

Chapter III Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance. The reports on compliance and controls, if operational, accurate and effective, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. It contributes to accurate, fair and transparent depictions of the financial and operational health of the State Government and its various instrumentalities like local bodies, autonomous bodies etc.

This chapter provides an overview and status of compliance of various broad significant financial rules, procedures and directives in so far as financial reporting is concerned by the State Government and its various subordinate offices during the current year.

3.1 Delay in furnishing Utilisation Certificates

General Financial and Accounts Rules (GF&AR), envisages that for the grants provided for specific purpose, Utilization certificates (UCs) should be obtained by the departmental officers from the grantees and after verification these should be forwarded to the Principal Accountant General (Accounts and Entitlement) within 12 months from the date of their sanction unless specified otherwise. However, 135 UCs aggregating to ₹ 22.20 crore were outstanding in respect of grants paid during the period 1997-98 to 2013-14. The Department wise break up of outstanding UCs is given in **Appendix 3.1**. The age-wise position of delay in submission of UCs is summarised in **Table 3.1**:

Table 3.1: Outstanding Utilisation Certificates

Range of Delay in number of years	Utilisation Certificates outstanding as on 30 June 2015	
	Number	Amount
0-1	48	1.65
1-3	49	14.57
3-5	31	2.65
5-7	02	3.21
7 and above	05	0.12
Total	135	22.20

Source: Finance Accounts and vouchers compiled by PAG (A & E), Rajasthan.

Almost 97 per cent of the outstanding amount of UCs mainly pertained to Science and Technology Department (102 UCs: ₹ 16.23 crore) and Family Welfare Department (3 UCs: ₹ 5.20 crore). It was observed that (i) UCs awaited from Science and Technology Department included 6 UCs of ₹ 9.51 crore which were outstanding from 2012-13 due to belated supply of Reverse

Osmosis Plants equipments resulting in delay of installation and (ii) the UCs of ₹ 5.20 crore were awaited from the Panchayati Raj Department for which the funds were sanctioned during 2007-10 on account of Family Welfare Incentive award.

Non-submission of UCs within the stipulated period indicates systemic deficiency in utilisation of grants by the Departments and is fraught with financial mismanagement.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Section 14 of the CAG's (DPC) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year the detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulation 84 of the Regulation on Audit and Accounts, 2007 provides that Governments and Heads of the 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.

Out of 198 accounts received during the year 2013-14, accounts of 87 bodies/authorities attracted audit by CAG of India. Of these, accounts of 41 bodies/ authorities were audited up to June 2015. The details of the pendency in receipt of accounts in respect of the bodies and authorities who received grants during preceding year from various Government Departments are given in *Appendix 3.2* and their age-wise pendency is as follows:

Table 3.2 Age-wise arrears of Annual Accounts due from Bodies/ Authorities

Delays in number of years	Number of Bodies/ Authorities	Grants received during preceding year (₹ in crore)	Expenditure incurred during preceding year (₹ in crore)
0-1 year	15	74.48	76.13
1-3 years	19	107.19	204.62
3-5 years	02	2.21	4.24
More than 5 years	02	NA	NA
Total	38	183.88	284.99

It would be seen that delay in submission of accounts by 21 bodies/authorities ranged between one and five years. It was also seen that no department had furnished the purposes for which the assistance was sanctioned. Consequently,

audit could not provide assurance to the Legislature/Government, the manner in which the sanctioned grant was utilised, specifically on the issues of diversion or misutilisation.

85 annual accounts in respect of 38 autonomous bodies/authorities, out of total 111 due up to 2013-14, had not been received as of June 2015.

3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Four¹ autonomous bodies have been set up by the State Government in the field of legal aid, human rights, development of *Khadi* and welfare of construction workers. These bodies are audited by the CAG of India. The audit of accounts of Rajasthan *Khadi* and Village Industries Board in the State has been entrusted to the CAG under section 20(1) of the CAG's (DPC) Act, 1971, while the audit of other three bodies have been entrusted to the CAG as per provision in their respective Acts.

The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Report and its placement in the legislature is indicated in **Appendix 3.3**. It would be seen that there was delay in submission of accounts in all the four bodies ranging from 2 to 14 months for the accounts 2013-14 and 2014-15.

3.4 Departmentally managed commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of March 2015, out of 10 only 8 such undertakings have prepared and submitted their accounts up to 2013-14. The department-wise position of preparation of *pro forma* accounts and investment made by the Government is given in **Appendix 3.4**.

¹ Rajasthan *Khadi* and Village Industries Board, Rajasthan State Human Rights Commission; Rajasthan State Legal Services Authority and Rajasthan Building and other Construction Workers Welfare Board, Jaipur.

3.5 Misappropriations, losses, defalcations etc.

Rule 20 of GF&AR (Part-I) provides that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the officer concerned to the next higher authority as well as to the PAG.

