

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. They also ensure relevant, reliable and timely financial reporting and assist the State Government in meeting its basic stewardship responsibilities, in 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 year 2013-14.

### 3.1 Delay in furnishing Utilisation Certificates

The Gujarat Financial Rules<sup>1</sup> 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 to the Head of Department concerned and after verification, these should be forwarded to the Accountant General. However, 12,603 UCs aggregating to ₹ 7,420.40 crore due in respect of grants paid during the period 2001-02 to 2013-14 were outstanding as on 31 March 2014. 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**

(₹ in crore)

Sl. No.	Range of Delay in Number of Years	Utilisation Certificates Outstanding	
		Number	Amount
1	Upto one year*	3,231	4,810.84
2	1-3	1,261	1,067.09
3	3-5	1,030	738.58
4	5-7	669	303.21
5	7-9	1,114	258.83
6	9 and above	5,298	241.85
	<b>Total</b>	<b>12,603</b>	<b>7,420.40</b>

Source: Information compiled by Accountant General (A&E), Gujarat

\* For the Grants paid during 2013-14, the Utilisation Certificates will become due only during 2014-15.

Almost 27 per cent of the outstanding UCs of ₹ 1,974.39 crore pertained to the Social Justice and Empowerment Department. The Narmada, Water Resources, Water Supply and Kalpsar Department and Urban Development and Urban Housing Department had yet to furnish UCs of ₹ 1,286.36 crore and ₹ 1,251.16 crore of UCs respectively.

<sup>1</sup>Rule 154 and 155 of the Gujarat Financial Rules, 1971

The FD stated (December 2014) that all the departments of GoG have been instructed to take appropriate action for submission of pending UCs.

### **3.1.1 Review of utilisation certificates in selected departments**

As per the Gujarat Financial Rules, 1971 (GFR) administrative departments may sanction grants-in-aid (GIA) to an institution or body, subject to the condition that the sanction is in accordance with the Rules or principles prescribed in these Rules or prescribed with the previous consent of the Finance Department (FD). With a view to ascertain how far the authorities were adhering to these Rules relating to GIA, Audit test checked the records of the administrative department/ controlling officers of the Urban Development and Urban Housing Department (UD & UHD) and Narmada, Water Resources, Water Supply and Kalpsar Department (NWRWS &KD) along with these units. The findings in this regard are classified under three broad categories based on the release of grant by the GoG, the 13<sup>th</sup> Finance Commission and the GoI and are discussed below:

#### **3.1.1.1 UCs in respect of grant received from GoG**

##### ***Non-receipt of UC by Gujarat Municipal Finance Board***

As per Rule 155 of Gujarat Financial Rules, 1971 and note below “UC of grant should be furnished in every case of grant paid for specific purpose even if no conditions are specifically attached to the grant.” In this regard, Audit scrutiny revealed the following:

- ***Jilla Sadbhavana Mission Karyakram and Anushangik Kamgiri works***

The Gujarat Municipal Finance Board (GMFB) received (11 March 2013) grant for Jilla Sadbhavana Mission Karyakram 2011-12 Anushangik Kamgiri (District Harmony Mission Programme 2011-12 related works) vide GoG Resolution dated 11 March 2013 during the year 2012-13. The grant of ₹ 1.10 crore was placed at the disposal (March 2013) of four Municipal Corporations (MCs) as given in **Table 3.2** below:

**Table 3.2: Details of Grants placed at the disposal of Municipal Corporations**

Sl. No.	Name of Municipal Corporation	Grant Amount (₹ in lakh)
1	Surat	27.00
2	Vadodara	54.47
3	Rajkot	20.00
4	Jamnagar	8.50
	<b>Total</b>	<b>109.97</b>

Source: Urban Development and Urban Housing Department of the State

The MCs were required to utilise the grant for specified purposes and furnish the UCs at the end of the Financial Year 2012-13. The unutilised grant amount was to be surrendered to the Government. The MCs did not furnish the UCs within the stipulated time. After issuance of reminders issued by GMFB on 09 August 2013 to all MCs, the Vadodara Municipal Corporation (VMC) and Jamnagar Municipal Corporation furnished UCs

for ₹ 54.47 lakh and ₹ 8.50 lakh on 19 August 2013 and 21 October 2013 respectively. However, UC furnished by the VMC was incomplete as the details of expenditure and item wise break up of expenditure were not furnished. Further, no UCs were received from Rajkot Municipal Corporation and Surat Municipal Corporation (July 2014). As a result of non-receipt of UCs or incomplete UCs, it was not clear as to how GMFB satisfied itself of the authenticity and correctness of expenditure incurred.

GMFB replied (July 2014) that UCs would be called for from the MCs and would accordingly be intimated to audit.

- ***Celebration of 150<sup>th</sup> Janma Jayanti of Swami Vivekanand***

The GoG placed (17 August 2012) grant of ₹ 10.00 crore at the disposal of GMFB to make physical fitness equipment available to MCs on account of celebration of 150<sup>th</sup> Janma Jayanti of Swami Vivekanand. GMFB disbursed (9 January 2013) this grant to eight MCs with the condition that the amount was to be used for purchase of physical fitness equipments in gardens and public places during the year 2012-13. The MCs were required to furnish UCs at the end of financial year 2012-13.

