3 FINANCIAL REPORTING AND COMMENTS ON ACCOUNTS

3 Financial Reporting and Comments on Accounts

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Personal Deposit Accounts

Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the annual financial statement/budget. As per para 4 of Uttar Pradesh Personal Ledger Account Rules 1998, the State Government is authorised to open Personal Deposit (PD) accounts for specific purposes in consultation with the Accountant General. Designated Administrators are authorised to operate these PD accounts by transfer of funds from the Consolidated Fund of the State. If there is no transaction in any PD accounts for three years, the treasury officer would make written request to the competent authority for closure of such account, and if no reply is received within three months, PD Accounts would be closed after transfer of the balance, if any, to the corresponding head of account on the advice of Accountant General.

Audit noticed that PD Accounts were also being operated by the State Government under other than the designated heads of account, i.e., MH- 8443 - Civil Deposits-106 – Personal Deposits. State Government did not provide details of addition to and disbursements from PD Accounts during the financial year 2017-18. Out of balance of ₹ 4,688.14 crore in 1,328 PD Accounts as on 31 March 2018, ₹ 2,460.82 crore pertained to 31 PD accounts under Major Head-8342-Other Deposits-120-Miscellaneous Deposits, which is not a designated heads of account for PD Accounts. Further, in contravention of codal provisions, an amount of ₹ 108.70 crore was irregularly parked in 641 PD Accounts, despite these PD Accounts remaining inoperative for more than three years. Such practices violate Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself.

Further, out of 77 treasuries of the State, only 17 treasuries have reconciled the PD accounts maintained by them during the year 2017-18. The status of reconciliation of remaining 60 treasuries has not been made available by respective treasuries.

Non-reconciliation of balances in PD accounts and not transferring the unspent balances lying in PD accounts to Consolidated Fund of State before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

Recommendation: *The Finance Department should review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*

3.2 Non-submission of Utilisation Certificates

The financial rules stipulate that where grants-in-aid are given for specific purposes, concerned departmental offices should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to the Accountant General (A&E), to ensure that the funds have been utilised for intended purpose.

As on 31 March 2018, a total of 1,53,949 number of Utilisation Certificates (UCs) for non-recurring grants involving ₹ 83,979.44 crore released during financial years 2001-02 to 2017-18 remained outstanding. Therefore, there is no assurance that the amount of ₹ 83,979.44 crore has actually been incurred for the purpose for which it was sanctioned/authorised by the Legislature. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud. The details are given in **Table 3.1**.

Table 3.1: Outstanding Utilisation Certificates

Period	Number of Utilisation Certificates awaited	Amount (₹in crore)
Up to 2015-16	1,30,773	46,393.80
2016-17	8,653	13,745.16
2017-18	14,523	23,840.48
Total	**1,53,949**	**83,979.44**

(Source: Finance Accounts 2017-18)

Major cases of non-submission of UCs pertain to Social Welfare Department, Education Department and Agriculture Department, as summarised in **Table 3.2.**

Table 3.2: List of Departments, where UCs were outstanding

Sl. No.	Name of the Department	Number of UCs awaited	Amount Outstanding (₹ in crore)	Percentage
1	Social Welfare Department	31,582	10,409.94	12.40
2	Education Department (Primary Education)	19,044	8,739.89	10.41
3	Agriculture and Other Allied Department	3,527	6,662.95	7.93
4	Education Department (Secondary Education)	10,576	2,673.41	3.18
5	Women Child Welfare Department	10,124	869.13	1.03
6	Minorities Welfare Department	7,973	678.16	0.81
7	Education Department (Higher Education)	2,949	606.77	0.72

(Source: Finance Accounts 2017-18)

Though such instances of non-submission of UCs are being reported in the reports of the C&AG regularly, there has been no improvement. In many cases, the same recipients continue to receive further grants from the same departments, even while the UCs for earlier grants are pending.

