

Financial Reporting

A sound financial reporting system 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 2018-19.

3.1 Delay in furnishing utilisation certificates

The Gujarat Financial Rules, 1971¹ read with General Financial Rules² provide that for the grants released 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 office of the AG (A&E)³, Gujarat.

Audit observed that 2,573 UCs aggregating ₹ 4,233.95 crore were outstanding as on 31 March 2019 for grants released during the period 2001-02 to 2017-18. The age-wise status of pendency of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of UCs

Sr. No.	Range of Delay (in years)	Utilisation certificates pending	
		Number	Amount (₹ in crore)
1.	0-2	837	3,690.57
2.	2-4	84	87.19
3.	4-6	41	77.68
4.	6-8	48	12.95
5.	8 and above	1,563	365.56
	Total	2,573	4,233.95

Source: Information compiled by office of the AG (A&E)

Of the total outstanding UCs, 70.76 per cent amounting ₹ 2,995.88 crore pertained to Agriculture, Farmer’s Welfare and Co-operation Department, while 12.35 per cent (₹ 522.87 crore) pertained to Tribal Development Department. Further, 4,106 UCs aggregating ₹ 10,266.05 crore in respect of grants

1 Rule 154 and 155
 2 Rule 212 of General Financial Rules, 2005 and Rule 238 (1) of General Financial Rules, 2017
 3 Accountant General (Accounts and Entitlement), Gujarat, Rajkot

disbursed during 2018-19 would be due for submission by 31 March 2020. Department-wise pendency of UCs of grants paid up to 2017-18 is shown in **Appendix 3.1**.

In the absence of UCs, there is no assurance that moneys disbursed have been used for the purpose for which they have been given. Moreover, high pendency of UCs was fraught with the risk of misappropriation and fraud.

3.1.1 Review of utilisation certificates

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 the Gujarat Financial Rules, 1971, or prescribed with the previous consent of the Finance Department (FD). As per Note (ii) below Rule 155 of the Gujarat Financial Rules, 1971, “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”. After verification, these should be forwarded to the office of the AG (A&E), Gujarat.

3.1.1.1 Review of utilisation certificates received in AG (A&E)

A sample⁴ of 81 UCs involving grants aggregating ₹ 807.08 crore received by AG (A&E) was taken up for review. This sample of 81 UCs pertained to five Departments namely, Agriculture, Farmer’s Welfare and Co-operation; Health and Family Welfare; Social Justice and Empowerment; Tribal Development; and Urban Housing and Urban Development.

Delay in submission of utilisation certificates to AG (A&E)

It was observed that nine of 81 UCs (11 *per cent*) of the sampled cases amounting ₹ 4.11 crore were belatedly submitted to AG (A&E) in respect of grants paid during the period 2001-02 to 2017-18. The age-wise delay in submission of UCs is summarised in **Table 3.2**.

Table 3.2: Age-wise delay in submission of UCs

Sr. No.	Delay in submission	Utilisation Certificates	
		Number	Amount (₹ in crore)
01	01 to 02 years	5	4.07
02	02 years to 08 years	0	0.00
03	08 years and above	4	0.04
	Total	9	4.11

Source: Information furnished by office of the AG (A&E)

Of these nine UCs, six UCs (67 *per cent*) amounting ₹ 2.39 crore pertained to the Social Justice and Empowerment Department and other three UCs pertained

⁴ Drawn randomly from 1,726 UCs received by AG (A&E) in 2018-19 in respect of five Departments showing high pendency

to Agriculture, Farmer's Welfare and Co-operation; Health and Family Welfare; and Tribal Development Departments.

Non-utilisation of grants

Rule 154 (5) read with Note 2 of Gujarat Financial Rules, 1971 provides that if the sanctioning authority has not prescribed any time frame, the grant will be spent upon the specific object within a reasonable time, which would normally be a period of one year from the date of issue of the sanction of the grant. Any unspent balance lying with the grantee on the expiry of one year from the date of sanction should be surrendered forthwith to Government.

Eight UCs received by three⁵ Departments for grants disbursed between 2001-02 and 2017-18 showed that ₹ 2.70 crore had not been spent by the implementing agencies for a period of one to 16 years. However, the unspent grants were not surrendered to the Government Account.

UCs submitted in improper format

As per Rule 212(1) of General Financial Rules, 2005 read with Rule 155 of Gujarat Financial Rules, 1971, UCs should be furnished by the grantee institutions/offices through their Departments in Form GFR-19 A.

However, 69 of 81 UCs (85 *per cent*) aggregating ₹ 781.85 crore were not submitted in the prescribed Form. The UCs either did not detail the checks exercised before their submission or sanction order numbers and dates were not mentioned in the UCs by the grantees. Acceptance of improper UCs indicated that the grantor Departments had not carried out the required checks and they also did not insist on providing necessary documents in support of UCs.

