

Chapter-3
Financial Reporting

Chapter - 3

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. The compliance of the Government of National Capital Territory of Delhi (GNCTD) with various financial rules, procedures and directives has been discussed in this chapter.

3.1 Delay in furnishing Utilisation Certificates

Rule 212 of the GFRs stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees within 12 months of the closure of the financial year. However, in respect of the grants released up to 31 March 2015, 3,821 UCs for an aggregate amount of ₹ 18,908.72 crore were not furnished by the grantees as of 31 March 2016. The age-wise pendency in submission of UCs is detailed in **Table 3.1:**

Table 3.1: Age wise arrears of Utilisation Certificates

Sl. No.	Range of delay (in number of years)	Total grants released		Utilisation certificates outstanding	
		Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
1	0-2	676	5,006.71	274	1,686.01
2	2-4	422	6,841.01	362	4,935.54
3	4-6	340	2,681.12	336	2,573.66
4	6-8	309	3,011.14	309	3,011.14
5	8-10	1290	2,024.36	1290	2,024.36
6	10 & above	1250	4,678.01	1250	4,678.01
	Total	4287	24,242.35	3821	18,908.72

Source: Compiled from information furnished by Pay & Accounts Office

Out of 3,821 UCs due, 2,571 UCs (67.29 per cent) involving ₹ 14,230.71 crore were outstanding for periods ranging from two to ten years while 1,250 UCs (32.71 per cent) involving ₹ 4,678.01 crore were outstanding for more than 10 years.

The major defaulter was Municipal Corporation Delhi contributing ₹ 10,342.49 crore (54.70 per cent) of the arrears. New Delhi Municipal Council, Delhi Vidyut Board¹ and Delhi State Industrial and Infrastructure Development

¹ With effect from 1.7.2002, Delhi Vidyut Board was unbundled into six successor companies; Delhi Power Company Limited (holding Company), Delhi Transco Ltd., Indraprasta Power Generation Company Ltd, BSES Rajdhani Power Limited- DISCOM, BSES Yamuna Power Limited (BYPL) - DISCOM; North Delhi Power Limited (NDPL) - DISCOM.

Corporation did not furnish UCs of the grants received from Department of Urban Development. Further, Art, Culture and Language Department also did not furnish the UCs for the grant received.

3.2 Audit of the bodies/ authorities

The audit of eight 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 and issuance of Separate Audit Reports is indicated in **Appendix 3.1**. Out of eight² bodies/authorities, the annual accounts of only two³ bodies/authorities upto the year 2014-15 were received. Entrustment for the year 2014-15 of one body⁴ is awaited.

The annual accounts of five bodies/authorities due up to 2014-15 had not been received as of March 2016 in the office of the Accountant General (Audit), Delhi. The details of these outstanding accounts are given in **Table 3.2**:

Table 3.2: Details of Outstanding Accounts as on 31 March 2016

Sl. No	Name of the Body/authority	Year for which accounts had not been received	No. of Accounts pending	Grants received (₹ in crore)
1.	Netaji Subhash Institute of Technology (NSIT)	2013-14 and 2014-15	2	--
2.	Delhi Jal Board (DJB)	2010-11 to 2014-15	5	--
3.	Delhi Building other Construction Workers Welfare Board	2014-15	1	--
4.	Delhi Legal Services Authority (DLSA)	2014-15	1	--
5.	Ambedkar University, Kashmiri Gate, Delhi	2014-15	1	--

From the above, it is evident that 10 annual accounts upto the year 2014-15 of five bodies/authorities were pending. In case of Delhi Jal Board, five annual accounts since 2010-11 were pending whereas Netaji Subhash Institute of Technology is yet to submit their annual accounts from 2013-14 to 2014-15. Delhi Building other Construction Workers Welfare Board, Delhi Legal Services Authority and Ambedkar University did not submit their accounts for the year 2014-15.

3.3 Misappropriations, losses and defalcations

As on 31 March 2016, 24 cases of theft, misappropriation/loss of material amounting to ₹ 23.30 lakh were pending for action. The age-profile of the

² (i) Delhi Kalyan Samiti, (ii) Guru Gobind Singh Indra Prastha University, (iii) Netaji Subhash Institute of Technology, (iv) Delhi Jal Board, (v) Delhi Building other Construction Workers Welfare Board, (vi) Delhi Legal Services Authority, (vii) Delhi Electricity Regulatory Commission and (viii) Ambedkar University.

