

CHAPTER-4

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

Chapter - 4

Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making. The compliance of GNCTD with various financial rules, procedures and directives has been discussed in this chapter.

Issues related to completeness of accounts

4.1 Delay in transferring receipts into Government account due to which funds remained outside Consolidated Fund of the NCT of Delhi

As per rule 6 (1) of the Receipt and Payment Rules 1983, all moneys received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account. Further, as RBI circular dated 21 March 2007, the settlement of all transactions with RBI shall be completed by T+3 days (where T is the day when money is available to bank branch).

Test check of the records of the Transport Department, GNCTD revealed that cash collected by Enforcement Staff, Accounts Branch and Motor License Officer (HQ) was deposited in the accredited current bank account of the Transport Department. The money collected was transferred into Government account¹.

Test check of transactions of various periods for the financial year 2019-20 revealed that these receipts were not deposited timely in the government account. Audit noted that an amount of ₹ 1,005.65 crore was deposited with delays ranging between 4 and 61 days, which resulted in loss of interest of ₹ 4.81 crore². Also, for the said duration, the amount remained outside the Consolidated Fund of the State. Principal Accounts Office (Pr.AO), GNCTD stated (23 March 2021) that they have referred the matter to Transport Department for comments. The reply from Transport Department/Pr.AO was awaited (May 2021).

¹ Major Head of 0041 and two Minor heads 101 (fees) and 102 (tax).

² Interest has been calculated @8.5 per cent per annum for FY 2019-20 which is charged by Central Government in respect of Central loans given to States and Union Territories.

4.2 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State Implementing Agencies/Non-Governmental Organisations for implementation of various schemes and programmes. Since these funds are not routed through the NCT of Delhi's Budget, these are not reflected in the accounts of GNCTD.

On the basis of information received from three agencies³ it was found that funds of ₹ 37.46 crore⁴ were directly transferred by GoI to these three agencies during 2019-20. However, the Finance Accounts of GNCTD do not contain any information relating to funds transferred directly to State implementing agencies. Further, GNCTD has not set up any mechanism to keep a watch on the funds transferred by GoI directly to State implementing agencies. In absence of this, the actual utilisation of funds by the implementing agencies could not be verified in Audit. Pr.AO and Finance Department confirmed (September 2020) and (November 2020) respectively that no such information was available/maintained by them.

Issues related to transparency

4.3 Delay in submission of Utilisation Certificates

Rule 238 of GFR, 2017 stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the Department from the grantees within 12 months of the closure of the financial year.

Non-submission of the UCs means that the authorities have not explained as to how the funds were spent. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance, if such UCs are pending against Grants-in-aid (GIA) meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that GNCTD should monitor this aspect closely and hold the concerned departments accountable for submission of UCs in a timely manner. The age-wise pendency in submission of UCs is detailed in **Table 4.1** and **Chart 4.1**.

Table 4.1: Age-wise arrears in submission of Utilisation Certificates

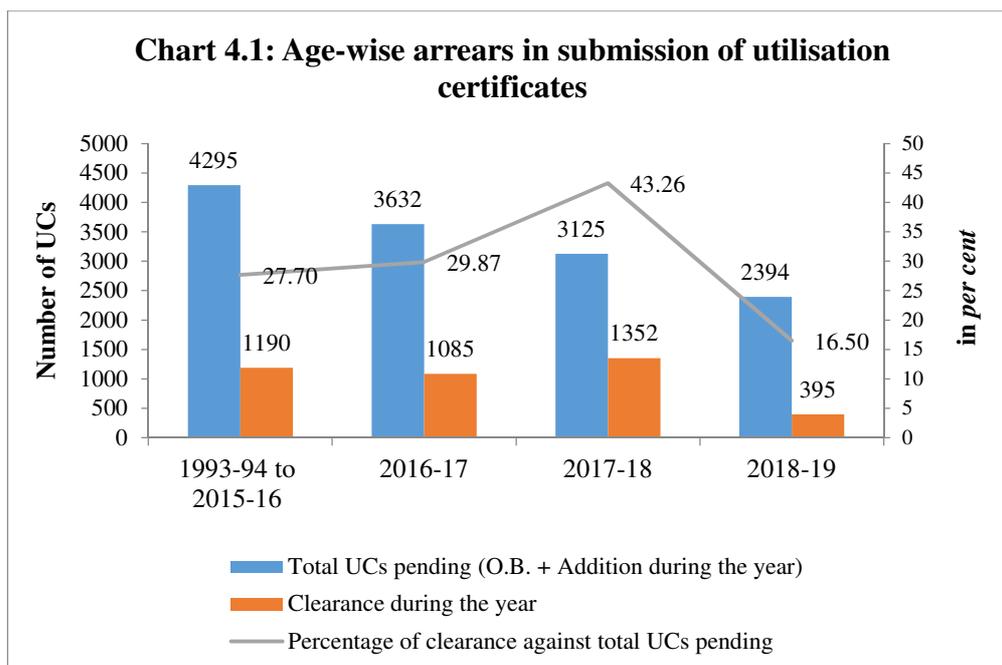
(₹ in crore)

