Chapter 3

Financial Reporting

A sound internal financial reporting system based on compliance with financial rules is one of the attributes of good governance. This chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directives during the current year.

3.1 Non-submission of Utilization Certificates

Financial Rules stipulate 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 AG (A&E) within 18 months from the date of their sanction unless specified otherwise. However, 124 UCs aggregating ₹487.91 crore in respect of grants released up to 2015-16 were in arrears as detailed in **Appendix 3.1**.The status of outstanding UCs is given in **Table 3.1.**

Table 3.1:Year-wise arrears of Utilization Certificates

(₹ in crore)

Year	No. of utilization certificates awaited	Amount
Upto 2013-14	44	34.41
2014-15	14	51.07
2015-16*	66	402.43
Total	**124**	**487.91**

Source: Finance Accounts

** The year mentioned above relates to 'Due year' i.e., after 18 months of actual drawal.*

The majority of cases of non -submission of UCs related to the Health and Family Welfare Department (71 *per cent*). Non -submission of UCs defeats the very purpose of Legislative control over the public purse and is fraught with the risk of the funds released for various schemes/programme being locked up, misused or diverted for unauthorized purposes.

Mention has been made in **Paragraph 1.1.2** of Chapter I regarding remittance of ₹8.46 crore and ₹10.28 crore to the Consolidated Fund of the State pertaining to construction of ADR Centre and renovation of Heritage Buildings respectively, out of the XIII Finance Commission Grants received. The UCs issued to Government of India included these amounts shown as expenditure. Thus, UCs issued were incorrect to the extent stated above.

The Finance Department issued a circular (December 2013) impressing upon the heads of departments, the dangers involved in not getting the UCs and requesting them to furnish the same to the Accountant General expeditiously. Subsequent to the circular, there was an improvement in the submission of UCs.

3.2 Non-receipt of information pertaining to institutions substantially financed by the Government

To identify the institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, heads of the Government Departments are required to furnish to audit every year information about the institutions to which financial assistance of ₹25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Fourteen Departments did not furnish the information pertaining to 435 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 3.2.** As could be seen from the appendix, major defaulter was the department of Education.

Circular instructions were issued by the Finance Department (December 2013) to all the Secretaries of Administrative Departments to furnish the required information to the AG (A&E) directly. However, there was no significant improvement in compliance.

3.3 Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature

Several Autonomous Bodies have been set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc*. The audit of accounts of 11 autonomous bodies in the State has been entrusted to the C&AG under Sections 19 and 20 of CAG's DPC Act 1971. These are audited with regard to their transactions, operational activities and accounts, conducting of regulatory/compliance audit, review of internal management and financial control, review of systems and procedures, *etc*.

Separate Audit Reports in respect of three autonomous bodies for the year 2013-14, six autonomous bodies for 2014-15 and one autonomous body for 2015-16 were yet to be placed before the State Legislature. The Separate Audit Report in respect of one autonomous body has not been placed since 2006-07.

The status of entrustment of audit, rendering of accounts, issuing of Audit Reports and their placement before the State Legislature is indicated in **Appendix 3.3.**

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized 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 finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood also opens the system to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the undertakings prepare and submit such accounts to the Accountant General for audit within a specified time-frame. Out of the nine undertakings which have been closed/transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 3.4.**

The Finance Department replied (December 2013) that with the online computerization of treasury and the system of drawal on treasuries by preferring bills, there appears to be no necessity for preparation of proforma accounts. The Administrative Departments of these undertakings will be instructed to examine the necessity or otherwise of maintaining of proforma accounts. The Karnataka Government Insurance Department will continue to render proforma accounts. Further development in this matter is awaited.

3.5 Misappropriations, losses, etc.

There were 32 cases of misappropriation, losses, etc., involving Government money amounting to ₹13.84 crore as at the end of 2015-16 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and the nature of these cases is given in **Appendix 3.6**. The particulars of the pending cases in each category of theft and misappropriation are given in **Table 3.2**.

Table 3.2: Profile of pending cases of misappropriations and theft

(₹ in crore)

Nature of the cases	Number of cases	Amount involved
Theft	9	0.05
Misappropriation	23	13.79
Total	**32**	**13.84**

Source: Offices of Pr.AG (G&SSA) and AG (E&RSA)

Around 92 *per cent* of the amount involved pertained to Public Works, Ports and Inland Water Transport Department (₹11.80 crore) and Revenue Department (₹0.87 crore).

