

CHAPTER 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 Quality of Accounts and Financial Reporting Practices

A sound financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives.

Issues Related to Completeness of Accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of Treasury Bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the "Consolidated Fund" of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

Section 9B of Government of India's Mines and Minerals (Development and Regulation) Amendment (MMDR) Act, 2015 stipulates that in any district affected by mining related operations, the State Government shall, by notification, establish a trust, as a non-profit body, to be called the District Mineral Foundation (DMF). The object of the DMF was to work for the interest and benefit of persons and areas affected by mining related operations in such manner as may be prescribed by the State Government. The composition and functions of the DMF shall be such as may be prescribed by the State Government.

Section 15A of MMDR Act, 2015 further stipulates that the State Government may prescribe the contribution/payment by all holders of concessions related to minor minerals of amounts to the DMF of the district in which the mining operations are carried on. In case of major minerals, the Ministry of Mines, GoI notifies the rate of contribution.

The Government of Gujarat framed (April 2016) Gujarat District Mineral Foundation (DMF) Rules to regulate the composition, functions and manner of working of leases of minor minerals. Provisions of these Rules were deemed to have been come into force from 12 January 2015.

As per information provided by the Commissioner of Geology and Mining working under the Industries and Mines Department of Government of Gujarat, the status of recovery of contributions in respect of major and minor minerals in the State up to 31 March 2020 was as shown in **Table 4.1**.

Table 4.1: Collections under DMF

		(₹ in crore)		
DMF Account		Royalty Income	Total DMF to be collected	Total DMF collected
Major minerals	16 districts	1,508.93	451.48	327.69
Minor Minerals	32 districts	3,656.18	365.62	260.34
Total		5,165.11	817.10	588.03

Source: Information provided by the Commissioner of Geology and Mining

Audit observed that each Geologist maintained separate savings account for major minerals, minor minerals and contingency fund. The amounts so collected were being credited to the saving accounts maintained by the Geologists, instead of the Public Account, in violation of Article 266(2) of the Constitution of India. Audit also observed shortfall in collection of DMF to the extent of ₹ 229.07 crore up to March 2020.

4.2 Non-inclusion of Clear Liabilities during the Financial Year

In years when Government revenues are under stress, there is a tendency on the part of State Governments to postpone certain payments due, especially in the last quarter of the financial year, to the next financial year(s). This could include subsidy related payments and other contracted payments for which bills have been submitted.

During Grant audit of Energy and Petrochemicals Department (Grant No. 13), it was observed that significant payments for power subsidies due to Gujarat Urja Vikas Nigam Limited (GUVNL), a holding Company of Power Sector PSUs, were in arrears, as discussed below.

4.2.1 Arrears in payment of power subsidies

As per Section 65 of Electricity Act 2003, subsidies by way of Gujarat Electricity Regulatory Commission (GERC) tariff compensation, Fuel Price and Power Purchase Adjustment (FPPA) charges, Water Works and Horse Power-based tariff are required to be released by the State Government to power sector Companies at the beginning of the quarter.

Mention was made in the State Finances Report of the Comptroller and Auditor General of India (C&AG) for the year ended 31 March 2014 on Government of Gujarat (Paragraph No. 2.4.2) regarding large outstanding subsidy claims of GUVNL (₹ 3,313.42 crore) which had not been paid and accounted for by the State Government. The situation continues to be grim, as

the outstanding subsidies payable to GUVNL shot up to ₹ 5,938.78 crore by 31 March 2020. The details are shown in **Table 4.2**.

Table 4.2: Total outstanding subsidies payable to GUVNL as on 31 March 2020

(₹ in crore)					
Sr. No.	Year	Opening balance	Claim amount	Subsidy released	Closing balance
1.	2017-18	5,883.78	6,072.37	5,566.75	6,389.40
2.	2018-19	6,389.40	7,814.40	7,119.29	7,084.51
3.	2019-20	7,084.51	6,704.99	7,849.72	5,939.78

Source: Information provided by Energy and Petrochemicals Department

The status of various components of subsidy payable to GUVNL was as under:

Subsidy for horse power-based tariff on Agriculture

This subsidy is given to keep tariff for agriculture consumers lower. The subsidy under this Head has been capped at ₹ 1,100 crore as per a policy decision taken on the recommendations of Asian Development Bank.

Table 4.3: HP-based tariff on Agriculture

(₹ in crore)					
Year	Grant Head	Opening balance	Claim amount	Subsidy released	Closing balance
2017-18	2801-80-101-01	0.00	1100.00	1100.00	0.00
2018-19	2801-80-101-01	0.00	1100.00	1100.00	0.00
2019-20	2801-80-101-01	0.00	1100.00	1008.33	91.67

Source: Information provided by Energy and Petrochemicals Department

Subsidy for GERC tariff compensation

This subsidy is given by the State Government to GUVNL to subsidize the hike in agriculture tariff by GERC, instead of passing the same to agriculture consumers.

Table 4.4: GERC tariff compensation

(₹ in crore)					
Year	Grant Head	Opening balance	Claim amount	Subsidy released	Closing balance
2017-18	2801-80-190-04	1,025.88	1,206.93	1,206.75	1,026.06
2018-19	2801-80-190-04	1,026.06	2,675.89	2,079.04	1,622.91
2019-20	2801-80-190-04	1,622.91	1,182.31	1,600.33	1,204.89

Source: Information provided by Energy and Petrochemicals Department

Subsidy for fuel price and power purchase adjustment charges

The subsidy is given to GUVNL for not passing the burden of fuel price and power purchase adjustment charges to the consumers.

Table 4.5: Subsidy for fuel price and power purchase adjustment charges
(₹ in crore)

Year	Grant Head	Opening balance	Claim amount	Subsidy released	Closing balance
2017-18	2801-80-190-05	4,462.62	3,125.09	2,745.00	4,842.71
2018-19	2801-80-190-05	4,842.71	3,415.45	3,200.25	5,057.91
2019-20	2801-80-190-05	5,057.91	3,802.39	4,527.83	4,332.47

Source: Information provided by Energy and Petrochemicals Department

Water Works Subsidy

The subsidy is given for supply of free electricity to water works connections of Panchayats.

Table 4.6: Water works subsidy
(₹ in crore)

Year	Grant Head	Opening balance	Claim amount	Subsidy released	Closing balance
2017-18	2801-80-101-04	395.28	640.35	515.00	520.63
2018-19	2801-80-101-04	520.63	623.06	740.00	403.69
2019-20	2801-80-101-04	403.69	620.29	713.23	310.75

Source: Information provided by Energy and Petrochemicals Department

Accumulation of outstanding subsidy claims, apart from impacting the financial position of power sector Companies, would put the State Government in a tight spot while allocating financial resources for future budgets.

