

Chapter

III

FINANCIAL REPORTING

A sound internal financial reporting system based on compliance with financial rules is one of the attributes of good governance. This Chapter provides an overview and status of the State Government's compliance with various financial rules during the year 2011-12.

3.1 Delay in furnishing of Utilisation Certificates

3.1.1 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 (Accounts and Entitlement) not later than 18 months from the date of sanction of the grant.

The position of outstanding utilization certificates against Grants-in-aid sanctioned to the various organizations upto 2011-12 is given in **Table 3.1**.

Table 3.1: Outstanding utilization certificates

Periods	Number of outstanding utilisation certificates	Amount (₹ in crore)
Upto 2009-10	15,757	6,703.35
2010-11	13,009	6,579.84
2011-12	20,132	7,546.70
Total	48,898	20,829.89

Source: Finance Accounts

Thus, 48,898 utilisation certificates involving ₹ 20,829.89 crore were outstanding at the close of 2011-12.

3.1.2 Relevant data/information about submission of the utilization certificates were collected (September 2012) from 18 Departments. We during scrutiny of the data/ information noticed that the utilisation certificates for an aggregate amount of ₹ 4,591.94 crore (paid up to 2010-11) were in arrears as of September 2012. The Department wise break-up of the outstanding utilisation certificates is given in **Appendix 3.1** and the age-wise delay in their submission is summarised in **Table 3.2**.

Table 3.2: Age-wise Arrears of Utilisation Certificates

Sl. No.	Range of delay in number of years	Total grants paid		U Cs outstanding	
		Number	Amount	Number	Amount
1	0 - 1	762	4,235.91	263	1,503.25
2	1 - 3	1,613	5,202.99	785	2,855.48
3	3 - 5	1,012	308.80	474	232.92
4	5 - 7	6	0.86	3	0.29
Total		-	9,748.56	1,525	4,591.94

Source: Records of concerned Departments

Agriculture and Other Allied Departments (*Panchayati Raj*) paid grants for an aggregate amount of ₹ 1,822.91 crore during 2008-09 and ₹ 173.80 crore during 2007-08 to the District Panchayat Raj Officers. However, the utilisation certificates in respect of these Grants-in-Aid were not received even after lapse of three and four years respectively.

Other major Departments in default were Urban Development & Poverty Alleviation Programme Department (State Urban Development Agency) (₹ 189.10 crore), Dairy Development Department (₹ 102.80 crore), Social Welfare Department (₹ 79.98 crore), Women Welfare Department (₹ 21.98 crore) and Social Welfare Department (Scheduled Tribe Development) (₹ 13.13 crore).

3.2 Detailed Contingency Bills

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

However, we noticed that 10,939 AC Bills involving ₹ 157.54 crore were outstanding at the end of March 2012. The year-wise details of pendency in submission of DC Bills against AC Bills are given in **Table 3.3**.

Table 3.3: Outstanding Abstract Contingent Bills

(₹ in crore)

Year	AC Bills drawn		DC Bills Received		Outstanding AC Bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2009-10	10764	78.49	2122	1.34	8642	77.15
2010-11	1687	53.28	232	12.31	1455	40.97
2011-12	1247	100.41	405	60.99	842	39.42
Total	13698	232.18	2759	74.64	10939	157.54

Source: Finance Accounts

We during test check of records of the Regional Office, Uttar Pradesh Board of Secondary Education, Allahabad observed (August 2012) that ₹ 28.13 lakh was drawn to meet the expenditure for conducting annual examination of 2011-12. Of this the Detailed Contingency bills involving ₹ 21.31 lakh had not been submitted by the DDO as of August 2012. Likewise, Abstract Contingent bills involving ₹ 12.68 lakh and ₹ 14.10 lakh were drawn by Uttar Pradesh Board of Secondary Education in 2010-11 and 2011-12 respectively against which Detailed Contingent bills involving ₹ 6.05 lakh and ₹ 8.25 lakh respectively were pending as of August 2012. We during scrutiny of records of the Directorates of Basic Education, Secondary Education and Higher Education also observed that Detailed Contingent bills were submitted with delays ranging from one to eight months during 2009-12. This indicated lax financial management and absence of effective internal control.

The matter was referred to the Government (September 2012), the reply is awaited (November 2012).

3.3 Delay in Submission of Accounts by the Autonomous Bodies

The audit of accounts of nine Autonomous Bodies¹ has been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit,

¹ Jal Sansthans at Agra, Allahabad, Chitrakoot Dham Mandal, Banda, Jhansi, Kanpur, Lucknow, Varanasi; Khadi Gramodyog Board, Lucknow and Uttar Pradesh State Legal Services Authority, Lucknow.

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 summarized in **Table 3.4**.