Recommendation: *The State Government should take action on recommendation made in Para No. 3.11 of the Comptroller and Auditor General of India's Report No. 1 of 2018 – Government of Uttar Pradesh and ensure that internal control mechanism of the Departments to watch timely submission of the UCs is put in place without further delay and all pendencies are reviewed before release of fresh grants.*

3.3 Outstanding Detailed Contingent Bills

The financial rules require that advances drawn through Abstract Contingent (AC) bills are adjusted promptly through Detailed Contingent (DC) bills. It was observed, however, that 3,497 AC bills of ₹ 33.33 crore were lying unadjusted as on 31 March 2018, as per details given in **Table 3.3.** Prolonged non-submission of supporting DC bills renders the expenditure under AC bills opaque.

Table 3.3: Outstanding Abstract Contingent Bills

Year	Number of pending DC bills	Amount (₹ in crore)
Up to 2015-16	3,430	24.07
2016-17	20	0.70
2017-18	47	8.56
Total	**3,497**	**33.33**

(Source: Finance Accounts 2017-18)

It was seen that during 2017-18, out of 228 AC bills amounting to ₹ 21.57 crore, 51 AC bills amounting to ₹ 7.79 crore were drawn in March 2018 alone which includes 10 AC bills amounting to ₹ 7.07 crore drawn between 26 and 31 March 2018. Significant expenditure against AC bills in the month of March, 2018, especially in the last week, indicates that the drawls were primarily for exhausting the budget provisions and displays inadequate budgetary control.

Out of 51 AC bills amounting to ₹ 7.79 crore drawn in March 2018, four bills amounting to ₹ 6.48 crore (83.18 *per cent*) were drawn by the Personnel Department (Public Service Commission) and 15 bills for ₹ 0.98 crore drawn by Department of Civil Aviation. Majority of the DC Bills were awaited from the Departments listed in **Table 3.4.**

Table 3.4: List of Department, where DC bills were pending

Sl. No.	Name of the Department	Number of pending DC bills	Amount Outstanding (₹ in crore)	Percentage
1	Personnel Department (Public Service Commission)	05	7.10	21.30
2	Secretariat Administration Department	127	7.00	21.00
3	Education Department (Higher Education)	153	3.62	10.86
4	Education Department (Secondary Education)	520	1.67	5.01
5	Women and Child Welfare	113	1.40	4.20
6	Home Department (Home Guards)	21	1.39	4.17
7	Revenue Department (Relief on Account of Natural Calamities)	30	1.28	3.84
8	Civil Aviation	49	1.22	3.66

(Source: Finance Accounts 2017-18)

Unnecessary withdrawal through AC bills and non-submission of DC bills within the prescribed time breaches financial discipline and entails risk of misappropriation of public money.

Recommendation: *The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.*

3.4 Non-maintenance/ Incomplete Cash Books

The Cash Book is a primary record of financial transactions of receipts and disbursements which is required to be maintained mandatorily in each office to ensure proper receipt and custody of Government money. Non-maintenance/improper maintenance of cash books not only impacts the accuracy and completeness of accounts but is also a red flag for probable fraud, misappropriation and embezzlement of Government funds.

The reports of the C&AG submitted to the State Legislature and individual inspection reports of the Accountant General issued to various departments have flagged many instances of non-maintenance/improper maintenance of cash books by various entities under the State Government. Some instances noticed in recent audits are listed at ***Appendix 3.1***. These cases were noticed during the test audit of 390 entities audited during April 2018 to September 2018, however, such cases may reflect in other entities. Finance Department may, therefore, like to internally examine the position in case of other DDOs with a view to ensure that the essential records are maintained.

