

**CHAPTER-3**  
**FINANCIAL REPORTING**



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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning, decision making and accountability of the stakeholders. This Chapter provides an overview and status of State Government's compliance with various financial rules, procedures and directives during the current year.

#### 3.1 Non-submission of Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and, after verification, these should be forwarded to the Accountant General (Accounts and Entitlement) within 12 months from the date of their sanction unless specified otherwise. A total number of 119 UCs amounting to ₹353.34 crore was pending as of March 2019 as shown in *Appendix-3.1*. The age-wise position as regards submission of UCs has been summarised in **Table-3.1**.

**Table-3.1: Age-wise position of Utilisation Certificates up to March 2019**

Sl. No.	Year	No of UCs awaited	Amount
1.	Up to 2016-17	01	0.93
2.	2017-18	24	36.73
3.	2018-19 #	94	315.68
<b>Total</b>		<b>119</b>	<b>353.34</b>

# Except where the sanction order specifies otherwise, UCs in respect of Grants-in-aid drawn during 2018-19 become due only in 2019-20.

Source: Finance Accounts 2018-19 prepared by AG (A&E), Uttarakhand.

The Departmental officers did not submit 25 UCs due for submission by March 2019 in respect of which grants amounting to ₹37.66 crore were given up to March 2018 for specific purposes. However, out of 25 UCs, nine UCs amounting to ₹5.87 crore had been received at the end of September 2019. Further, out of 94 UCs due for submission in 2019-20, 20 UCs amounting to ₹120.98 crore have been received up to September 2019. All the UCs, which were pending related to the Panchayati Raj Institutions/Urban Local Bodies.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the intended purpose for which these were sanctioned. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

During Exit Conference, the State Government agreed to issue Government Order for submission of UCs in time.

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

To identify the institutions, which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/ Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which the assistance was granted, and the total expenditure of the institutions. Further, Regulations

on Audit and Accounts, 2007 provide that Government and the Heads of Departments 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 amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority.

The Government, however, did not furnish the information pertaining to grants aggregating ₹10 lakh or more for the Autonomous Bodies/Authorities in the State of Uttarakhand. However, information in case of 15 Bodies was directly received in this office from the entities in whose favour the grants had been sanctioned by the Secretary Finance. Non-furnishing of information was in violation of Regulations on Audit and Accounts, 2007. Consequently, audit could not provide assurance to the Legislature/Government on the manner in which the sanctioned grant was utilised.

During Exit Conference, the State Government assured for compliance of the above requirement.

### **3.3 Delay in submission of Accounts in respect of Departmentally Managed Commercial Undertakings**

Three departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *proforma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalized annual accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of annual accounts, investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if required, for ensuring accountability and improving efficiency, cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the government are to ensure that the undertakings prepare such accounts and submit the same to Principal Accountant General (Audit), Uttarakhand, for audit within a specified time frame. As of March 2019, the department-wise position of arrears in preparation of *proforma* accounts and investment made by the Government are given in **Appendix-3.2**. Delay in finalisation of accounts carries the risk of financial irregularities going undetected.

During Exit Conference, the State Government agreed to issue a letter to the Administrative Department of Food and Irrigation to finalise the accounts in requisite formats and send these to the office of the Principal Accountant General (Audit).

### **3.4 Bookings under Minor Head 800-'Other Receipts' and 'Other Expenditure'**

Minor Heads 800-'Other Expenditure' and 'Other Receipts' under various Major Heads are intended to be operated only when the appropriate minor head has not been provided in the chart of accounts. Routine operation of Minor Heads 800 under various Major Heads is to be discouraged since it renders the accounts opaque. During 2018-19, an amount of ₹507.85 crore under 29 Major Heads of account, constituting 2.61 *per cent* of expenditure (₹19,424.29 crore) booked against these Major Heads and 1.58 *per cent* of the total revenue expenditure (₹32,196.02 crore) was classified under the Minor Head-800 'Other Expenditure' in the Revenue Account. Similarly, ₹2,248.71 crore under 34 Major Heads of Account constituting 31.78 *per cent* of receipts (₹7,076.45 crore) booked against

these Major Heads and 7.20 percent of the total revenue receipts (₹ 31,216.44 crore) was classified under the Minor Head-‘800-Other Receipts’. Instances where a substantial portion (20 percent or more and exceeding ₹ five crore) of the receipts and expenditure was classified under Minor Head ‘800-Other Receipts’ and ‘800-Other Expenditure’ are depicted in **Table-3.2**.

**Table-3.2: Substantial amount booked under Minor Head-‘800-Other Receipts/Expenditure’**

(₹ in crore)

Sl. No.	“800-Other Receipts”				“800-Other Expenditure”			
	Major Head	Total Receipts	Booking under Minor Head 800	Percentage of Receipts	Major Head	Total Expenditure	Booking under Minor Head 800	Percentage of Expenditure
1.	0029- Land Revenue	34.10	9.56	28.04	2040- Taxes on Sales, Trades etc.	41.13	39.78	96.72
2.	0059- Public Works	46.49	17.22	37.04	2217-Urban Development	137.91	29.50	21.39
3.	0071- Contributions and recoveries towards Pension and Other Retirement benefits	1,714.70	1,656.75	96.62	2245- Relief on Account of Natural Calamities	403.51	120.92	29.97
4.	0075- Miscellaneous General Services	20.88	16.54	79.21	2250- Other Social Services	9.61	9.31	96.88
5.	0210-Medical and Public Health	99.27	99.27	100.00	2425- Co-operation	77.98	18.31	23.48
6.	0401- Crop Husbandry	16.08	13.83	86.00	2501- Special Program for Rural Development	214.23	107.47	50.17
7.	0406- Forestry and Wild Life	368.73	142.95	38.77	2810- New and Renewable Energy	11.69	6.70	57.31
8.	0801- Power	186.67	186.67	100.00	-	-	-	-
<b>Total</b>		<b>2,486.92</b>	<b>2,142.79</b>	<b>86.16</b>	<b>Total</b>	<b>896.06</b>	<b>331.99</b>	<b>37.05</b>

Source: Finance Accounts 2018-19 prepared by Accountant General (A&E) Uttarakhand.

