

Sound financial reporting with relevant, reliable and timely information contributes to efficient and effective governance by the State Government and is important for the Government in meeting its basic stewardship responsibilities, strategic planning and appropriate decision making. It also forms the basis of sound internal controls. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives during the year 2015-16.

3.1 Delay in furnishing Utilisation Certificates

The Gujarat Financial Rules 1971¹ read with General Financial Rules 2005² provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be submitted within 12 months of the closure of the financial year by the institution or organisation concerned to the Head of Department concerned and after verification, these should be forwarded to the Accountant General. However, 7,164 UCs aggregating to ₹ 5,385.40 crore due in respect of grants released during the period 2001-02 to 2015-16 were outstanding as on 31 March 2016. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position of delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(₹ in crore)

Sl. No.	Range of Delay in Number of Years	Utilisation Certificates Outstanding	
		Number	Amount
1	Upto one year*	1,049	1,699.33
2	1-3	1,798	2,777.83
3	3-5	243	91.79
4	5-7	410	475.36
5	7-9	218	65.84
6	9 and above	3,446	275.25
	Total	7,164	5,385.40

Source: Information compiled by Accountant General (A&E), Gujarat

* For the Grants released during 2015-16, the Utilisation Certificates will become due only during 2016-17.

Of the total outstanding UCs, almost 20 *per cent* amounting to ₹ 1,079.82 crore pertained to the Social Justice and Empowerment Department while almost 19 *per cent* i.e. ₹ 1,040.92 crore pertained to Urban Development

¹ Rule 154 and 155 of the Gujarat Financial Rules, 1971

² Rule 212 of General Financial Rules 2005

and Urban Housing department. Education Department accounted for almost 12 per cent i.e. ₹ 672.19 crore of the outstanding UCs.

The FD (December 2016) stated that all concerned administrative departments have been instructed to take requisite action for submission of pending UCs.

The pendency of UCs is of recurring nature and hence FD needs to ensure strict compliance and monitoring.

3.1.1 Review of utilisation certificates in selected departments

As per the Gujarat Financial Rules, 1971³ (GFR), administrative departments may sanction grants-in-aid (GIA) to an institution or body, subject to the condition that the sanction is in accordance with the Rules or principles prescribed in these Rules or prescribed with the previous consent of the Finance Department (FD). As per Note (ii) below Rule 155 of the GFR “Utilisation Certificate of grant-in-Aid should be furnished in every case of grant paid for specific purpose even if no conditions are specifically attached to the grant”.

With a view to ascertain whether the Rules relating to GIA and submission of UCs were adhered to, Audit test checked the records of the Health and Family Welfare Department (H&FWD) and six Controlling Officers, viz. Additional Director of Public Health, Additional Director of Family Welfare, Additional Director of Medical Services, Additional Director of Medical Education and Research, Commissioner of Food and Drugs Control Authority and Director of Indian System of Medicine and Homeopathy for the period 2013-14 to 2015-16.

Audit observed that head-wise grant including GIA is being released online without any conditions for utilisation of the grants.

The systems in place for release of funds and follow-up actions taken by the various controlling officers are as under:

Additional Director of Public Health

Additional Director of Public Health released total GIA of ₹ 1,165.16 crore during 2013-14 to 2015-16 under various Public Health related programmes. However, information in respect of grants-in-aid given to Panchayat and National Health Mission were not furnished. The nature and conditions of the grant was not mentioned in the grant release order. The details of UCs furnished and outstanding as on 31 March 2016 are given in **Table 3.2**.

³ Rule 153 of Gujarat Financial Rules 1971

Table 3.2: Details of outstanding utilization certificates:

Year	Total Grant In Aid Released		Utilisation Certificates (UCs)				Percentage of amount of outstanding UCs
			Received		Outstanding		
	Number	Amount	Number	Amount	Number	Amount	
2013-14	67	428.57	9	80.22	58	348.35	81
2014-15	84	397.82	13	85.96	71	311.86	78
2015-16	62	338.77	11	70.94	51	267.83	79
Total	213	1,165.16	33	237.12	180	928.04	80

Source: Information provided by the Additional Director of Public Health, Government of Gujarat

Further scrutiny⁴ revealed that the majority of outstanding UCs was from Project Implementation Unit (PIU) and Gujarat Medical Services Corporation Limited (GMSCL). UCs amounting to ₹ 768.53 crore were not submitted by PIU and ₹ 157.81 crore by GMSCL during 2013-14 to 2015-16.

