

## Chapter III Financial Reporting

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 significant financial rules, procedures and directives with regard to financial reporting of the State Government and its various subordinate offices during the current year.

### 3.1 Delay in furnishing Utilisation Certificates

General Financial and Accounts Rules (GF&AR), 2012 envisages that for the grants provided for specific purpose, 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 Entitlement) within 12 months from the date of their sanction unless specified otherwise. However, 104 UCs aggregating to ₹ 9.32 crore were outstanding in respect of grants paid during the period 2004-05 to 2015-16. The Department wise break up of outstanding UCs is given in *Appendix 3.1*. The age-wise position of delay in submission of UCs is summarised in following **Table 3.1**:

**Table 3.1: Outstanding Utilisation Certificates**

Range of delay in number of years	(₹ in crore)	
	Utilisation Certificates outstanding as on 30 June 2017	
	Number	Amount
0-1	22	0.44
1-3	28	0.47
3-5	32	5.22
5-7	19	1.17
7-9	02	1.90
9 and above	01	0.12
<b>Total</b>	<b>104</b>	<b>9.32</b>

Almost 99 *per cent* of the outstanding amount of UCs mainly pertained to Science and Technology Department (100 UCs: ₹ 6.31 crore) and Family Welfare Department (3 UCs: ₹ 2.89 crore).

On being pointed out, the Medical Health and Family Welfare Department, Rajasthan, Jaipur stated (October 2017) that all outstanding UCs for the award money was given to various Panchayati Raj Institutions under Family Welfare Incentive Award Schemes during 2007-08 to 2009-10 had been obtained from the concerned institutions.

Social Justice and Empowerment Department stated (July 2017) that due to court stay the UC for ₹ 0.12 crore allotted to Local Body Department, Bikaner for construction of Gadia Lohar Awas, is pending since 2004-05.

Science and Technology Department stated (July 2017) that outstanding UCs are mainly related to grant given to Central Salt and Marine Chemicals Research Institute, Bhavnagar, Gujarat (i) for establishment of Reverse Osmosis (RO) plants in Rajasthan during 2012-13 to 2013-14 and (ii) establishment of Science Club in schools during 2009-10 to 2013-14. The reasons of delay were attributed to non-establishment of RO plants which were scheduled to be completed by December 2017 and non collection of UCs owing to large number of schools.

**Non-submission of UCs within the stipulated period indicates systemic deficiency in utilization of grants by the Departments and is fraught with the danger of 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 every year to Audit, the detailed information about (i) the financial assistance given to various institutions, (ii) the purpose for which the assistance is granted and (iii) 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 who sanction grants and/or loans to the bodies or authorities shall furnish by the end of July every year to the Audit Office, 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 the total 167 autonomous bodies/authorities, 109 annual accounts in respect of 58 autonomous bodies/authorities due up to 2015-16 had not been received as of June 2017. The details of the pendency in submission 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 years (₹ in crore)	Expenditure incurred during preceding years (₹ in crore)
0-1 year	38	456.58	556.26
1-3 years	11	173.75	84.18
3-5 years	6	12.96	6.09
More than 5 years	3	0.83	0.98
<b>Total</b>	<b>58</b>	<b>644.12</b>	<b>647.51</b>

It would be seen from the above table that delays in submission of accounts by 17 bodies/authorities ranged between one and five years. It was also seen that many departments had not furnished the purpose for which the assistance was sanctioned. Consequently, audit could not provide assurance to the Legislature/Government, regarding the manner in which the sanctioned grant was utilised, specifically on the issues of diversion and misutilisation.

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

Four<sup>1</sup> autonomous bodies were set up by the State Government in the field of legal aid, human rights, development of *Khadi* and welfare of construction workers. Under Rajasthan State Legal Services Authority, 36 Districts Legal Service Authorities received grant and submitted their accounts. 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.

However, the accounts of Rajasthan Building and other Construction Workers Welfare Board for the year 2015-16 have not been received as of June 2017.

### 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 annually in the prescribed format, showing the working results of financial operations so that the Government can assess their functioning.

**The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their businesses. 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 Departments in the Government are to ensure that the undertakings prepare such accounts and submit them to Accountant General for audit within the specified time frame. As of March 2017, only eight out of 10 undertakings have prepared and submitted their accounts up to 2015-16. The department-wise position of preparation of *pro forma* accounts and investment made by the Government is given in **Appendix 3.3**.

<sup>1</sup> 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.

### 3.5 Misappropriations, losses, defalcations etc.

Rule 20 of GF&AR (Part-I) provided 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.

