

**CHAPTER-4**  
**QUALITY OF ACCOUNTS AND FINANCIAL**  
**REPORTING PRACTICES**



## CHAPTER-4

### QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

This chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

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, therefore, 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.

#### 4.1 Funds outside Consolidated Fund or Public Account of the State

##### 4.1.1 Regulators

The Regulatory Authorities are 'State' within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions 'on behalf of the Government'. Hence, their Funds need to be housed in the Public Account of India/States. This is the settled position of the CAG, Ministry of Finance and Ministry of Law for the Government of India.

In Uttarakhand state two Regulatory Authorities exist, namely Uttarakhand Electricity Regulatory Commission and Uttarakhand Real Estate Regulatory Authority, status of which is given in the **Table-4.1** below.

**Table-4.1: Details of Regulators and the Funds**

Sl. No.	Name of the Regulatory Authority	Constitution of Fund	Amount outstanding towards Government
1.	Uttarakhand Electricity Regulatory Commission	The Fund shall be maintained at any Nationalized Bank and subsidiary accounts shall be maintained at such other branches of such banks. The Fund shall comprise of License fee, Petition Fee, Processing Fee, Fine and Receipts.	No amount is outstanding towards the Government.
2.	Uttarakhand Real Estate Regulatory Authority	Do-	No amount is outstanding towards the Government.

#### 4.2 Non-inclusion of clear-cut liabilities of Departments

As on 31 March 2022, there was a deferred liability to the extent of ₹ 182.28 crore in respect of medicine purchase and tie-up Hospital bills by Medical Department under Employee State Insurance Scheme (ESIS), details of which is given in the **Table-4.2** below.

**Table-4.2: Non-inclusion of clear-cut liabilities during the financial year**

(₹ in crore)

Sl. No.	Name of the department	Liability due to <sup>1</sup>	Total Amount
1.	Medical Department (ESIS)	Hospitals medicine purchase and tie-up Hospital bills	182.28
<b>Total</b>			<b>182.28</b>

#### 4.3 Non-discharge of liability in respect of interest towards interest bearing deposits/reserves

The Government has a liability to provide and pay interest on the amounts in the interest-bearing deposits and reserve (Major Heads of Accounts -8342). The details of non-discharge of liability in this regard are given in **Table-4.3** below.

**Table-4.3: Non discharge of liability in respect of interest towards interest bearing deposits**

(₹ in crore)

Sl. No.	Name of the Interest-bearing deposit	Balance as on 1 April 2021	Rate of Interest	Amount of Interest not provisioned
1.	Reserve Funds bearing Interest (including SDRF & CAMPA)	3,343.45	4.00 per cent Average of W&M interest rate	133.74
2.	Deposits bearing Interest (excluding CPS MH 8342-117)	321.69	4.00 per cent Average of W&M interest rate	12.87
3.	Un-transferred amount under NPS (8342-117)	139.20	7.10 per cent notified by the Government /payable to GPF	9.88
<b>Total</b>		<b>3,804.34</b>		<b>156.49</b>

Source: Finance Accounts 2021-22 Government of Uttarakhand

The State Government was required to make provision of interest at the rate 4.00 per cent & 7.10 per cent on the opening balances of reserve & deposits bearing interest during the year 2021-22. However, the Government did not make the required provision of ₹ 156.49 crore during the year on these deposits. Therefore, this impacted the Revenue Deficit and Fiscal Deficit to that extent.

#### 4.4 Funds transferred directly to implementing agencies

The Union Government transfers substantial funds directly to Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and Programmes. These transfers are exhibited in Appendix-VI of Volume-II of the Finance Accounts.

In spite of the Government of India's decision to release all assistance to Centrally Sponsored Schemes/Additional Central Assistance to the State Government and not to implementing agencies, funds were transferred directly to implementing agencies. Since these funds are not routed through the State Budget, these are not reflected in the Accounts

<sup>1</sup> Liability from other departments are also being sought.

of the State Government. As per the Public Finance Management System portal of the Controller General of Accounts, Government of India (GoI) transferred ₹ 4,825.65 crore directly under 106 schemes to 298 implementing agencies in Uttarakhand during 2021-22 for implementing Centrally Sponsored Schemes. The direct transfers of funds to implementing agencies have increased by 18.95 *per cent* from ₹ 4,056.80 crore in 2020-21 to ₹ 4,825.65 crore in 2021-22. Names of some major implementing agencies which received funds directly from the GoI during 2021-22 are given in the **Table-4.4** below.

**Table-4.4: Names of implementing agencies which received funds (more than ₹ 50 crore) directly from GoI during 2021-22**

(₹ in crore)

Sl. No.	Name of the Scheme of GoI	Name of the Implementing Agency	Fund transferred by GoI during 2021-22
1.	Assistance to State Agencies for intra-state movement of food grains and FPS dealers margin under NFSA	Commissioner, Food & Civil Supplies Department, Uttarakhand	67.19
2.	Food Subsidy for Decentralized Procurement of Food grains under NFSA	Commissioner, Food & Civil Supplies Department, Uttarakhand	1554.43
3.	Industrial Development Scheme for Himachal Pradesh and Uttarakhand, 2017	State Infrastructure and Industrial Development Co- Operation of Uttarakhand Ltd.	62.60
4.	Jal Jivan Mission (JJM)/National Rural Drinking Water Program	SWSM Uttarakhand, Dehradun	721.90
5.	Mahatma Gandhi National Rural Employment Guarantee Program	Uttarakhand Rajya Rozgar Guarantee Sanstha	505.98
6.	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture, Uttarakhand	547.62
7.	Pradhan Mantri Swasthya Suraksha Yojana	AIIMS Rishikesh	644.26
8.	SWAMITVA	Survey of India, Uttarakhand Land Record Modernisation Society	131.49
9.	Scheme for Assistance to Sugar Mills for 2019-20 season	Uttam Sugar Mills Ltd., Doiwala Sugar Company Ltd., Rai Bahadur Narain Singh Sugar Mills Ltd. The Kisan Sahakari Chini Mills Ltd., The Bajpur Cooperative Sugar Factory Ltd.	75.33
10.	Scheme for providing assistance to sugar mills for expenses on marketing costs including handing upgrading and other processing costs and costs of international and internal transport and freight.	Uttam Sugar Mills Ltd., Doiwala Sugar Company Ltd., Rai Bahadur Narain Singh Sugar Mills Ltd. Kichha Sugar Company Ltd., The Kisan Sahakari Chini Mills Ltd., The Bajpur Cooperative Sugar Factory Ltd.	75.90
<b>Total</b>			<b>4,386.70</b>

