

Chapter IV

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.

4.1 Non-parking of Fund in Public Accounts

As per Government of India instructions (07 January 2005), funds of Regulatory Bodies have to be maintained in Public Accounts, but operated in such a manner as will protect their independent status. However, State Government notified (2 August 2005) Gujarat Electricity Regulatory Commission (GERC) Fund Rules, in accordance with which, the Commission has been parking surplus funds in Nationalised banks/ Gujarat State Financial Services Limited¹. As on 31 March 2022, balance of GERC Fund was ₹ 309.56 crore.

Audit observed that as the clause included in the GERC Fund Rules regarding investment was at variance with the instructions of GoI (which are mandatory in nature), it was brought to the notice of GERC (November 2007 and January 2022) to keep the fund in Public Accounts and take up the matter with State Government for amendment of GERC Fund Rules.

The Commission stated (May 2022) that it may not remain independent and autonomous if it places its funds in the Public Accounts. It was further stated that placing the funds in Public Accounts would mean opening a Public Ledger Account, the operation of which draws unwarranted restrictions from the Government from time to time. This can cause unnecessary confusion and trouble and consequently the status of the Commission being autonomous and independent body shall not be maintained. The reply is not acceptable as the GoI instructions are mandatory in nature.

Thus, the Commission should take up the matter with State Government for amendment of GERC Fund Rules. It is breach of Article 266 (2) of the Constitution of India.

4.2 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

¹ A Government of Gujarat Non-Banking Financial Corporation (NBFC)

interest payments under Major Head 2049 (revenue expenditure), although there were balances in these Deposits as on 31 March 2021, 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 2021	Amount of interest not provisioned
1.	Deposit bearing interest (Other than Contributory Pension Scheme)	17.50	1.31
2.	State Compensatory Afforestation Deposit	1,314.75	44.04
Total			45.35

Source: Finance Accounts for the year 2021-22

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

4.3 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 2021-22 (refer Appendix VI of Finance Accounts, Volume-II). Year-wise details of such transfers from 2017-18 to 2021-22 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	2017-18	2018-19	2019-20	2020-21	2021-22
Funds transferred	7,510.45	10,026.44	11,659.35	14,210.99	20,496.91

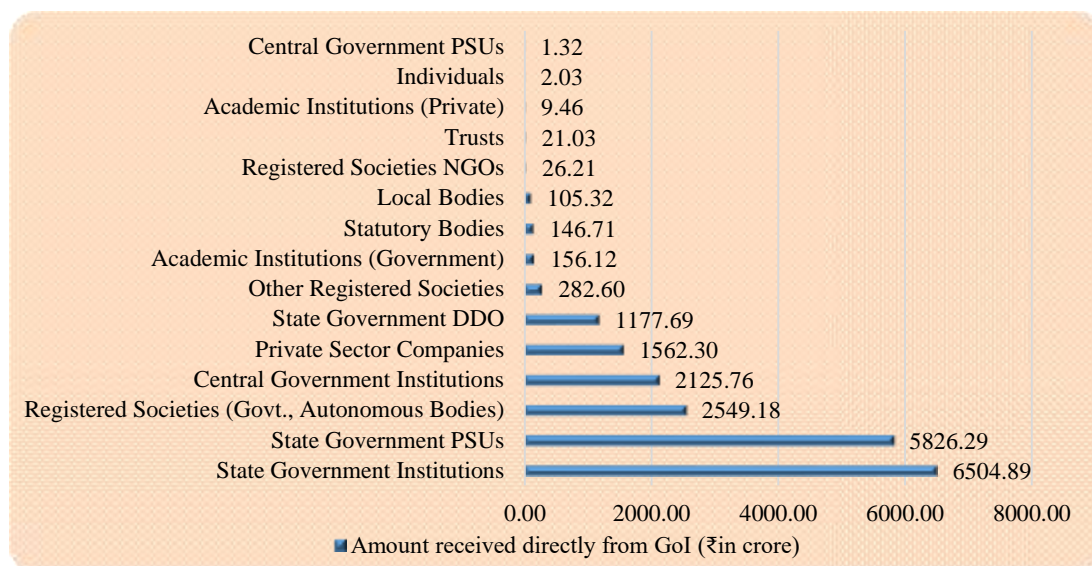
Source: Finance Accounts for the respective year

During 2021-22, GoI released ₹ 20,496.91 crore directly to implementing agencies, of which, ₹ 13,670.48 crore was released to 'State Government Implementing Agencies' and ₹ 6,826.43 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 2.4.2.5**. 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 (₹ 3,599.45 crore), Metro-link Express for Gandhinagar and Ahmedabad (₹ 1,962.47 crore), Mahatma Gandhi National Rural Employment

Guarantee Scheme (₹ 1,176.78 crore), Member of Parliament Local Area Development Scheme (₹ 91 crore).

