

**Chapter-III**  
**Financial Reporting**



## CHAPTER – III

### FINANCIAL REPORTING

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.

#### **3.1 Pendency in submission of Detailed Countersigned Contingent (DC) Bills against Abstract Contingent (AC) Bills**

As per rules (Chapter-VIII of the Jammu and Kashmir Financial Code Vol-1) every Drawing Officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmit the same to the Accountant General (A&E) Jammu & Kashmir. In contravention thereto, against a total amount of ₹1,192.69 crore comprising of 2,015 bills (*Appendix 3.1*) drawn on AC bills by various drawing and disbursing officers during 1995-2016, corresponding DC bills were not submitted (August-2016) to the Accountant General (A&E), Jammu & Kashmir. Out of outstanding AC bills, ₹298.35 crore pertains to 2014-15, ₹785.33 pertains prior to 2014-15 and the balance of ₹109.01 crore pertains to the year 2015-16. AC bills amounting to ₹192.50 crore were drawn in March 2016 alone, out of which ₹98.03 crore were drawn on the last day of the financial year. Non- rendition of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation.

The matter has continually been brought to the notice of the Government/Finance Department, from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills to the Accountant General (A&E).

#### **3.2 Delay in furnishing of Utilisation Certificates**

Autonomous Bodies/authorities not having sufficient resources of their own are assisted financially by the Government through release of Grant-in-Aid (GIA) to be spent on specific purposes. The position of GIA provided by the

State to Autonomous Bodies/ Authorities during 2010-11 to 2015-16 is given in Table 3.1.

**Table-3.1: Grant-In-Aid provided by the State to Autonomous Bodies/ Authorities**  
(₹ in crore)

Sl. No.	Body/Authority	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Srinagar Municipal Corporation	107.18	112.42	89.65	117.73	161.16	158.18
2.	Jammu Municipal Corporation	74.60	69.98	127.95	74.30	108.64	98.54
3.	Urban Local Bodies (Kashmir)	42.67	62.39	50.32	74.49	87.36	56.03
4.	Urban Local Bodies (Jammu)	26.96	41.30	35.03	36.97	62.94	76.65
5.	SKUAST* – Kashmir	75.73	90.63	99.43	80.92	100.54	132.18
6.	SKUAST* – Jammu	28.29	30.59	45.55	70.15	59.48	54.61
7.	Kashmir University	59.83	61.85	83.94	82.60	114.67	156.80
8.	Jammu University	43.28	63.70	58.66	74.08	76.14	85.80
9.	J&K Sports Council	8.30	10.26	13.55	21.76	16.93	19.52
10.	J&K Academy of Art and Culture	11.68	19.93	17.32	14.31	17.16	15.18
11.	Institute of Management & Public Administration (IMPA)	5.89	10.51	8.70	9.63	10.47	10.13
12.	Khadi and Village Industries Board	10.60	12.01	14.72	19.46	7.48	17.47
13.	Others	47.18	44.96	48.27	134.37	446.28	641.59
	<b>Total</b>	<b>542.19</b>	<b>630.53</b>	<b>693.09</b>	<b>810.77</b>	<b>1,269.25</b>	<b>1,522.68</b>

\*Sher-e-Kashmir University of Agriculture Sciences & Technology Jammu/Kashmir

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E), Jammu and Kashmir within 18 months from the date of their sanction unless specified otherwise.

The position of outstanding Utilization Certificates (UCs) at the end of 2015-16 is detailed in Table 3.2.

**Table-3.2: Age-wise arrears of Utilization Certificates:  
Status as on 31<sup>st</sup> March 2016**

Range of delay (in number of years)	Total Grants Paid		Utilization Certificates Received		Utilization Certificates Outstanding	
	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)
0 – 1	267	1,612.82	Nil	Nil	267	1,612.82
1 – 2	667	970.05	353	50.37	314	919.68
Above 2	5,508	2,740.20	5,165	1,795.23	343	944.97
<b>Total</b>	<b>6,442</b>	<b>5,323.07</b>	<b>5,518</b>	<b>1,845.60</b>	<b>924</b>	<b>3,477.47</b>

A total number of 924 UCs involving ₹3,477.47 crore were outstanding as on 31<sup>st</sup> March 2016 of which 657 UCs amounting to ₹1,864.65 crore were outstanding for more than one year.

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

A total of 586 annual accounts of 47 Bodies were required to be audited by the Comptroller and Auditor General (C&AG) of India under Section 14 were awaited (*Appendix-3.2*) as on 31<sup>st</sup> March 2016. Nine Autonomous Bodies required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19(3) and 20(1) of the said Act had also not furnished the annual accounts as tabulated in **Table 3.3**.

**Table 3.3: Non-submission of accounts by Autonomous Bodies**

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2015-16 (₹ in crore)	Remarks
Ladakh Autonomous Hill District Council, Leh (LAHDC-L)	1-21	21	253.07	-
Ladakh Autonomous Hill District Council, Kargil (LAHDC-K)	1-12	12	269.28	-
Compensatory Afforestation Man-agement and Planning Authority (CAMPA)	1-7	07	NA	Accounts have not been rendered by the Authority since its inception i.e November -2009.