4.3 Non-discharge of Interest Liability towards Interest-bearing Deposits

The State Government has a liability to provide and pay interest on the amounts in the interest-bearing Deposits (Major Head of Accounts 8336 and 8342). However, the State Government did not provide budgetary allocation for interest payments under Major Head 2049 (revenue expenditure), although there were balances in these Deposits as on 31 March 2019, as indicated in **Table 4.7**.

Table 4.7: Non-discharge of interest liability towards interest-bearing Deposits

(₹ in crore)

Sr. No.	Name of the interest-bearing Deposit	Balance as on 31 March 2019	Amount of interest not provisioned
1.	Deposit bearing interest (Other than Contributory Pension Scheme)	17.43	1.31
2.	Deposits bearing interest (Contributory Pension Scheme)	15.74	1.26
Total			2.57

Source: Finance Accounts for the year 2019-20

Non-discharge of interest liability would lead to reflection of increased revenue surplus and smaller closing balances under the relevant Deposit Account.

4.4 Funds Transferred Directly to State Implementing Agencies

The Central Government had been transferring funds directly to the State implementing agencies for implementation of various Schemes/programmes in social and economic sectors. As these funds were not routed through the State budget/State Treasury System, the Annual Finance Accounts did not capture flow of such funds. Thus, to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them did not present the complete picture.

With effect from 01 April 2014, GoI decided to release all assistance for Centrally Sponsored Schemes/Additional Central Assistance to the State Governments. In Gujarat, however, transfer of Central funds directly to the State implementing agencies continued even during 2019-20 (Appendix VI of Finance Accounts, Volume-II refers). Year-wise details of such transfers from 2015-16 to 2019-20 are shown in **Table 4.8**.

Table 4.8: Funds transferred to State implementing agencies by GoI

Direct transfers to State implementing agencies	2015-16	2016-17	2017-18	2018-19	2019-20
Funds transferred (₹ in crore)	2,542.77	3,392.86	7,510.45	10,026.44	11,659.35

Source: Finance Accounts for the respective year

During 2019-20, GoI released ₹ 11,659.35 crore directly to implementing agencies, of which, ₹ 7,772.35 crore was released to 'State Government Implementing Agencies' and ₹ 3,887 crore to 'Other than State Government Implementing Agencies'. The Schemes involving major transfers of Central funds directly to State Implementing Agencies were Pradhan Mantri Kisan Samman Nidhi (₹ 3,133.52 crore), Metro-link Express for Gandhinagar and Ahmedabad (₹ 1,667.26 crore), Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 593.59 crore), Member of Parliament Local Area Development Scheme (₹ 182.50 crore) and Pradhan Mantri Matru Vandana Yojana (₹ 96.77 crore).

Details of various Agencies receiving ₹ 11,659.35 crore directly from the GoI during 2019-20 for implementing various developmental Schemes are shown in **Chart 4.1**.

Chart 4.1: Implementing agencies that received funds directly from GoI during 2019-20



Source: PFMS data for 2019-20

4.5 Deposits of Local Funds

There were 280 Personal Ledger Accounts (PLAs) being operated by 33 District Development Offices and 247 Taluka Development Offices under Panchayats, Rural Housing and Rural Development Department. The transactions under Zila Parishad Fund and Panchayat Samiti Fund during the last five years (2015-20) are as shown in **Table 4.9**.

Table 4.9: Deposits in local funds

		(₹ in crore)				
Year		2015-16	2016-17	2017-18	2018-19	2019-20
Zila Parishad Fund (8448-109-11)	Opening Balance	7,425.76	8,329.90	9,249.79	8,940.69	8,263.03
	Receipts	19,945.23	18,331.29	23,364.03	24,485.22	23,210.92
	Expenditure	19,041.09	17,411.39	23,673.13	25,162.88	22,652.46
	Closing Balance	8,329.90	9,249.79	8,940.69	8,263.03	8,821.48

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Panchayat Samiti Fund (8448-109-12)	Opening Balance	3,313.34	3,865.33	3,680.94	3,845.12	4,138.24
	Receipts	13,408.44	12,352.71	16,300.28	16,526.91	15,349.79
	Expenditure	12,856.45	12,537.11	16,136.10	16,233.79	15,278.52
	Closing Balance	3,865.33	3,680.94	3,845.12	4,138.24	4,209.52
Closing Balance at the end of year		12,195.23	12,930.73	12,785.81	12,401.27	13,031.00

Source: Finance Accounts of respective years

As could be seen from **Table 4.9**, PLAs had an opening balance of ₹ 12,401.27 crore as on 01 April 2019. Receipts during the year were ₹ 38,560.71 crore while disbursements were ₹ 37,930.98 crore, leaving a huge unutilised balance of ₹ 13,031 crore at the end of March 2020.

Further, the Finance Accounts of Government of Gujarat do not capture the funds flow of 14,273 Gram Panchayats (i.e., opening balances, receipts, disbursements and closing balances), meaning thereby that these GPs were maintaining their Accounts in the Scheduled Banks (outside Government Accounts). The State Government also does not have any mechanism to ascertain the quantum of unutilised funds lying in the Accounts of GPs.

Issues Related to Transparency

4.6 Delay in Submission of Utilisation Certificates

Gujarat Financial Rules, 1971¹ read with General Financial Rules² provide that every Grant-in-aid (GIA) made for a specified object is subject to the implied conditions such as, (i) the GIA shall be spent for the intended purpose, and within a reasonable time if no time-limit has been fixed by the sanctioning authority, and (ii) any portion of the GIA which is ultimately not required for expenditure for the purpose, shall be duly surrendered to the Government.

State Government authorities who have received conditional GIA are required to furnish Utilisation Certificates (UCs) to the Head of the Departments concerned about proper utilisation of GIA and after verification, these are required to be forwarded to the Principal Accountant General (A&E) within 12 months of the closure of the financial year in which the GIA was released, unless specified otherwise.

Audit scrutiny revealed that 2,807 UCs in respect of GIA aggregating ₹ 4,403.39 crore given to 21 Departments of the State Government during the period 2001-02 to 2018-19 had not been submitted. The status and age-wise details of delays in submission of UCs is given in **Table 4.10 and 4.11** respectively.