On this being pointed out, the Additional Director of Public Health assured that henceforth the nature and conditions related to GIA would be mentioned.

Additional Director of Family Welfare

Additional Director of Family Welfare (FW) released total GIA of ₹ 1,945.35 crore during 2013-14 to 2015-16 to institutions⁵ for various purposes. It was noticed that there was no mention about the nature and conditions attached to the grant in the GIA releasing order. In response to this observation, the department stated that henceforth the nature and condition would be mentioned in the grant release order.

Further, the Utilisation Certificates ranging from 51 per cent to 100 per cent were outstanding in the directorate as mentioned in **Table 3.3**.

Table 3.3: Details of UCs outstanding

Year	Total Grant In Aid Released		Utilisation Certificates (UCs)				Percentage of amount of outstanding UCs
			Received		Outstanding		
	Number	Amount	Number	Amount	Number	Amount	
2013-14	54	616.03	6	282.93	48	333.10	54
2014-15	49	629.20	6	307.35	43	321.85	51
2015-16	56	700.12	0	0.00	56	700.12	100
Total	159	1,945.35	12	590.28	147	1,355.07	70

Source: Information provided by the Additional Director of Family Welfare, Government of Gujarat

⁴ As the Department gets its different activities of construction, purchase of medicines/equipments, educational infrastructure done through institutions/bodies/corporations under it, the payments to them are drawn in GIA bill Form 62-C. The watch over expenditure can be done only through UC in such cases

⁵ State Health Society [in respect of Bal Sakha Yojana, Chiranjivi Yojana, Nutrition Programme MaaAmrutam (States Schemes) and National Urban Health Mission & Rashtriya Swasthya Bima Yojana (CSS)], Gujarat Medical Services Corporation Limited and District Panchayats

Out of the total UCs outstanding, UCs amounting to ₹ 946.54 crore pertained to the District Panchayats which were submitting only expenditure statement in lieu of UCs. The details in expenditure statement and UCs are different. In the absence of UCs, it could not be ascertained whether the expenditure incurred was utilised for the purpose for which grants were released.

Non submission of Utilisation Certificates:

Out of total outstanding UC, UCs amounting to ₹ 28.13 crore were not submitted by the GMSCL. On this being pointed out, the Additional Director (FW) stated that GMSCL is not required to submit UCs as it is only doing purchase, distribution and storage of medicines and equipment and not implementing any programme.

The reply is not tenable as GFR, 1971 does not provide for any exemption from furnishing UCs. Further, it was observed that there was no system in place to correlate work done with respect to funds granted to GMSCL.

Slow utilisation of funds by GMSCL

As per the annual accounts of GMSCL, out of grants of ₹ 28.13 crore released during the period 2013-14 to 2015-16, an amount of ₹ 13.48 crore remained unutilised at the end of March 2016. Thus, about 48 per cent of the grants released up to 2015-16 remained unutilised.

On this being pointed out, the Directorate stated (June 2016) that the procurement process of equipment takes substantial time for approval of tender and in case of non approval for any reason it takes upto six months time for retendering.

The above reply is not tenable as the UCs for the GIA were required to be submitted within the stipulated time.

Additional Director of Medical Services

Additional Director of Medical Services released total GIA of ₹ 672.81 crore during 2013-14 to 2015-16 to institutions⁶ for various purposes. The details of UCs furnished and outstanding are given in **Table 3.4**.

