

CHAPTER 3

Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. Compliance with the financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances are the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic responsibilities, including strategic planning and decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives during the year 2009-10.

3.1 Utilization certificates

3.1.1 Delay in submission of utilization certificates

Rule 8.14 of the Punjab Financial Rules Volume I interalia stipulates that every order sanctioning a grant should specify its object clearly and time limit within which the grant is to be spent. The departmental officer drawing the grant-in-aid should be primarily responsible for certifying to the Accountant General where necessary, the fulfilment of the conditions attaching to the grant and furnish the certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Accountant General and the Head of the Department concerned.

It was noticed that out of the 439 Utilization Certificates (UCs) due in respect of grants aggregating to ₹ 421.95 crore paid during 2001-02 and 2009-10, 194 UCs (44.19 per cent) for an aggregate amount of ₹242.80 crore were not furnished to the Accountant General as on 31 March 2010. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1*. The age-wise position of pendency in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of utilization certificates

(₹ in crore)

Range of delay in number of years	Total grants paid upto 31 March 2010		Utilization certificates outstanding as on 31 March 2010	
	Number of sanctions	Amount	Number of UCs	Amount
0-1	191	171.12	178	137.98
1-3	214	125.35	9	20.89
3-5	33	96.77	6	80.87
5-7	-	-	-	-
7-9	1	28.71	1	3.06
Total	439	421.95	194	242.80

Source: Office of the Accountant General (A&E), Punjab

Out of the 194 outstanding UCs, 15 UCs involving ₹ 101.76 crore (41.91 per cent) were pending for period ranging between one and five years

and one UC involving ₹ 3.06 crore pertaining to the Rural Development and Panchayats Department was outstanding for more than seven years. In the absence of UCs it could not be ascertained whether the grants had been spent for the purposes for which they were given.

During an independent scrutiny in audit, it was noticed that out of the 24 departments test checked, in two departments viz Sports Department and Rural Development & Panchayats, an amount of ₹3.64 crore and ₹1.02 crore was released during 2008-09 as grants-in-aid. But neither the UCs required under the rule *ibid* were submitted by the departments to the Accountant General nor the latter kept noting of the sanctions for watching the receipt of Utilization Certificates. This implies that not all cases of Utilization Certificates are monitored. The departmental officers should, therefore, be impressed upon by the Government for timely submission of all the UCs in respect of grants sanctioned by the Government.

3.1.2 Submission of incorrect UCs

General Financial Rules 212(1) provides that UCs in respect of grants released by the Government of India (GoI) to the States are to be sent in the prescribed Form GFR 19-A within a stipulated period of 12 months after the end of the financial year.

Scrutiny of records revealed that under the schemes “Nutrition Programme for Adolescent Girls” and “Panchayati Yuya Khel Abhiyan” UCs were sent to the GoI showing the unspent balances as ‘Nil, whereas an amount of ₹ 2.62 crore and ₹ 20 lakh were lying unspent with the Department of Social Security for Woman and Child Development (DSSWCD) and Sports Department respectively. In reply, the Director, DSSWCD admitted (June 2010) that the unspent amount of ₹ 2.62 crore was lying with the department. The Sports Department did not furnish reply.

3.2 Delay in submission of Accounts/Audit Reports of Autonomous bodies

Several Autonomous Bodies have been set up by the State Government in the field of Legal Services, Science, Human Rights, Labour Welfare and Industries. A large number of these bodies are audited by the Comptroller and Auditor General of India (C&AG) with regard to the verification of their transactions, operational activities, accounts, internal management and financial control and review of systems and procedures etc. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the State Legislature is indicated in *Appendix 3.2*. The age-wise delays in submission of accounts by the Autonomous Bodies to Audit and placement of the SARs in the Legislature is summarized in **Table 3.2**.

Table 3.2: Delays in submission of Accounts and tabling of SARs in the Legislature as on 31 August 2010

Sr. No.	Name of the Autonomous body	Number of Accounts delayed	Extent of delay in submission of accounts (in months)	Pendency of submission of the SARs to the Legislature	Reasons for delay
1.	Punjab Legal Services Authority	1 (2008-09)	02	SARs for 2006-07, 2007-08 and 2008-09 were pending.	Not available
2.	Punjab Khadi and Village Industry Board	6 (2003-04 to 2008-09)	12 to 62	SARs for 2004-05 to 2007-08 sent to the Government for presentation.	-do-
3.	Punjab State Human Rights Commission	7 (2002-03 to 2008-09)	13 to 74	SARs for 1999-2000 to 2003-04 sent to the Government, but not yet placed before the Legislature.	-do-
4.	Punjab Labour Welfare Board	8 (2001-02 to 2008-09)	14 to 86	SAR for 2000-01 and 2001-02 sent to Government for presentation.	-do-
5.	Pushpa Gujral Science City	1 (2008-09)	11	SAR is not to be placed in the State Legislature.	-do-

There were delays ranging between two and 86 months in submission of accounts of five Autonomous bodies.