Details of various Agencies receiving ₹ 20,496.91 crore directly from the GoI during 2021-22 for implementing various developmental Schemes are shown in **Chart 4.1**.

Chart 4.1: Implementing agencies that received funds directly from GoI during 2021-22



Source: PFMS data for the year 2021-22

4.4 Deposits of Local Funds

There were 282 Personal Ledger Accounts (PLAs) being operated by 33 District Development Offices and 249 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 (2017-22) are as shown in **Table 4.3**.

Table 4.3: Deposits in local funds

Year		2017-18	2018-19	2019-20	2020-21	2021-22
Zila Parishad Fund (8448-109-11)	Opening Balance	9,249.79	8,940.69	8,263.03	8,821.48	9,646.29
	Receipts	23,364.03	24,485.22	23,210.91	24,110.28	23,921.08
	Expenditure	23,673.13	25,162.88	22,652.46	23,285.47	25,043.58
	Closing Balance	8,940.69	8,263.03	8,821.48	9,646.29	8,523.79
Panchayat Samiti Fund (8448-109-12)	Opening Balance	3,680.94	3,845.12	4,138.24	4,209.52	4,153.86
	Receipts	16,300.28	16,526.91	15,349.79	15,767.41	17,538.09
	Expenditure	16,136.10	16,233.79	15,278.51	15,823.07	16,486.20
	Closing Balance	3,845.12	4,138.24	4,209.52	4,153.86	5,205.75
Closing Balance at the end of year		12,785.81	12,401.27	13,031.00	13,800.15	13,729.54

Source: Finance Accounts of respective years

As can be seen from **Table 4.3**, PLAs had an opening balance of ₹ 13,800.15 crore as on 01 April 2021. Receipts during the year were ₹ 41,459.17 crore while disbursements were ₹ 41,529.78 crore, leaving unutilised balance of ₹ 13,729.54 crore at the end of March 2022.

4.5 Delay in Submission of Utilisation Certificates

Gujarat Financial Rules², 1971 read with General Financial Rules³ 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 4,563 UCs in respect of GIA aggregating ₹ 10,309.47 crore given to 19 Departments of the State Government from 2001-02 to 2020-21 had not been submitted. The status and age-wise details of delays in submission of UCs are given in **Table 4.4 and 4.5** respectively.

Table 4.4: Status of submission of UCs as on 31 March 2022

Year ⁴	Number of UCs Outstanding	Amount (₹ in crore)
Up to 2019-20	2,137	1,988.62
2020-21	1,045	2,918.78
2021-22	1,381	5,402.07
Total	4,563	10,309.47

Source: Finance Accounts of 2021-22

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 (2020-21)	1,381	5,402.07
2.	1-3 (2018-20)	1,361	3,621.08
3.	3-5 (2016-18)	201	1,086.66
4.	5-7 (2014-16)	43	40.50
5.	7-9 (2012-14)	27	24.26
6.	11 and above (2001-12)	1,550	134.90
	Total	4,563	10,309.47

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

² Rule 154 and 155

³ Rule 238 (1) of General Financial Rules, 2017

⁴ The year mentioned above relates to "Due year" i.e., after 12 months of actual drawal.

