

CHAPTER 3

Financial Reporting

Sound internal controls 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, including strategic planning and appropriate decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives during the year 2011-12.

3.1 Utilization certificates

3.1.1 Delay in submission of utilization certificates

Rule 8.14 of the Punjab Financial Rules Volume I stipulates that every order sanctioning a grant should specify its object clearly and time limit within which the grant is to be spent. The departmental officer drawing the grant-in-aid should be primarily responsible for certifying to the Accountant General (AG) where necessary, the fulfillment of the conditions attached to the grant and furnish the certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts & Entitlement) and the Head of the Department concerned.

It was noticed that out of the 202 Utilization Certificates (UCs) due in respect of grants amounting to ₹ 530.70 crore paid during 2006-07 to 2011-12, 202 UCs (100 per cent) amounting to ₹ 506.82 crore¹, were not furnished to the Pr. AG (A&E) as on 31 March 2012. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1*. The age-wise position of pendency in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise pendency of utilization certificates

(₹ in crore)

Range of delay in number of years	Total grants paid upto 31 March 2012		Utilization certificates pending as on 31 March 2012	
	Number of sanctions	Amount	Number of UCs	Amount
0-1	173	350.03	173	350.03
1-3	20	134.87	20	134.87
3-5	8	20.80	8	20.80
5-7	1	25.00	1	1.12
Total	202	530.70	202	506.82

Source: Office of the Pr. AG (A&E), Punjab

¹ Interim UC in respect of ₹ 23.88 crore (partial expenditure) has been received from Rural Development and Panchayats Department, however, final UC of the full grant is still outstanding. Reason for submission of UC for partial expenditure was asked (July and October 2012) from the department. However, reply was awaited (December 2012).

Out of the 202 outstanding UCs, 28 UCs involving ₹ 155.67 crore (30.72 per cent) were pending for period ranging between one and five years and one UC involving ₹ 1.12 crore pertaining to the Rural Development and Panchayats Department was outstanding since 2006-07. In the absence of UCs, it could not be ascertained whether the grants had been spent for the purposes for which they were given. On this being pointed out (October 2012), the Finance Department stated (November 2012) that all the departments were being directed to send the UCs to AG office in time on monthly basis.

3.2 Delay in submission of Accounts/Audit Reports of autonomous bodies

Five Autonomous Bodies have been set up by the State Government in the field of Legal Services, Science, Human Rights, Labour Welfare and Industries. In order to identify the institutions which attract audit under section 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971, the Government/Head of the Department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which assistance was given, and the total expenditure of the institutions. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the State Legislature is indicated in *Appendix 3.2*. The age-wise delays in submission of accounts by the Autonomous Bodies to Audit and placement of the SARs in the Legislature are given in *Table 3.2*.

Table 3.2: Detail of pending accounts/delays in submission of accounts and tabling of SARs in the Legislature as on 31 March 2012

Sr. No.	Name of the Autonomous Body	Accounts received with delay	Extent of delay in submission of accounts (in months)	Number of pending accounts	Pendency of submission of the SARs to the Legislature
1.	Punjab Legal Services Authority	2009-10	16	--	SARs for the years 2006-07 to 2008-09 were pending.
		2010-11	4		
2.	Punjab Khadi and Village Industry Board	-	-	2 (2009-10 to 2010-11)	SAR for the year 2008-09 was pending.
3.	Punjab State Human Rights Commission	2009-10	11	--	SARs for the years 2001-02 and 2004-05 to 2008-09 were pending.
		2010-11	--		
4.	Punjab Labour Welfare Board	-	-	9 (2002-03 to 2010-11)	SARs for the years 2000-01 and 2001-02 were pending.
5.	Pushpa Gujral Science City	2009-10	11	--	SARs for the years 2009-10 and 2010-11 were pending. As per MoU/PGSCA Society Rules SAR is not required to be placed in the State Legislature.
		2010-11	6		

The Accounts of two² Autonomous Bodies for the year 2010-11 were awaited as of 31 March 2012. The Punjab Labour Welfare Board has not rendered its

² Punjab Khadi & Village Industry Board and Punjab Labour Welfare Board.

accounts since the financial year 2002-03 despite repeated comments in the Report on State Finances of the Comptroller and Auditor General of India (CAG). There were delays ranging between 4 months and 16 months in submission of accounts of three³ Autonomous Bodies. As many as 12 SARs in respect of four⁴ Autonomous Bodies issued between May 2008 and January 2011 were pending to be placed before the Legislature. On this being pointed out (October 2012), the Finance Department stated (November 2012) that the instructions were being issued to the concerned bodies.