**Table 3.3: Details of Grants placed at the disposal of Municipal Corporations**

Sl. No.	Name of Municipal Corporation	Grant Amount ₹ in lakh
1	Ahmedabad	400.00
2	Surat	257.00
3	Vadodara	126.00
4	Rajkot	86.00
5	Bhavnagar	45.56
6	Jamnagar	43.00
7	Junagadh	23.71
8	Gandhinagar	18.73
<b>Total</b>		<b>1,000.00</b>

Source: Urban Development and Urban Housing Department of the State

Audit scrutiny revealed that UCs were not received (June 2014) from any of the MCs.

On this being pointed out in audit, the GMFB issued reminders to all the eight MCs to submit UCs immediately.

### ***Non submission of UC by Gujarat Water Supply and Sewerage Board***

On scrutiny of records of Gujarat Water Supply and Sewerage Board (GWSSB) it was observed that the practice of furnishing UCs was not followed by GWSSB though there was condition of submission of UC in each grant releasing order issued by the Narmada, Water Resources, Water Supply and Kalpsar Department (NWRWS &KD). Details of grants received by GWSSB during 2011-12 to 2013-14 are given in **Table 3.4** below.

Table 3.4: Details of Grants received by GWSSB

State -Non Plan (₹ in lakh)

Sl. No.	Demand/MH	Nomenclature	Grant amount
<b>2011-12</b>			
1	67/2215	Direction and Administration	2,500.00
2	67/2215	Survey & investigation	20.00
3	67/2215	Machinery & Equipment	20.00
<b>2012-13</b>			
1	67/2215	Direction and Administration	2,200.00
2	67/2215	Survey & investigation	22.00
3	67/2215	Machinery & Equipment	22.00
<b>2013-14</b>			
1	67/2215	Direction and Administration	3,000.00
2	67/2215	Survey and investigation	22.00
3	67/2215	Machinery and Equipment	22.00

State Plan (₹ in lakh)

Sl. No.	Year	Demand/MH	Nomenclature	Grant Received
1	2011-12	95/2215	Special Component Sub Plan	13,200
2	2012-13	-----do---	-----do---	5,750
3	2013-14	-----do---	-----do---	5,400

Source: Narmada, Water Resources, Water Supply and Kalpsar Department of the State

The scrutiny of records of GWSSB revealed that GWSSB had not submitted UCs for the GIA drawn and expenditure incurred during the period 2011-12 to 2013-14.

The department, while accepting the fact, stated (January 2015) that it has obtained UCs from GWSSB for the GIA paid during 2011-12 to 2013-14 and would follow the same practice in future.

### ***Non utilisation of GIA***

As per Rule 154(5) of Gujarat Financial Rules, 1971 read with note 2 below “the grant will be spent upon the specific object within a reasonable time, which would normally be a period of one year from the date of issue of the sanction of grant. Any unspent balance lying with the grantee on the expiry of one year from the date of sanction should be surrendered forthwith to Government.” In this regard, we observed non utilisation of GIA, non-furnishing of UCs on the partially utilised GIA and non-surrender of GIA related to the following schemes.

#### **➤ *Publicity of the Scheme for Night shelters in Municipal Corporations***

The Urban Development and Urban Housing Department (UD & UHD), GoG placed (28 December 2012) grant of ₹ one crore at the disposal of GMFB for giving wide publicity to 101 night shelters built up by five MCs<sup>2</sup> under the Scheme of Night Shelter for Urban Shelterless. The MCs

<sup>2</sup> Ahmedabad, Surat, Vadodara, Rajkot & Bhavnagar

had to send proposals for expenditure to be incurred for night shelters advertisement as per the grant order. Based on proposals, grant was to be released by the GMFB. As per grant order, the expenditure was to be incurred for the object specified and at the end of the year if there was any unutilised balance of grant, it was to be surrendered to the Government.

Audit scrutiny revealed that as against the grant of ₹ one crore, various MCs could utilise the grant of ₹ 13.18 lakh only during 2012-13. It was further observed that though a reminder to all MCs to furnish UCs for expenditure incurred for the year 2012-13 was issued (9 August 2013) by GMFB, no UCs were received (July 2014).

Further, UD & UHD placed (24 July 2013 and 13 November 2013) further grant of ₹ one crore at the disposal of GMFB for advertisement of the Scheme for Night Shelters for the year 2013-14.

Audit scrutiny revealed that as against the grant of ₹ one crore, no expenditure was incurred by MCs from the grant of 2013-14 and the entire grant remained unutilised along with unutilised grant of ₹ 86.82 lakh of 2012-13. GMFB proposed (23 April 2014) to the UD & UHD to surrender the unutilised grant of ₹ 1.87 crore to the Government. The UD & UHD replied (September 2014) that necessary information in this regard was being called for from the concerned MCs.

#### ➤ *Drinking Water Infrastructure Protection Task Force*

During the year 2013-14, the GoG made a provision of ₹ five crore as a grant to Gujarat Water Infrastructure Limited, Gandhinagar (GWIL) for Drinking Water Infrastructure Protection Task Force and released (May 2013 to November 2013) ₹ 3.75 crore. Administrative approval for 70 posts of different cadres from State Reserve Police Force for creating a Drinking Water Infrastructure Protection Task Force was received from the Home Department only on 23 May 2014. No posting of staff was done till date (July 2014). Hence, the funds put at the disposal of GWIL remained unutilised.