As is evident from above table, around 86 percent of receipts pertaining to eight Major Heads were booked under ‘800- Other Receipts’. Similarly, around 37 percent of revenue expenditure pertaining to seven Major Heads was booked under the ‘800-Other Expenditure’. Classification of large amounts booked under the Minor Head ‘800-Other Receipts/Expenditure’ affects the transparency/fair picture in financial reporting.

### 3.5 Losses, Defalcations etc.

Audit observed two cases of defalcation involving Government money amounting to ₹76.77 lakh for the period 2018-19 on which final action was pending. Details of these two cases are given in the **Table-3.3**.

**Table-3.3: Details of Cases of Loss and Defalcation**

(₹ in lakh)

Sl. No.	Name of the Department	Amount Involved	Detail of the Case	Present Status
1.	Education Department	7.00	Embezzlement was done by withdrawing an amount of ₹ seven lakh from bank account by forging a cheque by a Junior Assistant of Government Inter College Chaumel, Champawat.	Pending in court of Law
2.	Irrigation Department	69.77	Non-adherence of laid down procedures by the Department led to an embezzlement of ₹ 69.77 lakh by fraudulent issue of 32 cheques of ₹ 68.86 lakh to seven persons/firms and non-deposit of Government revenue of ₹ 0.91 lakh in Government Account.	Reply awaited from the State Government

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to defalcation and loss in order to avoid recurrence of such cases in future.

### 3.6 Apportionment of Pensionary liabilities between Uttar Pradesh and Uttarakhand

In terms of the Uttar Pradesh Re-organisation Act, 2000, apportionment of the Pensionary dues between the State Governments of Uttarakhand and Uttar Pradesh for the period from April 2000 to March 2018, has been completed. As intimated by the State Government, the apportionment of Pensionary dues for 2018-19 will be undertaken.

### 3.7 Unallocated Balances between Uttarakhand and Uttar Pradesh

As per Appendix–XIII of Finance Accounts 2018-19 of Government of Uttarakhand, balances amounting to ₹ 8,758.82 crore representing balances under deposits and advances (MH 8336-Civil Deposits to MH 8550-Civil Advances) remain to be apportioned between the successor States of Uttarakhand and Uttar Pradesh, almost two decades after the formation of Uttarakhand State. However, as intimated by the office of the Accountant General (A&E), Uttarakhand, the finalisation was under progress.

### 3.8 Investment

The State Government has not made available/confirmed the information on investment made by it in Government Companies/Corporations. The information contained in the Statements 8 and 19 of Finance Accounts is primarily based on information on Government investments which are captured from the vouchers by the Accountant General (A&E). The investment figures as shown in the Finance Accounts are under reconciliation with the records of the entities where the investments have been made by the State Government which depicted a difference of ₹ 61.21 crore up to 31 March 2019.

### 3.9 Implementation of Indian Government Accounting Standards (IGAS)

Three Indian Government Accounting Standards (IGAS) have been notified by Government of India. The compliance of the existing accounting Standards by the State Government is detailed in the **Table-3.4**.

**Table-3.4: Implementation of IGAS**

IGAS	Status of Implementation	Remarks
IGAS- 1 (Guarantees given by the Government)	Not complied with	The State Government has provided limited information on outstanding guarantees. The information regarding maximum amount of guarantees, added/invoked/discharged/not discharged during the year, guarantee commission receivable/received, etc. has not been made available by the State Government.
IGAS- 2 (Accounting and Classification of Grant-in-Aid- GIA)	Not complied with	During the year 2018-19, the State Government gave grants of ₹ 46.82 crore under six Capital Major Heads, which was in contravention of IGAS- 2.
IGAS- 3 (Loans & Advances made by the Government)	Partially Implemented	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS-3, to the extent furnished by the State Government. Information on the repayments in arrears from various loanee entities was not provided. State Government departments have not furnished details of outstanding principal and loans that are sanctioned in perpetuity. Consequently, the requirements of IGAS-3 have not been fully met in these accounts.

During Exit Conference, the State Government assured that the provisions of IGAS-1, 2 & 3 would be complied.

### 3.10 Conclusions and Recommendations

The departmental officers did not submit 25 Utilisation Certificates (due for submission by March 2019) to the Accountant General (A&E), Uttarakhand in respect of the grants of ₹37.66 crore given up-to March 2018 for specific purposes. In the absence of these certificates, it could not be ascertained whether the recipients had utilised the grants for the intended purposes.

**The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.**

Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting.

**The Government may review all the items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are booked under the appropriate head of account to enhance transparency in financial reporting.**

The Government has not provided adequate disclosures in the Finance Accounts as required under IGAS-1 (Guarantees given by the Government), IGAS-2 (Accounting and Classification of Grants-in-aid) and IGAS-3 (Loans and Advances made by the Government).

**The State Government may take steps to ensure compliance with the IGAS-1, 2 and 3 by providing adequate disclosures.**

Dehradun  
The 20 July 2020

  
(S. ALOK)  
Principal Accountant General (Audit),  
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Countersigned

New Delhi  
The 27 July 2020

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India

