



**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 2011**

**Separate Audit Report of the Comptroller & Auditor General of India on the
Accounts of the North Eastern Regional Institute of Science & Technology
(NERIST), Nirjuli,
for the year ended 31 March 2011**

We have audited the Balance Sheet of North Eastern Regional Institute of Science & Technology (NERIST), Nirjuli for the year ended 31 March 2011 and the Income and Expenditure Account/Receipts and Payment Account for the year ended on that date under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, read with Rule 5(a) (xv) and Rule 33 (v) of NERIST, framed under Memorandum of Association of NERIST (Under Section 3 of the UGC Act, 1956). The audit has been entrusted for the period upto 2011-12. 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 and Auditor General of India (C & AG) on the accounting treatment only with regard to their 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 and 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 our audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 the 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 and Expenditure Account/Receipts and 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

i) Fixed Assets - ₹ 8975.02 lakh (Schedule - 4)

Depreciation on Fixed Assets of the Institute was charged on the cost/value of Fixed Assets at the beginning of the year (2010-11). No depreciation was charged on Fixed Assets amounting to ₹ 1217.91 lakh, which were added during the year.

This resulted in overstatement of the value of Fixed Assets by ₹ 55.19 lakh with corresponding understatement of Depreciation in the Income & Expenditure Account and overstatement of Net Income over Expenditure.

ii) Fixed Assets - ₹ 8975.02 lakh (Schedule - 4)

Current Assets, Loans, Advances, etc;. - ₹ 1349.82 lakh (Schedule - 6)

The above included ₹ 699.37 lakh as 90% advance to the contractor against various works/equipment as on 31-03-11. The same was booked as '*Fixed Assets*' instead of booking the same under '*Current Assets- Loans and Advances*'.

This led to overstatement of Fixed Assets by ₹ 699.37 lakh with corresponding understatement of Current Assets, Loans & Advances.

B. Income and Expenditure

Income

i) Fees from Students - ₹ 327.40 lakh

Scrutiny of the Income & Expenditure Account of the Institute showed that Entrance Fees collected for the years 2008-09 and 2009-10, amounting to ₹ 148.48 lakh, was taken as Income for the year 2010-11 and booked under '*Other Income*' in the Income & Expenditure Account, which had already been taken as income in the respective years' Annual Accounts.

This resulted in overstatement of Income with corresponding overstatement of Current Assets in the Balance Sheet.

ii) Interest Earned - ₹ 23.31 lakh

Scrutiny of the related records showed that Interest earned included ₹ 4.61 lakh as interest earned on investment of ₹ 170 lakh w.e.f 23.10.09 to 04.06.10, and the entire amount was taken as income for the year 2010-11 although the total amount of Interest did not accrue during the year. An amount of ₹ 3.28 lakh, which was the Interest earned for 2009-10, was taken as income for the year 2010-11.

This resulted in overstatement of Interest earned (Schedule - 9) for the current year by ₹ 3.28 lakh.

iii) Other Income - ₹ 21.79 lakh

Miscellaneous Income of ₹ 21.79 lakh included Rent received from various shops/commercial establishments, which as per records made available, should have earned an accrued income of ₹ 1.57 lakh. However, an amount of only ₹ 1 lakh was actually collected and shown as income for the year.

This resulted in understatement of Income by ₹ 0.57 lakh in the Income and Expenditure Account.

C. Accounting Policy

Significant Accounting Policies and Notes on Accounts of the Institute were not appended to the Annual Accounts for 2010-11, despite suggestions given in the previous Audit Reports.

D. General

Non-Provision for Retirement Benefits

As stipulated in Accounting Standard 15 and as per instructions contained in the uniform format of accounts for Autonomous Bodies, provision for retirement benefits, i.e. pension and gratuity contribution and leave encashment should be as per actuarial basis, but the Institute has not made any provision for the same.

E. Grants-in-Aid

The Institute is primarily financed through Grants-in-aid from the Government of India (GOI). During 2010-11, the Institute received total grants-in-aid of ₹ 4637.13 lakh, which included ₹ 4633 lakh as grants-in-aid from the Government of India and an Opening Balance of ₹ 4.13 lakh. (₹ 1599 lakh was received during March 2011). The Institute also earned ₹ 372.49 lakh as IRG. Out of the total funds of ₹ 5009.62 lakh, the Institute spent ₹ 4195.92 lakh, leaving an unspent balance of ₹ 813.70 lakh as on 31 March 2011.

F. Management Letter

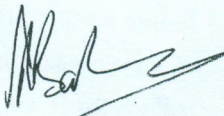
Deficiencies which have not been included in the Audit Report have been brought to the notice of the Director NERIST Nirjuli, through a Management Letter issued separately for remedial/corrective action.

- v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account/Receipt and 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 2011; and
- b. In so far as it relates to Income and Expenditure Account of the surplus for the year ended on that date.

Place: Itanagar

Date: 09.02.2012

for and on behalf of the C & AG of India



Accountant General
Arunachal Pradesh

Annexure

1. Adequacy of Internal Audit System

The Institute did not have any Internal Audit Manual of its own and no periodical inspection of any of the Branches/Departments of the Institute was carried out by the Internal Auditor during 2010-11. The Institute was confined to pre-audit only, which was routine procedure.

2. Adequacy of Internal Control System

The Internal Control System in the Institute needed strengthening to make it more effective.

3. System of Physical Verification of Fixed Assets

Audit scrutiny revealed that physical verification of Fixed Assets and Inventories was done annually through Committees constituted for this purpose. It was seen that 54 Committees were constituted in August 2011 for conducting physical verification for 2010-11, with instructions to submit reports by 30th September 2011. Till the date of audit (August-September 2011), none of the Committees had submitted their reports. In the absence of a complete report on Physical Verification for 2010-11, the actual position of assets could not be ascertained. Physical verification in respect of the Library was not carried out since 2003.

4. System of Physical Verification of Inventory

Comments offered against Sl. No. 3 above apply in the case of physical verification of inventory.

5. Regularity in Payment of Statutory Dues

The Institute deposited all statutory dues, i.e. Income Tax, Service Tax, Cess, etc., to the appropriate authorities from time to time whenever they became due.



Accountant General
Arunachal Pradesh