3.6 Non-receipt of Stores and Stock accounts

The annual accounts of Stores and Stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly accounts of PWP and IWTD, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts has been commented upon in successive Audit Reports.

The position of arrears relating to submission of stores and stock accounts by nine Departments involving 140 offices is indicated in **Appendix 3.7**.

3.7 Abstract Contingent bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent(AC) bills, by debiting service heads and are required to present detailed contingent bills (vouchers in support of final expenditure) to the AG (A&E) through treasuries. Detailed bills aggregating ₹220.85 crore, drawn on 7,493 AC bills, were pending as at the end of March 2016, as detailed in **Table 3.3**. Controlling officers should also ensure that no amounts are drawn from the treasury unless required for immediate disbursement.

Table 3.3: Pending Abstract Contingent bills

(₹ in crore)

Year	No. of pending NDC Bills	Amount
Up to 2013-14	4,299	86.97
2014-15	1,458	42.89
2015-16	1,736	90.99
Total	**7,493**	**220.85**

Source: Finance Accounts

Most of the outstanding NDC bills relate to Major Head 2015 – Elections (1,327 bills amounting to ₹77.72 crore), Major Head 2055 – Police (109 bills amounting to ₹42.87 crore), Major Head 2406 – Forestry and Wild Life (539 bills amounting to ₹15.12 crore), Major Head 2202-General Education (1,675 bills amounting to ₹11.17 crore), Major Head 2402 – Soil and Water Conservation(259 bills amounting to ₹4.17 crore), Major Head 2235- Social Security and Welfare (561 bills amounting to ₹2.45 crore).

The withdrawal of money on an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. This impacts the fiscal indicators of the Government (Revenue surplus/fiscal deficit). Instructions were issued by the Finance Department to all Principal Secretaries/ Secretaries to Government (August 2012) for settlement of accounts within the stipulated period, failing which action would be taken to stop the salary of the DDO concerned. However, it was observed in audit that the practice of drawal of salary by DDOs, who had substantial bills pending against them continued, indicating poor compliance with the instructions of the Finance department.

PAC in its 5th Report (July 2015) has taken a serious note on this issue and stated that strict action should be taken for non-submission of NDC bills by the DDOs.

Finance Department stated (December 2016) that in Khajane-II, a system is being put in place to check whether any of the NDC bills for the previous drawn AC bill is due. In that case if any NDC bills submission exceeds the configured time, then the system will automatically stop the bill creation to ensure better controls.

3.8 Personal Deposit Accounts

The Karnataka Financial Code provides for opening of Personal Deposit (PD) accounts with permission from Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. Administrators of the accounts should intimate the Treasury Officer the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of its currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

3.8.1 Funds kept in PD Accounts

The transactions relating to PD accounts for the period 2011-12 to 2015-16 are detailed in **Table 3.4**.

Table 3.4: Funds in PD accounts

(₹ in crore)

Year	Opening Balance	Receipts/ Deposits	Withdrawals	Closing Balance
2011-12	1,472.90	2,737.35	2,732.00	1,478.25
2012-13	1,478.25	3,582.23	2,974.30	2,086.18
2013-14	2,086.18	3,782.85	3,571.93	2,297.10
2014-15	2,297.10	3,915.81	3,784.62	2,428.29
2015-16	2,428.29	6,368.39	6,061.07	2,735.61

Source: Finance Accounts

As the balances in the deposit account have been showing an increasing trend over the years, action is required to follow the provisions of the code for write back/cleaning up of balances in respect of funds which have outlived their utility.