³ (i) Guru Gobind Singh Indraprastha University (ii) Delhi Electricity Regulatory Commission.

⁴ Delhi Kalyan Samiti

pending cases and the number of cases pending in each category- theft and misappropriation/loss are summarized in **Table 3.3**:

Table 3.3: Profile of misappropriations, losses, theft and defalcations

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	04	12.92	Theft	12	0.71
5-10	12	09.89			
10-15	06	0.06	Misappropriation/ loss of material	12	22.59
15-20	01	0.03			
20-25	1	0.40			
Total	24	23.30	Total pending cases	24	23.30

Of these 24 cases, eight cases pertain to Hospitals, seven cases to Education department and four cases to Delhi Jal Board.

3.4 Personal Deposit Accounts

As per information furnished by the Principal Accounts Office, Government of NCT of Delhi, 12 Personal Deposit Accounts are being operated during the year 2015-16 with the prior approval of the Controller General of Accounts (CGA), Ministry of Finance, Government of India. As on 31 March 2016, balances of ₹ 75.09 crore were outstanding in these 12 Personal Deposit Accounts.

3.5 Unadjusted abstract contingent bills

Rule 118 of Receipt and Payment Rules stipulates that a certificate shall be attached to every abstract contingent 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.

Scrutiny of records showed that the total amount of DCC bills received was ₹ 554.01 crore (48.08 *per cent*) as against the amount of AC bills of ₹ 1,152.21 crore, leaving an outstanding balance of AC bills of ₹ 598.20 crore as on 31 March 2016. The adjustment of AC bills through DCC bills in 2015-16 decreased by 12.10 *per cent* over the previous year. 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
Upto 2010-11	135.60	18.66	13.76	116.94
2011-12	23.80	8.80	36.97	15.00
2012-13	99.21	36.38	36.67	62.83
2013-14	83.63	42.62	50.96	41.01
2014-15	234.84	150.94	64.27	83.90
2015-16	575.13	296.61	51.57	278.52
Total	1,152.21	554.01	48.08	598.20

The above table shows that AC bills were outstanding for period exceeding five years. The Principal Accounts Office, GNCTD stated (September 2016) that the outstanding AC Bills are reviewed with PAOs and instructions are issued not to release further funds to the departments where AC Bills are outstanding. However, these outstanding advances/balances continue to show an increasing trend. Due to non-submission of DC 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 misappropriation of funds could not be ruled out in the absence of 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 Major Head – ‘8658-Suspense’ 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.

The transactions in the Public Accounts (Central) prepared by the Government of NCT of Delhi showed outstanding balances of ₹ 207.80 crore as on 31 March 2016 as detailed in **Table 3.5** below.

Table 3.5: Amount under Suspense Heads

(₹ in crore)

Year	Opening Balance	Net Addition (+)/ Settlement (-)	Closing Balance
2011-12	158.81	(+) 56.81	215.62 (Dr)
2012-13	215.62	(+) 58.16	273.78 (Dr)
2013-14	273.78	(+) 877.87	1,151.65 (Dr)
2014-15	1,151.65	(-) 896.89	254.76 (Dr)
2015-16	254.76	(-) 46.96	207.80 (Dr)

The details of balances (minor head-wise) under MH 8658-Suspense as on 31 March 2016 are given in **Table 3.6** below.

Table 3.6: Balance under MH 8658-Suspense

(₹ in crore)

Name of minor head of account	Amount
Pay and Accounts Office Suspense Account (101)	28.99 (Dr)
Cash Settlement Suspense Account (CSSA) (107)	177.57 (Dr)
Provident Fund Suspense Account (113)	0.09 (Dr)
Material Purchase Suspense Account (MPSA) (129)	11.75 (Cr)
Public Sector Bank Suspense Account (108)	13.00 (Dr)
Suspense Account (Civil) (102)	0.10 (Cr)
Total	207.80 (Dr)

The Government stated (August 2016) that an accumulation of balances in the Suspense Head is a temporary phenomenon and the balances are simultaneously adjusted either by re-imburement or by book adjustment into the proper Head of Account. Further, the major portion of outstanding amount under the minor head “Cash Settlement Suspense Account” (CSSA) pertains to PAO of Ministry of Road Transport and Highways, GoI and Delhi Police under Ministry of Home Affairs. The matter has been taken up with the Engineer-in-Chief (PWD), GNCTD.