¹ Rule 154 and 155

² Rule 238 (1) of General Financial Rules, 2017

Table 4.10: Status of submission of UCs

Year	UCs cleared		UCs due for submission	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
Up to 2017-18	635	2,255.66	1,982	2,564.04
2018-19	3,771	12,796.46	825	1,839.35
2019-20*	1,161	8,132.96	3,856	13,270.76
Total	5,567	23,185.08	6,663	17,674.15

*UCs for GIA disbursed during 2019-20 would become due in 2020-21.

Table 4.11: Age-wise arrears in submission of UCs

Sr. No.	Range of delay (in years)	UCs pending	
		Number	Amount (₹ in crore)
1.	0-1 (2018-19)	825	1,839.3
2.	1-3 (2016-18)	318	2,117.70
3.	3-5 (2014-16)	48	44.07
4.	5-7 (2012-14)	30	24.96
5.	7-9 (2010-12)	42	12.79
5.	10 and above (2001-10)	1,544	364.51
	Total	2,807	4,403.39

Source: Information compiled by Office of the Principal Accountant General (A&E)

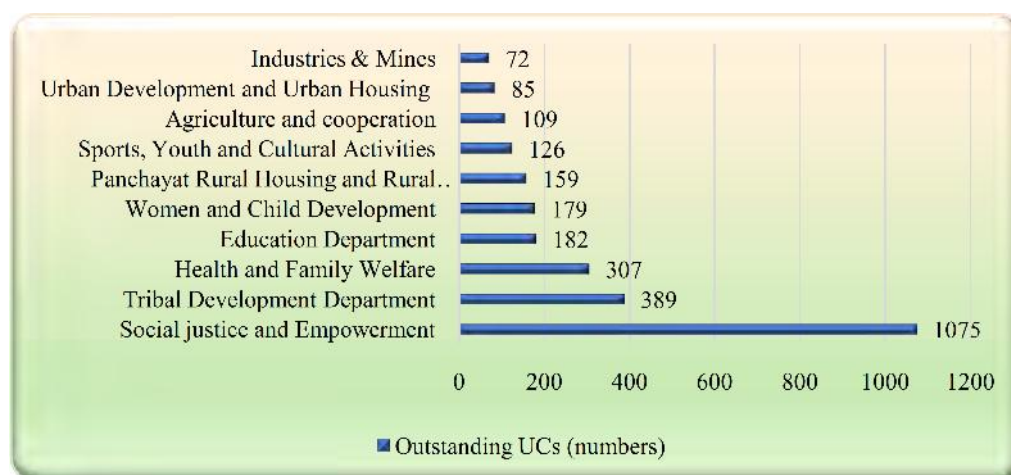
Table 4.12: Year-wise break-up of pending UCs
(₹ in crore)

Year	No. of UCs	Amount
2001-02	477	40.90
2002-03	699	35.34
2003-04	208	4.92
2004-05	71	3.91
2005-06	37	2.33
2006-07	14	3.12
2007-08	23	29.73
2008-09	7	1.24
2009-10	8	243.02
2010-11	35	12.37
2011-12	7	0.42
2012-13	3	0.40
2013-14	27	24.56
2014-15	31	35.00
2015-16	17	9.07
2016-17	89	614.98
2017-18	229	1502.72
2018-19	825	1839.36
Total	2,807	4,403.39

The year-wise break-up of pending UCs with amount is tabulated alongside in **Table 4.12**. The Table revealed that around *49 per cent* of outstanding UCs pertained to years 2001-02, 2002-03 and 2003-04. It is a matter of concern that the Departmental Authorities have not yet explained as to how ₹ 4,403.39 crore was spent over the years. In the absence of UCs, there is no assurance that money disbursed have been used for the purpose for which it was given. Moreover, high pendency of UCs was fraught with the risk of embezzlement, misappropriation and diversion of funds. The State Government may fix responsibility for inordinate delays in submission of UCs.

Department-wise break-up of outstanding UCs for GIA paid up to 2018-19 is shown in **Appendix 4.1** while the status of outstanding UCs in 10 major Departments is indicated in **Chart 4.2**.

Chart 4.2: Outstanding UCs in 10 major Departments for GIA paid up to 31 March 2019



4.6.1 Recording of grantee institutions as “Others”

If GIA constitute a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the grantee institution to which it is providing funds, in the interest of transparency of Accounts.

In Gujarat, GIA constituted around 37 *per cent* of the State’s total expenditure during the last five years (2015-20), which is significant. Further, though the Finance Accounts³ of the State Government for the last five years showed continuous increase⁴ of GIA releases to various institutions classified under ‘Others’, the State Government did not devise any mechanism to assign institute codes to such institutions for monitoring the submission of UCs and verification of outstanding amount against each institution.

Table 4.13 below shows the details of GIA released to ‘Others’ by the State Government during the last five years (2015-20).

Table 4.13: Details of GIA released to ‘Others’ during 2015-20

(₹ in crore)

Sl. No.	Year	Total expenditure	Total GIA released	GIA as percentage of total expenditure	GIA released to ‘Others’	GIA released to ‘Others’ as percentage of total GIA released
1.	2015-16	1,22,623.17	44,048.41	35.92	7,712.43	17.51
2.	2016-17	1,26,727.78	48,055.38	37.92	18,808.65	39.14
3.	2017-18	1,45,003.92	54,807.18	37.80	20,856.91	38.06
4.	2018-19	1,62,582.94	59,610.69	36.66	23,656.31	39.68
5.	2019-20	1,67,861.24	64,262.01	38.28	25,343.20	39.44

Source: Finance Accounts of respective years

³Statement No. 10 and Appendix III of Finance Accounts

⁴ From ₹ 7,712.43 crore in 2015-16 to ₹ 25,343.20 crore in 2019-20

As may be seen from **Table 4.13**, of the total GIA of ₹ 64,262.01 crore released during 2019-20, ₹ 25,343.20 crore (39 *per cent*) crore was released to various institutions classified under ‘Others’.

4.7 Abstract Contingent Bills

The 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 submission⁵ of Detailed Contingent (DC) bills to the Principal Accountant General (A&E) within a stipulated period of three months from the date of drawal of AC bills.

Large scale drawal of funds on AC bills over the years without carrying out its adjustment/settlement for long period (through submission of DC bills) had been a matter of concern.

As of 31 March 2020, 22 Departments of Government of Gujarat did not submit DC bills for ₹ 366.03 crore against 4,567 AC Bills, as detailed in **Table 4.14**.