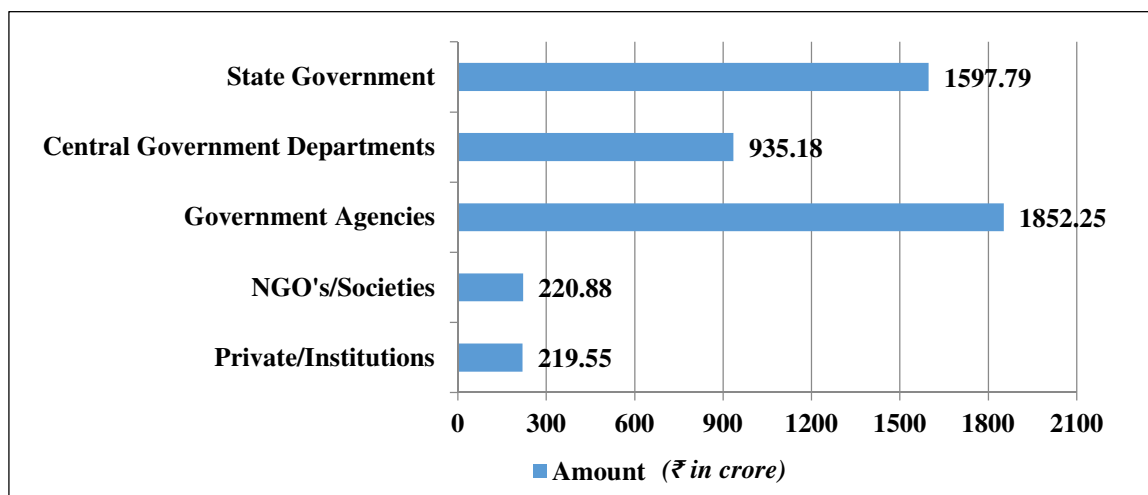
The details of aggregate amount transferred to implementing agencies during the last three years are indicated in the **Table-4.5**.

**Table-4.5: Funds transferred to Implementing Agencies**

Direct transfers to implementing agencies	2019-20	2020-21	2021-22
Funds transferred (₹ in crore)	2,304.31	4,056.80	4,825.65

Category of agencies that have received funds directly from the GoI during 2021-22 for implementing various developmental schemes and the quantum of such funds are given in **Chart-4.1**.

**Chart-4.1: Category of Implementing Agencies that received funds directly from GOI during 2021-22**



Source: PFMS data for 2021-22

#### 4.5 Deposit of Local Funds

The Uttarakhand Panchayati Raj Act, 2016 (section 40, 80 and 119) provides for keeping the Panchayat Bodies Fund in Government Treasury and sub-treasury or in any Nationalized Bank, Local Bank, Cooperative Bank and post office. Similarly, the Uttar Pradesh Municipalities Act, 1916 (section 115) as adopted by Uttarakhand also provides for keeping the Municipal Fund (for ULBs) in Government Treasury or sub-treasury or in State Bank of India or Cooperative Bank or Scheduled Bank. The ULBs continued to operate through treasury system, whereas the PRIs operate through Nationalised Banks

**Table-4.6: Deposit of Local Funds**

Year		2017-18	2018-19	2019-20	2020-21	2021-22
Panchayat Bodies Fund (8448-109)	Opening Balance	14.62	14.62	14.79	14.79	14.79
	Receipt	0.00	0.17	0.00	0.00	0.00
	Expenditure	0.00	0.00	0.00	0.00	0.00
	<b>Closing Balance</b>	<b>14.62</b>	<b>14.79</b>	<b>14.79</b>	<b>14.79</b>	<b>14.79</b>
	<b>Percent Utilization</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Municipal Fund (8448-102)	Opening Balance	66.15	236.59	340.59	441.61	495.41
	Receipt	728.37	711.61	835.76	941.81	660.00
	Expenditure	557.93	607.61	734.74	888.01	943.86
	<b>Closing Balance</b>	<b>236.59</b>	<b>340.59</b>	<b>441.61</b>	<b>495.41</b>	<b>211.56</b>
	<b>Percent Utilization</b>	<b>70.22</b>	<b>64.08</b>	<b>62.46</b>	<b>64.19</b>	<b>81.69</b>

Source: Finance Accounts 2021-22 prepared by Accountant General (A&E) Uttarakhand

As is evident from **Table-4.6** above, the Panchayat Bodies Fund is almost inoperative since 2017-18. However, Municipal Fund is in operation and had an accumulated balance of ₹ 211.56 crore as on 31 March 2022. Further, the *per cent* Utilisation under Municipal Fund declined during the period from 2017-18 to 2019-20. The Utilisation was 62.46 *per cent* in 2019-20 and 64.19 *per cent* in 2020-21. However, the Utilisation per cent increased during the year by 17.50 percentage points and was 81.69 *per cent*.

#### 4.6 Delay in submission of Utilisation Certificates<sup>2</sup>

Paragraph 369-CC(a) of Uttarakhand Financial Rules provides that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees in such form as agreed by the Accountant General (Accounts and Entitlement) and should be forwarded to the Accountant General (Accounts and Entitlement) within 12 months from the date of their sanction unless specified otherwise.

A total number of 622 UCs amounting to ₹ 2,571.00 crore was pending as of March 2022. The age-wise position as regards submission of UCs has been summarized in **Table-4.7**.

**Table-4.7: Age-wise arrears in submission of Utilisation Certificates**

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	119	353.33	149	1537.25	67	253.89	201	1,636.69
2020-21	201	1,636.69	338	1,016.32	82	764.04	457	1,888.97
2021-22	457	1,888.97	301*	1,180.92	136	498.89	622	2,571.00

\* Except where the sanction order specifies otherwise, UCs in respect of Grants-in-aid drawn during 2021-22 become due only in 2022-23.

Source: AG (A&E), Uttarakhand

The Departmental officers did not submit 321 UCs due for submission by March 2022 in respect of which grants amounting to ₹ 1390.08 crore was given up to March 2021 for specific purposes. Out of above, 79 UCs amounting to ₹ 505.00 crore were received up to August 2022. All the UCs which were pending related to the Panchayati Raj Institutions/Urban Local Bodies. The year wise break-up of outstanding UCs as on 31 March 2022 is given in **Table-4.8** below.

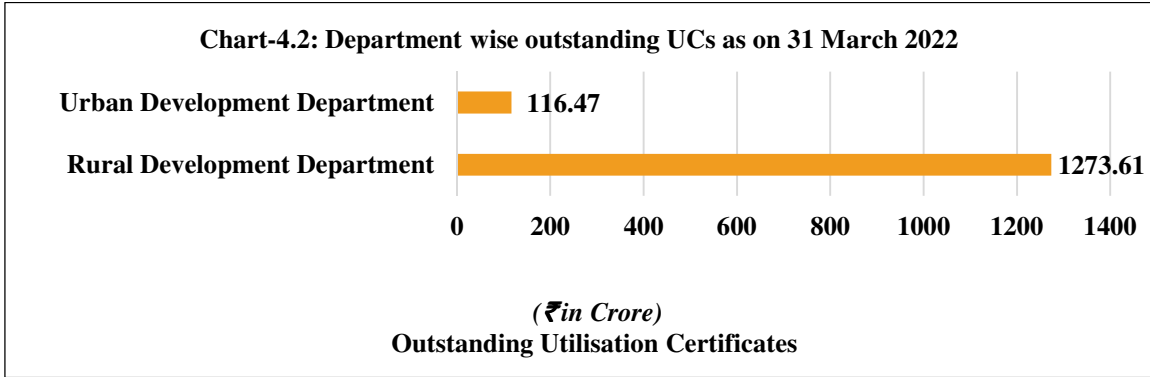
**Table-4.8: Year wise break up of outstanding UCs as on 31.03.2022**

