

A sound financial reporting with relevant, reliable and timely information contributes to efficient and effective governance by the State Government and is important for the Government in meeting its basic stewardship responsibilities, strategic planning and appropriate decision making. It also forms the basis of sound internal controls. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives applicable to financial reporting during the year 2016-17.

### 3.1 Delay in furnishing utilisation certificates

The Gujarat Financial Rules, 1971<sup>1</sup> read with General Financial Rules, 2005<sup>2</sup> provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be submitted within 12 months of the closure of the financial year by the institution or organisation concerned to the related Head of Department and after verification, these should be forwarded to the Accountant General. However, 3,586 UCs aggregating ₹ 2,140.41 crore due in respect of grants paid during the period 2001-02 to 2015-16, were outstanding as on 31 March 2017. The age-wise position of pendency of UCs is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of utilisation certificates**

Sl. No.	Pendency in number of years	Utilisation certificates outstanding	
		Number	Amount
1.	1-2	592	942.45
2.	2-4	215	552.47
3.	4-6	157	166.50
4.	6-8	64	250.96
5.	8 and above	2558	228.03
	<b>Total</b>	<b>3586</b>	<b>2140.41</b>

Source: Information compiled by Accountant General (A&E), Gujarat

Of the total amount of outstanding UCs, 41 *per cent* amounting to ₹ 870.23 crore pertained to the Urban Development and Urban Housing Department while 18 *per cent i.e.* ₹ 383.13 crore pertained to Industries and Mines Department. Further, 3,337 UCs aggregating ₹ 10,134.13 crore in respect of grants disbursed during 2016-17 (pending as on August 2017), will become due for submission by 31 March 2018. The Department-wise pendency of UCs in respect of grants paid up to 2015-16 has been given in **Appendix 3.1**.

<sup>1</sup> Rule 154 and 155

<sup>2</sup> Rule 212

### **3.1.1 Review of utilisation certificates in Education Department**

As per the Gujarat Financial Rules, 1971<sup>3</sup>, Administrative Departments may sanction grants-in-aid (GIA) to an institution or body, subject to the condition that the sanction is in accordance with the Rules or principles prescribed in these rules or prescribed with the previous consent of the Finance Department (FD). As per Note (ii) below Rule 155 of the Gujarat Financial Rules, “Utilisation certificate of grants-in-aid should be furnished in every case of grant paid for specific purpose even if no conditions are specifically attached to the grant”. The competent officer should furnish the UC within 12 months of the closure of the financial year to the Head of the Department concerned.”

With a view to ascertaining whether the rules relating to release of GIA and submission of UCs were adhered to, Audit test-checked the records of the Education Department (ED), Government of Gujarat, Gandhinagar and nine Controlling Officers<sup>4</sup> (COs) in the ED for the period 2014-17.

Audit observed that the ED transferred the GIA on-line to these nine COs through Integrated Financial Management System without any specific conditions attached. No separate sanction orders with conditions were issued. The ED informed Audit that the utilisation certificates would be collected by the COs.

The systems in place for release of funds and follow-up actions taken by the various COs are discussed in the succeeding paragraphs.

#### **Commissioner of Schools, Gandhinagar**

##### **3.1.1.1 Excess release of GIA to Bal Bhavan**

*Bal Bhavan*, Rajkot, a GIA institution covered under Saurashtra Grant-in-Aid Code, 1954 (Code), receives GIA from Commissioner of Schools. As per the provision envisaged in the Code, the institution was entitled for maximum financial assistance of 50 *per cent* of the expenditure incurred on admissible items. As per the conditions mentioned in sanction orders, GIA was to be released to *Bal Bhavan* subject to submission of monthly expenditure statements by the grantee by 10<sup>th</sup> of succeeding month.

As per Rule 56 of the Code, the inspection of the grantee institution was to be conducted every year by the officer nominated by Commissioner of Schools to ensure operation of the institution as per the Code after which the demand for GIA was to be sent by the institution.

The Commissioner of Schools could not provide the monthly expenditure statements to Audit for examination. Inspection of *Bal Bhavan* accounts conducted (April 2017) by the CO for the years 2014 to 2017 revealed that

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<sup>3</sup> Rule 153

<sup>4</sup> Commissioner of Schools; Director of Gujarat Council of Education Research and Training (GCERT); State Project Director of *Sarva Shiksha Abhiyan* (SSA); Director of Primary Education (DPE); Director of Mid-Day Meal (MDM); Director of Literacy and Continuing Education (DLCE); Commissioner of Higher Education; Commissioner of Technical Education; and Director of National Cadet Corps (NCC)

against the total entitlement of GIA of ₹ 2.31 crore during 2010-11 to 2015-16, GIA of ₹ 4.14 crore was released, implying excess GIA of ₹ 1.63 crore.

The ED (July 2017) stated that the excess GIA would be adjusted against next ad-hoc grant. Evidently, the system of internal controls in ED was weak as it failed to enforce submission of monthly expenditure statements and carry out regular inspections.

### **Director of Gujarat Council of Education Research and Training**

#### ***3.1.1.2 Distance Mode Education Programme***

Distance Mode Education Programme (DMEP) is mainly aimed at providing access to experts in Mathematics, Science and English to primary students of class 6 to 8 studying in rural areas through teleconferencing, use of information technology and arranging educational visit to Gandhinagar and Ahmedabad.

The ED released GIA of ₹ 1.50 crore to Gujarat Council of Education Research and Training (GCERT) for DMEP during 2016-17. As per sanction conditions, the GIA was not be spent for any purpose other than the activities envisaged in DMEP and unspent balance, if any, was to be surrendered to ED at the end of the year.

Audit observed that GCERT parked (November 2016) ₹ 0.95 crore of ₹ 1.50 crore with Gujarat State Financial Services Limited (GSFS) and the same was shown as spent in the cash book. Of the remaining ₹ 0.55 crore, GCERT spent only ₹ 0.49 crore during 2016-17 for which no UCs were submitted to ED.

The GCERT stated (June 2017) that funds were parked in GSFS in accordance with the instructions of Finance Department and the unspent balance of ₹ 0.06 crore was surrendered (May 2017) to ED.