Table 4.14: Status of pending DC bills against AC bills as of 31 March 2020

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	2,20,543	6,486.45	2,18,587	6,402.72	1,956	83.73
2018-19	10,505	689.68	10,232	651.53	273	38.15
2019-20	6,584	833.05	4,246	588.90	2,338	244.15
Total	2,37,632	8,009.18	2,33,065	7,643.15	4,567	366.03

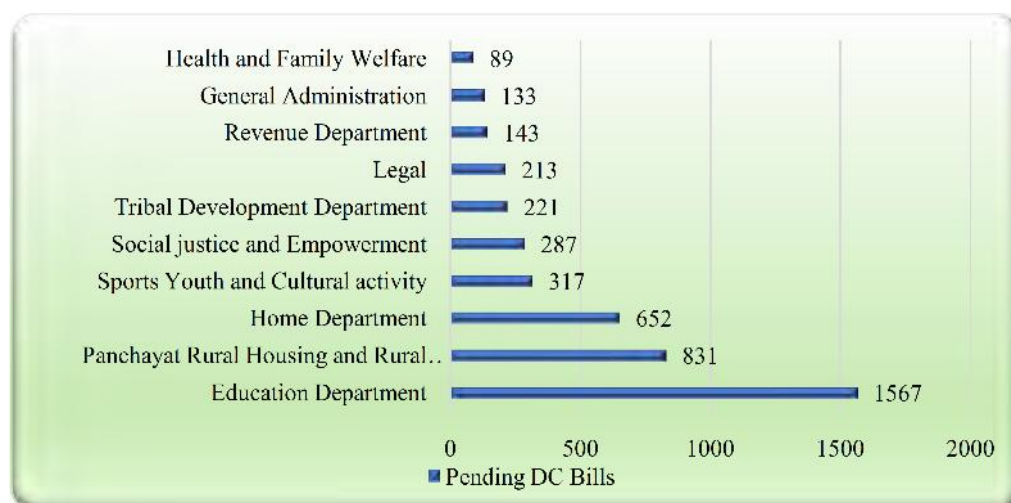
Source: Data compiled by O/o the Principal Accountant General (A&E)

Table 4.14 revealed that out of 6,584 AC bills for ₹ 833.05 crore drawn in 2019-20, 877 AC bills for ₹ 44.38 crore (5.32 *per cent*) were drawn in March 2020. Further, of the 877 AC bills drawn in March 2020, 26 AC bills for ₹ 0.57 crore were drawn on the last day of the financial year.

Expenditure against AC bills at the end of the year indicated poor public expenditure management and pointed to the drawals being done primarily to exhaust the budget provision.

The Department-wise details and year-wise details of pending DC bills up to 2019-20 are shown in **Appendix 4.2** and **Appendix 4.3** respectively. The status of pending DC bills in 10 major Departments is given in **Chart 4.3**.

⁵As per Rule 211 of Gujarat Treasury Rules, 2000

Chart 4.3: Pending DC Bills in 10 major Departments

Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted to be correct or final.

4.8 Personal Deposit Accounts

A Personal Deposit (PD) Account is a device intended to facilitate an Administrator thereof to credit receipts into and effect withdrawals directly from the PD Account for a specific purpose. PD Account may be authorised to be opened only with the prior permission of the Department of the Government concerned. Transfer of funds to PD Accounts is booked under the service Major Heads concerned as final expenditure from the Consolidated Fund of the State. The Administrators are required to close such Accounts on the last working day of the financial year and transfer the unspent balances back to the Consolidated Fund, with the PD Accounts being reopened in the next year, if necessary.

Table 4.15 provides the status of funds lying in PD Accounts on the last day of the financial year during 2015-20.

Table 4.15: Parking of funds in Personal Deposit Accounts during 2015-20

(₹ in crore)		
Year	No. of PD Accounts at the end of the year	Closing Balance
2015-16	489	410.84
2016-17	478	395.27
2017-18	482	447.41
2018-19	484	581.01
2019-20	465	795.41

Source: Finance Accounts of the State Government for the years 2015-20

The closing balances under PD Accounts have increased from ₹ 410.84 crore in 2015-16 to ₹ 795.41 crore during 2019-20. However, in terms of numbers, PD Accounts have decreased marginally from 489 in 2015-16 to 465 in 2019-20. These Accounts were not closed at the end of the financial year and the balances were not credited to the Consolidated Fund of the State. There was no inoperative PD account as on 31 March 2020. Three out of 465 PD Accounts have not been reconciled by the Treasury.

Non-transfer of unspent balances lying in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public funds, fraud and misappropriation.

4.9 Indiscriminate use of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the Accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the Accounts opaque.

The Government of Gujarat has extensively operated the Minor Head during the five-year period 2015-20. During 2019-20, the State Government booked an expenditure of ₹ 14,494.32 crore under Minor Head 800 under 63 revenue and capital Major Heads of Account, constituting 7.85 *per cent* of the total expenditure of ₹ 1,84,563 crore. The extent of operation of Minor Head 800 - 'Other Expenditure' as a percentage of total expenditure during 2015-20 is as given in **Chart 4.4**.

Chart 4.4: Operation of Minor Head 800 –'Other Expenditure' during 2015-20

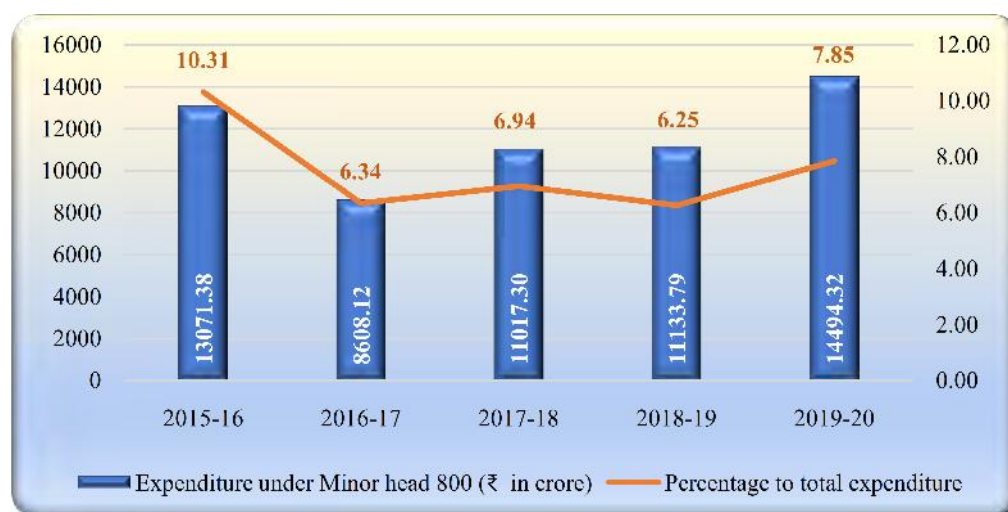


Chart 4.4 shows that the extent of operation of Minor Head 800 - 'Other Expenditure' as a percentage of total expenditure during 2015-20 ranged between 6.25 *per cent* and 10.31 *per cent*.

