

CHAPTER III

FINANCIAL REPORTING

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

3.1 Delay in furnishing Utilisation Certificates

Financial Rules provide that Utilisation Certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts & Entitlement) Himachal Pradesh within one year from the date of their sanction unless specified otherwise. However, of the 29987 utilisation certificates (UCs) due in respect of grants and loans aggregating ₹1955.71 crore upto March 2012, 18387 UCs (61 *per cent*) for an aggregate amount of ₹1339.06 crore were pending as of March 2013 out of which one UC involving ₹1.37 crore was pending for more than nine years. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and age-wise delays in submission of UCs are summarized in **Table 3.1**.

Table 3.1

Age-wise arrears of Utilisation Certificates as on 31 March, 2013

(₹ in crore)

Sl. No.	Range of delay (in number of years)	Total grants paid		Utilisation certificates outstanding	
		Number of Cases	Amount	Number	Amount
1.	0 – 1	20361	1031.05	13422	708.00
2.	1 – 3	8549	899.35	4911	616.24
3.	3 – 5	1075	23.94	53	13.45
4.	5 – 7	1	--*	--	--
5.	7 – 9	--	--	--	--
6.	9 and above	1	1.37	1	1.37
	Total	29987	1955.71	18387	1339.06

Source: Accountant General (Accounts & Entitlement) office, H.P.

* Amount of ₹3000.

Pendency of UCs mainly pertained to the Department of Education (14447 UCs: ₹214.49 crore), Rural Development (1858 UCs: ₹541.83 crore), Social Justice and Empowerment (1189 UCs: ₹153.12 crore), Industries (273 UCs: ₹29.58 crore), Art and Culture (217 UCs: ₹4.34 crore), Urban Development (85 UCs: ₹183.98 crore), Animal Husbandry (37 UCs: ₹25.39 crore), Tourism (24 UCs: ₹9.18 crore), Sports and Youth Services (22 UCs: ₹5.95 crore), Secretariat and Social Services (12 UCs: ₹2.16 crore), Medical and Public Health (seven UCs: ₹36.06 crore). In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purpose for which these were given.

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

Several Autonomous Bodies have been set up by the State government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The audit of accounts of 14 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status

of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 3.2**.

The accounts of HP Building and Construction Workers Welfare Board, Shimla were late by nine months for the year 2011-12 whereas for the year 2012-13 the accounts have not been received as of August 2013. The accounts for the year 2012-13 in respect of ten¹ bodies had not been furnished as of August 2013 and accounts of four District Legal Authorities, Kangra, Mandi, Chamba and Bilaspur were delayed by more than a month. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to audit at the earliest.

Separate Audit Reports (SARs) of 13 Autonomous Bodies issued by Audit for the year 2011-12 are yet to be placed before the legislature and one SAR has not been issued due to delay in receipt of accounts for 2011-12 (**Appendix 3.2**). These need to be tabled before the State legislature at the earliest.

3.3 Non-submission of details of grants/loans paid

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's DPC Act), the government/heads of the departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulations on Audit and Accounts, 2007 provide that governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

No department of the government had furnished such details for the year 2012-13 upto August 2013. Due to this, audit was not able to provide assurance to

¹ H.P. State Veterinary Council, Shimla, HP Building & Construction Worker Welfare Board, Shimla, State Legal Service Authority, Shimla and District Legal Service Authorities, Hamirpur, Kullu, Nahan, Rampur, Shimla, Solan and Una.

legislature/government about the manner in which the grants sanctioned/paid by them have been utilised, specifically on the issue of non-diversion and non mis-utilisation.

Due to non-furnishing of the above details to the office of the Principal Accountant General (Audit), Himachal Pradesh, the bodies/institutions could not be identified to bring them under audit purview, as a result of which the accuracy and propriety of expenditure out of such loans and grants given out of Consolidated Fund of the State could not be examined in audit to express audit opinion.

3.4 Misappropriation/ loss, theft, etc.

As per the provisions of Himachal Pradesh Financial Rules, State government reported 52 cases of misappropriation/losses, theft, etc., involving government money amounting to ₹ 82.77 lakh upto June 2013 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.3** and nature of these cases is given in **Appendix 3.4**. 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 3.2**.