3.3 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified time frame. As of 31 March 2010, the Punjab Roadways (Transport Department) had not prepared its accounts since 2000-01. The Comptroller and Auditor General of India had repeatedly commenting about the arrears in preparation of accounts,

but there is no improvement so far in preparation of the proforma account by this undertaking.

3.4 Misappropriations, thefts, losses etc.

The Punjab Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police. Cases of defalcations and losses are reported to the Accountant General.

The State Government reported 100 cases of misappropriation, thefts, loss of material etc. involving ₹ 1.17 crore pertaining to the period ranging between zero year and 25 years and above on which final action was pending. 92 cases involving ₹ 1.04 crore are 0 to 5 years old. Seven out of 100 cases, involving ₹ 10.88 lakh pertained to thefts and the remaining 93 cases involving ₹ 1.06 crore related to loss of material, misappropriation etc. Department wise details of these cases are given in **Table 3.3** and age-wise profile of cases of misappropriations, thefts and losses etc. are given in *Appendix 3.3*.

Table 3.3: Pending cases of thefts, misappropriations and losses

(₹ in lakh)

Name of Department	Cases of theft		Cases of Misappropriation/Loss of Government material		Total	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Printing and Stationery	-	-	1	80.30	1	80.30
Elections	2	0.21	-	-	2	0.21
Health and Family Welfare Department	1	0.41	-	-	1	0.41
Home Affairs and Justice	1	6.00	86	13.00	87	19.00
Education	3	4.26	6	12.39	9	16.65
Total	7	10.88	93	105.69	100	116.57

Source: Information provided by the departments

The reasons for the delay in finalisation of pending cases of thefts, misappropriations, losses etc. are given in **Table 3.4**.

Table 3.4: Reasons for the delay in finalisation of pending cases of misappropriations, thefts and losses etc.

(₹ in lakh)

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	7	10.62
Departmental action initiated but not finalised	9	91.95
Awaiting orders for recovery or write off	79	12.27
Pending in the courts of law	4	0.62
Criminal proceeding finalized but execution of certificated cases for the recovery of amount pending	1	1.11
Total	100	116.57

Source: Information provided by the departments

3.4.1 Write off of losses etc.

As reported to Audit, losses due to death of animals, fire and irrecoverable advances/interest on advances etc. amounting to ₹ 85 lakh in 50 cases were written off by the competent authorities in the Department of Home Affairs and Justice and Director General of Police during the year 2009-10. The details are given in *Appendix 3.4*.

3.5 Other issues

3.5.1 Non-deposit of income tax, sales tax and other receipts.

Under Rule 30 of the Income Tax Rules 1962, income tax deducted at source from the payments made to contractors is required to be credited to the account of Central Government within two months of expiry of the months in which deductions are made.

Under Section 26 (8) of the Value Added Tax (VAT) Act, the sales tax (VAT) deducted at source is required to be credited to the account of State Government within thirty days from the date of expiry of each quarter.

As per the Notification dated 11 November 2008 of Government of Punjab, Department of Labour, labour-cess is required to be remitted by way of account payee cheque in favour of the Punjab Construction Workers Welfare Board payable at Chandigarh on or before 10th day of the succeeding month of collection of the cess amount.

Rules 2.4 of the Punjab Financial Rules Volume-I provides that at the close of the day, while signing the cash book, the head of the office should see that departmental receipts collected during the day are remitted into treasury on the same day or on the morning of the next day at the latest and that there is a corresponding entry in the payment side of the cash book.

Test check of monthly accounts revealed that six public works divisions had not deposited (March 2010) the income tax, sales tax, labour-cess and miscellaneous receipts to the tune of ₹ 1.67 crore as detailed in **Table 3.5**.

Table 3.5 : Non-deposit of income tax, sales tax etc.