Year in which GIA transferred	No. of Outstanding UCs	Amount (₹ in crore)
Up to 2019-20	08	20.82
2020-21	39	384.86
2021-22	274	984.40
<b>Total</b>	<b>321</b>	<b>1390.08</b>

In the absence of UCs, it could not be ascertained whether the recipients had utilized the grants for the intended purpose for which these were sanctioned. Pendency of UCs was

<sup>2</sup> Status of UCs against ₹ 4,018.23 crore (grants-in-aid for creation of capital assets = ₹ 706.10 crore and grants-in-aid other than salary ₹ 3,312.13 crore) pertaining to 2021-22 was awaited from Grant Controlling Officers.

fraught with the risk of misappropriation of funds and fraud. During the exit conference, Secretary Finance apprised that there was an improvement in monitoring of UCs. The maximum outstanding UCs are of Rural and Urban Local Bodies. In this regard, Secretary Finance assured to monitor 100 per cent of Utilization certificates and assured to monitor cent per cent UCs of non-salary Grants valuing ₹ 50 lakh and more.



#### 4.6.1 Recording of Grantee Institution as “Others”

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid from Government. These grants are also recorded in VLC system of the office of Accountant General (Accounts and Entitlement) and submission of UCs is monitored against outstanding amount against each institute. For this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

As per Rule 228 of General Financial Rules 2017 if Grants-in-Aid 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 for transparency of accounts.

#### 4.7 Abstract Contingent Bills

Year-wise details of pendency of Detailed Countersigned Contingent (DCC) bills against the Abstract Contingent (AC) bills for the years up to 2021-22 are given in **Table-4.9** below.

**Table-4.9: Pendency in submission of DCC bills against the AC bills**

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2019-20	10	0.56	61	6.03	34	3.58	37	3.01
2020-21	37	3.01	78	5.67	38	5.24	77	3.44
2021-22	77	3.44	321	93.46	155	69.57	243	27.33

Source: Data compiled by the office of the AG (A&E), Uttarakhand

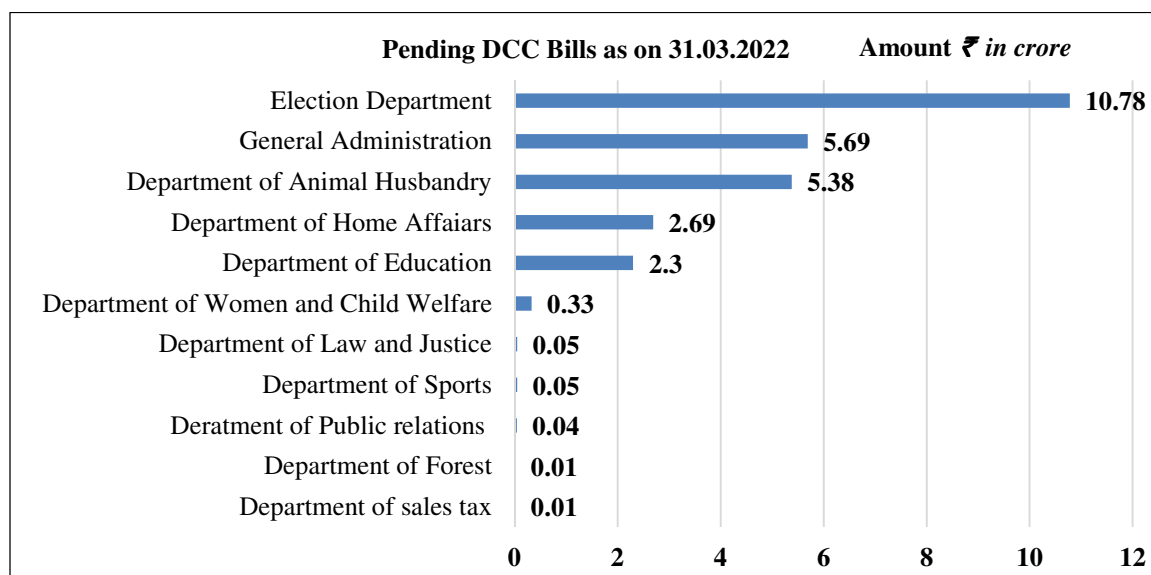
**Table-4.9** reveals that during 2021-22, 321 AC bills were drawn for an amount of ₹ 93.46 crore and 155 DCC bills for an amount of ₹ 69.57 crore were submitted during the year. There were 243 AC Bills amounting to ₹ 27.33 crore outstanding as on March 2022.



Outstanding 243 DCC Bills include three bills amounting to ₹ 0.20 crore pertaining to 2020-21 and 240 bills amounting to ₹ 27.13 crore pertaining to the year 2021-22. However, 125 DCC bills amounting to ₹ 8.27 crore were received up to 31 August 2022.

The status of pending DCC bills in respect of all departments is given in **Chart-4.3**.

**Chart -4.3: Pending DCC bills**



Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/malfeasance, etc. and, therefore, requires close monitoring for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

#### 4.7.1 Funds transferred to own accounts and working agencies

The purpose of monitoring DC bills is to check for assurance of final execution of fund as through AC bills only money is being transferred to any authority for final utilization of fund. These bills are not supported with any documents/ supporting vouchers related to expenditure of the fund. In the same way cases where funds were transferred by DDOs in his own bank account or given to any working agencies for construction works etc., are also related to only transfer of money and is not supported with any document/ supporting voucher related to execution of fund. Thus, it is required to monitor these funds also. Details of such expenditure booked during 2021-22 is as below:

**Table-4.10: Funds transferred to own account and working agencies**

Particular	₹ in crore	
	2021-22	
Transferred to DDOs own account	2,464.59	
Transferred to working agencies	8,252.84	
<b>Total</b>	<b>10,717.43</b>	

As shown above, AC bills cover only ₹ 27.33 crore which is being monitored, while fund transfer to DDO own accounts and transfer to working agencies cover ₹ 10,717.43 crore in

the year 2021-22. Such huge amount of expenditure could not be ignored for want of assurance of final utilization of the fund.

#### 4.8 Personal Deposit Accounts/Personal Ledger Account

Government is authorized to open Personal Deposit (PD) Accounts in order to deposit money by transferring funds from the Consolidated Fund for discharging liabilities of the Government. The provisions of para 340(B)(2) of Financial Handbook Volume -5 (Part-1) authorises the departmental officers to open personal deposit accounts. However, the funds shall be withdrawn only if required for immediate payment and shall not be removed from the Government Account for investment or deposit elsewhere without the consent of the Finance Department. Besides, the practice of withdrawing funds with a view to avoiding lapse of Budget grant and placing such moneys as deposits in the Public Account or with Bank is forbidden.

