

This Chapter provides an overview and status of the UP Government's compliance with various financial rules during the year 2010-11.

### 3.1 Delay in furnishing utilisation certificates

Paragraph 369-H of the Financial Rules provides that the departmental officers should obtain utilisation certificates from the grantees in respect of the grants provided for specific purposes and forward these to the Accountant General (A&E) not later than 18 months from the date of sanction of the grant.

However, utilisation certificates for an aggregate amount of ₹ 1,707.26 crore (paid up to 2009-10) were in arrears as of September 2011. The departmentwise break-up of the outstanding utilisation certificates is given in *Appendix 3.1* and the agewise delay in their submission is summarised in **Table 3.1**.

**Table 3.1: Agewise arrears of Utilisation Certificates**

(₹ in crore)

Sl. No.	Range of delay in number of years	Total grants paid		U Cs outstanding	
		Number	Amount	Number	Amount
1	0 - 1	1252	2,011.97	983	1,476.78
2	1 - 3	2406	395.99	1542	208.54
3	3 - 5	1133	92.17	596	21.94
<b>Total</b>		-	<b>2,500.13</b>	<b>3121</b>	<b>1,707.26</b>

**Source:** Records of concerned departments

Department of Industries (Handicraft) paid grants aggregating ₹ 7.49 crore during 2006-07 and ₹ 4.93 crore during 2005-06 to Director, Handloom and Textile U.P. Kanpur. However, utilisation certificates were in arrears even after four and five years respectively.

Other major departments in default were Social Welfare (₹ 1,335.08 crore), Dairy Development (₹ 117.43 crore), Agriculture and Other Allied Department (Panchayati Raj) (₹ 102.13 crore), Social Welfare (ST Development) (₹ 16.79 crore), Technical Education (₹ 36 crore) and Forest Department (₹ seven crore).

### 3.2 Pendency in submission of DC bills against AC bills

The Drawing and Disbursing Officers are authorised to draw sums of money through Abstract Contingent Bills by debiting service heads. They are also required to present detailed bills (vouchers in support of final expenditure) for all contingent charges within one month from the date of drawal, in terms of UP Government Order No. A-1-3 (1) Ten-10820/2001 dated 24 January 2006, to the respective controlling officers for countersignature and transmission to the Accountant General.

However, 12,451 Abstract Contingent Bills involving ₹ 131.77 crore were outstanding at the end of March 2011, indicating lax financial management and lack of internal control. The agewise details of pendency in submission of DC Bills against AC Bills are given in **Table 3.2**.

**Table 3.2: Outstanding Abstract Contingent bills**

(₹ in crore)

Year	AC Bills drawn		DC Bills Received		Outstanding AC Bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2004-05	13103	69.16	9495	55.98	3608	13.18
2005-06	5709	23.88	4345	14.81	1364	9.07
2006-07	2826	45.68	1337	37.43	1489	8.25
2007-08	2498	93.51	1174	59.86	1324	13.65
2008-09	2524	43.42	1091	36.46	1433	6.96
2009-10	2624	218.02	1078	190.64	1546	27.38
2010-11	2323	77.20	636	23.92	1687	53.28
	<b>31607</b>	<b>570.87</b>	<b>19,156</b>	<b>419.10</b>	<b>12451</b>	<b>131.77</b>

Source: Finance Accounts

### 3.3 Delays in submission of Accounts by the Autonomous Bodies

The audit of accounts of nine Autonomous Bodies<sup>1</sup> has been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature are given in **Appendix 3.2**. The delay in submission of accounts to Audit is summarised in **Table 3.3**.

**Table: 3.3 Delays in submission of accounts**

Delays in submission of accounts (in months)	No. of Autonomous Bodies	Reasons for delay
1- 6	6	Jal Sansthans at Agra, Allahabad, Chitrakoot Dham Mandal Banda, Jhansi, Kanpur and Lucknow have submitted their accounts with delay of 1-6 months.
12-18	2	Jal Sansthan Varanasi has not submitted its accounts for 2009-10. UP Khadi Gramodayog Board Lucknow and UP State Legal Services Authority, Lucknow have not submitted their accounts for 2009-10 and 2010-11.
<b>Total</b>	<b>8</b>	

Source: Records of concerned departments

Delayed submission of accounts is fraught with risk of fraud and leakage of funds. Further, placement of SAR in respect of Khadi and Gramodyog Board, Lucknow for the years ending 2004-05 and 2005-06 and UP State Legal Services Authority, Lucknow for the years ending 2006-07, 2007-08 and 2008-09 were in progress. The SARs of seven Jal Sansthans are not laid in the State Legislature.

