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FINANCIAL REPORTING

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A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the state Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Non-submission of Utilisation Certificates

3.1.1 The State Government rules prescribe that where grants are sanctioned for specific purposes, the departmental officers should obtain Utilisation Certificates (UCs) from grantees which after verification should be forwarded to the Accountant General (A&E). Non submission of UCs makes it difficult to ensure that the funds released have been utilised for intended purposes. The position of outstanding UCs as on 31 March 2014 is given in **Table 3.1**.

Table 3.1: Outstanding utilisation certificates

Periods	Number of UCs awaited	Amount (₹ in crore)
Up to 2011-12	3,76,875	80,438.16
2012-13	33,401	12,219.03
2013-14	26,538	18,691.62
Total	4,36,814	1,11,348.81¹

(Source: Finance Accounts 2013-14)

Table revealed that a large number of UCs in respect of substantial amounts were outstanding at the close of 2013-14.

A review of grants provided to the grantees needs to be done to identify the departments not pursuing the receipt of utilisation certificates.

3.2 Detailed Contingency Bills

Drawing and Disbursing Officers² are authorised to draw sums of money by preparing Abstract Contingent (AC) Bills by debiting service heads. After utilisation of the money, Detailed Contingent Bills (DC Bills) are presented within 30 days to the Accountant General (A&E) along with supporting documents. Prolonged non-submission of supporting DC bills renders the expenditure under AC bills opaque.

¹ Excludes ₹ 1,46,060.73 crore (1042241 items) of Grants given by the Government for salary purposes.

² Vide Government Order No. A-1-c (1) Ten- 10820/ 2001 dated 24 January 2006.

As on 31 March 2014, 7,032 AC bills amounting to ₹ 115.96 crore were outstanding for want of DC bills. Year-wise details are given in the **Table 3.2**.

Table 3.2: Outstanding Abstract Contingent Bills

Period	AC Bills drawn		DC Bills Received during 2013-14		AC Bills outstanding as on 31 March 2014	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Upto 2011-12	33,329	674.69	26,613	596.33	6,716	78.36
2012-13	735	33.03	649	28.24	86	4.79
2013-14	499	38.56	269	5.75	230	32.81
Total	34,563	746.28	27,531	630.32	7,032	115.96

(Source: Finance Accounts 2013-14)

During 2013-14, out of 499 AC bills amounting to ₹ 38.56 crore, 94 AC bills amounting to ₹ 13.86 crore were drawn in March 2014 which includes 23 AC bills amounting to ₹ 5.52 crore which were drawn between 26 March and 30 March 2014. Significant expenditure against AC bills in the month of March, especially in the last week of March, indicates that the drawls were primarily for the purpose of exhausting the budget and indicates inadequate budgetary control.

3.3 Departmental Commercial Undertakings

Departmental Commercial Undertakings finalise *proforma* accounts in prescribed format annually showing the working results of the financial operations and efficiency in business. The accounts should be submitted to the Accountants General for audit within three months from the month of closure of the accounts.

As of March 2014, there were nine such undertakings in the State. Three of these had not finalised their upto date *proforma* accounts. The department-wise position of arrears of accounts is given in **Appendix 3.1**. The State Pharmacy of Ayurvedic and Unani Medicine (with no investment) as per their latest accounts, had not finalised their accounts since 1990-91 (as of 2013-14). Similarly, *proforma* accounts of the Public Distribution System of Foodgrains and State Live Stock–cum–Agriculture Farm with an investment of ₹ 6,230.69 crore and ₹ 24.85 crore respectively were not finalised for 2010-11 to 2013-14.

As a result, the investments in Departmental Commercial Undertakings remained beyond scrutiny of Audit/State Legislature.

3.4 Reporting of pending cases

As per Paragraph 82 of the Financial Rules, cases of defalcation or losses should immediately be reported to the office of the Principal Accountant General (G&SSA), U.P., Allahabad even though made good by the person responsible for it.

As of 2013-14, 142 such cases involving ₹ 8.91 crore were pending for settlement. The Department-wise break up of pending cases and their age-wise analysis is given in *Appendix 3.2*. The nature of these cases is given in *Appendix 3.3*. The age-profile of the pending cases given in the appendices are summarised in **Table 3.3**.

Table 3.3: Profile of Pending cases

Age-profile of the pending cases			Nature of the pending cases		
Years ranging	Number of cases	Amount involved (₹ in lakhs)	Nature of the cases	Number of cases	Amount involved (₹ in lakhs)
0 - 5	22	358.15	Theft	65	42.90
5 - 10	22	59.07			
10 - 15	07	19.43	Misappropriation	10	64.89
15 - 20	43	66.81			
20 - 25	19	31.73	Losses	24	171.74
25 & above	29	356.04	Defalcation	43	611.70
Total	142	891.23	Total	142	891.23

(Source: Records of concerned departments)

We observed that out of 143 cases (as of 31 March 2013) involving ₹ 8.94 crore, one case³, involving ₹ 2.61 lakh was settled/written off (2013-14) and the remaining 142 cases involving ₹ 8.91 crore were pending as of March 2014 for various reasons as listed in **Table 3.4**.

Table 3.4: Reasons for Pending cases

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
i	Awaiting departmental and criminal investigation	27	189.67
ii	Departmental action initiated but not finalised	76	547.79
ii i	Criminal proceedings finalised but execution of cases for the recovery of the amount pending	2	4.58
iv	Awaiting orders for recovery or write off	12	7.99
v	Pending in the Hon'ble Courts of law	25	141.20
Total		142	891.23

(Source: Records of concerned Departments)

The departmental enquiries in all the cases of theft, misappropriations, losses, defalcations etc. should be conducted expeditiously.