The department stated (January 2015) that the Office of Director General of Police, Gandhinagar has initiated process of recruitment of staff for the task force from SRPF and for interim period temporary staff has since been deployed with effect from July 2014 for which bills were not raised by SRPF upto December 2014. Therefore, the amount would be utilised during 2014-15.

#### *Incomplete UCs*

GMFB receives grant under Suvarna Jayanti Mukhya Mantri Shaheri Vikas Yojna (SJMMSVY) from GoG for development works to be executed under the Scheme. GMFB places the grant at the disposal of District Urban Development Authority (DUDA) which releases grant to Municipalities. DUDA grants Administrative Approval to the development works proposed by the Municipalities. GMFB has prescribed the format of UCs and circulates

the same to all DUDA offices every year. As per procedure, Municipalities should submit UCs to DUDA in the prescribed format along with vouchers, cashbooks and other related records. DUDA has to check the UCs and forward the same to GMFB duly countersigned.

Audit observed that in contravention of the laid down procedures, the Municipalities sent UCs directly to GMFB without obtaining countersignature from the respective DUDA authorities. UCs received without countersignature of DUDA should be treated as incomplete as the guidelines provide for the countersignature. Further, the date of furnishing of UC was not mentioned in the UC furnished by the following Municipalities as per the details shown in **Table 3.5**.

**Table 3.5: Details of unspent balances**

(₹ in lakh)

Sl. No.	Name of Municipality	Year	Grant received	UC furnished
1	Vijapur Municipality	2010-12	73.54	71.65
2	Kheralu Municipality	2010-11	50.54	23.71
3	Devgadhi Bariya Municipality	2010-13	253.12	160.89

Source: Urban Development and Urban Housing Department of the State

In the absence of date and countersignature of DUDA, the validity of the UCs could not be verified.

When the reasons for accepting incomplete UCs were called for, it was replied (July 2014) that all DUDAs and Municipalities were being regularly reminded to furnish complete UCs in the prescribed *pro forma* duly countersigned by DUDA. The reply is not acceptable as there was inadequate follow-up by GMFB in obtaining the UCs as per the prescribed format from the Municipalities through DUDAs.

#### ***UCs submitted for the grant not actually utilised***

For construction of Railway over bridge/ under bridge, UD & UHD releases grant to Municipalities. 50 per cent GIA is given by GoG and Railways has to bear 50 per cent share of the project cost. For this project, Gujarat Urban Development Company Ltd. (GUDC) is the nodal agency.

The GoG placed (18 February 2011) grant of ₹ 20 crore at the disposal of GUDC in 2010-11. GUDC released (28 March 2011) grant to four Municipalities as given in **Table 3.6** below:

**Table 3.6: Details of Utilisation of Grants**

(₹ in crore)

Sl. No.	Name of Municipalities	Grant released	Grant utilised	Per cent
1	Unjha	4.73	4.73	100
2	Siddhpur	3.72	0.82	22
3	Himmatnagar	7.55	0.13	1.72
4	Bavla	4.00	0.00	00
<b>Total</b>		<b>20.00</b>	<b>5.68</b>	

Source: Urban Development and Urban Housing Department of the State

The Municipalities were directed to submit monthly physical/financial report to GUDC. Audit scrutiny revealed (June 2014) that out of total grant of ₹ 20 crore, only ₹ 5.68 crore were utilised. However, GUDC furnished UC to GoG for the entire grant of ₹ 20 crore.

On this being pointed out in audit, it was replied (July 2014) that detailed information regarding slow progress of work was called for from concerned Municipalities. The reply is not acceptable as GUDC at the first instance, failed to obtain monthly progress reports from the Municipalities and also furnished the UCs for the entire grant amount without proper basis.

### 3.1.1.2 UCs under ThFC

#### *Slow progress in receipt of UCs*

The GoI, in pursuance to the recommendations of ThFC, issued (September 2010) guidelines for utilisation of grant for Rural and Urban Local Bodies. In turn, the UD & UHD, GoG issued (December 2010) a resolution in this regard. The guidelines provide for release of any installment subject to receipt of UCs for the previous installment drawn. For this purpose, GMFB prescribed a format of UCs for all Municipalities. The position of grant received, UCs furnished and unspent grant with the GMFB under ThFC is given in **Table 3.7** below.

**Table 3.7: Slow progress in receipt of UCs**

Sl. No.	Grant Year	Grant received	UCs furnished	(₹ in crore)
				Unspent grant
1	2011-12	154.61	27.08	127.53
2	2012-13	181.95	7.60	174.35
3	2013-14	201.54	13.49	188.05

Source: Urban Development and Urban Housing Department of the State

Thus, there were huge unspent balances with respect to the ThFC Grant.

GMFB replied (July 2014) that the slow progress of the work was due to ground level difficulties leading to the huge unspent balances. Regarding the position of pending UCs, it was stated that GMFB would review the position. Timely collection of UCs may be ensured by GMFB for effective utilisation of fund.

#### *Submission of incomplete UCs*

The format of UCs prescribed by GMFB and circulated to all Municipalities contains two statements. The first statement shows the details of number of works executed and expenditure incurred year wise. The second statement shows the details of year wise grant released, works executed and expenditure incurred.