Instances of substantial proportion of expenditure (50 *per cent* or more) booked under Minor Head 800 – ‘Other Expenditure’ within a given Major Head during 2019-20 are as given in **Table 4.16**.

Table: 4.16: Significant expenditure booked under Minor Head 800 – ‘Other Expenditure’ during 2019-20

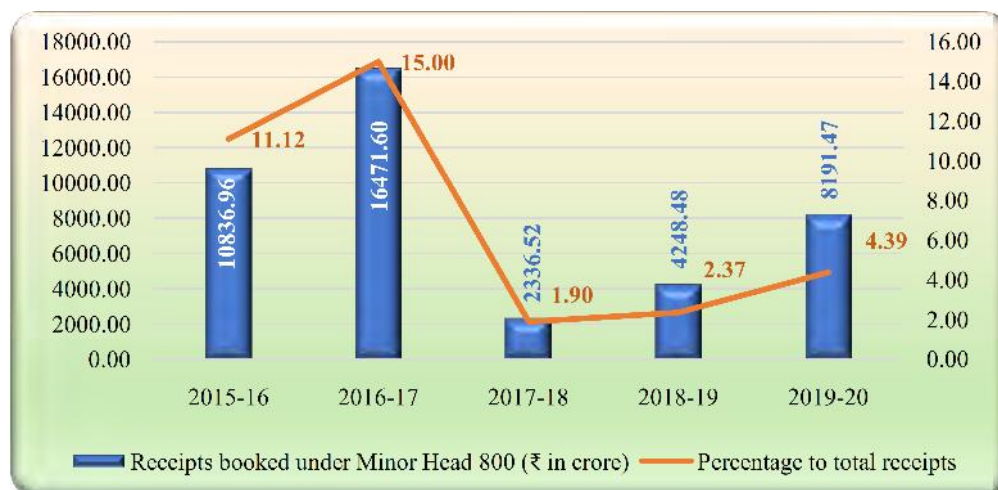
(₹ in crore)

Sr. No.	Major Head	Expenditure under Major Head	Expenditure under Minor Head 800	Percentage
1	2852 Industries	3,351.09	3,292.97	98.27
2	2853 Non-ferrous Mining and Metallurgical Industries	296.08	215.42	72.76
3	5053 Capital outlay on Civil aviation	378.44	260.59	68.86
4	2515 Other Rural Development Programmes	3,109.47	2,121.97	68.24
5	4055 Capital outlay on Police	370.85	243.36	65.62
6	2405 Fisheries	266.20	160.60	60.33
7	2701 Medium Irrigation	234.13	130.29	55.65

Source: Finance Accounts of the State Government for the year 2019-20

In the case of receipts, the operation of Minor Head 800 ranged from 1.90 *per cent* of total receipts in 2017-18 to a high of 15 *per cent* of total receipts during 2016-17. During 2019-20, the State Government classified receipts of ₹ 8,191.47 crore pertaining to 56 Major Heads under the Minor Head 800 – ‘Other Receipts’ which constituted 4.39 *per cent* of the total receipt of ₹ 1,86,771.11 crore. The extent of operation of Minor Head 800 – ‘Other Receipts’ as a percentage of total receipts during 2015-20 is as given in **Chart 4.5**.

Chart 4.5: Operation of Minor Head 800 – ‘Other Receipts’ during 2015-20



Instances of substantial proportion of receipts (50 *per cent* or more) booked under Minor Head 800 – ‘Other Receipts’ within a given Major Head during 2019-20 are as given in **Table 4.17**.

Table: 4.17: Significant receipts booked under Minor Head 800 – ‘Other Receipts’ during 2019-20

(₹ in crore)

Sr. No.	Major Head	Receipts under Major head	Receipts under Minor Head 800	Percentage
1	1425 Other Scientific Research	125.02	125.02	100.00
2	1452 Tourism	277.15	277.15	100.00
3	0702 Minor Irrigation	103.74	103.41	99.68
4	0215 Water Supply and Sanitation	260.81	258.89	99.26
5	0217 Urban Development	1,080.91	1,065.71	98.59
6	0401 Crop Husbandry	526.97	512.76	97.30
7	0515 Other Rural Development Programmes	280.29	269.08	96.00
8	0216 Housing	184.84	165.41	89.49
9	0049 Interest Receipts	2,331.14	2,058.23	88.29
10	0070 Other Administrative Services	356.61	296.13	83.04
11	0035 Taxes on Immovable Property Other than Agriculture Land	329.36	261.78	79.48
12	0250 Other Social Services	314.27	252.22	80.26
13	0210 Medical and Public Health	1,473.06	778.41	52.84

Source: Finance Accounts of the State Government for the year 2019-20

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

Issues Related to Measurement

4.10 Outstanding Balances under Major Suspense and Debt, Deposit and Remittances Heads

Suspense heads are opened in Government Accounts to reflect transactions which cannot be booked to a final Head of Account for some reason or the other. 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 the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated, resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these Heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by

aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works and Forest Divisions *etc.*

The net balances under major Suspense and Remittance Heads for the last three years areas given in **Table 4.18**.

Table 4.18: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	189.21	03.69	221.01	9.22	166.57	(-)5.17
Net	Dr. 185.52		Dr. 211.79		Dr. 171.74	
102 - Suspense Account-Civil	74.34	0.15	98.04	7.72	245.71	311.51
Net	Dr. 74.19		Dr. 90.32		Cr. 65.80	
109 - Reserve Bank Suspense -Headquarters	0.29	(-) 0.02	0.38	(-) 0.01	0.90	0.03
Net	Dr.0.31		Dr. 0.39		Dr. 0.87	
110 - Reserve Bank Suspense - CAO	242.23	0.00	242.23	0.00	206.27	0.01
Net	Dr. 242.23		Dr. 242.23		Dr. 206.26	
112 - Tax Deducted at Source (TDS) Suspense	0.00	55.02	0.00	28.83	0.00	9.32
Net	Cr. 55.02		Cr. 28.83		Cr. 9.32	
123 - A.I.S Officers' Group Insurance Scheme	0.08	0.11	0.04	0.08	0.40	0.18
Net	Cr. 0.03		Cr. 0.04		Dr.0.22	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	17,665.51	18,641.70	20,044.57	20,710.61	18,395.78	19,137.14
Net	Cr. 976.19		Cr. 666.04		Cr. 741.36	
103 - Forest Remittances	891.51	961.02	942.15	988.21	944.50	1,011.57
Net	Cr. 69.51		Cr. 46.06		Cr. 67.07	
108 Other Remittances	118.05	127.26	113.36	124.16	87.07	102.64
Net	Cr. 9.21		Cr. 10.80		Cr. 15.57	

Source: Finance Accounts for the year 2019-20

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 Principal Accountant General (A&E). Transactions under this Minor Head represent either recoveries that have been effected or payments that 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 Principal Accountant General (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 Principal Accountant General (A&E) on behalf of a PAO, which are yet to be repaid/adjusted.

