

## 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 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 2020, as indicated in **Table 4.1**.

**Table 4.1: Non-discharge of interest liability towards interest-bearing Deposits**

(₹ in crore)

Sr. No.	Name of the interest-bearing Deposit	Balance as on 31 March 2020	Amount of interest not provisioned
1.	Deposit bearing interest (Other than Contributory Pension Scheme)	17.50	1.31
2.	Deposits bearing interest (Contributory Pension Scheme)	20.64	0.09
<b>Total</b>			<b>1.40</b>

Source: Finance Accounts for the year 2020-21

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

#### 4.2 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 2020-21 (Appendix VI of Finance Accounts, Volume-II refers). Year-wise details of such transfers from 2016-17 to 2020-21 are shown in **Table 4.2**.

**Table 4.2: Funds transferred to State implementing agencies by GoI**

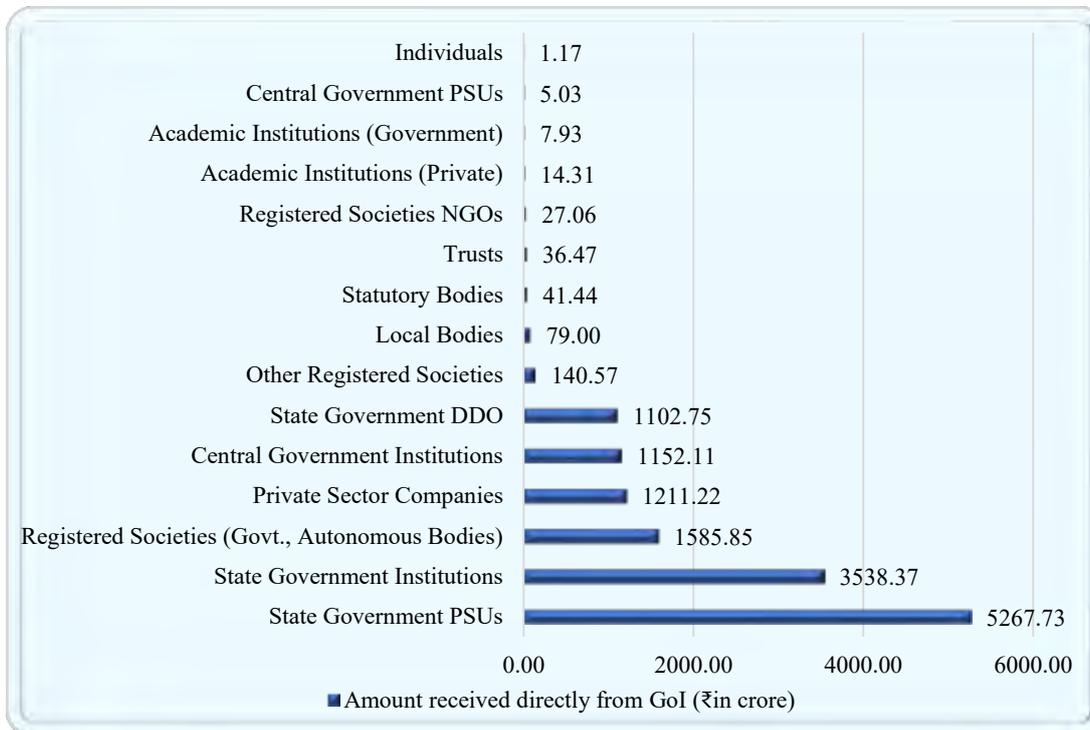
(₹ in crore)					
Direct transfers to State implementing agencies	2016-17	2017-18	2018-19	2019-20	2020-21
Funds transferred	3,392.86	7,510.45	10,026.44	11,659.35	14,210.99

Source: Finance Accounts for the respective year

During 2020-21, GoI released ₹ 14,210.99 crore directly to implementing agencies, of which, ₹ 9,901.34 crore was released to ‘State Government Implementing Agencies’ and ₹ 4,309.65 crore to ‘Other than State Government Implementing Agencies’. These transfers do not include the financial assistance to Panchayati Raj Institutions and Urban Local Bodies as GIA as mentioned in paragraph 2.4.2.4. These transfers were made as per the scheme guidelines of the respective schemes. The Schemes involving major transfers of Central funds directly to State Implementing Agencies were Pradhan Mantri Kisan Samman Nidhi (₹ 3,159.88 crore), Metro-link Express for Gandhinagar and Ahmedabad (₹ 992.74 crore), Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 1,101.65 crore), Member of Parliament Local Area Development Scheme (₹ 70 crore).

Details of various Agencies receiving ₹ 14,210.99 crore directly from the GoI during 2020-21 for implementing various developmental Schemes are shown in **Chart 4.1**.