Year	Opening balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1993-94 to 2015-16	3821	18,908.72	474	5,990.65	1190	17,629.68	3105	7,269.69
2016-17	3105	7,269.69	527	1,214.93	1085	2,686.74	2547	5,797.88
2017-18	2547	5,797.88	578	7,436.69	1352	8,065.57	1773	5,169.00
2018-19	1773	5,169.00	621	7,186.99	395	5,499.02	1999	6,856.97

Source: Principal Accounts Office, GNCTD

³ Indira Gandhi Delhi Technical University for Women, Maulana Azad Medical College and South Delhi Municipal Corporation

⁴ IGDTU- 1.11 crore, MAMC-0.02 crore, SDMC- 36.33 crore.



It is evident from the above that 1190 (27.70 per cent), 1085 (29.87 per cent), 1352 (43.26 per cent) and 395 (16.50 per cent) outstanding UCs were cleared respectively against 4295, 3632, 3125 and 2394 numbers of total UCs pending during the period under consideration. Year-wise break up of outstanding UCs is detailed in **Table 4.2**.

Table 4.2: Year-wise break up of outstanding Utilisation Certificates

(₹ in crore)

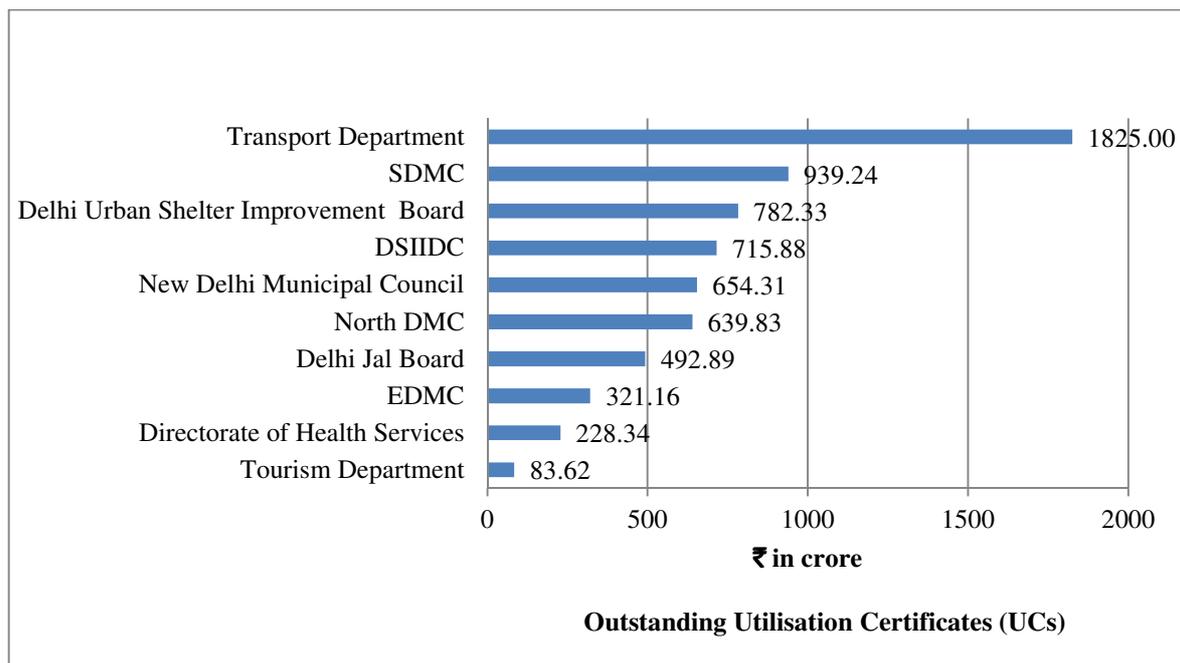
Year	Utilisation Certificates due		Utilisation Certificates received		Utilisation Certificates outstanding	
	No.	Amount	No	Amount	No	Amount
1993 to 2010-11	1281	947.95	155	813.43	1126	134.52
2011-12	40	546.79	15	361.06	25	185.73
2012-13	172	980.59	27	592.97	145	387.62
2013-14	67	539.37	19	531.83	48	7.54
2014-15	194	306.30	96	296.50	98	9.80
2015-16	308	3,926.04	244	3,605.89	64	320.15
2016-17	314	4,762.85	187	3,324.81	127	1,438.04
2017-18	339	6,212.81	210	5,859.66	129	353.15
2018-19	621	7,186.99	384	3,166.57	237	4,020.42
Total	3336	25,409.69	1337	18,552.72	1999	6,856.97

