

# Chapter III

## CHAPTER III

### FINANCIAL REPORTING

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.

#### 3.1 Utilization certificates

##### 3.1.1 Delay in submission of utilization certificates

Rule 8.14 of the Punjab Financial Rules Volume-I 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 fulfillment of the conditions attached to the grant and furnish the certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Principal Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

It was observed that out of 196 Utilization Certificates (UCs) due in respect of grants amounting to ₹ 252.67 crore paid during 2006-07 to 2013-14, 29 UCs (14.80 *per cent*) amounting to ₹ 24.21 crore were not furnished to the Pr. AG (A&E) as on 31 March 2015. 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 pendency of utilization certificates**

(₹ in crore)

Range of delay in number of years	Total grants paid upto 31 March 2014		Utilization certificates pending as on 31 March 2015	
	Number of sanctions	Amount	Number of UCs	Amount
0-1	106	94.94	15	2.00
1-3	89	132.73	13	22.18
Above 3 years	01	25.00	01	0.03 <sup>1</sup>
<b>Total</b>	<b>196</b>	<b>252.67</b>	<b>29</b>	<b>24.21</b>

Source: Information compiled from the data supplied by office of the Pr AG (A&E), Punjab

Out of 29 outstanding UCs, 14 UCs amounting to ₹ 22.21 crore were not received even after more than one year. Of these, one UC involving ₹ 0.03 crore pertaining to the Rural Development & Panchayats Department was outstanding since 2006-07. In the absence of UCs, it could not be

<sup>1</sup> Interim UCs in respect of ₹ 24.97 crore (partial expenditure) have been received from Rural Development and Panchayats. However, final UCs of the full grant was outstanding as on 31 March 2015.

ascertained whether the grants had been spent for the purposes for which they were granted.

During scrutiny of records of Department of Sports and Youth Services, it was noticed that an amount of ₹ 25.44 crore (20 cases) was released in the year 2012-13 but UCs for only ₹ 6.32 crore (nine cases) had been received and UCs for ₹ 19.12 crore (11 cases) were pending. It was further noticed that the department was not maintaining any register or preparing any return to watch the timely receipt of UCs. No reminder was issued to the grantee for submission of UCs in time. Thus, the Department was not exercising any supervision/control for timely submission of UCs. On being pointed out, the Director did not give any reply (August 2015).

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

It was noticed that 11 accounts from 2004-05 to 2013-14 were pending in respect of two<sup>2</sup> autonomous bodies. Separate Audit Reports (SARs) in respect of four<sup>3</sup> autonomous bodies were also pending for placing before Legislature (*Appendix 3.2*). The delays in submission of accounts by the autonomous bodies to Audit and placement of the SARs in the Legislature are given in **Table 3.2**.

**Table 3.2: Detail of pending accounts/delays in submission of accounts and tabling of Separate Audit Reports in the Legislature as on 31 March 2015**

Sr. No.	Name of the Autonomous Body	Accounts received with delay	Extent of delay in submission of accounts (in months)	Number of pending accounts	Pendency of placement of SARs in the Legislature
1.	Punjab Legal Services Authority	2011-12 2012-13 2013-14	34 22 10	--	SARs for the period 2006-07 to 2010-11 were pending
2.	Punjab Khadi and Village Industry Board *	--	--	--	SARs for the years 2010-11 and 2011-12 were not presented
3.	Punjab State Human Rights Commission	2013-14	6	--	SARs for the period 2009-10 to 2012-13 were not submitted in the legislature
4.	Punjab Labour Welfare Board	2003-04	120	2004-05 to 2013-14	SAR for the period 2002-03 was not presented.
5.	Pushpa Gujral Science City	2012-13	18	2013-14	Not required to be placed in the legislature

Source: Departmental records

\* Audit of Punjab Khadi and Village Industry Board was entrusted for the period 2008-2012.

<sup>2</sup> (i) Punjab Labour Welfare Board; and (ii) Pushpa Gujral Science City

<sup>3</sup> (i) Punjab Legal Services Authority (ii) Punjab Khadi and Village Industry Board (iii) Punjab State Human Rights Commission (iv) Punjab Labour Welfare Board

The Accounts of two autonomous bodies for the years 2004-05 to 2013-14 were awaited as of 31 March 2015. The Punjab Labour Welfare Board had not rendered its accounts since the financial year 2004-05 despite repeated comments in the Report on State Finances of the Comptroller and Auditor General of India (CAG).