**Chart 4.1: Implementing agencies that received funds directly from GoI during 2020-21**



Source: PFMS data for 2020-21

### 4.3 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 (2016-21) are as shown in **Table 4.3**.

**Table 4.3: Deposits in local funds**

Year		2016-17	2017-18	2018-19	2019-20	2020-21
Zila Parishad Fund (8448-109-11)	Opening Balance	8,329.90	9,249.79	8,940.69	8,263.03	8,821.48
	Receipts	18,331.28	23,364.03	24,485.22	23,210.91	24,110.28
	Expenditure	17,411.39	23,673.13	25,162.88	22,652.46	23,285.47
	Closing Balance	9,249.79	8,940.69	8,263.03	8,821.48	9,646.29
Panchayat Samiti Fund (8448-109-12)	Opening Balance	3,865.33	3,680.94	3,845.12	4,138.24	4,209.52
	Receipts	12,352.71	16,300.28	16,526.91	15,349.79	15,767.41
	Expenditure	12,537.10	16,136.10	16,233.79	15,278.51	15,823.07
	Closing Balance	3,680.94	3,845.12	4,138.24	4,209.52	4,153.86
<b>Closing Balance at the end of year</b>		<b>12,930.73</b>	<b>12,785.81</b>	<b>12,401.27</b>	<b>13,031.00</b>	<b>13,800.15</b>

Source: Finance Accounts of respective years

As can be seen from **Table 4.3**, PLAs had an opening balance of ₹ 13,031.00 crore as on 01 April 2020. Receipts during the year were ₹ 39,877.69 crore while disbursements were ₹ 39,108.54 crore, leaving a huge unutilised balance of ₹ 13,800.15 crore at the end of March 2021.

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 Gram Panchayats 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 Gram Panchayats.

## Issues Related to Transparency

### 4.4 Delay in Submission of Utilisation Certificates

Gujarat Financial Rules<sup>1</sup>, 1971 read with General Financial Rules<sup>2</sup> 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 4,611 UCs in respect of GIA aggregating ₹ 12,437.03 crore given to 22 Departments of the State Government from 2001-02 to 2019-20 had not been submitted. The status and age-wise details of delays in submission of UCs is given in **Table 4.4 and 4.5** respectively.

**Table 4.4: Status of submission of UCs as on 31 March 2021**

Year <sup>3</sup>	Number of UCs Outstanding	Amount (₹ in crore)
Up to 2018-19	1931	2,552.33
2019-20	582	1,540.64
2020-21	2098	8,344.06
<b>Total</b>	<b>4611</b>	<b>12,437.03</b>

Source: Finance Accounts of 2021

**Table 4.5: Age-wise arrears in submission of UCs**

Sr. No.	Range of delay (in years)	UCs pending	
		Number	Amount (₹ in crore)
1.	0-1 (2019-20)	2098	8,344.06
2.	1-3 (2017-19)	774	3,034.09
3.	3-5 (2015-17)	98	622.67
4.	5-7 (2013-15)	54	58.62
5.	7-9 (2011-13)	10	0.82
6.	10 and above (2001-11)	1577	376.77
	<b>Total</b>	<b>4611</b>	<b>12437.03</b>

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

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

<sup>2</sup> Rule 238 (1) of General Financial Rules, 2017

<sup>3</sup> The year mentioned above relates to "Due year" i.e., after 12 months of actual drawal.

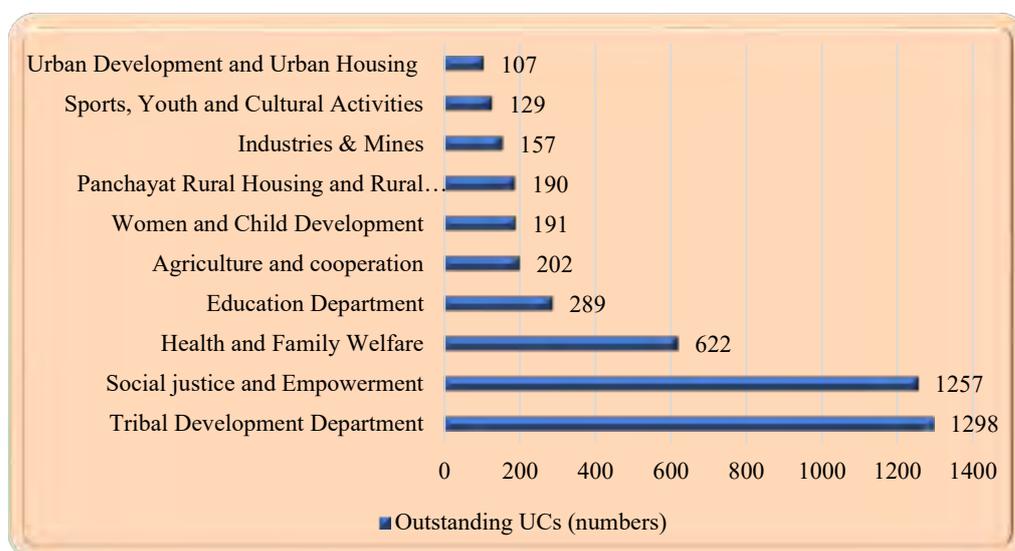
**Table 4.6: Year-wise break-up of pending UCs as on 31 March 2021**