Source: Principal Account Office, GNCTD

It can be seen that 1126 UCs (56.33 per cent) amounting to ₹ 134.52 crore were outstanding prior to the year 2011-12 whereas 873 UCs (43.67 per cent) amounting to ₹ 6,722.45 crore were outstanding for more than eight years.

The details of outstanding UCs in respect of 10 major Departments for grants paid upto 2018-19 are given in **Chart 4.2**.

Chart 4.2: Outstanding UCs in respect of 10 major Departments for the grant paid upto 2018-19:



Source: Principal Accounts Office, GNCTD

Transport Department (DTC), South Delhi Municipal Corporation (SDMC) and Delhi Urban Shelter Improvement Board (DUSIB) accounted for ₹ 1,825.00 crore (26.62 per cent), ₹ 939.24 crore (13.70 per cent) and ₹ 782.33 crore (11.41 per cent) of the arrears respectively. This indicates lack of internal control of the administrative departments and tendency on the part of GNCTD to disburse fresh grants without ascertaining proper utilisation of earlier grants. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Further, in the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the intended purpose for which these were sanctioned.

4.3.1 Recording of Grantee Institution as ‘Others’

As Grants-in-aid constitute a significant portion of the total expenditure of the State, it is essential that the Government records the details and nature of the grantee institutions to which the funds were provided in the interest of transparency of accounts.

Audit scrutiny revealed that ₹ 1,886.03 crore (17.57 per cent) out of ₹ 10,733.73 crore of Grants-in-aid released during the year 2019-20 were shown as disbursed to grantee institutions categorised as ‘Others’ which was 17.57 per cent of total Grants-in-aid. During 2019-20 GIA disbursed to grantee institutions as ‘Others’ increased by ₹ 654.69 crore (53.16 per cent) as compared to the previous year.

4.4 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 (DC) bills within a stipulated period of drawal of AC bills. DC bills consists of abstract expenditure along with sub-vouchers for the amount drawn through AC bills. Drawing and Disbursing Officers are required to present Detailed Countersigned Contingent (DCC) bills duly countersigned by the Controlling Officers in all these cases within the prescribed period.

Rule 118 of the Receipt and Payment Rules stipulates that a certificate shall be attached to every AC bill to the effect that the DCC bills have been submitted to the controlling officer in respect of AC bills drawn during the month previous to that in which the bill in question is presented for payment. On no account should an Abstract Contingent bill be cashed without the certificate.