Further, 40 of 81 UCs (49 *per cent*) aggregating ₹ 58.01 crore submitted by the grantee institutions to AG (A&E) were either not countersigned by the respective Head of Departments or not routed through the concerned Departments. The reliability of UCs submitted could, therefore, not be verified in audit.

3.1.1.2 Incorrect submission of utilisation certificates to AG (A&E)

As per Note 1 (i) below Rule 155 of the Gujarat Financial Rules, "The officer certifying the utilisation of the grant should take steps to satisfy himself that the conditions on which the grant was sanctioned have been or are being fulfilled. For this purpose, he may require the grantee to submit to him at regular intervals, such reports, statements, *etc.*, in respect of expenditure from the grant as may be considered necessary."

⁵ Health and Family Welfare; Social Justice and Empowerment; and Tribal Development

During grants audit in H&FW for the year 2016-19, Audit observed that three COs submitted 1,113 UCs involving ₹ 5,977.75 crore to AG (A&E) without obtaining details of expenditure/reports/UCs from the implementing agencies, in violation of provisions of GFR. The details are shown in **Table 3.3**.

Table 3.3: Details of incorrect submission of UCs

Name of the Controlling Officers	Year	UCs submitted	Amount of UCs submitted to AG (A&E) (₹ in crore)
Additional Director of Public Health	2016-17 to 2018-19	461	3310.93
Additional Director of Medical Services	2017-18 to 2018-19	196	196.54
Additional Director of Medical Education and Research	2016-17 to 2018-19	456	2470.28
	Total	1113	5977.75

Source: Information collected from concerned COs

Recommendation: *Sanctioning authority/concerned Department should ensure receipt and verification of the genuineness of UCs for grants already released, before releasing further grants. A sound internal control and financial reporting mechanism may be instituted to identify the bottlenecks for delays in submission of UCs together with review of unspent balances lying with the grantee institutions for long periods.*

3.2 Failure to submit accounts for amounts drawn on abstract contingent bills

Drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers are not available at the time of drawal, are made on Abstract Contingent (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission⁶ of Detailed Contingent (DC) bills within a stipulated period of three months from the date of drawal of AC bills to AG (A&E).

Withdrawal of funds on AC bills on large scale and non-adjustment/ settlement of substantial number of AC bills by way of submission of DC bills by the State Government over the years is a matter of concern.

As on 31 March 2019, the concerned Departments did not furnish DC bills for 4,496 AC bills amounting ₹ 439.97 crore to AG (A&E). Year-wise break-up of outstanding DC bills are given in **Table 3.4**.

⁶ As per Rule 211 of Gujarat Treasury Rules, 2000

Table 3.4: Pendency in submission of DC bills

Year	Outstanding DC bills	Amount (₹ in crore)
Up to March 2017	2,187	90.59
2017-18	181	14.98
2018-19	2,128	334.40
Total	4,496	439.97

Source: Finance Accounts of Government of Gujarat for the year 2018-19

As evident from the **Table 3.4**, DC bills amounting ₹ 90.59 crore (20.60 per cent) were pending settlement for more than two years. Substantial amount of DC bills were pending from Women and Child Development Department (35 AC bills amounting ₹ 177.45 crore); Education Department (1,876 AC bills amounting ₹ 84.82 crore) and Home Department (422 AC bills amounting ₹ 55.40 crore).

Out of 10,505 AC bills drawn (₹ 689.68 crore) in 2018-19, 1,716 AC bills involving ₹ 194.61 crore (28 per cent) were drawn in March 2019 while four of 1,716 AC bills involving ₹ 7.63 crore were drawn on the last day of the financial year. Of the four AC bills amounting ₹ 7.63 crore, one AC bill amounting ₹ 6.22 crore was drawn by Industries and Mines Department.

Significant expenditure against AC bills in March indicated that drawal was primarily to exhaust the budgetary provisions and revealed inadequate budgetary control.

Advances drawn and not accounted for also increases the possibility of wastage/ misappropriation/malfeasance etc.

3.2.1 Irregular drawing of AC bills for planned activities

Expenditure through AC bill should be done only for meeting contingent expenses and not for carrying out planned activities.

Audit observed that five⁷ *Mamlatdars*⁸ under Revenue Department drew 13 AC bills during 2017-18 for executing works for removal of encroachments on Government land, though this was a planned activity for which provision was made in the budget estimates of 2017-18.

Only one bill amounting ₹ 75,000 was submitted (March 2018) on time. Of the remaining 12 AC bills aggregating ₹ 3.88 crore, ₹ 1.34 crore were lying unspent in the bank accounts of four⁹ *Mamlatdars* while ₹ 2.54 crore were placed at the disposal of Roads and Buildings (R&B) Divisions at Ahmedabad for execution

7 Ghatlodiya, Maninagar, Sabarmati, Vatva and Vejalpur

8 The Mamlatdar is the Head of the revenue administration consisting of average 50 or more groups of villages.

9 Ghatlodiya, Maninagar, Sabarmati and Vatva

of fencing works (December 2019). R&B Divisions neither submitted detailed account of expenditure incurred by them nor was the unspent balance remitted to respective *Mamlatdars*.

