

CHAPTER-IV
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING PRACTICES

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A sound financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting is, thus, one of the attributes of good governance.

Issues relating to completeness, transparency, measurement and disclosures in financial reporting are discussed in this chapter.

Issues relating to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

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

Some significant instances of non-adherence to the above provisions are discussed below.

4.1.1 Building and Other Construction Workers' Welfare Cess

The Government of India (GoI) enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act), to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures. In exercise of powers conferred under section 14 (1) of the Cess Act, GoI framed the Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules). Accordingly, the State Government framed the Himachal Pradesh Building and Other Construction Workers Rules, 2008. The Himachal Pradesh Building and Other Construction Workers Welfare Board was constituted in March 2009.

Section 3 of the Cess Act provides for levy and collection of cess from every employer in relation to building or other construction work, and paid to the Board after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected. As per section 5 of the Cess rules, the proceeds of the cess collected shall be transferred to the Board along with the form of challan prescribed (and in the head of account of

the Board) under the accounting procedures of the State. The Board is an autonomous body and the accounts of the Board are separately audited and certified by the Pr. Accountant General (Audit).

It was noticed that no rules have been framed by the Government of Himachal Pradesh for accounting of labour cess and no dedicated sub-head has been provided by the Government for booking and collection of labour cess. Labour Cess is being collected at the rate of one *per cent* of the cost of construction by divisions of the Public Works Department and Jal Shakti Vibhag, and is being booked under 8443-Civil Deposit-108-Public Works Deposits. Since the Public Works Deposits do not have any dedicated sub-head below it for booking this cess exclusively, the amount of Cess collected and transferred to the Labour Welfare Board and balance yet to be transferred could not be ascertained.

As per information provided by the Board, it had an opening balance of ₹ 664.25 crore and had received ₹ 105.71 crore during 2020-21 as labour cess, interest, etc. During the year, the Board spent ₹ 112.97 crore out of which ₹ 110.72 crore was spent on labour welfare activities/schemes. The Board had an amount of ₹ 656.99 crore (tentative figure as the accounts of the Board were not finalised (September 2021)) at its disposal at the close of the year, i.e. 31st March 2021. It was noticed that there is a difference of ₹ 8.38 crore between the figures of closing balance of previous year i.e. 2019-20 (₹ 655.87 crore) and opening balance of current year i.e. 2020-21 (₹ 664.25 crore). The difference was attributed by the Board to non-finalisation of accounts¹.

The above information was not available in the Public Account because of non-providing of dedicated / exclusive head of account for booking of the Cess.

4.1.2 Loans of State Government not being credited to the Consolidated Fund

According to information provided, the State Government did not resort to off-budget borrowings. No such borrowings were noticed during audit of the available Financial Statements of PSUs for the year 2020-21.

4.1.3 Funds transferred directly to State implementing agencies

Even after Government of India's decision to release all assistance for Centrally Sponsored Schemes/ Additional Central Assistance to the State Government and not directly to implementing agencies from 2014-15 onwards, funds were still being transferred by GoI directly to implementing agencies. Since these funds were not routed through the State Budget, these were not reflected in the Accounts of the State Government.

The details of aggregate amount transferred to implementing agencies during the last three years are shown in **Table-4.1**.

¹ Accounts pending since 2019-20.

Table-4.1: Funds transferred to State Implementing agencies

Direct transfers to State implementing agencies	2018-19	2019-20	2020-21
Funds transferred (₹ in crore)	962.08	1,372.69	1,866.98

According to information on the PFMS portal of the Controller General of Accounts (CGA), GoI released ₹ 1,866.98 crore (un-audited figures) agencies directly to implementing agencies during 2020-21. Direct transfers of funds to implementing agencies increased by 36.01 *per cent* from ₹ 1,372.69 crore in 2019-20 to ₹ 1,866.98 crore in 2020-21. This constituted 44 *per cent* of the amount (₹ 4,221.29 crore) released by GoI for Centrally Sponsored Schemes through the State budget as Grants-in-Aid.

Names of some major implementing agencies which received funds directly from GoI during 2020-21 are given in the **Table-4.2**:

Table-4.2: Funds transferred by GoI directly to State implementing agencies*(₹ in crore)*

Sl. No.	Name of the Implementing Agencies	Name of the Schemes of Government of India	GoI releases during 2020-21
1	Himachal Pradesh Rural Development and Employment Guarantee Society	National Rural Employment Guarantee Scheme	752.10
2	Department of Revenue, Himachal Pradesh	Pradhan Mantri Kisaan Samman Nidhi (PM-Kisaan)	503.09
3	Himachal Pradesh State Electricity Board	Green Energy Corridors-Grid Interactive	48.54
4	Himachal Pradesh State Industrial Development Corporation Ltd.	Transport/Freight Subsidy Scheme	30.00
5	Himachal Pradesh Energy Development Agency	Solar Power-Grid Interactive	20.63
6	Himachal Pradesh Tourism Development Board	Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan)	19.97
7	Himachal Pradesh State AIDS Control Society, Shimla	National AIDS and STD Control Programme	11.01