Year	Number of UCs	(₹ in crore)
		Amount
2001-02	476	40.90
2002-03	699	35.34
2003-04	208	4.92
2004-05	71	3.91
2005-06	36	2.22
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	25	24.04
2014-15	29	34.58
2015-16	17	9.07
2016-17	81	613.60
2017-18	192	1493.45
2018-19	582	1,540.64
2019-20	2098	8,344.06
<b>Total</b>	<b>4,611</b>	<b>12,437.03</b>

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

The year-wise break-up of pending UCs with amount is tabulated alongside in **Table 4.6**. The Table revealed that around 30 *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 ₹ 12,437.03 crore was spent over the years. In the absence of UCs, there is also 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 2019-20 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 2021**

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

### 4.4.1 Recording of grantee institutions as “Others”

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, if GIA constitute a significant portion of the total expenditure of the State.

In Gujarat, GIA constituted around 37 *per cent* of the State’s total expenditure during the last five years (2016-21), which is significant. Further, though the Finance Accounts<sup>4</sup> of the State Government for the last five years showed continuous increase<sup>5</sup> of Grants-in-aid released to various institutions classified under ‘Others’, the State Government did not devise any mechanism to assign codes to such institutions for monitoring the submission of UCs and verification of outstanding amount against each institution.

**Table 4.7** below shows the details of GIA released to ‘Others’ by the State Government during the last five years (2016-21).

**Table 4.7: Details of GIA released to ‘Others’ during 2016-21**

(₹ 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.	2016-17	1,26,727.78	48,055.38	37.92	18,808.65	39.14
2.	2017-18	1,45,003.92	54,807.18	37.80	20,856.91	38.06
3.	2018-19	1,62,582.94	59,610.69	36.66	23,656.31	39.68
4.	2019-20	1,67,861.24	64,262.01	38.28	25,343.20	39.44
5.	2020-21	1,78,717.47	64,637.35	36.17	23,691.95	36.65

Source: Finance Accounts of respective years

As may be seen from **Table 4.7**, of the total GIA of ₹ 64,637.35 crore released during 2020-21, ₹ 23,691.95 crore (37 *per cent*) crore was released to various institutions classified under ‘Others’.

## 4.5 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 submission of Detailed Contingent<sup>6</sup> (DC) bills to the Principal Accountant General (A&E) within a stipulated period of three months from the date of drawal of AC bills.

<sup>4</sup> Statement No. 10 and Appendix III of Finance Accounts

<sup>5</sup> From ₹ 18,808.65 crore in 2016-17 to ₹ 23,691.95 crore in 2020-21

<sup>6</sup> As per Rule 211 of Gujarat Treasury Rules, 2000

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

As of 31 March 2021, 24 Departments of Government of Gujarat did not submit DC bills in respect of 3,650 AC Bills aggregating ₹ 553.13 crore against, as detailed in **Table 4.8**.

**Table 4.8: Status of pending DC bills against AC bills as of 31 March 2021**

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	2,31,048	7,176.13	2,29,135	7,073.61	1,913	102.52
2019-20	6,584	833.05	6,237	820.13	347	12.92
2020-21	3,581	1,075.44	2,191	637.75	1,390	437.69
<b>Total</b>	<b>2,41,213</b>	<b>9,084.62</b>	<b>2,37,563</b>	<b>8,531.49</b>	<b>3,650</b>	<b>553.13</b>

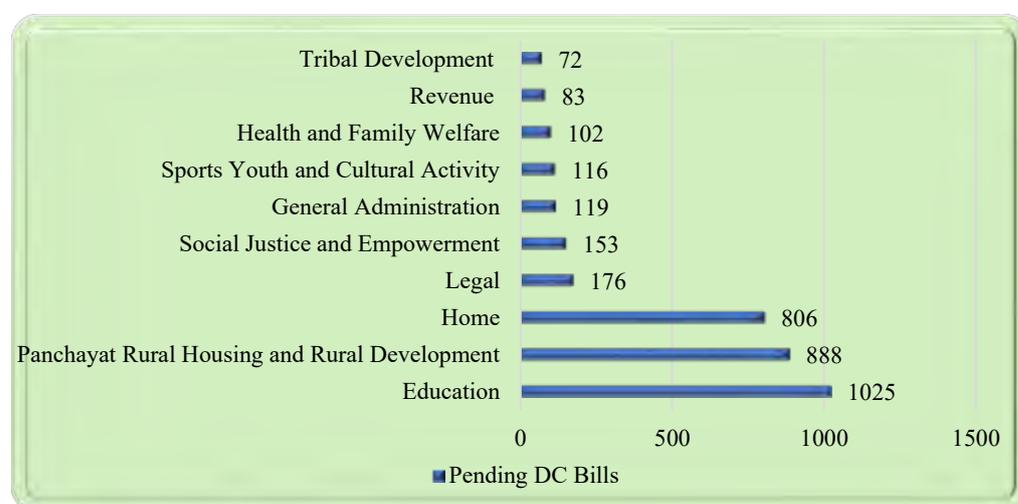
Source: Data compiled by O/o the Principal Accountant General (A&E)

**Table 4.8** revealed that out of 3,581 AC bills for ₹ 1,075.44 crore drawn in 2020-21, 638 AC bills (17.82 per cent) for ₹ 295 crore (27.43 per cent) were drawn in March 2021. Further, of the 638 AC bills drawn in March 2021, five AC bills for ₹ 0.21 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 2020-21 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**.