State Government reported 908 cases under various departments, of misappropriation (335) and theft/loss (573) of government money amounting to ₹ 56.81 crore up to 31 March 2015, on which final action was pending (June 2015). The department-wise break up of pending cases and age-wise analysis is given in *Appendix 3.5* and nature of these cases is given in *Appendix 3.6*. The age profile of pending cases and the number of cases pending in each category of theft/loss and misappropriation as emerged from these appendices are summarised in the **Table 3.3**:

Table 3.3: Profile of misappropriation, 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 of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	216	2632.03	Theft/loss of material	573	1240.14
5-10	224	1167.03	Misappropriation/ embezzlement	335	4440.48
10-15	209	995.35			
15-20	133	533.78			
20-25	69	230.69	-	-	-
25 and above	57	121.74	-	-	-
Total	908	5680.62	Total pending cases	908	5680.62

Source: Information received from the Departments

Reasons for pendency of outstanding cases are classified in following table:

Table 3.4: Classification of reasons for delay of outstanding cases of misappropriations, losses, defalcations etc.

Reasons for Delay	Number of cases	Amount (₹ in lakh)
Awaiting departmental and criminal investigation	261	2221.68
Awaiting orders for recovery/write off	569	2942.24
Pending in the courts of law	78	516.70
Total	908	5680.62

Source: Information received from the Departments

3.6 Personal Deposit Accounts

Rule 260(1) of General Financial and Accounts Rules (GF & AR) provides that no money shall be received for deposit in the government accounts unless they are such as by virtue of any statutory provisions or of any general or special orders of the government are required or authorized to be held in the custody of the government.

During 2014-15, an amount of ₹ 21,504.36 crore was transferred to/deposited in Personal Deposit (PD) Accounts, comprising 19.4 *per cent* of total expenditure of ₹ 1,10,645 crore. Of this, ₹ 2,742.78 crore was transferred to/deposited in March 2015 alone and ₹ 1,340.88 crore (₹ 1,162.89 crore on Revenue and ₹ 177.99 crore on Capital) was transferred in last three working days of March 2015. Transfer of significant amount during last days of March indicate inadequate budgetary control.

The position of the PD Accounts of State Government, as on 31 March 2015 was as under:

(₹ in crore)

Particulars	Receipt	Disbursement	Number of Accounts	Amount
Operative PD Accounts	21,504.36	21,527.41	1,459	2,838.65
Inoperative PD Accounts*	12	0.20
Total	21,504.36	21,527.41	1,471	2,838.85

*Inoperative for more than five years

There was unspent balance of ₹ 2,838.85 crore in 1,471 PD accounts during 2014-15 which included three² PD Accounts having balances more than ₹ 100 crore and above, constituting ₹ 1,007.40 crore 35.49 *per cent* of total unspent balances in all PD Accounts. Review of position of PD Accounts held by various departments of State Government revealed the following major deficiencies/irregularities:

(1) Inoperative PD Accounts

Rule 98 of Rajasthan Treasury Rules, 2012 envisages that every year in the month of April, the Treasury Officer shall review the PD Accounts in operation at the treasury and sub-treasuries under its control and prepare a list of accounts which have remained inoperative continuously for preceding five financial years for sending to the Finance (Ways & Means) Department, along

² (a) Rajasthan Urban Infrastructure Financial Development Corporation, Jaipur (Secretariat) (₹ 560.90 crore), (b) Managing Director, Rajasthan Computer Info Services Limited, Jaipur (Secretariat) (₹ 306.31 crore), (c) Rajasthan Medical Services Corporation Limited, Jaipur (Secretariat) (₹ 140.19 crore).

with necessary particulars and showing the balance standing at the credit of accounts, for conveying permission to close such accounts.

As of 31 March 2015, 12 PD Accounts totaling ₹ 20.14 lakh (*Appendix 3.7*) were inoperative for the last five years (2010-15), out of which 3 PD Accounts of Rafalls University, Neemrana, Alwar; Superintendent Engineer, Urban Infrastructure Development Project, Bikaner and Higher Education Academy for Research and Training, Jaipur, Secretariat had balances of ₹ 5 lakh, ₹ 5 lakh and ₹ 3.17 lakh respectively. Treasury Officer, Alwar and Bikaner intimated that the proposals have been forwarded to Finance (Ways and Means) Department for closure of inoperative accounts.

(2) Drawl of money from PD Accounts despite negative balances

According to Rule 264(1)(iii) GF & ARs payment shall on no account be allowed to exceed the balance at credit on the deposit account.