During audit test check, it was observed that the UCs furnished by Kutiyana Nagarpalika and Vijapur Nagarpalika were incomplete as only the first statement of UC was produced. The particulars of incomplete UCs over three

years are given in **Table 3.8** below:

**Table 3.8: Incomplete UCs submitted under ThFC Grant**

(₹ in lakh)			
Sl. No.	Name of Municipality	Grant Year	UCs received
1	Kutiyana Nagarpalika	2011-12	68.15
		2012-13	54.94
		2013-14	62.92
2	Vijapur Nagarpalika	2011-12	48.98
		2012-13	115.69
		2013-14	28.86

Source: Urban Development and Urban Housing Department of the State

GMFB replied (July 2014) that fully explanatory UCs have been called for from both the municipalities.

### ***Incorrect UCs***

The ThFC recommended payment of ₹ 200 crore to GoG to meet the state specific need viz., recharging ground water during its award period (2010-15).

During the scrutiny of records of NWRWS &KD relating to Ground Water Recharge Scheme under ThFC, it was observed that the Superintending Engineer (SE), Sujlam Suflam Circle -1 Gandhinagar had allotted (December 2012) ₹ 1.08 crore for executing works of ground water recharging to the Executive Engineer, Public Health (PH) Division, Gandhinagar. The records of the PH Division showed (June 2014) that the Division had incurred expenditure of ₹ 59.73 lakh only. However, the NWRWS &KD furnished (July 2014) UC to the GoI for the full amount. No specific reply was received from GWSSB in this regard.

Similarly, works of Ground Water Recharge were entrusted to Gujarat Water Resource Development Corporation Limited, (GWRDC) Gandhinagar by SE, Sujlam Suflam Circle No.1 Gandhinagar. The SE allotted fund of ₹ 1.65 crore for this purpose, out of which only ₹ 1.10 crore was spent. The SE, Ahmedabad Irrigation Project Circle, Ahmedabad also allotted fund of ₹ 1.86 crore to GWRDC out of which ₹ 1.05 crore was spent up to 31 March 2014. However, NWRWS &KD had shown full amount of grant as expenditure in the UCs submitted (July 2014) to GoI. Thus, UCs submitted by the GoG were incorrect and did not reflect the actual expenditure. This seems to indicate that UCs are being given as a matter of routine and the amount received during the year is being shown as expended.

### ***Diversion of funds under ThFC***

During test check of UCs received for grants under ThFC, Audit observed various cases of diversion of funds by Municipalities as given in **Table 3.9** below:



Table 3.9: Diversion of fund under ThFC Grant

(₹ in lakh)

Sl. No.	Name of Municipality	Grant Year	Grant received	Amount diverted	Purpose for which the amount was diverted
1	Wankaner Nagarpalika	2010-11	67.68	67.68	Construction of bridge under GoG Scheme SJMMSVY <sup>3</sup>
2	Upleta Nagarpalika	2012-13 2013-14	39.44 92.39	37.42 85.42	Payment of pay and allowances of regular staff of Nagarpalika
3	Amreli Nagarpalika	2012-13	70.68	26.31	Works related to Entertainment park in Gandhibagh under GoG Scheme SJMMSVY
4	Sikka Nagarpalika	2012-13	52.92	23.22	Payment of water charges, electricity dues, accident claim, colour etc.
5	Himmatnagar Nagarpalika	2012-13	40.16	40.16	Construction of commercial complex under the Canal beautification project.
6	Una Nagarpalika	2010-11 2011-12 2012-13 2013-14	57.51 73.34 57.51 83.34	57.51 73.34 57.51 56.88	Payment of pay and allowances of regular staff of Nagarpalika.
7	Bilimora Nagarpalika	2011-12 2012-13 2013-14	73.85 40.84 45.14	35.00 36.43 19.87	Payment of pay and allowances of regular staff of Nagarpalika.
8	Navsari Nagarpalika	2010-11 2011-12	42.28 109.16	35.33 106.62	Payment of arrears of pay to the regular staff of Nagarpalika as per Sixth Pay Commission award.

Source: Urban Development and Urban Housing Department of the State

When pointed out in audit, it was replied (July 2014) that GMFB would try to ascertain reasons for the diversion of funds from the concerned Municipalities.

### 3.1.1.3 UCs under grant received from GoI

#### Slow progress in implementation of Scheme

The GMFB places the grant received from GoI /GoG at the disposal of Municipal Corporations/DUDA for implementation of works under the Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The details of grants received from GoI, expenditure incurred and UCs issued for the last three years are given in **Table 3.10** below:

Table 3.10: Slow progress in implementation of Scheme

(₹ in crore)

Year	Opening Balance	Actual Grant received	Expenditure incurred	UC submitted	Unspent balances
2011-12	5.99	38.43	32.64	32.64	11.78
2012-13	11.78	48.55	41.95	41.95	18.38
2013-14	18.38	52.23	53.31	Not due	17.30

Source: Urban Development and Urban Housing Department of the State

As of March 2014, unspent grant of ₹ 17.30 crore was lying with the implementing agencies (Municipal Corporations/DUDA) against grant released. Thus, there was slow progress in implementation of the Scheme.