Table 3.4: Details of UCs furnished by the institutes

(₹ in crore)

Year	Total Grant In Aid Released		Utilisation Certificates (UCs)				Percentage of amount of outstanding UCs
			Received		Outstanding		
	Number	Amount	Number	Amount	Number	Amount	
2013-14	53	190.26	08	12.21	45	178.05	94
2014-15	69	224.57	21	47.39	48	177.18	79
2015-16	48	257.98	26	34.84	22	223.14	86
Total	170	672.81	55	94.44	115	578.37	86

Source: Information provided by the Additional Director of Medical Services, Government of Gujarat

⁶ (1) PIU and (2) GMSCL

It was noticed that out of total outstanding UCs amounting to ₹ 578.37 crore, UCs amounting to ₹ 363.27 crore pertained to PIU and ₹ 215.10 crore to GMSCL.

Further scrutiny revealed that an amount of ₹ 43.61 crore in respect of 21 projects was transferred to PIU during 2013-14 to 2015-16. However, till date (June 2016) expenditure of only ₹ 0.06 crore was incurred. It was observed that these projects were in initial stages as administrative approval, draft tender papers and land acquisition issues were yet to be completed. Thus, the intended benefits visualised while making provision in budget during that particular year could not be achieved.

Additional Director of Medical Education and Research

Incorrect Utilisation Certificate

Additional Director of Medical Education and Research released GIA of ₹ 4,441.95 crore during 2013-14 to 2015-16 to seven institutions⁷ for various purposes, out of which UCs amounting to ₹ 182.19 crore only (four *per cent*) were outstanding as on 31st March 2016. Out of these, UCs amounting to ₹ 175.01 crore were not submitted by GMSCL stating that they were not required to submit the UC.

Further scrutiny revealed that grant of ₹ 704 crore was released to Gujarat Medical Education and Research Society (GMERS) for construction of medical college, hospital, hostel and quarters at different places during 2014-15 out of which GMERS released an amount of ₹ 496.35 crore to PIU. However, GMERS submitted the UCs to the tune of ₹ 699.50 crore in respect of construction activity. Further, out of ₹ 104.07 crore received for procurement of equipment, furniture and books, an amount of only ₹ 38.16 crore was utilised and UC for entire amount of ₹ 104.07 crore were submitted by GMERS. Thus, UCs submitted by the GMERS were incorrect.

On this being pointed out, the department stated (July 2016) that clarification had been called from GMERS.

Slow utilisation of grants

As per UCs furnished by the Society for Gujarat Dental Health Education and Research (SGDHER) for the year 2013-14, out of available grant of ₹ 53.17 crore (unutilised balance of 2012-13, ₹ 21.28 crore and ₹ 31.89 crore released during the year 2013-14) only ₹ 17.45 crore was utilised leaving unutilised balance of ₹ 35.72 crore. UCs for the succeeding years 2014-15 and 2015-16 were not submitted by the SGDHER.

On this being pointed out, the department stated (June 2016) that clarification has been called from SGDHER.

⁷ (1) PIU (2) GMSCL (3), Gujarat Cancer and Research Institute (4) U N Mehta Institute of Cardiology and Research (5) Institute of Kidney Diseases and Research Centre (6) Gujarat Medical Education and Research Society and (7) Society for Gujarat Dental Health Education and Research

Interest not credited to project

As per condition of the grant release order, the interest earned on the fund released to PIU for a particular project was to be utilised on that project and balance, if any, was to be credited to Government account, on completion of the project.

In the UCs furnished by the PIU, audit observed that there was no indication about the interest portion utilised on the project.

On this being pointed out, the PIU stated that interest earned is credited in the accounts and work-wise credit was not given. Thus, Audit is of the view that the UCs furnished by PIU for ₹ 1,311.57 crore for the period 2013-14 to 2015-16 were incorrect.

The above irregularity in respect of the same organisation had been brought to the notice of the Department during audit of Grant No. 39⁸, Chapter II of State Finances Report for the year ended 31 March, 2013.

Commissioner of Food and Drugs Control Authority

Commissioner of Food and Drug Control Authority released grant of ₹ 41.90 crore to B V Patel Pharmaceutical Education and Research Development (PERD) Centre and PIU during the years 2013-14 to 2015-16. Details of outstanding UCs in respect of the above institutes are given in Table 3.5.

