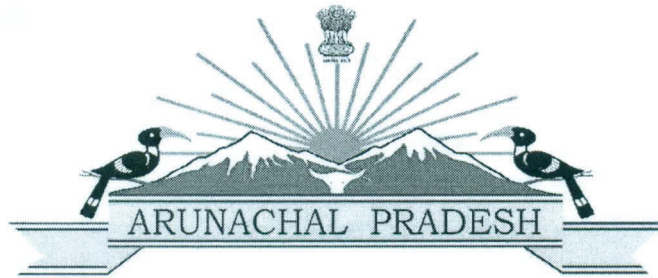




**SEPARATE AUDIT REPORT  
OF THE  
COMPTROLLER AND AUDITOR GENERAL OF  
INDIA**

**ON THE ACCOUNTS OF THE  
NORTH EASTERN REGIONAL INSTITUTE OF  
SCIENCE AND TECHNOLOGY (NERIST)  
NIRJULI  
ARUNACHAL PRADESH**



**FOR THE YEAR ENDED  
31 MARCH 2022**

**Separate Audit Report of the Comptroller & Auditor General of  
India on Accounts of North Eastern Regional Institute of Science  
Technology, Nirjuli, for the year ended 31 March 2022**

We have audited the attached Balance Sheet of the North Eastern Regional Institute of Science & Technology (NERIST), Nirjuli, as at 31 March 2022 and the Income & Expenditure Account and 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. Financial Statements are the responsibility of NERIST Management and our responsibility is to express an opinion on the Financial Statements, based on our Audit.

2. This Separate Audit Report contains comments of the Comptroller & Auditor General of India (C&AG) on the accounting treatment only with regard to 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 the 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, except for verification of Fixed Assets, for which connected records relating to handing over of assets were not produced;
- 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 Ministry of Human Resource Development, Government of India vide Order No: 29-4/2012-FD dated 17<sup>th</sup> April 2015.

- 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**

### **Sources of Funds**

#### **1. Current Liabilities and Provisions (Schedule-3) – ₹ 42.23 crore**

The above does not include ₹ 4.84 crore towards expenses on staff payments and benefits such as salaries, wages, CPF, etc. for the month of March 2022. No provision has been kept for the above outstanding expenses during the year 2021-22, as a result the *Current Liabilities and Provisions* as well as *Outstanding Expenses* was understated by ₹ 4.84 crore.

### **Application of Funds**

#### **2. Loans, Advances and Deposits (Schedule-8) – ₹ 0.77 crore**

The above does not include TDS receivable amounting to ₹ 0.16 crore. The Institute had invested ₹27 crore in Term Deposit with State Bank of India, NERIST, Nirjuli Branch for 45 days (02.04.2020) which was further re-invested till 21.03.2022. The Bank has deducted TDS of ₹ 0.16 crore from interest earned on the term deposit which would be refunded on filing of IT Return as NERIST being an educational institute, is exempted from such Income Tax (IT) under section 10(23c) of the IT Act. The amount therefore should have been treated as receivable during the same accounting period.

Thus, due to non-accountal of the TDS receivable has resulted in understatement of *Loans, Advances and Deposits (Other receivables)* as well as *Income* for the year by ₹ 0.16 crore.

#### **3. Fixed Assets (Schedule-4) - Capital Works-In-Progress – ₹ 136.96 crore**

The above include ₹ 9.48 crore spent on completed buildings. The Institute has completed works of four building during the year 2021-22, however, these were not accounted under tangible assets. Due to wrong accountal of the completed buildings has resulted in overstatement of *Works-In-Progress* by ₹ 9.48 crore and understatement

of *Tangible Assets* by ₹ 9.29 crore, *Depreciation* as well as *Deficit* by ₹ 0.19 crore and conversely overstating the *Corpus/Capital Funds* by ₹ 0.19 crore.

## **B. Income and Expenditure Account**

### **Expenditure**

#### **1. Depreciation (Schedule-4) – ₹ 10.98 crore**

As per Accounting Standard 10, when the life of an Asset becomes nil, the residual value of the Asset is disclosed at ₹ 1/- in the accounts. The gross value of Library Books/Journals was ₹ 7.27 crore as on 31<sup>st</sup> March 2021 with accumulated depreciation of ₹ 7.96 crore as on 31<sup>st</sup> March 2022. Therefore, as on 31<sup>st</sup> March 2022 the assets should have been fully depreciated leaving a residual value of ₹ 1, however, excess depreciation of ₹ 0.69 crore was charged during the year showing negative net value of the asset by the same amount.