During 2014-15, minus balances of ₹ 9.49 crore were found in six PD Accounts as shown below:

(₹ in crore)					
S. No.	Name of DDO	Treasury	PD Account No.	Amount (minus balances)	Number of DDO/PD Account
1.	New Pension Scheme (NPS)	Baran	479	0.43	01
2.	District Ayurved Officer	Baran	480	0.01	01
3.	New Pension Scheme (NPS)	Churu	479	1.87	01
4.	T.O., LIC of India	Jaipur (City)	3494	6.49	01
5.	Repayment of HBA for HDFC	Jaipur (City)	3637	0.66	01
6.	Repayment of HBA for SBBJ	Jaipur (City)	3638	0.03	01
Total				9.49	06

This indicates systematic deficiencies in operation and maintenance of PD Accounts which is fraught with the risk of financial misappropriation and mismanagement.

Reply of the State Government is awaited (September 2015).

3.7 Booking under Minor Head “800-Other Expenditure”

One crucial component of a transparent system of accounting is that the forms of account in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure on all major activities of the Government in a transparent manner to meet the basic information needs of all the important stakeholders.

Minor Head '800-Other Expenditure' is intended to be operated when the appropriate Minor Head has not been provided in the accounts. Scrutiny of Finance Accounts 2014-15 of Government of Rajasthan disclosed that ₹ 7,500.85 crore, constituting 6.78 *per cent* of the Total Expenditure (Revenue and Capital) recorded under 57 Major Heads of Accounts (representing functions of the Government) were classified under the Minor Head '800-Other Expenditure'.

The major schemes in respect of which expenditure was not depicted distinctly in the Finance Accounts but were rolled up under the Minor Head '800-Other Expenditure' are summarised below:

		(₹ in crore)
S. No.	Name of scheme	Amount
1.	Major irrigation projects under IGNP	440.31
2.	National Agriculture Development Project	445.05
3.	Capital Outlay on District and Other Roads	1,672.21
4.	Investment subsidy under Taxes on Sales, Trade etc	174.64
5.	Interest Grant to good debtors of Cooperatives under Cooperation	260.04
6.	Capital Outlay on Urban Development	133.98
7.	District and Other Roads	669.87
8.	Agriculture input grant for Small and marginal farmers for agriculture crops, horticulture crops and annual lease crops	387.53
9.	Agriculture input grant except for small and marginal farmers	218.33
10.	Expenditure on Panchayat Election	123.29
11.	National Rural Health Mission	774.71
12.	Major irrigation project under Nabada Projects	210.81
13.	Capital Outlay on Crop Husbandry	207.51

Though, details of these expenditure are depicted at sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government accounts, yet large amounts booked under the Minor Head '800-Other Expenditure' affect transparency in financial reporting.

3.8 Book Adjustments

In general, the Accounts of State represents the actual cash receipts and disbursements during the accounting period. However, during 2014-15, book adjustments involving ₹ 8,169.29 crore in 60 items³ were effected by transfer from Consolidated Fund to Public Account and *vice versa*. The book adjustments mainly pertained to Interest on balance of State Provident Fund, Interest on Capital Expenditure on Irrigation Projects, Expenditure on drought and flood etc. met from State Disaster Response Fund, Transfer of Central and State share to State Disaster Response Fund, Interest on balance of Life Insurance Fund, Guarantee Fees transfer to Guarantee Redemption Fund.

³ Details of the items are given in the Finance Accounts (Volume-I) Government of Rajasthan-2014-15.

3.9 Reconciliation of Receipt and Expenditure

As per Rule 11(3) of GF&AR, all controlling officers are required to reconcile the receipt and expenditure figures of the State Government with the figures accounted for by the PAG (A & E).

During 2014-15, hundred per cent reconciliation of (i) total expenditure of ₹1,16,605.48 crore (net) by their 406 controlling officers (ii) total receipts of ₹91,341.48 crore (including Miscellaneous Capital Receipts) by their 156 controlling officers, has been done.

3.10 Outstanding balances under Suspense Accounts

According to List of Major and Minor Heads of Account of Union and States, certain intermediary/adjusting heads of accounts known as “Suspense” heads are operated in Government accounts to reflect transaction 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 amounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government’s receipts and expenditure accurately.

The ledger of suspense balances is to be maintained by Pay and Accounts Office (PAOs) sub/detailed head-wise, as may be necessary.

The aggregate net balance under the Major Heads “8658-Suspense Accounts” in the Finance Accounts of the Government of Rajasthan was ₹ 11.26 crore (Debit) as on 31 March 2015 which was reduced by ₹ 21.53 crore from ₹ 10.27 crore (Credit) in 2012-13. The reduction was mainly under PAO-Suspense (₹ 35.77 crore) which was counterbalanced by increase in net credit balances under Tax Deducted at Source (TDS) Suspense (₹ 13.51 crore) in 2014-15 in comparison to 2012-13.