<sup>3</sup> Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana

GMFB replied (July 2014) that all DUDAs/Municipal Corporations were being asked to furnish the reasons for slow progress.

### *Non utilisation of GIA*

During test check of UCs by Audit, it was observed that funds were lying unspent under various components of the scheme SJSRY. Some instances of non-utilisation of funds are as follows:

- On scrutiny of UCs furnished by Municipal Corporations/DUDAs with respect to the Urban Women Self-help Programme (UWSP) component under SJSRY scheme, it was observed that amount available with five<sup>4</sup> Municipal Corporations and 10<sup>5</sup> DUDAs during the year 2011-12 was ₹ 3.70 crore and ₹ 2.50 crore respectively. Similarly, amount available with three<sup>6</sup> Municipal Corporations and eight<sup>7</sup> DUDAs during the year 2012-13 was ₹ 3.41 crore and ₹ 3.03 crore respectively. However, no expenditure was incurred out of it.
- An amount of ₹ 19.13 lakh was lying unutilised under Urban Self Employment Programme (USEP) component under SJSRY Scheme in DUDA, Kheda-Nadiad and a fresh grant of ₹ 34.89 lakh was sanctioned during 2011-12. Out of total available amount of ₹ 54.02 lakh, no expenditure was incurred.
- Grant of ₹ 81.59 lakh was lying unutilised under Umeed Yojna of SJSRY Scheme from the year 2010-11 in Rajkot Municipal Corporation (RMC). The RMC did not incur any expenditure under the Scheme and the same was also not surrendered to GMFB.

GMFB replied (July 2014)) that the reasons for the non utilisation of the funds available were being called for from the DUDA, Kheda-Nadiad and RMC.

### *Parking of funds due to non utilisation of Central Funds*

The GoG received grant of ₹ 9.21 crore under Centrally Sponsored Scheme (CSS) for Modernisation of Fire services for the year 2012-13. The UD & UHD, GoG placed (March 2013) this grant at the disposal of GMFB. It was also stipulated that the grant was to be kept in Gujarat State Financial Service (GSFS) by GMFB as per instructions of Finance Department (FD) and on receipt of disbursement order from FD, the grant was to be disbursed to Municipalities. GMFB requested (March/August/ December 2013) the UD & UHD for getting the disbursement order from FD so as to release the grant to Municipalities. No response was received from UD & UHD till date (July 2014). This resulted in non-utilisation of Central Assistance and parking of Fund of ₹ 9.21 crore in GSFS till July 2014.

The UD & UHD replied (August 2014) that the matter would be taken up with the GMFB for the disbursement of the grant.

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<sup>4</sup> Rajkot, Jamnagar, Vadodara, Ahmedabad, Junagadh

<sup>5</sup> Ahmedabad, Gandhinagar, Mehsana, S.K. Himmatnagar, Rajkot, Kutch-Bhuj, Vadodara, Panchmahal, Bharuch, Navsari

<sup>6</sup> Vadodara, Junagadh, Rajkot

<sup>7</sup> Palanpur, Valsad, Gandhinagar, Vadodara, Navsari, Mehsana, Ahmedabad, Narmada-Rajpipla

### 3.2 Non-receipt of information pertaining to bodies/authorities substantially financed by the Government

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/Heads of Department (HoD) are 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. Further, Regulation on Audit and Accounts 2007 provides that the Governments and HoD 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.

On taking up the issue with various Departments, only six out of 26 Departments furnished the details of GIA given to various bodies and authorities during 2013-14. Based on this, 21 new bodies/authorities under the Education Department, Health and Family Welfare Department, Information and Broadcasting Department, Urban Development Department, Home Department and Labour & Employment Department have been identified for Audit. In the absence of complete information on the financial assistance given, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned/paid by them had been utilised. This dilutes the legislative control over the government expenditure systems.

The FD stated (December 2014) that necessary instructions were issued in September 2013 to all the departments to furnish details by July of respective year. However, the requisite information for the year 2013-14 was awaited till September 2014 from 20, out of 26 departments.

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

There are 207 autonomous bodies/ authorities covered by Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 identified for audit by the Comptroller and Auditor General of India. These are audited with regard to their transactions, operational activities and accounts, review of systems/procedures, internal controls, etc.

A total of 128 accounts (including accounts of earlier years) relating to 72 bodies/authorities were audited during the year 2013-14. However, 506 annual accounts of 126 autonomous bodies/ authorities due up to 2013-14 were not received for audit as on 31 October 2014 by the Accountant General (Economic and Revenue Sector Audit) and the Accountant General (General and Social Sector Audit). The details of such accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.11**.

**Table 3.11: Age-wise arrears of Annual Accounts due from Government Bodies**

Sl. No.	Pendency in number of years	No. of the Bodies/Authorities
1	Less than one year	29
2	1-3	38
3	3-5	12
4	5-10	46
5	Above 10	1
<b>Total</b>		<b>126</b>

Source: Information compiled by Accountant General (E&RS Audit) & Accountant General (G&SS Audit), Gujarat

It can be seen from the above table that in respect of 47 autonomous bodies/authorities, accounts were in arrears for more than five years. Of these, the accounts were in arrears in respect of Gujarat University, Ahmedabad since 1999-2000, Akshar Purushottam Arogya Mandir (Muni Seva Ashram), Vaghodia, Goraj-Vadodara and Institute of Kidney Diseases & Research Centre (IKDRC), Ahmedabad since 2004-05 and K J Mehta TB Hospital, Songadh, Amargadh, Bhavnagar; Sheth Vadilal Sarabhai General Hospital and Sheth Chinai Maternity Hospital, Ahmedabad; Self Employed Women's Association(SEWA), Electronic Quality Development Centre; Ahmedabad and Forest Development Agency, Chhota Udepur since 2005-06. In the absence of annual accounts, the accounting/utilisation of the grants and loans disbursed to these bodies/authorities could not be verified by Audit.

