



**SEPARATE AUDIT REPORT  
OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

ON ACCOUNTS OF THE  
**NORTH EASTERN REGIONAL INSTITUTE OF  
SCIENCE & TECHNOLOGY  
(NERIST)**

NIRJULI  
ARUNACHAL PRADESH

FOR THE YEAR ENDED  
31 MARCH 2015

**Separate Audit Report of the  
Comptroller & Auditor General of India  
on the accounts of the  
North Eastern Regional Institute of Science & Technology,  
Nirjuli, for the year ended 31 March 2015**

We have audited the Balance Sheet of North Eastern Regional Institute of Science & Technology (NERIST), Nirjuli, for the year ended 31 March 2015, the Income & Expenditure Account/and the Receipt & Payment Account for the year ended on that date under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers & Conditions of Service) Act, 1971, read with Rule 5(a) (xv) and Rule 33 (v) of NERIST, framed under the Memorandum of Association of NERIST (Under Section 3 of the UGC Act, 1956). The audit has been entrusted for the period up to 2016-17. These financial statements are the responsibility of NERIST's management and 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 (C&AG) on the accounting treatment only with regard to their classification, conformity with the best accounting practices, accounting standards, disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety & 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 our audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test-check basis, evidences supporting the amounts and disclosures 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 and Income & Expenditure Account/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 NERIST, as required under Rule 33 of NERIST, in so far as it appears from our examination of such books.
- iv. We further report that:

## A. Balance Sheet

### Assets

#### Fixed Assets (Schedule 4) – ₹ 14,293.32 lakh

##### 1. Capitalisation of Asset not yet received

The Institute has made an advance payment of ₹ 6,00,000/- for procurement of Furniture & Fixture on 31<sup>st</sup> March 2015 and has taken the expenditure into accounts as fixed assets under Furniture & Fixture. However, it was found that no furniture & fixture was received on 31<sup>st</sup> March 2015. Therefore, addition of such value before actual receipt to the 'Fixed Assets' has resulted in over-statement of 'Fixed Assets' and under-statement of 'Current Assets' by ₹ 6,00,000/-.

##### 2. Misclassification of Assets

The Institute has bought computer/peripherals amounting to ₹ 7,10,997/- and 2 UPS systems with SMF Batteries (10 KVA & 15 KVA) amounting to ₹ 4,16,212/-. The same has been kept as Fixed Assets under Lab & Scientific Equipment. As per instructions given under New Format of Accounts of Central Higher Educational Autonomous Bodies under MHRD the same should have been shown under Fixed Assets – Computer/Peripherals Account. This has resulted into overstatement of Fixed Assets – Lab & Scientific Equipment and understatement of Fixed Assets – Computer/Peripherals Account by ₹ 11,27,209/-.

### ***3. Replaced Asset not written off***

The Institute upgraded the existing UTM device (Cyberoam 1000ia) with a newer model (Cyberoam 2500iNG) from the same company at a net cost of ₹15,48,117/- (₹ 16,98,117/- with buy-back of the old device at ₹ 1,50,000/-). The Institute has wrongly capitalized the discounted price of ₹ 15,48,117/- to the fixed assets instead of the original price of ₹ 16,98,117/-. The older device procured for ₹ 10,02,999/- during 2011-12 were depreciated to ₹ 6,37,964/- has also not been withdrawn from the fixed assets. This has resulted into overstatement of fixed assets (old Cyberoam 1000ia) by ₹ 6,37,964/- and understatement of fixed assets (New Cyberoam 2500iNG) by ₹ 1,50,000/- and understatement of Expenditure by ₹ 4,87,964/-.

### ***4. Capitalisation of Entry Tax.***

During the year, the Institute paid an amount of ₹ 3,14,033 lakh towards entry tax for procurement of various Lab Equipment. The said equipment were not installed nor commissioned during the accounting period and the same was not taken to account as yet. But the entry fees paid towards this procurement were capitalised under Lab & Scientific Equipment in Fixed Assets (Schedule 4). Capitalisation of attributable costs without the actual Assets having been received has led to overstatement of Fixed Assets by ₹ 3,14,033 and understatement of Current Assets by the same amount.

## Current Assets

### 1. Pension and Retirement fund not accounted for

The Institute has received ₹ 43.20 lakh towards 'Pension and Retirement Benefits' during the year. However, the same was not reflected in the Balance Sheet and kept outside of the Institute's accounts.

This led to understatement of Current Assets and Current Liabilities in the Balance Sheet.