The Finance Accounts reflect the net balances under Suspense accounts and, therefore, the real magnitude of balances outstanding under these heads does not get reported in the annual accounts of the Government presented to the State Legislature. The position of suspense balances under “8658-Suspense Accounts” for the last three years is given in **Appendix 3.8**.

3.10.1 Pay and Accounts Office- Suspense

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. In

March 2015, the outstanding debit balance under this head was ₹ 47 crore and the credit balance was ₹ 1.37 crore. The details of outstanding balances mainly with "PAO Suspense" are summarised below:

(₹ in crore)

S. No.	Name of Department	Amount	
		Debit	Credit
1.	PAO Central Pension Accounting Officer Ministry of Finance, New Delhi	27.31	-
2.	PAO (National Highways) Ministry of Road, Transport and Highways, Jaipur	18.99	0.16
3.	PAO (ERIS and Banking) Department of Economic Affairs, Ministry of Finance, New Delhi	0.47	-
4.	PAO Electoral Office Ministry of Law and Justice, New Delhi	-	1.06
5.	PAO (Legal Affairs) Ministry of Law and Justice and Supreme Court of India, New Delhi	0.20	0.14

Source: Finance Accounts

The above table indicates that the payments made (Debit) or received (Credit) by these departments/ministries on behalf of other PAOs were yet to be recovered/paid by them as on 31 March 2015. The debit and credit balance under "PAO suspense" and their continuous accumulation indicated significant control deficiencies.

3.10.2 Suspense Account (Civil)

This transitory minor head is operated for accounting of transactions, which for want of certain information/documents like vouchers, challans etc., cannot be taken to the final head of expenditure or receipt.

The outstanding balance under this minor head as on 31 March 2015 was ₹ 2.26 crore (Debit) and ₹ 0.19 crore (Credit), indicating the net receipt and expenditure of ₹ 2.07 crore. The details of outstanding balances mainly with "PAO Suspense" are summarised below:

(₹ in crore)

Sl. No.	Name of Department	Amount	
		Debit	Credit
1.	Controller of Defence Accounts (Pension), Allahabad	1.02	0.01
2.	Controller of Defence Accounts (Southern Command), Pune	0.34	-
3.	House Building Advance Suspense under Director, Postal Accounts, Kolkata	0.70	(-) 0.02
4.	Unclassified suspense	0.20	0.21

Source: Finance Accounts

The above table indicates that the payments made (Debit) or received (Credit), required to be handled individually for settlement, had not been booked to their final heads of accounts. Further, as per Finance Accounts the balances of ₹ 1.36 crore (Debit) and ₹ 0.01 crore (credit) were outstanding with Defence

Accounts since 1977-78 and balance of ₹ 0.70 crore (Debit) and (-) ₹ 0.02 crore (Credit) was outstanding for House Building Advance Suspense with Postal Accounts, Kolkata since 1969-70. These old balances have already been reported through State Finances Reports as well as the Finance Accounts for past few years. However, action for rectification is still pending.

3.10.3 Material Purchase Settlement Suspense Account

The cost of stores received either by purchase or through inter-divisional transfers, shall be accounted for initially under this suspense head in all cases where the payment had not been made in the same month of receipt of stores. This head should be cleared by a contra entry (*minus* credit) on making payment to the supplier/Division supplying stores. Unclaimed balances for more than three complete accounting years under this minor head should be cleared by credit to revenue.

The outstanding balance was (-) ₹ 3.13 crore (Credit) as on 31 March 2015 under this minor head for want of adjustment of Store Purchase. The uncleared credit balance indicates lack of significant controls in the Government.

3.11 Conclusions and Recommendations

Non-submission of utilisation certificates of ₹ 22.20 crore indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes. Instances of non-submission of utilisation certificates involving huge amount, were noticed in test check in Science and Technology Department (₹ 16.23 crore) and Family Welfare Department (₹ 5.20 crore).

Issues holding up submission of UCs should be identified to ensure their submission within the time stipulated.

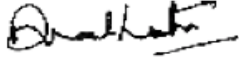
There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. In respect of 38 autonomous bodies/authorities, auditable under section 14 of CAG's (DPC) Act 1971, accounts were in arrears for the last one to eleven years.

In order to clear the arrears of accounts in a time-bound manner, the Controlling Departments may analyse the reasons for delay in finalisation of accounts of autonomous bodies/authorities and take suitable remedial measures.

Out of 908 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 56.81 crore, departmental and criminal investigation was awaited in 261 cases involving ₹ 22.22 crore. Further, orders for recovery/write off in 569 cases involving ₹ 29.42 crore were also awaited, which indicates lack of initiative on the part of the Government to fix accountability.

Departmental enquiries in all fraud and misappropriation cases should be expedited. The internal controls in all the organisations should be strengthened to prevent recurrence of such cases.

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