The net closing balance mainly related to the PD accounts as mentioned in **Table 3.5.**

Table 3.5: Closing balances in PD accounts

(₹ in crore)

Sl. No	Administrators	Amount
1	Personal Deposits – General	259.66
2	Deputy Commissioners	4,907.83
3	PD Account of Money Lender & Pawn Broker	19.43
4	PD Account of Director, Department of Scheduled Tribe	200.00

Source: DDR Ledger

The Finance Department while confirming the facts stated (April/ December 2016) that out of balances in the PD accounts as on 31-03-2015, the first batch of 198 PD accounts have been identified as inoperative wherein no transactions are recorded for the past three or more years. The total of the balances outstanding in these 198 PD Accounts is ₹11.90 crore. The individual balances under these PD accounts have been verified by the concerned treasuries and a separate proposal is being submitted to Government for closure of these PD accounts and to write back the balance amounts to the Consolidated Fund of the State. Further, this process of identifying the inoperative PD accounts will be taken up periodically to write back the balance amounts to the Consolidated Fund of the State.

3.8.2 Reconciliation of Personal Deposit accounts

The purpose of PD accounts is to enable DDOs to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State. Administrators are required to close these accounts on the last working day of the year by crediting the unspent balances to the Consolidated Fund. Under the rules, Administrators of PD accounts are required to reconcile the balances of these accounts with the treasury officers (where the detailed accounts are maintained by the treasuries) and with the AG (A&E) (where the detailed accounts are maintained by the AG). Information on reconciliation of figures by the Administrators with the treasuries was not available, and none of the Administrators of the 56 PD accounts have reconciled their accounts with the AG (A&E).

As per Article 286A of Karnataka Financial Code, the State Government is required to close all PD accounts remaining inoperative for more than three years. As brought out in Notes to Accounts of Finance Accounts 2016, 22 PD Accounts (with an outstanding credit balance of ₹5.95 crore in 12 PD Accounts and debit balance of ₹1.28 crore in 10 PD Accounts) were inoperative for more than three years as on 31 March 2016 **(Appendix 3.8).** Action may be taken by administrators to analyze the balance and retention of the account and duly reconcile the balance with the accounts office before embarking upon the process of closure of accounts by writing back the transactions to the Consolidated Fund of the State.

PAC in its 5th Report (July 2015) had stated that the in-operative PD accounts should be closed and the amount outstanding in the PD accounts are to be transferred to the Consolidated Fund within three months from the date of submission of its report.

The Director of Treasuries stated that the balances under PD accounts have been verified by the treasuries and separate proposal is being submitted to the Government of Karnataka for closure of inoperative PD accounts.

3.9 Reconciliation of Receipts and Expenditure

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the AG (A&E). Reconciliation of receipts has been completed for a value of ₹1,16,826.10 crore (98 *per cent* of total receipts of ₹1,19,169.61 crore). Reconciliation of expenditure has been completed for a value of ₹1,14,523.74 crore (83 *per cent* of total expenditure of ₹1,37,741.61 crore). No reconciliation has been carried out in respect of receipts (₹59.68 crore) and disbursements (₹656.41 crore) under loans and advances. Though the percentage of reconciliation of receipts and expenditure has been improved, necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

Non-reconciliation of accounts has an impact on the assurance of the completeness and correctness of the receipts and expenditure figures depicted in the accounts. Failure to reconcile the expenditure figures by the Department may result in frauds, defalcations and over-drawals etc. remaining undetected.

PAC in its 5th Report (July 2015) had instructed the Government to take strict action on implementation of circulars issued for reconciliation of Receipts and Expenditure.

3.10 Comments on Accounts

3.10.1 Defective Budgeting resulting in excess expenditure under Demand No.29-Debt Servicing under interest and Commitment Charges

The State Government avails external aids (Loans) through the Government of India for implementation of projects through different departments of Government and autonomous institutions. Such aid is passed on to the Government Departments on back-to-back basis[7] from the lender. The repayment of loan and payment of interest thereon is through the RBI books. These re-payments are initially in the books of the Controller of Aid Accounts and Audit, GOI, which are later on passed on to the State books through the banker(RBI). These external loans carry with them commitment charges, which is the fee levied on the total committed loan amount not drawn from time to time, the rate of which is as per the relevant loan/credit agreement. These payments are reimbursed by the State Governments.

[7] Back to back basis means that the assistance is passed on as per the loan conditions of the external agency and the fluctuation in the exchange rate is to be met by the concerned State.

As per Karnataka Budget Manual 1975 and as per Article 204(3) of the Constitution, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law.