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

Several autonomous bodies have been set up by the State Government in the 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. These are audited with regard to their transactions, operational activities and accounts, review of systems and procedures, internal management and financial controls, etc. The separate audit report (SAR) in relation to each account is submitted to the Government. The accounts of 31 such autonomous bodies in the State are audited by the C&AG of India. However, only one<sup>8</sup> body has rendered accounts in time. For the remaining 30, the periods of delay are given in **Appendix 3.3**.

The particulars of delays in submission of accounts to the Audit and placement of SARs in the Legislature after the entrustment of Audit to the C&AG is summarised in **Table 3.12**.

**Table 3.12: Delays in Submission of Accounts and tabling of Separate Audit Reports**

Delays in submission of Accounts to Audit (in Months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies
0-12	4	Upto 2	9
12-24	11	2-4	2
Above 24	15	Above 4	1
<b>Total</b>	<b>30</b>		<b>12</b>

Source: Information compiled by Accountant General (E&RS Audit) & Accountant General (G&SS Audit), Gujarat

<sup>8</sup> Gujarat Municipal Finance Board, Gandhinagar

In response to paragraphs 3.3 and 3.4, the FD stated (December 2014) that all the departments of GoG have been instructed to take appropriate action for pending Annual Accounts and Audit reports of all Autonomous Bodies/Authorities.

### 3.5 Departmental commercial undertakings

The Departmental Undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conduct of business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood also opens the system to the risk of fraud and leakage of public money.

The HoDs in the Government are to ensure that the undertakings prepare and submit such accounts to the Accountant General for audit within a specified time frame.

One undertaking under the FD i.e. Directorate of Insurance, Gandhinagar, which deals with General insurance activities for the State Government has submitted accounts for the period till 2012-13 which have been duly audited. The accounts for the period 2013-14 are due for submission for audit (September 2014).

The FD stated (December 2014) that the accounts for the year 2013-14 have been marginally delayed due to reconciliation issues with GIC and other co-insurance companies, priority assigned to claim payments, etc. The department assured that accounts for the year 2014-15 would be submitted in time.

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

As per Rule 211 of Gujarat Treasury Rules, 2000, the drawing officers are required to furnish the detailed Contingent Bills in respect of all Abstract Contingent Bills within three months from the date of drawal of Abstract Contingent Bills to Accountant General (A&E).

However, 8,708 AC bills amounting to ₹ 281.53 crore were drawn up to March 2014 by 21 Departments for which DC bills were not furnished (March 2014). Year-wise details of outstanding AC bills are given in **Table 3.13**.

Table 3.13: Pendency in submission of Detailed Contingent Bills

(₹ in crore)

Year	Outstanding AC bills	Amount of AC bills
Upto 2006-07	1,903	26.22
2007-08	245	4.79
2008-09	183	1.98
2009-10	175	4.42
2010-11	365	9.36
2011-12	495	15.11
2012-13	531	17.55
2013-14	4,811*	202.10
<b>Total</b>	<b>8,708</b>	<b>281.53</b>

Source: Information compiled by Accountant General (A&amp;E), Gujarat

\* Out of this 3955 bills amounting to ₹ 182.84 crore were not due for submission during 2013-14.

Department-wise details of pending DC bills for the years up to 2013-14 are given in **Appendix 3.4**. The Education Department had a pendency of 3,708 bills of ₹ 123.02 crore and the Home Department had 1,197 bills pending of ₹ 84.21 crore.

A rigorous monitoring mechanism should be put in place in the Departments to ensure adjustment of the advances drawn in Abstract Contingent bills, as required under the extant Rules.

The FD stated (December 2014) that all departments have been instructed to seriously tackle the issue and nominate a nodal officer in each department to monitor and review the pendency of detailed bills.

### 3.7 Personal Deposit Accounts

The Government is authorised to open Personal Deposit Accounts (PD Accounts) in order to deposit (Public Account) money by transferring funds from the Consolidated Funds to Public Accounts for specific purposes. Generally, the designated Administrators are required to transfer the unspent balances back to Government Accounts (Consolidated Funds) and to close such accounts on the last working day of the financial year. These transfers between Consolidated Fund and Public Accounts are in the nature of book transfer without any actual cash flow.

There were 495 PD Accounts in District Treasuries in operation as on 31 March 2014 having an amount of ₹ 283.72 crore. During 2013-14, ₹ 1,147.56 crore was credited to PD Accounts from Consolidated Fund of the State and expenditure of ₹ 1,247.26 crore was incurred therefrom. Out of 26 treasuries, 19 treasuries in the State informed the Accountant General that all PD Accounts were reconciled by the Administrators with the treasuries. Reconciliation of the remaining seven treasuries was done partially.

