

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives during the current year.

### 3.1 Delay in furnishing Utilization Certificates

Financial Rules<sup>10</sup> provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be submitted within twelve months of the closure of the financial year by the Institution or Organization concerned. Rule 150 further provides that the sanctioning authority should furnish a certificate of utilization of the grant to the Audit Officer and /or the Accounts Officer, as the case may be, within one year from the date of issue of the letter sanctioning the grant. However, of the 4,526 UCs aggregating ₹5,039.40 crore due in respect of grants paid during 2003-10, were outstanding as on 31 March 2011. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position of delays in submission of UCs is summarized in **Table 3.1**.

**Table 3.1: Age-wise arrears of Utilization Certificates**

(₹ in crore)

Sr. No.	Range of Delay in Number of Years	Total grants paid		Utilization Certificates Outstanding	
		Number	Amount	Number	Amount
1.	1 – 3	2,776	4,340.32	1,279	3,862.59
2	3 – 5	5,364	3,921.62	3,136	1,161.66
3.	5 – 7	56	8.78	42	7.72
4.	7 – 9	77	8.87	69	7.43
<b>Total</b>		<b>8,273</b>	<b>8,279.59</b>	<b>4,526</b>	<b>5,039.40</b>

Out of grants amounting to ₹5,039.40 crore for which UCs were due, ₹309.92 crore pertained to the Panchayats, Rural Housing and Rural Development Department for the year 2006-2007. It was further seen that in the case of the Health & Family Welfare Department, 162 UCs involving grants of ₹27.35 crore were outstanding for the years 2003-04 to 2006-07. In the case of Urban Development and Urban Housing Department, UCs involving ₹2,199.38 crore were outstanding, including all the UCs for the year 2008-09 involving ₹1,001.98 crore.

<sup>10</sup>

Rule 212 of the General Financial Rules

### 3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Head of Department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which assistance was given, and the total expenditure of the institutions. The accounts of 38 Autonomous Bodies/Authorities received for the year 2010-11 attracted audit by the Comptroller and Auditor General (C&AG) of India. The bodies /authorities, audit of which was due, were audited.

A total of 341 annual accounts of 96 autonomous bodies/ authorities due up to 2010-11 were not received as of 30 September 2011 by the Accountant General (Civil Audit). The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies**

Sr. No.	Delay in Number of Years	No. of the Bodies/Authorities
1	0 – 1	15
2	1 – 3	39
3	3 – 5	32
4	5 – 7	10
<b>Total</b>		<b>96</b>

It can be seen from the above table that in respect of 10 autonomous bodies/authorities, accounts were in arrears for more than five years. Of these, the accounts of State Committee for Voluntary Action Society, Silvassa; Gujarat Ecology Commission, Gandhinagar; and Institute of Kidney Diseases and Research Centre, Ahmedabad were in arrears since 2004-05.

### 3.3 Submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the various fields of development, housing, etc. The audit of accounts of 25 such bodies in the State has been entrusted to the C&AG of India. However, only three rendered their accounts in time. For the remaining 22, the periods of delay are given in **Appendix 3.3**. SARs were not required to be placed before the Legislature in respect of 17 Authorities (Refer **Appendix 3.3**). With respect to submission of SARs to the Legislature, in respect of eight bodies, the periods of delay are given in **Table 3.3**.

The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of SARs in the Legislature after the entrustment of Audit to the C&AG is summarized in **Table 3.3**.

Table 3.3: Delays in Submission of Accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies
0 – 6	6	0-1	5
6 – 12	9	1-2	7
12 – 18	-	2-3	1
18 – 24	-	3-4	-
24 & above	7	4-5	2
<b>Total</b>	<b>22</b>		<b>15</b>

### 3.4 Failure to account for amount drawn on Abstract Contingent Bills

As per Rule 302 of the Gujarat Financial Rules, 1971, read with the Government Resolution dated 5 February 1976, every drawing officer has to certify in each Abstract Contingent (AC) bill that Detailed Contingent (DC) bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General.

Despite above Rule provisions, AC bills (11,512 nos.) amounting to ₹262.27 crore drawn up to March 2011 by 21 departments for which DC bills were not furnished (September 2011). Year-wise details are given in **Table 3.4**.

Table 3.4: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

Year	Amount of AC bills	Outstanding AC bills
Up to 2004-05	50.98	3,534
2005-06	8.93	613
2006-07	11.20	713
2007-08	10.06	649
2008-09	9.03	635
2009-10	20.34	800
2010-11	151.73	4,568
<b>Total</b>	<b>262.27</b>	<b>11,512</b>

Department-wise details of pending DC bills for the years up to 2010-11 are given in **Appendix 3.4**.

### 3.5 Personal Deposit Accounts

Personal Deposit (PD) accounts are created for parking of funds and are required to be closed at the end of each financial year. There were 1,779 PD accounts in District Treasuries in operation as on 31 March 2011. These PD accounts were not closed and the balance of ₹249.27 crore in these accounts was not transferred back to the respective service heads. Of these accounts, 1,437 accounts had not carried out reconciliation of their balances with the

treasury offices during 2010-11 and seven accounts where balances exceeding ₹ 20 lakhs involving ₹19.22 crore were found to be inoperative as given in **Table 3.5**

**Table 3.5: Details of inoperative PD accounts**

(₹ in crore)			
Sr. No.	Period	No. of PD accounts	Amount
1.	More than 10 years and upto 20 years	3	8.95
2.	More than 5 years and upto 10 years	2	2.43
3.	More than 1 year and upto 5 years	2	7.84
<b>TOTAL</b>		<b>7</b>	<b>19.22</b>

### **3.6 Non-transfer of Cess amount to the Welfare Board**

For the welfare of building and other construction workers who are the most vulnerable segment of the unorganized labour sector, the State Government constituted (December 2004) the Building and Other Construction Workers' Welfare Board (Board) under the Buildings and Other Construction Workers' Welfare Cess Act, 1996. Under this Act, the State Government collected labour cess of ₹339.76 crore (₹ 0.15 crore in 2005-06; ₹22.10 crore in 2006-07; ₹30.77 crore in 2007-08; ₹49.44 crore in 2008-09, ₹132.31 crore in 2009-10 and ₹104.99 crore in 2010-11), but no part of the receipts was transferred to the Welfare Board for spending on social security schemes meant for building and other construction workers.

