing agency. Regarding procurement of equipments the purchase is in process.</p>



	<p>B.2 Understatement of Fixed Asset Account (Schedule - 8) of Rs.117.74 crore by Rs.17.02.crore</p> <p>As per Rule 233(iii) of GFR 2017, on completion of the projects or schemes, if the assets are allowed to be retained by the sponsoring Institute/organization, the implementing agency (SCTIMST) should include the assets at book value in their own accounts. SCTIMST disclosed assets procured out of external aided projects amounting to Rs.17.02 crore under Para No.12 of Schedule No.25 in the Notes to Accounts . However, Institute did not obtain the consent of the sponsoring agencies to include the value of these assets at book value in their accounts. The depreciated value also is required to be ascertained before such inclusion. Thus, Fixed Asset Account was understated by Rs.17.02 crore.</p>	<p>Rule 233 (ii) & (iii) of GFR 2017 on Funding of Sponsored Projects or Schemes states that – (ii) On completion of the Projects or Schemes and the receipt of technical and financial reports, the Ministries/ Departments should decide and communicate to the implementing agencies whether the assets should be returned, sold or retained by them. (iii) If the assets are allowed to be retained by the Institution/Organisation, the implementing agency should include the assets at the book value in their own accounts.</p> <p>Institute disclosed the value of assets acquired out of external projects in the Notes to Accounts (para 12 (a). These assets were acquired mainly out of funds received from GoI (DST -TRC & Meity etc) and the projects are on going.</p> <p>Since the projects funded by external agencies are yet to be completed and final report is yet to be forwarded to funding agencies, value of assets will be included in the accounts of the Institute (Schedule 8) in the coming years after due closure of the projects.</p>
<p>(C)</p>	<p>Management letter</p> <p>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.</p>	<p>The observations mentioned in the Management letter have been noted for future guidance.</p>