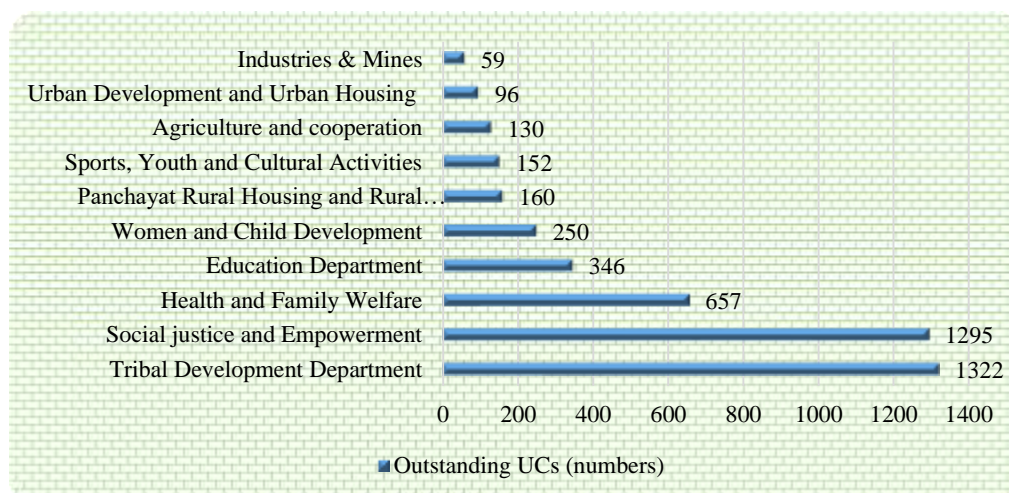
Table 4.6: Year-wise break-up of pending UCs as on 31 March 2022

Year	Number of UCs	(₹ in crore)
		Amount
2001-02	464	40.79
2002-03	694	35.27
2003-04	200	4.72
2004-05	67	3.40
2005-06	35	2.20
2006-07	14	3.12
2007-08	22	27.18
2008-09	7	1.24
2009-10	6	4.34
2010-11	35	12.37
2011-12	6	0.27
2012-13	3	0.40
2013-14	24	23.86
2014-15	26	31.43
2015-16	17	9.07
2016-17	64	511.77
2017-18	137	574.89
2018-19	316	702.30
2019-20	1,045	2,918.78
2020-21	1,381	5,402.07
Total	4,563	10,309.47

Source: Information furnished 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. Seventy two *per cent* of the pending UCs related to Tribal Development Department (1,322 UCs), Social Justice and Empowerment Department (1,295 UCs) and Health and Family Welfare Department (657 UCs). In the absence of UCs, there is also no assurance that moneys disbursed have been used for the purpose for which they were 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 2020-21 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)

4.5.1 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 (2017-22). Further, though the Finance Accounts⁵ of the State Government for the last five years showed increase⁶ 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 (2017-22).

Table 4.7: Details of GIA released to ‘Others’ during 2017-22

(₹ 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.	2017-18	1,45,003.92	54,807.18	37.80	20,856.91	38.06
2.	2018-19	1,62,582.94	59,610.69	36.66	23,656.31	39.68
3.	2019-20	1,67,861.24	64,262.01	38.28	25,343.20	39.44
4.	2020-21	1,78,717.47	64,637.35	36.17	23,691.95	36.65
5.	2021-22	1,89,677.35	69,807.79	36.80	24,764.54	35.48

Source: Finance Accounts of respective years

As may be seen from **Table 4.7**, of the total GIA of ₹ 69,807.79 crore released during 2021-22, ₹ 24,764.54 crore (35 *per cent*) crore was released to various institutions classified under ‘Others’. The absence of details of grantees adversely affects the transparency of accounts and monitoring of submission of UCs against these GIA.

4.6 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 Contingent⁷ (DC) bills to the Principal Accountant General (A&E) within a stipulated period of three months from the date of drawal of AC bills.

⁵ Statement No. 10 and Appendix III of Finance Accounts

⁶ From ₹ 20,856.91 crore in 2017-18 to ₹ 24,764.54 crore in 2021-22

⁷ 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 2022, 22 Departments of Government of Gujarat did not submit DC bills in respect of 3,167 AC Bills aggregating ₹ 272.90 crore as detailed in **Table 4.8**.

Table 4.8: Status of pending DC bills against AC bills as of 31 March 2022

(₹ in crore)