At the end of 2021-22, unspent balances of ₹ 188.07 crore in 45 PD Accounts remained un-transferred to the Consolidated Fund of State. The status of PD Accounts during 2021-22 is given in **Table-4.11**.

**Table-4.11: Status of PD Accounts (MH 8443-106) during 2021-22**

(₹ in crore)							
Opening Balance		Addition during the year		Closed during the year		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
45	155.53	01	360.02	01	327.48	45	188.07*

\*The total PD accounts and amount against these accounts differs with that of finance accounts figures.

The following table provides the status of funds lying in PD Account 8443-106 District Magistrate (DM), Dehradun on the last day of the financial year during the period 2017-22.

**Table-4.12: Parking of funds in Personal Deposit Account of DM Dehradun during 2017-18 to 2021-22**

(₹ in crore)					
Year	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Funds parked in PDA</b>	93.59	98.36	96.18	97.68	97.68

The State had 45 Personal Deposit Accounts with a closing balance of ₹ 188.07 crore as on 31 March 2022. An amount of ₹ 97.68 crore (51.94 per cent) related to one Personal Deposit Account of District Magistrate, Dehradun. The Account was being operated upon after the prior approval of Accountant General (Accounts and Entitlement). However, the same was required to be closed at the end of financial year and the unspent balances transferred to the Consolidated Fund. It was also found that the amounts held in the PD Account of DM, Dehradun were for the use of other State Government Departments such as State Estate Department (₹ 67.37 crore), Legislative Assembly (₹ 1.30 crore), Sports Department (₹ 10.00 crore) and Uttarakhand Technical University Department (₹ 5.13 crore) and these were lying idle for more than three years. During the year 2019-20, ₹ 3.95 crore was spent from this account, and ₹ 1.76 crore had been transferred to this account. Amounts lying in PD Accounts resulted in overstatement of expenditure to that

extent. Non-reconciliation of PD Accounts periodically and not transferring the unspent balances lying in PD Accounts to Consolidated Fund entails the risk of misuse of public funds, fraud, and misappropriation.

During the exit conference, Secretary Finance intimated that recently a Government Order (GO) has been issued 4<sup>th</sup> January 2023, regarding settlement/ closure of PD accounts which are inoperative for more than three years.

**Table-4.13: Top five PDA/PLA holder other than DM Dehradun**

(₹ in crore)

Sl. No.	Name of the Department	Name & Designation of the Administrator in whose name the PDA/PLA is sanctioned	Operational since	Year of which last renewal	Amount parked
1.	Meladhikari, Kumbh Mela, Haridwar	Meladhikari, Kumbh Mela, Haridwar	06/09/2021	2021-22	49.09
2.	Nideshak Chikitsa Shiksha Nideshalay, Dehradun	Nideshak chikitsa shiksha nideshalay, Dehradun	18/11/2014	2021-22	27.80
3.	Police Mahanirikshak Mukhyalya, Dehradun	Police Mahanirikshak mukhyalya, Dehradun	27/02/2013	2021-22	6.43
4.	Nideshak Shehri Vikas Nidehsaly, Saiber Treasury	Nideshak Shehri Vikas Nidehsaly, Saiber Treasury	08/08/2011	2017-18	2.70
5.	Jiladhikaari Haridwar	Jiladhikaari Haridwar	14/07/2014	2017-18	1.73

Source: Office of the Accountant General (A&E), Uttarakhand

In the above table no 4.13, except DM Dehradun, the other Top five PDA/PLA account holders are given.

**Table-4.14: Details of Operative/ Inoperative PD Accounts**

Sl. No.	Year of last renewal	No. of PD Accounts	Amount parked in the Accounts (₹ in lakh)	No. of PD Accounts which have nil balance
1.	2012-13	1	00.00	1
2.	2013-14	8	18.00	7
3.	2014-15	7	0.00	7
4.	2015-16	5	0.00	5
5.	2016-17	4	0.00	4
6.	2017-18	3	4,45.54	0
7.	2018-19	2	2,21.57	1
8.	2019-20	7	97,67.81	6
9.	2020-21	4	259.09	1
10.	2021-22	4	83,31.32	1
<b>Total</b>		<b>45</b>	<b>19,043.32</b>	<b>33</b>

Source: Office of the Accountant General (A&E), Uttarakhand (IFMS data)

Out of total 45 PD Accounts, 33 Accounts have nil balance. 24 PD accounts were inoperative for more than five years and 01 PD accounts were inoperative for more than three years. As per general financial rule, the amounts held under these deposits should have been transferred to the Consolidated Fund of the State. The accounts having nil balance had not been closed at the end of the year (31 March 2022).

#### 4.8.1 Inoperative and non-reconciled PD Accounts

The details of inoperative PD Accounts of Cyber Treasury, Dehradun are shown in **Table-4.15** below.

**Table-4.15: Inoperative PD Accounts (other than 8443-106) of Cyber Treasury, Dehradun**  
(₹ in lakh)

Sl. No.	Head	Name of PDA Holder	Closing Balance	Date of last transaction
1.	8443-00-800	MD/Parivahan Nigam	100.00	29.02.2016
2.	8448-00-102	EO/Nagar Nigam (13 FC), Deharadun	1.02	31.03.2016
3.	8448-00-102	EO/Nagar Palika Parishad (13FC), Rishikesh	0.09	27.01.2014
4.	8448-00-102	EO/Nagar Palika Parishad (13FC), Vikasnagar	0.09	17.07.2015
5.	8448-00-120	FO/Basic Education Fund Dehradun	11.04	26.10.2016
<b>Total</b>			<b>112.24</b>	

Source: Chief Treasury Office, Dehradun

As is evident from table above, there were five inoperative PD Accounts other than 8443-106 having a balance of ₹ 1.12 crore as on March 2022. As per paragraph 10(2) of the Uttar Pradesh Personal Account Deposits Rules, 1998 (applicable to Uttarakhand), the accounts which are not operated for more than three years should be closed and the amounts held under these accounts should be credited to the Government Account. Out of five accounts of Central Treasury, Dehradun, no transaction was carried out in any of the accounts for the last three years or more. Therefore, an amount of ₹ 1.12 crore should have been credited to the Government Account.

#### 4.9 Indiscriminate use of Minor head 800

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 Accountant General (Accounts and Entitlement) 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.

During 2021-22, an amount of ₹ 1,343.44 crore under 32 Major Heads of accounts, constituting 2.89 per cent of the total Revenue and Capital expenditure (₹ 46,462.45 crore) was classified under the Minor Head-800 'Other Expenditure' in the accounts. Similarly, ₹ 1,223.56 crore under 46 Major Heads of Account, constituting 2.84 per cent of the total Receipts (₹ 43,056.99 crore) was classified under the Minor Head-800 'Other Receipts' in the accounts. Instances where significant amount (20 per cent or more and exceeding ₹ 5.00 crore) of the receipts and expenditure was classified under Minor Head '800-Other Receipts' and '800-Other Expenditure' during the year 2021-22 are depicted in **Table-4.16**.