### **Director of Primary Education**

#### ***3.1.1.3 Free Text Books Scheme***

The State Government has a Scheme of distributing text books, free of cost, to the students studying in Primary school (class 1 to 8) run by *Jilla Shikshan Samiti* and *Nagar Shikshan Samiti* of the State. The Director of Primary Education (DPE) is the nodal agency to incur expenditure under this Scheme for books printed through Gujarat State Board of School Textbooks (GSBST).

During 2014-17, DPE released ₹ 303 crore to GSBST under the Scheme. Audit observed that GSBST submitted UCs for entire ₹ 303 crore received during 2014-17 at one go in June 2017, instead of submitting the UCs year-wise. Further, an unspent balance of ₹ 7.37 crore (pertaining to year 2016-17) remained with the GSBST (June 2017) and was not surrendered.

#### ***3.1.1.4 Biometric Attendance System***

To increase literacy rate in tribal areas of the State by ensuring 100 per cent enrolment of children, the State Government introduced biometric attendance

in schools from 2006-07. The DPE received GIA of ₹ 74.21 crore during 2014-16 and the same was released to Gujarat State Tribal Development Residential Education Society (GSTDRES).

It was observed that GSTDRES did not submit any UC till June 2017. The DPE stated (June 2017) that UCs would be obtained from the GSTDRES as early as possible but did not furnish any reasons for not obtaining the UCs.

#### **3.1.1.5 GIA given to District Development Officers**

The DPE releases the District Development Officers (DDOs) of various districts grants for promotion of education amongst educationally backward classes. The grant is provided to meet expenditure on pay and allowances, maintenance and food bill expenses in school hostels. During 2014-17, DPE released ₹ 1.20 crore to the DDOs without collecting the UCs for previous years.

### **Director of Literacy and Continuing Education**

#### **3.1.1.6 Saakshar Bharat assistance and its account maintenance**

The National Literacy Mission Authority approved (December 2009) a proposal of the State Literacy Mission Authority, Gujarat (SLMA) for implementation of *Saakshar Bharat* programme in 13 of 33 districts. The programme had four broader objectives, namely imparting functional literacy and numeracy to non-literates; acquiring equivalency to formal educational system; imparting relevant skill development programme; and promote a learning society by providing opportunities for continuing education. The expenditure was to be shared between the Central and the State Governments (75:25). As per sanction, the subsequent instalment of GIA was to be released only after receipt of expenditure statement to the extent of 75 per cent of the grants released both by Central and State Governments in earlier instalment(s) and submission of physical progress reports by SLMA. Since the inception of the Scheme in 2009-10 up to 2016-17, SLMA received ₹ 118.77 crore (Central and State's share including interest) of which, it spent ₹ 72.63 crore, leaving an unspent balance of ₹ 46.11 crore at the end of March 2017.

Audit observed that the funds were released to SLMA even as 75 per cent of expenditure was not incurred in four of eight years. Further, the unspent balance of ₹ 46.11 crore included ₹ 10.82 crore received during 2009-10 as non-recurring grant from GoI for creating infrastructure for Adult Education Centres. However, this unspent balance was used for other purposes such as, paying honorarium to *Preraks*.

Director of Literacy and Continuing Education (DLCE) stated (June 2017) that the funds could not be utilised due to delay in decision-making regarding mode of purchase, deficiency in enrolment of learners and shortage of regular staff.

## Commissioner of Higher Education

### 3.1.1.7 Poor utilisation of grants-in-aid and parking of funds

Knowledge Consortium of Gujarat (KCG), a Society registered under the Societies' Registration Act, 1860 provides a robust platform for the extensive sharing and dissemination of knowledge across all stakeholders of education in general and higher education in particular and connects all universities, colleges, research institutions and libraries of the State with national and international knowledge networks. The KCG receives GIA from the Commissioner of Higher Education for implementing various Schemes.

As on 01 April 2014, KCG had an opening balance of ₹ 103.50 crore. During 2014-17, it received ₹ 857.85 crore from the Commissioner of Higher Education of which, it spent ₹ 460.21 crore (54 per cent) and had an unspent balance of ₹ 596.25 crore at the end of March 2017, which included an interest element of ₹ 95.12 crore received on the funds parked with GSFS during the same period. As on 31 March 2017, funds amounting to ₹ 500.69 crore were parked with GSFS.

Director, Higher Education attributed (July 2017) low spending and parking of funds with GSFS to non-receipt of instructions from ED in case of some Schemes, less number of applicants under Chief Minister Scholarship Scheme and *Mukhyamantri Yuva Swavalamban Yojana* and slow progress of work under *Rashtriya Uchchar Shiksha Abhiyan*.

### 3.1.1.8 Unadjusted advances

During 2016-17, KCG disbursed ₹ 14.24 crore as financial assistance to 234 colleges and universities for implementation of 16 programmes<sup>5</sup>. Of ₹ 71.31 crore (including an opening balance of ₹ 57.07 crore) available with these educational institutions, only ₹ 4.92 crore was spent, leaving an unutilised balance of ₹ 66.39 crore at the end of March 2017. Further, these institutions were not submitting UCs in the prescribed format and there appeared to be no mechanism with KCG to certify that GIA was used for the intended purposes.

The Director, Higher education stated (July 2017) that advances remained unadjusted mainly because the colleges and universities had submitted UCs very late and grants were released to KCG at the end of the financial year.

## Conclusion

The Education Department, Government of Gujarat transferred funds to the Controlling Officers online via Integrated Financial Management System,

<sup>5</sup> All India Survey on Higher Education (AISHE); All round excellence activities- Saptadhara; Housekeeping, Cleaning & Maintenance; Life skill workshop – Udisha; New courses; National Mission on Education through ICT (NMEICT); Swami Vivekanand Birthday Garden; Furniture & equipment; Mukhyamantri Yuva Swavalamban Yojana (MYSY); Placement Grant – Udisha; Security services; World class universities; Technical Education Quality Improvement Programme (TEQIP); University renovation & maintenance; Electricity deposit with Torrent Power ; and Roads and Buildings

without any conditions attached to it. No separate sanction orders with conditions were being issued. The Department did not have any proper mechanism to monitor the utilisation of funds, submission of UCs by the grantees, check on incorrect or inadequate financial reporting, non-surrender of unspent grants by the grantees, *etc.* Huge amounts of grants provided for implementation of the programmes had been parked with Gujarat State Financial Services Limited and in some cases, funds lay idle due to non-receipt of clear instructions from Education Department for utilisation.

