

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Financial Rules provide that Utilisation Certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within one year from the date of their sanction unless specified otherwise. However, of the 42,439 utilisation certificates (UCs) due in respect of grants and loans aggregating ₹1547.57 crore upto March 2011; 9547 UCs (22 per cent) for an aggregate amount of ₹907.68 crore were pending as of March 2011 out of which 262 UCs involving ₹29.03 crore were pending for more than five years. The department-wise break-up of outstanding UCs is given in *Appendix-3.1* and age-wise delays in submission of UCs are summarized in **Table 3.1**.

Table-3.1: Age-wise arrears of Utilisation Certificates as on 31 March 2011

(₹ in crore)

Sl. No.	Range of delay (In number of years)	Total grants paid		Utilisation Certificates Outstanding	
		Number of Cases	Amount	Number	Amount
1.	0 – 1	16,382	718.09	5341	465.44
2.	1 – 3	24,730	740.77	3423	379.20
3.	3 – 5	950	52.60	521	34.01
4.	5 – 7	223	24.31	110	21.39
5.	7 – 9	151	6.27	151	6.27
6.	9 & above	3	5.53	1	1.37
	Total	42,439	1547.57	9547	907.68

Source: Accountant General (Accounts & Entitlement) office

Pendency of UCs mainly pertained to the department of Education (3185 UCs: ₹45.74 crore), Rural Development (3236 UCs: ₹525.45 crore), Industries (818 UCs: ₹12.90 crore), Art and Culture (765 UCs: ₹3.81 crore), Social Justice and Empowerment (504 UCs: ₹71.35 crore), Urban Development (59 UCs: ₹112.22 crore), Sports and Youth Services (67 UCs: ₹8.64 crore), Tourism (4 UCs: ₹1.84 crore), Secretariat and Social Services (24 UCs: ₹7.65 crore), Medical and

Public Health (646 UCs: ₹46.11 crore) and General Administrative Services (57 UCs: ₹6.90 crore).

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

Thus, efforts should be made by the Department for expeditious submission of UCs by the recipients.

3.2 Delay in Submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of 13 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature are indicated in *Appendix-3.2*. The frequency distribution of autonomous bodies on the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of Audit to Comptroller and Auditor General of India is summarised in **Table 3.2**.

Table-3.2: Delays in Submission of Accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Reasons for the Delay	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies	Reasons for the Delay
0 – 1	--	--	0 – 1	1	--
1 – 6	11	Not furnished	1 – 2	--	--
6 – 12	--	--	More than three years	--	--
Total	11			1	

The accounts of 11 autonomous bodies for the year 2010-11 were submitted late ranging between one to two months as of August 2011. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and therefore, the accounts need be finalised and submitted to audit at the earliest.

One SAR of the Himachal Pradesh, State Veterinary Council, Shimla for the year 2009-10 is yet to be placed before the legislature. This need to be placed at the earliest as non-placement violates the statutory responsibility of keeping the State legislature informed about the financial status of the body.

3.3 Misappropriation, loss, defalcation, etc.

As per the provisions of Himachal Pradesh financial rules, State Government reported 48 cases of misappropriation, defalcation, etc., involving Government money amounting to ₹79.78 lakh upto June 2011 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in *Appendix-3.3* and nature of these cases is given in *Appendix-3.4*. The age-profile of

the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarised in **Table 3.3**.

Table-3.3: Profile of Misappropriations, losses, defalcations, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (₹ in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in lakh)
0 – 5	6	17.22	Theft	8	6.66
5 – 10	11	11.98			
10 – 15	11	43.54	Misappropriation/Loss of material	40	73.12
15 – 20	1	1.05			
20 – 25	6	1.87	Total	48	79.78
25 & above	13	4.12	Cases of Losses Written off during the Year	3	1.82
Total	48	79.78			

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.4**.

Table-3.4: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases	Number of Cases	Amount (₹ in lakh)
(i) Awaiting departmental and criminal investigation	25	53.89
(ii) Departmental action initiated but not finalised	1	2.57
(iii) Awaiting orders for recovery or write off	12	8.93
(iv) Pending in the courts of law	7	12.87
(v) Orders issued but recovery pending	3	1.52
Total	48	79.78

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriations and losses as also to place systems in order.

