

Chapter III Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance. The reports on compliance and controls, if operational, accurate and effective, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. It contributes to accurate, fair and transparent depictions of the financial and operational health of the State Government and its various instrumentalities like local bodies, autonomous bodies etc.

This chapter provides an overview and status of compliance of various broad significant financial rules, procedures and directives in so far as financial reporting is concerned by the State Government and its various subordinate offices during the current year.

3.1 Delay in furnishing Utilisation Certificates

General Financial & Accounts Rules (GF & ARs) envisage 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 Principal Accountant General (Accounts and Entitlements) within 12 months from the date of their sanction unless specified otherwise. There were 170 UCs (₹ 38.93 crore) in arrears out of 15,690 UCs in respect of grants and loans aggregating to ₹ 2,959.76 crore paid during 1997-98 to 2012-13, Department-wise breakup of outstanding UCs is given in *Appendix-3.1*. The age-wise position of delay in submission of UCs is summarised in the following table:

Table 3.1: Outstanding Utilisation Certificates

(₹ in crore)

Range of Delay in number of years	Grants/ loan paid		Utilisation Certificates outstanding as on 31 July 2014	
	Number	Amount	Number	Amount
0-1	58	11.53	58	11.53
1-3	115	24.79	79	21.06
3-5	395	46.07	27	4.73
5-7	629	71.71	1	1.49
7-9	1890	89.49	1	0.12
9 and above	12,603	2,716.17	4	-*
Total	15,690	2,959.76	170	38.93

Source: Finance Accounts and vouchers compiled by PAG (A & E), Rajasthan.

* Only ₹ 0.36 lakh

Pendency of UCs mainly pertained to Science and Technology Department (127 UCs: ₹ 19.47 crore) and Social Welfare Department (25 UCs: ₹ 12.67 crore).

Non-submission of UCs within the stipulated period indicates systemic deficiency in utilisation of grants by the Departments and is fraught with financial mismanagement.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Section 14 of the CAG's (DPC) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year the 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, Regulation 84 of the Regulation on Audit and Accounts, 2007 provides that Governments and Heads of the 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.

Out of 363 accounts received during the year 2012-13, accounts of 124 bodies/authorities attracted audit by CAG of India. Of these, accounts of 83 bodies/ authorities were audited up to June 2014. The details of the pendency in receipt of accounts in respect of the bodies and authorities who received grants during preceding year from various Government Departments are given in *Appendix 3.2* and their age-wise pendency is as follows:

Table 3.2 Age-wise arrears of Annual Accounts due from Bodies/ Authorities

Delays in number of years	Number of Bodies/ Authorities	Grants received during preceding year (₹ in crore)	Expenditure incurred during preceding year (₹ in crore)
0-1 year	28	66.73	185.45
1-3 years	19	76.59	211.34
3-5 years	5	8.87	21.46
5-10 years	9	5.67	9.63
Total	61	157.86	427.88

It would be seen that delay in submission of accounts by 14 bodies/authorities ranged between 3 and 10 years. It was also seen that no department had furnished the purposes for which the assistance was sanctioned. Consequently, audit could not provide assurance to the Legislature/Government, the manner in which the sanctioned grant was utilised, specifically on the issues of diversion or misutilisation.

166 annual accounts in respect of 61 autonomous bodies/authorities out of total 224 due up to 2012-13, had not been received by the Principal Accountant General (General and Social Sector Audit), Rajasthan as of June 2014.

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

Four¹ autonomous bodies have been set up by the State Government in the field of legal aid, human rights, development of *Khadi* and welfare of construction workers. These bodies are audited by the CAG of India. The audit of accounts of Rajasthan *Khadi* and Village Industries Board in the State has been entrusted to the CAG under section 20(1) of the CAG's (DPC) Act, 1971, while the audit of other three bodies have been entrusted to the CAG as per provision in their respective Acts.

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 3.3**. It would be seen that there was delay in submission of accounts in all the four bodies ranging from 2 to 14 months for the accounts 2012-13 and 2013-14.

3.4 Departmentally managed commercial undertakings

The departmental undertakings of certain Government departments performing activities of 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 conducting their business. In the absence of timely finalisation of accounts, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of March 2014, all the 10 such undertakings have prepared and submitted their accounts up to 2012-13. The department-wise position of preparation of *pro forma* accounts and investment made by the Government is given in **Appendix 3.4**.

3.5 Misappropriations, losses, defalcations etc.

Rule 20 of GF&AR (Part-I) provides that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the officer concerned to the next higher authority as well as to the PAG.

¹ Rajasthan *Khadi* and Village Industries Board, Rajasthan State Human Rights Commission; Rajasthan State Legal Services Authority and Rajasthan Building and other Construction Workers Welfare Board, Jaipur.