High pendency of Utilisation Certificates was fraught with the risk of misappropriation and fraud.

### **3.2 Non-receipt of information pertaining to bodies/authorities substantially financed by the Government**

Under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State, the Comptroller and Auditor General of India (C&AG) shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and report on the receipts and expenditure audited by him.

Under Section 15 of the CAG's (DPC) Act, 1971, where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State to any authority or body, the C&AG shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which grants or loans were given.

In order to identify institutions which attract Audit under Sections 14 and 15 of the CAG's (DPC) Act, the Government/Heads of Department (HsOD) are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which assistance was given, and the total expenditure of the institutions. The Regulations on Audit and Accounts, 2007 provide that the Governments and HsOD which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year 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 purpose for which the assistance was sanctioned, and (b) the total expenditure of the body or authority.

On taking up the issue with the State Government, only two<sup>6</sup> of 26 Departments furnished the details of grants-in-aid given to various bodies and authorities during 2016-17. Based on this, two new bodies/authorities<sup>7</sup> under these two Departments were identified for Audit. In the absence of information from 24 Departments, reasonable assurance to that extent could not be provided to the Legislature/Government about the manner in which the grants

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<sup>6</sup> Agriculture and Co-operation Department; and Industries and Mines Department

<sup>7</sup> Gujarat Livestock Development Board; and Industrial Extension Cottage



sanctioned/released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

### 3.3 Non-submission/delay in submission of accounts by autonomous bodies/authorities

There are 195 autonomous bodies/ authorities covered by Section 14 of the CAG's (DPC) Act, 1971. These are audited with regard to their transactions, operational activities and accounts, review of systems/procedures, internal controls, *etc.*

A total of 156 accounts (including accounts of earlier years) relating to 83 bodies/authorities were audited during the year 2016-17. However, 664 annual accounts of 194 autonomous bodies/ authorities due up to 2016-17 were not received as on 31 July 2017 by the offices of Accountant General (Economic and Revenue Sector Audit) and the Accountant General (General and Social Sector Audit).

The details of such accounts are given in **Appendix 3.2** and their age-wise pendency is shown in **Table 3.2**.

**Table 3.2: Age-wise arrears of annual accounts due from Government bodies**

Sl. No.	Pendency in number of years	No. of the bodies/authorities
1.	Less than one year	63
2.	1-3	59
3.	3-5	45
4.	5-10	12
5.	Above 10	15
<b>Total</b>		<b>194</b>

Source: Information compiled by O/o Accountant General (E&RS Audit) and O/o Accountant General (G&SS Audit), Gujarat

**Table 3.2** above shows that the accounts of 27 autonomous bodies/authorities were in arrears for more than five years. Of these, the accounts of Gujarat University, Ahmedabad were in arrears since 1999-2000 while accounts of *Akshar Purushottam Arogya Mandir*, Vadodara and Institute of Kidney Diseases & Research Centre Ahmedabad were in arrears since 2004-05. In the absence of annual accounts, the accounting/utilisation of the grants and loans disbursed to these bodies/authorities could not be verified by Audit.

### 3.4 Delay in submission of accounts/placement of separate audit reports of autonomous bodies

Several autonomous bodies have been set up by the State Government in the fields of development, housing, *etc.* These bodies attract audit under Section 19(2), 19(3) and 20(1) of the CAG's (DPC) Act, 1971. The accounts of 56 such autonomous bodies in the State are audited by the C&AG. These are audited with regard to their transactions, operational activities and accounts, review of systems and procedures, internal management and financial controls, *etc.* The separate audit reports (SARs) in respect of each of the 56 autonomous bodies

are required to be submitted to the Government while 32 of 56 SARs are required to be placed in the Legislature. However, none of the bodies had rendered (August 2017) the accounts for the year 2016-17. The period of delay in respect of accounts not submitted to Audit up to August 2017 ranged from two months to 110 months. The details of pendency of accounts and the periods of delay<sup>8</sup> in respect of such autonomous bodies are shown in **Appendix 3.3**.

The details of delay in submission of accounts of autonomous bodies to Audit and the delay in placement of SARs in the Legislature in respect of these autonomous bodies after audit are provided in **Table 3.3**.

**Table 3.3: Delay in Submission of accounts and tabling of separate audit reports**

Period of delay in respect of accounts not submitted to Audit up to August 2017 (in years)	Number of autonomous bodies	Delay in placement of last SAR in Legislature (in years)	Number of autonomous bodies
1 year	37	Up to 1 year	9
2 years	10	1 – 2 years	7
More than 2 years	9	More than 2 years	4
<b>Total</b>	<b>56</b>	<b>Total</b>	<b>20</b>

Source: Information compiled by offices of Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

One autonomous body (Ambaji Area Development Authority) did not submit the accounts since its inception in 2008-09.

### 3.5 Failure to account for amounts drawn on abstract contingent bills

As per Rule 211 of the Gujarat Treasury Rules, 2000, the drawing officers are required to furnish the detailed contingent (DC) bills in respect of all abstract contingent (AC) bills within three months from the date of drawal of AC Bills to the Accountant General (Accounts & Entitlements).

Audit observed that the State Government did not furnish (July 2017) DC bills in respect of 8,442 AC bills amounting to ₹ 494.85 crore, drawn up to March 2017. Year-wise details of outstanding DC bills are given in **Table 3.4**.