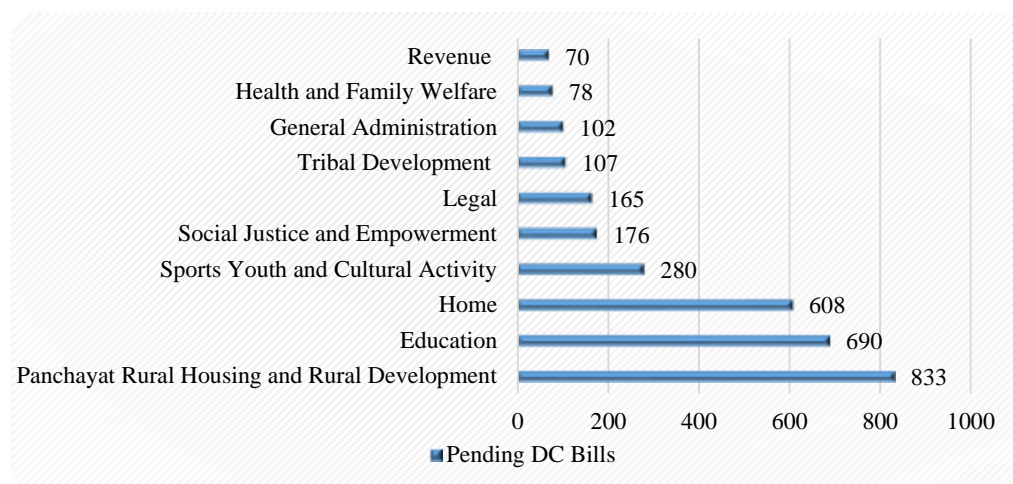
Year	AC bills drawn		DC bills received		Outstanding AC bills	
	No.	Amount	No.	Amount	No.	Amount
Up to 2020-21	3,650	553.13	1,763	482.28	1,887	70.85
2021-22	4,573	839.78	3,293	637.73	1,280	202.05
Total	8,223	1,392.91	5,056	1,120.01	3,167	272.90

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

Table 4.8 shows that out of 4,573 AC bills for ₹ 839.78 crore drawn in 2021-22, 528 AC bills (11.55 *per cent*) for ₹ 154.52 crore (18.40 *per cent*) were drawn in March 2022. Further, of the 528 AC bills drawn in March 2022, one AC bills for ₹ 2.00 lakh was drawn on the last day of the financial year.

The Department-wise details and year-wise details of pending DC bills up to 2021-22 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



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

Sixty seven *per cent* of the pending DC bills related to Department of Panchayat, Rural Housing and Rural Development (833 Bills), Education (690 Bills) and Home (608 Bills). 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.

4.7 Personal Deposit Accounts

A Personal Deposit (PD) Account is intended to facilitate an Administrator thereof to credit receipts into and effect withdrawals 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. As per Rule 194 (4) of Central Government (Receipt and Payment) Rules, 1983, 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 2017-22.

Table 4.9: Parking of funds in Personal Deposit Accounts during 2017-22

(₹ in crore)		
Year	No. of PD Accounts at the end of the year	Closing Balance
2017-18	482	447.41
2018-19	484	581.01
2019-20	465	795.41
2020-21	470	1,003.78
2021-22	471	989.57

Source: Finance Accounts of the State Government for the years 2017-22

The closing balances under PD Accounts have continuously increased from ₹ 447.41 crore in 2017-18 to ₹ 1,003.78 crore during 2020-21 but decreased to ₹ 989.57 crore in 2021-22. 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 2022. All 471 Administrators of Personal Deposit Accounts had reconciled and verified their balances with the treasury figures.

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.

4.8 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. 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 2017-22. During 2021-22, the State Government booked an expenditure of ₹ 12,881.83 crore under Minor Head 800 under 64 revenue and capital Major Heads of Account, constituting 6.02 *per cent* of the total expenditure of ₹ 2,14,113.36 crore. The extent of operation of Minor Head 800

- 'Other Expenditure' as a percentage of total expenditure during 2017-22 is as given in **Chart 4.4**.