Table-4.16: Significant amount booked under Minor Head- '800-Other Receipts/Expenditure' during 2021-22  
(₹ in crore)

Sl. No.	"800-Other Receipts"				"800-Other Expenditure"			
	Major Head	Total Receipts	Booking under Minor Head 800	Percentage of Receipts	Major Head	Total Expenditure	Booking under Minor Head 800	Percentage of Expenditure
1.	0029-Land Revenue	39.88	11.05	27.71	2040- Taxes on Sales, Trade etc.	37.76	36.18	95.82
2.	0049-Interest Receipts	403.55	359.92	89.19	2245-Relief on Account of Natural Calamities	1,297.58*	386.05	29.76
3.	0055-Police	43.55	10.01	22.99	2425-Co-operation	97.73	52.95	54.18
4.	0059-Public Works	46.27	18.62	40.24	2810-New and Renewable Energy	13.81	13.81	100.00
5.	0070-Other Administrative Services	85.93	70.08	81.55	4059-Capital outlay on Public Works	1,050.80	590.48	56.19
6.	0071- Contributions and Recoveries towards Pension and Other Retirement Benefits	61.56	10.05	16.33	4216-Capital Outlay on Housing	73.80	64.45	87.33
7.	0075- Miscellaneous General Services	15.94	8.48**	53.20	4225-Capital Outlay on Welfare of SC, ST, OBC & Minorities	60.02	33.03	55.03
8.	0217-Urban Development	190.98	190.98	100.00	4702-Capital Outlay on Minor Irrigation	41.92	10.91	26.03
9.	0235- Social Security and Welfare	31.57	31.57	100.00	4859-Capital Outlay on Telecommunication and Electronic Industries	10.68	10.68	100
10.	0401- Crop Husbandry	6.81	5.06	74.30	-	-	-	-
11.	0406- Forestry and Wildlife	511.55	128.13	25.05	-	-	-	-
12.	0425-C0- Operation	18.27	18.27	100.00	-	-	-	-
13.	0435- Other Agricultural Programmes	74.05	74.05	100.00	-	-	-	-
14.	0515-Other Rural Development Programme	12.05	8.28	68.71	-	-	-	-
15.	0801-Power	111.23	111.23	100.00	-	-	-	-
	<b>Total</b>	<b>1653.19</b>	<b>1055.78</b>	<b>63.86</b>	<b>Total</b>	<b>2684.10</b>	<b>1198.54</b>	<b>44.65</b>

Source: Finance Accounts 2021-22 prepared by Accountant General (A&E) Uttarakhand

\* This includes recoupment of Contingency Fund of ₹ 1,913.71 lakh pertaining to previous year.

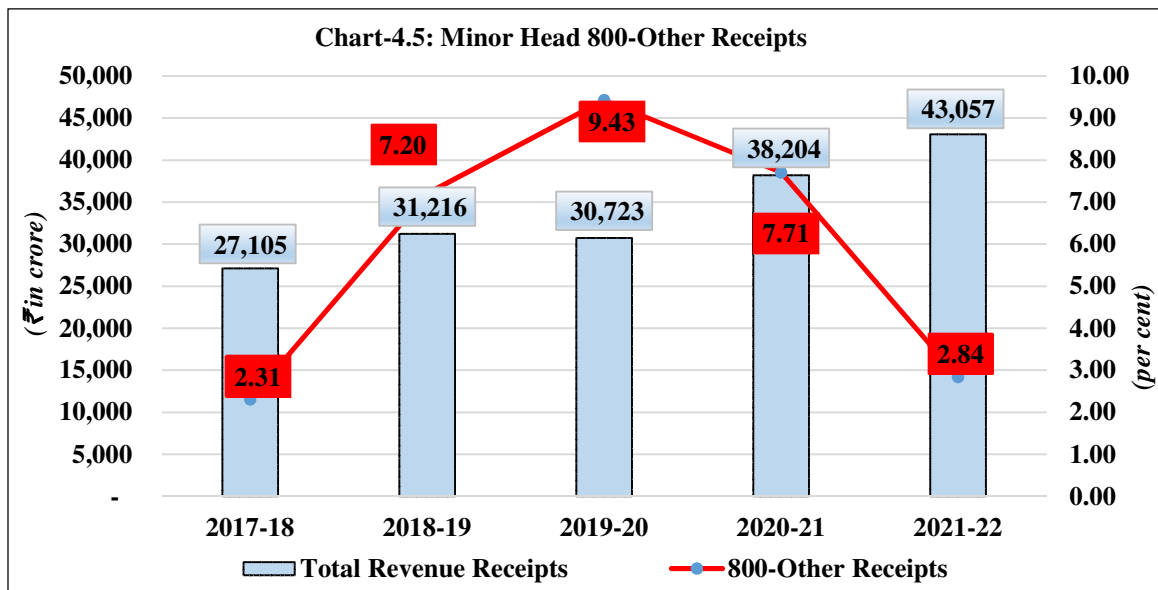
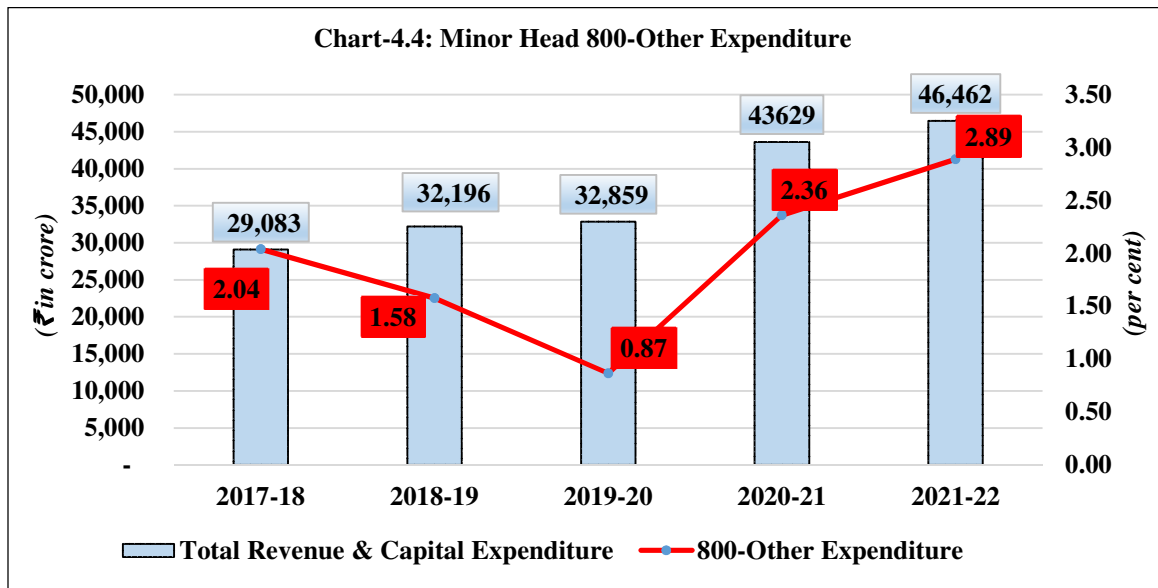
\*\*This includes an amount of ₹ 0.74 lakh pertaining to Debt relief / Debt waiver.