**Table 3.4: Pendency in submission of detailed contingent bills**

Year	Outstanding DC bills	Amount of DC bills
Up to March 2015	2727	155.92
2015-16	683	42.26
2016-17 <sup>9</sup>	5032	296.67
<b>Total</b>	<b>8442</b>	<b>494.85</b>

Source: Finance Accounts of Gujarat Government for the year 2016-17

<sup>8</sup> Accounts are to be submitted by concerned autonomous body within three months of the closure of the financial year (30 June every year)

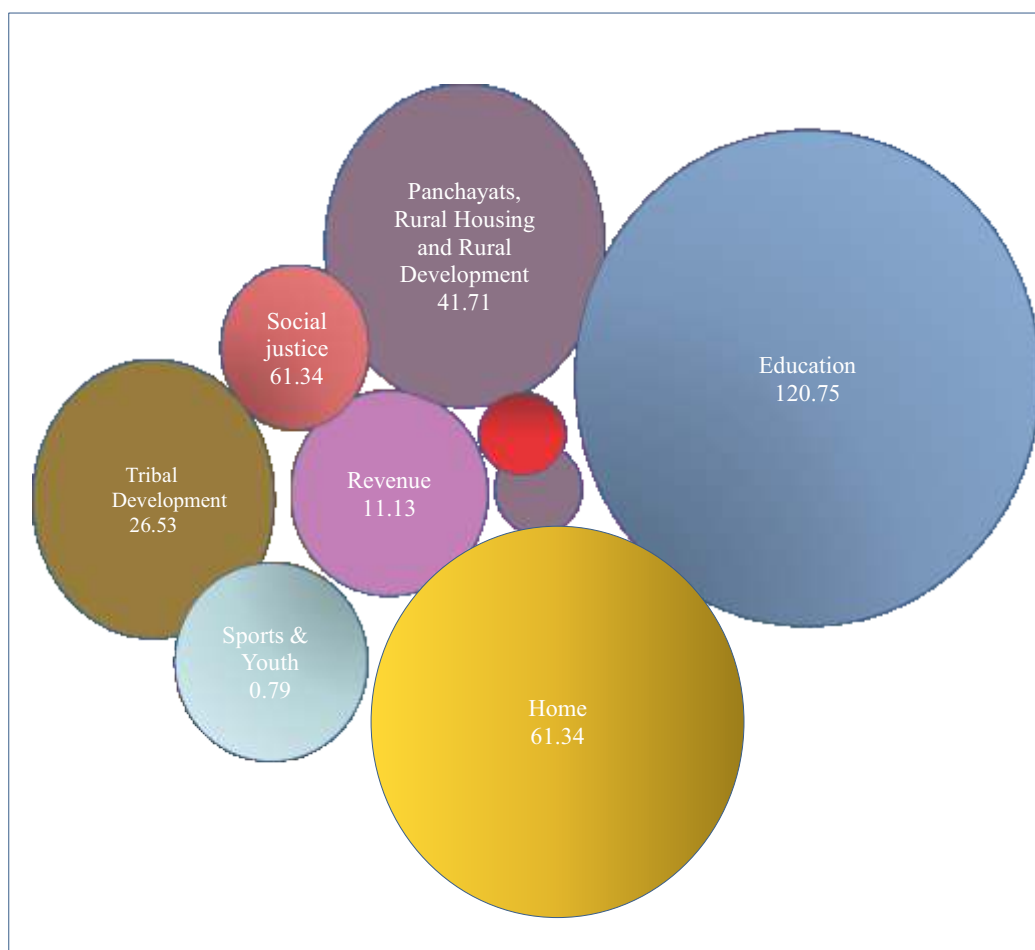
<sup>9</sup> Includes 3,310 AC bills amounting to ₹ 177.21 crore were drawn during 2016-17 but were not due for submission during 2016-17



As evident from the **Table 3.4**, DC bills amounting to ₹ 155.92 crore (32 per cent) were pending for more than two years. A large number of DC bills were pending from Education Department (3,783 AC bills amounting to ₹ 120.75 crore); Panchayat, Rural Housing and Rural Development Department (1,436 AC bills amounting to ₹ 41.71 crore); and Social Justice and Empowerment Department (673 AC bills amounting to ₹ 61.34 crore). Some of the major Departments where large number of DC Bills were pending are depicted in **Chart 3.1** below:

**Chart 3.1 Departments having significant pendency of DC Bills**

(₹ in crore)



During 2016-17, of the 12,329 AC bills (₹ 635.25 crore) drawn, 2,157 AC bills (₹ 205.82 crore) were drawn during March 2017 while 109 AC bills (₹ 18.08 crore) were drawn on the last day of the financial year. Of the ₹ 18.08 crore, significant amounts were drawn by the Home Department (23 AC bills amounting to ₹ 13.71 crore); Ports and Transport Department (One AC bill amounting to ₹ 1.40 crore); Panchayat, Rural Housing and Rural Development (21 AC Bills amounting to ₹ 0.86 crore); and Sports, Youth and Culture Department (19 AC bills amounting to ₹ 0.79 crore).

Along with the audit of Grant No.02 (Agriculture) and Grant No. 102 (Urban Development and Urban Housing) reported in Chapter II of this report, the audit of drawal, utilization and submission of AC/DC bills in these Departments was also taken up. For this purpose, Audit selected three Departmental units/offices

under Agriculture Department and one office under Urban Development and Urban Housing Department. The findings based on test-checks are summarized below:

### **3.5.1 Delay in submission of detailed contingent bills**

The quantum of delay in furnishing DC bills by the four offices under Agriculture Department and Urban Development and Urban Housing Department during 2016-17 is shown in **Table 3.5**.

**Table 3.5: Quantum of delay in submission of DC bills**

Sl. No.	Name of the Office	No. of DC bills submitted with delay	Period of delay	Reasons for delay
1.	Agriculture, Farmers Welfare & Co-operation Department, Gujarat, Gandhinagar	02 (out of 09 DC bills test-checked)	33 and 144 days	No reasons were furnished by the office concerned.
2.	Office of the Accounts Officer Commissioner of Fisheries, Gandhinagar	06 (out of 12 DC bills test-checked)	34 to 80 days	No reasons were furnished by the office concerned.
3.	Office of the Dy. Director, Integrated Poultry Development Block, Surat	02 (out of 10 DC bills test-checked)	15 and 23 days	No reasons were furnished by the office concerned.
4.	Urban Development and Urban Housing Department	02 (out of 02 DC bills test-checked)	144 days	No reasons were furnished by the office concerned.

