

Chapter-3

Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by a 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. In the following observations, status of Delhi Government's compliance with various financial rules, procedures and directives has been discussed:

3.1 Delay in furnishing Utilization Certificates

As per the information furnished by the Principal Pay and Account Office, Delhi Government, UCs were submitted with delay ranging from 2 years to 10 years and above as given below:

Table 3.1

Age wise delay in submission of Utilization Certificates

(₹ in crore)

Sl. No.	Range of delay (in number of years)	Grants released		Utilization certificates outstanding	
		Number	Amount	Number	Amount
1	0-2	761	10398.67	377	4823.39
2	2-4	385	4371.62	337	2592.84
3	4-6	319	3025.13	309	3011.14
4	6-8	1303	2027.37	1294	2025.14
5	8-10	200	960.34	200	960.34
6	10 & above	2267	5651.17	2267	5651.17
	Total	5235	26434.30	4784	19064.02

The above table showed that 5235 number of grants amounting to ₹ 26,434.30 crore were released up to 31 March 2013. Out of which UCs for 4784 number of grants amounting to ₹ 19,064.02 crore were outstanding as on 31.3.2014. UCs for 2267 number of grants amounting to ₹ 5,651.17 crore were outstanding for more than 10 years.

The major defaulter was the Urban Development Department contributing ₹ 17,415.91 crore (91.35 per cent) of the arrears. The erstwhile Delhi Vidyut Board¹ did not furnish UCs of the grants received from Department of Urban Development. Further, Land and Building Department of DDA also did not furnish the UCs for the grants received.

¹ With effect from 01.07.02, Delhi Vidyut Board was unbundled into six successor companies: DPCL (holding company), DTL, IPGCL, BRPL-Discom, BYPL-Discom and NDPL-Discom

3.2 Audit of the bodies/ authorities

(a) Several bodies/authorities are working in the field of Urban Development, Labour Welfare, Legal Services, etc. The audit of nine bodies/authorities has been entrusted to the CAG under Section 19 and 20 of the CAG (DPC) Act, 1971. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports is indicated in **Appendix 3.1**. Out of nine² bodies/authorities, the annual accounts of only four³ bodies/authorities upto the year 2012-13 were received.

The annual accounts of remaining five bodies/authorities due up to 2012-13 had not been received as of March 2014 in the office of the Principal Accountant General (Audit), Delhi. The details of these outstanding accounts are given in **Table 3.2**:

Table 3.2
The details of outstanding accounts as on 31 March 2014

Sl. No	Name of the Body/authority	Year for which accounts had not been received	No. of Accounts pending	Grants received (₹ in crore)
1	Delhi Jal Board (DJB)	2008-09 to 2012-13	5	1570.12
2	Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd.	2004-05 to 2012-13	9	-
3	Netaji Subhash Institute of Technology (NSIT)	2009-10 to 2012-13	4	131.98
4	Delhi Building and other Construction Workers Welfare Board	2012-13	1	-
5	Delhi Kalyan Samiti	2012-13	1	-

It can be seen from the above table that 20 annual accounts upto the year 2012-13 of five bodies/authorities were pending. In case of Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd., nine annual accounts since 2004-05 were pending. Netaji Subhash Institute of Technology had not submitted their four annual accounts since 2009-10 and Delhi Jal Board had not submitted five accounts since 2008-09 onwards, while the Delhi Building and other Construction Workers Welfare Board and Delhi Kalyan Samiti had not submitted its accounts for the year 2012-13.

(b) In addition to the above, audit of three bodies⁴ (Electricity Distribution Companies-DISCOMs) since inception, was entrusted to the C&AG of India

² (i) Delhi Building and Other Construction Workers Welfare Board (ii) Delhi Electricity Regulatory Commission, (iii) Delhi Jal Board (iv) Delhi Kalyan Samiti, (v) Delhi Legal Services Authority, (vi) Guru Gobind Singh Indraprastha University, (vii) Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd., (viii) Netaji Subhash Institute of Technology, (ix) Indraprastha Institute of Information Technology.

³ (i) Delhi Electricity Regulatory Commission, (ii) Delhi Legal Services Commission, and (iii) Guru Gobind Singh Indraprastha University, and (iv) Indraprastha Institute of Information Technology.