Drawing of AC bills for planned activities was not in order.

3.2.2 Review of AC/DC bills

Audit selected a sample¹⁰ of 115 AC/DC bills (involving ₹ 4.28 crore) relating to period 2014-19 received in office of the AG (A&E) from five Departments, namely Education, Home, Industries and Mines, Sports, Youth and Cultural Activities and Panchayats, Rural Housing and Rural Development. The objective was to seek an assurance that procedures laid down for drawal and submission of AC/DC bills had been followed scrupulously by these Departments.

3.2.2.1 Drawal of AC bill for expenditure already done

As per Gujarat Treasury Rules, 2000, no expenditure can be incurred without sanction for such expenditure from a competent authority.

Audit observed that in 16 out of 115 cases involving ₹ 0.75 crore, payment vouchers attached with DC bills showed dates prior to the date of drawal of AC bill/sanction from competent authority. This clearly indicated that AC bills were drawn after expenditure had already been incurred.

3.2.2.2 Failure to check pendency in submission of previous DC bills

As per Rule 211 of Gujarat Treasury Rules, 2000, the Drawing Officer while drawing a fresh AC bill should certify that no DC bill is pending pertaining to the period prior to previous three months on the date of drawal of the fresh AC bill. Audit scrutiny of 115 AC bills in selected Departments revealed the following:

- In seven out of 115 cases, the concerned Drawing Officers did not record the requisite certificate on the AC bills, and
- In 49 out of 115 cases, certificates recorded by concerned Drawing Officers were erroneous. Cross-verification by Audit with the abstract of pending AC bills showed pendency in submission of DC bills pertaining to prior periods.

The above inadequacies indicated that the Drawing Officers did not exercise proper checks before drawing new AC bills.

3.2.2.3 Delay in submission of DC bills

In 48 cases involving ₹ 1.52 crore, there were delays in submission of DC bills between six days and 1,214 days. In 14 cases involving ₹ 0.58 crore, DC bills

¹⁰ Drawn randomly from 4,831 AC bills received in 2018-19 from five Departments showing high pendency

had not been submitted and the delays ranged between 188 days and 550 days as of December 2019.

Recommendation: Sanctioning authorities may ensure that amounts drawn on AC bills are settled expeditiously through submission of DC bills within the prescribed time limits. Finance Department may also ensure that pendency of AC bills is brought down.

3.3 Bodies/Authorities substantially financed by the Government

3.3.1 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 (CAG) 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 Body or Authority, the CAG 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 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 Heads of Department 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 five¹¹ of 27 Departments furnished the details of grants-in-aid given to various Bodies and Authorities during 2018-19. Based on the information furnished by the departments, 46 new Bodies/Authorities were identified for audit. In the absence of information from 22 Departments, Audit could not give assurance to that extent to the Legislature/ Government about the manner in which the grants sanctioned/released by them had been utilised.

¹¹ Finance; General Administration; Social Justice and Empowerment; Legal; Gujarat Legislature Secretariat

3.3.2 Non-submission/delay in submission of Accounts by Autonomous Bodies/Authorities

On the basis of accounts furnished by different Autonomous Bodies (ABs), audit under Section 14 of the CAG's (DPC) Act, 1971 are conducted. There are 207 Autonomous Bodies/ Authorities covered under this Section. These are audited with regard to their transactions, operational activities and accounts, review of systems/procedures, internal controls, etc.

A total of 41 accounts (including accounts of earlier years) relating to 19 Bodies/Authorities were audited during the year 2018-19. Ten out of 19 ABs have furnished their current accounts for 2018-19. However, 911 Annual Accounts of 207 Autonomous Bodies/ Authorities due up to 2018-19 were not received as on 31 July 2019 by the Offices of PAG (E&RSA)¹² and the PAG (G&SSA)¹³, Gujarat.

Details of 207 ABs which did not furnish accounts are given in **Appendix 3.2** and their age-wise pendency is shown in **Table 3.5**.

Table 3.5: Age-wise arrears of annual accounts due from Government Bodies

Sr. No.	Pendency in number of years	Number of the Bodies/Authorities
1.	Less than one year	13
2.	1-3	112
3.	3-5	26
4.	5-10	36
5.	Above 10	20
Total		207

Source: Information compiled by Office of the PAG (E&RSA) and Office of the PAG (G&SSA)

Table 3.5 above shows that the accounts of 56 Autonomous Bodies/Authorities were in arrears for more than five years. 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.

Non-submission of information regarding grants and loans paid to various institutions and non-furnishing of Accounts by them, increase the risk of mis-utilisation of the funds and the Finance Department needs to keep a watch on such transfers.