Source: Finance Account – Appendix VI

4.2 Regulators

The status of funds collected by regulators, namely Himachal Pradesh Electricity Regularity Commission (HP-ERC), Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PERC) and Himachal Pradesh Real Estate Regulatory Authority (HP-RERA) is given in the **Table-4.3** below:

Table-4.3: Showing details of regulators and the funds collected by them

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
1.	Himachal Pradesh Electricity Regulatory Commission	Himachal Pradesh Electricity Regularity Commission Fund (constituted in May 2007) shall be maintained at any nationalised bank and subsidiary accounts at such other branches of such banks. The	No outstanding amount was due from Himachal Pradesh Electricity Regulatory Commission to the Government.

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
		Fund shall comprise all the grants and loans given by the State Government, all fees and fines, and all other sums received from other sources.	
2.	Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PERC)	<p>As per Section 8 of HP-PERC Act 2010, a fund shall be established to which shall be credited –</p> <p>by the private educational institution, such percentage of total fees every year as may be prescribed by the Commission from time to time but not exceeding 1 per cent of total fees.</p> <p>loans from the State Government which will be repayable within three years</p> <p>any other grants received from any other source, and</p> <p>all sums received by way of penalty</p>	<p>An amount of ₹ 1.80 crore was collected as 1 per cent fee during the period 2011-12 to 2012-13. However, the provision of collection of 1 per cent fee has been stayed by the Hon'ble High Court and the case is pending for adjudication.</p> <p>The HP-PERC also received an amount of ₹ 1.06 crore on account of fine/penalty imposed. The amount has been parked in Fixed Deposits because of the stay given by the Hon'ble High Court.</p> <p>Further, the HP-PERC received ₹ 9.30 crore from the State Government during 2011-12 to 2020-21 in the shape of loans. The same has been utilised for day-to-day expenditure of HP-PERC.</p> <p>The HP-PERC has not repaid any amount of the loans received as on 31 March 2021. There was ₹ 9.30 crore along with interest accrued therein as on 31 March 2021.</p>
3.	Himachal Pradesh Real Estate Regulatory Authority (HP-RERA)	The income of the Authority shall comprise grants-in-aid, registration charges, complaint fee and e-charges from promoters, agents and complainants.	<p>During the year 2019-20 and 2020-21, HP-RERA received an amount of ₹ 4.57 crore (GIA from State Government: ₹ 3.50 crore; registration fees and other charges/interest receipts: ₹ 1.07 crore). All the funds were parked at State Bank of India by HP-RERA.</p> <p>Out of ₹ 4.57 crore, ₹ 2.55 crore was utilised for day-to-day expenditure of HP-RERA as of September 2021.</p> <p>Further, it was noticed that the receipts of ₹ 1.07 crore received as registration fees and other charges and accrued interest thereon by the HP-RERA were also parked in savings bank account instead of depositing in the relevant head of Government account.</p>

4.3 Non discharge of liability in respect of interest towards interest bearing deposits

The Government does not have any liability to pay interest on the amounts in the Interest-bearing Deposits (Major Heads of Accounts 8338 to 8342).

4.4 Deposit of Local Funds

The legislation governing Panchayati Raj Institutions (PRIs) provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds). This would include all amounts realised or realisable under the Act(s) and all amounts otherwise received by PRIs, such as grants received from Central Finance Commission and State Finance Commission, and its own revenue which includes tax and non-tax receipts. The legislation governing Urban Local Bodies (ULBs) envisages that Municipal Fund is to be held by ULBs (Nagar Panchayat, Municipal Council and Municipal Corporation). All the money realised or realisable under the Act(s) and all money otherwise received by ULBs is to be kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds.

The position of these funds is detailed in **Table-4.4** below.

Table-4.4: Deposits of Local Funds

Year		2016-17	2017-18	2018-19	2019-20	2020-21
Panchayat Bodies Fund (8448-109)	Opening Balance	5.34	1.18	0.66	0.13	0.07
	Receipt	-	0.51	-0.51	0	0
	Expenditure	4.16	1.03	0.02	0.06	0.04
	Closing Balance	1.18	0.66	0.13	0.07	0.03
Municipal Fund (8448-102)	Opening Balance	0.29	0.29	0.19	0.28	0.12
	Receipt	0	-0.02	0.09	0	0
	Expenditure	0	0.08	-	0.16	0.08
	Closing Balance	0.29	0.19	0.28	0.12	0.04

Source: Finance Accounts of respective years.

As shown in the above table, the funds of PRIs and ULBs had accumulated balances of ₹ 0.03 crore and ₹ 0.04 crore respectively as on 31 March 2021.