Table: 3.4 Delays in Submission of Accounts

Delays in Submission of Accounts (in months)	No. of Autonomous Bodies	Reasons for delay
1- 12	5	Jal Sansthans at Agra, Chitrakoot Dham Mandal Banda, Jhansi, Kanpur and Lucknow have submitted their accounts with delays of 1-12 months.
12-24	2	Jal Sansthans at Allahabad and Varanasi have submitted their accounts with delays of 12-24 months.
Above 24	2	Uttar Pradesh Khadi Gramodyog Board, Lucknow and Uttar Pradesh State Legal Services Authority, Lucknow have not submitted their accounts for the years 2009-10, 2010-11 and 2011-12.
Total	9	

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 UP State Legal Services Authority, Lucknow for the years ending 2006-07, 2007-08 and 2008-09 were in arrears.

3.4 Departmental Commercial/Quasi Commercial Undertakings

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

As of March 2012, there were ten such undertakings in the State. Six of these had not prepared their upto date *proforma* accounts. The department-wise 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, *proforma* accounts of the Public Distribution System of foodgrains with a Government investment of ₹ 2,131.07 crore were not prepared for 2009-10 to 2011-12 and *proforma* account of Irrigation Works Division, Allahabad and Jhansi with a Government investment of ₹ 5.05 crore were not prepared for 2011-12. As a result, Government investments remained beyond the scrutiny of Audit/State Legislature. Non-preparation of accounts also exposed the entity to risk of fraud and leakage of funds. The matter was referred to the Government (September 2012); the reply is awaited (November 2012).

3.5 Misappropriations, Losses, Defalcations etc.

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

As of 2011-12, 159 such cases involving ₹ 890.41 lakh were pending for settlement. The Department-wise break up of pending cases and their age-wise analysis is given in *Appendix 3.4*. The nature of these cases is also given in *Appendix 3.5*. The age-profile of the 159 pending cases under each

category i.e. theft and misappropriation/ loss emerging from these appendices are summarised in **Table 3.5**.

Table 3.5: Profile of Misappropriations, Losses and Defalcations etc.

Age-profile of the pending cases			Nature of the pending cases		
Years ranging	Number of cases	Amount involved (₹ in lakhs)	Nature/ Characteristics of the cases	Number of cases	Amount involved (₹ in lakhs)
0 - 5	36	359.56	Theft	84	45.28
5 - 10	23	53.78			
10 - 15	29	24.56	Misappropriation/Loss of material	82	848.45
15 - 20	25	68.31			
20 - 25	27	39.23			
25 & above	19	344.97	Cases settled/written off during 2011-12	5	3.32
Total	159	890.41	Total pending cases	159	890.41

Source: Records of concerned departments

We during analysis of the Table observed that out of 164 cases involving ₹ 893.73 lakh, five cases (*Appendix 3.6*) involving ₹ 3.32 lakh were settled/written off during 2011-12 and the remaining 159 cases involving ₹ 890.41 lakh were pending as of March 2012 for various reasons as listed in **Table 3.6**.

Table 3.6: Reasons for Pending cases of Misappropriations, Losses and Defalcations etc.

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
i	Awaiting departmental and criminal investigation	20	167.78
ii	Departmental action initiated but not finalised	79	471.75
iii	Criminal proceedings finalised but execution of cases for the recovery of the amount pending	7	14.32
iv	Awaiting orders for recovery or write off	11	5.03
v	Pending in the courts of law	42	231.53
Total		159	890.41

Source: Records of concerned Departments

3.6 Booking under Minor Head 800-‘Other Receipts’ and ‘Other Expenditure’

For correctness of the accounts, expenditure incurred on various programmes / activities of the Government should be classified under that programmes/ activities. However, we during scrutiny observed that receipts of ₹ 17,217.69 crore (10 per cent) against total receipts of ₹ 1,30,869.70 crore was classified under Minor Head ‘800-Other receipts’ in accounts. Similarly, ₹ 16,211.32 crore against expenditure of ₹ 1,45,459 crore (Revenue: ₹ 1,23,885 crore; Capital: ₹ 21,574 crore) was also classified under Minor Head ‘800-Other expenditure’. Some of such cases are given in **Table 3.7**.

Table 3.7: Booking under Minor Head 800- ‘Other Receipts’ and ‘Other Expenditure’

Particulars	Receipts		Expenditure	
	Amounts (₹ in crore)	Heads of accounts	Amounts (₹ in crore)	Heads of accounts
100 per cent and above	189.67	1456, 0023, 0217, 0575, 0801	4113.10	2801, 4070, 2705, 2407, 4853, 5053
Between 75 per cent and 99 per cent	5,055.55	0852, 1452, 0235, 0406, 0230, 0075, 0059, 0070	255.23	2575, 2700
Between 50 per cent and 74 per cent	9,810.21	1054, 0029, 0403, 0515, 1601	1298.62	2405, 4406, 4235, 2425, 4575
Below 50 per cent	1014.24	0202, 0055, 0435, 0702, 0401	2491.40	4401, 2501, 2040, 3054, 2013, 2702, 2852, 2401, 2070, 2075

Source: Finance Accounts

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. To ensure the correctness, the Government should ensure that receipts and expenditure are classified under appropriate heads.

3.7 Non-transfer of Amount to the Central Road Fund

GoI releases funds for Central Road Fund as grants-in-aid which is 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.