The net debit balance under this head decreased from ₹ 185.52. crore in 2017-18 to ₹ 171.74 crore in 2019-20.

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 credit balance as on 31 March 2020 under this Head was ₹ 65.80 crore, indicating that necessary details for classification of final receipt Head were not available.

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 transactions which get 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 2020, debit balance under this Head was ₹ 206.26 crore, indicating that few clearances were not made during the year.

4.11 Non-Reconciliation of Departmental Figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Principal Accountant General (A&E). This enables the COs to (a) exercise effective control over expenditure, (b) manage their budgetary allocation efficiently, and (c) ensure accuracy of their accounts.

While 98 *per cent* of the receipts and 99 *per cent* of the disbursements were reconciled during 2018-19, this dipped significantly to 91 *per cent* for receipts and 92 *per cent* for disbursements during 2019-20.

The status of reconciliation of receipts and expenditure by the COs during the last three years (2017-20) is shown in **Chart 4.6** and **4.7** respectively.

Chart 4.6: Status of reconciliation of receipts during last three years

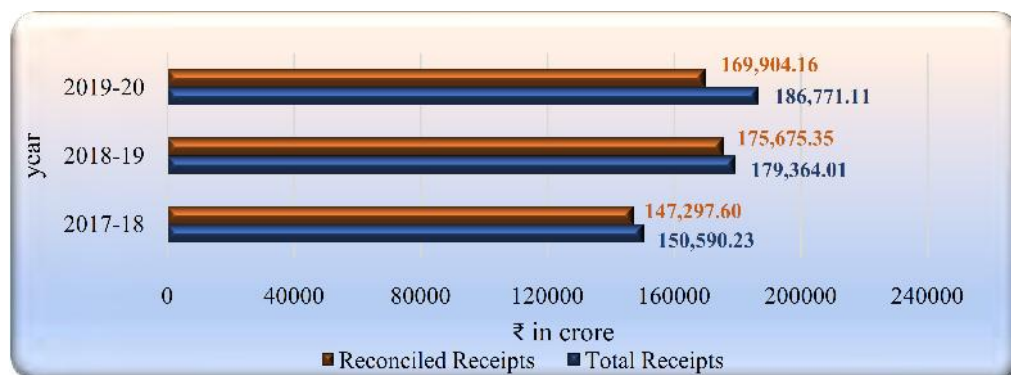
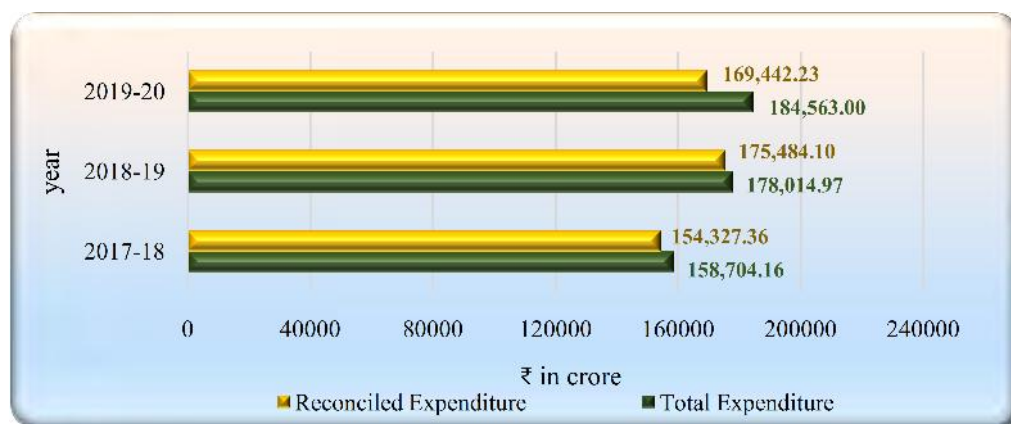


Chart 4.7: Status of reconciliation of expenditure during the last three years



Details of the extent of reconciliation done by the COs during the last three years are shown in **Table 4.19** (for receipts) and **Table 4.20** (for expenditure).

Table 4.19: Status of reconciliation of receipts

Year	Total Number of Controlling Officers	Fully Reconciled	Total Receipts	Reconciled Receipts	Percentage of Reconciliation
			(₹ in crore)		
2017-18	64	64	1,50,590.23	1,47,297.60	98
2018-19	80	72	1,79,364.01	1,75,675.35	98
2019-20	80	77	1,86,771.11	1,69,904.16	91

Source: Finance Accounts of respective years

Table 4.20: Status of reconciliation of expenditure

Year	Total Number of Controlling Officers	Fully Reconciled	Total Expenditure	Reconciled Expenditure	Percentage of Reconciliation
			(₹ in crore)		
2017-18	533	524	1,58,704.16	1,54,327.36	97
2018-19	527	527	1,78,014.97	1,75,484.10	99
2019-20	527	518	1,84,563.00	1,69,442.23	92

Source: Finance Accounts of respective years

The issue of non-reconciliation had been flagged in the previous State Finances Reports of the C&AG. However, there had not been any perceptible improvement in this regard even during 2019-20.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the Accounts, but also defeats the very objective of budgetary process.

4.12 Reconciliation of Cash Balances

As on 31 March 2020, there was a difference of ₹ 4.58 crore (Net credit), between the Cash Balance of the State Government, as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the RBI. The difference of ₹ 4.58 crore is due to erroneous reporting by the Agency Banks, Treasuries, RBI EDP Centre at Mumbai and other miscellaneous reasons.

Issues Related to Disclosure

4.13 Compliance with Indian Government Accounting Standards

The Government Accounting Standards Advisory Board (GASAB), set up by the C&AG in 2002, has been formulating standards for Government accounting and financial reporting, to enhance accountability mechanisms. As of March 2020, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance to these by the Government of Gujarat in its financial statements for the year 2019-20 are given in **Table 4.21**.

