

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.

3.1 Delay in furnishing of Utilisation Certificates

Autonomous Bodies/ authorities having no sufficient resources of their own are assisted financially by the Government through release of Grant-in-Aid (GIA) to be spent on specific purposes. The position of GIA provided by the State to Autonomous Bodies/ Authorities during 2009-13 is given in **Table 3.1**.

Table-3.1
Grant-In-Aid provided by the State to Autonomous Bodies/ Authorities

Sl. No.	Body/Authority	(₹ in crore)			
		2009-10	2010-11	2011-12	2012-13
1.	Srinagar Municipal Corporation	73.33	107.18	112.42	89.65
2.	Jammu Municipal Corporation	76.93	74.60	69.98	127.95
3.	Urban Local Bodies (Kashmir)	29.56	42.67	62.39	50.32
4.	Urban Local Bodies (Jammu)	20.24	26.96	41.30	35.03
5.	SKUAST – Kashmir	55.58	75.73	90.63	99.43
6.	SKUAST – Jammu	25.37	28.29	30.59	45.55
7.	Kashmir University	44.48	59.83	61.85	83.94
8.	Jammu University	50.85	43.28	63.70	58.66
9.	J&K Sports Council	7.23	8.30	10.26	13.55
10.	J&K Academy of Art and Culture	9.93	11.68	19.93	17.32
11.	IMPA	4.97	5.89	10.51	8.70
12.	Khadi and Village Industries Board	8.60	10.60	12.01	14.72
13.	Others	75.40	47.18	44.96	48.27
	Total	482.47	542.19	630.53	693.09

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E), Jammu and Kashmir within 18 months from the date of their sanction unless specified otherwise.

The position of outstanding Utilisation Certificates (UCs) at the end of 2012-13 *vis-à-vis* the position at the end of 2011-12 is detailed in **Table 3.2**.

Table-3.2
Age-wise arrears of Utilisation Certificates: Status as on 31st March 2013

Range of delay (in number of years)	Total Grants Paid		Utilization Certificates Received		Utilization Certificates Outstanding	
	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)
0 – 1	1134	760.13	37	52.53	1097	707.60
1 – 2	838	632.81	565	495.66	273	137.15
Above 2	2899	1036.02	2108	541.87	791	494.15
Total	4871	2428.96	2710	1090.06	2161	1338.90

A total number of 2,161 UCs involving ₹ 1339 crore were outstanding as on 31st March 2013 of which 1,064 UCs amounting to ₹ 631 crore were outstanding for more than one year.

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

A total of 333 annual accounts of 32 Bodies were awaited in Audit (*Appendix-3.1*) as on 31st March 2013. Six Autonomous Bodies required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the said Act had also not furnished the annual accounts as tabulated in **Table 3.3**.

Table 3.3
Non-submission of accounts by Autonomous Bodies

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2012-13 (₹ in crore)
Ladakh Autonomous Hill District Council, Leh	1-18	18	353.45
Ladakh Autonomous Hill District Council, Kargil	1-9	09	354.61
Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar	1-3	03	114.36
Sher-i-Kashmir University of Agricultural Science and Technology, Jammu	1-2	03	45.55
Jammu & Kashmir Legal Services Authority, Srinagar	1-16	16	9.67
Provident Fund Organization, Srinagar	1-12	12	Nil
		61	877.64

The audit of Ladakh Autonomous Hill District Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India upto 2012-13. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial sums are being released to the Council and unspent balances at the end of the year remain credited in a non-lapsable Fund in the Public Account of the State. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since inception.

Non-submission/ delay in submission of accounts by these Bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In view of this non-compliance, the audited accounts of these Statutory Bodies have not so far been presented to the State Legislature as required under the Statutes under which these Bodies were created. This has deprived the State Legislature to get a feedback on their activities and financial performance.

3.3 Departmentally Managed Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare *pro forma* accounts in the prescribed format annually. 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, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government Departments are required to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit), Jammu and Kashmir for audit within a specified time frame. The Government has two such departmental undertakings: (a) Government Printing

Presses at Srinagar and Jammu and (b) Public Distribution System (PDS) by the Consumer Affairs and Public Distribution Department. The *pro forma* accounts of the commercial operations of both these undertakings are in arrears. The two Government Presses have not prepared their *pro forma* accounts from 1968-69 to 2012-13 (August 2013). In Kashmir and Ladakh Divisions, the PDS operations are directly carried out by departmentally run PDS shops. The *pro forma* accounts have not been prepared in these two Divisions from 1975-76 (Revised Account) and onwards (August 2013). In Jammu Division, the PDS operations are mainly through network of private dealers (about 91 *per cent*) and the *pro forma* accounts have not been prepared from 1973-74 to 1997-98 and 1999-2000 to 2012-13. The *pro forma* accounts for 1998-99 were finalised during 2002-03 (August 2013).

3.4 Bookings under Minor Head 800-'Other Receipts' and 'Other Expenditure'

During 2012-13, ₹ 3,281 crore under 60 Major Heads of account (representing functions of the Government) was classified under the Minor Head 'Other Expenditure' in the revenue and capital account constituting 11 *per cent* of the total expenditure recorded under all the Major Heads of accounts. Similarly, a total sum of ₹ 4,089 crore under 42 Major Heads of account (representing Revenue Resources of the Government) was classified under the Minor Head 'Other Receipts' in the accounts constituting 16 *per cent* of the total receipts recorded under all the revenue heads of accounts. In 12 Major Heads of accounts, substantial amount of expenditure was booked under 'Other Expenditure' and in seven Major Heads of accounts substantial amount of receipts was booked under 'Other Receipts'. The major schemes are not depicted distinctly in the Finance Accounts, though the details of this expenditure are depicted in the sub-head (scheme) level or below in the Detailed demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts. Classification of large amounts booked under the minor head '800'-Other receipts/ expenditure affects the transparency and the fair picture in financial reporting.

3.5 Conclusion

Due to non-compliance with the basic requirements of the preparation of annual *pro forma* accounts by the Departmentally Managed Commercial Undertakings, financial reporting may not be accurate and reliable. The position regarding outstanding Utilisation Certificates has improved slightly as compared to 2011-12. However, a total number of 2,161 UCs involving a total amount of ₹ 1339 crore remained outstanding as on 31st March 2013 which was 4.4 *per cent* of the total expenditure incurred in 2012-13. Similarly, 333 Annual Accounts of 32 Autonomous Bodies were

awaited for audit as on 31st March 2013. Classification of large amounts booked under the minor head '800'-Other receipts/ expenditure does not give the fair picture in accounts.

3.6 Recommendations

The Government may consider:

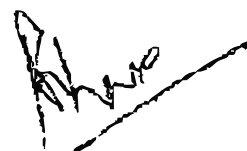
- timely submission of Utilisation Certificates in respect of the grants released for specific purposes to the grantee institutions;
- timely preparation of Annual Accounts by the Autonomous Bodies to facilitate auditing;
- depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the receipts and expenditure of major schemes under the Minor Head '800-Other Expenditure' and '800-Other Receipts'.

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