

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 and Accounts Rules (GF&AR), envisages that for the grants provided for specific purpose, Utilization 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, 112 UCs aggregating to ₹ 11.93 crore were outstanding in respect of grants paid during the period 1997-98 to 2014-15. 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 **Table 3.1**:

Table 3.1: Outstanding Utilisation Certificates

Range of Delay in number of years	Utilisation Certificates outstanding as on 30 June 2016	
	Number	Amount
0-1	25	0.32
1-3	39	4.92
3-5	29	2.08
5-7	14	3.37
7 and above	05	1.24
Total	112	11.93

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

Almost 96 per cent of the outstanding amount of UCs mainly pertained to Science and Technology Department (105 UCs: ₹ 7.65 crore) and Family Welfare Department (3 UCs: ₹ 4.17 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 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 146 autonomous bodies/authorities, 108 annual accounts in respect of 57 autonomous bodies/authorities due upto 2014-15, had not been submitted as of June 2016. The details of the pendency in submission of accounts in respect of the bodies and authorities who received grants during preceding years by 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	31	483.58	699.74
1-3 years	22	312.15	190.24
3-5 years	02	22.36	15.76
More than 5 years	02	0.79	1.00
Total	57	818.88	906.74

It would be seen from the above table that delays in submission of accounts by 24 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, the manner in which the sanctioned grant was utilised, specifically on the issues of diversion and misutilisation.

3.3 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 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 2016, out of 10 only seven undertakings have prepared and submitted their accounts up to 2014-15. The department-wise position of preparation of *pro forma* accounts and investment made by the Government is given in **Appendix 3.3**.

3.4 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.

State Government reported 902 cases of misappropriation (329) and theft/loss (573) of government money amounting to ₹ 62.37 crore under various departments up to 31 March 2016, on which final action was pending (June 2016). 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	231	24.67	Theft/loss of material	573	13.74
5-10	199	17.96	Misappropriation/ embezzlement	329	48.63
10-15	202	9.77			
15-20	128	5.25			
20-25	73	1.76	-	-	-
25 and above	69	2.96	-	-	-
Total	902	62.37	Total pending cases	902	62.37

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	298	25.31
Awaiting orders for recovery/write off	535	32.06
Pending in the courts of law	69	5.00
Total	902	62.37

Source: Information received from the Departments

3.5 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 2015-16 an amount of ₹ 22,996.30 crore was transferred to/deposited in Personal Deposit (PD) Accounts, which comprised 17.9 *per cent* of total expenditure (₹ 1,28,224 crore). Out of this, a sum of ₹ 3,522.60 crore was transferred to/deposited to PD Account only in March 2016 and ₹ 534.91 crore was transferred in last three working days of March 2016. Transfer of significant amount during last days of March indicate inadequate budgetary control.

The position of the PD Accounts of the GoR as on 31 March 2016 was as under:

(₹ in crore)					
Particulars	Number of Accounts	Opening Balance (as on 01 April 2015)	Receipt	Disbursement	Unspent Amount (as on 31 March 2016)
Operative PD Accounts	1,468	2,838.65	22,996.33*	22,293.51	3,541.47
Inoperative PD Accounts (for more than five years)	12	0.20	0.95	0.20	0.95
Total	1,480	2,838.85	22,997.28	22,293.71	3,542.42

* Including sum of ₹ 0.03 crore transferred from inoperative PD Account.

There were unspent balances of ₹ 3,542.42 crore (1,480 PD accounts) included ten¹ PD accounts having balances of ₹ 100 crore and above, constituting ₹ 1,792.25 crore (50.6 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 major deficiencies:-

(1) Inoperative PD Accounts

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.