¹² Principal Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad

¹³ Principal Accountant General (General and Social Sector Audit), Gujarat, Rajkot

3.4 Delay in submission of accounts/placement of Separate Audit Reports of Autonomous Bodies

Several ABs have been set up by the State Government in the fields of development, housing, *etc.* These ABs attract audit under Section 19(2), 19(3) and 20(1) of the CAG's (DPC) Act, 1971. Accounts of 63 such ABs in the State are audited by the CAG. These are audited with regard to their transactions, operational activities and accounts, review of systems and procedures, internal management and financial controls, *etc.* Separate Audit Reports (SARs) in respect of each of the 63 ABs are required to be submitted to the State Government while 36 of 63 SARs are required to be placed in the State Legislature.

Only 14 of 63 ABs have rendered the accounts for the year 2018-19 while the remaining 49 ABs have not submitted the accounts for the years 2006-07 to 2018-19. Period of delay in non-submission of accounts by these 49 ABs ranged from two months to 134 months up to August 2019. A statement showing status of accounts received¹⁴ and placement of SARs in the State Legislature in respect of 63 ABs are shown in **Appendix 3.3**.

Details of delay in submission of accounts by 49 ABs to Audit and delay in placement of SARs in the Legislature in respect of 36 ABs are shown in **Table 3.6**.

Table 3.6: Delay in submission of accounts and tabling of SARs in Legislature

Submission of Accounts for Audit		Tabling of SAR in Legislature	
Period of delay (up to August 2019)	Number of Autonomous Bodies	Delay	Number of Autonomous Bodies
Up to 1 year	32	Up to 1 year	16
2 years	4	1 – 2 years	3
More than 2 years	13	More than 2 years	17
Total	49	Total	36

Source: Information compiled by O/o the PAG (E&RSA) and O/o the PAG (G&SSA)

Inordinate delay in submission of accounts and tabling of reports in the State Legislature resulted in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, necessary remedial action, if any, required to be taken by the Government was also delayed.

Recommendation: 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.

¹⁴ Accounts are to be submitted by ABs within three months of the closure of the financial year (30 June every year)

3.5 Personal Deposit/Personal Ledger Accounts

3.5.1 Personal Deposit Accounts

A Personal Deposit Account (PD Account) is a device intended to facilitate the Administrators thereof to credit receipts into and effect withdrawals directly from the Consolidated Fund of the State (CFS) 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 under the Public Account.

As on 31 March 2019, 17 Departments held 484 PD Accounts¹⁵ in district treasuries with a closing balance of ₹ 581.01 crore, which was not transferred to the CFS before the closure of the financial year.

Thirteen new PD Accounts were opened and 11 closed during 2018-19. Education Department held the highest number of PD Accounts (145), followed by General Administration Department (74) and Agriculture, Farmer's Welfare and Co-operation Department (53). During 2018-19, ₹ 1,610.57 crore was credited to PD Accounts from the CFS and an expenditure of ₹ 1,476.97 crore was incurred therefrom.

Further, 26 out of 484 PD Accounts with a total balance of ₹ 1.70 crore were inoperative for over three years as on 31 March 2019.

Non-transfer of unspent balances lying in PD Accounts to the CFS before the closure of financial year entails the risk of misuse of public funds, fraud and misappropriation.

As compared to other States, the position of the PD Accounts was sustainable. However, the Finance Department needs to keep a watch on PD accounts which are not in operation for more than one year and necessary action may be taken thereon.

3.5.2 Review of Personal Deposit Accounts

Audit reviewed five¹⁶ PD Accounts of the Administrators under Health and Family Welfare Department (H&FW) for the period 2016-19, in order to examine compliance with relevant rules for administration of PD Accounts. The Administrators were to use the PD Account for receipts/refunds of deposits such as, hostel fees, admission fees, course fees and earnest money/security deposits of suppliers/contractors.

Major audit findings on PD Accounts operated by these Administrators are discussed in the succeeding paragraphs.

¹⁵ Under Major Head – 8443-106 – Civil Deposits-Personal Deposits

¹⁶ (i) Chief District Medical Officer-cum-Civil Surgeon, General Hospital, Gandhinagar, (ii) Medical Superintendent, Civil Hospital, Ahmedabad, (iii) Dean, Dental College and Hospital, Ahmedabad, (iv) Director, M. J. Institute of Ophthalmology, Ahmedabad, and (v) Dean, B.J. Medical College, Ahmedabad

3.5.2.1 Absence of authorisation letters in operation of PD Accounts

PD Account can be operated only with the authorisation of the AG (A&E) and it should be operated as per the conditions mentioned in the authorisation letter. However, no authorisation letters were made available to Audit by the five Administrators. The Administrators stated (December 2019) that authorisation letters were not traceable, as it had been issued many years ago. In absence of authorisation letters, Audit could not ascertain whether applicable conditions had been adhered to by the Administrators in operation of PD accounts.