Table 3.5: Details of UCs furnished by the institutes

(₹ in crore)

Year	Total Grant In Aid Released		Utilisation Certificates (UCs)				Percentage of amount of outstanding UCs
			Received		Outstanding		
	Number	Amount	Number	Amount	Number	Amount	
2013-14	4	15.11	3	14.33	1	0.78	5
2014-15	11	21.79	6	14.25	5	7.54	35
2015-16	5	5.00	0	0.00	5	5.00	100
Total	20	41.90	9	28.58	11	13.32	32

Source: Information provided by the Commissioner of Food and Drugs Control Authority, Government of Gujarat

It was observed that the grants were being released to the institutions/body without mentioning conditions for utilisation of grants in aid.

Further, as per provision of Rule 154 (1) (a) of Gujarat Financial Rules, 1971, before grants-in-aid sanctioned by the competent authority are paid to public body/institution⁹ etc., the grantee shall be required to execute a surety bond in favour of Government of Gujarat with two sureties to the effect that he shall abide by the conditions of grant and adhere to the target dates for the fulfillment of the conditions. It was observed that no such bond was obtained from the PERD which is a private institution.

⁸ Para on 'Receipt not credited to Government Account'

⁹ This condition is not applicable to quasi-Government or Government aided institution.

On this being pointed out, it was stated (June 2016) that henceforth the condition of grants would be mentioned in the release order and the surety bond would be obtained from the grantee institution.

Director of Indian System of Medicine and Homeopathy

Director of Indian System of Medicine and Homeopathy (ISMH) released GIA to four institutes¹⁰ during the years 2013-14 to 2015-16. Details of outstanding UCs in respect of the above are given in **Table 3.6**.

Table 3.6: Details of UCs furnished by the institutes

Year	Total Grant In Aid Released		Utilisation Certificates (UCs)				Percentage of amount of outstanding UCs
			Received		Outstanding		
	Number	Amount	Number	Amount	Number	Amount	
2013-14	127	181.81	1	5.79	126	176.02	97
2014-15	128	192.31	1	12.29	127	180.02	94
2015-16	136	124.17	2	26.68	134	97.49	79
Total	391	498.29	4	44.76	387	453.53	91

Source: Information provided by the Director of Indian System of Medicines and Homeopathy, Government of Gujarat

It was further observed that the grants were being released to the implementing agency without mentioning nature of grant and conditions for utilisation of grants-in-aid.

It was also observed that the District Panchayats have not submitted the UCs and only monthly expenditure statements were furnished. As per expenditure statements of last three years, an amount of ₹ 52.05 crore was utilised out of ₹ 61.65 crore, leaving unutilised balance of ₹ 9.60 crore with District Panchayats.

In this regard the Director ISMH stated that the nature and condition of grant would be mentioned in the release order hereafter and UCs would be collected and unutilised balance would be adjusted before releasing future GIA.

UCs under Thirteenth Finance Commission

Funds to the tune of ₹ 177.75 were released under ThFC to the four directorates during the years 2011-12 to 2013-14 as detailed in **Table 3.7**.

¹⁰ Gujarat Ayurveda University, State Medicinal Plantation Board, Gujarat Ayush Society (State Project Implementing unit of National AYUSH Mission) and Project Implementation Unit

Table 3.7: Details of release of grants to controlling officers

(₹ in crore)

Year	Family Welfare	Public Health	Medical Education and Research	Medical Services	Total
2011-12	--	18.00	39.25	02.00	59.25
2012-13	05.25	02.29	16.64	35.07	59.25
2013-14	05.25	02.29	16.64	35.07	59.25
Total	10.50	22.58	72.53	72.14	177.75

Source: Information provided by the Health and Family welfare Department, Government of Gujarat

The UCs for the entire ₹ 177.75 crore were submitted by the respective Directorates. However, it was noticed that the Additional Directors of Medical Services and Family Welfare had furnished UCs amounting to ₹ 72.14 crore and ₹ 10.50 crore respectively without receiving the UCs from the concerned institutions/body. The record relating to grant released by other two Directorates were not made available to audit, hence audit could not verify the completeness of UCs furnished by them.