<sup>1</sup> Jal Sanasthan at Agra, Allahabad, Chitrakoot Dham Mandal Banda, Jhansi, Kanpur, Lucknow, Varanasi, Khadi Gramodyog Board, Lucknow and UP State Legal Services Authority, Lucknow.

### 3.4 Departmental commercial/quasi commercial undertakings

Departmental commercial undertakings prepare *pro forma* accounts in prescribed format annually showing the working results of financial operations and efficiency in their business. The accounts should be submitted to the Accountant General for audit within three months from the month of closure of accounts.

As of March 2011, there were ten such undertakings in the State. Four of these had not prepared their upto date *pro forma* accounts. The departmentwise position of arrears of accounts is given in *Appendix 3.3*. The State Pharmacy of Ayurvedic and Unani Medicine and Criminal Tribes Settlement Tailoring Factory with a Government investment of ₹ 13 lakh (as per their latest accounts), had not prepared their accounts since 1988-89 and 1980-81 respectively. Similarly, *pro forma* accounts of the Public Distribution System of foodgrains with a Government investment of ₹ 2132.69 crore were not prepared for 2009-10 and 2010-11. As a result, Government investments remained beyond the scrutiny of Audit/State Legislature. Non-preparation of accounts also exposed the system to risk of fraud and leakage of funds.

### 3.5 Misappropriations, losses, defalcations etc.

As per Paragraph 82 of the Financial Rules, defalcation or loss should be immediately reported to the Accountant General even though made good by the person responsible for it.

As of 2010-11, 157 such cases involving ₹ 829.72 lakh were pending for settlement. The departmentwise break up of pending cases and their agewise analysis is given in *Appendix 3.4*. The nature of these cases is given in *Appendix 3.5*. The age profile of the pending cases under each category i.e. theft and misappropriation/loss emerging from these appendices are summarised in **Table 3.4**.

**Table 3.4: Profile of misappropriations, losses and defalcations etc.**

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakhs)	Nature/Characteristics of the cases	Number of cases	Amount involved (₹ in lakhs)
0 - 5	32	314.84	Theft	83	31.71
5 - 10	22	49.28			
10 - 15	34	62.72	Misappropriation/Loss of material	78	799.13
15 - 20	21	21.93			
20 - 25	30	36.68			
25 & above	18	344.27	Cases settled/written off during the year	4	1.12
<b>Total</b>	<b>157</b>	<b>829.72</b>	<b>Total pending cases</b>	<b>157</b>	<b>829.72</b>

Source: Records of concerned departments

Out of 161 cases involving ₹ 830.84 lakh, four cases (*Appendix 3.6*) involving ₹ 1.12 lakh were settled/written off during 2010-11 and remaining 157 cases involving ₹ 829.72 lakh were pending as of March 2011 for various reasons as listed in **Table 3.5**.

**Table 3.5: Reasons for pending cases of misappropriations, losses, defalcations etc.**

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
i	Awaiting departmental and criminal investigation	17	157.45
ii	Departmental action initiated but not finalised	85	437.79
iii	Criminal proceedings finalised but execution of cases for the recovery of the amount pending	2	0.45
iv	Awaiting orders for recovery or write off	12	6.44
v	Pending in the courts of law	41	227.59
<b>Total</b>		<b>157</b>	<b>829.72</b>

Source: Record of concerned departments

Matter was referred to the Government in October 2011. Reply is yet to be received.

### 3.6 Booking under Minor Head 800- ‘Other receipts’ and ‘Other expenditure’

A receipt of ₹ 15,070.28 crore against total receipts of ₹ 1,11,183.76 crore was classified under Minor Head ‘800-Other receipts’ in accounts. Similarly, ₹ 16,693.43 crore against the expenditure of ₹ 1,27,948 crore (Revenue: ₹ 1,07,675 crore Capital: ₹ 20,273 crore) was also classified under Minor Head ‘800-Other expenditure’. As a result, expenditure incurred under various programmes/activities of the Government and classified under Minor Head ‘800-Other expenditure’ could not be depicted distinctly in the Finance Accounts thereby affecting the correctness of the accounts.

### 3.7 Periodical adjustments and book adjustments

In accounts, there are certain transactions which are in the nature of Book Adjustment and as such do not represent actual cash transactions. Specific details, where funds were transferred from the Consolidated Fund to Public Account through book transfer, are given in *Annexure III* of Volume 1 of the Finance Accounts. The book adjustment on account of interest on State Provident Fund amounting to ₹ 1,451.77 crore includes ₹ 649.62 crore as *ad hoc* interest on G.P. Fund of Class IV employees for the year 2010-11 as the actual interest has not been received from the State Government. The matter was referred to the Government in October 2011. Reply is yet to be received.