As of 31 March 2016, total 12 PD Accounts having sum of ₹ 95.36 lakh (**Appendix 3.6**) remained inoperative for the last five years (2011-16). Out of these, three PD Accounts² had significant balance. The Treasury Officer,

¹ (a) M.D. & F.A. Raj State Road Development & Construction Corporation Ltd., Jaipur (Sectt.) (₹ 205.24 crore), (b) Rajasthan Urban Infrastructure Finance Development Corporation (RUIFDCO), Jaipur (Sectt.) (₹ 555.78 crore), (c) Rajasthan Rajya Uchchatar Shiksha Parishad, Jaipur (₹ 114.00 crore), (d) M.D. RAJ COMP INFO Services Ltd. Jaipur (Sectt.) (₹ 178.23 crore), (e) Director/ Commissioner/Dy. Development Commissioner, Rural & Panchayati Raj Department, Jaipur (Sectt.) (₹ 116.08 crore), (f) Rajasthan State Health Society, Jaipur (Sectt.) (₹ 110.52 crore), (g) Rajasthan Medical Services corporation Ltd. Jaipur (Sectt.) (₹ 102.56 crore), (h) Indira Avas Yojana, Jaipur (Sectt.) (₹ 124.93 crore), (i) Rajasthan Mission on skill and Livelihoods (RMOL), Jaipur (Sectt.) (₹ 103.31 crore) and (j) Commissioner, TAD, Udaipur (₹ 181.60 crore).

² Director, Social welfare and Officiating Secretary, Rajasthan Residential Educational Institute Society, Jaipur (Secretariat): (₹ 70.00 lakh); Rajasthan Civil Aviation Corporation Ltd., Jaipur (Secretariat): (₹ 12.27 lakh) and Dy. Director, Child Development, Department, Jalore : (₹ 4.47 lakh).

Jaipur (Secretariat) and Treasury Officer, Udaipur intimated that the proposals have been forwarded to Finance (Ways and Means) department for closure of inoperative accounts of Rajasthan Civil Aviation corporation Ltd., Jaipur, Rajasthan State Mines and Minerals Ltd., Jaipur, Rajasthan Residential Educational Institutions Society, Jaipur and District Collector, Small Saving, Udaipur (city) respectively.

(2) Drawal of money from PD Account despite negative balance

According to Rule 264(1) (iii) of GF&AR, payment shall not be allowed to exceed the balance at credit in the deposit account. However, during 2015-16, a sum of ₹ 20.45 lakh was found as minus balance in PD Account of Dy. Conservator of Forest (DFO), Churu (A/c No. 2870). Treasury officer, Churu informed (July 2016) that there was no negative balance in this PD account, while Dy. Conservator of Forest stated (August 2016) that though account showed minus balance but in actual there was no negative balance. However, PAG (A&E) requested Treasury Officer, Churu from time to time for reconciliation of this negative balance. The fact remains that this PD Account showed minus balance, whatsoever the reason be, and matter warranted serious efforts for proper reconciliation.

The matter was referred to the State Government (September 2016), and reply was awaited.

3.6 Booking under Minor Head “800-Other Expenditure”

As the crucial component of a transparent system of accounting the forms of account 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 2015-16 of Government of Rajasthan disclosed that ₹ 7,776.23 crore, comprising 6.06 *per cent* of the total expenditure (Revenue and Capital) recorded under 56 Major Heads of Accounts (representing functions of the Government) were classified under the Minor Head ‘800-Other Expenditure’.

The major schemes 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 scheme	Amount
1.	Capital Outlay on Roads and Bridges	1,925.45
2.	Investment subsidy under Taxes on Sales, Trade etc	473.55
3.	Major irrigation projects under IGNP	460.57
4.	District and other roads	359.54
5.	Capital outlay on other General Economic Services	303.58
6.	National Agriculture Development Project	282.99
7.	Interest Grant to good loanees of Cooperatives under Cooperation	260.04
8.	Major irrigation projects under Narbada Project	223.22
9.	Fund release to Local Bodies	150.11
10.	Public Health Insurance	149.56
11.	Capital Outlay on Crop Husbandry	122.39

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, yet large amounts booked under the Minor Head '800-Other Expenditure' affect transparency in financial reporting.