### 3.3 Departmental Commercial Undertakings

The departmental undertakings performing activities of commercial/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. In the absence of timely finalisation of accounts, the results of the investment of the Government remain outside the purview of State Legislature and scrutiny by Audit. 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 Pr. Accountant General (Audit) within a specified time frame. However, the Punjab Roadways (Transport Department) had not prepared its accounts since 2003-04 (as of August 2015), despite repeated comments in the earlier Reports on State Finances of the CAG about the arrears in preparation of accounts.

### 3.4 Misappropriations, losses, thefts etc.

Rules 2.33 to 2.35 of 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/Accountant General.

There were 161 cases of misappropriation, losses, theft, etc. pending as on 1 April 2014 involving an amount of ₹ 1.39 crore. During the year, 13 cases (₹ 0.21 crore) were added and 6 cases (₹ 0.02 crore) were settled leaving 168 cases (₹ 1.58 crore) pending as on 31 March 2015. Department-wise detail of outstanding cases as on 31 March 2015 is given in **Table 3.3** and age-wise profile is given in *Appendix 3.3*.

**Table 3.3: Pending cases of misappropriation, loss, theft, etc.**

(₹ 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
Education	1	0.06	6	12.39	7	12.45
Elections	2	0.21	0	0	2	0.21
Home Affairs and Justice	1	6.00	153	45.88	154	51.88
Health and Family Welfare	2	0.87	1	18.60	3	19.47
Rural Development	0	0	2	73.76	2	73.76
<b>Total</b>	<b>6</b>	<b>7.14</b>	<b>162</b>	<b>150.63</b>	<b>168</b>	<b>157.77</b>

Source: Information as provided by the departments

Out of 168 cases, five cases involving an amount of ₹ 68.24 lakh were sub-judice. The reasons for the delay in finalization of pending cases of thefts, misappropriations, losses, etc. are given in **Table 3.4**.

**Table 3.4: Reasons for the delay in finalization of pending cases of misappropriation, loss, theft, etc.**

(₹ in lakh)

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	10	31.34
Departmental action initiated but not finalised	6	11.62
Criminal proceedings finalized but execution of certified cases for recovery of amount pending	1	1.10
Awaiting orders for recovery or write off	146	45.47
Pending in the courts of law	5	68.24
<b>Total</b>	<b>168</b>	<b>157.77</b>

Source: Information as provided by the departments

### 3.5 Abstract Contingent bills

**3.5.1** As per Punjab Treasury Rules (PTR), amount drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Principal Accountant General (A&E) for the expenditure incurred along with supporting vouchers within one month. However, out of total 3564 AC bills for ₹ 4,850.69 crore drawn during the period 2012-15 by different departments from various treasuries of the State, 2431 DC bills amounting to ₹ 2,221.47 crore were sent to Pr. AG (A&E), Punjab. As many as 1133 AC bills amounting to ₹ 2,629.22 crore were awaiting adjustment as on 31 March 2015.

**3.5.2** During analysis of AC bills in the Department of Social Security and Women and Child Development it was noticed that 256 AC bills as detailed in **Table 3.5** in respect of Major Head "2236-Nutrition" were outstanding in the books of the Pr. A.G. (A&E) for want of DC bills.

**Table 3.5: Pending AC bills under Major Head "2236-Nutrition"**

Years	No. of Bills	Amount (₹ in crore)
2010-11	2	0.51
2012-13	6	7.17
2013-14	19	11.51
2014-15	229	162.68
<b>Total</b>	<b>256</b>	<b>181.87</b>

Source: Information supplied by office of the Pr AG (A&E), Punjab

(ii) Rule 2.10 (b) (5) of Punjab Financial Rule Volume I provides that no money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance and that it is not permissible to draw advances from treasury for the execution of works the completion of which is likely to take a considerable time.

During audit of records, it was noticed that out of ₹ 28.50 crore drawn by the District Project Officers (DPOs) Ferozepur, Fatehgarh Sahib, Roop Nagar and Hoshiarpur during 2014-15, ₹ 20.53 crore were disbursed with a time lag of 9 to 207 days, as detailed in **Table 3.6**. During the intervening period, the money was kept in bank accounts and ₹ 7.97 crore were still in the banks (August 2015). This resulted into withdrawal of money without immediate requirement. The other DPOs did not provide the information.