⁴ (i) BSES Rajdhani Power Limited (BRPL), (ii) BSES Yamuna Power Limited (BYPL), and (iii) Tata Power Delhi Distribution Limited (TPDDL)

by the Government of NCT of Delhi in January 2014, under Section 20 of the CAG (DPC) Act, 1971. Audit of these bodies is in progress (February 2015).

3.3 Misappropriations, losses, defalcations etc.

Twenty three cases of theft, misappropriation/ loss of material amounting to ₹ 23.05 lakh were intimated by Department to Audit upto 31 March 2014. 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 summarized in **Table 3.3**:

Table 3.3
Profile of misappropriations, losses, theft, 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	3	12.67	Theft	11	0.46
5-10	12	09.89			
10-15	6	0.06	Misappropriation/ loss of material	12	22.59
15-20	2	0.03			
20-25	N.A.	0.40			
Total	23	23.05	Total pending cases	23	23.05

Of these 23 cases, eight cases pertain to Hospitals, seven cases to Education department and two cases each to NCC and Social Welfare Department.

3.4 Personal Deposit Accounts

As per information furnished by the Principal Accounts Office, eleven Personal Deposit Accounts were opened and operated during the year 2013-14 with the prior approval of Controller General of Accounts (CGA), Ministry of Finance, Government of India for the purposes of receipts towards cost of compensation and payment to land owners whose land is acquired, deposits/withdrawal of Civil & Criminal deposits and rent etc. of litigants as per the order of the courts, deposit of scrutiny charges in paper book cases, security charges and fees of election petitions. As on 31 March 2014, balances of ₹ 568.71 crore were outstanding in these 11 Personal deposit accounts.

3.5 Unadjusted abstract contingent bills

Rule 118 of Receipt and Payment Rules stipulates that a certificate should be attached to every abstract bill to the effect that the detailed countersigned contingent bills (DCC) have been submitted to the controlling officer in respect of abstract contingent (AC) bills drawn during the month previous to that in which the bill in question is presented for payment. On no account may an abstract contingent bill be cashed without this certificate.

Scrutiny of records showed that the total amount of DCC bills received was ₹ 323.14 crore (27.40 per cent) as against the amount of AC bills of ₹ 1,179.38 crore, leaving an outstanding balance of AC bills of ₹ 856.24 crore as on 31 March 2014. Year-wise details are given in the **Table 3.4**:

Table 3.4
Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
Up to 2008-09	124.37	12.59	10.12	111.78
2009-10	19.44	1.26	6.48	18.18
2010-11	50.74	7.46	14.70	43.28
2011-12	66.75	10.15	15.21	56.60
2012-13	348.63	134.15	38.48	214.48
2013-14	569.45	157.53	27.66	411.92
Total	1179.38	323.14	27.40	856.24

The above table shows that AC bills were outstanding for period exceeding five years. The Principal Accounts Office, GNCTD stated (December 2014) that the major portion of AC bills were outstanding with various hospitals of Health & Family Welfare Department, Food & Supply Department, Divisional Commissioners and Education Department. The reasons for this pendency were opening of LC accounts for procurement of machines and equipment from the foreign suppliers, advances given under the schemes “Ann Shree Yojna” and “Kerosene Free Delhi”, execution of departmental works through agencies like I&FCD, DSIIDC, and DTTDC and advances given under various “Students Welfare Schemes”.

On the issue of opening of LC accounts, the Pr. Accounts Office, GNCT of Delhi had stated in response to a similar observation made in the C&AG’s Report on State Finances for the year ended 31 March 2013 that no firm commitment could be made in regard to the time period of adjustment of bills. This contention of the Department that no firm commitment could be made in regard to the time period of adjustment of bills is not acceptable in view of the Rule position stated above.

Due to non-submission of DCC bills by different departments, it could not be ensured that funds had been utilized for the purpose for which these had been drawn. Thus, possibility of temporary misappropriation of funds could not be ruled out in the absence of any detailed contingent bills.