Year-wise progress in submission of DCC bills against the AC bills is detailed in **Table 4.3** and **Chart 4.3**.

Table 4.3: Year wise progress in submission of DCC bills against AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2016-17	2,402	598.20	7,977	530.98	6,408	697.60	3,971	431.58
2017-18	3,971	431.58	1,404	179.32	1,180	208.47	4,195	402.43
2018-19	4,195	402.43	1,244	280.55	776	118.54	4,663	564.44
2019-20	4,663	564.44	1,407	356.53	845	146.50	5,225	774.47

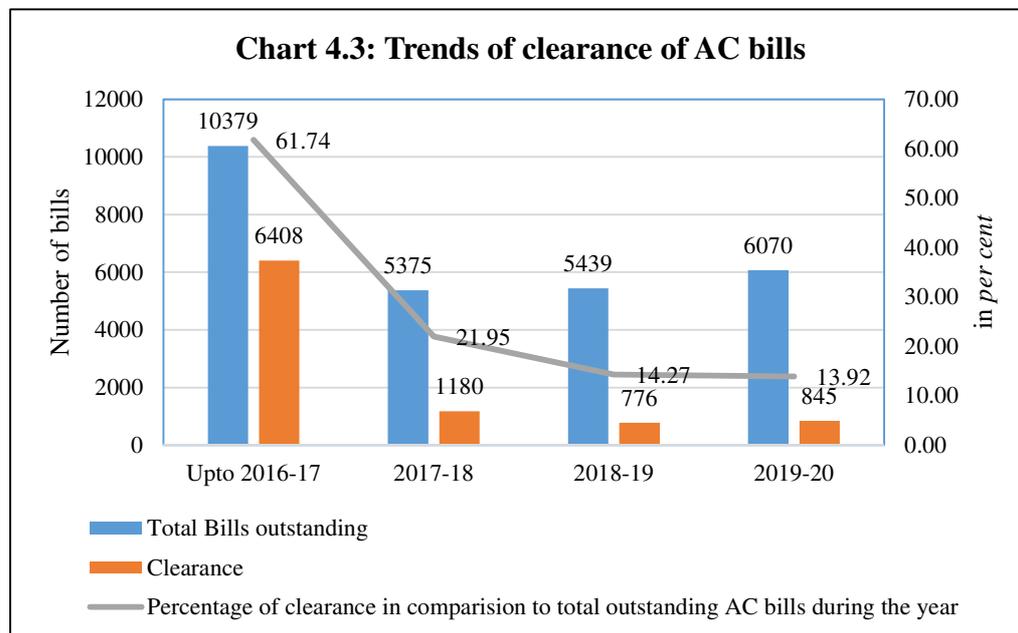
Source: Principal Accounts Office, GNCTD

Forty-nine Government Departments did not submit 730 DC bills amounting to ₹ 266.27 crore before closing of the accounts for the financial year 2019-20 and, therefore, there is no assurance that the expenditure of ₹ 266.27 crore has actually been incurred during the financial year for the purpose for which it was authorised by the legislature. Moreover, from the table it can also be seen that a total of 5225 AC bills involving ₹ 774.47 crore were outstanding as of March 2020.

Against AC bills of ₹ 356.53 crore during 2019-20 an amount of ₹ 39.35 crore (11.04 per cent) pertained to March 2020.

Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/malfeasance, etc. This, therefore, needs to be monitored closely.