3.5.2.2 Irregular retention of fees in PD Accounts

As per Rule 25 of Gujarat Treasury Rules, 2000, all kind of fees collected in Government Institutes must be credited into Government Account within two or three days of their receipt.

Audit observed (December 2019) that three PD Accounts were credited with ₹ 1.81 crore¹⁷ on account of para-medical course fees and All India admission fees (collected up to March 2019), but this was not deposited into Government Account as of December 2019.

3.5.2.3 Non-reconciliation of balances as per cash book and treasury

Rule 398 of Gujarat Treasury Rules, 2000 stipulates that the Administrators of PD Accounts should carry out reconciliation of their balances for the preceding financial year with the concerned Treasury Offices by 30 June of the following financial year.

Scrutiny of PD Account cash book of Medical Superintendent, Civil Hospital, Ahmedabad revealed a difference of ₹ 0.50 lakh between PD Account cash book and treasury balances, due to non-reconciliation of balances for the years 2016-17, 2017-18 and 2018-19.

3.5.2.4 Parking of Scheme funds in PD Account

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 of Medical Superintendent, Civil Hospital, Ahmedabad revealed that ₹ 11.10 crore released by Commissioner of Health during 2016-18 under *Shala Arogya-Rashtriya Bal Swasthya Karykram* was irregularly parked in PD Account.

Of ₹ 11.10 crore, only ₹ 5 crore was spent upto March 2018, leaving an unspent balance of ₹ 6.10 crore in PD Account (December 2019).

¹⁷ Chief District Medical Officer-cum-Civil Surgeon, General Hospital, Gandhinagar; Medical Superintendent, Civil Hospital, Ahmedabad; and Dean, B.J. Medical College, Ahmedabad

3.5.3 Operation of Personal Ledger Accounts

There were 280 Personal Ledger Accounts¹⁸ (PLAs) relating to 33 District Development Offices (DDO) at the district level and 247 Taluka Development Offices (TDO) at the taluka level under Panchayats, Rural Housing and Rural Development Department. As on 01 April 2018, PLAs had an opening balance of ₹ 12,785.81 crore. Receipts under these accounts during 2018-19 were ₹ 41,012.13 crore and disbursements were ₹ 41,396.67 crore, leaving a closing balance of ₹ 12,401.27 crore as on 31 March 2019.

3.5.4 Review of Court Deposits PLAs

3.5.4.1 Non-maintenance of inventory of fixed deposits

Courts in the State of Gujarat receive moneys as deposits in respect of various cases pursuant to the orders given by the Judges. These deposits, not bearing interest, are classified into two categories *viz.* (i) Civil Court Deposits¹⁹ and (ii) Criminal Court Deposits²⁰. Moneys so deposited, as ordered by respective court, are returned to the party /persons once the court takes decision on the case.

There were 277 Civil Court Deposits PLAs and 318 Criminal Court Deposits PLAs being operated at High Court and sub-ordinate courts under Legal Department. As on 01 April 2018, Civil Court Deposits PLAs had an opening balance of ₹ 620.70 crore. Receipts under these accounts during 2018-19 were ₹ 3,562.36 crore and disbursements were ₹ 3,418.04 crore, leaving a closing balance of ₹ 765.02 crore as on 31 March 2019. Criminal Court Deposits PLAs had an opening balance of ₹ 128.33 crore as on 01 April 2018. Receipts under these accounts during 2018-19 were ₹ 125.92 crore and disbursements were ₹ 87.58 crore, leaving a closing balance of ₹ 166.67 crore as on 31 March 2019.

Given the fact that huge balances had been lying in Court Deposits PLAs without earning any interest, the High Court of Gujarat directed all the courts in 2009 that amounts so held in PLAs should be invested in fixed deposits in Nationalised Banks by the Registrars of the concerned courts. The intention was to ensure that parties do not lose interest on deposits till finality of adjudication of the case.

Audit observed that the Legal or Finance Departments did not issue Government Resolution/Notification to create a system to record the amounts invested in fixed deposits and procedure to be followed in case of lapsed deposits.

Test-check of four²¹ PLAs revealed no records of amounts invested in fixed deposits and therefore, it was difficult to assess the quantum of deposits kept

18 Under Major Head – 8448-109 – Deposits of Local Funds-Panchayat Bodies Funds

19 Under Major Head – 8443-104 – Civil Court Deposits

20 Under Major Head – 8443-105 – Criminal Court Deposits

21 High Court of Gujarat; District Court Rural, Mirzapur, Ahmedabad; City Civil and Sessions Court, Ahmedabad; and Civil Court, Dholka

outside the Public Account. Audit further observed that the registers meant for collection of deposits (Register C) and release of deposits (Register D) were being maintained without any reference to fixed deposits created.