Issues relating to transparency

4.5 Delay in submission of Utilisation Certificates

In terms of Rule 157 of the Himachal Pradesh Financial Rules, 1971 (Revised in 2009), where grants are sanctioned for specific purpose, the departmental officers concerned should obtain Utilisation Certificates (UCs) from the grantee, which, after verification, should be forwarded to Principal Accountant General (Accounts and Entitlement) within the dates specified in the sanction. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Principal Accountant General (Accounts and Entitlement) the fulfilment of conditions attached to the grant. UCs outstanding beyond the specified periods indicate absence of assurance on utilisation of grants for indented purposes, and the expenditure shown in the accounts to that extent cannot be treated as final. A total number of 2,799 UCs amounting to

₹ 3,557.83 crore were pending as on 31 March 2021 (**Appendix-4.1**). The age-wise and year-wise arrears in submission of UCs is summarised in **Table-4.5** and **Table-4.6**.

Table-4.5: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Clearance		Due for submission	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
Up to 2018-19	1,083	1,062.58	510	478.16	573	584.42
2019-20	1,399	1,785.36	485	782.71	914	1,002.65
2020-21	25,394	3,486.85	24,082	1,516.09	1,312	1,970.76
Total:	27,876	6,334.79	25,077	2,776.96	2,799	3,557.83

Source: - Compiled from the information provided by the PAG (A&E) Himachal Pradesh.

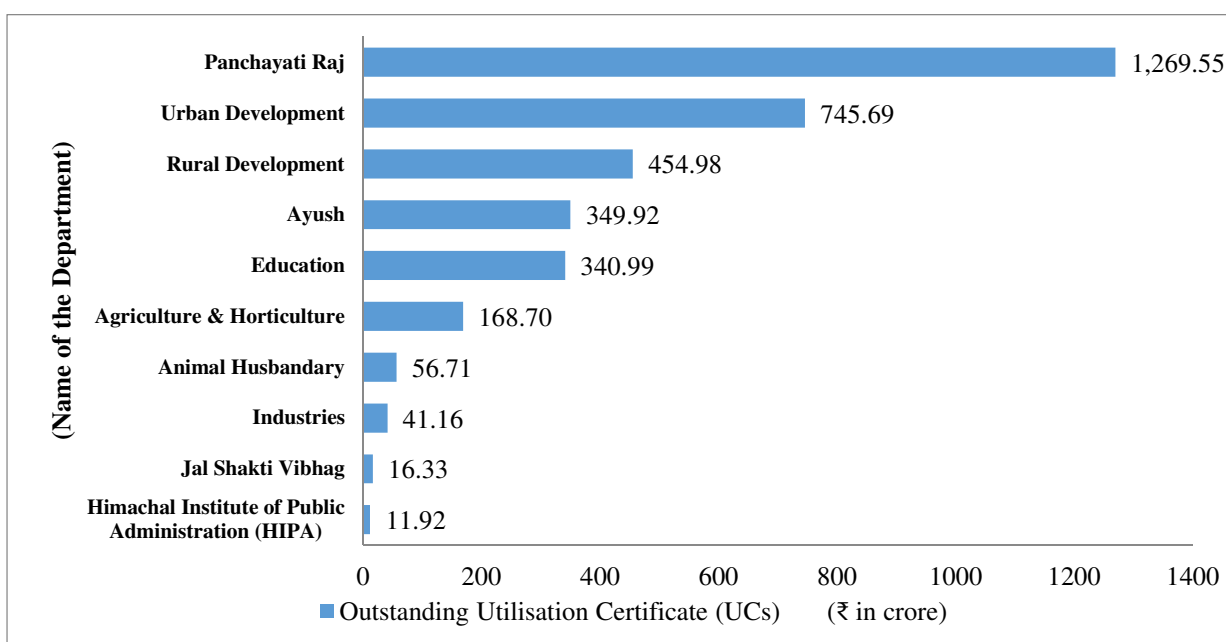
Note: - UCs for GIA disbursed during 2019-20 become due only during 2020-21 i.e. the year mentioned above relates to "Due year" i.e., after 12 months of actual drawal.

Table-4.6: Year-wise break-up of outstanding UCs

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
2015-16	24	34.86
2016-17	152	139.08
2017-18	397	410.48
2018-19	914	1,002.65
2019-20	1,312	1,970.76
Total	2,799	3,557.83

Non-submission of UCs meant that the authorities had not explained as to how funds were spent over the years. There was also no assurance that the intended objectives of providing these funds had been achieved. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

Chart-4.1: Outstanding UCs in respect of 10 major departments for the grants paid up to 2019-20



Out of total 2,799 outstanding UCs for grants of ₹ 3,557.83 crore, 1,487 UCs for grants of ₹ 1,587.07 crore pertained to the period 2015-16 to 2018-19. Out of total amount of ₹ 3,557.83 crore for which UCs were outstanding, 69.43 per cent pertained to three departments – 35.68 per cent (₹ 1,269.55 crore) to Panchayati Raj; 20.96 per cent (₹ 745.69 crore) to Urban Development; and 12.79 per cent (₹ 454.98 crore) to Rural Development.