### **3.7 Adverse balances in accounts**

Adverse balances are negative balances appearing under those heads of accounts where there should not be a negative balance. For instance, negative balance under any Loans and Advances major head will indicate more repayments than the original amount advanced.

Gujarat Water Supply and Sewerage Board had taken a loan from Housing and Urban Development Corporation (HUDCO) for augmenting the water supply and sewerage schemes. The State Government, though decided to treat this as an internal debt of the State and was repaying the installments, did not route the amount received from HUDCO through the Consolidated Fund of the State resulting in minus balance under internal debt of the State since June 2007. The adverse balance in the account as at the end of 31 March 2011 was to the tune of ₹158 crore.

The matter was first taken up with the finance department in July 2008, but no action was taken by them (September 2011) to rectify the accounting error.

### 3.8 Operation of omnibus Minor Head 800

During the past two decades, the range and diversity of Government activity had increased manifold, outpacing the number of available programme minor heads. The omnibus Minor Head 800 –accommodates the expenditure which could not be classified under the available programme minor heads.

During 2010-11, expenditure aggregating ₹7,569.65 crore, constituting 14.90 *per cent* of the total expenditure was classified under Minor Head 800-Other Expenditure against 64 Major Heads under Revenue and Capital Sections. Major expenditures on power, capital outlay on medium irrigation, special programmes for rural development, misc. general services, etc., were classified under omnibus Minor Head – 800 instead of depicting distinctly.

Similarly, revenue receipts aggregating ₹2,130.01 crore, constituting 4.68 *per cent* of total revenue receipts, were classified under omnibus Minor Head ‘800-Other Receipts’ under 54 Major Heads.

Classification of large amounts under the omnibus Minor Head 800 – Other Expenditure/Receipts affects the transparency in financial reporting.

### 3.9 Unreal Assets in accounts

The State Government invested (1996-2001) ₹9.10 crore in American International Group-Indian Sectoral Equity Fund and the investment was reflected in the Finance accounts. Though the fund was closed and the amount invested was received back in 2010-11, the amount still remains as an investment in the accounts.

Audit scrutiny revealed that the amount received was incorrectly taken as Miscellaneous Capital Receipts in the accounts.

### 3.10 Misappropriations, losses, defalcations, etc.

The State Government reported 175 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹8.54 crore (up to March 2011) on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6**. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.6**.

Table 3.6: Age-Profile of Misappropriations, Losses, Defalcations, etc.

(₹ in crore)

Age-Profile of the Pending Cases		
Range in Years	Number of Cases	Amount Involved
0 – 5	28	0.39
5 – 10	29	7.09
10 – 15	25	0.34
15 – 20	21	0.27
20 – 25	16	0.13
25 & above	56	0.32
<b>Total</b>	<b>175</b>	<b>8.54</b>

Reasons for which these cases are outstanding are given in Table 3.7.

Table 3.7: Reasons for Outstanding Cases of Misappropriations, Losses, Defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	35	3.41
ii)	Departmental action initiated but not finalized	42	0.29
iii)	Criminal proceedings finalized but execution of certificate cases for the recovery of the amount pending	16	0.04
iv)	Awaiting orders for recovery or write off	24	0.15
v)	Pending in the courts of law	57	4.62
vi)	Others	1	0.03
<b>Total</b>		<b>175</b>	<b>8.54</b>

Out of the total 175 cases involving ₹8.54 crore outstanding, 35 cases amounting to ₹3.41 crore were awaiting departmental action/criminal investigation which needed to be speeded up. Fifty seven cases involving ₹4.62 crore were pending with the courts of law, including a case of ₹3.43 crore pertaining to the Roads and Buildings Department.

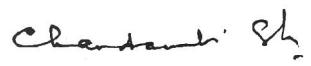
### 3.11 Conclusion and Recommendations

#### Conclusion

Internal controls within the State Government departments are not functioning as envisaged with regard to compliance with various rules and procedures instituted by the Government. Financial reporting cannot be accurate and reliable in the absence of compliance with the basic requirement of compilation of accounts by the Government undertakings and bodies and non-accountal/adjustment of large amounts drawn on abstract contingent bills by the departmental authorities. Further, accountal of various important items of expenditure relating to various sectors, revenue receipts etc. under omnibus Minor Head – 800 affects the transparency of accounts of the State Government. Delays in submission of UCs, unnecessary parking of funds under Personal Deposit Accounts, exhibiting minus balance under loan account for years, etc., indicate the need of strengthening proper monitoring system of the State Accounts for more transparency.

## Recommendations

Departmental enquiries in all misappropriation cases should be expedited to bring the defaulters to book. The internal controls in all the departments should be strengthened to prevent such cases in future. The Government should also ensure timely receipt of utilization certificates against the financial assistance provided to grantee institutions. Government should ensure timely placement of the Separate Audit Reports of the Autonomous Bodies in the Legislature. Government should take immediate action to open new sub heads so as to represent the functions of the Government in a more transparent manner in the accounts.



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