

**Chapter-III**  
**Financial Reporting**



## CHAPTER – III

### FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the 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 reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making.

#### **3.1 Pendency in submission of Detailed Countersigned Contingent (DC) Bills against Abstract Contingent (AC) Bills)**

As per rules (chapter-VIII of the Jammu and Kashmir Financial Code Vol-1) every Drawing Officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmit the same to the Accountant General (A&E) Jammu & Kashmir. In contravention thereto, against a total amount of ₹3320.64 crore (**Appendix 3.1**) drawn on AC bills by various drawing and disbursing officers during 1995-2015, corresponding DC bills were not submitted (August 2015) to the Accountant General (A&E), Jammu & Kashmir. Out of AC bills amounting to ₹1212.94 crore outstanding in respect of 2014-15, AC bills amounting to ₹750.86 crore were drawn in March 2015 alone, out of which ₹427.97 crore were drawn on the last day of the financial year. Non- rendition of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation.

Further, reasons for non-settlement of the outstanding AC bills may be investigated and action may be initiated for their immediate settlement. This requires constant monitoring by the concerned DDOs.

The matter has continually been brought to the notice of the government/Finance Department, from time to time. Despite issuance of instructions in this regard by the State Finance Deptt. the DDOs did not furnish the pending DC bills to the Accountant General (A&E).

### 3.2 Delay in furnishing of Utilisation Certificates

Autonomous Bodies/authorities not having sufficient resources of their own are assisted financially by the Government through release of Grant-in-Aid (GIA) to be spent on specific purposes. The position of GIA provided by the State to Autonomous Bodies/Authorities during 2009-15 is given in **Table 3.1**.

**Table-3.1**  
**Grant-In-Aid provided by the State to Autonomous Bodies/ Authorities**

(₹ in crore)

Sl. No.	Body/Authority	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Srinagar Municipal Corporation	73.33	107.18	112.42	89.65	117.73	161.16
2.	Jammu Municipal Corporation	76.93	74.60	69.98	127.95	74.30	108.64
3.	Urban Local Bodies (Kashmir)	29.56	42.67	62.39	50.32	74.49	87.36
4.	Urban Local Bodies (Jammu)	20.24	26.96	41.30	35.03	36.97	62.94
5.	SKUAST – Kashmir	55.58	75.73	90.63	99.43	80.92	100.54
6.	SKUAST – Jammu	25.37	28.29	30.59	45.55	70.15	59.48
7.	Kashmir University	44.48	59.83	61.85	83.94	82.60	114.67
8.	Jammu University	50.85	43.28	63.70	58.66	74.08	76.14
9.	J&K Sports Council	7.23	8.30	10.26	13.55	21.76	16.93
10.	J&K Academy of Art and Culture	9.93	11.68	19.93	17.32	14.31	17.16
11.	IMPA	4.97	5.89	10.51	8.70	9.63	10.47
12.	Khadi and Village Industries Board	8.60	10.60	12.01	14.72	19.46	7.48
13.	Others	75.40	47.18	44.96	48.27	134.37	446.28
	<b>Total</b>	<b>482.47</b>	<b>542.19</b>	<b>630.53</b>	<b>693.09</b>	<b>810.77</b>	<b>1269.25</b>

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant

General (A&E), Jammu and Kashmir within 18 months from the date of their sanction unless specified otherwise.

The position of outstanding Utilisation Certificates (UCs) at the end of 2014-15 is detailed in **Table 3.2**.

**Table-3.2**  
**Age-wise arrears of Utilisation Certificates: Status as on 31<sup>st</sup> March 2015**

Range of delay (in number of years)	Total Grants Paid		Utilization Certificates Received		Utilization Certificates Outstanding	
	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)
0 – 1	667	970.05	Nil	Nil	667	970.05
1 – 2	637	311.24	556	110.22	81	201.02
Above 2	4871	2428.96	4242	1680.05	629	748.91
<b>Total</b>	<b>6175</b>	<b>3710.25</b>	<b>4798</b>	<b>1790.27</b>	<b>1377</b>	<b>1919.98</b>

A total number of 1377 UCs involving ₹1919.98 crore were outstanding as on 31<sup>st</sup> March 2015 of which 710 UCs amounting to ₹949.93 crore were outstanding for more than one year.

### 3.3 Non-submission/delay in submission of Annual accounts by Autonomous Bodies

A total of 384 annual accounts of 31 Bodies were awaited in Audit (*Appendix-3.2*) as on 31<sup>st</sup> March 2015. Seven Autonomous Bodies required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the said Act had also not furnished the annual accounts as tabulated in **Table 3.3**.

**Table 3.3**  
**Non-submission of accounts by Autonomous Bodies**

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2014-15 (₹ in crore)
Ladakh Autonomous Hill District Council, Leh	1-20	20	199.40
Ladakh Autonomous Hill District Council, Kargil	1-11	11	204.82

<b>Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar</b>	1-2	02	100.54
<b>Sher-i-Kashmir University of Agricultural Science and Technology, Jammu</b>	1-2	02	59.48
<b>Jammu &amp; Kashmir Legal Services Authority, Srinagar</b>	1-3	3	4.77
<b>EPF Board Srinagar</b>	1-12	12	Nil
<b>Jammu &amp; Kashmir State Housing Board</b>	1-5	5	Nil
		<b>55</b>	<b>569.01</b>

The audit of Ladakh Autonomous Hill District Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial sums are being released to the Council and unspent balances at the end of the year remain credited in a non-lapsable Fund in the Public Account of the State. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since inception.