3.7 Minus balances under Major Head -7610- Loan to Government servants

Scrutiny of Finance Accounts for the year 2015-16 of NCT of Delhi revealed that there were minus/adverse balances of Loans and Advances in Statement no. 4 (Loans and Advances given by the Union Territory Government) and Statement no. 16 (Detailed statement of Loans and Advances made by the Government) without giving any justification as detailed in **Table 3.7**.

Table 3.7: Minus/Adverse Balance of Loans and Advances

(₹ in lakh)

Sl. No.	Major Head	Description	Balance as on 31.03.2016
1	Statement No. 4	(D) Loans to Government Servants	(-)880.54
2	Statement No. 16	6401- Loans for Crop Husbandry 105-Manures and Fertilizers	(-)90.08
3		6851- Loans for Village & Small Industries 102-Small Scale Industries	(-)55.73
4		6885- Other loans to Industries & Minerals 800-Other Loans	(-)0.19
5		7610- Loans to Government Servants 201-House Building Advances	(-)579.42

Sl. No.	Major Head	Description	Balance as on 31.03.2016
6		7610- Loans to Government Servants 202-Advances for Purchase of Motor Conveyance	(-)153.61
7		7610- Loans to Government Servants 203-Advances for Purchase of Other Conveyance	(-)21.17
8		7610- Loans to Government Servants 203-Advances for Purchase of Computer	(-)146.64

The Government (August 2016) stated that factual position of adverse balance has already been brought to the notice of concerned departments for clarification. As regards the minus balance under Major Head 7610- Loans to Govt. Servants, it was intimated that these balances relate to the loan taken by CPWD employees in the Ministry/Departments of Central Government which is recoverable from them during their tenure in PWD, GNCTD. Recoveries are also credited to the receipts under Major Head 7610- Loans to Government Servants. Such recoveries are transferred to the PAO of Central Government department at the time of transfer of those employees to Central Government. Hence, during the particular financial year, the receipts would be more than the amount transferred to the PAO of Central Government Department resulting in adverse balance in the Accounts.

3.8 Misclassification of accounts

Operation of omnibus Minor Head - 800

Booking under Minor Head ‘800 – Other Receipts’ and ‘800- Other Expenditure’ should be done only when the appropriate minor head has not been provided in the Accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque.

During 2015-16, under 10 Major Heads, receipts of ₹ 248.24 crore (94.93 per cent), out of total receipts of ₹ 261.49 crore, was classified under the minor head ‘800-Other receipts’ and under 17 Major heads of account, ₹ 5,925.37 crore (73.46 per cent), out of ₹ 8,066.04 crore was classified under the minor head of account ‘800-Other expenditure’.

Classification of large amounts under the omnibus minor head ‘800-Other Expenditure/Receipts’ affects the transparency in financial reporting.

3.9 Conclusion

There were substantial delays in submission of utilization certificates by various grantee institutions and as a result proper utilization of grants could not be ensured. Utilization certificates involving ₹ 14,230.71 crore (67.29 per cent) were outstanding for periods ranging from two to ten years while 32.71 per cent involving ₹ 4,678.01 crore were outstanding for more than 10 years. Out of eight bodies/authorities, 10 annual accounts of five bodies/authorities due

upto 2014-15 had not been received as of March 2016. Twenty four cases of misappropriation, loss and theft involving public money of ₹ 23.30 lakh were pending for action as on 31 March 2016. AC bills of ₹ 598.20 crore were outstanding for more than five years against the amount of ₹ 1,152.21 crore as on 31 March 2016. Classification of large amounts under the omnibus minor head-800- other receipts/expenditure affects true and fair picture of the financial reporting and obscures transparency in accounts for informed decision making.


3.10 Recommendations

The Government may consider:

- (i) strengthening the internal control mechanism of departments to watch timely submission of UCs and releasing further grants only after receipt of UCs of earlier grants;
- (ii) adopting a system to expedite the submission of annual accounts by the bodies/authorities; and
- (iii) conducting periodical review to ensure prompt clearing of suspense head and their classification under appropriate heads of accounts.


The above points contained in the Report were issued to the Government (November 2016), its replies were awaited (December 2016).

New Delhi
Dated : 28 February 2017


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Countersigned

New Delhi
Dated: 02 March 2017


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