State Government reported 932 cases under various departments, of misappropriation (331) and theft/loss (601) of government money amounting to ₹ 49.55 crore up to 31 March 2014, on which final action was pending (June 2014). 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 pending cases and the number of cases pending in each category of theft/loss and misappropriation as emerged from these appendices are summarised in the **Table 3.3**:

Table 3.3: Profile of misappropriation, losses, defalcations etc.

Age profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	254	2052.12	Theft/loss of material	601	1068.52
5-10	243	1310.97	Misappropriation/ embezzlement	331	3886.83
10-15	177	800.48			
15-20	139	495.42			
20-25	63	166.73	-	-	-
25 and above	56	129.63	-	-	-
Total	932	4955.35	Total pending cases	932	4955.35

Source: Information received from the Departments

Reasons for pendency of outstanding cases are classified in following table:

Table 3.4: Classification of reasons for delay of outstanding cases of misappropriations, losses, defalcations etc.

Reasons for Delay	Number of cases	Amount (₹ in lakh)
Awaiting departmental and criminal investigation	229	1731.42
Awaiting orders for recovery/write off	625	2708.09
Pending in the courts of law	78	515.84
Total	932	4955.35

Source: Information received from the Departments

3.6 Personal Deposit Accounts

Rule 260(1) of GF&AR provides that no money shall be received for deposit in the Government accounts unless they are such as by virtue of any statutory provisions or of any general or special orders of the Government are required or authorised to be held in the custody of the Government.

During 2013-14, an amount of ₹ 14,229.32 crore was transferred to/deposited in Personal Deposit (PD) Accounts, this comprised 16 *per cent* of total expenditure (₹ 89,174 crore). Of which ₹ 1,309.63 crore was transferred to/deposited in March 2014 alone. Out of this, ₹ 229.99 crore (₹ 85.98 crore on Capital Account and ₹ 144.01 crore on Revenue Account) was transferred in the last three days (i.e. 29 to 31 March 2014). The position of the PD Accounts of the GoR as on 31 March 2014 is given below:

(₹ in crore)

Particulars	Personal Deposit Accounts			
	Receipt	Disbursement	Position as on 31.03.2014	
			Number of Accounts	Amount
Operative PD Accounts	14,229.32	13,541.15	1,450	2,860.90
Inoperative PD Accounts*	20	1.00

*Inoperative for more than five years

The above table indicates that there was unspent balance of ₹ 2,861.90 crore in 1,470 PD Accounts which included three² PD Accounts having huge balances, constituting 29.58 per cent of total unspent balances in all PD Accounts. Review of position of PD Accounts held by various departments of the Government of Rajasthan (GoR) revealed the following: -

(1) Inoperative PD Accounts

Rule 98 of Rajasthan Treasury Rules, 2012 envisages that every year in the month of April the Treasury Officer shall review the PD Accounts in operation at the treasury and sub-treasuries under its control and prepare a list of accounts which have remained inoperative continuously for preceding five financial years for sending to the Finance (Ways & Means) Department, along with necessary particulars and showing the balance standing at the credit of accounts, for conveying permission to close such accounts.

As of 31 March 2014, 20 PD Accounts totalling ₹ one crore (**Appendix-3.7**) remained inoperative from the last five years (2009-14), out of which 3 PD Accounts i.e. Deputy Conservator of Forest (Desert Development Programme), Jaisalmer, District Rehabilitation Centre, Kota, Divisional Forest Officer (West), Jaipur city had balances of ₹ 21.74 lakh, ₹ 20.40 lakh and ₹ 10.11 lakh respectively.

(2) Drawal of money from PD Accounts despite negative balances

According to Rule 264(1)(iii) GF&AR payment shall on no account be allowed to exceed the balance at credit in the deposit account. During 2013-14, a sum of ₹ 19.68 crore was found as minus balance in 21 PD Accounts (**Appendix 3.8**), despite similar observations being pointed out in the earlier Audit Reports. This indicates systemic deficiencies in operation and maintenance of PD Accounts which is fraught with the risk of financial misappropriation.

(3) Non-utilisation of ₹ 48.96 lakh in PD Accounts

As of May 2014, a sum of ₹ 48.96 lakh was lying unutilised in the PD Account

² (a) Director/Commissioner/ Deputy Development Commissioner, Rural and Panchayat Raj Department, Jaipur (Secretariat) (₹ 398.23 crore), (b) Rajasthan Urban Infrastructure Financial Development Corporation, Jaipur (Secretariat) (₹ 303.66 crore), (c) Managing Director and Financial Adviser, Rajasthan State Bridge and Construction Corporation Limited, Jaipur (Secretariat) (₹ 144.57 crore).

of Director, Science and Technology Department, Jaipur for more than three years, as summarised below:

(₹ in lakh)

