

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 (AG) 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 431 Utilization Certificates (UCs) due in respect of grants amounting to ₹ 692.25 crore paid during 2006-07 to 2013-14, 132 UCs (30.62 per cent) amounting to ₹134.85 crore¹, were not furnished to the Pr. AG (A&E) as on 31 March 2014. 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

(₹ crore)

Range of delay in number of years	Total grants paid upto 31 March 2014		Utilization certificates pending as on 31 March 2014	
	Number of sanctions	Amount	Number of UCs	Amount
0-1	129	98.71	106	90.71
1-3	282	438.04	25	43.02
3-5	11	109.70	0	0
5-7	8	20.80	0	0
Above 7 years	1	25.00	1	1.12
Total	431	692.25	132	134.85

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

¹ Interim UCs in respect of ₹ 23.88 crore (partial expenditure) have been received from Rural Development and Panchayats. However, final UCs of the full grant was outstanding as on 31 March 2014.

Out of the 132 outstanding UCs, 131 UCs were outstanding since last three years and one UC involving ₹ 1.12 crore pertaining to the Rural Development & Panchayats Department was outstanding since 2006-07. Despite having been pointed out in the report for the year 2012-13, no action has been taken by the Department. In the absence of UCs, it could not be ascertained whether the grants had been spent for the purposes for which they were granted.

During review of Department of Sports & Youth Services, it was noticed that out of 31 UCs for ₹ 55.85 crore due for the period 2012-14, 25 UCs amounting to ₹ 48.91 crore (87.57 per cent) were outstanding as on 31 March 2014. Further, there was no mechanism for monitoring the position of outstanding UCs at regular interval in the Department. On being pointed out, late submission of UCs by Sports Council was stated to be the reason for late submission of UCs by the Department.

The Finance Department stated (November 2014) that all the Departments were being directed to send pending UCs in time on monthly basis.

3.1.2 Irregular Submission of Utilization Certificate

As per Para 6.2 of the guidelines of the 13th Finance Commission (ThFC), release of any installment of the ThFC grant will be subject to UC for the previous installment drawn.

It was noticed that in compliance to above guidelines the actual utilization of the grant for ₹ 60 crore, transferred to PRIs for the year 2013-14 (**Table 3.2**), UC submitted to the GoI without ascertaining the expenditure incurred by the executing agencies as utilization certificate was not found obtained from the implementing agencies. The process of obtaining the UCs from the executing agencies was initiated (August 2014) by the Department.

3.2 Delay in submission of Accounts/Audit Reports of autonomous bodies

It was noticed that 14 number of accounts from 2003-04 to 2012-13 were pending in respect of four autonomous bodies. Separate Audit Report (SAR) in respect of four autonomous bodies was 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 2014

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 submission of the SARs to the Legislature
1.	Punjab Legal Services Authority	2010-11	4	2 (2011-12 and 2012-13)	SARs for the years 2006-07 to 2010-11 were pending.
2.	Punjab Khadi and Village Industry Board	2009-10 2010-11 2011-12	37 25 13	1 (2012-13)	SAR for the year 2010-11 were pending
3.	Punjab State Human Rights Commission	--	--	--	SARs for the years 2009 -10 to 2012-13 were pending
4.	Punjab Labour Welfare Board	2002-03	124	10 (2003-04 to 2012-13)	SARs for the years 2000-01 and 2001-02 were pending.
5.	Pushpa Gujral Science City	2011-12	19	1 (2012-13)	SAR is not required to be placed in the State Legislature as per Rule 14 of Memorandum of Association of Society

Source: Departmental data

The Accounts of four² autonomous bodies for the years 2003-04 to 2012-13 were awaited as of 31 March 2014. The Punjab Labour Welfare Board has not rendered its accounts since the financial year 2003-04 despite repeated comments in the Report on State Finances of the Comptroller and Auditor General of India (CAG).

In reply, the Finance Department stated (November 2014) that necessary instructions were issued to the concerned departments.

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

² (i) Punjab Legal Services Authority, (ii) Punjab Khadi & Village Industry Board, (iii) Punjab Labour Welfare Board and (iv) Pushpa Gujral Science City.

finalisation of accounts, the results of the investment of the Government remain outside the purview of State Legislature and scrutiny by the 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 Accountant General (Audit) within a specified time frame. As of 31 March 2014, the Punjab Roadways (Transport Department) had not prepared its accounts since 2003-04. Despite repeated comments in the earlier Reports on State Finances of the CAG about the arrears in preparation of accounts, the accounts have not been prepared by Punjab Roadways.

The Finance Department stated (November 2014) that necessary instructions were issued to the concerned departments.