(₹ in lakh)

Sr. No.	Name of Division	Income Tax	Sales tax (VAT)	Labour-Cess	Miscellaneous receipts	Total
1	Water Supply and Sanitation Division, Rajpura	3.80	16.84	2.18	17.74	40.56
2	Construction Division Number 1, Hoshiarpur	7.51	8.74	1.69	0.00	17.94
3	Water Supply and Sanitation Division, Garh Shanakar	9.66	24.87	3.59	30.40	68.52
4	Water Supply and Sanitation Division, Barnala	0.00	9.58	3.32	12.50	25.40
5	Water Supply and Sanitation Division Number 1, Ferozepur	0.00	0.00	0.00	4.89	4.89
6	Electrical Division, Amritsar	0.59	5.58	2.27	1.25	9.69
	Total	21.56	65.61	13.05	66.78	167.00

On being pointed out (May and June 2010), the Executive Engineers of the divisions stated that the amount would be deposited shortly and final reply would be given. But no final reply was received (October 2010)

3.5.2 Parking of funds outside the Government account

Rule 2.10 (b) (5) of the Punjab Financial Rules volume-I prohibits drawal of money from treasury without immediate requirement. The offices mentioned in the following table drew the funds from treasury without immediate requirement and kept the amount in banks. As on 31 March 2010, a sum of ₹ 17.39 crore was lying in various bank accounts of the three offices as detailed in **Table 3.6**. Had the funds been refunded to the Government Account, the ways and means position of the State Government would have improved to that extent.

Table 3.6: Parking of funds outside the Government account

Sr. No.	Name of the Office	Amount (₹ in crore)	Remarks
1.	Punjab Water Supply and Sewerage Board, Chandigarh	8.00	<p>The funds amounting to ₹ eight crore were released (January 2008 and February 2009) to the Managing Director, Punjab Water Supply and Sewerage Board (Board) by the Punjab State Council for Science and Technology (Council) for laying of pipeline from the sewage treatment plant, Jamalpur to the river Satluj. The project was stopped even before start of the work in September 2009 as the Chief Minister did not allow the discharge of treated sewage water into the river Satluj. The Technical committee of Budha Nallah project proposed (October 2009) redistribution of these funds for another project, but the Finance Department directed that the same be refunded alongwith interest. In spite of conveying the decision of Finance Department regarding deposit of the un-utilised amount into treasury by the Council (December 2009) to the Board, the amount was not deposited into treasury by the Board (July 2010).</p> <p>On being pointed out (July 2010) the Council stated (July 2010) that the Board had again taken up the matter for redistribution of funds for another project with the Finance Department.</p>
2.	Registrar, Co-operative Societies, Punjab, Chandigarh	7.91	<p>The Co-operation Department accorded (March 2009) sanction for ₹ 7.71 crore in favour of Registrar Co-operative Societies, Punjab under the scheme "Revival of short term Co-operative credit structure" for providing financial assistance to Primary Co-operative Agricultural Services Societies in accordance with recommendations of Vaidyanathan Committee. The entire amount was drawn by the Co-operative Societies, Punjab, Chandigarh in March, 2009 and was kept in bank in the form of fixed deposit. The amount accumulated alongwith</p>

			interest as on March 2010 works out to ₹ 7.91 crore. On being pointed out (July 2010), the Registrar stated (July 2010) that since amendment in Punjab State Co-operative Societies Act 1961 as per recommendations of Vaidyanathan Committee is under consideration of Government, the funds could not be utilized.
3.	Director, Social Security, Women and Child Development, Punjab, Chandigarh	1.48	The Government of India, Ministry of Social Justice and Empowerment, New Delhi sanctioned ₹ 1.08 crore in August 2001 under the Scheme “National Programme for Rehabilitation of persons with disabilities” (NPRPD) for providing services to persons with disabilities. The amount has not yet been utilized and lying in bank in the form of fixed deposit since August 2001. The amount accumulated alongwith interest as on March 2010 works out to ₹ 1.48 crore. On being pointed out (July 2010) the Director stated that the amount could not be utilized as the training programme in Ropar and Sangrur was already complete and the State Government did not allow utilization of the funds in other districts. He further stated that matter for revalidation of funds had been taken up (April 2010) with the GoI.
Total		17.39	

3.5.3 Non-utilisation of GoI funds

The Government of Punjab receives considerable funds from GoI under the Centrally Sponsored Schemes. During audit of important schemes such as Modernisation of Police Forces and National Rural Health Mission, it was noticed that major portion of the funds remained unutilized adversely affecting the respective schemes. Reports of the Comptroller and Auditor General of India have been pointing out non-utilisation of GoI funds from time to time. Scrutiny of records of three departments¹ revealed that out of the funds amounting to ₹ 195.20 crore released to these departments by the GoI during 2009-10, ₹ 41.48 crore were not utilized by two departments as on 31 March 2010 (*Appendix 3.5*). The non-utilization of funds by the departments ranged between ₹ one lakh and ₹ 15.10 crore thereby adversely affecting the implementation of the schemes.