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Department	Authority	Brief Particulars	No. of cases	Amount (₹ in lakh)
Revenue	Government of UP	Embezzlement -made by Lekhpal in Tehsil Rasoolabad, Kanpur Dehat	One	2.61

3.5 Operation of Minor Head ‘800’

Minor Heads 800-Other Receipts/Other Expenditure are intended to be operated only when the appropriate Minor Head has not been provided in the accounts. However, during 2013-14, ₹ 23,446.22 crore, under the various Revenue and Capital Major Heads of accounts on the expenditure side, constituting about 12.27 *per cent* of the total expenditure, ₹ 1,91,009.52 crore (Revenue and Capital), was recorded under Minor Head 800-Other Expenditure below the concerned Major Heads. Similarly, ₹ 23,345.53 crore, under various Revenue Major Heads of accounts on the receipt side, constituting about 13.88 *per cent* of the total Revenue Receipts of ₹ 1,68,213.75 crore, was recorded under Minor Head 800-Other Receipts under concerned Major Heads. Instances where substantial proportion (50 *per cent* or more) of the receipts/expenditure under the Major Head of the receipts/expenditure were classified under Minor Head ‘800-Other Receipts/Expenditure’ are given in *Appendices 3.4* and *3.5* and summarised in **Table 3.5**.

Table 3.5: Bookings under Minor Head 800- ‘Other Receipts’ and ‘Other Expenditure’

Particulars	Receipts		Expenditure	
	Amounts (₹ in crore)	Heads of accounts	Amounts (₹ in crore)	Heads of accounts
100 <i>per cent</i>	1,206.58	0801, 0217, 0023, 1456, 0810, 0415, 0575, 0852, 0875, 0215, 0047	6,484.52	2801, 2040, 2245, 5053, 2705, 2407, 4047, 2885, 2041, 4853
Between 75 <i>per cent</i> and 99 <i>per cent</i>	5,145.90	0235,1452, 0075, 0700, 0406, 0056, 0211, 0071, 0029, 1054, 0230, 0059, 1055	1,533.30	4070,2425, 4575
Between 50 <i>per cent</i> and 74 <i>per cent</i>	12,622.40	0403, 0851, 0055, 0515, 1601, 0220	2,440.54	4235, 2700, 4401, 2501, 2405, 2230, 3454
Total	18,974.88		10,458.36	

(Source: Finance Accounts 2013-14)

As a result, expenditure incurred under various programmes/ activities of the Government and classified under Minor Head ‘800- Other expenditure’ could not be depicted distinctly in the proper heads of Finance Accounts 2013-14.

The Government should discourage routine operation of Minor Heads-800 since it renders the accounts opaque.

3.6 Non-transfer of amounts to the Central Road Fund

GoI released ₹ 182.72 crore from Central Road Fund to the State Government in 2013-14. In terms of guidelines, the central grant is to be booked as revenue receipts under Major Head ‘1601-Grants-in-aid’ and an equivalent amount transferred to the Public Accounts under Major Head ‘8449-Other Deposits-103-Subventions from Central Road Fund’ by debiting the revenue expenditure Major Head ‘3054- Roads and Bridges’. However, due to non-availability of

budget provision under Major Head-3054, no amount was transferred to the Public Accounts. Consequently, the revenue surplus was overstated by ₹ 182.72 crore.

3.7 Variation in Cash Balance

The difference of ₹ 76.50 crore (net debit) between the cash balance of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India, is mainly due to non-reconciliation of figures by the Agency Banks and is under reconciliation.

3.8 Transfer of Funds to Personal Deposit Accounts

The State Government is authorised to open Personal Deposit (PD) Accounts for specific purposes. Designated Administrators are authorised to operate these PD accounts by transfer of funds, which is booked as expenditure against the Consolidated Fund of the State (Service Major Heads). However, these PD accounts are required to be closed on the last working day of the following financial year and the unspent balances remitted back to the Government Accounts. However, the State Government has not followed this procedure. Details are given in **Table 3.6**.

Table 3.6: Status of Personal Deposit Accounts

Opening Balance		Addition during 2013-14		Clearance during 2013-14		Closing Balance	
No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)
1,502	2,311.31	Nil	3,099.19	08	Nil	1,494 ⁴	5,410.50

(Source: Finance Accounts 2013-14)

Further, 47 out of 77 treasuries in the State intimated to the Accountant General (A&E) that 867 accounts maintained by them had been reconciled during 2013-14. The status of reconciliation of the remaining 30 treasuries has not been made available by the respective treasuries.

3.9 Non-submission of details of grants/loans paid

The Regulation on Audit and Accounts, 2007 provides that the Government and Heads of Departments sanctioning the assistance should furnish to the Audit Office, by the end of July every year, a statement of such institutions/organisations to which financial assistance aggregating ₹ 10 lakh or more were paid during the preceding year indicating the amount of assistance, the purpose for which it was sanctioned and total expenditure of the institutions/organisations so as to identify those which attract audit under Section 14 and 15 of C&AG's (Duties, Powers and Conditions of Services) Act, 1971. However, no such statement was sent to the Audit Office.

⁴As per information received from the State Government, out of 1,494 PD accounts, 816 were operative and the remaining 678 inoperative. Closing of inoperative PD accounts is under process.

3.10 Conclusion

Non-submission of utilisation certificates and detailed contingent bills

- Utilisation certificates and the Detailed Contingent bills against Abstract Contingency bills were outstanding at the close of the financial year 2013-14.

Cases of theft and misappropriation

- Substantial cases of theft and misappropriations, defalcation etc. involving an amount of ₹ 891.23 lakh, were pending either for recovery or write off.