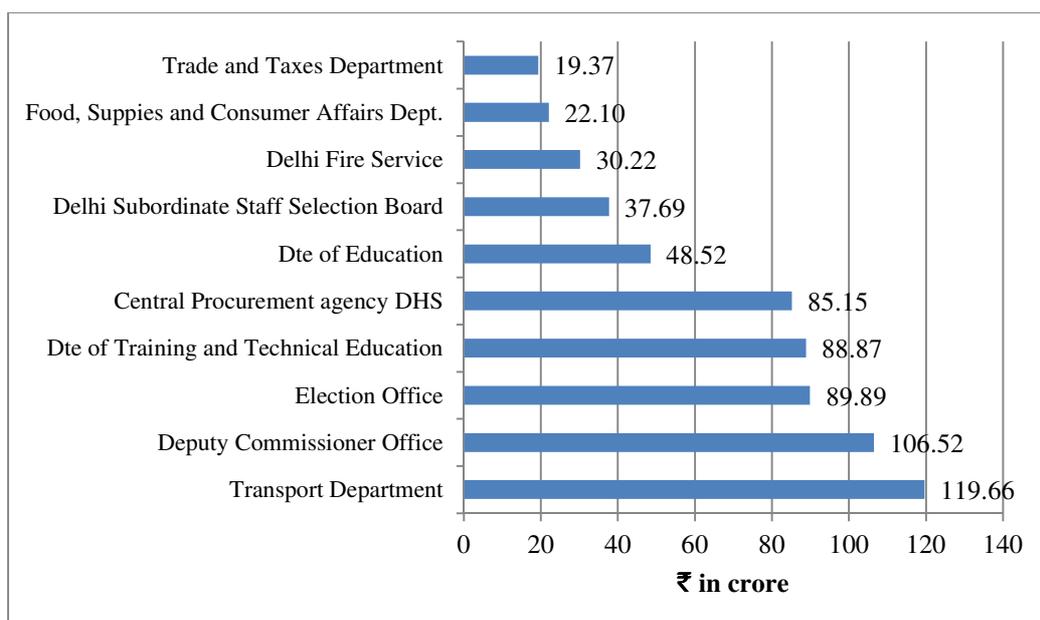
The trend of clearance of AC bills is given in **Chart 4.3**.



It can be seen from the above chart that clearance of outstanding AC bills during the period 2017-2020 showed a declining trend from 21.95 per cent in 2017-18 to 13.92 per cent in 2019-20.

The details of pending DCC bills in respect of major departments are given in **Chart 4.4**.

Chart 4.4: Pending DCC bills in respect of major Departments



Source: Finance Accounts of GNCTD for the year 2019-20

AC Bills drawn for creation of capital assets

As per Section III, Rule 96 of the Receipt and Payment Rules, 1983 - the term "contingent charges" or "contingencies" means and includes all incidental and other expenses (including on stores) which are incurred for the management of an office as an office or for the working of technical establishment such as laboratory, workshop, industrial installation, store depot and the like but other than expenditure which has been specifically classified as falling under some other head of expenditure e.g. 'works', 'tools and plant'.

Audit noted that AC bills were drawn for creation of capital assets as given in the **Table 4.4:**

Table 4.4: AC bills drawn for creation of capital assets

Year	Total No. of AC bills	No. of AC bills drawn for creation of capital assets	Amount of AC bills drawn for creation of capital assets (₹ in crore)
2017-18	1404	3	37.97
2018-19	1244	23	40.21
2019-20	1407	22	149.85
Total	4055	48	228.03

Source: Principal Accounts Office, GNCTD

Test check of records of the Transport Department revealed the following:

(a) Drawal of Abstract Contingent (AC) bills for Capital Expenditure:

Audit noted that 14 out of 17 pending AC bills amounting to ₹ 106.75 crore out of a total of ₹ 119.66 crore for FY 2019-20 were incurred under the detailed head of account 505500050920053 (Capital Outlay on Road Transport) as advances to various agencies like DTIDC, DSIIDC, BSES etc.

It was observed that the pending amount of ₹ 106.75 crore in respect of 14 AC bills related to expenditure on works of capital nature like construction of DTC depots, Electric Bus charging depot and associated infrastructure, administrative blocks etc. As per the rules, the nature of works undertaken do not fall under the definition of contingent charges. Incurring expenditure of capital nature through AC bills and booking under Major-Head 5055 (Capital Outlay on Road Transport) was in violation of the rule.

Further, it was also found that eight AC bills amounting to ₹ 7.41 crore were drawn on 30 March 2020, which suggests that the purpose was to exhaust budgetary grants before the closure of the financial year.