In this regard, Joint Director, Panchayati Raj stated that due to COVID-19 pandemic and General Election for PRIs in the State, the progress of execution of works in Grams Panchayats was affected, and therefore, UCs could not be obtained/ submitted. The Joint Director, Rural Development attributed the same to COVID-19 pandemic, non-execution of works due to changes in DPRs, delay in clearance for land from Forest Department, etc.

4.6 Recording of Grantee Institution as “Others”

There is a mechanism of giving particular codes to various bodies and authorities receiving Grants-in-Aid from Government. In this way, these grants can be systematically recorded in the office of the Pr. Accountant General (A&E) and submission of UCs can be monitored against outstanding amount for each body / authority. In the absence of proper codes, outstanding amounts against grantees cannot be worked out.

In Himachal Pradesh, there was no system of allotting codes to the bodies / institutions / authorities receiving grants from the State Government, in order to facilitate monitoring of UCs by the Pr. Accountant General (A&E).

As per **Statement-10** of the Finance Accounts for the year 2020-21, an amount of ₹ 4,563.11 crore had been given as grants-in-aid to different institutions, out of which ₹ 946.89 crore (20.75 per cent) was given to “Others”. During the past five years (2016-21), the Government had continued to record substantial amounts of grants-in-aid as ‘Others’ – ranging between 15.83 per cent and 28.85 per cent as shown in the **Table-4.7**:

Table-4.7: Grants-in-Aid to Grantee Institutions of Type ‘Others’

(₹ in crore)

Year	Total GIA amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2016-17	3,356.98	842.39	25.09
2017-18	2,895.45	784.69	27.10
2018-19	3,633.95	1,048.43	28.85
2019-20	3,506.49	555.22	15.83
2020-21	4,563.11	946.89	20.75

Source: Finance Accounts for the respective years.

4.7 Abstract Contingent Bills

Rule 183 (3)(V) of Himachal Pradesh Treasury Rules 2017 envisage that no moneys should be drawn from government treasury unless it is required for immediate disbursement. In emergent circumstances, Drawing and Disbursing Officers (DDOs)

are authorised to draw sums of money through bills by debiting Service Heads. Rule 187 further provides that advance drawals shall be permitted for emergent circumstances on Abstract Contingent (AC) bills to be drawn by DDOs as specified by the Finance Department for reasons to be recorded in writing. At a time, only one advance can be granted/ passed by District Treasury Officer / Treasury Officer (DTO/TO). It shall be the responsibility of the DDO concerned to get the advance adjusted during the same financial year in which it is drawn. The DTO/TO shall enter advances separately in the advance register. They shall monitor that these are accounted for within the same financial year through Detailed Contingent (DC) bills to Principal Accountant General (A&E). The advance payment register shall be operated continuously and shall be maintained till all advances entered in it are fully recovered/adjusted.

The State Government had not formulated any mechanism for drawal and monitoring of advances through AC bills and their adjustment through DC bills with the office of the Pr. Accountant General (A&E). Further, the Drawing and Disbursing Officers (DDOs) were using general expenditure bill form (HPTR-5) to draw contingent advances from the Treasury, which could not be separately distinguished or monitored by the Treasuries or Pr. AG (A&E). This issue has been persistently highlighted for more than three years, however a suitable mechanism is yet to be developed and adopted by the State Government.

Advances drawn and not accounted for increase the possibility of misutilisation/ 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 as correct or final.

4.8 Personal Deposit Accounts

Under Rule 12.7 of the Himachal Pradesh Financial Rules Vol-I, 1971, Personal Deposit (PD) accounts are operated by transferring amounts from the Consolidated Fund to be utilised for specific purposes and booked as final expenditure against the concerned service Major Heads without any actual cash flow. Unspent balances lying in PD accounts are required to be transferred back to the Consolidated Fund on the last working day of the financial year, and reopened next year, if necessary. This Rule has not been followed by the State Government, despite persistent correspondence over the past many years.

At the end of 2020-21, an amount of ₹ 2.18 crore remained as unspent balance in 112 PD accounts without being transferred to the Consolidated Fund (**Appendix-4.2**). The status of PD accounts at the close of the financial year 2020-21 is given in **Table-4.8**.

Table-4.8: Status of PD Accounts (MH 8443-106) as on 31 March 2021

(₹ in crore)

PD Accounts as on 01.04.2020		Additions during the year		Close/ withdrawal during the year		Closing balance as on 31.03.2021		Operative Accounts		Inoperative Accounts	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
112	2.82	01	-0.13*	01	0.51	112	2.18	104	2.00	08	0.18

* Negative amount appears as lapsed amount is more than the receipt credited during 2020-21.

Out of total 112 PD Accounts, 104 PD accounts were operative (of which 38 accounts had zero balances) whereas eight PD accounts were inoperative for more than one year. Further, one PD account was opened and one PD account was closed during the year.