Additional Director of Family Welfare

Incentive grant of ₹ 27.48 crore (₹ 15.36 crore in December 2012 and ₹ 12.12 crore in September 2013) was released by Government of India for 'Reduction in the Infant Mortality Rate (IMR)'. However, Government of Gujarat released the same in March 2014 to 26 District Panchayats and Utilisation Certificate for the period up to March 2014 was submitted showing the full amount as unutilised. No further progress was observed.

No reply was furnished by the department (July 2016).

3.2 Non-receipt of information pertaining to bodies/authorities substantially financed by the Government

Under Section 14 of the C&AG's (Duties, Powers and Conditions of Service) (DPC) Act 1971, where anybody or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State, the Comptroller & Auditor General of India shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

Under Section 15 of the C&AG's DPC Act, 1971 where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State to any authority or body, the C&AG shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which grants or loans were given.

In order to identify institutions which attract Audit under Sections 14 and 15 of the C&AG's DPC Act, the Government/Heads of Department (HoDs) are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which

assistance was given, and the total expenditure of the institutions. The Regulations on Audit and Accounts 2007 provide that the Governments and HoDs 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 released during the preceding year indicating (a) the purpose for which the assistance was sanctioned and (b) the total expenditure of the body or authority.

On taking up the issue various Departments (August 2016), only seven out of 26 Departments furnished the details of grants in aid given to various bodies and authorities during 2015-16. Based on this, 10 new bodies/authorities under seven¹¹ departments have been identified for Audit. In the absence of complete information on the financial assistance given, reasonable assurance to that extent could not be provided to the Legislature/Government about the manner in which the grants sanctioned/released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

The FD stated (December 2016) that it has instructed all concerned administrative departments to take required action for submission of information.

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

There are 219 autonomous bodies/authorities covered by Section 14 of the C&AG's (DPC) Act, 1971. These are audited with regard to their transactions, operational activities and accounts, review of systems/procedures, internal controls, etc.

A total of 185 accounts (including accounts of earlier years) relating to 68 bodies/authorities were audited during the year 2015-16. However, 572 annual accounts of 136 autonomous bodies/authorities due up to 2015-16 were not received as on 31st July 2016 by the offices of Principal Accountant General (Economic and Revenue Sector Audit) and the Accountant General (General and Social Sector Audit).

The details of such accounts are given in **Appendix 3.2** and their age wise pendency is presented in **Table 3.8**.

¹¹ Industries and Mines Department; Narmada, Water Resources, Water Supply and Kalpsar Department; Science and Technology Department; Social Justice and Empowerment Department; Rural Development and Rural Housing Department; Home Department and Education Department

Table 3.8: Age-wise arrears of Annual Accounts due from Government Bodies

Sl. No.	Pendency in number of years	No. of the Bodies/Authorities
1	Less than one year	19
2	1-3	65
3	3-5	20
4	5-10	25
5	Above 10	07
Total		136

Source: Information compiled by O/o Pr. Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

It can be seen from the above table that in respect of 32 autonomous bodies/authorities, accounts were in arrears for more than five years. Of these, the accounts were in arrears in respect of Gujarat University, Ahmedabad since 1999-2000, Akshar Purushottam Arogya Mandir (Muni Seva Ashram), Vaghodia, Goraj-Vadodara and Institute of Kidney Diseases & Research Centre (IKDRC), Ahmedabad since 2004-05 and K J Mehta TB Hospital, Songadh, Amargadh, Bhavnagar; Sheth Vadilal Sarabhai General Hospital and Sheth Chinai Maternity Hospital, Ahmedabad; Self Employed Women's Association (SEWA), Ahmedabad and Electronic Quality Development Centre, Ahmedabad since 2005-06. In the absence of annual accounts, the accounting/utilisation of the grants and loans disbursed to these bodies/authorities could not be verified by Audit.

The FD in its reply (December 2016) stated that it has instructed all concerned administrative departments (November 2016) to take required action for timely submission of pending annual accounts of bodies/authorities receiving financial assistance from the government.