Chart 4.4: Operation of Minor Head 800 – 'Other Expenditure' during 2017-22

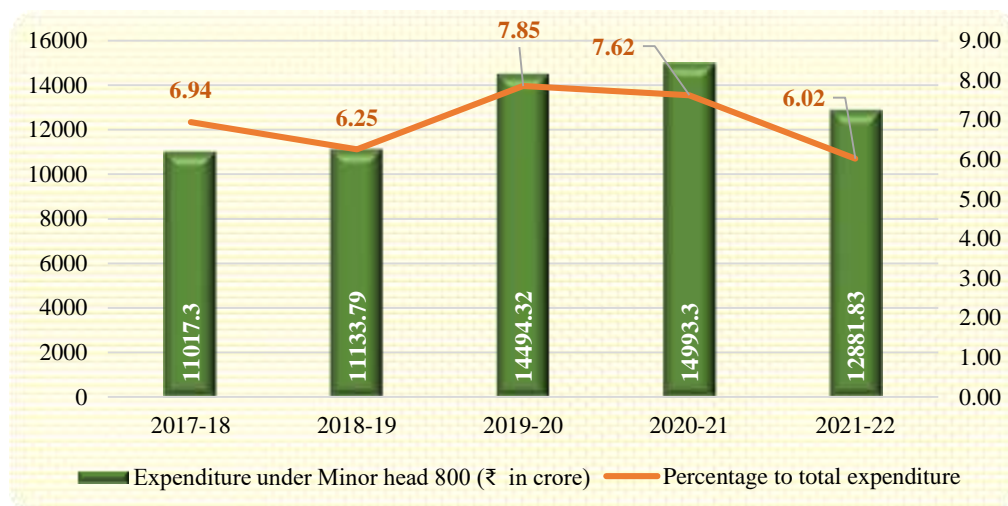


Chart 4.4 shows that the extent of operation of Minor Head 800 - 'Other Expenditure' as a percentage of total expenditure during 2017-22 ranged between 6.02 per cent and 7.85 per cent.

Instances of substantial proportion of expenditure (50 per cent or more) booked under Minor Head 800 – 'Other Expenditure' within a given Major Head during 2021-22 are as given in **Table 4.10**.

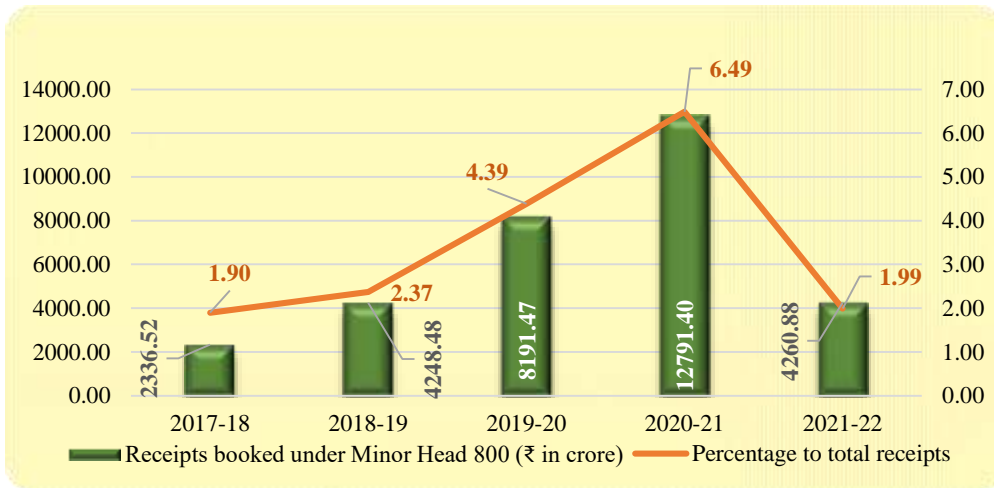
Table: 4.10: Significant expenditure booked under Minor Head 800 – 'Other Expenditure' during 2021-22

(₹ in crore)				
Sr. No.	Major Head	Expenditure under Major Head	Expenditure under Minor Head 800	Percentage
1	4236 Capital Outlay on Nutrition	22.20	22.20	100.00
2	6217 Loans for Urban Development	297.90	297.90	100.00
3	2075 Miscellaneous General Services	43.01	42.43	98.66
4	2852 Industries	3,098.92	2989.56	96.47
5	4875 Capital Outlay on Other Industries	349.99	326.92	93.41
6	4408 Capital Outlay on Food, Storage and Warehousing	15.55	12.79	82.25
7	2853 Non-ferrous Mining and Metallurgical Industries	212.33	148.29	69.84
8	3452 Tourism	75.84	50.13	66.10
9	2701 Medium Irrigation	194.67	121.00	62.15

Source: Finance Accounts of the State Government for the year 2021-22

The extent of operation of Minor Head 800- 'Other Receipts' as a percentage of total receipts during 2017-22 is as given in **Chart 4.5**.

Chart 4.5: Operation of Minor Head 800 – ‘Other Receipts’ during 2017-22



In case of receipts, the operation of Minor Head 800 ranged from 1.90 per cent of total receipts in 2017-18 to 6.49 per cent of total receipts during 2020-21. During 2021-22, the State Government classified receipts of ₹ 4,260.88 crore pertaining to 59 Major Heads, under the Minor Head 800 – ‘Other Receipts’ which constituted 1.99 per cent of the total receipt of ₹ 2,13,953.46 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 2021-22 are as given in **Table 4.11**.