As per the prescribed procedure, Personal Deposit Accounts are opened under the designated heads of account, i.e. MH-8443-Civil Deposits-106-Personal Deposits and are reconciled with plus and minus memoranda as supplied by PD account holders and treasuries. However, it was noticed that there were 10 cases where PD accounts were opened under the head MH-8448-109, which was not the designated head of account.

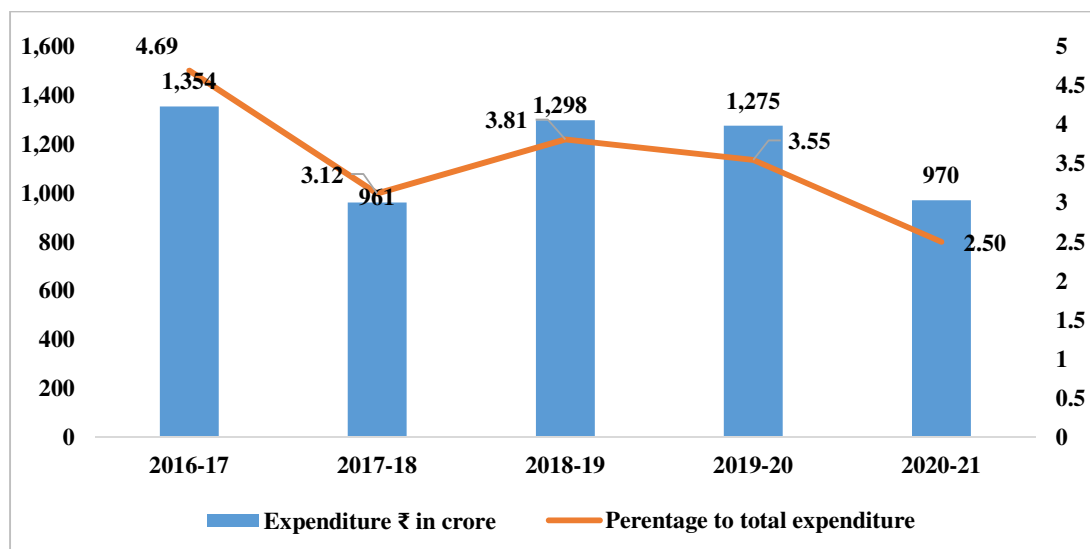
Unspent balances lying in PD Accounts meant that there was overstatement of expenditure to the extent of the balances. Non-reconciliation of Personal Deposit Accounts periodically and non-transfer of the unspent balances lying in Personal Deposit Accounts to Consolidated Fund entails the risk of misuse of public funds.

4.9 Indiscriminate use of Minor Head-800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided 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 Pr. Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Routine operation of Minor Head-800 is to be discouraged, since indiscriminate booking of receipts and expenditures under Minor Head-800 obscures the nature of transactions and affects transparency.

The extent of operation of Minor Head-800 as a percentage of total expenditure during 2016-17 to 2020-21 is given in **Chart-4.2**.

Chart-4.2: Operation of Minor Head 800- Other Expenditure during 2016-21



During 2020-21, an amount of ₹ 970 crore under 41 Major Heads of account, constituting 2.50 *per cent* of total expenditure (₹ 38,844 crore), was classified under Minor Head-800 'Other Expenditure' in the Revenue and Capital accounts. Similarly, ₹ 1,332 crore under 48 Major Heads of Account, constituting 3.98 *per cent* of total receipts (₹ 33,441 crore), was booked under Minor Head-800 'Other Receipts'.

Instances where significant proportion (20 per cent or more of total receipts/ expenditure under the Major Head and exceeding ₹ 5 crore) of receipts and expenditures was classified under Minor Head 800-Other Receipts / Other Expenditure during the year 2020-21 are depicted in **Table-4.9**.

Table-4.9: Significant amount booked under Minor Head- ‘800-Other Receipts/ Expenditure’ during 2020-21

(₹ in crore)

“800-Other Receipts”				“800-Other Expenditure”			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0217- Urban Development	5.95	5.95	100.00	5475-Capital Outlay on other General Economic Service	147.17	147.04	99.91
0801- Power	749.12	749.12	100.00	2075-Miscellaneous General Services	33.68	33.43	99.26
1452-Tourism	6.45	6.42	99.53	5452-Capital Outlay on Tourism	29.99	28.03	92.46
0515- Other Rural Development Programmes	20.41	17.91	87.75	4701-Capital Outlay on Medium Irrigation	70.01	64.01	91.43
0070- Other Administrative Service	37.05	29.89	80.67	4070-Capital Outlay on Other Administrative Services	8.14	7.24	88.94
0045- Other Taxes and Duties on Commodities and Services	264.26	205.07	77.60	4711-Capital Outlay on Flood control Projects	56.92	40.68	71.47
0401- Crop Husbandry	11.92	9.12	76.51	4851-Capital Outlay on Village and Small Industries	17.27	8.05	46.61
0425-Co-operation	9.51	7.26	76.34	4401- Capital Outlay on Crop Husbandry	15.53	7.24	46.62
0029- Land Revenue	6.95	5.26	75.68	2851-Village and Small Industries	190.26	79.36	41.71
0235- Social Security and Welfare	11.15	6.02	53.99	2501-Special Programmes for Rural Development	138.87	56.34	40.57
1054 - Roads and Bridges	12.89	6.60	51.20	3454-Census Surveys and Statistics	17.09	6.26	36.63
0406- Forestry and Wildlife	49.56	18.95	38.24	2230-Labour, Employment and Skill Development	193.58	55.21	28.52
0059- Public Works	58.28	21.06	36.13				