**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.

## 4.6 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 4.9** provides the status of funds lying in PD Accounts on the last day of the financial year during 2016-21.

**Table 4.9: Parking of funds in Personal Deposit Accounts during 2016-21**

(₹ in crore)		
Year	No. of PD Accounts at the end of the year	Closing Balance
2016-17	478	395.27
2017-18	482	447.41
2018-19	484	581.01
2019-20	465	795.41
2020-21	470	1003.78

Source: Finance Accounts of the State Government for the years 2016-21

The closing balances under PD Accounts have continuously increased from ₹ 395.27 crore in 2016-17 to ₹ 1,003.78 crore during 2020-21. 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 2021. Reconciliation by the Treasury has not been done in respect of 255 out of 470 PD Accounts as on 30 June 2021.

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

## 4.7 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 2016-21. During 2020-21, the State Government booked an expenditure of ₹ 14,993.30 crore under Minor Head 800 below 64 revenue and capital Major Heads of Account, constituting 7.62 per cent of the total expenditure of ₹ 1,96,639.92 crore. The extent of operation of Minor Head 800 - 'Other Expenditure' as a percentage of total expenditure during 2016-21 is as given in **Chart 4.4**.

**Chart 4.4: Operation of Minor Head 800 – 'Other Expenditure' during 2016-21**



**Chart 4.4** shows that the extent of operation of Minor Head 800 - 'Other Expenditure' as a percentage of total expenditure during 2016-21 ranged between 6.25 per cent and 7.85 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 2020-21 are as given in **Table 4.10**.

**Table: 4.10: Significant expenditure booked under Minor Head 800 – 'Other Expenditure' during 2020-21**

(₹ in crore)				
Sr. No.	Major Head	Expenditure under Major Head	Expenditure under Minor Head 800	Percentage
1	2852 Industries	2830.56	2773.52	97.98
2	2853 Non-ferrous Mining and Metallurgical Industries	177.30	100.00	56.40
3	2245 Relief on account of Natural Calamities	1760.82	2109.43	119.80
4	4211 Capital Outlay on Family Welfare	5.49	5.49	100.00
5	2515 Other Rural Development Programmes	4501.61	3059.30	67.96
6	4236 Capital Outlay on Nutrition	9.42	9.42	100.00
7	2075 Miscellaneous General Services	29.31	28.65	97.75
8	3452 Tourism	96.26	69.64	72.35

Sr. No.	Major Head	Expenditure under Major Head	Expenditure under Minor Head 800	Percentage
9	4408 Capital outlay on Food, Storage, and ware Housing	46.39	28.68	61.82
10	4075 Miscellaneous General Services	0.23	0.13	56.32

Source: Finance Accounts of the State Government for the year 2020-21

The extent of operation of Minor Head 800 - 'Other Receipts' as a percentage of total receipts during 2016-21 is as given in **Chart 4.5**.

**Chart 4.5: Operation of Minor Head 800 – 'Other Receipts' during 2016-21**



In case of receipts, the operation of Minor Head 800 ranged from 1.90 *per cent* of total receipts in 2017-18 to 15 *per cent* of total receipts during 2016-17. During 2020-21, the State Government classified receipts of ₹ 12,791.40 crore pertaining to 62 Major Heads, under the Minor Head 800 – 'Other Receipts' which constituted 6.49 *per cent* of the total receipt of ₹ 1,97,135.95 crore.

Instances of substantial proportion of receipts (50 *per cent* or more) booked under Minor Head 800 – 'Other Receipts' within a given Major Head during 2020-21 are as given in **Table 4.11**.