Table: 4.11: Significant receipts booked under Minor Head 800 – ‘Other Receipts’ during 2021-22.

(₹ in crore)

Sr. No.	Major Head	Receipts under Major head	Receipts under Minor Head 800	Percentage
1	0575 Other Special Areas Programmes	18.73	18.92	100.97
2	0211 Family Welfare	1.49	1.49	100.00
3	0408 Food storage and warehousing	4.37	4.37	100.00
4	0801 Power	12.29	12.29	100.00
5	0810 Non-Conventional Sources of energy	100.93	100.93	100.00
6	1054 Roads and Bridges	35.64	35.43	99.41
7	0215 Water Supply and Sanitation	329.32	327.07	99.32
8	0235 Social Security and welfare	9.20	9.12	99.14
9	0401 Crop Husbandry	101.66	99.58	97.95
10	0702 Minor Irrigation	76.20	72.97	95.77
11	0435 Other Agricultural Programmes	1.31	1.25	95.64
12	0404 Dairy Development	1.80	1.61	89.75
13	0071 Contribution and Recoveries towards Pension and Other Retirement Benefits	67.86	56.39	83.10

Sr. No.	Major Head	Receipts under Major head	Receipts under Minor Head 800	Percentage
14	0515 Other Rural Development Programmes	49.91	40.89	81.93
15	0406 Forestry and Wild Life	33.72	27.04	80.20
16	0049 Interest Receipts	991.90	783.85	79.03
17	0210 Medical and Public Health	1601.17	1264.01	78.94
18	0220 Information and Publicity	1.68	1.29	77.15
19	0059 Public Works	46.94	35.34	75.29
20	0035 Taxes on Immovable Property other than Agricultural Land	300.76	197.87	65.79
21	0852 Industries	99.97	65.60	65.61
22	0250 Other Social Services	195.12	122.26	62.66
23	6225 Loans for Welfare of Scheduled Castes, Scheduled Tribes, OBC and Minorities	36.43	21.82	59.89
24	0216 Housing	31.84	18.91	59.39
25	1475 Other General Economic Services	84.77	49.77	58.71
26	0405 Fisheries	17.30	9.88	57.07

Source: Finance Accounts of the State Government for the year 2021-22

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. Booking under Minor Head 800 even when suitable minor head is available under the same Major Head/ Other Major Head adversely impacts the transparency of accounts. A few instances noticed in Audit of inappropriate use of Minor Head 800 where suitable minor head was available are given in **Table 4.12**:

Table: 4.12: Few Instances of inappropriate use of Minor Head 800 where suitable minor head was available during 2021-22

(₹ in crore)				
Sr. No.	Budget Head	Budget Provision under Head	Expenditure	More appropriate Minor Head under the same Major Head
1	2801-Power 80-General 800-Other expenditure 03-PWR-25-Assistance to Sardar Patel Renewable Energy Research Institute	1.00	1.00	Under 2810-New and Renewable energy 00 104-Research, Design & Development in Renewable Energy
2	2852-Industries 80-General 800-Other expenditure 24-IND-5 Promotional Efforts for Industrial Development	44.94	140.38	Under -2852-80 104-Industrial Promotion
3	2852-Industries	1,564.40	1,960.00	Under - 2852-Industries

Sr. No.	Budget Head	Budget Provision under Head	Expenditure	More appropriate Minor Head under the same Major Head
	80-General 800-Other expenditure 26-IND-9 Development of textile Industries			08-consumer industries 202- Textiles
4	5054-Capital outlay on Roads and Bridges 04-Districts and Other roads 800-Other expenditure 06-RBD-102 Rural roads	5.00	7.96	Under-5054-04 337-Road works
5	5054-Capital outlay on Roads and Bridges 80-general 800-Other expenditure 01-RBD-103 Planning and Research	1.5	1.50	Under-5054-Capital outlay on Roads and Bridges 80-general 004-Research
6	2515-Other Rural Development Programmes 800-Other expenditure 11-CDP-7 Payment of Central Assistance for Strengthening of Panchayati Raj Institutions on the recommendation of Finance Commission.	1,802.43	904.23	Under-2515-other rural development programmes 101-Panchayati Raj
7	2202-General education 01-Elementary education 800-other expenditure 01-Assistance to Local Bodies for Primary Education for Education Cess	225.00	225.00	Under-2202-General education 01-Elementary education 103- Assistance to local bodies for primary education

Source: Appropriation Accounts for the year 2021-22

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.