### 3.8 Non-transfer of amount to the Central Road Fund

Government of India releases funds for Central Road Fund as grants-in-aid and accounted for under Major Head ‘1601-Grants-in-aid’. The amounts so released are required to be transferred to Major Head ‘8449-Other Deposits-103-Subventions’ from Central Road Fund after a provision in the budget is made by the State Government.

Government of India transferred ₹ 189.87 crore during 2010-11. However, as no budget provision was made during 2010-11, the amount could not be transferred to the Major Head ‘8449-Other Deposits-103-Subventions’ from Central Road Fund. The amount remained in the Consolidated Fund of the State at the end of March 2011.

### 3.9 Balances lying unspent in bank accounts

The Government provides State's share to State/district level autonomous bodies/authorities, societies, non-governmental organisations etc., for implementation of centrally sponsored/State schemes. These bodies/authorities retain such funds, outside the Government account, in their bank accounts. As the funds are generally not spent fully by the implementing agencies in the financial year of their receipt, there remain unspent balances in bank accounts. However, the amount of the balances lying unspent in the bank accounts is not readily ascertainable. Therefore, the expenditure reflected in accounts is not final to that extent.

### 3.10 Variations in cash balances

Cash Balances with Reserve Bank of India as worked out by the Accountant General (A&E) were ₹ 414.63 crore (debit) and the Cash Balance reported by Reserve Bank of India was ₹ 248.68 crore (credit) as on 31 March 2011 leading to a difference of ₹ 165.95 crore (debit). This was mainly due to incorrect reporting of transactions by the Agency Banks to the Reserve Bank of India and the Treasury Officers. The discrepancies amounting to ₹ 111.52 crore (debit) have been identified and intimated (August 2011) to the Manager, State Bank of India, Fund Settlement Link Office, Kanpur for settlement.

### 3.11 Transfer of funds to Personal Deposit Accounts

Transfer to Personal Deposit Accounts is booked as expenditure in the Consolidated Fund (service major head) of the State. The State Government is authorised to open Personal Deposit (PD) Accounts in order to deposit funds. The Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances to the Government account. However, the same was not done in respect of balances amounting to ₹ 0.43 crore (66 PD accounts) by the holders during the year. The status of PD Accounts is given in **Table 3.6**.

**Table 3.6: Status of PD Accounts**

(₹ in crore)

Head of Accounts	Opening balance as on 01.04.2010		Number of Accounts				Closing balance as on 31.03.2011	
	No.	Amount	Opened/renewed during the year		Closed during the year		No.	Amount
8443-106	78	26.81	08	0.56	12	26.94	66	0.43
Other than 8443-106	1624	2,822.24	47	78.49	84	47.40	1540	2,853.33
<b>Total</b>	<b>1702</b>	<b>2,849.05</b>	<b>55</b>	<b>79.05</b>	<b>96</b>	<b>74.34</b>	<b>1606</b>	<b>2,853.76</b>

Source: Finance Accounts

As per information received from various treasuries of the State, only 151 PD Accounts out of 1606 are reported to have been reconciled. It has been noticed that the balance of budget allocation have been seen to be withdrawn through AC Bills and deposited under earmarked PD Accounts ( Refer to item 11 of Annexure III).

### 3.12 Working of Treasury

The important irregularities on working of Treasuries noticed during the inspection by the Accountant General (A&E) are discussed in succeeding paragraph.

#### 3.12.1 Unadjusted amount drawn against Treasury Rule 27

Treasury Rule 27 provides that amount drawn under this rule shall be adjusted within three months of drawal or by the end of the financial year whichever is earlier.

During the year 2010-11 an amount of ₹ 4.67 crore of 14 department was outstanding for adjustment indicating financial mismanagement and lack of internal control as given in **Table 3.7**.