During the year 2015-16, a provision of ₹150 crore each was made towards repayment of principal and for payment of interest respectively on external loans released on back-to-back basis. With regard to payment of commitment charges, no provision was made either in the original or supplementary estimates. However, an expenditure of ₹5.35 crore was incurred during 2015-16 under the Major Head 2049-04-101-0-02-241(C/NP) for commitment charges in respect of External Loans to be released on back-to-back basis.

As commitment charge is a known liability, an estimated repayment amount/a token provision could have been included in the original/supplementary estimates as the fact of non- provision was brought to the notice of the Government in the report on State Finances for the year ended 31 March 2015 vide **Paragraph 3.10.4**. Hence, the action of the Government in incurring expenditure without budget allocation and not obtaining the provision after transactions started appearing in its books, was not in order and denotes the defective budgeting.

In reply, the Department stated (July/December 2016) that starting from budget 2017-18, efforts would be made to estimate the Commitment Charges on scientific lines or at least a token provision would be made under Major Head 2049-04-101-0-02-241 to take care of the liability.

3.10.2 Accounting of inadmissible transactions under the object head prescribed for Compensatory Cost

Comments were made in the report on State Finances, 2013-14 and 2014-15, that expenditure on Compensatory Cost with specific object head of expenditure '060' included inadmissible expenditure on components like administrative expenses, salaries, wages to contract labourers etc., while the object head was intended for recording expenditure on compensation for deficient services rendered by the Government to the public.

During the year 2015-16, a budget provision of ₹9.07 crore was made for the guarantee of services to the citizens under 060-Compensatory Cost. On a scrutiny of records, it was observed that the expenditure on Compensatory Cost included inadmissible expenditure relating to the payment of telephone charges, purchase of stationery, salaries and wages, etc., to the extent of ₹0.51 crore recorded under the functional major head 2230 – Labour and Employment.

The Finance Department had stated that orders have been issued (December 2015) to curb such drawals by DDOs and Treasury Officers and to exercise utmost care in drawal of Compensatory Cost. Despite this, inadmissible expenditure continued during 2015-16 also.

3.11 Transparency in accounts

3.11.1 Merger of expenditure relating to Secret Service with Scholarships and Incentives

A comment was made in **Paragraph 3.10.3** of the report on State Finances for the year ended 31 March 2015 relating to the Secret Service Expenditure incurred by certain departments which stood merged under the newly created object head '117 - Scholarships and Incentives'. It was stated that as this expenditure was in the form of impetus/bonus given for specific purpose to the persons concerned for specific information, the classification of this expenditure under 'Scholarships and Incentives' requires reconsideration. The department, in the Joint Entry Conference between AG and Finance Department, had stated that an arrangement would be made to ensure that no expenditure under the said object head excluding the actual Secret Service Expenditure remained unaudited under the pretext of Secret Service Expenditure.

During the current year, on a test check of contingent bills, it was noticed that an expenditure of ₹1.10 crore towards settlement of bills to a Printer towards printing and supply of question papers for Gazetted Probationers Main Examination and payment for setting up of question paper for various examinations conducted by the Karnataka Public Service Commission which were in the nature of 'Secret Services' were classified under 'Scholarships and Incentives'.

The matter was brought to the notice of the Department in April 2016. The Government, vide its circular dated 11 August 2016, directed that all the Departments which are incurring expenditure under the head '117 – Scholarships & Incentives', other than Secret Service Expenditure shall be compulsorily audited and regarding secret service expenditure, the concerned controlling officer should conduct at least once every financial year, a sufficiently real administrative audit of the expenditure incurred and furnish a certificate to the Accountant General in the prescribed form as mentioned in Rule 47(4) of MCE not later than 31 August of the following year to which it relates.

However, as on date, no such certificate from any of the controlling officers has been received. In this context, it is suggested that the possibility of opening a separate object head for secret services can be explored as followed in the case of Union Government accounts.

3.12 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once be, taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information. Debt, Deposit and Remittances (DDR) heads of account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance Accounts 2015-16 has been adversely affected by factors like (i) large number of transactions under suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under DDR heads. On a general review of the transactions, the following were observed:

a) Outstanding balances under major suspense accounts

Certain intermediary/adjusting heads of accounts known as 'Suspense heads' are operated in Government accounts to reflect transactions 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 un-cleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by AG (A&E), are indicated in **Table 3.6**.