4.9 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 4.13**.

Table 4.13: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 - PAO suspense	166.57	(-)5.17	210.39	2.59	140.81	1.06
Net	Dr. 171.74		Dr. 207.80		Dr. 139.75	
102 - Suspense Account-Civil	245.71	311.51	9.94	61.97	(-)8.45	(-)12.41
Net	Dr. 65.80		Cr. 52.03		Dr. 3.96	
109 - Reserve Bank Suspense – Headquarters	0.90	0.03	1.15	0.01	0.32	(-)0.04
Net	Dr. 0.87		Dr. 1.14		Dr. 0.36	
110 - Reserve Bank Suspense - CAO	206.27	0.01	202.73	0.01	201.32	(-)0.02
Net	Dr. 206.26		Dr. 202.72		Dr. 201.34	
112 - Tax Deducted at Source (TDS) Suspense	0.00	9.32	0.00	38.77	0.00	49.51
Net	Cr. 9.32		Cr. 38.77		Cr. 49.51	
123 - A.I.S Officers' Group Insurance Scheme	0.40	0.18	0.46	0.37	0.27	0.28
Net	Cr. 0.22		Dr. 0.09		Cr. 0.01	
Major Head 8782- Remittances						
102 - P.W. Remittances	18,395.78	19,137.14	18,555.38	19,441.43	19,677.19	20,581.17
Net	Cr. 741.36		Cr. 886.05		Cr. 903.98	
103 - Forest Remittances	944.50	1,011.57	1,096.28	1,150.27	1,215.40	1,345.30
Net	Cr. 67.07		Cr. 53.99		Cr. 129.90	
108 Other Remittances	87.07	102.64	95.98	109.96	90.47	105.13
Net	Cr. 15.57		Cr. 13.98		Cr. 14.66	

Source: Finance Accounts for the year 2021-22

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 2022).

The net debit balance under this head decreased from ₹ 207.80 crore in 2020-21 to ₹ 139.75 crore in 2021-22.

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 debit balance as on 31 March 2022 under this Head was ₹ 3.96 crore, indicating that necessary details for classification of final receipt Head were not received.

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 2022, debit balance under this Head was ₹ 201.34 crore.

4.10 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 87.09 per cent of the receipts and 91.46 per cent of the disbursements were reconciled during 2020-21, this increased to 95.57 per cent for receipts and 94.62 per cent for disbursements during 2021-22.

4.11 Reconciliation of Cash Balances

As on 31 March 2022, there was a difference of ₹ 5.07 crore (Net Credit), between the Cash Balance of the State Government, as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the RBI. The difference of ₹ 5.07 crore is due to erroneous reporting by the Agency Banks, Treasuries, RBI EDP Centre at Mumbai, and other miscellaneous reasons.

4.12 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 2022, 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 2021-22 are given in **Table 4.14**.

Table 4.14: Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by Government – Disclosure requirements</i>	This standard requires the Government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Partly complied	While the State Government has disclosed the maximum amount of guarantees given during the year, Sector-wise break-up of guarantee fee receivable has not been provided by the State Government. The reconciliation of guarantees has not been done by the Departments.
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the	Complied	During 2021-22, Government of Gujarat has correctly budgeted for and booked Grants-in-aid under the Revenue Section.

IGAS	Essence of IGAS	Status	Impact of non-compliance
	grantee, irrespective of the end use.		
IGAS 3 <i>Loans and Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its financial statements to ensure complete, accurate and uniform accounting practices.	Partly complied	The State Government is required to confirm the loan balances and recoveries in arrears and loans sanctioned in perpetuity. Though the State Government has provided information relating to recoveries as on 31 March 2022, it has not confirmed the outstanding loan balances as well as 'loans in perpetuity' despite constant pursuance.

4.13 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 are audited under Section 19(2), 19(3) and 20(1) of the C&AG's (DPC) Act, 1971. Accounts of 70 such ABs in the State are audited by the C&AG. Separate Audit Reports (SARs) in respect of each of the 70 ABs are required to be submitted to the State Government while SARs in respect of 43 of 70 ABs are required to be placed in the State Legislature.