Thus, there was no system for monitoring, accounting and maintaining the inventory of fixed deposits. In the absence of such a system, information relating to these fixed deposits created outside the Public Account could not be disclosed in the Finance Accounts of the Government.

3.5.4.2 Non-adherence to rules related to Lapsed Deposits

As per Rule 672 (22) of Civil Manual, 1960, deposits unclaimed for more than three complete account years from the date of final adjudication of a suit or a proceeding will be credited to Government Account at the close of March in each year. In the following month, the Court shall furnish to the AG (A&E) a statement of balances written off and credited to Government Account.

During the course of audit, it was noticed that details of amounts lapsed to Government after final adjudication was not available with the Registrars of four test-checked PLAs, as no statements of unclaimed deposits were being prepared.

3.6 Misappropriation, losses and defalcation

The State Government reported 164 cases of misappropriation, losses, defalcation, etc. involving Government money of ₹ 16.26 crore (up to March 2019) on which final action was pending. Department-wise break up of pending cases and age analysis of such cases is given in **Appendix 3.4**. Classification of these cases in three categories is shown in **Appendix 3.5**. Age profile of pending cases is summarised in **Table 3.7**.

Table 3.7: Age profile of misappropriation, losses and defalcation cases

Range in years	Number of cases	Amount involved (₹ in crore)
Up to 5	42	7.63
5 – 10	16	0.63
10 – 15	19	1.82
15 – 20	13	5.53
20 – 25	12	0.11
25 and above	62	0.54
Total	164	16.26

Source: Information compiled by Offices of the PAG (E&RSA) and PAG (G&SSA) from data furnished by concerned Departments

Of the 164 cases, Narmada, Water Resources, Water Supply and Kalpsar Department had 23 cases and Revenue Department had 22 cases which were pending for more than 25 years.

First Information Reports (FIRs) were lodged in 118 of 164 cases. The remaining 46 cases²² pertained to six Departments. Departmental proceedings in all the 46 cases of misappropriation were under progress. The concerned Departments need to file FIRs in these cases at the earliest.

Reasons for pendency of misappropriation, losses and defalcation cases are listed in **Table 3.8**.

Table 3.8: Reasons for pendency of misappropriation, losses and defalcation cases

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in crore)
1.	Awaiting Departmental and criminal investigation	28	0.93
2.	Departmental action initiated but not finalised	27	0.84
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	33	0.27
5.	Pending in the courts of law	72	13.54
6.	Others	1	0.02
Total		164	16.26

Source: Information compiled by Offices of the PAG (E&RSA) and PAG (G&SSA) from data furnished by concerned Departments

As may be seen, 72 of 164 cases (43.90 *per cent*) were under legal adjudication.

3.7 Operation of omnibus Minor Head 800

The omnibus Minor Head 800 accommodates the receipts and expenditure which cannot be classified under the available programme Minor Heads.

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

During 2018-19, expenditure aggregating ₹ 11,133.79 crore constituting 6.25 *per cent* of the total expenditure²³ of the State (₹ 1,78,014.97 crore) was classified under Minor Head '800 - Other Expenditure' in 64 Major Heads under revenue and capital sections. Major Departments which booked large amounts under Minor Head-800 during 2018-19 were: Industries and Mines; Narmada, Water Resources, Water Supply and Kalpsar; and Agriculture, Farmer's Welfare and Co-operation.

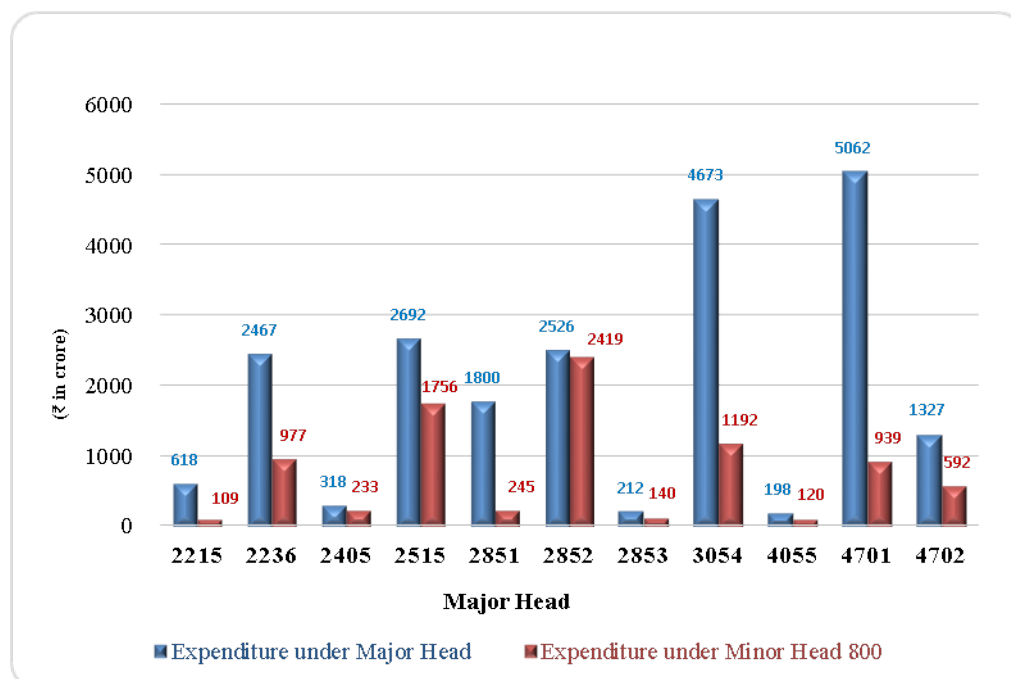
22 Forest and Environment – 20 cases; Health and Family Welfare – 01 case; Narmada, Water Resources, Water Supply and Kalpsar – 17 cases; Roads and Buildings – 06 cases; Revenue – 01 case; and Science and Technology – 01 case