(b) Non-submission of sub-vouchers in respect of Detailed Contingent (DC) bills:

As per Rule 119 (2) (form and preparation of detailed bill relating to countersigned contingencies) of Receipt and Payment Rules 1983, the detailed bill shall be signed by the Head of the Office and submitted to the Controlling Officer, (or if there be no controlling officer to the Accounts Officer, direct) with all sub-vouchers above ₹ 50 his signature to the certificate endorsed on the bill taking the place of the smaller ones.

Test check of three DC bills amounting to ₹ 38.81 lakh, out of 23 DC bills of ₹ 94.03 lakh, settled during the year 2019-20 revealed that sub-vouchers were not attached in the absence of which the authenticity of the expenditure actually incurred could not be ascertained/verified. Pr.AO, GNCTD stated (23 March 2021) that they have referred the matter to Transport Department for comments. The reply from Transport Department/Pr.AO was awaited (May 2021).

4.5 Personal Deposit Accounts

Rule 191 of the Receipt and Payment Rules, 1983 read with 191(3) stipulates that Personal Deposit Accounts (PDAs) are generally authorised to be opened under special order to the Ministry/Department concerned in consultation with the Controller General of Accounts (CGA) in the following types of cases:

- a) In favour of an administrator appointed for the purpose of administering money tendered by or on behalf of ward and attached estates and estates under Government management. These PDAs do not lapse to Government as per Rule 192(1), even if outstanding for more than three completed years;
- b) In relation to Civil and Criminal Courts deposits, in favour of the Chief judicial authority concerned and these PDAs will not lapse as per Rule 192(2);
- c) Where, under certain regulatory activities of the Government, receipts are realised and credited to a Fund or Account under the provisions of an Act to be utilised towards expenditure thereunder and no outgo from the Consolidated Fund is involved. These PDAs will not lapse to Government until the provisions of the relevant Act are in force.

The details of PDAs in GNCTD as on 31 March 2020 are given in **Table 4.5:**

Table 4.5: Details of PDAs as on 31 March 2020

PDAs as on 01.04.2019		PDAs opened during the year 2019-20		PDAs closed during the year 2019-20		Closing balance	
Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
12	72.84	nil	nil	nil	nil	12	54.65

Source: Principal Accounts Office, GNCTD

The Principal Accounts Office, GNCTD, is operating 12 PDAs with the prior approval of the CGA, Ministry of Finance, Government of India. The purpose of opening these PDAs was to deposit receipts of compensation received from the land requisitioning authorities (DDA etc.), for payment to land owners for land acquisitions through land acquisitions collectors, security charges, fees of election petitions, civil deposits, criminal deposits and rent of litigants as per order of court etc. and no outgo from Consolidated Fund is involved.

As on 31 March 2020, there was closing balance of ₹ 54.65 crore in these 12 PDAs which are non-lapsable.