## B. Income and Expenditure Account

### Expenditure

#### Depreciation – ₹ 280.58 lakh

### 1. Additions to Assets not depreciated

The Institute stated that depreciation is provided for the whole year on additions during the year. However, depreciations on addition to assets during the year have not been provided for in Schedule 4: Fixed Assets. The details of additions to assets and applicable depreciation are given below:

Sl. No	Description	Addition during the year	Rate of depreciation applicable	Depreciation
1	Buildings	209840907	2	4196818.14
2	Lab & Scientific Equipment	7200513	8	576041.04
3	Furniture & Fixture	69458096	7.5	5209357.2
4	Office Equipment	1925868	7.5	144440.1
5	Sports Equipment	1439921	7.5	107994.075
6	Computer Peripherals	3172139	20	634427.8
7	Library Books	4222525	10	422252.5
8	Plant & Machinery	4795000	5	239750
9	Tubewell & Water supply	2844625	2	56892.5
	Total			1,14,79,979.28

Hence, there was understatement of depreciation by ₹ 1,14,79,979/-. This has resulted in overstatement of Assets-Fixed Assets in Balance Sheet and understatement of Expenditure in the Income and Expenditure Account by the stated amount.

### **C. General**

#### ***Land not accounted for in the Balance Sheet***

The Balance Sheet – Fixed Assets (Schedule 4) has not accounted for “Land” under Fixed Assets. Since, land is a valuable asset without which no activities of the Institute will be possible, appropriate and adequate valuation of the land as per accounting principles is required to be made and accounted for in the Balance Sheet of the Institute.

#### ***Retirement benefits***

The Institute has neither disclosed the accounting policy in respect of retirement benefits nor provided the provision as per actuarial valuation as required by the new format of accounts prescribed for Central Higher Educational Institutes under MHRD.

#### ***Unutilised Grant***

The Institute has not disclosed unutilized grant under Current Liability (Schedule 3(c)) as required by the new format of accounts prescribed for Central Higher Educational Institutes under MHRD.

## **D. Accounting Policy**

### **Accounting Policy and Notes on Accounts**

All significant accounting policies adopted in preparation of financial statements should be disclosed. Accounting policies as followed by the autonomous body shall be applied consistently from one financial year to the next and change may be made only in exceptional circumstances. And in case of changes, the financial implication of such change in accounting policy in the year shall be quantified as far as possible and disclosed in the financial statements.

The Institute, for the year, has adopted new rates of depreciation on Fixed Assets and has shifted to 'Straight line method' according to information furnished by the Institute. This has not been disclosed nor has the financial implication of the policy change been indicated.

Further, other Accounting Policies with regards to revenue recognition, valuation, contingent liabilities, assets, funds and treatment of employee retirement benefits, etc., were not disclosed.

## **E. Grants-in-Aid**

The Institute is financed mainly by grants received from the Government of India (GoI). During the year, the Institute had funds of ₹ 10,046.12 lakh, which included Grants-in-Aid of ₹ 8936.12 lakh (₹2115.00 lakh received during March 2015) received from the Government of India and an opening balance of ₹ 780.59 lakh. The Institute also generated ₹ 329.41 lakh as



internal revenue. From the total available funds of ₹ 10,046.12 lakh, the Institute spent ₹ 8661.72 lakh, leaving a balance of ₹ 1384.40 lakh, as on 31<sup>st</sup> March 2015.

- v. Subject to our observations in the preceding paragraphs, we report the Balance Sheet and Income & Expenditure Account/Receipt & 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 explanation given to us, the said financial statements and 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 NERIST as at 31 March 2015; and*
- b. In so far as it relates to the Income & Expenditure Account of the surplus for the year ended on that date.

Place: **Itanagar**

Dated: **15<sup>th</sup> January 2016**

*for and on behalf of the C&AG of India*

  
**Accountant General  
Arunachal Pradesh**

## Annexure

### 1. **Adequacy of Internal Control and Internal Audit**

Regarding the Internal Control Mechanism of the Institute, the following shortcomings were noticed:


- I. The Institute did not have any Accounting or Administrative Manual.
- II. For Internal Audit purposes, the Institute appointed an auditor who performed the task of pre-checking of bills only. No Internal Audit was conducted till date of Audit (August-September 2015).

### 2. **Adequacy of Physical Verification of Fixed Assets and Inventories**

Though the Committees were formed on April, 2015, Physical verification of assets for 2014-15 has not been completed till date of audit (August-September 2015).

### 3. **Regularity in Payment of Statutory Dues.**

The Institute was regular in payment of Statutory Dues.

  
**Accountant General**  
**Arunachal Pradesh**