State Government reported 877 cases of misappropriation (328) and theft/loss (549) of government money amounting to ₹ 67.02 crore under various departments up to 31 March 2017, on which final action was pending (June 2017). The department-wise break up of pending cases and age-wise analysis is given in *Appendix 3.4* and nature of these cases is given in *Appendix 3.5*. The age profile of the 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 crore)	Nature of the cases	Number of cases	Amount involved (₹ in crore)
0-5	236	27.04	Theft/loss of material	549	15.48
5-10	166	19.66	Misappropriation/ embezzlement	328	51.54
10-15	205	9.25			
15-20	110	6.23			
20-25	95	2.50	-	-	-
25 and above	65	2.34	-	-	-
<b>Total</b>	<b>877</b>	<b>67.02</b>	<b>Total pending cases</b>	<b>877</b>	<b>67.02</b>

**Source:** Information received from the Departments.

Reasons for pendency of the 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 crore)
Awaiting departmental and criminal investigation	306	29.57
Awaiting orders for recovery/write off	505	32.48
Pending in the courts of law	66	4.97
<b>Total</b>	<b>877</b>	<b>67.02</b>

**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 deposits 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 authorized to be held in the custody of the Government.

During 2016-17 amount of ₹ 34,599.49 crore was transferred to/deposited in Personal Deposit (PD) Account in the Major Head 8443-Civil Deposits-106-Personal Deposits, which comprised 24 *per cent* of total expenditure (₹ 1,44,120 crore). Out of this, a sum of ₹ 3,626.96 crore (10.48 *per cent*) was transferred to/deposited to PD Account only in March 2017. Transfers of significant amount during the month of March indicate inadequate budgetary control.

The position of the PD Accounts of the State Government as on 31 March 2017, was as under:

Particulars	Number of Accounts	Position of balances on 01.04.2016	Personal Deposit Accounts		Unspent Amount (as on 31 March 2017)
			Receipt Amount	Disbursement Amount	
Operative PD Accounts	1,513	3,541.47	34,599.63*	32,958.22	5,182.88
Inoperative PD Accounts (for more than five years)	15	0.95	13.57	0.95	13.57
<b>Total</b>	<b>1,528</b>	<b>3,542.42</b>	<b>34,613.20</b>	<b>32,959.17</b>	<b>5,196.45</b>

\* Including sum of ₹ 0.14 crore transferred from inoperative PD Account.

There were unspent balances of ₹ 5,196.45 crore (1,528 PD accounts) which included thirteen<sup>2</sup> PD accounts having balances of ₹ 50 crore and above, which constituted ₹ 2,158.99 crore (41.5 *per cent*) of total unspent balances in all PD accounts.

<sup>2</sup> (a) Director, Mines and Geology Department, Udaipur (₹ 693.98 crore), (b) Commissioner, TAD, Udaipur (₹ 260.61 crore), (c) Rajasthan Urban Infrastructure Finance and Development Corporation (RUFDCO), Jaipur (Sectt.) (₹ 362.69 crore), (d) Director & Pro. Dir. Urban Poverty Eradication Programme, Jaipur (Sectt.) (₹139.40 crore), (e) M.D. & F.A., Rajasthan State Bridge Road Development & Construction Corporation Ltd, Jaipur (Sectt.) (₹ 246.02 crore), (f) M.D. Rajcomp Info Services Ltd., Jaipur (Sectt.) (₹ 170.94 crore), (g) Raj. Medical Services Corporation Ltd., Jaipur (Sectt.) (₹ 132.15 crore) and (h) Indira Awas Yojana, Jaipur (Sectt.) (₹ 153.20 crore), (i) Rajasthan mission on skill and livelihood, Jaipur (Sectt.) (₹ 94.12 crore), (j) Rajasthan Akshay Urja Vikas Nidhi, Jaipur (Sectt.) (₹ 99.97 crore), (k) Rajasthan State Health Society, Jaipur (Sectt.) (₹ 79.65 crore), (l) Pro. Dir/FA Rajasthan Urban Infrastructure Dev. Pro. Jaipur (Sectt.) (₹ 54.37 crore) and (m) Rajasthan Sec. Edu. Council Jaipur (Sectt.) (₹ 82.02 crore).

Rule 98 of Rajasthan Treasury Rules, 2012 envisages that in the month of April every year 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 remained inoperative continuously for preceding five financial years for sending to the Finance (Ways & Means) Department, with a recommendation for their closure.

Review of position of PD accounts held by various departments of the State Government revealed that as of 31 March 2017, total 15 PD Accounts having amount of ₹ 13.57 crore (*Appendix 3.6*) remained inoperative for the last five years (2012-17). Out of these, three PD Accounts i.e. the State Institute of Museum and Heritage Studies, Jaipur (Secretariat), Ceramic and Electrical Development Committee, Bikaner and Entrepreneurship and Management Development Institute, Jaipur (Secretariat) had significant balances of ₹ 10.06 crore, ₹ 2.31 crore and ₹ 0.79 crore respectively.