<b>Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar</b>	1-2	02	132.18	-
<b>Sher-i-Kashmir University of Agricultural Science and Technology, Jammu</b>	1-2	02	54.61	-
<b>EPF Board Srinagar</b>	09	09	NA	-
<b>Jammu &amp; Kashmir State Housing Board</b>	03	03	NA	-
<b>Khadi and Village Industries Board (KVIB)</b>	03	03	17.47	-
<b>Building and Other Construction Workers Welfare Board (BOCWFB)</b>	02	02	NA	-
		<b>61</b>	<b>726.61</b>	

The audit of Ladakh Autonomous Hill District Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial sums are being released to the Council and unspent balances at the end of the year remain credited in a non-lapsable Fund in the Public Account of the State. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since inception.

Non-submission/ delay in submission of accounts by these Bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In view of this non-compliance, the audited accounts of these Statutory Bodies have not so far been presented to the State Legislature as required under the Statutes under which these Bodies were created. This has deprived the State Legislature to get a feedback on their activities and financial performance.

### **3.4 Departmentally Managed Commercial Undertakings**

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare *proforma* accounts in the prescribed format annually. 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 on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government Departments are required to ensure that the undertakings prepare such accounts and submit the same to the Accountant General (Audit), Jammu and Kashmir for audit within a specified time frame. The Government has two such departmental undertakings: (a) Government Printing Presses at Srinagar and Jammu and (b) Public Distribution System (PDS) by the Consumer Affairs and Public Distribution Department. The *proforma* accounts of the commercial operations of both these undertakings are in arrears. The two Government Presses have not prepared their *proforma* accounts from 1968-69 to 2015-16 (July 2016). In Kashmir and Ladakh Divisions, the PDS operations are directly carried out by departmentally run PDS shops. The *proforma* accounts have not been prepared in these two Divisions from 1975-76 (Revised Account) and onwards (July 2016). In Jammu Division, the PDS operations are mainly through network of private dealers (about 91 *per cent*) and the *proforma* accounts have not been prepared from 1973-74 to 1997-98 and 1999-2000 to 2015-16. The *proforma* accounts for 1998-99 were finalised during 2002-03(2016).

Year wise position of the proforma account of PSUs in the State is given in the **Appendix 3.3**

### **3.5 Opaqueness in Government Accounts**

Booking under Minor Head 800-Other Receipts and 800-Other Expenditure is opaque as they do not disclose the schemes, programmes to which they relate. During 2015-16, ₹9,366.69 crore under 38 revenue major heads of accounts constituting about 26.18 *per cent* of the total revenue receipts of ₹35,780.60 crore, was recorded under the Minor Head 800-Other Receipts.

### **3.6 Outstanding Liability to Contractors**

The committed liability of the State for the year 2015-16 amounts to ₹3,655.19 crore on Major Works and Contracts (₹300.58 crore), Land Acquisition Charges (₹32.91 crore) and unpaid bills on Works/Supply (₹3,321.70 crore). The State

Government is getting work done by the contractors without provision of funds by the legislature and the contractors are not getting paid and has thus resulted in creation of liability on this account.

### **3.7 Conclusion**

Against the total amount of ₹1,192.69 crore drawn on AC bills by various drawing and disbursing officers during 1995-2016, corresponding DC bills were not submitted to the Accountant General (A&E) J&K.

The position regarding outstanding Utilization Certificates has not improved as compared to 2014-15. A total number of 924 UCs involving a total amount of ₹3,477.47 crore remained outstanding as on 31<sup>st</sup> March 2016 which was 8.47 per cent of the total expenditure of ₹41,047.88 crore incurred in 2015-16 under Voted Section.

586 Annual Accounts of 47 Autonomous Bodies were awaited for audit as on 31<sup>st</sup> March 2016 ranging from 1972-73 to 2015-16.

Due to non-compliance with the basic requirements of the preparation of annual *proforma* accounts by the Departmentally Managed Commercial Undertakings, financial reporting may not be accurate and reliable.

Classification of large amounts booked under the Minor Head '800'-Other Receipts does not give the fair picture in accounts.

### **3.8 Recommendations**


The Government may consider the following:

- The State Government may take necessary steps to ensure adjustment of the advances drawn on the contingent bills within the stipulated period as required under the extant rules,
- The State Government may consider timely submission of utilization certificates in respect of Grants released for specific purposes to the grantee institutions,
- The State Government may consider timely preparation of annual accounts by the autonomous bodies to facilitate auditing, and




- The State Government may consider depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the Receipts and Expenditure of major schemes under the Minor Head 800-Other Expenditure and 800-Other Receipts.

Srinagar/Jammu  
The **28<sup>th</sup> DEC 2016**

  
**(Hoveyda Abbas)**  
Accountant General (Audit)  
Jammu & Kashmir

**Countersigned**

New Delhi  
The **05<sup>th</sup> JAN 2017**

  
**(Shashi Kant Sharma)**  
Comptroller and Auditor General of India