Thus, due to wrong accounting of the depreciation has resulted in overstatement of *Depreciation* by ₹ 0.69 crore as well as *Deficit* by the same amount. Conversely, the *Corpus/Capital Fund* and net block *Fixed Assets* was understated by ₹ 0.69 crore.

#### **2. Prior period expenses (Schedule-22) - Nil**

The above does not include prior period expenses of ₹ 5.23 crore towards staff payments and benefits such as salaries and wages, CPF, NPS, etc. for the month of March 2021. The Institute has accounted the staff payments and benefits of both teaching and non-teaching employees as expenses for the current year 2021-22 instead of prior period expenses which was inconsistent with the accrual system of accounting. As a result, *Prior Period Expenses* was understated by ₹ 5.23 crore and *Staff Payments & Benefits* was overstated by the same amount.

#### **3. Repairs and Maintenance (Schedule -19) - ₹ 44.11 crore**

The above include ₹ 1.48 crore towards procurement of various assets and additional construction of buildings completed during the year 2021-22. The Institute incurred capital expenditure on the above works which were wrongly treated as repairs and maintenance instead of capitalizing under respective heads of fixed assets. As a result, the *Repairs and Maintenance* was overstated by ₹ 1.48 crore and conversely understated *Fixed Assets* by ₹ 1.27 crore and *Depreciation* by ₹ 0.22 crore.

### **C. Significant Accounting Policies**

1. As per Significant Accounting Policies (Sl. No.3), the major sources of Internal Revenue Generation (IGR) are various fees realized from students, sale of prospectus, interest earned, etc.

The Institute has accounted IRG such as academic receiptson cash basis as and when they were received, however, the basis of revenue recognition was not disclosed. Thus, the significant accounting policy on revenue recognition was deficient to that extent.

### **D. General**

1. The Institute has 17 Bank Accounts (Savings and Current) out of which seven (7) Bank Accounts remained inoperative/dormant, however, this was not disclosed in the *Notes to Accounts*.

2. The Institute has availed HEFA loan of ₹ 35 crore (2020-21) for completion of ongoing academic/non-academic buildings and construction of consolidated drain work. A grant of ₹30.31 crore was received during 2021-22 from MOE for repayment of both principal and interest, however, this was not disclosed in the *Notes to Accounts*.

3. The Institute received grant-in-aid of ₹ 1.51 crore through AICTE for construction of Hostel and tour study, however, no separate bank accounts was maintained for the grant fund as per the conditions of the sanction order.

4. Provisions for retirement benefits have not been made on actuarial basis in contravention of MHRD format and AS 15.

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

The Institute is financed mainly by grants received from the Ministry of Human Resource Development, Government of India (GoI). As per information furnished by the Institute, during the year the Institute had total funds of ₹ 220.84 crore, which included Opening Balance of ₹ 82.57 crore, Grants-in-Aid of ₹ 122.69 crore received during the year, other receipts of ₹ 15.58 lakh out of which the Institute spent ₹ 179.96 crore leaving a balance of ₹ 40.88 crore as on 31 March 2022.

However, as per Schedule 3(c) and Schedule 10, the unutilized grant is ₹ 18.49 crore and grant utilized for revenue and capital expenditure is ₹ 170.02 crore. This needs reconciliation.

## **F. Management Letter**

Deficiencies which have not been included in the audit report have been brought to the notice of the Director, NERIST, Nirjuli, Arunachal Pradesh through a management letter issued separately for remedial/correction 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.

vi. In our opinion and to the best of our information and according to explanations given to us, the said Financial Statements, read together with Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in the 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 NERIST as at 31 March 2022; and
- b. In so far as it relates to the Income & Expenditure Account of the deficit for the year ended on that date.

Place: **Itanagar**

Dated: **27<sup>th</sup> October 2022**

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

  
**Principal Accountant General  
Arunachal Pradesh**

## Annexure

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

No Internal Audit has been conducted during the period 2021-22.

### **2. Internal Control Mechanism**

The internal control system is found to be inadequate due to the following reasons:

- i) The Institute has no internal audit manual and no internal audit was conducted during the period 2021-22.
- iii) The Institute did not maintain fixed assets register and no physical verification of fixed assets and inventories/stores was conducted during the period 2021-22.

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

Physical verification of assets and inventories were not conducted during the year 2021-22.

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

The Institute was regular in payment of Statutory Dues.

Place: **Itanagar**

Dated: **27<sup>th</sup> October 2022**

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

  
**Principal Accountant General  
Arunachal Pradesh**