Analysis of PD Accounts

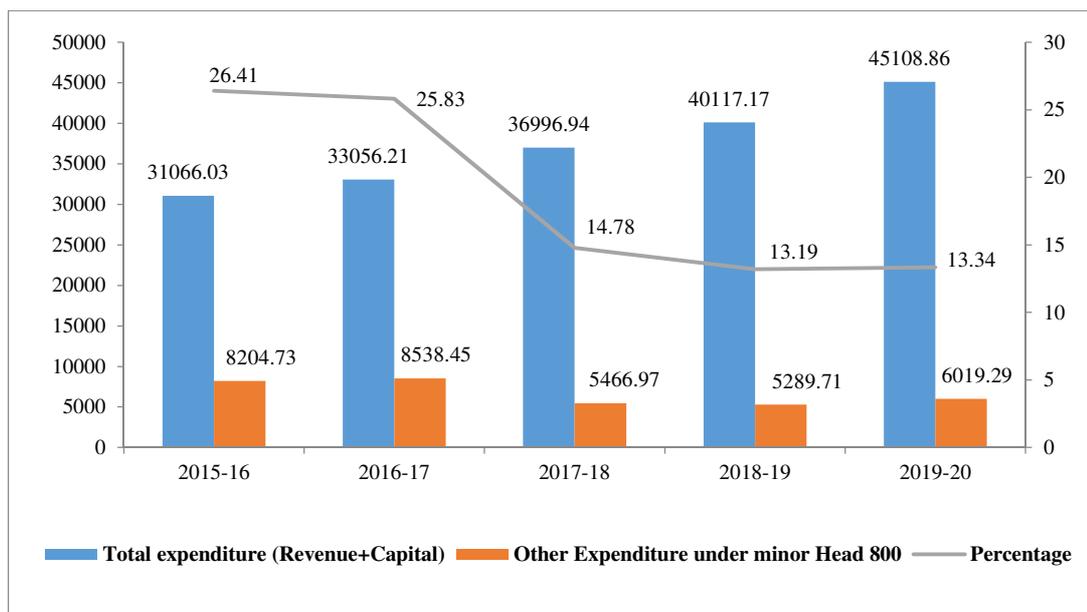
One PD Account opened (1961) in favour of the Housing Commissioner, Delhi Administration was intended for receiving and making payment in connection with schemes for large-scale acquisition, development and disposal of land in Delhi. Audit noted that the opening balance as on April 2019 was ₹ 68.32 crore out of which an amount of ₹ 18.14 crore was disbursed to various Land Acquisition cells (LACs) for award of compensation, leaving a balance of ₹ 50.18 crore as on 31 March 2020.

The Land and Building Department stated that the amount could not be released further to the concerned LACs due to pending clarifications from the concerned LACs, Land Acquisition Branch and from paying agencies i.e. DDA, MCD, DUSIB, PWD etc, despite repeated letters/reminders issued in this regard. It also stated that on receipt of clarification the amount would be released to the concerned LACs.

4.6 Indiscriminate use of Minor Head 800

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. 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. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque. Trends of amounts booked under minor head 800 – Other expenditure is shown in **Chart 4.5:**

Chart 4.5: Operation of Minor head-Other Expenditure during 2015-2020



Source: Principal Accounts Office, GNCTD

From the graph it can be seen that there is no significant change in the operation of Minor Head-Other Expenditure as the percentage of expenditure booked under this head over the total expenditure ranged around 14 *per cent* during the period 2017-2020.

During 2019-20, expenditure of ₹ 6,019.29 crore out of total expenditure of ₹ 45,108.86 crore was classified under the minor head of account '800-Other Expenditure' which constituted 13.34 *per cent* of the total expenditure. Significant expenditure booked under minor head 800-Other Expenditure during 2019-20 is given in **Table 4.6**

Table 4.6: Significant Expenditure booked under Minor Head-'800-Other Expenditure'

(₹ in crore)

Sl. No.	Major-Head	Expenditure booked under MH-800 Other Expenditure	Total Expenditure under Major Head	Percentage of expenditure in MH-800 as compared to Total Expenditure
1	2040-Sales Tax	19.60	41.38	47.37
2	2041-Taxes on Vehicles	270.07	355.61	75.95
3	2210-Medical and Public Health	1,114.83	5,298.33	21.04
4	2211-Family Welfare	70.00	88.84	78.79
5	2215-Water Supply and Sanitation	470.50	1,415.35	33.24
6	2404-Diary Development	11.67	11.67	100.00
7	2801-Power	2,423.29	2,423.29	100.00
8	3054-Roads and Bridges	569.22	599.10	95.01
9	4070-Capital outlay on other Administrative services	190.66	190.66	100.00
10	4711-Capital Outlay on Flood Control Projects	112.13	116.19	96.51
11	5054-Capital Outlay on Road and Bridges	222.93	771.92	28.88
	Total	5,474.90	11,312.34	48.40

During 2019-20, receipts of ₹ 677.07 crore out of total receipts of ₹ 37,662.76 crore, were classified under the minor head '800-Other Receipts' which constituted 1.80 per cent of the total receipts. Significant receipts booked under minor head 800-Other Receipts during 2019-20 are given in **Table 4.7**:

Table 4.7: Significant Receipts booked under Minor Head-'800-Other Receipts'