As is evident from above table, around 63.86 per cent of receipts in respect of 15 Major Heads pertaining to Department of Finance, Police, Public Works, Urban Development, Social Welfare, Forest, Agriculture and Rural Development, were booked under '800-Other Receipts'. Similarly, 44.65 per cent of total expenditure in respect of Nine Major

Heads pertaining to Department of Commercial Tax, Disaster Management, Co-operation, Energy, Public works, Urban development, Minority Welfare, Irrigation, and Industries was booked under the '800-Other Expenditure'. Classification of large amounts booked under the Minor Head '800-Other Receipts/Expenditure' affects the transparency/fair picture in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

During the exit conference, Secretary Finance intimated that maximum Major Heads have been corrected during the year 2021-22. Further, efforts will be made to minimize the use of Minor Head-800 in future.

The extent of operation of Minor Head-800, as a percentage of Total Expenditure and Receipts during 2017-18 to 2021-22 is given in **Chart-4.4** and **Chart-4.5**.



#### 4.10 Outstanding balance under major Suspense and Remittance heads

##### a) Suspense and Remittance Balances

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 upon the details furnished by the State Treasuries/Works and Forest Division, etc. The position of gross figures under major Suspense and Remittance heads for the last three years is given in **Table-4.17**.

**Table-4.17: Balances under Suspense and Remittance Heads**

(₹ in crore)

Name of Minor Head	2019-20		2020-21		2021-22	
	Dr	Cr	Dr	Cr	Dr	Cr
<b>8658-Suspense Accounts</b>						
101-Pay and Accounts Office-Suspense	54.71	3.61	115.24	23.40	189.52	89.34
<b>Net</b>	<b>(Dr) 51.10</b>		<b>(Dr) 91.84</b>		<b>(Dr)100.16</b>	
102-Suspense Accounts (Civil)	566.35	411.83	574.13	379.40	289.18	386.82
<b>Net</b>	<b>(Dr) 154.52</b>		<b>(Dr) 194.73</b>		<b>(Cr) 97.64</b>	
107- Cash Settlement Suspense Account	966.77	885.52	81.39	0.26	99.71	0.26
<b>Net</b>	<b>(Dr) 81.25</b>		<b>(Dr) 81.13</b>		<b>(Dr) 99.45</b>	
110-Reserve Bank Suspense-Central Accounts Office	214.67	219.61	214.67	219.61	221.31	219.61
<b>Net</b>	<b>(Cr) 4.94</b>		<b>(Cr) 4.94</b>		<b>(Dr) 1.70</b>	
112-Tax Deducted at Source (TDS) Suspense	28.03	266.57	28.03	241.27	28.03	267.44
<b>Net</b>	<b>(Cr) 238.54</b>		<b>(Cr) 213.24</b>		<b>(Cr) 239.41</b>	
113-Provident Fund Suspense	24.75	24.64	24.75	24.64	24.75	24.64
<b>Net</b>	<b>(Dr) 0.11</b>		<b>(Dr) 0.11</b>		<b>(Dr) 0.11</b>	
117-Transaction on behalf of Reserve Bank	18.12	17.94	18.12	20.33	18.12	20.33
<b>Net</b>	<b>(Dr) 0.18</b>		<b>(Cr) 2.21</b>		<b>(Cr) 2.21</b>	
123-A.I.S. Officers Group Insurance Scheme	0.29	0.53	0.32	0.57	0.34	0.61
<b>Net</b>	<b>(Cr) 0.24</b>		<b>(Cr) 0.25</b>		<b>(Cr) 0.27</b>	
129-Material Purchase Settlement Suspense Account	0.03	(-)0.73	0.03	(-) 0.73	0.03	(-)0.73
<b>Net</b>	<b>(Dr) 0.76</b>		<b>(Dr) 0.76</b>		<b>(Dr) 0.76</b>	
<b>8782- Cash Remittances and adjustments between officers rendering accounts to the same Accounts Officer</b>						
102-Public Works Remittances	296.13	372.74	296.13	372.74	296.13	372.70
<b>Net</b>	<b>(Cr) 76.61</b>		<b>(Cr) 76.61</b>		<b>(Cr) 76.57</b>	
103- Forest Remittances	107.23	166.95	107.23	166.95	107.23	166.95
<b>Net</b>	<b>(Cr) 59.72</b>		<b>(Cr) 59.72</b>		<b>(Cr) 59.72</b>	
8793-Inter State Suspense Account	2087.89	2013.35	2095.05	2014.10	2083.81	2015.19
<b>Net</b>	<b>(Dr) 74.54</b>		<b>(Dr) 80.95</b>		<b>(Dr) 68.62</b>	

Source: Finance Accounts 2021-22 prepared by Accountant General (A&E) Uttarakhand

Analysis of various minor heads under Suspense has been discussed below:

The Suspense balances (Debit/Credit) under the Minor Heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2021-22 are detailed below:

Pay and Accounts Office - Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of Pay and Accounts Offices (PAOs) under the Union Government, PAOs of the Union Territories and the Accountants General (Accounts and Entitlement) of the states. The outstanding net debit balance (31 March 2022) under this head was ₹ 100.16 crore against debit balance of ₹ 91.84 crore at end of the previous year. The receipts constituted 32.04 *per cent* and disbursements constituted 67.96 *per cent* during the year 2021-22. Outstanding debit balance under this head means that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers, etc.) are initially booked under this suspense head. During the year, an amount of ₹ 289.18 crore (42.78 *per cent*) had been made out of the minor head and an amount ₹ 386.82 crore (57.22 *per cent*) had been booked under this minor head, there by leaving a credit balance of ₹ 97.64 crore outstanding as of 31 March 2022 against a debit balance of ₹ 194.73 crore during 2020-21.

Tax Deducted at Source (TDS) Suspense - (Minor Head 112): This Minor Head is intended to accommodate receipts on account of Income tax deducted at source These credits are to be cleared by the end of each financial year and credited to the Income Tax (IT) Department. During the year 2021-22, an amount of ₹ 28.03 crore (9.49 *per cent*) was released from the Minor Head 112 against a credit of ₹ 267.44 crore (90.51 *per cent*). This means that an amount of ₹ 239.41 crore was lying un-credited to the IT department as of March 2022. However, the credit balance at end of the year 2021-22 was more as compared to the year 2020-21 (₹ 213.24 crore).

**b) Major Head Cheques and Bills**

Credit balance under MH 8670 Cheques and Bills indicates cheques issued but remaining uncashed. The opening balance as on 01 April 2021 was ₹ 357.19 crore (Credit). During 2021-22, cheques worth ₹ 44,271.28 crore were issued, against which ₹ 44,278.74 crore was encashed during the year, leaving a closing balance of ₹ 349.73 crore (Credit) as on 31 March 2022. The closing balance represents expenditure originally booked in various financial years under different functional Major Heads, which has not resulted in any cash outflow to the Government of Uttarakhand till 31 March 2022.