S. No.	Name of scheme/project	Amount	Balance lying unutilized since
1	Handicraft Atlas	3.48	18.12.2002
2	Prevention and Control of Fluorosis	2.95	14.12.2005
3	Hand pump attached defluoridation	4.93	15.10.2008
4	National Science Day	1.47	07.01.2011
5	Identification, inventorisation and documentation of sector specific problems requiring S &T inputs	6.77	06.11.2008
6	Understanding Planet Earth	10.00	14.05.2009
7	Social Diffusion of improved 'handpumps'	14.00	18.04.2010
8	Pilot demonstration Projection cum Hiring of animal drawn of arm implements in tribal areas of Rajasthan	5.36	30.07.2010
	Total	48.96	

Department intimated (June 2014) that efforts are being made to return the aforesaid funds.

3.7 Booking under Minor Head “800-Other Expenditure”

One crucial component of a transparent system of accounting is that the forms of account in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure on all major activities of the Government in a transparent manner to meet the basic information needs of all the important stakeholders.

Minor Heads 800-Other Expenditure is intended to be operated when the appropriate Minor Head has not been provided in the accounts. Scrutiny of Finance Accounts 2013-14 of Government of Rajasthan disclosed that ₹ 7,264.05 crore under 62 Major Heads of Accounts (representing functions of the Government) were classified under the Minor Head ‘800-Other Expenditure’ in the accounts constituting more than 8.15 *per cent* of the Total Expenditure (Revenue and Capital) recorded under respective Major Heads.

The major schemes in respect of which expenditure was not depicted distinctly in the Finance Accounts but were rolled up under the Minor Head ‘800-Other Expenditure’ are summarised below:

(₹ in crore)

S. No.	Name of scheme	Amount
1.	Grants-in-aid/Subsidies given to various power corporations	420.04
2.	Major irrigation projects under IGNP	419.29
3.	National Agriculture Development Project	457.41
4.	Capital Outlay on District and Other Roads	1,130.60
5.	Interest Grant under Taxes on Sales, Trade etc	118.43
6.	Interest Grant to good debtors of Cooperatives under Cooperation	146.84
7.	Capital Outlay on Urban Development	172.60
8.	District and Other Roads	625.55

(₹ in crore)

S. No.	Name of scheme	Amount
9.	Agriculture input grant for Small and marginal farmers for agriculture crops, horticulture crops and annual lease crops	522.98
10.	Agriculture input grant for small and marginal farmers	259.64
11.	Distribution of laptop under General Education	225.55
12.	National Rural Health Mission	202.87
13.	New Scheme of Rural Development Department	238.50
14.	Reimbursement of amount of fee/concession travels in buses of Rajasthan State Road Transport Corporation	150.00

Though, details of these expenditure are depicted at the sub-head (scheme) level or below the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government accounts, yet large amounts booked under the Minor Head '800' affect the transparency in financial reporting.

3.8 Book Adjustments

In general, the Accounts of State represents the actual cash receipts and disbursements during the accounting period. However, during 2013-14 book adjustments involving ₹ 7,534.03 crore in 63 items³ were effected by transfer from Consolidated Fund to Public Account and *vice versa*. The book adjustments mainly pertained to Interest on balance of State Provident Fund, Interest on Capital Expenditure on Irrigation Projects, Expenditure on drought and flood etc. met from State Disaster Response Fund, Transfer of Central and State share to State Disaster Response Fund, Interest on balance of Life Insurance Fund, National Rural Employment Guarantee Fund, Guarantee Fees transfer to Guarantee Redemption Fund.

3.9 Reconciliation of Receipt and Expenditure

As per Rule 11(3) of GF&AR, all controlling officers are required to reconcile the receipt and expenditure figures of the State Government with the figures accounted for by the PAG (A & E).

During 2013-14, hundred per cent reconciliation of the total expenditure of ₹94,101.08 crore (net) has been done by all the 404 controlling officers.

Similarly, out of 132 controlling officers, 130 have reconciled State Government receipts to the extent of ₹ 74,398.36 crore (99.89 per cent) against the total receipts (including Miscellaneous Capital Receipts) of ₹ 74,480.65 crore.

³ Details of the items are given in the Finance Accounts (Volume-I) Government of Rajasthan-2013-14

3.10 Outstanding balances under Suspense Accounts

According to List of Major and Minor Heads of Account of Union and States, certain intermediary/adjusting heads of accounts known as “Suspense” heads are operated in Government accounts to reflect transaction 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 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.

The ledger of suspense balances is to be maintained by Pay and Accounts Office (PAOs) sub/detailed head-wise, as may be necessary.