The PD account of the Second Additional Special Land Acquisition Officer (II<sup>nd</sup> ASLAQ), Ahmedabad was test checked during June and July 2014 and audit findings are discussed below:

No PD account can be operated without authorisation by the Accountant General (A&E) and the operation of the PD account should be as per the conditions mentioned in the authorisation letter. In the II<sup>nd</sup> ASLAQ's office, authorisation letters were not made available to Audit. Therefore, Audit could

not verify whether the operation of the PD account had been as per the conditions of authorisation.

Rule 398 of Gujarat Treasury Rules stipulates that the administrator of the PD accounts should carry out the reconciliation of their balances for the preceding financial year with Treasury Office concerned by 30<sup>th</sup> June of the following financial year. Scrutiny of records of the Office of II<sup>nd</sup> ASLAQ revealed that the reconciliation for 2012-13 was carried out during December 2013 on request from Treasury Office. However, reconciliation for the 2013-14 which was due by 30 June 2014, was not carried out till date (October 2014).

It was further observed that the Cash Book was not being closed on monthly basis in the Office of II<sup>nd</sup> ASLAQ. The account for 2010-11 was closed on 31 January 2011 instead of 31 March 2011. Further, there were instances<sup>9</sup> of non-recording of receipts in the Cash Book based on the original challans received from the payees. The II<sup>nd</sup> ASLAQ has not given any reply (October 2014) to audit despite reminders.

### 3.8 Misappropriations, losses, defalcations, etc.

The State Government reported 170 cases of misappropriation, defalcation, etc, involving government money of ₹ 8.85 crore (up to March 2014) 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 i.e. theft and misappropriation/loss as emerged from these appendices are summarised in **Table 3.14**.

**Table 3.14: Age-Profile of Misappropriations, losses, defalcations, etc.**

(₹ in crore)

Age-Profile of the Pending Cases		
Range in Years	Number of Cases	Amount Involved
Upto 5	17	0.53
5 – 10	28	1.85
10 – 15	22	5.65
15 – 20	17	0.13
20 – 25	30	0.36
25 and above	56	0.33
<b>Total</b>	<b>170</b>	<b>8.85</b>

Source: Information compiled by Accountant General (E&RS Audit) & Accountant General (G&SS Audit), Gujarat

Reasons for which these cases are outstanding are given in **Table 3.15**.

**Table 3.15: Reasons for pendency of Misappropriations, losses, defalcations cases**

Reasons for the Delay/Outstanding Pending Cases	Number of Cases	Amount (₹ in crore)
i) Awaiting departmental and criminal investigation	36	3.08
ii) Departmental action initiated but not finalised	47	0.54
iii) Criminal proceedings finalised but execution of certificate for the recovery of the amount pending	15	0.04
iv) Awaiting orders for recovery or write off	18	0.12
v) Pending in the courts of law	52	5.02
vi) Others	2	0.05
<b>Total</b>	<b>170</b>	<b>8.85</b>

Source: Information compiled by Accountant General (E&RS Audit) & Accountant General (G&SS Audit), Gujarat

<sup>9</sup> 0.4.12.2013 LAQ no 21/2010 - ₹ 6.12 lakh and 28.2.12.2014 LAQ no 21/2010 - ₹ 2.62 lakh

Out of the total 170 cases involving ₹ 8.85 crore outstanding, 36 cases involving ₹ 3.08 crore were awaiting departmental action/criminal investigation which needs to be speeded up. In 52 cases pending with the courts of law involving ₹ 5.02 crore, a case of ₹ 3.43 crore pertaining to the Roads and Buildings Department was outstanding since 2003-04. Narmada, Water Resources, Water Supply and Kalpsar Department had 22 cases and Land Revenue Department had 19 cases which are pending for more than 25 years. The internal controls in all the organisations may be strengthened to prevent recurrence of such cases.

### **3.9 Operation of omnibus Minor Head 800**

During the past two decades, the range and diversity of Government activity has 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 2013-14, expenditure aggregating ₹ 12,302.14 crore, constituting 12.56 *per cent* of the total expenditure was classified under Minor Head 800-Other Expenditure against 75 Major Heads under Revenue and Capital Sections. Entire expenditure on Capital outlay on Other General Economic Services (Major Head 5475), Capital outlay on miscellaneous general service (Major Head 4075), Capital outlay on iron and steel industries (Major Head 4852), Capital outlay on nutrition (Major Head 4236), Ports and Light Houses (Major Head 3051) and Capital Outlay on Crop Husbandry (Major Head 4401) were classified under omnibus Minor Head – 800 instead of depicting distinctly. Also, 60.96 *per cent* expenditure of Power (Major Head 2801) was classified under Minor Head 800.

Similarly, revenue receipts aggregating ₹ 3,372.11 crore constituting 4.22 *per cent* of total receipts were classified under omnibus Minor Head ‘800-Other Receipts’ under 56 Major Heads under Revenue and Capital Sections. Entire receipts of Other Special Areas Programmes (Major Head 0575), Food Storages and Warehousing (Major Head 0408), Power (Major Head 0801) and 98.33 *per cent* receipt of Medium Irrigation (Major Head 0701) and 43.95 *per cent* of Major Irrigation (Major Head 0700) were classified under omnibus Minor Head – 800 instead of depicting distinctly.