Recommendation: *The Finance Department should ensure that all departments and subordinate entities of State Government maintain Cash Books in the manner prescribed in the financial rules.*

3.5 Variation in Cash Balance

As per the Certificate of confirmation of balances issued by Reserve Bank of India, the State had a debit balance of ₹ 125.55 crore while the closing cash balance of the State for the month of March 2018 as certified by the Accountant General (A&E) was ₹ 265.21 crore. Thus, there was a difference of ₹ 139.66 crore (net debit) including the previous years' balances, between the cash balance of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India (as on 31.03.2018), which was under reconciliation.

3.6 Non-transfer of amounts to the Central Road Fund

The list of Major and Minor Heads prescribes the accounting procedure relating to the Central Road Fund (CRF). In terms of this procedure, such grants received from Government of India (GoI) are first to be transferred to the Public Accounts, from where expenditure on maintenance and repairs of roads and bridges is to be set off. State Government, however, failed to transfer the ₹ 890.24 crore received as CRF grant from Government of India in 2017-18 to the Public Accounts, and though expenditure of ₹ 3,901.73 crore was incurred against maintenance and repairs of roads and bridges, it could not be ascertained how much of GoI release of ₹ 890.24 crore was utilised for the intended purposes.

The State Government contended that as the Central Government provided grants from Central Road Fund (created by the Central Government) to the State Government for construction of roads which was credited under the Major Head 1601- "Grants-in-aid from Central Government" and that the expenditure was incurred from the concerned Major Head 3054/5054 for maintenance of State Roads which were the assets of the State Government and therefore, it was not desirable to transfer an amount equivalent to the said grant to the Major Head 8449-103-Central Road Fund.

The reply of the State Government is not acceptable, as it deviated from the prescribed accounting procedure of the Central Road Fund due to which there was opaqueness in actual utilisation of grants received from GoI for the Central Road Fund.

3.7 Adjustment of Interest

The State Government is liable to pay/adjust interest in respect of balances under categories "I-Small Savings Provident Funds etc., J-Reserve Funds (a) Reserve Funds bearing Interest" and "K-Deposits and Advances (a) Deposits bearing Interest". The position of adjustment in this respect in 2017-18 was as below:

(a) The Government paid interest of ₹ 3,655.47 crore (under Major Head '2049 Interest Payment-03-Interest on Small Savings, Provident Fund etc.') on Small Savings, Provident Fund etc. during the year 2017-18. In respect of Class IV employees of the State, there was a balance of ₹ 14,707.65 crore under the GPF Class IV Head in the State Accounts as on 31 March 2018. However, the information of interest thereon was not made available by the State Government. It was worked out to be ₹ 1,071.78 crore based on credits and debits as intimated by the treasuries.

(b) Similarly, there was an outstanding balance of ₹ 545.68 crore at the beginning of the year 2017-18 under K-(a) Deposits bearing Interest, relating to Defined Contribution Pension Scheme and the State Government had paid interest thereon of ₹ 25.78 crore. In addition, there was also net credit outstanding balance of ₹ 3,221.51 crore under K-(a) Deposits bearing Interest (excluding ₹ 545.68 crore of the balance under Defined Contribution Pension Scheme) at the beginning of the year 2017-18. However, the State Government had not paid any interest thereon.

Recommendation: *The Finance Department should review the balances under Small Savings Provident Funds, Reserve Funds and Deposits and Advances for appropriate action to book interest in respect of all interest bearing deposits.*

3.8 Impact on Revenue Surplus and Fiscal Deficit

The impact of incorrect booking/accounting of expenditure and revenue, as depicted in the Finance Accounts 2017-18, resulted in a net overstatement of revenue surplus by ₹ 6,340.88 crore. Further, fiscal deficit was also understated to the tune of ₹ 6,405.14 crore as is given in **Table 3.5.**

Table 3.5: Impact on Revenue Surplus and Fiscal Deficit as per State Accounts

(₹ in crore)