3.4 Outstanding balances under major Suspense heads

Certain intermediary/adjusting heads of accounts known as ‘suspense heads’ are operated in Government accounts to reflect transactions of receipts and payments which cannot be booked to a final head of account due to lack of information as to their nature or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amount under them is booked to their respective final heads of accounts.

The position of Suspense Balances under major suspense heads for the last three years is given in **Appendix-3.5**. There is net increase of ₹7.82 crore (debit) under 102-Suspense Account (Civil) as compared to 2009-10. The net balances under Minor Head (MH) 112-Tax deducted at source (TDS) Suspense also increased by ₹12.48 crore (credit) whereas net balances under MH 129-Material Purchase Settlement Suspense Account (MPSSA) showed significant increase of ₹69.91 crore (credit) over the previous years. The Accountant General (A&E) stated that some of the balances under 102- Suspense Account (Civil) were very old and proposal for

write off was being initiated whereas balances under MH 112-TDS were the current balances.

Thus, efforts for reconciliation and clearance of Heavy balances (net ₹69.91 crore Credit) under MH 129-MPSSA can be undertaken in consultation with the respective divisions.

If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately. Thus, clearance of outstanding balances under Suspense Heads would require to be pursued vigorously.

3.5 Audit Effectiveness-Erosion of accountability

Inadequate response to Audit findings and observations resulted in erosion of accountability

Accountant General (Audit) arranges to conduct periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the AG within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the heads of Departments by the office of the AG through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 20242 audit observations contained in 7459 IRs outstanding as on 31 March 2011¹ are tabulated as under:

Table- 3.5: Outstanding Inspection Reports/Paragraphs

Sl. No.	Name of the Department	Inspection Reports	Paragraphs	Amount involved (₹ in crore)
1.	Civil Departments	5518	15377	4562.92
2.	Public Works (B&R)	724	2017	3613.10
3.	Irrigation and Public Health	390	1067	3891.31
4.	Forest	827	1781	238.97
	Total	7459	20242	12306.30

During 2010-11, 40 meetings of the Adhoc Committee were held in which 375 IRs and 1937 paragraphs were settled.

A detailed review of the IRs issued to 1341 Drawing and Disbursing Officers² upto September 2010 pertaining to Education (Secondary), Cooperation, Industries, Police Departments and Himachal Pradesh University (HPU) revealed that 5765 paragraphs having financial implications of ₹502.93 crore relating to 2105 IRs remained

¹ Including IRs and paragraphs issued upto 30 September 2010 and outstanding as on 31 March 2011.

² Education (Secondary): 1276; HPU: one; Cooperation: 17; Industries: 23 and Police: 24.

outstanding at the end of 31 March 2011. Of these, oldest items pertain to IRs issued during the year 1969-70 and 1780 paragraphs having financial implication of ₹69.53 crore had not been settled for more than 10 years. The year-wise position of these outstanding 2105 IRs and 5765 paragraphs is detailed in *Appendix-3.6* and types of irregularities in *Appendix-3.7*.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government should look into the matter to ensure prompt and proper response to audit observations.

3.6 Conclusion and Recommendations

Utilisation Certificates (22 per cent) for an aggregate amount of ₹907.68 crore in 9547 cases were not furnished to the Accountant General (Accounts & Entitlement) as per provision of financial rules of which oldest UC due for submission pertains to the year 1998-99. Non-submission of UCs in a time bound manner is against the principle of sound financial management and needs urgent attention of the Government. Out of 48 outstanding cases of misappropriation, loss, defalcation, etc., involving ₹79.78 lakh pending final action, departmental proceedings and criminal investigation were not initiated in 25 cases involving ₹53.89 lakh, indicating lack of initiative on the part of the Government to fix accountability. 20242 number of audit observations contained in 7459 Inspection Reports were outstanding as on 31 March 2011 resulting in erosion of accountability.

Departmental enquiries in fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent occurrence of such cases.

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