“800-Other Receipts”				“800-Other Expenditure”			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0853- Non-ferrous Mining and Metallurgical Industries	252.16	51.02	20.23				
Total:	1,495.66	1,139.65	76.20	Total:	918.51	532.89	58.02

As is evident from the above table, in 14 Major Heads around 76 per cent of receipts were booked under ‘800-Other Receipts’, and in 12 Major Heads around 58 per cent of revenue and capital expenditure was booked under ‘800-Other Expenditure’. Classification of large amounts under Minor Head ‘800-Other Receipts/Expenditure’ affected transparency in financial reporting and understanding of allocative priorities / quality of expenditure.

The matter was discussed (June 2021) with the State Government/Finance Department. The State Government stated that the process of clean up/ rationalisation of amounts under Minor Head-800 has been initiated and the effect / changes will be seen from the budget estimates 2022-23.

Issues relating to measurement

4.10 Outstanding balance under major Suspense and DDR heads

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 position of gross figures under major suspense and remittance heads for the last three years is given in **Table-4.10**.

Table-4.10: Status of Suspense and Remittances Balances

(₹ in crore)

Name of Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 - Suspense Accounts						
101-Pay and Accounts Office-Suspense	96.21	35.55	124.62	56.33	138.83	66.53
Net	60.66 Dr.		68.29 Dr.		72.30 Dr.	
102-Suspense Account (Civil)	149.77	131.53	1,551.08	164.34	1,854.36	223.31
Net	18.24 Dr.		1386.74 Dr.		1,631.05 Dr.	
110-Reserve Bank Suspense-Central Accounts Office	0.57	---	3,755.23	3,755.23	2.24	2.26
Net	0.57 Dr.		Nil		0.02 Cr.	
112-Tax Deducted at Source (TDS) Suspense	484.05	497.09	447.74	468.23	471.25	497.83
Net	13.04 Cr.		20.49 Cr.		26.58 Cr.	

Name of Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
129-Material Purchase Settlement Suspense Account	164.43	305.64	139.79	244.17	81.69	219.46
Net	141.21 Cr.		104.38 Cr.		137.77 Cr.	
8782 - Cash remittances and adjustments between officers rendering accounts to the same Accounts Officer						
102-Public Works Remittances	7,185.44	7,660.51	7,507.51	8,104.89	6,841.07	7,372.10
Net	475.07 Cr.		597.38 Cr.		531.03 Cr.	
103- Forest Remittances	151.59	187.49	124.72	141.58	0.03	16.81
Net	35.90 Cr.		16.86 Cr.		16.78Cr.	

Source: Finance Account.

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 2020-21 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 PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. The outstanding debit balance (31 March 2021) under this Head was ₹ 72.31 crore against debit balance of ₹ 68.29 crore at end of the previous year. Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO(s), 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. Receipts are credited and expenditure is debited to this account and cleared on receipt of required information by minus credit and minus debit respectively during the financial year. Outstanding debit balance under this head implies ‘payment made’ but could not be debited to the final head of expenditure for want of certain particulars and outstanding credit balance represents the ‘receipts’ which could not be credited to final receipt head of account for want of details.

During 2020-21, the debit balances under Suspense head increased by ₹ 244.32 crore as compared to previous year 2019-20, primarily due to amount of ₹ 227.65 crore (Revenue Expenditure: ₹ 81.77 crore and Capital Expenditure: ₹ 145.88 crore) being booked under this head during 2020-21 due to non-furnishing of vouchers and other documents as proof of actual expenditure. The objected amount has not been taken into account as Revenue/Capital expenditure in the Finance Accounts or as actual expenditure in the Appropriation Accounts against the budget provisions for the year 2020-21.

4.11 Reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts,

the State Financial Rules stipulate that receipts and expenditures during the financial year recorded in their books be reconciled by them every month with those recorded in the books of the Pr. Accountant General (A&E).

During the year 2020-21, such reconciliation was completed fully covering receipts of ₹ 33,441.15 crore (100 per cent total receipt) and expenditure of ₹ 38,844.14 crore (100 per cent of total expenditure). The reconciliation of receipts and expenditure figures has been fully completed by CCOs/COs during the last four years (2017-21).