Table 3.2
Profile of misappropriations/losses and theft

(₹ in lakh)

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved	Nature/characteristics of the cases	Number of cases	Amount involved
0 – 5	7	10.76	Theft	14	14.06
5 – 10	15	21.60			
10 – 15	9	39.81	Misappropriation/loss of material	38	68.71
15 – 20	4	5.61			
20 – 25	2	0.80			
25 and above	15	4.19			
Total	52	82.77	Total	52	82.77

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.3**.

Table 3.3
Reasons for outstanding cases of misappropriation/loss, theft, etc.

		(₹in lakh)	
Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount
i)	Awaiting departmental and criminal investigation	19	23.23
ii)	Awaiting orders for recovery or write off	24	28.72
iii)	Pending in the courts of law	4	26.61
iv)	Recovery made/written off but awaiting final disposal from PAC	5	4.21
Total		52	82.77

3.5 Outstanding balances under major Suspense heads

Certain intermediary/adjusting heads of accounts known as ‘Suspense heads’ are operated in government accounts to reflect transactions of receipts and payments which cannot be booked to a final head of account due to lack of information as to their nature or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amount under them is booked to their respective final heads of accounts.

The position of Suspense Balances under major suspense heads for the last three years is given in **Appendix 3.5**. There were ₹8.25 crore (debit) under 101-Pay and Accounts office-Suspense and ₹12.94 crore (debit) under 102-Suspense Account (Civil) balances at the end of 2012-13. The net balances under Minor Head (MH) 112-Tax deducted at source suspense and 129-Material purchase settlement suspense Account increased by ₹11.36 crore (credit) and ₹31.23 crore (credit), respectively, during the current year over the year 2011-12.

If these amounts remain unadjusted, the balances under the suspense heads would accumulate and the accounts would not reflect government’s receipts and expenditure accurately. Thus, clearance of outstanding balances under Suspense Heads needs to be pursued vigorously.

3.6 Operation of Omnibus Minor Head-800

Minor Head 800-Other Expenditure/Other Receipts is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the account opaque.

During 2012-13, revenue receipts aggregating ₹2028 crore (13 *per cent* of total revenue receipts) were classified under omnibus minor head-800-other receipts under 49 Major Heads. Instances where a substantial proportion (50 *per cent* or more) of the receipts were classified under the minor head 800-Other receipts are given in **Appendix 3.6**. Similarly, expenditure aggregating ₹522 crore under 43 Revenue and Capital Major Heads constituting 2.88 *per cent* of the total expenditure (Revenue and Capital) was classified under Minor Head-800 under the concerned Major Heads. Classification of large amounts under the omnibus minor head-800-other expenditure/ receipts affects true and fair picture of the financial reporting.

3.7 Conclusion

Compliance with various rules, procedures and directives by the government was not satisfactory as evident from delays in furnishing utilisation certificates to the AG (A&E), H.P. against the loans and grants given to various institutions.

Delay in finalisation of accounts by the autonomous bodies carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

The bodies/institutions to which grants or loans aggregating ₹ 10 lakh or more were paid during the preceding year, could not be examined in audit due to non-furnishing of the details to express audit opinion.

Out of 52 outstanding cases of misappropriation/loss, theft, etc., involving ₹ 82.77 lakh, departmental proceedings and investigations were not initiated in 19 cases involving ₹ 23.23 lakh.

Substantial amounts of receipts (₹2028 crore) and expenditure (₹522 crore) were classified under the omnibus minor head 800-Other receipts/expenditure during 2012-13.

3.8 Recommendations

The government may consider:

- timely submission of Utilization Certificates in respect of the grants released for specific purposes to the grantee institutions;
- timely preparation of Annual Accounts by the Autonomous bodies to facilitate auditing;
- depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the receipts and expenditure of major schemes under the Minor Head '800-Other expenditure' and '800-Other receipts'; and
- timely furnishing of details of bodies/institutions to which grants or loans aggregating ₹10 lakh or more were paid during the preceding year.

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