The aggregate net balance under the Major Heads “8658-Suspense Accounts” in the Finance Accounts of the Government of Rajasthan was ₹ 26.68 crore (Credit) as on 31 March 2014 which was increased by ₹ 17.98 crore from ₹ 8.70 crore (Credit) in 2011-12. The increase in net credit balance was mainly under Tax Deducted at Source (TDS) Suspense (₹ 26.34 crore) which was counterbalanced by increase in net debit balances under PAO-Suspense (₹ 16.13 crore) in 2013-14 in comparison to 2011-12.

The Finance Accounts reflect the net balances under Suspense accounts and, therefore, the real magnitude of balances outstanding under these heads does not get reported in the annual accounts of the Government presented to the State Legislature. The position of suspense balances under “8658-Suspense Accounts” for the last three years is given in *Appendix 3.9*.

3.10.1 Pay and Accounts Office- Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. In March 2014, the outstanding debit balance under this head was ₹ 26.62 crore and the credit balance was ₹ 0.91 crore. The details of outstanding balances mainly with "PAO Suspense" are summarised below:

(₹ in crore)

S. No.	Name of Department	Amount	
		Debit	Credit
1.	PAO Central Pension Accounting Officer Ministry of Finance, New Delhi	18.19	-
2.	PAO (National Highways) Ministry of Road, Transport and Highways, Jaipur	7.35	0.07
3.	PAO (ERIS and Banking) Department of Economic Affairs, Ministry of Finance, New Delhi	0.47	-
4.	PAO Electoral Office Ministry of Law and Justice, New Delhi	-	0.24
5.	PAO (Legal Affairs) Ministry of Law and Justice and Supreme Court of India, New Delhi	0.61	0.59

Source: Finance Accounts

The above table indicates that the payments made (Debit) or received (Credit) by these departments/ministries on behalf of other PAOs were yet to be recovered/paid by them as on 31 March 2014. The debit and credit balance under "PAO suspense" and their continuous accumulation indicated significant control deficiencies.

3.10.2 Suspense Account (Civil)

This transitory minor head is operated for accounting of transactions, which for want of certain information/documents like vouchers, challans etc., cannot be taken to the final head of expenditure or receipt.

The outstanding balance under this minor head as on 31 March 2014 was ₹ 2 crore (Debit) and (-) ₹ 0.03 crore (Credit), indicating the receipt and expenditure of ₹ 2.03 crore. The details of outstanding balances mainly with "PAO Suspense" are summarised below: -

(₹ in crore)

Sl. No.	Name of Department	Amount	
		Debit	Credit
1.	Controller of Defence Accounts (Pension), Allahabad	0.88	-
2.	Controller of Defence Accounts (Southern Command), Pune	0.34	-
3.	House Building Advance Suspense under Director, Postal Accounts, Kolkata	0.70	(-) 0.02
4.	Unclassified suspense	0.07	0.01

Source: Finance Accounts

The above table indicates that the payments made (Debit) or received (Credit) which required to be handled individually for settlement, had not been booked to their final heads of accounts. Further, as per Finance Accounts the balances of ₹ 1.22 crore (Debit) were outstanding with Defence Accounts for the period from 1977-78 to 2012-13 and balance of ₹ 0.70 crore (Debit) and (-) ₹ 0.02 crore (Credit) was outstanding for House Building Advance Suspense with Postal Accounts, Kolkata from 1969-70. These old balances are already reported through State Finances Reports as well as the Finance Accounts for the past few years. Action for rectification is still pending.

3.10.3 Material Purchase Settlement Suspense Account

The cost of stores received either by purchase or through inter-divisional transfers, shall be accounted for initially under this suspense head in all cases where the payment had not been made in the same month of receipt of stores. This head should be cleared by a contra entry (*minus* credit) on making payment to the supplier/Division supplying stores. Unclaimed balances for more than three complete accounting years under this minor head should be cleared by credit to revenue.

The outstanding balance was ₹ 2.23 crore (Credit) as on 31 March 2014 under this minor head for want of adjustment of Store Purchase. The uncleared credit balance indicates lack of significant controls in the Government.

3.11 Conclusions and Recommendations

Non-submission of utilisation certificates of ₹ 38.93 crore indicated lack of proper monitoring by the Departments in utilisation of grants given for specific purposes. Instances of non-submission of utilisation certificates without actual expenditure were noticed in test check of utilisation certificates in Science and Technology Department and Social Welfare Department.

The sanctioning authority/concerned Departments may evolve a suitable mechanism, preferably through IT platform, to monitor the timely receipt of UCs for verifying their genuineness and look into the delays in submission, with a view to streamlining the system.

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. In respect of 61 autonomous bodies/authorities

auditable under section 14 of CAG's (DPC) Act, 1971 accounts were in arrears for the last 10 years.

In order to clear the backlog of arrears in accounts in a time-bound manner the Controlling Departments may analyse the reasons for delay in finalisation of accounts of autonomous bodies/authorities for suitable remedial measures.



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