Budgeting of large amounts under the omnibus Minor Head 800 – Other Expenditure/Receipts affects the transparency in financial reporting, as it fails to indicate disaggregated information on different activities of the Government separately in the accounts. This shows that the existing practice of the budget formulation and implementation by the Government does not truly reflect the current activities of the Government in these Departments and is required to be updated/ modified.

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’.



The FD, while accepting the fact, stated (December 2014) that all administrative departments of GoG have been advised to restrict use of Minor Head: "800- Other Expenditure".

### 3.10 Comments on Accounts

#### 3.10.1 Transparency in accounts

To bring out greater transparency and to enable informed decision making in Government Accounts, the TwFC had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of subsidies given, both explicit and implicit, expenditure on salaries by various departments/units, detailed information on pensioners and expenditure on government pensions, data on committed liabilities in the future, statement on debt and other liabilities as well as repayment schedule, accretion to or erosion in financial assets held by the Government including those arising out of changes in the manner of spending by the Government, implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows and statement on maintenance expenditure with segregation of salary and non-salary portions.

Presently, in the Finance Accounts of the State, the appendix on subsidy does not provide information regarding implicit subsidies. Regarding details of salary, the data captured in accounts is related to State sector only. Details of salary in case of aided institutions are included under the grants released to them. Accounting reforms are required to be undertaken to bring the data available into the Finance Accounts to make it more transparent.

#### 3.10.2 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the 'Suspense Head'. On the receipt of relevant details/information, these heads of accounts are finally cleared by minus debit or minus credit when the amounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately. Debt, Deposit and Remittances heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the Finance Accounts 2013-14 of the state has been adversely affected by large number of transactions under suspense heads awaiting final classification. A general review of the transactions showed the following:

- ***Outstanding balances under major suspense accounts***

The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Accountant General (Accounts and Entitlement), are indicated in **Table 3.16**.

Table 3.16: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2011-12		2012-13		2013-14	
	Dr	Cr	Dr	Cr	Dr	Cr
101- Pay and Accounts office Suspense	73.75	4.02	111.78	2.18	117.27	0.87
	Net Dr. 69.73		Net Dr. 109.60		Net Dr. 116.40	
102- Suspense Accounts (Civil)	25.54	-6.99	109.61	50.52	109.49	50.35
	Net Dr. 32.53		Net Dr. 59.09		Net Dr. 59.14	
110- Reserve Bank suspense Central Accounts Office	293.36	4.43	148.40	-95.82	152.85	-91.44
	Net Dr. 288.93		Net Dr. 244.22		Net Dr. 244.29	

Source: Finance Accounts

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs.

### *Pay and Accounts Office (PAO) Suspense*

This minor head is operated for the settlement of inter-departmental and intergovernmental transactions arising in the books of PAOs and the Accountant General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer, against whom the minor head “PAO Suspense” has been operated. Credit under the head is cleared by ‘minus credit’ when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under ‘PAO Suspense’ is cleared by ‘minus debit’ on receipt and realisation of cheque from the Accounts Officer on whose behalf payment was made.

Outstanding debit balance under this head would mean that payments have been made by the Accountant General on behalf of a PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the Accountant General on behalf of a PAO, which are yet to be paid. The net debit balance under this head has increased continuously during 2011-12 to 2013-14. On clearance/settlement of this, the cash balance of the State Government will increase.

### *Suspense Account (Civil)*

This transitory minor head is operated for accounting of the transactions, which for want of certain information/documents viz., vouchers, challans, etc., cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts.

Outstanding debit balance under this head would mean payments were made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts were received which could not be credited to the final receipt head for want of details. The net debit balance under this head has increased continuously during 2011-12 to 2013-14 indicating that necessary details

for classification of final expenditure head were not available. Steps need to be taken for obtaining the requisite details.

### 3.11 Conclusion and Recommendations

Non-submission of utilisation certificates of ₹ 7,420.40 crore indicated lack of proper monitoring by the Departments in utilisation of grants given for specific purposes. We noticed instances of non-submission/ incomplete submission of utilisation certificates without actual expenditure in our detailed scrutiny of Urban Development and Urban Housing Department and Narmada, Water Resources, Water Supply and Kalpsar Department.

*The sanctioning authority/ concerned department may evolve a mechanism (IT platform) to gather UCs promptly, verify their genuineness, including by way of sample inspection, and look into the delays in submission to identify the bottlenecks and address them.*

There has been non-submission/ delay in submission of accounts of autonomous bodies/authorities. In respect of 47 autonomous bodies/ authorities auditable under section 14 of C&AG's (DPC) Act, 1971, accounts were in arrear for more than five years. Only one out of 31 autonomous bodies auditable under section 19(2), 19(3) and 20(1) submitted its accounts in time.

*The Controlling Departments may identify the reasons for delay in finalisation of pending accounts of autonomous bodies/ authorities for suitable remedial measures so that backlog of arrears in accounts is cleared in a time bound manner.*



(Y. N. THAKARE)  
Accountant General

Ahmedabad  
The

(Economic & Revenue Sector Audit) Gujarat

Countersigned



(SHASHI KANT SHARMA)

New Delhi  
The

Comptroller and Auditor General of India