Table 4.21: Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by Government – Disclosure requirements</i>	This standard requires the Government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Partly complied	While the State Government has disclosed the maximum amount of guarantees given during the year, Sector-wise break-up of guarantee fee receivable has not been provided by the State Government. The reconciliation of guarantees has not been done by the Departments.
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Largely complied	During 2019-20, Government of Gujarat incorrectly budgeted for and booked ₹ 4.83 crore of Grants-in-Aid under the Capital Section, instead of Revenue Section. The State Government has, however, taken corrective action and the quantum of mis-classification under capital Section has reduced over the years.
IGAS 3 <i>Loans and Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its financial statements to ensure complete, accurate and uniform accounting practices.	Partly complied	The State Government is required to confirm the loan balances and recoveries in arrears and loans sanctioned in perpetuity. Though the State Government has provided information relating to recoveries as on 31 March 2020, it has not confirmed the outstanding loan balances as well as 'loans in perpetuity' despite constant pursuance.

4.14 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

Several Autonomous Bodies (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 C&AG's (DPC) Act, 1971. Accounts of 64 such ABs in the State are audited by the C&AG. These are audited with regard to their transactions, operational activities and Accounts, review of systems and procedures, internal management and financial controls, *etc.* Separate Audit Reports (SARs) in respect of each of the 64 ABs are required to be submitted to the State Government while SARs in respect of 37 of 64 ABs are required to be placed in the State Legislature.

Only seven of 64 ABs have submitted Accounts for the year 2019-20 while in case of 56 ABs, Accounts were in arrears. In the remaining one AB, which was closed in 2017-18, Accounts upto 2017-18 were furnished. Delay in

submission of Accounts by these 56 ABs ranged from five months to 149 months at the end of November 2020. A statement showing status of Accounts received⁶ and placement of SARs in the State Legislature in respect of 64 ABs are shown in **Appendix 4.4**.

Break-up of delays in submission of Accounts (56 ABs) and tabling of SARs in Legislature (37 ABs) are shown in **Table 4.22**.

Table 4.22: 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 November 2020)	Number of Autonomous Bodies	Delay	Number of Autonomous Bodies
Up to 1 year	24	Up to 1 year	14
2 years	16	1 – 2 years	10
More than 2 years	16	More than 2 years	13
Total	56	Total	37

Source: Information compiled by Offices of the Principal Accountant General (Audit I) and Principal Accountant General (Audit II)

Inordinate delay in submission of Accounts and tabling of SARs in the State Legislature resulted in delayed scrutiny of 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.

4.15 Departmental Commercial Undertakings/Corporations/Companies

4.15.1 Financial reporting framework

State Public Sector Undertakings (SPSUs) include State Government Companies and Statutory Corporations.

Government Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 (The Act) and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards.

The Statutory Corporations are required to prepare their Accounts in the format prescribed under the Rules, framed in consultation with the C&AG, and any other specific provision relating to Accounts in the Act governing such Corporations.

⁶ Accounts are to be submitted by ABs within three months of closure of financial year *i.e.*, by 30 June every year.

4.15.2 Audit of Accounts of SPSUs by Statutory Auditors

The process of audit of Government Companies under the Act is governed by respective provisions of Sections 139 and 143⁷ of the Act. According to Section 2(45) of the Act, a Government Company means any Company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary Company of such a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to as Other Government Companies.

The C&AG appoints the Statutory Auditors of a Government Company and Other Government Companies under Section 139 (5) and (7) of the Act. Section 139 (5) of the Act provides that the Statutory Auditors in case of a Government Company or Other Government Companies are to be appointed by the C&AG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act provides that in case of Other Government Companies, the first Auditor is to be appointed by the C&AG within sixty days from the date of registration of the Company and in case C&AG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act, the C&AG may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considered necessary, by an order, cause test audit to be conducted of the financial statements of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

Thus, a Government Company or any other Company owned or controlled directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments is subject to audit by the C&AG.

An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

4.15.3 Statutory Audit

The financial statements of a Government Company (as defined in Section 2(45) of the Act) are audited by the Statutory Auditors, who are appointed by

⁷ As amended *vide* the Companies (Removal of Difficulties) Seventh Order 2014 dated 04 September 2014.

the C&AG as per the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors submit a copy of the Audit Report to the C&AG including, among other things, financial statements of the Company under Section 143 (5) of the Act. These financial statements are also subject to supplementary audit to be conducted by the C&AG within sixty days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Of the four Statutory Corporations, the C&AG is the sole auditor of Gujarat Industrial Development Corporation (GIDC) and Gujarat State Road Transport Corporation (GSRTC). In respect of Gujarat State Warehousing Corporation (GSWC) and Gujarat State Financial Corporation (GSFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

4.15.4 Need for timely submission

According to Section 394 and 395 of the Act, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before State Legislature with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the C&AG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilization of public funds invested in the companies from the Consolidated Fund of Gujarat.

Section 96 of the Companies Act 2013, requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statement for the financial year has to be placed in the said AGM for consideration of the members.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non- compliance with the provisions of Section 129 of the Act.

4.15.5 Timeliness in preparation of Accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2020, there were 62 Government Companies and 22 Government Controlled Other Companies under the purview of C&AG's audit. Of these, financial statements for the year 2019-20 were due from 61 Government Companies and 22 Government Controlled Other Companies. A total of nine Government Companies and 11 Government Controlled Other Companies submitted their financial statements for audit by the C&AG on or before 30 September 2020. Financial statements of 52 Government

Companies, 11 Government Controlled Other Companies were in arrears for various reasons.

Details of arrears in submission of Accounts of Government Companies and Government Controlled Other Companies are given in **Table 4.23**.

Table 4.23:Details of arrears in submission of Accounts

Particulars		Companies where C&AG conducts Supplementary Audit					
		Government Companies		Government Controlled Other Companies		Total	
Total number of Companies as on 31 March 2020		62		22		84	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Number of Listed/Unlisted Companies		1	61	2	20	3	81
Less: Companies from which financial statements for 2019-20 were not due⁸		-	1	-	-	-	1
Companies from which financial statements for 2019-20 were due		1	60	2	20	3	80
Companies which presented their financial statements for C&AG's audit by 30 September 2020		1	8	2	9	3	17
Companies with arrears in financial statements		-	52	-	11	-	63
No. of financial statements in arrears		-	178	-	26	-	204
Break- up of arrears	SPSUs under Liquidation	-	73	-	-	-	73
	Inactive SPSUs	-	44	-	19	-	63
	First financial statement not submitted	-	1	-	-	-	1
	'Others'	-	60	-	7	-	67
Age- wise analysis of arrears against 'Others' category	One year (2019-20)	-	28	-	7	-	35
	Two years (2018-19 and 2019-20)	-	10	-	-	-	10
	Three years and more	-	22	-	-	-	22

Source: Details furnished by SPSUs

The details of these Companies and arrears of financial statements are indicated in **Appendix 4.5 (Part A & B)**.