Non-submission/delay in submission of accounts by these Bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In view of this non-compliance, the audited accounts of these Statutory Bodies have not so far been presented to the State Legislature as required under the Statutes under which these Bodies were created. This has deprived the State Legislature to get a feedback on their activities and financial performance.

### **3.4 Departmentally Managed Commercial Undertakings**

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare *pro forma* accounts in the prescribed format annually. 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, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government Departments are required to ensure that the undertakings prepare such accounts and submit the same to the Accountant General (Audit), Jammu and Kashmir for audit within a specified time frame. The Government has two such departmental undertakings: (a) Government Printing

Presses at Srinagar and Jammu and (b) Public Distribution System (PDS) by the Consumer Affairs and Public Distribution Department. The *pro forma* accounts of the commercial operations of both these undertakings are in arrears. The two Government Presses have not prepared their *pro forma* accounts from 1968-69 to 2014-15 (August 2015). In Kashmir and Ladakh Divisions, the PDS operations are directly carried out by departmentally run PDS shops. The *pro forma* accounts have not been prepared in these two Divisions from 1975-76 (Revised Account) and onwards (August 2015). In Jammu Division, the PDS operations are mainly through network of private dealers (about 91 *per cent*) and the *pro forma* accounts have not been prepared from 1973-74 to 1997-98 and 1999-2000 to 2014-15. The *pro forma* accounts for 1998-99 were finalised during 2002-03 (August 2015).

Year wise position of the proforma account of PSUs in the State is given in the *Annexure 3.3*

### **3.5 Opaqueness in Government accounts (Bookings under Minor Head 800- 'Other Receipts' and 'Other Expenditure')**

Booking under Minor Head 800 other receipts and 800 other expenditure is opaque as they do not disclose the Schemes, programmes to which they relate. During 2014-15, ₹6012.74 crore under 39 revenue major heads of accounts constituting about 20.78 *per cent* of the total revenue receipts of ₹28938.59 crore, was recorded under the Minor Head 800-Other Receipts. Similarly ₹2851.76 crore under 55 Revenue & Capital major heads of accounts on the expenditure side, constituting about 8.27 *per cent* of the total expenditure of ₹34463.13 crore (Revenue ₹20328.93 crore and Capital ₹5134.20 crore), was recorded under the Minor Head 800- Other Expenditure. The major schemes are not depicted distinctly in the Finance Accounts, though the details of this expenditure are depicted in the 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. Classification of large amounts booked under the Minor Head '800'- Other receipts/expenditure affects the transparency and the fair picture in financial reporting.

### **3.6 In-operative Personal Deposits (PD) Accounts**

Under the Financial Rules personal deposit (PD) Accounts are operated by transferring amounts from the Consolidated Fund and utilized for specific purposes. Un-spent balances lying in the PD Accounts are required to be transferred back to the Consolidated Fund on the last working day of the Financial Year and reopened next year, if necessary. Though the State Government did not operate any PD account, yet there is outstanding balance of ₹14.04 crore which pertains to the old period and has remained in- operative since long.

### 3.7 Outstanding Liability to Contractors

The State Government is getting work done by the contractors without provision of funds by the legislature and the contractors are not getting paid, thereby an amount of ₹1044.13 crore has remained unpaid to the contractors on works and supplies and has thus resulted in creation of liability on this account.

### 3.8 Conclusion and Recommendations

Against the total amount of ₹3320.64 crore drawn on AC bills by various drawing and disbursing officers during 1995-2015 corresponding DC bills were not submitted to the Accountant General (A&E) J&K.

*The State Government may take necessary steps for placing monitoring mechanism to adjust the advances drawn on the contingent bills within the stipulated period as required under the extant rules.*

The position regarding outstanding Utilization Certificates has not improved as compared to 2013-14. A total number of 1,377 UCs involving a total amount of ₹1919.98 crore remained outstanding as on 31<sup>st</sup> March 2015 which was 6.06 per cent of the total expenditure incurred in 2014-15 under Voted Section.

*The State Government may consider for timely submission of utilization certificates in respect of Grants released for specific purposes to the grantee institutions.*

384 Annual Accounts of 31 Autonomous Bodies were awaited for audit as on 31<sup>st</sup> March 2015 ranging from 1988-89 to 2014-15.

*The State Government may consider timely preparation of annual accounts by the autonomous bodies to facilitate auditing.*

Due to non-compliance with the basic requirements of the preparation of annual *pro forma* accounts by the Departmentally Managed Commercial Undertakings, financial reporting may not be accurate and reliable.

*The State Government may impress upon the departmentally managed commercial undertakings regarding timely preparation of pro forma accounts to arrest the risk of fraud and leakage of public money.*

Classification of large amounts booked under the minor head '800'-Other receipts/expenditure does not give the fair picture in accounts.

*The State Government may consider depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the Receipts and Expenditure of major schemes under the minor head 800-other expenditure and 800-other receipts.*

Srinagar/Jammu  
The 29<sup>th</sup> March 2016

  
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Countersigned

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The 4<sup>th</sup> April 2016

  
(Shashi Kant Sharma)  
Comptroller and Auditor General of India