**Table 4.11: Significant receipts booked under Minor Head 800 – 'Other Receipts' during 2020-21**

(₹ in crore)				
Sr. No.	Major Head	Receipts under Major head	Receipts under Minor Head 800	Percentage
1	1425 Other Scientific Research	15.34	15.35	100.07
2	1452 Tourism	4.78	4.78	100.00
3	0702 Minor Irrigation	60.04	58.36	97.20
4	0575 Other Special Areas Programmes	25.05	25.28	100.92
5	0217 Urban Development	94.79	68.71	72.48
6	0401 Crop Husbandry	58.62	54.34	92.70

Sr. No.	Major Head	Receipts under Major head	Receipts under Minor Head 800	Percentage
7	0515 Other Rural Development Programmes	101.78	88.81	87.26
8	0049 Interest Receipts	847.64	687.41	81.10
9	0071 Contribution and Recoveries towards Pension and Other Retirement Benefits	33.55	21.03	60.68
10	0035 Taxes on Immovable Property Other than Agriculture Land	337.77	264.83	78.41
11	0408 Food storage and warehousing	54.72	54.73	100.02
12	0047 Other Fiscal Services	0.07	0.07	100.00
13	0810 Non-Conventional Sources of energy	15.11	15.11	100.00
14	1456 Civil Supplies	0.01	0.01	100.00
15	0801 Power	0.33	0.33	100.00
16	0506 Land Reforms	0.03	0.03	100.00
17	0802 Petroleum	1.66	1.66	100.00
18	0211 Family Welfare	1.39	1.39	100.00
19	1054 Roads and Bridges	33.17	32.90	99.19
20	0235 Social Security and welfare	2.64	2.48	93.94
21	0059 Public Works	59.38	49.73	83.75
22	0435 Other Agricultural Programmes	6.31	5.06	80.19

Source: Finance Accounts of the State Government for the year 2020-21

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

### 4.8 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 last three years are as given in **Table 4.12**.

**Table 4.12: Balances under Suspense and Remittance Heads**

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 – Suspense</b>						
101 - PAO suspense	221.01	9.22	166.57	(-)5.17	210.39	2.59
<b>Net</b>	<b>Dr. 211.79</b>		<b>Dr. 171.74</b>		<b>Dr. 207.80</b>	
102 - Suspense Account-Civil	98.04	7.72	245.71	311.51	9.94	61.97
<b>Net</b>	<b>Dr. 90.32</b>		<b>Cr. 65.80</b>		<b>Cr. 52.03</b>	
109 - Reserve Bank Suspense - Headquarters	0.38	(-)0.01	0.90	0.03	1.15	0.01
<b>Net</b>	<b>Dr. 0.39</b>		<b>Dr. 0.87</b>		<b>Dr. 1.14</b>	
110 - Reserve Bank Suspense - CAO	242.23	0.00	206.27	0.01	202.73	0.01
<b>Net</b>	<b>Dr. 242.23</b>		<b>Dr. 206.26</b>		<b>Dr. 202.72</b>	
112 - Tax Deducted at Source (TDS) Suspense	0.00	28.83	0.00	9.32	0.00	38.77
<b>Net</b>	<b>Cr. 28.83</b>		<b>Cr. 9.32</b>		<b>Cr. 38.77</b>	
123 - A.I.S Officers' Group Insurance Scheme	0.04	0.08	0.40	0.18	0.46	0.37
<b>Net</b>	<b>Cr. 0.04</b>		<b>Dr. 0.22</b>		<b>Dr. 0.09</b>	
<b>Major Head 8782- Remittances</b>						
102 - P.W. Remittances	20,044.57	20,710.61	18,395.78	19,137.14	18,555.38	19,441.43
<b>Net</b>	<b>Cr. 666.04</b>		<b>Cr. 741.36</b>		<b>Cr. 886.05</b>	
103 - Forest Remittances	942.15	988.21	944.50	1,011.57	1096.28	1150.27
<b>Net</b>	<b>Cr. 46.06</b>		<b>Cr. 67.07</b>		<b>Cr. 53.99</b>	
108 Other Remittances	113.36	124.16	87.07	102.64	95.98	109.96
<b>Net</b>	<b>Cr. 10.80</b>		<b>Cr. 15.57</b>		<b>Cr. 13.98</b>	

Source: Finance Accounts for the year 2020-21

### **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 affected 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 (November 2021).

The net debit balance under this head decreased from ₹ 211.79 crore in 2018-19 to ₹ 207.80 crore in 2020-21.

### *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 2021 under this Head was ₹ 52.03 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 2021, debit balance under this Head was ₹ 202.72 crore, indicating that few clearances were not made during the year.