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a net difference of ₹ 1.50 crore (Cr.) in cash balance as on 31 March 2021 between the figures reflected in the account of Pr. Accountant General (A&E), Himachal Pradesh and as reported by the Reserve Bank of India (RBI). The cash balance as worked out by the Office of the Pr. Accountant General (A&E), Himachal Pradesh was ₹ 59.96 crore (Dr.) whereas ₹ 61.46 crore (Cr.) was reported by Reserve Bank of India. The difference was mainly due to incorrect reporting of transactions and non-reconciliation by the Agency Banks.

Issues relating to disclosures

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The compliance of these accounting standards by the State Government is detailed in the **Table-4.11**.

Table-4.11: Compliance to Accounting Standards

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
1	IGAS 1: <i>Guarantees given by the Government</i>	Partially Complied	IGAS-1 requires that sector-wise and class-wise disclosures on guarantees given by the State Government should be incorporated in Finance Accounts. Statements 9 and 20 show the details of Guarantees given by the State Government and the interest on the guaranteed amount on the basis of information provided by the State Government. Although sector-wise details have been disclosed, class-wise details were not incorporated in Finance Accounts of the State.
2	IGAS 2: <i>Accounting and</i>	Partially complied	As per IGAS-2, expenditure relating to Grants-in-aid should be classified as revenue expenditure even if it

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
	<i>classification of grants-in-aid</i>		involves creation of assets, except in cases specifically authorised by the President on the advice of the Comptroller and Auditor General of India. Requirements regarding accounting and classification of Grants-in-aid given by the State Government have been depicted in Statement 10 and Appendix III which are prepared as per the requirements of IGAS 2. Detailed information in respect of Grants-in-aid given in kind has also not been furnished by the State Government. Further, IGAS prescription as regards to obtaining the Utilisation Certificates before providing next instalments to the grantees was not ensured.
3	IGAS 3: Loans and advances made by Governments	Partially complied	Statements 7 and 18 of the Finance Accounts have been prepared incorporating the disclosures under IGAS 3. The details of loan and advances reported in these Statements of the Finance Accounts are based on information received through the accounts rendered to the Principal Accountant General (A&E) and detailed accounts maintained by the Principal Accountant General (A&E) in respect of loans and advances made to Government servants. The closing balances depicted in Statements 7 and 18 as on 31 March 2021 have not been reconciled with the Loatee Entities/State Government.

Source: Indian Government Accounting Standards and Finance Accounts.

4.14 Delays in submission of Accounts/ Separate Audit Reports of Autonomous Bodies/ Authorities

Several autonomous bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Audit of accounts in respect of 18 autonomous bodies/authorities in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same (**Appendix-4.3**). Detail of bodies/authorities whose accounts are in arrears is given in **Table-4.12**:

Table-4.12: 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.	Himachal Pradesh Building and Other Construction Workers Welfare Board, Shimla	2019-20	01
2.	HP Khadi and Village Industries Board	2013-14	07
3.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2015-16	05
4.	HP City Transport and Bus Stand Management and Development Authority	2019-20	01

It can be seen from **Table-4.12** that accounts of four bodies/authorities (out of 18) were in arrears for periods ranging between one to seven years. Out of this, the accounts of

two bodies were in arrear for only one year (i.e. 2019-20). Only accounts of two bodies namely - HP Khadi and Village Industries Board and Compensatory Afforestation Fund Management were in arrears for more than one year. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally-run undertakings in order to assess their financial position.

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

In order to identify institutions that 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, purpose for which such assistance was granted, and the total expenditure of the institutions.

Further, Regulations on Audit and Accounts (Amendments) 2020 provides that the Government and 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 State Government did not furnish information pertaining to grants aggregating ₹ 10 lakh or more extended to Autonomous Bodies/Authorities/ Institutions in the State of Himachal Pradesh. However, information was sought by Audit from the concerned bodies/authorities, and only four² bodies/ authorities / institutions (out of 35 from whom information was sought) furnished the information to Audit (**Appendix-4.3**).

Non-furnishing of information by the State Government/Heads of the Department to Audit was in violation of Regulations on Audit and Accounts (Amendments) 2020. Further, in the absence of such information, the bodies/authorities to be audited could not be identified and the correctness, regularity/propriety of expenditure from the grants and loans given to these bodies / authorities out of the Consolidated Fund of the State could also not be examined in audit.

¹ (i) Dr. YS Parmar Horticulture University Nauni, Solan (ii) Seed and Organic Produce Certification Agency, Boileaganj, Shimla, (iii) Livestock Development Board, Boileaganj, Shimla, (iv) HP State Council for Science, Technology and Environment, Kasumpti, Himachal Pradesh.

4.16 Timeliness and Quality of Accounts

During 2020-21, all the account rendering entities (Treasuries, PWD & I&PH Divisions and PAO New Delhi), which render their monthly accounts to Pr. Accountant General (A&E), had rendered their accounts in time and there was no case of exclusion.