**c) Central Road Fund (CRF)**

Government of India provides annual grants under the CRF to the State Government to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601 Grants-in-Aid”. Thereafter the amount so received is to be transferred by the State Government to the Public Account under Major Head “8449-Other Deposits-103Subvention from Central Road Fund”, through Revenue Expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants do not result in overstatement of Revenue Surplus or understatement of Revenue Deficit in the accounts. The expenditure on prescribed road works under CRF will first be accounted for under the relevant Capital or Revenue Expenditure section (Major Heads 5054 or 3054) and reimbursed out of the Public Account under Major Head 8449 as a deduct expenditure to the concerned Major Head (5054 or 3054 as the case may be).

During the year 2021-22, Government of India released ₹ 98.80 crore from Central Road Fund to State Government, however, prescribed accounting procedure of booking the amount under the Major Head 8449-103 through the Major Head 3054 was not followed and during the year the State Government incurred Expenditure of ₹ 230.46 crore under Major Head 5054-04-337 which was ₹ 131.66 crore more than the amount received under Major Head 1601-06-104 Grants from Central Road Fund. This has resulted in overstatement of Revenue Surplus to ₹ 98.80 crore and overstatement of Fiscal Deficit to the extent of ₹ 131.66 crore. Due to non-accounting of Central Road Fund, there is opaqueness in actual utilization of the grant received from Government of India for Central Road Fund.

**d) Adverse Balance of Loans and Advances**

Minus balances appearing in the accounts during the year are given in **Table-4.18** below.

**Table-4.18: Minus balances appearing under Major Heads 6851 and 7610.**

<i>(₹ in crore)</i>		
Major Heads	Major Head Description	Minus balance
6851	Loans for Village and small Industries	(-)0.18
7610	Loans to Government Servants	(-)20.25

These minus balances appear due to the reason that loans were previously given by Government of U.P. and recovery has been effected by Government of Uttarakhand after bifurcation of the State of U.P. Since balances have not been allocated under these MH, hence, the balances appear adverse.

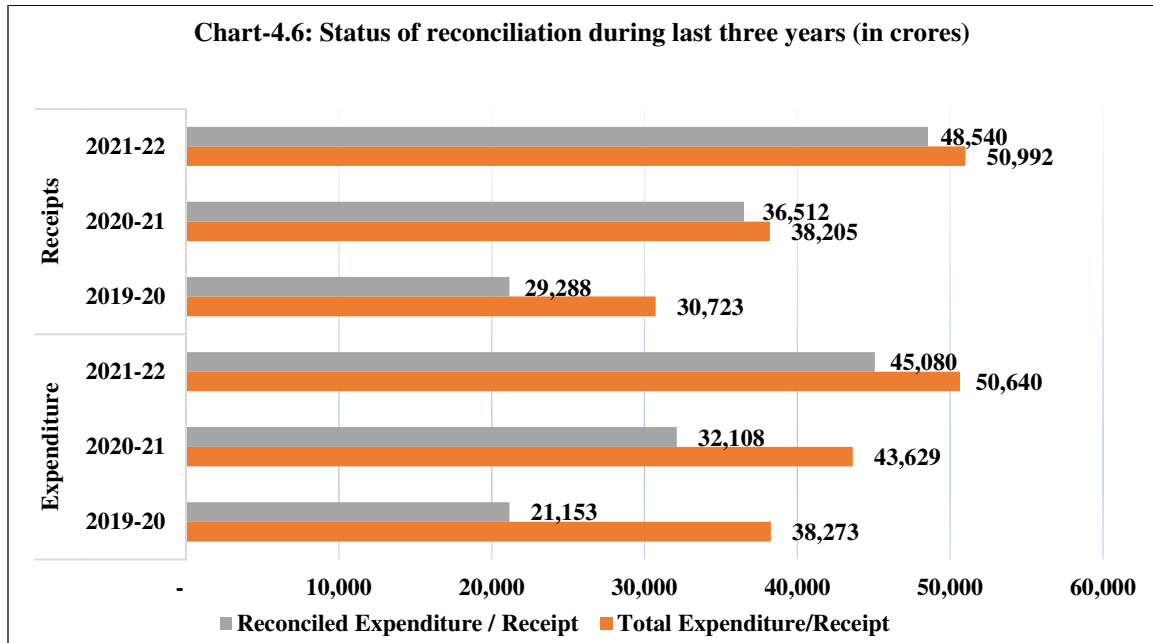
**4.11 Non-reconciliation of Departmental figures**

In terms of paragraph 109 of the Uttarakhand Budget Manual 2012, all the Controlling Officers are required to reconcile the Receipts and Expenditure of the Government with the figures recorded in the office of the Accountant General (Accounts and Entitlement) every month. This is to enable the Controlling Officers to exercise effective control over

expenditure and manage their budgetary allocation efficiently and ensure accuracy of their accounts.

During the year 2021-22, in respect of expenditure reconciliation was completed by 57 Chief Controlling Officers (CCOs) (fully by 11 CCOs and partially by 46 CCOs) out of 62 CCOs (91.94 per cent) covering expenditure of ₹ 45,079.86 crore (89.02 per cent of total expenditure of ₹ 50,640.06 crore<sup>3</sup>) and by 32 CCOs (fully by 03 CCOs and partially by 29 CCOs) out of 48 CCOs (66.66 per cent) covering receipts of ₹ 48,540.27 crore (95.19 per cent of total receipts of ₹ 50,992.06 crore<sup>4</sup>).

The status of reconciliation of receipts and expenditure figures by the Controlling Officers during the period 2019-20 to 2021-22 is shown in **Chart-4.6**.



The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table-4.19**.

**Table-4.19: Status of Reconciliation of Receipts and Expenditure figures**

(₹ in crore)

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/ Expenditure	Reconciled Receipts/ Expenditure	Percentage of Reconciliation
<b>Receipts</b>							
2019-20	48	06	31	11	30,722.57	29,287.77	95.33
2020-21	48	03	23	22	38,204.56	36,512.20	95.57
2021-22	48	03	29	16	50,992.06	48,540.27	95.19

<sup>3</sup> Total Expenditure ₹ 50,640.06 crore includes disbursement of Loans and Advances of ₹ 347.46 crore & Repayment of Public debt ₹ 3830.15.

<sup>4</sup> Total Receipt ₹ 50,992.06 includes Recoveries of Loans and Advances ₹ 17.08 crore & Public debt Receipt ₹ 7917.99.

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/ Expenditure	Reconciled Receipts/ Expenditure	Percentage of Reconciliation
<b>Expenditure</b>							
2019-20	62	07	42	13	38,272.98	21,153.13	55.27
2020-21	62	12	41	09	43,629.24	32,107.80	73.59
2021-22	62	11	46	05	50,640.06	45,079.86	89.02

*Source: Finance Accounts 2021-22 prepared by Accountant General (A&E) Uttarakhand and information furnished by Accountant General (A&E) Uttarakhand.*

Reconciliation and verification of figures is an important tool of financial management. Failure to 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. The reconciliation during 2021-22 in respect of expenditure figures has appreciated to 89.02 *per cent* as against 73.59 *per cent* in 2020-21.