3.7 Book Adjustments

In general, the Accounts of State represents the actual cash receipts and disbursements during the accounting period. However, during 2015-16, book adjustments involving ₹ 11,147.45 crore in 63 items³ 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, transfer of Central and State share to State Disaster Response Fund, Interest on the balance of State Provident Fund, Interest on Capital Expenditure on Irrigation Projects, adjustment of Interest on the balance of Workmen's C.P.F., transfer of Cess to the State Road and Bridge fund and Guarantee Fees transfer to the Guarantee Redemption Fund.

3.8 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), Rajasthan.

³ Details of the items are given in the Notes to Account (Annexure 'A') of Finance Accounts (Volume-I) Government of Rajasthan-2015-16.

During 2015-16, hundred per cent reconciliation of (i) total expenditure of ₹1,69,785.79 crore (net) by 415 Controlling Officers and (ii) total receipts of ₹1,00,309.46 crore (including Miscellaneous Capital Receipts) by 160 Controlling Officers, was done.

3.9 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.

The ledger of suspense balances is to be maintained by Pay and Accounts Office (PAOs) in 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 ₹ 50.15 crore (credit) as on 31 March 2016. This shows an increase by ₹ 23.47 crore from ₹ 26.68 crore (Credit) in 2013-14. The increase was mainly under Suspense Account (Civil) (₹ 42.45 crore) which was counterbalanced by decrease in net credit balances under Pay and Accounts (suspense) (₹ 15.90 crore) in 2015-16 in comparison to 2013-14.

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 3.7**.

3.9.1 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 2016, the outstanding debit balance under this head was ₹ 42.12 crore and the credit balance was ₹ 0.51 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	32.91	0.01
2.	PAO (National Highways) Ministry of Road, Transport and Highways, Jaipur	7.77	0.05
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	-	0.18
5.	PAO (Legal Affairs) Ministry of Law and Justice and Supreme Court of India, New Delhi	0.94	0.26

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 2016. The debit and credit balance under "PAO suspense" and their continuous accumulation indicated significant control deficiencies.

3.9.2 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 2016 was ₹ 1.58 crore (Debit) and ₹ 42.00 crore (Credit) indicating the net receipt and expenditure of ₹ 40.42 crore. The details of outstanding balances mainly with "Suspense Account (civil)" are summarised below:

(₹ in crore)

Sl. No.	Name of Department	Amount	
		Debit	Credit
1.	Treasury Suspense	-	42.00
2.	House Building Advance Suspense under Postal Accounts	0.63	(-) 0.02
3.	Controller of Defence Accounts (Pension), Allahabad	0.60	0.01
4.	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 ₹ 0.94 crore (Debit) and ₹ 0.01 crore (credit) 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.

3.9.3 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 (-) ₹ 1.25 crore (Credit) as on 31 March 2016 under this minor head for want of adjustment of Store Purchase. The uncleared credit balance indicates lack of significant controls in the Government.

3.10 Conclusions and Recommendations

Non-submission of Utilisation Certificates of ₹ 11.93 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 amount, were noticed during test check in Science and Technology Department (₹ 7.65 crore) and Family Welfare Department (₹ 4.17 crore).

Issues holding up submission of Utilisation Certificates should be identified to ensure their submission within the time stipulated.

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. Accounts of 57 autonomous bodies/authorities, auditable under section 14 of CAG's (DPC) Act 1971, were in arrears for the last one to eight years.


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.

Out of 902 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 62.37 crore, departmental and criminal

investigation was awaited in 298 cases involving ₹ 25.31 crore. Further, orders for recovery/write off in 535 cases involving ₹ 32.06 crore were also awaited.

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 02 January 2017


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Countersigned

NEW DELHI,
The 05 January 2017


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India