**Table 3.7: Unadjusted Amount against drawn from Treasury Rule 27**

(₹ in lakh)

Sl.N o.	Name of Department	Name of District	Amount
1	Judiciary Department	Aligarh, Azamgarh, Badaun, Balrampur, Barabanki, Bagpat, Bahraich, Bareilly, Banda, Bijnore, Bullandshar, Chandauli, Deoria, Gautambudhha Nagar, Hameerpur, Hardoi, Jaunpur, JP Nagar, Kannauj, Kanpur Nagar, Meerut, Pratapgarh, Sant Ravidas Nagar, Sant Kabir Nagar, Sultanpur,	85.69
2	Agriculture and other allied Department	Aligarh, Bagpat, Bareilly, Gorakhpur, Meerut Varanasi,	25.12
3	Education Department	Aligarh, Gautambudhha Nagar, JP Nagar,	6.47
4	Health Department	Badaun	0.45
5	Social Welfare Department	Agra, Aligarh, Badaun, Banda, Bulandshahar, Gorakhpur, Kashiram Nagar, Kannauj, Mahoba, Meerut, Saharanpur,	246.03
6	Revenue Department	Auraiya, Ambedkar Nagar, Bijnor, Mahoba	64.40
7	Home Department Police	Bulandshahar	32.34
8	Home Department	Saharanpur	0.40
9	Women and Child Welfare Department	Gorakhpur	0.05
10	Secretariate Administration Department	Kashiram Nagar	0.50
11	Transport Department	Barabanki	0.95
12	Housing Department	Saharanpur	0.41
13	Minority Welfare Department	Kanpur Nagar, Mahoba	3.09
14	Labour Department	Gorakhpur	1.10
<b>Total</b> Say ₹ 4.67 crore			<b>467.00</b>

Source: AG (A&E)-I

### 3.13: Suspense Account

Position of Suspense balances (MH 8658) show a decreasing trend since 2006-07 to 2010-11, except in the year 2009-10, in which it increased. Yearwise breakup is given in **Table 3.8**.

**Table: 3.8: Position of Suspense (MH-8658) balance during last five years**

(₹ in crore)

Year	Opening balance	Addition		Clearance		Net		Closing balance
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
2006-07	Dr.2406.17 <b>Cr.1279.25*</b>	3,09,415.27	3,30,502.54	3,24,543.69	3,45,358.14	(-) 15,128.42	(-) 14,855.60	Dr.2,133.35 <b>Cr. 1,279.25</b>
2007-08	Dr.2133.35 <b>Cr.1279.25</b>	2,36,167.89	2,64,158.82	2,52,874.35	2,80,518.71	(-)16,706.46	(-) 16,359.89	Dr.1,786.78 <b>Cr. 1,279.25</b>
2008-09	Dr.1786.78 <b>Cr.1279.25</b>	2,68,392.20	3,04,287.87	2,87,322.01	3,22,732.04	(-)18,929.81	(-) 18,444.17	Dr.1,301.14 <b>Cr. 1,279.25</b>
2009-10	Dr.1301.14 <b>Cr.1279.25</b>	3,90,967.61	4,81,897.00	4,34,347.89	5,25,431.28	(-) 43,380.28	(-) 43,534.28	Dr 1,455.14 <b>Cr. 1,279.25</b>
2010-11	Dr.1455.14 <b>Cr.1279.25</b>	4,27,774.15	4,95,464.02	4,53,704.35	5,20,183.61	(-) 25,930.20	(-) 24,719.59	Dr. 244.53 <b>Cr. 1,279.25</b>

\*Figurers in bold represent the unapportioned figures of undivided state of Uttar Pradesh as on 8.11.2000.

Source: Finance Account

Further scrutiny of the suspense balances revealed that during 2010-11 new debit items of ₹ 4,27,774.15 crore were added to suspense, which was 9.41 *per cent* more than the previous year's added debit items (₹ 3,90,967.61 crore). Similarly, new credit items increased to ₹ 4,95,464.02 crore, which was 2.82 *per cent* more than the previous years added credit items (₹ 4,81,897). During 2010-11 the debit items of ₹ 4,53,704.35 crore and credit items 5,20,183.61 crore were cleared. The clearance of debit items increased by 4.46 *percent* to previous years debit clearance, while clearance of credit items decreased by one *percent* to previous year's clearance. However, opening balance of suspense of the year 2006-07 (Dr. ₹ 2,406.17 crore) has been reduced by 89.84 *per cent* upto 2010-11 (₹ 244.53 crore) due to more clearance of suspense items against addition of new suspense items. Clearance of suspense items depends on the details furnished by the Government departments/work and forest divisions/central Ministries/PAOs/RBI etc. Matter was referred to the Government in October 2011, reply is yet to be received.

### 3.14: Accounting of amount of cheques lapsed during the year

Cheques issued during the month of March in a financial year, if not encashed by 30<sup>th</sup> April of the ensuing financial year, lapse to the Government account. Since the cheques are lapsed after 30<sup>th</sup> April therefore, it was obvious that their accounting, whatsoever, have to be done in the next financial year resulting into incomplete depiction of expenditure of the relevant year. To overcome this problem such lapsed cheques are adjusted/accounted for in March (Supplementary) accounts of the same financial year by procuring statement of cheques lapsed in all treasuries of UP during the year, from Directorate of Statistics, Government of UP.