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement of Revenue Surplus	Under-statement of Revenue Surplus	Over-statement of Fiscal Deficit	Under-statement of Fiscal Deficit
Expenditure on minor construction works, Grants-in-aid, payment of commercial and special services and maintenance of computer and purchase of its stationery booked under Capital Section instead of Revenue *(Para no. 1(v) of Notes to Account, Volume-I Finance Accounts)*	49.68	..	..	..
Expenditure on essential infrastructure for Hospital and Purchase of Staff Car booked under Revenue Section instead of Capital *(Para no. 1(v) of Notes to Account, Volume-I Finance Accounts)*	..	113.94	..	..
Transfer of un-utilised grants for BPL families (for the year 2013-14) to the	600.00	..	..	600.00

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement of Revenue Surplus	Under-statement of Revenue Surplus	Over-statement of Fiscal Deficit	Under-statement of Fiscal Deficit
receipt head in 2017-18 *(Para no. 2(xi)(a) of Notes to Account, Volume-I Finance Accounts)*				
Government contribution on account of Defined Contribution pension scheme transferred back to the receipt head as Government receipts *(Para no. 2(xi)(d) of Notes to Account, Volume-I Finance Accounts)*	470.39	..	..	470.39
Non-contribution by State Government under Defined Contribution Pension Scheme during 2017-18 *(Para no. 3(i) of Notes to Account, Volume-I Finance Accounts)*	465.11	..	..	465.11
Non-contribution to Guarantee Redemption Fund *(Para no. 3(ii) of Notes to Account, Volume-I Finance Accounts)*	290.75	..	..	290.75
Amount transferred as Revenue Receipts to Consolidated Fund from Sinking Fund *(Para no. 3(v)(a) of Notes to Account, Volume-I Finance Accounts)*	4,422.00	..	..	4,422.00
Non-utilisation/ transfer of NDRF grants *(Para no. 3(v)(b) of Notes to Account, Volume-I Finance Accounts)*	119.67	..	..	119.67
Non-payment of interest on Reserve Funds balances (State Disaster Response Fund) *(Para no. 3(viii) (b) of Notes to Account, Volume-I Finance Accounts)*	37.22	..	..	37.22
Total	**6,454.82**	**113.94**	**-**	**6,405.14**

(Source: Finance Accounts 2017-18)

In view of the above, the revenue surplus and fiscal deficit of the State which was ₹ 12,552 crore and ₹ 27,810 crore would actually be ₹ 6,211 crore and ₹ 34,215 crore respectively.

3.9 Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 covers establishments employing ten or more building workers in any building or other construction work. The Acts, *inter alia*, provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through the levy and collection of cess on the cost of construction works. Accordingly, the State Government created (November 2009) the U.P. BOCW Welfare Board and in terms of the Cess Act, levies cess at the rate of one *per cent*. The U.P. BOCW Rules, 2009 provides for collection of registration fee of ₹ 50 and annual membership fee of ₹ 50 from registered workers. In this connection, the findings of Audit are given below.

3.9.1 Accounting of Cess

It was observed that the Welfare Board has not finalised its accounts since its constitution (November 2009). Details of receipts and utilisation of cess over the past five years (2013-18) are given in **Table 3.6.**

Table 3.6: Financial status of registration charges, cess realised and utilisation

(₹ in crore)

Year	Opening balance	Receipts				Total funds available	Expenditure	Closing balance
		Registration fee and annual membership fee	Labour cess received in board account	Cess realised from treasury (State Govt.)	Interest on deposits			
2013-14	730.11	17.84	458.46	165.00	49.58	1,420.99	98.12	1,322.87
2014-15	1,322.87	28.59	500.44	9.25	97.07	1,958.22	127.63	1,830.59
2015-16	1,830.59	14.55	686.81	0	128.37	2,660.32	202.41	2,457.91
2016-17	2,457.91	13.00	829.60	10.00	162.23	3,472.74	277.78	3,194.96
2017-18	3,194.96	10.54	789.79	36.96	214.36	4,246.61	324.14	3,922.47

(Source: Secretary, BOCW) (Provisional data)