4.15.6 Timeliness in preparation of Accounts by Statutory Corporations

Of the two Statutory Corporations where CAG is the sole auditor, GSRTC has submitted financial statement up to the year 2016-17 and GIDC for the year 2018-19. In the remaining two Statutory Corporations where CAG conducts

⁸ Excluding Gujarat Student Startup and Innovation Hub, whose financial statements were not due for the year 2019-20.

supplementary audit, GSFC has submitted financial statement for 2019-20 while GSWC has not submitted financial statements from 2015-16 onwards.

The details of four Statutory Corporations and arrears of financial statements are shown in **Appendix 4.5 (Part C)**.

4.16 Non-submission of details of loans and grants given to Bodies and Authorities

On the basis of Accounts furnished by different ABs, audit under Section 14 of the C&AG's (DPC) Act, 1971 is conducted. There are 214 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 165 Accounts (including Accounts of earlier years) of 76 Bodies/Authorities were audited during 2019-20. One⁹ of the 76 ABs had furnished its current Accounts for 2019-20. However, 969 Annual Accounts of 213 ABs due up to 2019-20 were not received as on 31 July 2020 by Offices of the Principal Accountant General (Audit-I) and Principal Accountant General (Audit-II), Gujarat.

Details of 213 ABs which did not furnish Accounts are given in **Appendix 4.6** and their age-wise pendency is as shown in **Table 4.24**.

Table 4.24: 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	58
2.	1-3	39
3.	3-5	52
4.	5-10	43
5.	Above 10	21
Total		213

Source: Information compiled by Offices of the Principal Accountant General (Audit I) and Principal Accountant General (Audit II)

Table 4.24 above shows that the accounts of 64 ABs 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. The Finance Department needs to keep a watch on such transfers.

⁹ Gujarat Infrastructure Development Board, Gandhinagar

4.17 Timeliness and Quality of Accounts

The Accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial Accounts rendered by 33 District Treasuries, 138 Sub-Treasuries, 158 Public Works Divisions and 70 Forest Divisions, compiled Accounts of Pay and Accounts Offices at Gandhinagar and Ahmedabad and advices of the RBI. The Accounts are compiled from the vouchers, initial and subsidiary Accounts rendered by the Treasuries and other Account-rendering units and there were no pendency in receipt of Accounts.

Other Issues

4.18 Misappropriations, losses and defalcations

Rule 33 of the General Financial Rules, 2017 provides that any loss or shortage of public money, revenue or receipts has to be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and the concerned Principal Accounts Officer.

The State Government reported 171 cases of misappropriation, losses, defalcation *etc.* involving Government money of ₹ 17.22 crore (up to March 2020) on which final action was pending. Department-wise/category-wise details of losses due to theft, misappropriation/loss of Government material and fire/accidents pending at the end of March 2020 are given in **Appendix 4.7**. These are summarised in **Table 4.25**.

Table 4.25: Details of theft, misappropriation and fire cases

Category/Types	Number of cases	Amount involved (₹ in crore)
Theft	44	0.50
Misappropriation/loss of Government Material	106	15.85
Fire/Accident Cases	21	0.87
Total	171	17.22

Source: Information compiled by Offices of the Principal Accountant General (Audit I) and Principal Accountant General (Audit II) from the data furnished by the concerned Departments.

The age profile of 171 pending case is summarised in **Table 4.26**.

Table 4.26: Age profile of misappropriation, losses and defalcation cases

Range of years	Number of cases	Amount(₹ in crore)
Up to 5	47	8.58
5 – 10	18	0.64
10 – 15	17	1.05
15 – 20	14	6.27
20 – 25	13	0.14
25 and above	62	0.54
Total	171	17.22

Source: Information compiled by Offices of the Principal Accountant General (Audit I) and Principal Accountant General (Audit II) from data furnished by concerned Departments.

Of the 171 pending cases, 54 *per cent* pertained to Forest and Environment Department (38 cases), Narmada, Water Resources, Water Supply and Kalpsar Department (28 cases) and Revenue Department (26 cases).

First Information Reports (FIRs) were lodged in 123 of 171 cases. The remaining 48 cases¹⁰ pertained to six Departments. Departmental proceedings in all the 48 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 are listed in **Table 4.27**.

Table 4.27: Reasons for pendency of misappropriation, losses and defalcation

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in crore)
1.	Awaiting Departmental and criminal investigation	45	2.81
2.	Departmental action initiated but not finalized	23	1.63
3.	Criminal proceedings finalized but execution of certificate for the recovery of the amount pending	4	0.66
4.	Awaiting orders for recovery or write off	41	0.48
5.	Pending in the courts of law	57	11.63
6.	Others	1	0.01
Total		171	17.22

Source: Information compiled by Offices of the Principal Accountant General (Audit I) and Principal Accountant General (Audit II) from the data furnished by the concerned Departments.

As may be seen, 57 of 171 cases (33 *per cent*) were under legal adjudication.

4.19 Follow-up action on State Finances Audit Report

Though the Audit Reports of the C&AG on State Finances are being prepared from the year 2008-09 onwards and presented to the State Legislature, these have not been taken up by the Public Accounts Committee for discussion.

4.20 Conclusion

Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Non-submission of UCs and DC bills by Departments for funds drawn for specific developmental programmes/projects and non-submission of Accounts by Autonomous Bodies and Authorities was violative of prescribed financial

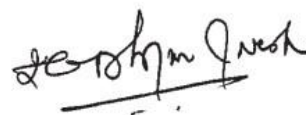
¹⁰ Forest and Environment – 20 cases; Health and Family Welfare – 01 case; Narmada, Water Resources, Water Supply and Kalpsar – 17 cases; Roads and Buildings – 06 cases; Education – 01 case; Panchayat, Rural Housing and Rural Development – 01 case; Revenue – 01 case; and Science and Technology – 01 case,

rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government.

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Principal Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

4.21 Recommendations

- State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs, DC bills and Accounts for audit.
- State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of Accounts.
- Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.



(H. K. DHARMADARSHI)
Principal Accountant General (Audit-II),
Gujarat

Ahmedabad
The 20 September 2021

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 21 September 2021