GoI transferred grants-in-aid of ₹ 210.25 crore to the Central Road Fund during 2011-12 for construction of road. However, as no budget provision was made during 2011-12 by the Government, 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 2012.

3.8 Variation in Cash Balances

As on 31 March 2012, the Cash Balances with Reserve Bank of India as worked out by the Accountant General (Accounts and Entitlement) were ₹ 619.34 crore (credit) and the Cash Balance reported by Reserve Bank of India was ₹ 839.85 crore (debit) leading to a difference of ₹ 220.51 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 ₹ 220.51 crore (debit) have been identified by the Agency Banks and the Treasury Officers and intimated (July, 2012) to the Manager, State Bank of India, Fund Settlement Link Office, Kanpur for settlement.

3.9 Transfer of Funds to Personal Deposit Accounts

Transfer of funds to Personal Deposit (PD) Accounts is booked as expenditure in the Consolidated Fund (Service Major Head) of the State. The Government is authorised to open PD Accounts in order to deposit funds. The Administrators of the PD Accounts are required to close such accounts on the last working day of the year and transfer unspent balances to the Government account. However, the same was not done in respect of balances amounting to ₹ 0.25 crore (60 PD accounts) by the holders during the year. The status of operating PD Accounts is given in **Table 3.8**.

Table 3.8: Status of Personal Deposit Accounts

Head of Accounts	Opening balance as on 01.04.2011		Number of Accounts				Closing balance as on 31.03.2012	
			Opened/renewed during the year		Closed during the year			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
8443-106	66	0.43	Nil	Nil	6	0.18	60	0.25
Other than 8443-106	1, 540	2, 853.33	Nil	Nil	28	1, 519.72	1,512	1, 333.61
Total	1, 606	2, 853.76	Nil	Nil	34	1, 519.90	1, 572	1, 333.86

Source: Finance Account

As per information received (2011-12) from treasuries, 508 out of 1,572 PD Accounts have been reconciled. It was noticed that the balance of budget allocations were withdrawn through AC Bills and deposited under earmarked PD Accounts. Test check of Personal Ledger Accounts of Uttar Pradesh *Jal Nigam*, Lucknow and Uttar Pradesh Police *Avas Nigam*, Lucknow revealed that:

- ₹ Two crore was sanctioned (2006-07) for the Director, Local Bodies, Lucknow and deposited in the Personal Ledger Accounts of Uttar Pradesh *Jal Nigam*, Lucknow. The amount remained unutilized and was ultimately transferred (March 2012) to the Government account after five years.
- ₹ 12.59 crore remained deposited for varying periods in the Personal Ledger Accounts of Uttar Pradesh Police *Avas Nigam*, Lucknow, pertaining to various activities. The amount remained unutilized and was ultimately transferred to the Government account in 2011-12.

3.10 Reconciliation of Expenditure

With a view to ensuring that the departmental accounts are sufficiently accurate etc. Paragraph 124 of the Budget Manual stipulate that department figures of expenditure recorded in the books of the controlling officers should be reconciled with the amounts recorded in books of the Accountant General (Accounts and Entitlement).

We observed that as against the total expenditure of ₹ 1,46,435 crore during 2011-12, reconciliation was carried out by the controlling officers for ₹ 1,44,635 crore (99 *per cent*). However, 10 controlling officers did not reconcile (2011-2012) expenditure amounting to ₹ 824.25 crore as given in **Table 3.9**.

Table 3.9: List of controlling officers who did not reconcile the expenditure during 2011-2012

		(₹ in crore)
Sl. No.	Controlling Officers	Amount not reconciled
Expenditure		
1	Commissioner, Waqf, Uttar Pradesh, Lucknow	1.22
2	Principal Secretary, Uttar Pradesh Council of Agricultural Research, Lucknow	284.96
3	Secretary, Nagar Vikas Vibhag, Uttar Pradesh, Lucknow	20.28
4	Registrar, High Court, Allahabad	45.31
5	Secretary, Technical Education, Uttar Pradesh, Lucknow	3.97
6	Commissioner/Principal Secretary, Social Welfare, Uttar Pradesh Government, Lucknow	17.69
7	Director, Local Bodies, Uttar Pradesh, Lucknow	169.22
8	Secretary, Planning Department, Uttar Pradesh, Lucknow	35.30
9	Secretary, Housing and Urban Planning Department, Uttar Pradesh Government, Lucknow	243.29
10	Secretary, Forest Department, Uttar Pradesh Government, Lucknow	3.01
Total		824.25

Source: Accountant General (A&E)

Non reconciliation of expenditure by the controlling officers indicated deficient financial management.

3.11 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. Detailed Contingent bills against Abstract Contingency bills involving huge amounts were also outstanding at the close of the financial year. Apart from these, 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 the accounts by the Autonomous Bodies and the utilisation certificates by the grantees.

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ALLAHABAD
THE 19 DEC 2012

COUNTERSIGNED

(VINOD RAI)

Comptroller and Auditor General of India

NEW DELHI
THE 28 DEC 2012