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 128 cases pending involving an amount of ₹ 2.22 crore as on 1st April 2013. During the year 39 cases (₹ 0.08 crore) were added and 6 cases (₹ 0.91 crore) were settled leaving 161 cases (₹ 1.39 crore) pending as on 31 March 2014. Department-wise detail of outstanding cases as on 31 March 2014 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	--	--	2	0.21
Home Affairs and Justice	1	6.00	148	46.47	149	52.47
Health and Family Welfare	1	0.42	--	--	1	0.42

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
Rural Development	--	--	2	73.76	2	73.76
Total	5	6.69	156	132.62	161	139.31

Source: Information as provided by the departments

Out of 161 cases, five cases involving 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	8	12.29
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	141	46.06
Pending in the courts of law	5	68.24
Total	161	139.31

Source: Information as provided by the departments

The Finance Department stated (November 2014) that necessary instructions were issued to the concerned departments.

3.5 Unadjusted abstract contingent bills

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 2621 AC bills for ₹ 3,099.47 crore drawn during the period 2011-14 by different departments from various treasuries of the State, 1946 DC bills amounting to ₹ 1,327.37 crore were sent to Pr. AG (A&E), Punjab. As many as 675 AC bills amounting to ₹ 1,772.10 crore were awaiting adjustment as on 31 March 2014.

In reply, the Finance Department stated (November 2014) that necessary instructions were issued to the concerned departments regarding submission of pending DC bills without further delay. Monitoring mechanism regarding AC bills was also being developed in Integrated Financial Management System.

3.6 Opaqueness in Government Accounts

Finance Accounts of the State Government for 2013-14 showed that expenditure of ₹ 5,878.24 crore (13.41 *per cent* of the total expenditure) under 68 Major Heads and receipts of ₹ 2,044.31 crore (5.82 *per cent* of the total Revenue Receipts) under 48 Major Heads were classified under Minor Head-"800- Other Expenditure" and "Other Receipts" respectively. An illustrative statement in respect of 7 Major Heads (expenditure) and 10 Major Heads (receipts) with substantial amounts of ₹ 5,179.18 crore and ₹ 511.87 crore, respectively, classified under Minor Head-800 is given in *Appendix 3.4*.

Classification of large amounts booked under the minor heads '800-Other receipts/expenditure' affects the transparency in the financial reporting. In reply, the Finance Department stated (November 2014) that frequent changes in heads of accounts would lead to undesirable consequences. However, one time exercise had been done and the situation stands rectified.

3.7 Transfer of funds to Personal Deposit Accounts

Under the rules, Personal Deposit (PD) Accounts are operated by transferring amounts from the Consolidated fund (booking these as final expenditure), to be utilized for specific purposes. Unspent balances lying in PD accounts are required to be transferred back to the consolidated fund on the last working day of the financial year and the PD accounts reopened the next year, if necessary. It was noticed that 176 PD accounts involving a sum of ₹ 232.31 crore (**Table 3.5**) were not closed on 31 March 2014 resulting in blockade of funds.

Table 3.5: Detail of PD Accounts which were not closed on 31 March 2014

Item	Number of Accounts	Amount (₹ in crore)
Personal Deposit Accounts as on 1 April 2013	181	1,98.33
Personal Deposit Accounts opened during 2013-14	23	2,94.85
Ongoing Personal Deposit Accounts (Addition)	..	1,72.48
Personal Deposit Accounts closed on 31 March 2014	28	2,51.53
Ongoing Personal Deposit Accounts (Discharge)	..	1,81.82
Balance	176*	232.31

*174 PD accounts are operative and 2 are inoperative for more than five years.

The Finance Department assured (November 2014) to take up the matter with concerned departments.

3.8 Conclusions

There was delay in submission of utilization certificates, accounts by the autonomous bodies and submission of Separate Audit Reports to the Legislature. There were 161 cases of theft, loss and misappropriation involving an amount of ₹ 1.39 crore. As many as 675 AC bills amounting to

₹ 1,772.11 crore were awaiting adjustment as on 31 March 2014. Classification of large amounts booked under the minor heads '800-Other receipts/ expenditure' does not give a complete picture in the financial reporting.

3.9 Recommendations

The Government may consider:

- *expediting inquiries in cases of misappropriation, theft, etc. and strengthening the internal control system to prevent recurrence of such cases;*
- *adjustment of Abstract Contingent bills within stipulated period, as required under the extant rules; and*
- *ensuring greater transparency in financial reporting, by avoiding usage of the minor head 800-other receipts or other expenditure.*

CHANDIGARH
The 4 March 2015


(JAGBANS SINGH)
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Countersigned

NEW DELHI
The 5 March 2015


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India