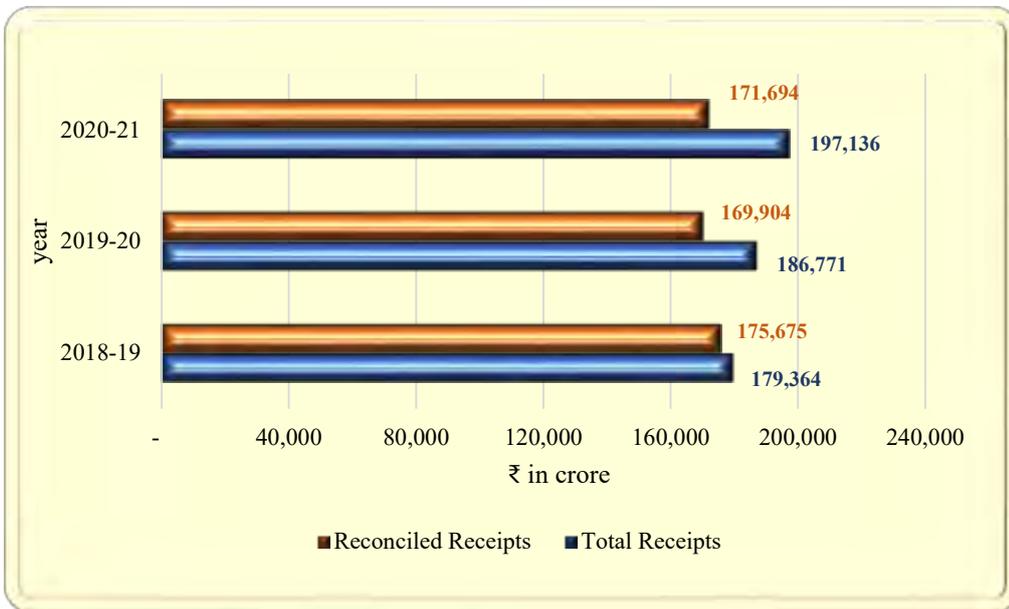
### 4.9 Non-Reconciliation of Departmental Figures

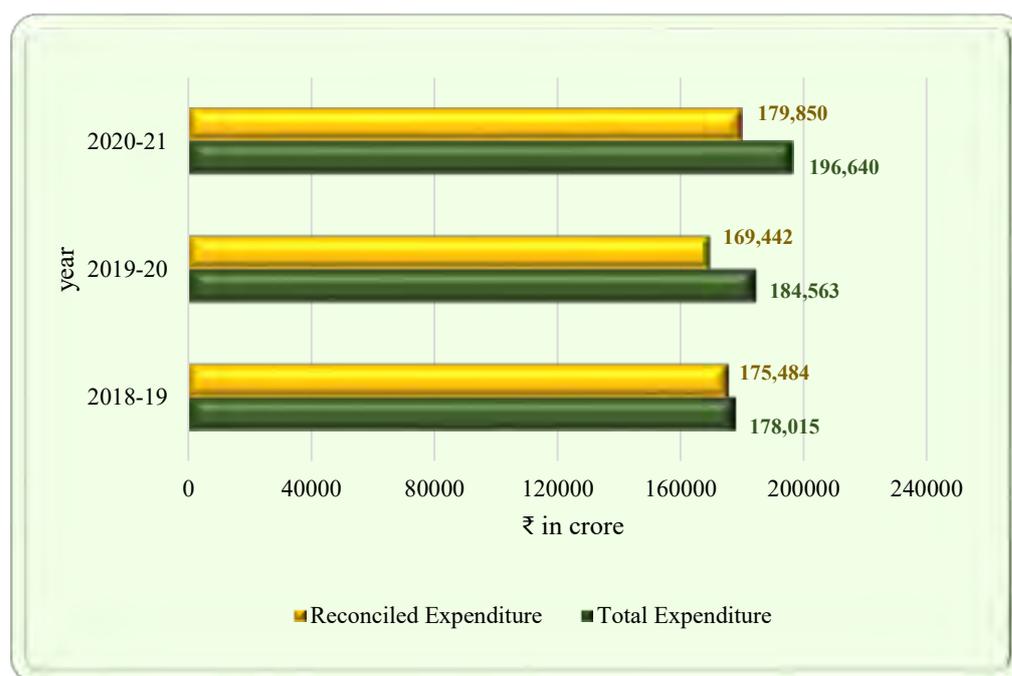
Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Principal Accountant General (A&E). This enables the COs to (a) exercise effective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

While 91 per cent of the receipts and 92 per cent of the disbursements were reconciled during 2019-20, this dipped to 87.09 per cent for receipts and 91.46 per cent for disbursements during 2020-21.

The status of reconciliation of receipts and expenditure by the COs during the last three years (2018-21) 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 4.13** (for receipts) and **4.14** (for expenditure).

**Table 4.13: Status of reconciliation of receipts**

Year	Total Number of Controlling Officers	Fully Reconciled	Total Receipts	Reconciled Receipts	Percentage of Reconciliation
			(₹ in crore)		
2018-19	80	72	1,79,364	1,75,675	98
2019-20	80	77	1,86,771	1,69,904	91
2020-21	80	74	1,97,136	1,71,694	87

Source: Finance Accounts of respective years

**Table 4.14: Status of reconciliation of expenditure**

Year	Total Number of Controlling Officers	Fully Reconciled	Total Expenditure	Reconciled Expenditure	Percentage of Reconciliation
			(₹ in crore)		
2018-19	527	527	1,78,014	1,75,484	99
2019-20	527	518	1,84,563	1,69,442	92
2020-21	527	497	1,96,640	1,79,850	91

Source: Finance Accounts of respective years

The issue of non-reconciliation had been flagged in the previous State Finances Audit Reports of the C&AG. However, there has not been any improvement in this regard during 2020-21.

