

## 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. 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

Rule 212 of the GFRs stipulates that for grants released during a year for specific purposes, Utilization 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<sup>st</sup> March 2014, 3761 UCs for an aggregate amount of ₹ 17,720.49 crore were not furnished by the grantee as of 31 March 2015. The age-wise pendency in submission of UCs is detailed in Table 3.1:

**Table 3.1**  
**Age wise arrears of Utilization Certificates**

(₹ in crore)

Sl. No.	Range of delay (in number of years)	Total grants released		Utilization certificates outstanding	
		Number	Amount	Number	Amount
1	0-2	863	9684.98	422	3151.59
2	2-4	307	3621.59	299	3524.34
3	4-6	334	3244.23	333	3211.31
4	6-8	1145	2118.35	1145	2118.35
5	8-10	386	1488.59	386	1488.59
6	10 & above	1176	4226.31	1176	4226.31
	<b>Total</b>	<b>4211</b>	<b>24384.05</b>	<b>3761</b>	<b>17720.49</b>

Source: Compiled from information furnished by Pay & Accounts Office

Out of 3761 UCs due, UCs for 2585 (68.73 per cent) involving ₹ 13,494.18 crore were outstanding for period ranging from two to ten years, while 1176 UCs (31.27 per cent) involving ₹ 4,226.31 crore were outstanding for more than 10 years.

The major defaulter was the Urban Development Department contributing ₹ 15,719.64 crore (88.71 per cent) of the arrears. MCD, NDMC, Delhi Vidyut Board<sup>1</sup>, and SDIIDC 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 grants received.

<sup>1</sup> With effect from 1.7.2002, DVC 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

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 nine<sup>1</sup> bodies/authorities, the annual accounts of only six<sup>2</sup> bodies/authorities upto the year 2013-14 were received.

The annual accounts of remaining three bodies/authorities due up to 2013-14 had not been received as of March 2015 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 2015**

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)	2009-10 to 2013-14	5	1350.43
2	Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd.	2004-05 to 2013-14	10	--
3	Netaji Subhash Institute of Technology (NSIT)	2013-14	1	--

It can be seen from the above table that 16 annual accounts upto the year 2013-14 of three bodies/authorities were pending. In case of Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd., ten annual accounts since 2004-05 were pending. Delhi Jal Board had not submitted five accounts since 2009-10 onwards and Netaji Subhash Institute of Technology had not submitted their annual accounts of 2013-14.

### 3.3 Misappropriations, losses, defalcations etc.

24 cases of theft, misappropriation/loss of material amounting to ₹ 23.30 lakh were intimated by Department to Audit upto 31 March 2015. 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**:

<sup>1</sup> (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) Ambedkar University.

<sup>2</sup> (i) Delhi Kalyan Samiti (ii) Guru Gobind Singh Indraprastha University (iii) Delhi Building and Other Construction Workers Welfare Board (iv) Delhi Legal Services Authority (v) Delhi Electricity Regulatory Commission (vi) Ambedkar University.

**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	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	02	0.03			
20-25	NA	0.40			
<b>Total</b>	<b>24</b>	<b>23.30</b>	<b>Total pending cases</b>	<b>24</b>	<b>23.30</b>

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, eleven Personal Deposit Accounts are being operated during the year 2014-15 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 2015, balances of ₹ 158.10 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 shall be attached to every abstract contingent bill to the effect that the detailed contingent bills (DC) 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 DC bills received was ₹ 728.60 crore (55.80 *per cent*) as against the amount AC bills of ₹ 1,305.68 crore, leaving an outstanding balance of AC bills of ₹ 577.08 crore as on 31 March 2015. Year-wise details are given below 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 DC bills	DC bills as percentage of AC bills	Outstanding AC bills
Upto 2009-10	129.96	34.81	26.79	95.15
2010-11	43.28	2.83	6.54	40.45
2011-12	56.60	32.80	57.95	23.80
2012-13	214.48	115.27	53.74	99.21
2013-14	411.92	328.29	79.70	83.63
2014-15	449.44	214.60	47.75	234.84
<b>Total</b>	<b>1305.68</b>	<b>728.60</b>	<b>55.80</b>	<b>577.08</b>

The above table shows that AC bills were outstanding for period exceeding five years. The reasons for non-adjustment of AC bills were not intimated to Audit (December 2015). 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 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. Audit noticed that there was a steep increase under the head during the year 2013-14 due to increase in the suspense balance of public sector banks (PSB) which was cleared in 2014-15. Further examination of such transactions in the Public Accounts (Central) prepared by the Government of NCT of Delhi showed balances amounting to ₹ 254.76 crore as outstanding as on 31 March 2015 which is shown in the below table.

**Table 3.5**  
**Amount under suspense heads**

(₹ in crore)

Year	Opening Balance	Net Addition (+)/Settlement (-)	Closing Balance
2010-11	101.02	(+) 57.79	158.81 (Dr)
2011-12	158.81	(+) 56.81	215.62 (Dr)
2012-13	215.62	(+) 58.16	273.78 (Dr)
2013-14	273.78	(+) 877.87	1151.65 (Dr)
2014-15	1151.65	(-) 896.89	254.76 (Dr)

The Head wise details of suspense heads as on 31<sup>st</sup> March 2015 are given below

(₹ in crore)	
Name of head of account	Amount
Pay and Accounts Office Suspense Account (101)	66.50 (Dr)
Cash Settlement Suspense Account (CSSA) (107)	181.75 (Dr)
Provident Fund Suspense Account (113)	0.09 (Dr)
Material Purchase Suspense Account (MPSA) (129)	14.35 (Cr)
Public Sector Bank Suspense Account (108)	20.87 (Dr)
Suspense Account (Civil) (102)	0.10 (Cr)
<b>Total</b>	<b>254.76 (Dr)</b>

Principal Accounts Office stated (October 2015) 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 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 and now work is executed as Deposit work. All the PAOs have been instructed to take necessary action to get the reimbursement of outward claims. 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 PAOs concerned for liquidating the balances.

### 3.7 Conclusion

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 3761 outstanding UCs, 1176 UCs (31.27 per cent) amounting to ₹ 4,226.31 crore were pending for more than 10 years. Out of 9 bodies/authorities, 16 annual accounts of three bodies/authorities due upto 2013-14 had not been received as of March 2015. The State Government departments reported 24 cases of misappropriation, loss, theft, defalcation etc. involving public money of ₹ 23.30 lakh upto March 2015. Final action in these cases was pending. Large balances amounting to ₹ 254.76 crore were outstanding under Suspense Heads as on 31 March 2015, requiring expeditious clearing and classification under appropriate heads of accounts.

### 3.8 Recommendations

The Government may consider:

- i. 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;
- ii. adopting a system to expedite the submission of annual accounts by the bodies/authorities;

- iii. preparing a time bound framework for taking action in cases of misappropriation, theft, loss, etc. and
- iv. 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 2016), replies are awaited.

**New Delhi**

**(DOLLY CHAKRABARTY)**

**Dated:**

**Principal Accountant General (Audit), Delhi**

**Countersigned**

**New Delhi**

**(SHASHI KANT SHARMA)**

**Dated:**

**Comptroller and Auditor General of India**