**Table 3.6: Details of withdrawal of money without immediate requirement**  
(₹ in lakh)

Name of DPO	Date of drawl of amount	Amount	Date of expenditure/date of deposit into treasury	Amount of expenditure	Time lag (Delay in days)
Roop Nagar	12.12.2014	31.50	11.02.2015	31.50	60
	23.02.2015	12.77	30.03.2015	12.77	34
	28.02.2015	27.00	10.03.2015	27.00	9
Ferozepur	15.01.2015	70.72	24.03.2015	70.72	67
	20.02.2015	15.29	--	0	still in bank
	20.02.2015	17.07	31.03.2015	17.07	38
	26.02.2015	1135.88	31.03.2015	526.28	still in bank
	27.02.2015	67.50	25.03.2015	67.50	25
Fatehgarh Sahib	27.02.2015	100.10	31.03.2015	100.10	32
	30.08.2014	204.72	15.09.2014	95.77	still in bank
	31.03.2015	19.43	17.07.2015	Deposited back in treasury	107
	31.03.2015	16.10	17.07.2015		107
Hoshiarpur	04.09.2014	775.26	31.03.2015	775.26	207
	15.12.2014	65.50	31.03.2015	65.50	105
	15.12.2014	28.18	--	0	still in bank
	27.02.2015	263.25	31.03.2015	263.25	31
<b>Total</b>		<b>2850.27</b>		<b>2052.72</b>	

Source: Information collected from the Departments

### 3.6 Opaqueness in Government Accounts

Minor Heads '800-Other Receipts and Other Expenditure' are 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 the year, ₹ 2,878.92 crore under 47 Revenue Major Heads of accounts on the receipt side, constituting about 7.38 *per cent* of the total Revenue Receipts of ₹ 39,022.85 crore, was recorded under the Minor Head '800-Other Receipts' under the concerned Major Head. Similarly, ₹ 1,110.66 crore under 41 Revenue and Capital Major Heads of accounts on the expenditure side, constituting about 2.23 *per cent* of the total expenditure (Revenue and Capital) of ₹ 49,731.93 crore, was recorded under the Minor Head '800-Other Expenditure', under the concerned Major Heads. Instances where a substantial proportion (50 *per cent* or more) of the receipt/ expenditure was classified under Minor Heads '800-Other Receipt/ Expenditure' are listed in *Appendix 3.4*.

### 3.7 Transfer of funds to Personal Deposit accounts

The purpose of Personal Deposit (PD) accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State. The administrators of the PD accounts are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Consolidated Fund. If necessary, PD accounts are reopened in the subsequent year. It was noticed that 176 PD accounts involving a sum of ₹ 262.46 crore were not closed, resulting in blockade of funds (*Table 3.7*).

**Table 3.7: Detail of PD accounts which were not closed on 31 March 2015**

Item	Number of accounts	Amount (₹ in crore)
Personal Deposit accounts as on 1 April 2014	176	232.31
Personal Deposit accounts opened during 2014-15	0	0
Transfer to Personal Deposit accounts in 2014-15 (Addition)	0	194.25
Personal Deposit accounts closed on 31 March 2015	0	0
Expenditure from Personal Deposit accounts in 2014-15	0	164.10
<b>Balance</b>	<b>176*</b>	<b>262.46</b>

\* 174 PD accounts were operative and 2 PD accounts with balance of ₹ 0.42 crore were inoperative for more than five years.

### 3.8 Follow up action on Audit Report

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the Departments to initiate *suo moto* concrete action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The Departments were also required to furnish to PAC detailed notes, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

As regards the Audit Reports relating to the period 2009-14 which have been laid before the State Legislature, the PAC took up Audit Report on State Finances for the year 2013-14 for discussion. However, no detailed note had been received in the Audit Office (October 2015).

### 3.9 Conclusions

There were 29 UCs amounting to ₹ 24.21 crore awaited. There was delay in submission of accounts by the autonomous bodies and submission of Separate Audit Reports to the Legislature. There were 168 outstanding cases of theft, loss and misappropriation involving an amount of ₹ 1.58 crore. As many as 1133 AC bills amounting to ₹ 2,629.22 crore were awaiting adjustment as on 31 March 2015. Classification of large amounts booked under the Minor Heads '800-Other receipts/expenditure' did not give a complete picture in the financial reporting.

### 3.10 Recommendations

*The Government may consider:*

- (i) *expediting inquiries in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases;*
- (ii) *carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the extant rules; and*
- (iii) *ensuring greater transparency in financial reporting, by avoiding usage of the Minor Head '800-other receipts or other expenditure'.*

The above points were reported (September 2015) to the Government; their reply has not been received (January 2016).



(JAGBANS SINGH)

Pr. Accountant General (Audit), Punjab

CHANDIGARH  
The 9 February 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

NEW DELHI  
The 11 February 2016