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.

## 4.10 Reconciliation of Cash Balances

As on 31 March 2021, there was a difference of ₹ 2.48 crore (Net Debit), 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 ₹ 2.48 crore is due to erroneous reporting by the Agency Banks, Treasuries, RBI EDP Centre at Mumbai, and other miscellaneous reasons.

### Issues Related to Disclosure

## 4.11 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 2021, 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 2020-21 are given in **Table 4.15**.

**Table 4.15: Compliance with Indian Government Accounting Standards**

IGAS	Essence of IGAS	Status	Impact of non-compliance
<b>IGAS 1</b> <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.
<b>IGAS 2</b> <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 2020-21, Government of Gujarat incorrectly budgeted for and booked ₹ 36.38 crore of Subsidy under the Capital Section, instead of Revenue Section. The State Government has, over the years, taken corrective action and the quantum of misclassification

IGAS	Essence of IGAS	Status	Impact of non-compliance
			under capital Section has reduced.
<b>IGAS 3</b> <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 2021, it has not confirmed the outstanding loan balances as well as 'loans in perpetuity' despite constant pursuance.

## 4.12 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 71 such ABs in the State are audited by the C&AG. These are audited regarding 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 71 ABs are required to be submitted to the State Government while SARs in respect of 44 of 71 ABs are required to be placed in the State Legislature.

Only five of 71 ABs have submitted Accounts for the year 2020-21 while in case of 66 ABs, Accounts were in arrears. Delay in submission of Accounts by these 66 ABs ranged from three months to 14 years at the end of November 2021. A statement showing status of Accounts received<sup>7</sup> and placement of SARs in the State Legislature in respect of 71 ABs are shown in **Appendix 4.4**.

Break-up of delays in submission of Accounts (66 ABs) and tabling of SARs in Legislature (39 ABs) are shown in **Table 4.16**.

<sup>7</sup> Accounts are to be submitted by ABs within three months of closure of financial year *i.e.*, by 30 June every year.

**Table 4.16: 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 June 2021)	Number of Autonomous Bodies	Delay	Number of Autonomous Bodies
Up to 1 year	26	Up to 1 year	08
2 years	11	1 – 2 years	06
More than 2 years	29	More than 2 years	25
<b>Total</b>	<b>66</b>	<b>Total</b>	<b>39</b>

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.

## 4.13 Departmental Commercial Undertakings/Corporations/Companies

### 4.13.1 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.

### 4.13.2 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 143 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.

### 4.13.3 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 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.

#### 4.13.4 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 must 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.

#### 4.13.5 Timeliness in preparation of Accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2021, there were 64 Government Companies and 29 Government Controlled Other Companies under the purview of C&AG's audit. The financial statements for the year 2020-21 were due from 64 Government Companies and 29 Government Controlled Other Companies. A total of 23 Government Companies and 25 Government Controlled Other Companies submitted their financial statements for audit by the C&AG on or before 15 December 2021. Financial statements of 41 Government Companies and four Government Controlled Other Companies were in arrears as on that date for various reasons.

Details of arrears in submission of Annual financial statements of Government Companies and Government Controlled Other Companies are given in **Table 4.17**.

Table 4.17: Details of arrears in submission of Accounts

Particulars	Companies where C&AG conducts Supplementary Audit					
	Government Companies		Government Controlled Other Companies		Total	
<b>Total number of Companies as on 31 March 2021</b>	<b>64</b>		<b>29</b>		<b>93</b>	
	<b>Listed</b>	<b>Unlisted</b>	<b>Listed</b>	<b>Unlisted</b>	<b>Listed</b>	<b>Unlisted</b>
<b>Number of Listed/ Unlisted Companies</b>	<b>01</b>	<b>63</b>	<b>02</b>	<b>27</b>	<b>03</b>	<b>90</b>
<b>Less:</b> Companies from which financial statements for 2020-21 were not due	-	-	-	-	-	-
Companies from which financial statements for 2020-21 were due	01	63	02	27	03	90
Companies which presented their financial statements for C&AG's audit by 30 September 2021	01	22	02	23	03	45
Companies with arrears in financial statements	-	41	-	04	-	45
<b>No. of financial statements in arrears</b>	<b>-</b>	<b>175</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>197</b>
Break- up of arrears	SPSUs under Liquidation	-	79	-	-	79
	Inactive SPSUs	-	44	-	21	65
	First financial statement not submitted <sup>8</sup>	-	04	-	-	04
	'Others'	-	48	-	01	49
Age- wise analysis of arrears against 'Others' category	One year (2020-21)	-	13	-	01	14
	Two years (2019-20 and 2020-21)	-	16	-	-	16
	Three years and more	-	19	-	-	19

Source: Details furnished by SPSUs

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

### 4.13.6 Timeliness in preparation of Accounts by Statutory Corporations

The details of four Statutory Corporations and arrears of financial statements are shown in **Appendix 4.5 (Part C)**. CAG is the sole auditor in respect of two Statutory Corporations of which, GSRTC has submitted financial statement up to the year 2017-18 and GIDC has submitted financial statements up to the year 2019-20. Of the remaining two Statutory Corporations where CAG conducts supplementary audit, GSFC has submitted financial statement up to 2020-21 while GSWC has not submitted financial statements from 2015-16 onwards.