Source: Information furnished by four offices

It was further observed that office of the Deputy Director, Integrated Poultry Development Block, Surat (refer Sl. No. 3 of **Table 3.5** above) had drawn 10 AC bills amounting to ₹ 4.60 lakh for purchasing diesel for vehicles. However, ₹ 2.25 lakh of ₹ 4.60 lakh was spent for other purposes such as, electrical items, stationery, photocopy charges *etc.*

The Deputy Director, Integrated Poultry Development Block informed (January 2018) that the matter would be taken up with the Joint Director (Animal Husbandry) and Audit would be informed accordingly.

Significant expenditure against AC bills in March indicated that drawal was primarily to exhaust the budget provisions and revealed inadequate budgetary control. Non-submission of DC Bills within prescribed time breaches financial discipline and entails risk of misappropriation and fraud.

## **3.6 Personal deposit accounts**

A personal deposit account (PD Account) is a device intended to facilitate the administrator thereof to credit receipts into and effect withdrawals directly from the treasury account for a specific purpose. The administrators thereof shall only be Government officers acting in their official or any other capacity. Every PD

account so authorised to be opened will form part of the Government account and be located in the public account portion thereof.

There were 478 PD accounts in operation in district treasuries with a closing balance of ₹ 395.27 crore as on 31 March 2017. During 2016-17, ₹ 1,378.19 crore was credited to PD accounts from the Consolidated Fund of the State and expenditure of ₹ 1,393.76 crore was incurred therefrom. Of these 478 PD/PL accounts, 23 PD accounts having a balance of ₹ 2.02 crore were inoperative.

Of the 33 treasuries in the State, all PD accounts were reconciled by the administrators in respect of 32 treasuries and the administrator of one treasury carried out partial reconciliation.

### **3.6.1 Audit of personal deposit account of the Dean, B. J. Medical College, Ahmedabad**

Audit test-checked (July/August 2017) the operation of the PD Account of the Dean, B. J. Medical College, Ahmedabad (Administrator) for the period 2014-17, in order to examine the compliance with the relevant rules. The Administrator was to use the PD account for receipt/refund of deposits for Under-graduate and Post-graduate courses, All India first year MBBS admission fees and earnest money deposit from the students at the time of admission. The account statement of the PD account for the period 2014-17 is as shown in the **Table 3.6:**

**Table 3.6: Balances in the PD account**

Year	(₹ in crore)			
	Opening Balance	Deposit/Fees Received	Deposit/Fees Refunded	Closing Balance
2014-15	4.99	2.87	2.63	5.23
2015-16	5.23	1.87	1.71	5.39
2016-17	5.39	3.23	2.46	6.16

Source: Information provided by Dean, B. J. Medical College, Ahmedabad

The major findings on audit of PD Account operated by the Administrator are discussed in the succeeding paragraphs.

#### **3.6.1.1 Operation of the personal deposit account**

The PD account can be operated only with the authorisation by the Accountant General (A&E) and it should be operated as per the conditions mentioned in the authorisation letter. However, no authorisation letter was available with the Administrator. The Administrator stated (July 2017) that nearly 50 years have passed since opening of the PD account and all the conditions would have been observed while operating the PD account. The account was being regularly reconciled with treasury. In absence of relevant records, Audit could not ascertain whether the applicable conditions were being observed by the Administrator during operation of PD Account.

### ***3.6.1.2 Irregular retention of All India fees in personal deposit account***

As per Rule 25 of Gujarat Treasury Rules, 2000, all kind of fees in Government Institutes must be credited into Government account within two or three days of their receipt. During 2014-17, the PD account was in receipt of All India admission fees amounting to ₹ 8.90 lakh. However, this amount had not been credited into the Government account as of July 2017.

The Administrator stated (July 2017) that the admission fees were to be credited into the Government account after accounting for refunds (in case of cancellation of admissions).

The reply is not acceptable because normally, the third round of counselling is completed around September each year after which admission process for the year is closed. Therefore, All India admission fees for at least 2014-15 and 2015-16 could have been credited to the Government account within a reasonable time period upon completion of admission process.

### ***3.6.1.3 Operation of personal deposit account for other purposes***

The PD account should be operated only for the purpose for which it has been opened and should not be used to park funds. Scrutiny of cash book and relevant records revealed that ₹ 87.64 lakh was credited to the PD account during January 2014 to April 2014 for purchase of instruments and furniture, which was not the purpose for which the PD account was opened. Of the ₹ 87.64 lakh, ₹ 80.93 lakh was expended on the said purpose and balance ₹ 6.71 lakh was lying in the PD account as of July 2017.

The Administrator stated (July 2017) that the unspent balance would be deposited into the Government account.

### ***3.6.1.4 Lapsed/unclaimed deposit not credited to Government account***

Rule 386 of Gujarat Treasury Rules, 2000 stipulates that all balances unclaimed for more than three complete account years shall, at the close of March in each year, be credited to the Government account.

Scrutiny of the PD account revealed that deposits of ₹ 0.94 lakh and ₹ 0.22 lakh received in 2006 and 2007 respectively as hostel fees were not refunded/claimed as of August 2017. However, these were not credited into Government account despite being lapsed deposits.

The Administrator accepted the audit observation and stated (July 2017) that the unclaimed balances in the PD account would be deposited into the Government account.

### ***3.6.2 Audit of personal deposit accounts in Agriculture Department***

Audit selected two Administrators<sup>10</sup> under Agriculture Department. The findings based on test-check of relevant records are summarised below.

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<sup>10</sup>District Registrar of Co-operative Societies, Paldi, Ahmedabad; and Project Officer, Intensive Poultry Development Block, Makarba, Ahmedabad

### 3.6.2.1 Deposit of funds other than those specified for deposit in PD account

The PD account of District Registrar of Co-operative Societies (City), Paldi, Ahmedabad, was opened for specific purposes such as, collection and refund of arbitration fees, inquiry fees, audit fees and other receipts. However, ₹ 12.60 lakh being interest amount on fixed deposits was credited into the PD account during 2010-17, which was not the purpose for which this PD account was opened.

The District Registrar stated (January 2018) that the interest amount of ₹ 12.60 lakh on fixed deposits was a carry-forward from previous years and records of opening and closing of fixed deposits were not available.