On this being pointed out the Joint Director of Treasury and Accounts, Jaipur accepted the facts and stated (October 2017) that 12 out of 15 inoperative PD Accounts have been closed and also requested Finance Department for keeping remaining three PD Accounts operative.

Besides this, the Panchayati Raj Institutions (PRI) hold PRI fund<sup>3</sup> which is classified under the Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds. Further, Gram Panchayat would deposit all receipts in nearest post office or branch of any scheduled bank, Panchayat Samiti and Zila Parishad in the Personal Deposits account maintained in nearest Government Treasury/Sub-treasury.

It was observed that during 2012-16, the balances in ZP and PS funds showed increasing trend and the closing balance during 2016-17 was ₹ 1,683.33 crore and ₹ 1,280.05 crore respectively as given in table below:

Year	Zila Parishad Fund (8448-109-03)				Panchayat Samiti Fund (8448-109-02)				Total Closing Balance end of the year
	Opening Balance	Receipt	Expenditure	Closing Balance	Opening Balance	Receipt	Expenditure	Closing Balance	
1	2	3	4	5	6	7	8	9	10 (5+9)
2012-13	1,104.83	2,356.16	2,044.31	1,416.68	470.20	884.48	704.67	650.01	2,066.69
2013-14	1,416.68	2,619.37	2,578.78	1,457.27	650.01	1,568.13	1,473.86	744.28	2,201.55
2014-15	1,457.27	2,732.06	2,753.13	1,436.20	744.28	1,289.62	1,140.81	893.10	2,329.30
2015-16	1,436.20	4,412.59	3,879.91	1,968.87	893.10	1,091.19	967.73	1,016.56	2,985.43
2016-17	1,968.87	3,044.50	3,330.05	1,683.32	1,016.56	1,546.68	1,283.19	1,280.05	2,963.38

<sup>3</sup> As per section 64 of the Rajasthan Panchayati Raj Act, 1994, in PRIs, ZP, PS and GP maintains ZP fund, PS fund and GP fund respectively, which includes all money realised or realisable under the Act and all money otherwise received by the PRI, such as receives grants from Central Finance Commission and from State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of panchayats.

Further, the status of unutilised funds lying in the accounts of GPs could not be ascertained as these details were not compiled either at the Panchayat Samiti or at the Zila Parishad level.

Non closure of PD Accounts despite remaining inoperative for five years was contrary to the provisions of Rule 98 of Rajasthan Treasury Rules, 2012.

### 3.7 Booking under Minor Head “800-Other Expenditure”

As the crucial component of a transparent system of accounting, the forms of accounts in which the receipts and expenditure of the Government are reported to the legislature, should constantly be 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 Head ‘800-Other Expenditure’ is intended to be operated when the appropriate Minor Head has not been provided in the accounts. Scrutiny of Finance Accounts 2016-17 of Government of Rajasthan disclosed that ₹ 10,123.30 crore, comprising 7.02 *per cent* of the total expenditure (Revenue and Capital) recorded under 55 Major Heads of Accounts (representing functions of the Government) were classified under the Minor Head ‘800-Other Expenditure’.

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

		(₹ in crore)
S. No.	Name of the Function	Amount
1.	Relief on account of Natural Calamities (2245)	1,772.03
2.	Capital outlay on Roads and Bridges (5054)	1,447.76
3.	Family Welfare (2211)	1046.88
4.	Major Irrigation (2700)	1011.58
5.	Taxes on Sales, Trade etc, (2040)	863.90
6.	Urban Development (2217)	800.15
7.	Crop Husbandry (2401)	371.53
8.	Capital outlay on Urban Development (4217)	314.86
9.	Roads and Bridges (3054)	275.22
10.	Capital outlay on other General Economic Services (5475)	267.38
11.	Co-operation (2425)	244.89

Though details of these expenditure are depicted at sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government accounts, the

booking of large amounts under the Minor Head '800-Other Expenditure' affect the transparency in financial reporting.

### 3.8 Book Adjustments

In general, the Accounts of the State represents the actual cash receipts and disbursements during the accounting period. However, during 2016-17, book adjustments involving ₹ 11,747.53 crore in 68 items<sup>4</sup> were effected by transfer from Consolidated Fund to Public Account and *vice versa*. The book adjustments mainly pertained to expenditure on drought and flood etc., met from State Disaster Response Fund, adjustment of interest on the balance of State Provident Fund of serving employees, Interest on Capital Expenditure on Irrigation Projects, transfer of Central and State share to State Disaster Response Fund and NDRF, Interest on balance of Life Insurance Fund, transfer of subvention from Central Road Fund and Expenditure met on roads from Central Road Fund.