<sup>8</sup> Gujarat Unreserved Educational & Economical Development Corporation (3 FSs) and Gujarat State Handicapped (Divyang) Finance and Development Corporation (1 FS).

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

Based on Accounts furnished by different ABs, audit under Section 14 of the C&AG's (DPC) Act, 1971 is conducted. There are 218 ABs covered under this Section. These are audited regarding their transactions, operational activities and accounts, review of systems/procedures, internal controls *etc.*

A total of 179 Accounts (including those of earlier years) of 75 ABs were audited during 2020-21. However, 949 Annual Accounts of 218 ABs due up to 2020-21 were not received as on 31 July 2021 by Offices of the Principal Accountant General (Audit-I) and Principal Accountant General (Audit-II), Gujarat.

Details of 218 ABs which did not furnish Accounts are given in **Appendix 4.6** and their age-wise pendency is as shown in **Table 4.18**.

**Table 4.18: 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	66
2.	1-3	48
3.	3-5	41
4.	5-10	47
5.	Above 10	16
<b>Total</b>		<b>218</b>

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

**Table 4.18** above shows that the accounts of 63 ABs were in arrears for more than five years. In the absence of Annual Accounts, the accounting/utilisation of 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.

## 4.15 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 was no pendency in receipt of Accounts.

## Other Issues

### 4.16 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 170 cases of misappropriation, losses, defalcation *etc.* involving Government money of ₹ 20.63 crore (up to March 2021) 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 2021 are given in **Appendix 4.7**. These are summarised in **Table 4.19**.

**Table 4.19: Details of theft, misappropriation and fire cases**

Category/Types	Number of cases	Amount involved (₹ in crore)
Theft	42	0.43
Misappropriation/loss of Government Material	107	18.16
Fire/Accident Cases	21	2.04
<b>Total</b>	<b>170</b>	<b>20.63</b>

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 170 pending case is summarised in **Table 4.20**.

**Table 4.20: Age profile of misappropriation, losses and defalcation cases**

Range of years	Number of cases	Amount (₹ in crore)
Up to 5	30	6.09
5 – 10	34	6.51
10 – 15	12	0.33
15 – 20	17	6.68
20 – 25	13	0.19
25 and above	64	0.83
<b>Total</b>	<b>170</b>	<b>20.63</b>

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 170 pending cases, 90 cases (53 *per cent*) pertained to three Departments i.e. 36 cases pertained to Forest and Environment Department, 28 cases pertained to Narmada, Water Resources, Water Supply and Kalpsar Department and 26 cases pertained to Revenue Department.

First Information Reports (FIRs) were lodged in 125 of 170 cases. In the remaining 45 cases<sup>9</sup>, Departmental proceedings were under progress (November 2021). 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 4.21**.

**Table 4.21: Reasons for pendency of misappropriation, losses and defalcation**

Sr. No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount (₹ in crore)
1.	Awaiting Departmental and criminal investigation	18	4.41
2.	Departmental action initiated but not finalized	26	1.24
3.	Criminal proceedings finalized but execution of certificate for the recovery of the amount pending	5	0.66
4.	Awaiting orders for recovery or write off	59	4.12
5.	Pending in the courts of law	60	10.16
6.	Others	2	0.04
<b>Total</b>		<b>170</b>	<b>20.63</b>

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, 60 of 170 cases (35 per cent) were under legal adjudication.

## 4.17 Follow-up action on State Finances Audit Report

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

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

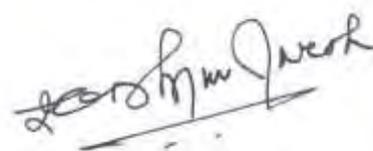
Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Principal Accountant General (A&E)

<sup>9</sup> Forest and Environment – 20 cases; Health and Family Welfare – 01 case; Narmada, Water Resources, Water Supply and Kalpsar – 17 cases; Roads and Buildings – 05 cases; Education – 01 case; and Panchayat, Rural Housing and Rural Development – 01 case.

reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

## 4.19 Recommendations

- State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures regarding submission of UCs, DC bills and Accounts for audit.
- The Administrators of the PD Accounts may reconcile their balance with Treasuries because the balances are continuously increasing over the period 2016-21.
- 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.
- Government may put in place a mechanism to capture flow of funds of gram panchayats.



**(H. K. DHARMADARSHI)**  
**Principal Accountant General (Audit-II),**  
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**Ahmedabad**  
**The 23 March 2022**

*Countersigned*



**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**

**New Delhi**  
**The 24 March 2022**