The PD account of the Project Officer, Intensive Poultry Development Block (IPDB), Makarba, Ahmedabad was to be used for the management of high-laying strain of chicks, balanced poultry feeds, feed additive and medicines *etc.* Audit observed that ₹ 54.47 lakh in respect of nine other projects were parked in this PD account during the period 2013-17. Of these nine projects, funds pertaining to three projects *viz.*, Kankrej Project (₹ 10.20 lakh), Gir Project (₹ 15 lakh) and Castration Aid (₹ 6.24 lakh) were lying unutilized for more than three years.

The Deputy Director, IPDB stated (December 2017) that the concerned Controlling Officers would be requested to take the funds back.

### 3.6.3 Opening of personal ledger account without approval

The personal ledger account (PLA) can be opened only after obtaining permission from the Finance Department and concurrence of the Accountant General (Accounts and Entitlements).

The Forests and Environment Department accorded (31 March 2016) administrative approval for ₹ 53.52 crore for 17 road works falling under forest areas. The Principal Chief Conservator of Forests, Gandhinagar allotted the grant on 31 March 2016 to the Chief Conservator of Forests, Valsad (CCF) who issued a letter of credit to the Deputy Conservator of Forests, South Division, Ahwa, Dang (DCF) on the same day.

The DCF opened (31 March 2016) a PLA in Bank of Baroda and credited the grant of ₹ 53.52 crore into it. Subsequently, the DCF deposited (October 2016) ₹ 53.52 crore into the PLA of DDO, District *Panchayat*, Dang for initiating the tender process. However, the PLA opened by the DCF did not have the prior concurrence of the Finance Department (FD) and the AG (A&E). Further, the interest earned<sup>11</sup> on the deposit from March 2016 to October 2016 was not fully credited to Government account.

The DCF stated (January 2017) that as the grant order came on 31 March 2016, the matter was immediately taken up with District authorities and CCF for

<sup>11</sup> Bank credited interest of ₹ 1.08 crore in saving account while the DCF remitted interest amount of ₹ 53.81 lakh only in the Government account

seeking guidance regarding the next course of action. The amount was deposited in PLA and request for *post facto* approval was submitted to Finance Department. The DCF further stated that remaining interest had been credited to the Government account.

The fact remained that the PLA was opened without obtaining prior approval of the Finance Department and funds were credited in the PLA just to avoid lapse of grant.

The irregular operation of PD/PL accounts and the use of PD/PL account for purposes other than mandated entails the risk of fraud and misappropriation.

### 3.7 Misappropriations, losses and defalcations

The State Government reported 158 cases of misappropriation, defalcation, *etc.*, involving Government money of ₹ 14.41 crore (up to March 2017) on which final action was pending. The Department-wise break up of pending cases and age analysis of such cases is given in **Appendix 3.4**. The nature of these cases is shown in **Appendix 3.5**. The age profile of pending cases and the number of cases pending under categories of theft and misappropriation/loss as emerged from these appendices is summarised in **Table 3.7**.

**Table 3.7: Age profile of misappropriations, losses and defalcations**

Age-profile of the pending cases		
Range in years	Number of cases	Amount involved (₹ in crore)
Up to 5	44	6.34
5 – 10	13	0.32
10 – 15	17	6.61
15 – 20	15	0.25
20 – 25	16	0.50
25 and above	53	0.39
<b>Total</b>	<b>158</b>	<b>14.41</b>

Source: Information compiled by offices of Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

Reasons for which these cases are outstanding are given in **Table 3.8**.

**Table 3.8: Reasons for pendency of misappropriations, losses and defalcations**

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in crore)
1.	Awaiting Departmental and criminal investigation	27	0.89
2.	Departmental action initiated but not finalised	20	0.29
3.	Criminal proceedings finalised but execution of certificate for the recovery of the amount pending	3	0.66
4.	Awaiting orders for recovery or write off	34	0.26
5.	Pending in the courts of law	72	12.26
6.	Others	2	0.05
<b>Total</b>		<b>158</b>	<b>14.41</b>

Source: Information compiled by offices of Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat



Of the total 158 outstanding cases involving ₹ 14.41 crore, 27 cases involving ₹ 0.89 crore were awaiting Departmental and criminal investigation while in 20 cases involving ₹ 0.29 crore, Departmental action was initiated but not finalised. Further, Narmada, Water Resources, Water Supply and Kalpsar Department had 21 cases and Land Revenue Department had 16 cases which were pending for more than 25 years.

### **3.7.1 Misappropriation of Government money in Forest and Environment Department**

During audit of the office of Deputy Conservator of Forests (DCF), Junagadh (June 2017), it was noticed that a leave encashment bill of ₹ 4.21 lakh of a retired employee was approved and sent to the bank for payment twice (May 2016 and August 2016). Cross-verification of records with the bank revealed that in the first instance, the amount was rightly credited in the bank account of the retired beneficiary, while in the second instance, the amount of ₹ 4.21 lakh was again credited into the bank accounts of two other officials— one dealing with establishment bills in the office of DCF (₹ 2.22 lakh) and the other, a retired employee of the office of the DCF (₹ 1.99 lakh). The misappropriation was committed by raising a second leave encashment bill in favour of the original beneficiary and obtaining a cheque from the treasury for an amount of ₹ 4.21 lakh in the second instance. However, while forwarding the cheque along with Statement -2<sup>12</sup> to the bank for payment, the officials forged Statement-2 and entered their own names, account numbers and amounts to be credited. This clearly indicated lack of an appropriate oversight mechanism in the office of DCF as well as in the concerned treasury for their failure to check raising of duplicate claims.

The DCF informed (September 2017) that after preliminary investigations, an FIR has been lodged against the erring officials and they have been directed to deposit the amount (₹ 4.21 lakh) into Government account.

The DCF further stated that upon detailed investigation, a case of total misappropriation of ₹ 1.80 crore<sup>13</sup> had been detected. Both the officials had been directed to remit this amount into Government account with applicable interest. Police investigation in the case was under progress (September 2017).

## **3.8 Operation of omnibus Minor Head 800**

The omnibus Minor Head 800 accommodates the expenditure which could not be classified under the available programme Minor Heads.