### 3.9 Reconciliation of Receipts 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), Rajasthan.

During 2016-17, hundred per cent reconciliation of (i) total expenditure of ₹ 1, 62,099.88 crore (net) by 407 Controlling Officers and (ii) total receipts of ₹ 1,09,053.84 crore (including Miscellaneous Capital Receipts) by 166 Controlling Officers, was carried out.

### 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 the 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 accurate receipts and expenditure of the Government.

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4 Details of the items are given in the Notes to Account (Annexure 'A') of Finance Accounts (Volume-I) Government of Rajasthan-2016-17.



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 Head “8658-Suspense Accounts” in the Finance Accounts of the Government of Rajasthan was ₹ 38.89 crore (debit) as on 31 March 2017. This shows an increase by ₹ 27.63 crore from ₹ 11.26 crore (debit) in 2014-15. The increase was mainly under Pay and Accounts Suspense (₹ 15.46 crore) and balances under Tax Deducted at Source (TDS) Suspense (₹ 12.71 crore) in 2016-17 in comparison to 2014-15.

The position of suspense balances under “8658-Suspense Accounts” for the last three years is given in *Appendix 3.7*.

### 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 2017, the outstanding debit balance under this head was ₹ 61.93 crore and the credit balance was ₹ 0.84 crore. The details of outstanding balances mainly with "PAO Suspense" are summarised below:

S. No.	Name of Department	Amount	
		Debit	Credit
1.	PAO Central Pension Accounting Officer Ministry of Finance, New Delhi	54.32	0.04
2.	PAO (National Highways) Ministry of Road, Transport and Highways, Jaipur	7.53	0.33
3.	PAO (Legal Affairs) Ministry of Law and Justice and Supreme Court of India, New Delhi	0.05	0.34
4.	PAO Electoral Office Ministry of Law and Justice, New Delhi	..	0.12

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 2017. 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 cannot be taken to the final heads of expenditure or receipt for want of certain information/documents like vouchers, challans etc.

The outstanding balance under this minor head as on 31 March 2017 was ₹ 1.48 crore (Debit) and (-) ₹ 0.02 crore (Credit) indicating the net receipt and expenditure of ₹ 1.50 crore (Debit). The details of main outstanding balances mainly with “Suspense Account (civil)” are summarised below:

(₹ in crore)

Sl. No.	Name of Department	Amount	
		Debit	Credit
1.	House Building Advance Suspense under Postal Accounts	0.63	(-) 0.02
2.	Controller of Defence Accounts (Pension), Allahabad	0.51	..
3.	Controller of Defence Accounts (Southern Command), Pune	0.34	-

Source: Finance Accounts

The above table indicates that the payments made (Debit) or received (Credit), required to be handled individually for settlement, was not booked to their final heads of accounts. Further, as per Finance Accounts the balances of ₹ 0.34 crore (Debit) were outstanding with Defence Accounts since 1977-78 and balance of ₹ 0.63 crore (Debit) and (-) ₹ 0.02 crore (Credit) was outstanding for House Building Advance Suspense under Postal Accounts since 1969-70. These old balances have already been reported through State Finances Reports as well as the Finance Accounts for past few years. However, 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 (-) ₹ 3.16 crore (credit) as on 31 March 2017 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 Conclusion and Recommendations

Non-submission of Utilisation Certificates of ₹ 9.32 crore indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes. Instances of non-submission of Utilisation Certificates involving substantial amounts, were noticed during test check in Science and Technology Department (₹ 6.31 crore) and Family Welfare Department (₹ 2.89 crore).

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. Accounts of 58 autonomous bodies/authorities, auditable under section 14 of CAG's (DPC) Act 1971, were in arrears for the last one to nine years.

Out of 877 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 67.02 crore, departmental and criminal investigation was awaited in 306 cases involving ₹ 29.57 crore. Further, orders for recovery/write off in 505 cases involving ₹ 32.48 crore were also awaited.

**Recommendations:**

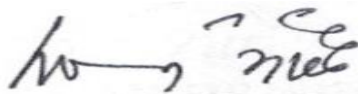
10. *Issues holding up submission of Utilisation Certificates should be identified to ensure their submission within the time stipulated.*
11. *In order to clear the arrears of accounts in a time-bound manner, the controlling Departments should analyse the reasons for delay in finalisation of accounts of autonomous bodies/authorities and take suitable remedial measures for their timely submission.*
12. *Departmental enquiries in all the cases of fraud and misappropriation should be expedited. The internal controls in all the organisations should be strengthened to prevent recurrence of such cases*

JAIPUR,  
The 21 February 2018

  
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Countersigned

NEW DELHI,  
The 23 February 2018

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India