On being pointed out, the departments quoted the reasons like non-release of Government of India funds by the Finance Department and non-passing of bills by the treasury etc. It was further noticed that the GoI funds remained unutilized due to the reasons like (i) late submission of proposals by the Administrative Departments to the Finance Department for getting the funds released (ii) delay in releasing the funds to the field offices for utilization and

¹ (1) Health and Family Welfare (2) Housing and Urban Development
(3) Welfare of Scheduled Castes and Backward Classes.

(iii) non-utilization of the funds by the respective departments due to non-passing of bills by treasury and late receipt of funds etc.

For keeping a close watch on the flow of funds from the GoI and expenditure thereagainst, it is suggested that the Government needs to evolve a centralized monitoring system in the Finance Department.

3.5.4 Outstanding Abstract Contingent bills

Note 5 of Rule 275(2), of the Punjab Treasury Rules provides that Detailed Contingent (DC) bills should be prepared for the amount drawn on Abstract Contingent (AC) bills in any month and should be headed as pertaining to the month in which payment was actually made from the treasury. Further, para 5.5 of the Manual of the Central Audit Inspection (Civil Wing) stipulates that the Accountant General (A&E) has to maintain a register for watching the receipt of DC bills against the AC bills.

Scrutiny of the register (August 2010) of AC Bills maintained in the office of the Accountant General (A&E), Punjab revealed that only two AC bills for ₹ 22 lakh² were noted in the register, which were cleared on receipt of the DC bills during 2009-10. But during test check of vouchers of four departments viz Education, Revenue, Hospitality and Jail for the period January to March 2010 by Audit, 88 vouchers in 22 treasuries pertaining to Relief on account of Natural Calamity (Major Head 2245) and four vouchers in respect of Hospitality (Major Head 2070) in Punjab treasury, Chandigarh were detected as Abstract Contingent bills for ₹ 43.94 crore (**Appendix 3.6 and 3.7**). But these vouchers were not classified as AC bills by the Drawing and Disbursing Officers (DDOs) and hence could not be taken to the AC bills register in the office of Accountant General (A&E), Punjab for monitoring receipt of the DC bills.

On being pointed out, three Treasury Officers³ admitted that the said bills were AC bills and stated that in future these would be marked as such.

Thus, failure of the DDOs to classify the bills as AC bills as provided in Rule⁴ and passing of the bills by the Treasury Officers without ascertaining the nature of the bills denied scope of getting the bills registered as AC bills for watching the DC bills in the office of Accountant General (A&E), Punjab. Such omissions could lead to misappropriation of the Government money. Government need to instruct the DDOs and Treasury Officers to ensure that the AC bills are classified as such without fail and the corresponding DC bills are sent to the Accountant General (A&E), Punjab.

3.6 Conclusion and recommendations

Utilisation certificates in respect of grants released for ₹ 242.80 crore upto March 2010 were pending for submission to the Accountant General as on 31 March 2010. Two departments submitted incorrect Utilization certificates

² Under major head 2245-Relief on account of Natural Calamity.

³ Treasury Officers of Chandigarh, Fatehgarh Sahib and SAS Nagar.

⁴ Rule 274 of Punjab Treasury Rules .

to the Government of India. There were considerable delays in submission of accounts of the Autonomous bodies for audit as well as submission of their Separate Audit Reports to the State Legislature. Punjab Roadways had not prepared its proforma accounts since 2000-01. There were 100 cases of misappropriations, thefts, losses etc. involving ₹1.17 crore awaiting final action by the Government for long. Income tax, sales tax, labour cess and miscellaneous receipts were not deposited by six Public Works Divisions. Three offices withdrew the funds from treasuries without immediate requirement and parked an amount of ₹17.39 crore in banks outside the Government Account. The Drawing and Disbursing Officers and the Treasury Officers failed to classify the Abstract Contingent bills and monitor the Detailed Contingent bills, though there were large number of such bills in the State.

Control mechanism in Government departments needs to be strengthened to ensure timely submission of Utilization Certificates. Submission of pending accounts by the Autonomous bodies and the Punjab Roadways needs to be monitored. Departmental enquiries in cases of misappropriations and thefts should be expedited and the control system strengthened to prevent recurrence of such cases. The practice of keeping the Government money outside the Government Accounts should be curbed.

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