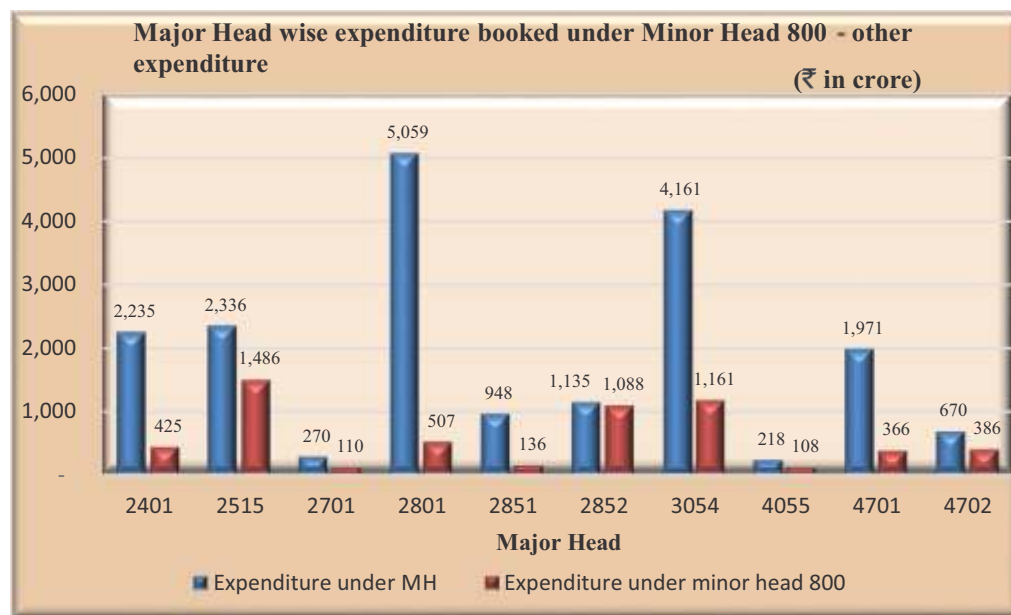
During 2016-17, expenditure aggregating ₹ 8,608.12 crore constituting 6.34 per cent of the total expenditure was classified under Minor Head 800—other expenditure under 68 Major Heads under revenue and capital sections. 100 per cent expenditure on miscellaneous general services (Major

<sup>12</sup>Statement-2 contains the name of the person, his account number and the amount to be credited

<sup>13</sup>Serving employee of DCF: ₹ 1.76 crore; and other retired official: 0.04 crore

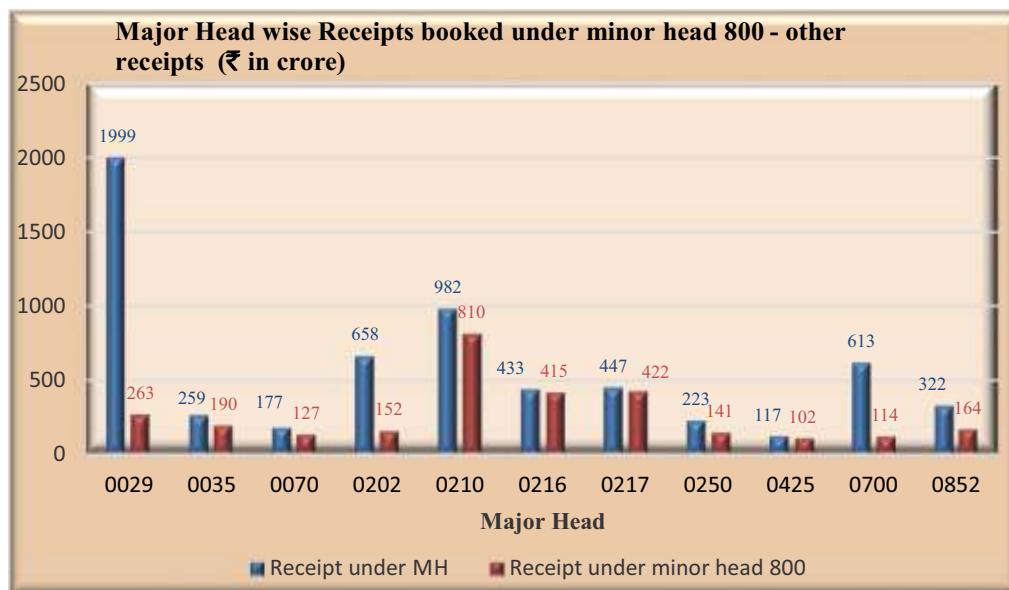
Head 2075), Other general economic services (3475), Capital outlay on miscellaneous general services (Major Head 4075) was classified under omnibus Minor Head – 800. The cases where expenditure of more than ₹ 100 crore was booked under Minor Head -800 under a particular Major Head have been illustrated in **Chart 3.2**:

**Chart 3.2: Major Heads where expenditure of more than ₹ 100 crore was booked under Minor Head 800**



Similarly, revenue receipts aggregating ₹ 16,471.60 crore, constituting 15 per cent of total receipts were classified under omnibus Minor Head ‘800-Other Receipts’ under 66 Major Heads under Revenue Section. 100 per cent receipts of Family Welfare (Major Head 0211), Food Storage and Warehousing (Major Head-0408), Non-Conventional Sources of Energy (Major Head-0810), Tourism (Major Head-1452), Other Special Areas Programmes (Major Head-0575), Other Scientific Research (Major Head-1425), Civil Supplies (Major Head-1456) were classified under omnibus Minor Head-800.

The cases where receipts of more than ₹ 100 crore were booked under Minor Head -800 under a particular Major Head have been illustrated in **Chart 3.3**:

**Chart 3.3: Major Heads where revenue of more than ₹ 100 crore was booked under Minor Head 800**

Source: Finance Accounts of Gujarat Government for the year 2016-17

Budgeting of large amounts under the omnibus Minor Head 800-Other Expenditure/Receipts affects the transparency in financial reporting, as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

It is observed that the expenditure under the Minor Head 800 has decreased from ₹ 13,071 crore in 2015-16 to ₹ 8,608.12 crore in 2016-17 while the revenue receipts under the same Minor Head have increased during the same period from ₹ 10,836.96 crore to ₹ 16,471.60 crore. More efforts are required on the part of Finance Department to classify the expenditure/receipts under correct respective Minor Heads instead of Minor Head-800.