23 Comprising revenue expenditure, capital expenditure, disbursement of loans and advances and repayment of public debt

Under some Major Heads²⁴, expenditure between 96 per cent and 100 per cent was booked under omnibus Minor Head-800.

Cases where expenditure exceeding ₹ 100 crore was booked under Minor Head-800 under a particular Major Head during 2018-19 are illustrated in Chart 3.1.

Chart 3.1: Major Heads where expenditure of more than ₹ 100 crore was booked under Minor Head 800 during 2018-19



Source: Finance Accounts of Government of Gujarat for the year 2018-19

In Major Heads 2236, 2515, 2851, 2852 and 3054, the concerned Departments had been consistently booking expenditure of more than ₹ 100 crore under Minor Head-800 for the last three years. The Departments were: Agriculture, Farmer's Welfare and Co-operation; Finance; General Administration; Industries and Mines; Narmada, Water Resources, Water Supply and Kalpsar; Panchayats Rural Housing and Rural Development; Roads and Buildings; Women and Child Development; Home; and Social Justice and Empowerment.

Similarly, during 2018-19, revenue receipts aggregating ₹ 4,248.48 crore constituting 2.37 per cent of total receipts²⁵ of the State (₹ 1,79,364.01 crore) were classified under omnibus Minor Head '800 - Other Receipts' in 53 Major Heads under revenue section. Major Departments which booked large amounts under Minor Head-800 during 2018-19 were: Agriculture, Farmer's Welfare and Co-operation; Finance; Narmada, Water Resources, Water Supply and Kalpsar; and Urban Development and Urban Housing.

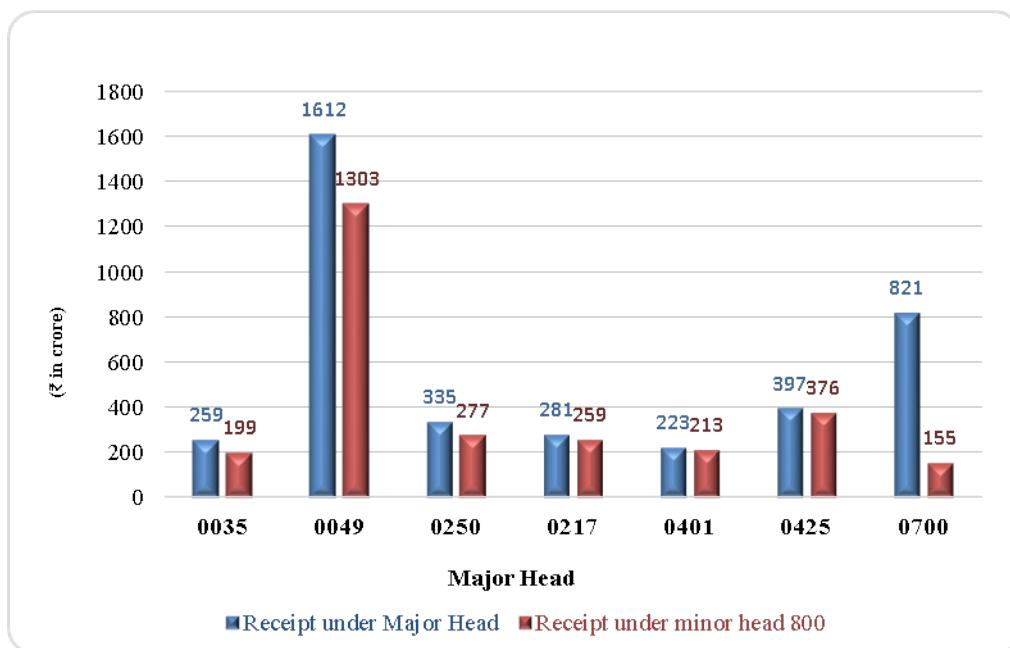
24 2075: Miscellaneous General Services – ₹ 39.82 crore of ₹ 40.56 crore (98.17 per cent) was booked; Major Head 4236: Capital Outlay on Nutrition – entire expenditure of ₹ 43.51 crore (100 per cent) was booked; Major Head 4408: Capital Outlay on Food Storage and Warehousing – ₹ 89.34 crore of ₹ 90.48 crore (98.74 per cent) was booked; Major Head 2852: Industries – ₹ 2,418.74 crore of ₹ 2,526.35 crore (95.74 per cent) was booked

25 Comprising tax revenue, non-tax revenue, share of Union taxes and duties, grants-in-aid from GoI, miscellaneous capital receipts, recovery of loans & advances and public debt receipts.