During the exit conference, Secretary Finance intimated that there was improvement in reconciliation of receipt and expenditure figures with AG (A&E) during 2021-22. He further assured that efforts will be made for 100 *per cent* reconciliation from next financial year 2023-24.

#### 4.12 Reconciliation of Cash Balances

The Cash Balance as on 31 March 2022 as per books of Accounts of the Accountant General (Accounts and Entitlement), Uttarakhand was ₹ 112.47 (Debit) crore and that reported by the RBI was ₹ 6.03 (Debit) crore. There was a net difference of ₹ 118.50 (Debit) crore between the Cash balance as worked out by the Accountant General (Accounts and Entitlement), Uttarakhand and as reported by the Reserve Bank of India (RBI). This difference was on account of non-receipt of scrolls, etc. The office of the Accountant General (Accounts and Entitlement), Uttarakhand stated that the matter was under consideration with the RBI and Treasuries for the reconciliation of the same.

#### 4.13 Compliance with Accounting Standards

Government of India has notified three Indian Government Accounting Standards (IGAS). The compliance of the existing Accounting Standards by the State Government is detailed in the **Table-4.20**.

**Table-4.20: Compliance to Accounting Standards**

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by Government	Impact of deficiency
1.	<b>IGAS- 1:</b> <i>Guarantees given by the Government</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,	Partially complied (Statement 9 and 20 of Finance Accounts)	The information regarding maximum amount of guarantees has not been made available by the State Government. Further, detailed information like number of guarantees for each institution was not furnished. Hence, the

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by Government	Impact of deficiency
		invoked, discharged and outstanding at the end of the year.		statement is incomplete to that extent.
2.	<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.	Partially complied (Statement 10 and Appendix-III of Finance Accounts)	The State Government gives Grants-in-Aid to various bodies for various purposes and schemes. Details of Grants-in-Aid given by the State Government are shown in Statement 10 and Appendix-III of the Finance Accounts as per the requirement of IGAS-2. However, information on the Grants-in-Aid in kind has not been provided by the State Government. Hence, the requirement of IGAS-2 has not been fulfilled to that extent. During the year 2021-22, the State Government released Grants-in-Aid to the tune of ₹ 5,858.45 crore. Grants-in-aid to the tune of ₹ 25.57 crore was booked under Capital Heads, which was in violation of the provisions of the IGAS-2.
3.	<b>IGAS- 3:</b> <i>Loans &amp; Advances made by the 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	Partially complied (Statement 7 and 18 of Finance Accounts)	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS 3, to the extent furnished by the State Government except for loans, if any, that were sanctioned in perpetuity.

#### 4.14 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, 1971 the Governor/Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of anybody or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the

concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit Certificate is issued in case of above-mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit these to the Accountant General (Audit). Apart from Audit Certificate, on the completion of financial audit, the audit office issues Separate Audit Report (SAR) that is part of the Audit Certificate on the accounts. These SARs are to be placed before the State Legislature.

#### 4.14.1 Arrears of Accounts of Bodies or Authorities

Details of arrears of accounts of authorities are given in the **Table-4.21** below.

**Table-4.21: Arrears of accounts of Bodies or Authorities**

Sl. No.	Name of Body or Authority	Accounts Pending Since	No. of accounts pending up to 2020-21
1.	Uttarakhand Jal Sansthan	2019-20	02
2.	Uttarakhand Real Estate Regulatory Authority	2020-21	01
3.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2019-20	03

It can be seen from **Table-4.21** that accounts of three authorities are pending for one to three years.

#### 4.15 Non-submission of details of grants/loans given to bodies and authorities

To identify the institutions, which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/ Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which the assistance was granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts (Amendments) 2020 provides that Government and the Heads of Departments which sanction grants and/or loans to bodies or authorities, shall furnish to the Audit Office, by the end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

The Government, however, did not furnish the information pertaining to grants aggregating ₹ 10 lakh or more for the Autonomous Bodies/Authorities in the State of Uttarakhand. Non-furnishing of information was in violation of Regulations on Audit and Accounts, (Amendments) 2020. On review of Statement number 4 of the Finance Account for the year 2021-22, it was observed that the various Departments had given Grant-in-aid for Capital Assets (object head 55) and Grants-in-aid other than salary (object head 56) amounting to ₹ 706.10 crore and ₹ 3,312.13 crore respectively during 2021-22.

#### 4.16 Timeliness and Quality of Accounts

During 2021-22, all the account rendering entities (Treasuries, Public Works and Forest Divisions and Pay and Account Office, New Delhi), who render their monthly accounts to Accountant General (Accounts and Entitlement), had rendered their accounts in time and there was no case of exclusion.

#### 4.17 Misappropriations, losses, thefts, etc.

As per the provisions of Financial Handbook Vol-V part-I Rule 82 & Appendix XIX B DDOs are supposed to intimate offices of the Accountants General (Audit) and (A& E) the details of losses. During the year 2021-22 no cases of misappropriations, losses, theft, etc. were reported by the DDOs.

#### 4.18 Follow up Action on State Finances Audit Report

Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Reports since their preparation.

#### 4.19 Conclusions

- The departmental officers did not submit 321 Utilisation Certificates (due for submission by March 2022) to the Accountant General (Accounts and Entitlement), Uttarakhand in respect of the grants of ₹ 1390.09 crore given up to March 2021 for specific purposes. As of March 2022, 243 Abstract Contingent bills amounting to ₹ 27.33 crore were outstanding. Non-submission of Utilisation Certificates and Detailed Countersigned Contingent bills drawn for specific purposes and non-submission of Accounts by Autonomous Bodies/Public Sector Undertakings were violative of prescribed financial rules and directives. These point to lack of internal controls and deficient monitoring mechanism of the State Government.
- During 2021-22, reconciliation of receipts and expenditure by the Chief Controlling Officers was 95.19 and 89.02 *per cent* respectively. Non-reconciliation of receipts and expenditure booked by the controlling officers of the State with the figures of the Accountant General (Accounts and Entitlement) reflects weak internal control system within the Government and raises concerns relating to accuracy of accounts.
- Significant amounts of expenditure (₹ 1,343 crore) and receipts (₹ 1,223.56 crore) were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting. Operation of omnibus Minor Head 800- Other Expenditure/Other Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- The State Government has yet not fully implemented the notified Indian Government Accounting Standards in the State, thereby, compromising on the quality of financial reporting.

#### 4.20 Recommendations

- *The Government should ensure timely submission of Utilisation Certificates by the grantees in respect of grants released for specific purposes and furnishing of Detailed Countersigned Contingent bills by the departments.*
- *The Government should strengthen its internal control mechanism to ensure that the controlling officers reconcile their figures of expenditure with those of Accountant General (Accounts and Entitlement) at prescribed intervals.*
- *The State Government should discourage the operation of omnibus Minor Head 800 and chalk out a specific time frame in consultation with the Accountant General (Accounts and Entitlement), to identify appropriate heads of account to classify the transaction correctly in the books of accounts.*
- *The State Government should take steps to fully implement the Indian Government Accounting Standards in the State to improve the quality of financial reporting.*