(₹ in crore)

Sl. No.	Major Head	Booking under MH 800	Total Receipts	Percentage of Receipt
1	0059-Public works	12.17	13.28	91.64
2	0070-Other Administrative Services	285.11	342.67	83.20
3	0210-Medical & Public Health	86.13	112.38	76.64
4	0217-Urban Development	31.63	31.63	100.00
5	0701-Medium Irrigation	13.55	13.55	100.00
6	0801-Power	87.00	87.00	100.00
	Total	515.59	600.51	85.86

This issue was also pointed out in earlier Audit reports on State Finances. However, no corrective action has been taken so far. The Government may carry out a comprehensive review of all items presently appearing under the Minor Head 800 and ensure that all such receipts and expenditure are booked appropriately under the correct head of accounts to enhance transparency in financial reporting. The Finance Department, GNCTD stated (March 2021) that necessary follow-up action is being taken up to review the classification under Minor Head 800 and the outcome will be intimated at the time of next audit.

Issues related to Measurement

4.7 Reconciliation of cash balances

GNCTD does not have its own Public Account and hence there is no case of Cash balances of GNCTD. As per the existing arrangements, the balance account of Consolidated Fund of GNCTD is regularly reflected under MH-8450-00-106-Balance Account of Union Territories and its account is rendered monthly to the Office of the CGA, Ministry of Finance, Government of India along with the accounts of other Heads of Account of the Public Account.

Issues related to disclosure

4.8 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the

Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The compliance of the existing accounting Standards by the State Government is detailed in **Table 4.8:**

Table 4.8: Compliance to Accounting Standards

Sl. No.	IGAS	Essence of IGAS	Compliance by GNCTD	Deficiency observed by audit
1.	IGAS-1: (Guarantees given by the Government-Disclosures requirements)	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.	Complied (Statement no. 5)	The Statement no. 5 was not in the prescribed format.
2.	IGAS-2: (Accounting and Classification of Grants-in-Aid)	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.	Complied (Appendix to Statement 10 of Finance Accounts)	-
3.	IGAS-3: (Loans and Advances made by Government)	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.	Complied (Finance Accounts' Statement 4 for Summarised and Statement 16 for Detailed Statement)	-

4.9 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

The audit of 12 bodies/authorities has been entrusted to the CAG under Sections 19 and 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

The annual accounts of 12 bodies/authorities due up to 2019-20 had not been received as of September 2020 in the office of the Principal Accountant General (Audit), Delhi. The details of these outstanding accounts are given in **Table 4.9.**

Table 4.9: Details of Outstanding Accounts as on 30 September 2020

Sl. No.	Name of Body or Authority	Accounts pending since	No. of accounts in arrears as on 30.09.2020
1	Delhi Urban Shelter Improvement Board (DUSIB)	2010-11	10
2	Delhi Jal Board (DJB)	2015-16	5
3	Delhi Electricity Regulatory Commission (DERC)	2019-20	1
4	Delhi Kalyan Samiti	2019-20	1
5	Delhi Legal Services Authority	2018-19	2
6	Netaji Subhash University of Technology	2018-19	2
7	Ambedkar University	2019-20	1
8	Guru Govind Singh Indraprastha University	2019-20	1
9	Delhi Technological University	2019-20	1
10	Indira Gandhi Delhi Technical University for Women	2018-19	2
11	Indraprastha Institute of Information and Technology Delhi	2019-20	1
12	Delhi Building and Other Construction Workers Welfare Board	2017-18	3

From the above, it is observed that 30 annual accounts up to the year 2019-20 of 12 bodies/authorities were pending as on 30 September 2020.

In the absence of timely finalisation of annual accounts, investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delays in finalisation of accounts increases the risk of fraud and leakage of public money.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by the bodies/authorities.

4.10 Recommendations

- (i) The Government may set up a mechanism to ensure that government receipts are deposited in the Government Accounts within the prescribed time.
- (ii) The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (iii) The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.
- (iv) The Finance Department should conduct a comprehensive review of all items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.