Since the Board has not prepared accounts since inception, the authenticity of receipts and expenditure could not be ascertained in Audit. The State Government appointed (September 2010) the officers of 16 Departments as Cess Assessment Officer and Cess Collectors. State Government issued (August 2013 and September 2016) orders to deposit the receipts of cess collected by the concerned officials into the Nationalised Bank account being operated by the Board for this purpose. The orders to transfer the cess directly to the bank account without bringing it into the Consolidated Fund of the State violates the provision of Article 266 (1) of the Constitution of India. Consequently, it is not ascertainable from the Accounts of State Government as to how much money was collected by the Cess Assessment Officers and Cess Collectors on account of cess, fee etc. and how much money was transferred to the Board.

3.9.2 Utilisation of Labour Cess

The State Government notified various schemes/ activities, *viz.*, maternity benefits, pension, advances for purchase/ construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/ marriage of children of beneficiaries, etc., for welfare of the construction workers from the BOCW Welfare Fund. Details of expenditure on these schemes during 2013-18 are given in **Table 3.7.**

Table 3.7: Expenditure on schemes against allotment and available fund

Year	Available funds (₹ in crore)	Schemes Operated		Actual expenditure on schemes (₹ in crore)	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotment (₹ in crore)				Workers covered	Funds utilised against allotment	Funds utilised against availability
2013-14	1,420.99	18	301.90	93.39	10,90,192	95,295	8.74	30.93	6.57
2014-15	1,958.22	22	457.90	105.96	19,58,544	2,14,121	10.93	23.14	5.41
2015-16	2,660.32	21	605.61	141.82	27,41,452	2,77,909	10.14	23.42	5.33
2016-17	3,472.74	23	752.83	249.88	34,27,104	5,16,851	15.08	33.19	7.20
2017-18	4,246.61	18	514.06	282.57	42,08,744	3,50,384	8.33	54.97	6.65

(Source: Secretary, BOCW) (Provisional data)

As seen from the table, the expenditure incurred by the Board for welfare of workers against available funds ranged from only five to seven *per cent* and covered just eight to 15 *per cent* of the registered workers.

As compared to the neighbouring States, Uttar Pradesh has utilised the available funds (seven *per cent*) much less than Chhattisgarh (42 *per cent*), Jharkhand (21 *per cent*) and Madhya Pradesh (14 *per cent*) during 2017-18. This indicated the poor level of utilisation of the cess funds in Uttar Pradesh as compared to other States.

Recommendation: *The U.P. BOCW Welfare Board should fulfil its mandate of improving the working conditions of building and other construction workers and providing adequate financial assistance to them. The State Government should also review its orders to transfer the cess directly to the bank account of the Board instead of Consolidated Fund of the State.*

3.10 Transfer of additional stamp duty to Development Authorities

The Uttar Pradesh Urban Planning and Development Act, 1973 provides for collection of additional stamp duty by the Stamps and Registration Department, which is thereafter, to be transferred to Development Authority, Uttar Pradesh Avas Evam Vikas Parishad, municipal corporations/ municipalities in specified proportions.

The amount of realised stamp duty and additional stamp duty are accounted for under the Major Head 0030-Stamps and Registration Fees, 02-Stamps Non-Judicial, 102-Sale of Stamps. However, no distinct sub-head has been opened by the State Government for accounting of the additional stamp duty in the absence of which, it is not clear how much money was received by the Government on account of two *per cent* additional stamp duty and whether all the moneys received were transferred to the concerned municipal corporations/municipalities/parishads/development authorities in specified proportions.

State Government issued orders (April 2017) stipulating that Housing and Urban Planning Department (HUPD) would release money to all Authorities for implementation of schemes approved by the Department. During 2017-18, against the budget provision of ₹ 624 crore, HUPD disbursed only ₹ 201.91 crore. Details of funds transferred (₹ 201.91 crore) to various authorities is given in ***Appendix 3.2.***

As regards the transfer of funds to development authorities/municipalities/ parishads, it was noticed that the Government was booking expenditure in respect of transferred additional stamp duty under the Major Head 3475-800-03 instead of MH 2216-Housing or 2217-Urban Development as the case may be.