3.3 Departmental commercial undertakings

The departmental undertakings performing activities of commercial/quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working. In the absence of timely finalisation of accounts, the results of the investment of the Government remain outside the purview of State Legislature and scrutiny by the Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General for Audit within a specified time frame. As of 31 March 2012, the Punjab Roadways (Transport Department) has not prepared its accounts since 2001-02. Despite repeated comments in the earlier Reports on State Finances of the CAG about the arrears in preparation of accounts, there is no improvement so far in preparation of the proforma accounts by this undertaking. On this being pointed out (October 2012), the Finance Department stated (November 2012) that the instructions were being issued to the concerned Government undertakings.

3.4 Misappropriations, losses, thefts etc.

Rule 2.33 to 2.35 of the Punjab Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/Accountant General.

Out of 101 cases of misappropriation, theft, loss of material, etc. involving an amount of ₹ 1.50 crore pending upto 31 March 2012 or reported during 2011-12, 15 cases (₹ 3.52 lakh) have been settled during the year 2011-12 leaving 86 cases (₹ 1.46 crore) pending as on 31 March 2012. These 86 cases (₹ 1.46 crore) were pending for the last 25 years. Department-wise detail of outstanding cases upto 2011-12 is given in **Table 3.3** and age-wise profile is given in **Appendix 3.3**.

³ Punjab Legal Services Authority, Punjab State Human Rights Commission and Pushpa Gujral Science City.

⁴ Punjab Legal Services Authority, Punjab Khadi & Village Industry Board, Punjab State Human Rights Commission and Punjab Labour Welfare Board.

Table 3.3: Pending cases of misappropriation, loss, theft etc.

(₹ in lakh)

Name of Department	Cases of theft		Cases of Misappropriation/ Loss of Government material		Total	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Education	2	0.08	6	12.39	8	12.47
Elections	2	0.21	--	--	2	0.21
Home Affairs and Justice	1	6.00	71	31.13	72	37.13
Health and Family Welfare	1	0.42	--	--	1	0.42
Printing and Stationery	--	--	1	80.30	1	80.30
General Administration	--	--	1	10.00	1	10.00
DIG, BSF	--	--	1	5.92	1	5.92
Total	6	6.71	80	139.74	86	146.45

Source: Information as provided by the departments

Out of 86 cases, four cases involving amount of ₹ 0.27 lakh were sub-judice. The reasons for the delay in finalisation of pending cases of thefts, misappropriations, losses, etc. are given in **Table 3.4**.

Table 3.4: Reasons for the delay in finalisation of pending cases of misappropriation, loss, theft, etc.

(₹ in lakh)

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	7	6.49
Departmental action initiated but not finalised	10	107.86
Awaiting orders for recovery or write off	64	30.72
Pending in the courts of law	4	0.27
Criminal proceeding finalized but execution of certificated cases for the recovery of the amount pending	1	1.11
Total	86	146.45

Source: Information as provided by the departments

On this being pointed out (October 2012), the Finance Department stated (November 2012) that the instructions were being issued to the concerned departments.

3.5 Opaqueness in Government Accounts

Finance Accounts of the State Government for 2011-12 revealed that expenditure of ₹ 4,617.32 crore (13.97 per cent of the total revenue expenditure) in 62 Major Heads and receipts of ₹ 2,243.66 crore (8.55 per cent of the total Revenue Receipts) in 47 Major Heads were classified under Minor Head-800- Other Expenditure and Other Receipts. An illustrative statement in respect of 11 Major Heads (expenditure) and seven Major Heads (receipts) with substantial amounts of ₹ 4,166.07 crore and ₹ 861.38 crore respectively classified under Minor Head-800 is given in *Appendix 3.4*. The major schemes are not depicted distinctly in the Finance Accounts, though the details of these expenditure are depicted in the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government's Accounts.

Classification of large amounts booked under the minor heads '800-Other receipts/expenditure' affects the transparency/fair picture in the financial reporting.

On this being pointed out (October 2012), the Finance Department stated (November 2012) that the matter had been taken up with all the departments to take corrective measures.

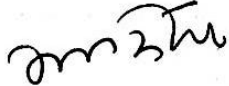
3.6 Conclusion

Internal controls within the State Government Departments are not functioning as envisaged with regard to compliance with various rules and procedures instituted by the Government. In the absence of compliance with the basic requirement of compilation of accounts by the Government undertakings and autonomous bodies, financial reporting cannot be taken as accurate and reliable. Classification of large amounts booked under the minor heads '800-Other receipts/expenditure' affected the transparency/fair picture in the financial reporting.

3.7 Recommendations

- *Submission of Utilization Certificates should be ensured.*
- *Submission of the pending accounts by the autonomous bodies should be expedited.*
- *Departmental enquiries in cases of mis-appropriation, theft, etc. need to be expedited and the internal control system should be strengthened to prevent recurrence of such cases.*
- *In order to ensure greater transparency in financial reporting, large amount received or expended under various schemes should be depicted in accounts distinctly instead of clubbing the same under minor head '800-Other receipts' or '800-Other expenditure'.*

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