Only three of 70 ABs have submitted Accounts for the year 2021-22 while in case of 67 ABs, Accounts were in arrears. The status of Accounts received⁸ and placement of SARs in the State Legislature in respect of 70 ABs is shown in **Appendix 4.4**.

Break-up of delays in submission of Accounts (67 ABs) and tabling of SARs in Legislature (37 ABs) are shown in **Table 4.15**.

Table 4.15: 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 2022)	Number of Autonomous Bodies	Delay	Number of Autonomous Bodies
Up to 1 year	23	Up to 1 year	12
2 years	14	1 – 2 years	07
More than 2 years	30	More than 2 years	18
Total	67	Total	37

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

⁸ Accounts are to be submitted by ABs within three months of closure of financial year *i.e.*, by 30 June every year.

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.

4.14 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 236 ABs covered under this Section.

A total of 279 Accounts (including those of earlier years) of 113 ABs were audited during 2021-22. Four⁹ ABs have submitted their accounts for the period 2021-22 (November 2022). However, 733 Annual Accounts of 236 ABs due¹⁰ up to 2021-22 were not received (November 2022) by Offices of the Principal Accountant General (Audit-I) and Accountant General (Audit-II), Gujarat.

Details of 236 ABs which did not furnish Accounts are given in **Appendix 4.5** and their age-wise pendency is as shown in **Table 4.16**.

Table 4.16: 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	101
2.	1-3	86
3.	3-5	21
4.	5-10	17
5.	Above 10	11
Total		236

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

Table 4.16 above shows that the accounts of 28 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, 157 Public Works Divisions and 73 Forest Divisions, compiled Accounts of Pay and Accounts Offices at Gandhinagar and Ahmedabad and

⁹ Forest Development Agency at Kheda; Forest Development Agency at Gir East; Suraksha Setu Society, Kheda; and Gujarat Information Commission, Gandhinagar.

¹⁰ on 31 July 2022

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.

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 178 cases of misappropriation, losses, defalcation *etc.* involving Government money of ₹ 28.20 crore (up to March 2022) 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 2022 are given in **Appendix 4.6**. These are summarised in **Table 4.17**.

Table 4.17: Details of theft, misappropriation and fire cases

Category/Types	Number of cases	Amount involved (₹ in crore)
Theft	47	0.51
Misappropriation/loss of Government Material	107	25.78
Fire/Accident Cases	24	1.91
Total	178	28.20

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

The age profile of 178 pending case is summarised in **Table 4.18**.

Table 4.18: Age profile of misappropriation, losses and defalcation cases

Range of years	Number of cases	Amount (₹ in crore)
Up to 5	31	12.75
5 – 10	40	7.40
10 – 15	13	0.33
15 – 20	16	6.67
20 – 25	14	0.21
25 and above	64	0.84
Total	178	28.20

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

Of the 178 pending cases, 95 cases (53 *per cent*) pertained to three Departments i.e. 42 cases pertained to Forest and Environment Department, 28 cases pertained to Narmada, Water Resources, Water Supply and Kalpsar Department and 25 cases pertained to Revenue Department.

First Information Reports (FIRs) were lodged in 132 of 178 cases. In the remaining 46 cases¹¹, Departmental proceedings were under progress (November 2022). 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 4.19**.

Table 4.19: 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	10.77
2.	Departmental action initiated but not finalized	30	2.58
3.	Criminal proceedings finalized but execution of certificate for the recovery of the amount pending	6	0.67
4.	Awaiting orders for recovery or write off	61	4.02
5.	Pending in the courts of law	57	10.09
6.	Others	6	0.07
Total		178	28.20

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

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 analysis of allocative priorities and quality of expenditure.

Non-submission of 4,563 Utilisation Certificates amounting to ₹ 10,309.47 crore within the specified period not only weaken the financial accountability mechanism but also indicate failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of grant for the intended purpose.

Non-adjustment of AC bills 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.

¹¹ Forest and Environment – 21 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.

Non-submission of Accounts by Autonomous Bodies and Authorities violated the prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government.

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 Utilisation Certificates.
- The State Government should conduct a comprehensive review of all items presently appearing under Minor Head '800' and ensure that all such receipts and expenditure are booked under the appropriate heads of account.