Table 3.6: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2013-14		2014-15		2015-16	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101- Pay and Accounts office Suspense	89.58	0.58	67.40	0.70	86.90	0.68
Net	Dr. 89.00		Dr. 66.70		Dr.86.22	
102-Suspense Account(Civil)	22.95	9.47	17.93	7.35	24.29	34.42
Net	Dr. 13.48		Dr. 10.58		Cr.10.13	
110-Reserve Bank Suspense	24.91	37.80	15.44	56.20	20.20	57.56
Net	Cr. 12.89		Cr. 40.76		Cr.37.36	

Source: Finance Accounts

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs.

❖ Pay and Accounts Office (PAO) Suspense

This head is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheques/Demand Drafts from the Pay and Accounts Officer and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officer. Outstanding debit balance under this head would mean that payments have been made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed a decreasing trend in 2014-15 and an increasing trend during 2015-16. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by State Government to Central Government Civil Pensioners.

❖ Suspense Account (Civil)

Transactions where full particulars of the classification are not available, or where the relevant vouchers/schedules in support thereof are not available or where there is some discrepancy between the figures reported in the Treasury Schedules of payment/cash accounts and those appearing in the supporting vouchers, schedules, etc., constitute the major portion of outstanding under this head.

Transactions taking place at State Treasuries on behalf of Railways, Defence and P&T are also initially classified under this head, pending settlement of claims by these authorities.

The net debit balance under this head has decreased only marginally during the year. However, in so far as accounts with Railways (₹3.19 crore) and accounts with Defence (₹0.66 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance on the rest of the items on clearance.

During the year 2015-16, an amount of ₹5.34 lakh was written off by withdrawal of debit from Suspense HOA 8658-00-102-OBS and debited the same to HOA 2071-00-800-0-02-251- Write off of loss due to fraudulent payment of defence pension. It was a case of drawal of defence pension at DTO, Kalaburagi, during 1997 which was booked initially under PAO-Suspense-Transactions adjustable by CDA(P)-Allahabad. But CDA(P) had disallowed the amount in 2004 and the same was lying under the suspense head since then. The Government, vide order dated 19.02.2016, has decided to write off the amount as this could not be recouped.

❖ Reserve Bank Suspense, Central Accounts Office

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the Reserve Bank of India. This head is cleared by transferring the amount to the final head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transaction which gets settled through this suspense head are grants/loans received from the Government of India and their repayments, discharge of securities and interest paid thereon by the Public Debt offices of RBI, and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments.

During 2015-16, the credit balance under this head was ₹37.36 crore, which was a decrease of ₹3.40 crore over the previous year, indicating that corresponding clearances had not been made by the concerned Pay and Accounts Offices for the above amount.

b) Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. As revealed by Finance Accounts for the year 2015-16, adverse balance of E- Public Debt amounting to ₹117.62 crore (Major Head 6003-Internal Debt- debit) was on account of credits of the direct release of loans by National Co-operative Development Corporation (NCDC) to loanee entities without routing these loans through the Consolidated Fund of the State, while repayments are made through the Consolidated Fund. In respect of the adverse balance of ₹ 23.66 crore - debit (Major Head 6004- Loans and Advances from Central Government) was on account of write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as at 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, Government of India. In respect of loans and advances, the adverse balance was ₹224.70 crore which was on account of non-reconciliation/misclassification in accounts.

3.13 Conclusion

Detailed bills against abstract contingent bills have been found wanting for a long period and large sums of money were being retained in PD Accounts thereby going against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 17 *per cent* of the total expenditure and 2 *per cent* of total receipts respectively. There were adverse balances under certain accounts in Consolidated Fund heads, which required remedial action for clearance. Suspense Accounts needs speedy clearance by taking up the matter with the concerned authorities as they have a bearing on cash balance of the Government.

3.14 Recommendations

- ***Accounting reforms by introducing separate object heads to capture data on salary/non-salary items of expenditure in respect of the maintenance, salary expenditure of the staff of Panchayat Raj Institutions, as recommended by the Finance Commission, are required to be undertaken.***
- ***Immediate steps need to be taken for review of status of PD accounts and closure of inoperative ones.***
- ***Review of suspense heads needs to be done to bring the transactions to the final heads in the accounting year itself.***

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