

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and assist the State Government in meeting its basic stewardship responsibilities, 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 Utilisation Certificates

Gujarat Financial Rules¹ provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be submitted within twelve months of the closure of the financial year by the institution or organisation concerned. However, 17,441 UCs aggregating ₹ 9,066.34 crore due in respect of grants paid during the period 2001-02 to 2011-12 were outstanding as on 31 March 2012. 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 summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

Sr. No.	Range of Delay in Number of Years	Total grants paid		Utilisation Certificates Outstanding	
		Number	Amount	Number	Amount
1.	0-1	1,253	1,103.41	1,222	1,102.46
2.	1-3	3,463	4,976.57	2,691	4,564.99
3.	3-5	1,552	3,193.02	1,079	2,301.52
4.	5-7	3,960	1,188.63	1,805	538.41
5.	7-9	13,315	2,653.49	3,090	99.00
6.	9 and above	18,047	1,605.26	7,554	459.96
	Total	41,590	14,720.38	17,441	9,066.34

Out of grants amounting to ₹ 9,066.34 crore for which UCs were due, ₹ 2,742.49 crore pertained to the Urban Development & Urban Housing Department for the period 2001-02 to 2010-11 and ₹ 1,648.42 crore and ₹ 1,402.83 crore pertained to Social Justice and Empowerment Department and Agriculture & Co-operation Department respectively for the period 2001- 2002 to 2011-12.

¹ Rule 154 and 155 of the Gujarat Financial Rules, 1971

3.2 Non-submission/delay in submission of accounts by Autonomous Bodies/Authorities

In order to identify the institutions which attract audit under Sections 14 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. There are 209 autonomous bodies/authorities covered by Section 14 of the Act referred to above. A total of 437 annual accounts of 104 autonomous bodies/authorities due up to 2011-12 were not received as of 31 August 2012 by the Accountant General (General and Social Sector Audit). The 107 accounts (including accounts of earlier years) relating to 66 bodies/authorities, audit of which was due, were audited during the year 2011-12.

The details of the accounts which were due for audit but not received 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	30
2	1-3	35
3	3-5	32
4	5-7	6
5	7-9	0
6	9 and above	1
	Total	104

It can be seen from the above table that in respect of seven autonomous bodies/authorities, accounts were in arrears for more than five years. Of these, the accounts of Gujarat University, Ahmedabad and Gujarat Ecology Commission, Gandhinagar were in arrears since 1999-2000 and 2004-05, respectively. In the absence of annual accounts the accountal/utilisation of the grants and loans disbursed to these Bodies/Authorities could not be ensured in audit.

FD accepted the facts and stated (December 2012) that necessary instructions have been issued to all the concerned departments to take appropriate action in respect of the pending annual accounts.

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. These autonomous bodies attract audit under Section 19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The separate audit report (SAR) in relation to each account is submitted to the Government.

The audit of accounts of 25 such autonomous bodies in the State has been entrusted to the C&AG of India. However, only five rendered their accounts in time. For the remaining 20, 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 autonomous bodies, the details 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 summarised 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	5	0-1	3
6-12	8	1-2	1
12-18	1	2-3	1
18-24	0	3-4	0
24 & above	6	4-5	0
	20		5

FD while accepting the facts stated (December 2012) that necessary instructions have been issued to all the concerned departments to take appropriate action in respect of the pending annual accounts.

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 (10,589 Nos.) amounting to ₹ 293.51 crore were drawn up to March 2012 by 22 departments for which DC bills were not furnished (March 2012). 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	Outstanding AC bills	Amount of AC bills
Upto 2005-06	2,768	41.06
2006-07	546	6.98
2007-08	485	7.97
2008-09	403	5.70
2009-10	454	13.26
2010-11	1,248	34.49
2011-12	4,685	184.05
	10,589	293.51

Department-wise details of pending DC bills for the years up to 2011-12 are given in **Appendix 3.4**.

FD stated (December 2012) that necessary instructions have been issued to all the concerned departments to expedite the process of reconciliation/submission of pending DC bills.