Further, the Government while determining the procedure (September 2013) for distribution of the additional two *per cent* stamp duty, ordered transfer of 25 *per cent* of the amount collected to a Dedicated Urban Transport Fund (DUTF) which was against the provisions of the Act. As per the provisions of the Act, the additional amount of two *per cent* stamp duty collected was to be allocated to development authority, Uttar Pradesh Avas Evam Vikas Parishad, municipal corporations/ municipalities and therefore transferring 25 *per cent* of the fund to Dedicated Urban Transport Fund was irregular. It was noticed that the Government had been constantly making provisions towards the DUTF from the year 2014-15 onwards. The provisions made and expenditure on this account are detailed in **Table 3.8.**

Table 3.8: Details of provision/ expenditure for Dedicated Urban Transport Fund

(₹in crore)

Year	Provision	Expenditure
2014-15	300	285
2015-16	434	430
2016-17	375	00
2017-18	375	00

(Source: Appropriation Accounts of the respective years)

The amount of ₹ 375 crore provisioned during 2017-18 could not be expended due to non-receipt of approval from Finance Department.

Recommendation: *The State Government should ensure that the accounts fully and transparently capture the receipts and transfer of the additional stamp duty to the authorities/municipalities etc. as specified under the U.P. Urban Planning and Development Act. State Government should also review the Order authorising transfer of 25 per cent of the additional stamp duty to a Dedicated Urban Transport Fund which is not provided under the Act.*

3.11 Reporting of pending cases

The State Government reported 136 cases of defalcation or losses of Government money involving ₹ 9.35 crore on which final action was pending as on 31 March 2018. First Information Reports were lodged in 102 cases out of 136 cases. The department-wise break up of pending cases and their age-wise analysis is given in ***Appendix 3.3***. The nature of these cases is given in

Appendix 3.4. The nature and age profile of the pending cases given in the appendices are summarised in **Table 3.9.**

Table 3.9: Profile of pending cases

Age-profile of the pending cases		
Years ranging	**Number of cases**	**Amount involved (₹ in lakh)**
0 – 5	3	57.66
5 – 10	19	347.55
10 – 15	19	53.95
15 – 20	13	75.11
20 – 25	32	12.67
25 & above	50	388.28
Total	**136**	**935.22**

Nature of the pending cases		
Nature of the cases	**Number of cases**	**Amount involved (₹ in lakh)**
Theft	62	33.21
Misappropriations	09	111.95
Losses	23	171.78
Defalcations	42	618.28
Total	**136**	**935.22**

(Source: Records of concerned departments)

Out of total pending 135 cases (as on 31 March 2017) involving ₹ 8.83 crore, one case of ₹ 0.57 lakh was settled/ written off ***(Appendix 3.5)*** while two cases of ₹ 53.22 lakh were added during 2017-18 and therefore total 136 cases involving ₹ 9.35 crore were pending as on March 2018. The reasons for pendency, as reported by the departments are listed in **Table 3.10.**

Table 3.10: Reasons for pending cases

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
1.	Awaiting departmental and criminal investigation	27	189.67
2.	Departmental action initiated but not finalised	73	541.06
3.	Criminal proceedings finalised but action on recoveries pending	1	4.14
4.	Awaiting orders for recovery or write off	9	6.40
5.	Pending in Courts of Law	26	193.95
	Total	**136**	**935.22**

(Source: Records of concerned departments)

Recommendation: *The Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/ reduce recurrence of such cases.*