3.6 Suspense balances

The Government of NCT of Delhi has no separate Public Account and such transactions are carried out under the “Account of the Union Government”. All such transactions are ultimately cleared either by payment of recovery in cash or by book adjustment. These are recorded initially under the Suspense Heads which are required to be reviewed at short intervals so as to ensure that no item remains unadjusted longer than is reasonably necessary and its clearance is brought about in the ordinary course with due regard to the rules applicable in each case. There is, therefore, a need to clear these balance expeditiously and to classify them to appropriate heads of account.

Examination of such transactions in the Public accounts (Central) prepared by the Government of NCT of Delhi showed that large balances amounting to ₹ 1,151.65 crore as on 31 March 2014 were outstanding under Suspense Heads as shown below in the **Table 3.5**:

Table 3.5
Amount under suspense heads

(₹ in crore)			
Year	Opening balance	Net addition(+)/ settlement(-)	Closing balance
2009-10	631.52	(-)530.50	101.02
2010-11	101.02	(+)57.79	158.81
2011-12	158.81	(+)56.81	215.62
2012-13	215.62	(+)58.16	273.78
2013-14	273.78	(+)877.87	1151.65

The Head wise details of suspense heads as on 31 March 2014 are given below:

(₹ in crore)	
Pay and Accounts Office Suspense Account (101)	60.76 (Dr)
Cash Settlement Suspense Account (CSSA) (107)	188.86 (Dr)
Provident Fund Suspense Account (113)	0.09 (Dr)
Material Purchase Suspense Account (MPSA) (129)	14.76 (Cr)
Public Sector Bank Suspense Account (108)	916.80 (Dr)
Suspense Account (Civil) (102)	0.10 (Cr)
Total	1151.65 (Dr)

Principal Accounts Office stated (December 2014) that the major portion of outstanding amount under the head “Cash Settlement Suspense Account” (CSSA) pertains to PAO (NS), Ministry of Road Transport and Highways (MORTH), Government of India and Delhi Police under Ministry of Home Affairs and the matter has been taken up with the Engineer-in-Chief, PWD, Government of NCT of Delhi for clearance of outstanding balances under MPSA and CSSA. It was stated that the system of execution of Delhi Police works by the PWD by operating the Major Head-8658-CSSA has been discontinued in the current financial year and now work is executed as Deposit work. All the PAOs had been instructed to take necessary action to get the reimbursement of outward claim. It was further replied that due to introduction of Core Banking System from January 2009, huge balances accumulated in case of Public Sector Bank Suspense. The matter had been vigorously taken up by the department with the SBI for liquidating the balances.

3.7 Conclusion

Out of 9 bodies/authorities, 20 annual accounts of five bodies/authorities due upto 2012-13 had not been received as of March 2014. Substantial delays in submission of utilization certificates by various grantee institutions occurred and as a result proper utilization of grants could not be ensured. Out of 4784 outstanding UCs, 2267 UCs (47.39 per cent) amounting to ₹ 5,651.17 crore were pending for more than 10 years. The State Government departments reported 23 cases of misappropriation, loss, theft, defalcation etc. involving public money of ₹ 23.05 lakh upto March 2014. Final action in these cases was pending. Large balances amounting to ₹ 1,151.65 crore were outstanding

under Suspense Heads as on 31 March 2014, requiring expeditious clearing and classification under appropriate heads of accounts.

3.8 Recommendations

The Government may consider:

- adopting a system to expedite the submission of annual accounts by the bodies/authorities;
- strengthening the internal control mechanism of the Government Departments to watch timely submission of UCs and releasing further grants only after receipt of UCs of earlier grants;
- preparing a time bound framework for taking action in cases of misappropriation, theft, loss, etc. and
- conducting periodical review to ensure prompt clearing of suspense heads and their classification under appropriate heads of accounts.

The above points contained in the Report were issued to the Government (January 2015), replies are awaited.

New Delhi

Dated:



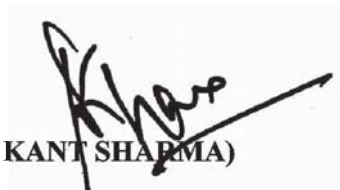
(DOLLY CHAKRABARTY)

Principal Accountant General (Audit), Delhi

Countersigned

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Dated:



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Comptroller and Auditor General of India