Other Issues

4.17 Misappropriations, losses, thefts, etc.

As per Rule 24 of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), an officer shall be held responsible personally or vicariously for any loss sustained by the Government on account of causes mentioned in Rule 21 of these Rules due to any omission or commission or negligence, whether intentional or unintentional, on his part. As per Rule 145 (5) of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), in case goods become unserviceable due to negligence, fraud or mischief on the part of the Government servant, responsibility for the same shall be fixed.

State Government reported 42 cases of misappropriation/loss, theft, etc., involving government money amounting to ₹ 90.12 lakh upto March 2020 on which final action was pending. In all these cases, the departments concerned had filed First Information Report (FIR). The department-wise break up of pending cases and reasons for pendency of action in these cases is summarised in **Table-4.13**.

Table-4.13: Department-wise break up of pending cases and reasons for pendency of action in cases of misappropriation, losses, theft, etc.

Name of Department	Cases of misappropriation/ losses/ theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.	Number of cases	Amount (₹ in lakh)
	Number of cases	Amount (₹ in lakh)			
Education	04	3.88	Awaiting departmental and criminal investigation	26	31.37
Rural Development	02	4.68			
Agriculture	02	9.46			
Land Revenue	01	2.57	Awaiting orders for recovery or write off	01	2.57
Horticulture	03	2.89			
Police	01	0.08			
Municipal Corporation, Chamba	01	0.42	Pending in the courts of Law	04	26.36
Home Guard	02	25.37			
Public Health (Medical)	01	0.95			
Forests	05	19.75	Recovery made/ written off but awaiting final disposal from PAC	09	29.00
Public Works	15	11.16			
Jal Shakti	05	8.91	Others	02	0.82
Total	42	90.12	Total	42	90.12

Source: Information received from departments and compiled by Audit.

The State Government may devise an effective mechanism to ensure speedy and time-bound settlement of cases relating to misappropriation/loss, theft, etc.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table-4.14**.

Table-4.14: Profile of misappropriation, losses, defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	2	0.82	Theft cases	8	7.20
5-10	6	8.79			
10-15	4	5.63	Misappropriation/ loss of Government material	34	82.92
15-20	7	36.66			
20-25	9	16.66			
25 and above	14	21.56			
Total	42	90.12	Total pending cases	42	90.12

Out of the total loss cases, 80.95 per cent cases are related to Misappropriation/ loss of Government material and the remaining 19.05 per cent were theft cases. Out of the total 42 cases of misappropriation/theft, 61.90 per cent (26 cases) were pending due to delays in finalising/initiating departmental and criminal investigation. It was further noticed that 40 cases out of total 42 were more than five years old, including 23 cases, which were more than 20 years old. The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also led to non-accountability of the officers/officials at fault.

During the current year (2020-21), the position remained the same as no case was reported or settled by the State Government.

The lack of action by departments in finalisation of these cases meant that accountability of the officers/officials at fault was not fixed and corrective action taken, if any, could not be ascertained. The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc.

4.18 Follow up action on State Finances Audit Report

State Finances Audit Report is being prepared and presented to the State Legislature from the year 2008-09 onwards. The State Government had submitted Action Taken Notes (ATNs)/ *suo moto* replies for State Finances Audit Reports up to 2017-18. Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Reports as of date.

4.19 Conclusions

- Non-submission of Utilisation Certificates indicated lack of monitoring with regard to utilisation of grants released by the departments to the grantees, and entailed risk of non-utilisation, misutilisation or diversion of funds released for various works/schemes/programmes.
- Non-submission of accounts by autonomous bodies and non-providing of detailed information as regards bodies/authorities substantially financed through grants and loans entailed risk of financial irregularities in such autonomous bodies/bodies/authorities going undetected.

- The drawing of advances by the DDOs using general expenditure bill form (HPTR-5), without a suitable mechanism for their identification/distinction and subsequent monitoring entailed risk of misappropriation/misutilisation.
- There were cases of theft, misappropriation / loss of Government material and defalcation, in respect of which departmental action was pending.
- Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting transparency in financial reporting and obscuring proper analysis of allocative priorities and quality of expenditure. Finance Department assured that the process of cleaning up/rationalisation of amounts will be initiated.
- The State Government had yet not fully implemented the notified IGAS in the State.

4.20 Recommendations

- The Government should ensure timely submission of utilisation certificates by departments in respect of the grants released for specific purposes.
- State Government should develop and adopt a mechanism for identification of withdrawal of contingent nature of advances against AC bills, along with their adjustment through DC bills.
- The Government should institute a mechanism to ensure that Autonomous Bodies/ authorities and PSUs submit their accounts to Audit without delay.
- State Government should take necessary steps to expedite the process of proper accounting of amounts booked under Minor Head-800 in appropriate heads of account to classify the transactions correctly in the books of accounts.
- State Government should take steps to fully implement IGAS in the State to improve the quality of financial reporting.