During the course of accounting of lapsed cheques, for the entire year it was noticed that a considerable number of cheques pertaining to withdrawal/payments of advances etc. from GP Fund Accounts and Insurance Funds and also refunds of Revenue Receipts were found to have lapsed. The position of lapsed cheques for the last three years is given in **Table 3.9.**

**Table 3.9: Position of lapsed cheques during 2008-09 to 2010-11**

(₹ in crore)

Year	Total Value of cheques lapsed	Value of cheques lapsed in respect of Head '8009-State Provident Funds'	Value of cheques lapsed in respect of Head '8011-GIS'	Value of cheques lapsed in respect of Refunds of Revenue Receipts
2008-09	63.01	3.40	1.03	1.91
2009-10	55.36	3.44	1.10	3.82
2010-11	83.07	3.39	1.55	5.02

Source: Finance Accounts

### 3.15 Reconciliation of expenditure/receipts

Financial Rules stipulate that expenditure/receipts recorded in their books should be reconciled every month with that recorded in books of the Accountant General.

As against the total expenditure of ₹ 1,27,949 crore during 2010-11, reconciliation was carried out by the controlling officers for ₹ 1,24,155 crore (98 per cent) and against the total receipt of ₹ 1,11,184 crore, reconciliation was done for ₹ 1,11,001 crore (99 per cent). However, 14 controlling officers did not reconcile (2010-2011) expenditure/ receipts amounting to ₹ 3,976 crore as given in **Table 3.10**.

**Table 3.10: List of controlling officers who did not reconcile the expenditure and receipts during 2010-2011**

(₹ in crore)

Sl. No.	Controlling Officer	Amount not reconciled
<b>Expenditure</b>		
1	Secretary, Khadi and Gramodyog, Lucknow	5.81
2	Director, Agriculture, UP, Lucknow	1,387.69
3	Chief Secretary, Agriculture Education, UP Government, Lucknow	345.15
4	Secretary, Nagar Vikas Vibhag, UP, Lucknow	301.58
5	Registrar, High Court, Allahabad	384.59
6	Secretary, Naya Evam Vidhi Paramarshi, UP Government Lucknow	16.32
7	Director, Janjati Kalyan, UP,	1.97
8	Advocate General, High Court, Allahabad	0.41
9	Commissioner/Principal Secretary, Samaj Kalayan, UP Government, Lucknow	173.22
10	Secretary, Revenue, UP Government, Lucknow	696.43
11	Director, Local Bodies, UP, Lucknow	472.68
12	Director, Deen Dayal Upadhyay Gram Vikas Evam Shodh Sansthan, Bakshi-Ka-Talab, Lucknow	6.37
13	Secretary, Nagrik Suraksha Home guard & Rajnetik Pension UP Government Lucknow	0.93
<b>Total</b>		<b>3,793.15</b>
<b>Receipts</b>		
14	Registrar, High Court, Allahabad	57.36
15	Director, Agriculture, UP, Lucknow	42.44
6	Secretary, Nagar Vikas Vibhag, UP, Lucknow	76.07
17	Commissioner, Samaj Kalayan, UP Government, Lucknow	.003
18	Chief Audit Officer, Cooperative Societies & Panchayats UP, Lucknow	6.73
<b>Total</b>		<b>182.60</b>
<b>Grand Total</b>		<b>3,975.75</b>

Source: Accountant General (A&amp;E)



### 3.16 Conclusion and recommendations

The Government's compliance with various financial rules and procedures was deficient. Utilisation Certificates in respect of huge amounts were not obtained from the grantees. A large number of cases of misappropriations etc. were pending either for recovery or write off.

#### *Recommendations*

- Departmental enquiries in all the cases of misappropriations, losses, defalcations etc. should be conducted expeditiously to bring the defaulters to book. For this purpose, the internal controls in the various departments should be strengthened to prevent recurrence of such cases.
- The Government should ensure timely submission of accounts by Autonomous Bodies and utilisation certificates by the grantees.
- The Government should take necessary steps to instruct Government Departments to furnish all relevant details alongwith account to AG (A&E) so as the suspense balances may not accumulate.



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ALLAHABAD  
THE 03 JAN 2012

COUNTERSIGNED



(VINOD RAI)

Comptroller and Auditor General of India

NEW DELHI  
THE - 5 JAN 2012