3.12 Proforma Accounts of Departmental Commercial Undertakings

Departmental Commercial Undertakings are required to finalise proforma annual accounts in prescribed format, and submit the same to the Accountant General for audit within three months of closure of accounts. It was observed, however, that out of the nine departmental commercial undertakings in the State, three had not finalised their accounts for many years (***Appendix 3.6).***

3.13 Delay in finalisation of accounts of PSUs/Corporations

Financial statements of Companies for each financial year are to be finalised within six months from the end of the relevant financial year, i.e., September end under Section 166 and 210 of the Companies Act, 1956. Similar provisions also exist under Section 96(1) read with Section 129(2) of the Companies Act 2013. Failure to do so may attract penal provisions under section 129(7) of the Companies Act, 2013[26], which stipulates that every officer of the defaulting company responsible for non-compliance shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both. The accounts of statutory corporations are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

In violation of the above provisions, more than 82 *per cent* of the Public Sector Undertakings (PSUs) in Uttar Pradesh are in arrears of accounts, as detailed in **Table 3.11.**

Table 3.11: Age-wise arrears of Annual Accounts of PSUs as of 31 March 2018

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs	61	46	107
2(a)	Number of PSUs/Corporations having accounts in arrears	54	34	88
2(b)	Number of accounts arrears	207	531	738
3(a)	Number of PSUs/Corporations with arrears of less than 5 years	36	11	47
3(b)	Number of accounts arrears in above PSUs	66	24	90
4(a)	Number of PSUs/Corporations with accounts in arrears for 5 to 10 years	14	5	19
4(b)	Number of accounts arrears in above PSUs/ Corporations	95	37	132
5(a)	Number of PSUs/ Corporations with accounts in arrears for 10 years and above	4	18	22
5(b)	Number of accounts arrears in above PSUs/Corporations	46	470	516
6	Extent of arrears of accounts (in years)	1 to 14	1 to 36	1 to 36

(Source: Latest finalised accounts of the PSUs up to 30 September 2018)

The above denotes failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting Companies and Corporations comply with the relevant Acts. Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of Companies as stipulated in the Companies Act, and statutory audit of the Corporations as stipulated in their respective Acts.

Audit noticed that State Government had provided budgetary support of ₹ 57,780.21 crore (equity: ₹ 19,605.36 crore, loans: ₹ 4,581.27 crore, capital

[26] Earlier under section 210(5) of the Companies Act 1956 which stipulated that if any person, being a director of the company, fails to take reasonable steps to comply with the provisions of this section, shall be punishable for each offence with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees or with both.

grants: ₹ 11,210.69 crore, other grants: ₹ 9,773.86 crore and subsidies: ₹ 12,609.03 crore) and guarantees of ₹ 42,527.09 crore to 24 working Companies/Statutory Corporation during the period for which accounts were in arrears, as detailed in ***Appendix 3.7***. State Government had also provided loan of ₹ 2.44 crore during 2017-18 to two non-working companies[27] whose accounts were in arrears. Thus, even in the absence of accounts to judge the genuineness of demands for financial support from these PSUs, the Finance Department has regularly provided budgetary support to these PSUs by way of infusion of equity, loans and grants-in-aid/subsidies. State Government needs to see if this is value-for-money expenditure.

Recommendation: *The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and review continued financial support in all cases where accounts continue to be in arrears.*

3.14 Dividend not declared

The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum dividend of five *per cent* on the paid up share capital contributed by the State Government. Accordingly, 20 PSUs were required to declare dividend of ₹ 548.92 crore based on their last finalised accounts (***Appendix 3.8***). However, only 11 PSUs declared a dividend of ₹ 8.56 crore. The remaining nine profit earning PSUs[28] did not declare dividend of ₹ 540.36 crore, which is contrary to the State Government's policy regarding payment of the minimum dividend.