### 3.9 Comments on Accounts

#### 3.9.1 Transparency in accounts

To bring out greater transparency and to enable informed decision making in Government Accounts, the Twelfth Finance Commission had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of subsidies given, both explicit and implicit, expenditure on salaries by various Departments/units, detailed information on pensioners and expenditure on Government pensions, data on committed liabilities in the future, statement on debt and other liabilities as well as repayment schedule, accretion to or erosion in financial assets held by the Government including those arising out of changes in the manner of spending by the Government, implications of major policy decisions taken by the Government during the year or new Schemes proposed in the budget for future cash flows and statement on maintenance expenditure with segregation of salary and non-salary portions.

Further, Thirteenth Finance Commission had recommended inclusion of comprehensive data on all subsidies, consolidated information on the number of employees at each level, along with the commitment on salary including information on employees and their salary where such expenditure is shown as grants or booked under other expenditure to be provided with Finance Accounts of the State.

Presently, in the Finance Accounts of the State, the appendix on subsidy does not provide information regarding implicit subsidies. Regarding details of salary, the data captured in accounts is related to State sector only as details of salary in case of aided institutions are included under the grants released to them. Accounting reforms are required to be undertaken to bring the data available in the Finance Accounts to make it more transparent.

### ***3.9.2 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'. On the receipt of relevant details/information, 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 Government's receipts and expenditure accurately. Debt, Deposit and Remittances heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the Finance Accounts 2016-17 of the State has been adversely affected by large number of transactions under suspense heads awaiting final classification. A general review of the transactions showed the following:

#### ***3.9.2.1 Outstanding balances under major suspense accounts***

The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Accountant General (Accounts and Entitlement), are indicated in **Table 3.9**.

Table 3.9: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2014-15		2015-16		2016-17	
	Dr	Cr	Dr	Cr	Dr	Cr
101- Pay and Accounts office Suspense	119.18	(-) 5.94	147.20	0.00	166.13	30.00
	Net Dr. 125.12		Net Dr. 147.20		Net Dr. 136.13	
102- Suspense Accounts (Civil)	121.45	50.38	67.26	0.05	90.93	0.11
	Net Dr. 71.07		Net Dr. 67.21		Net Dr. 90.82	
110- Reserve Bank suspense Central Accounts Office	152.11	(-) 91.44	243.56	0.00	352.96	110.73
	Net Dr. 243.55		Net Dr. 243.56		Net Dr. 242.23	

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.

**(i) Pay and Accounts Office (PAO) Suspense**

This Minor Head is operated for the settlement of inter-Departmental and inter-governmental transactions arising in the books of PAOs and the Accountant General. Transactions under this Minor Head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer, against whom the Minor Head “PAO Suspense” has been operationalised. Credit under the head is cleared by ‘minus credit’ when Cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under ‘PAO Suspense’ is cleared by ‘minus debit’ on receipt and realisation of cheque from the Accounts Officer on whose behalf payment was made.

Outstanding debit balance under this head would mean that payments have been made by the Accountant General on behalf of a PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the Accountant General on behalf of a PAO, which are yet to be repaid/adjusted. The net debit balance under this head has increased from 2014-15 to 2015-16 while decreased in 2016-17. On clearance/settlement of this, the cash balance of the State Government will increase.

**(ii) Suspense Account (Civil)**

This transitory Minor Head is operated for accounting of the transactions, which for want of certain information/documents viz., vouchers, challans, etc. cannot be taken to the final head of expenditure or receipt. This Minor Head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the Minor Head is cleared by minus debit

or minus credit by per contra debit or credit to the concerned Major/Sub-major/Minor Heads of accounts.

Outstanding debit balance under this head would mean payments were made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts were received which could not be credited to the final receipt head for want of details. The net debit balance under this is ₹ 90.82 crore, indicating that necessary details for classification of final expenditure head were not available. Steps need to be taken for obtaining the requisite details.

### **3.10 Conclusion and Recommendations**

Non-submission of utilisation certificates of ₹ 2,140.21 crore indicated lack of adequate monitoring by the Departments in utilisation of grants given for specific purposes. Audit noticed instances of non-submission/ incomplete submission of utilisation certificates and parking of funds in Gujarat State Financial Services Limited in detailed scrutiny of records of Education Department.

***The sanctioning authority/ concerned Department may evolve a mechanism to gather UCs promptly, verify their genuineness, including by way of sample inspection, and look into the delays in submission to identify the bottlenecks and address them for sound internal control and financial reporting. The parking of funds by autonomous bodies needs review as intended benefit of the Scheme is not achieved.***

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. In respect of 27 Autonomous bodies/ authorities auditable under section 14 of CAG's (DPC) Act, 1971, accounts were in arrears for more than five years. None of the 56 autonomous bodies auditable under Section 19(2), 19(3) and 20(1) submitted its accounts in time.

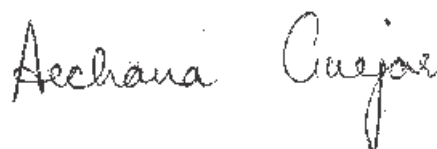
***The Controlling Departments may identify the reasons for delay in finalisation of accounts of autonomous bodies/ authorities for suitable remedial measures so that backlog of arrears in accounts is cleared in a time bound manner.***

The personal deposit account of the Dean, B.J. Medical College, Ahmedabad revealed that deposits, fees and earnest money from the students of under- graduate/post-graduate/MBBS courses for the years 2014-16 and lapsed/unclaimed deposits pertaining to 2006 and 2007 were not credited into Government account. The personal deposit account of District Registrar of Co-operative Societies (City), Paldi, Ahmedabad was being used to deposit funds for other purposes.

***The concerned Departments may ensure that personal deposit accounts are maintained as per provisions contained in Gujarat Treasury Rules, 2000 and***



*the operations of such accounts may be restricted to the purpose for which such accounts are opened.*



**(ARCHANA GURJAR)**

**Accountant General**

**Ahmedabad**

**The 22 March 2018**

**(Economic & Revenue Sector Audit), Gujarat**

**Countersigned**



**(RAJIV MEHRISHI)**

**New Delhi**

**The 23 March 2018**

**Comptroller and Auditor General of India**