Cases where 100 per cent booking of receipts was done under Minor Head - 800 were: 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), Power (Major Head - 0801), Land Reforms (Major Head - 0506), Civil Supplies (Major Head - 1456) and Other Fiscal Services (Major Head - 0047).

Cases where receipts exceeding ₹ 100 crore were booked under Minor Head-800 under a particular Major Head during 2018-19 are illustrated in **Chart 3.2**.

Chart 3.2: Major Heads where revenue of more than ₹ 100 crore was booked under Minor Head 800 during 2018-19



Source: Finance Accounts of Government of Gujarat for the year 2018-19

In Major Heads 0035, 0049 and 0700, the Departments had been consistently booking receipts of more than ₹ 100 crore under Minor Head-800 for the last three years.

It was also observed that expenditure under Minor Head 800 has continuously increased from ₹ 8,608.12 crore in 2016-17 to ₹ 11,133.79 crore in 2018-19 while revenue receipts under the same Minor Head fluctuated during the same period from ₹ 16,471.60 crore in 2016-17 to ₹ 2,336.52 crore in 2017-18 and finally to ₹ 4,248.48 crore in 2018-19.

The State Government needs to make more efforts to minimise classification of expenditure and receipts under respective Minor Head - 800.

3.8 Comments on Accounts

3.8.1 Important factors affecting accuracy of Accounts

Accounts of the Government are kept on cash basis. Certain transactions that arise in Government Accounts, 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 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 un-cleared, 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.

A general review of transactions under major suspense accounts revealed the following:

3.8.1.1 Outstanding balances under major suspense accounts

Balances under certain major suspense heads of accounts, as recorded in the ledger maintained by office of the AG (A&E), are indicated in **Table 3.9**.

Table 3.9: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2016-17			2017-18			2018-19		
	Debit	Credit	Net Debit	Debit	Credit	Net Debit	Debit	Credit	Net Debit
101- Pay and Accounts office Suspense	166.13	30.00	136.13	189.21	3.69	185.52	221.01	9.22	211.79
102- Suspense Accounts (Civil)	90.93	0.11	90.82	74.34	0.15	74.19	98.04	7.72	90.32
110- Reserve Bank Suspense-Central Accounts Office	352.96	110.73	242.23	242.23	0.00	242.23	242.23	0.00	242.23

Source: Finance Accounts of Government of Gujarat for the year 2018-19

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 balances under these heads are discussed in the succeeding paragraphs.

(i) *Pay and Accounts Office Suspense*

This Minor Head is operated for settlement of inter-Departmental and inter-Governmental transactions arising in the books of Pay and Accounts Offices

(PAOs) and the AG (A&E). Transactions under this Minor Head represent either recoveries have been effected or payments have been 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 the Minor Head would mean that payments have been made by the AG (A&E) on behalf of a PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG (A&E) on behalf of a PAO, which are yet to be repaid/adjusted.

The net debit balance under this head increased from ₹ 136.13 crore in 2016-17 to ₹ 211.79 crore in 2018-19.

(ii) *Suspense Accounts (Civil)*

This transitory Minor Head is operated for accounting of 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, 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 that payments were made which could not be debited to the final expenditure Head for want of details like vouchers. Outstanding credit balance would mean that amounts were received which could not be credited to the final receipt head for want of details.

The net debit balance as on 31 March 2019 under this Head was ₹ 90.32 crore, indicating that necessary details for classification of final expenditure Head were not available.

(iii) *Reserve Bank Suspense-Central Accounts Office*

This Head is operated for recording inter-Governmental transactions where monetary settlement between cash balances of two Governments is done by sending advice to the Central Accounts Section of the Reserve Bank of India (RBI).

This Head is cleared by transferring the amount to the final Head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transaction which gets settled through this Suspense Head are grants/loans received from the GoI and their repayments, discharge of securities and interest paid thereon by the Public Debt Offices of RBI, and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments.

As on 31 March 2019, debit balance under this Head was ₹ 242.23 crore, which was the same as the previous year, indicating that corresponding clearances were not made.

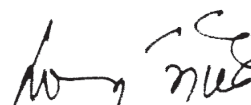


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The**