Recommendation: *The State Government should ensure that profit earning PSUs deposit the specified dividend invariably into the Government account at the close of the year.*

3.15 Unreconciled Equities/ Loans

The figures in respect of equity and loans outstanding as per records of the Investee Organisation/State PSUs should agree with the figures appearing in the Finance Accounts of the State. As of 31 March 2018, the Government had invested a total of ₹ 1,04,779 crore in various entities[29]. However, the amount as per the books of accounts of the investee organisations was ₹ 1,15,216 crore. The difference of ₹ 10,437 crore require reconciliation.

[27] Uttar Pradesh State Textile Corporation Limited (Loan: ₹ 1.13 crore; accounts finalised up to 2016-17) and Uttar Pradesh State Yarn Company Limited (Loan: ₹ 1.31 crore; accounts finalised up to 2016-17).

[28] Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Uttar Pradesh Mahila Kalyan Nigam Limited, Uttar Pradesh Beej Vikas Nigam Limited, Uttar Pradesh Bhumi Sudhar Nigam Limited, Uttar Pradesh Matsya Vikas Nigam Limited, Uttar Pradesh Export Promotion Council, Auto Tractors Limited, Lucknow Mandaliya Vikas Nigam Limited, Uttar Pradesh Bundelkhand Vikas Nigam Limited.

[29] Statutory Corporations (₹ 906 crore), Government Companies (₹ 1,01,623 crore), Co-operatives (₹ 2,204 crore) and Banks (₹ 58 crore)- details of investment amounting to ₹ 12 crore are under reconciliation.

Further, as per Finance Accounts 2017-18, the loan amount of ₹ 2,264.62 crore out of the total loan of ₹ 29,720.31 crore was not reconciled by the recipient loanees with the Government account during the year 2017-18.

Recommendation: *The Finance Department and the concerned administrative departments should work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to the State Government investments, loans, and guarantees extended to State PSUs.*

3.16 Opaqueness in accounts

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

Scrutiny revealed that during the year 2017-18, under various revenue and capital Major Heads of accounts, the minor head 800 was operated. Thus, on the expenditure side, ₹ 27,162.32 crore, constituting 8.90 *per cent* of total expenditure (revenue and capital) was recorded under minor head 800-Other Expenditure under different Major Heads.

Similarly, ₹ 18,383.80 crore (constituting 6.59 *per cent* of the total revenue receipts) under various revenue Major Heads of accounts, was recorded under minor head 800-Other Receipts under different Major Heads.

Instances where a substantial proportion (50 *per cent* or more of the total receipts/expenditure under the concerned Major Head) of receipts/ expenditure were classified under minor head 800 - Other Receipts/ Expenditure are given as **Annexure B** and **C** of **Notes to Accounts (Finance Accounts Volume-I).**

The issue has been continuously reported in previous reports of the C&AG. As compared to the year 2016-17, the omnibus booking under minor head 800 – other receipts during the year 2017-18 reduced from 14.34 *per cent* to 6.59 *per cent* of total revenue receipt, whereas the reduction under minor head 800-other expenditure was from 11.53 *per cent* to 8.90 *per cent* of total expenditure. However, the fact that such substantial proportion of the receipts and expenditure under the concerned Major Head are booked under minor head 800 is cause for serious concern since it severely impacts transparency.

Recommendation: *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.*

3.17 Apportionment of balances on reorganisation of the State

Even after two decades of reorganisation of the composite State of Uttar Pradesh with effect from 9 November 2000, balances amounting to ₹ 8,757.37 crore representing balances under the Deposits and Advances (MH 8336-Civil Deposits to MH 8550-Civil Advances) remain to be apportioned between the successor States of Uttar Pradesh and Uttarakhand.

Recommendation: *The State Government should expedite the apportionment of balances under Deposits and Advances (₹ 8,757.37 crore) between the two successor States.*

(SARIT JAFA)
Principal Accountant General (G&SSA)
Uttar Pradesh

ALLAHABAD
THE 19 NOVEMBER-2019

COUNTERSIGNED

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

NEW DELHI
THE 21st November, 2019