3.5 Personal Deposit Accounts

Government is authorised to open Personal Deposit (PD) accounts in order to deposit money for specific purposes. There were 517 PD accounts in District Treasuries in operation as on 31 March 2012 having a balance amount of ₹ 272.92 crore. Of these accounts, 22 accounts had not carried out reconciliation of their balances with the treasury offices during 2011-12 and one account with balance involving ₹ 1.70 crore was found to be inoperative for five years.

FD stated (December 2012) that necessary instructions have been issued to all the treasuries as well as the administrator of PD accounts to reconcile the balances and to close the accounts where no transactions have taken place for last five years.

3.6 Misappropriations, losses, defalcations, etc.

The State Government reported 169 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 8.49 crore (up to March 2012) 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 summarised in **Table 3.5**.

Table 3.5: 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	22	0.35
5 – 10	27	7.07
10 – 15	25	0.33
15 – 20	17	0.20
20 – 25	22	0.22
25 & above	56	0.32
Total	169	8.49

Reasons for which these cases are outstanding are given in **Table 3.6**.

Table 3.6: 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	3.42
ii)	Departmental action initiated but not finalised	41	0.29
iii)	Criminal proceedings finalised but execution of certificate for the recovery of the amount pending	16	0.04
iv)	Awaiting orders for recovery or write off	21	0.09
v)	Pending in the courts of law	54	4.60
vi)	Others	2	0.05
Total		169	8.49

Out of the total 169 cases involving ₹ 8.49 crore outstanding, 35 cases amounting to ₹ 3.42 crore were awaiting departmental action/criminal investigation which needed to be speeded up. In 54 cases pending with the courts of law involving ₹ 4.60 crore, a case of ₹ 3.43 crore pertaining to the Roads and Buildings Department was outstanding since 2003-04. The internal controls in all the organisations should be strengthened to prevent recurrence of such cases.

FD accepted the facts and stated (December 2012) that necessary instructions have been issued to all the departments concerned to expedite finalisation of pending matters, recovery or write-off orders.

3.7 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 2011-12, expenditure aggregating ₹ 9,237.12 crore, constituting 16.46 per cent of the total expenditure was classified under Minor Head 800-Other Expenditure against 71 Major Heads under Revenue and Capital Sections.

Major expenditure on industry, capital outlay on police, water supplies and sanitation etc., were classified under omnibus Minor Head – 800 instead of depicting distinctly.

Similarly, revenue receipts aggregating ₹ 3,123.83 crore, constituting 5.68 per cent of total receipts, were classified under omnibus Minor Head ‘800-Other Receipts’ under 60 Major Heads.

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

3.8 Conclusion and Recommendations

Conclusion

Non-submission of utilisation certificates of ₹ 9,066.34 crore indicated lack of proper monitoring by the departments in utilisation of grants given for specific purposes. There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. There is no timely submission of detailed contingent bills against large amounts drawn on abstract contingent bills amounting to ₹ 293.51 crore by the departmental authorities. The 169 outstanding cases of misappropriations, losses etc. and non recovery of amounts indicated lack of efforts by the departments to make good the losses and fix responsibility. Further, accountal of various important items of expenditure relating to various sectors, revenue receipts etc. under omnibus Minor Head – 800 resulted in non classification of diverse activities of the Government under available minor heads.

Recommendations

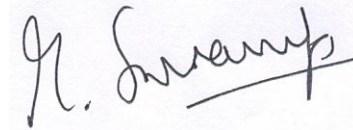
The Departments should ensure timely submission of utilisation certificates in respect of the grants released for specific purposes and the annual accounts in respect of the autonomous bodies/authorities.

A rigorous monitoring mechanism should be put in place in the Departments to adjust the advances drawn in Abstract Contingent bills within stipulated period, as required under the extant rules.

Departmental enquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book.

In order to ensure greater transparency in financial reporting, large amounts received or expended under various programmes should be depicted in

Accounts distinctly, instead of clubbing the same under the Minor head '800-Other expenditure' and '800-Other receipts'.



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