3.4 Delay in submission of Accounts and placement of Separate Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the fields of development, housing etc. These autonomous bodies attract audit under Section 19(2), 19(3) and 20(1) of the C&AG's (DPC) Act, 1971. These are audited with regard to their transactions, operational activities and accounts, review of systems and procedures, internal management and financial controls etc. The Separate Audit Report (SAR) in relation to each autonomous body is submitted to the Government. The accounts of 42 such autonomous bodies in the State are audited by the C&AG of India. However, none of the bodies has rendered accounts in time. The periods of delay in respect of all autonomous bodies are given in **Appendix 3.3**.

The details of delay in submission of accounts of autonomous bodies to Audit and the delay in placement of SARs in the Legislature in respect of these autonomous bodies after audit are provided in **Table 3.9**.

Table 3.9: Delay in Submission of Accounts and tabling of Separate Audit Reports

Delay in submission of Accounts to Audit (in Years)	Number of Autonomous Bodies	Delay in placement of SARs in Legislature (in Years)	Number of Autonomous Bodies
Up to 1 year	16	Up to 1 year	5
1 – 2 years	9	1 – 2 years	8
More than 2 years	17	More than 2 years	3
Total	42	Total	16

Source: Information compiled by O/o Pr. Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

The FD in its reply (December 2016) stated that it has instructed all concerned administrative departments to take required action for timely submission of pending annual accounts of bodies/authorities receiving financial assistance from the government.

3.5 Failure to furnish DC Bills for amount drawn on AC Bills

As per Rule 211 of the Gujarat Treasury Rule (GTR), 2000, the drawing officers are required to furnish the Detailed Contingent Bills in respect of all Abstract Contingent Bills within three months from the date of drawal of Abstract Contingent (AC) Bills to the Accountant General (A&E).

However, 9,275 AC bills amounting to ₹ 613.18 crore were drawn up to March 2016 for which Detailed Contingency (DC) bills were not furnished. Year-wise details of outstanding DC bills are given in **Table 3.10**.

Table 3.10: Pendency in submission of Detailed Contingent Bills

(₹ in crore)

Year	Outstanding DC bills (In number)	Outstanding amount drawn on AC bills
Upto March 2014	2,915	117.79
2014-15	743	188.61
2015-16	5,617	306.78
Total	9,275	613.18

Source: Information compiled by Accountant General (A&E), Gujarat, RAO/PAO, Ahmedabad and RAO/PAO, Gandhinagar

As evident from the **Table 3.10**, DC bills amounting to ₹ 117.79 crore (19 *per cent* of total amount) were pending for more than two years.

The FD in its reply stated (December 2016) that it has instructed all administrative departments to clear the pending Abstract Bills.

3.6 Personal Deposit Accounts

A Personal Deposit/Ledger Account (PD/PL Account) is a device intended to facilitate the administrator thereof to credit receipts into and effect withdrawals directly from the treasury account for a specific purpose. The administrators thereof shall only be Government officers acting in their official or any other capacity. Every Personal Deposit account so authorised to

be opened will form part of the Government Account and be located in the Public Account portion thereof.

There were 489 PD/PL Accounts in operation in District Treasuries as on 31 March 2016 having an amount of ₹ 410.84 crore. During 2015-16, ₹ 1,595.60 crore was credited to PD Accounts from Consolidated Fund of the State and expenditure of ₹ 1,546.52 crore was incurred there from. Out of 33 treasuries in the state, 24 treasuries informed the Accountant General that all PD Accounts were reconciled by the Administrators with the treasuries while in the remaining nine treasuries it was done partially.

Audit test checked (June/July 2016) the operation of the Personal Ledger Account of the Accounts Officer, Commissioner of Higher Education (University and College), Gandhinagar for a period of three years from 2013-14 to 2015-16 in order to examine the compliance with the relevant rules.

The post of Accounts officer has been upgraded to Deputy Director (DD) in October 2015. Hence, the PLA is now maintained under the control of DD, Commissioner of Higher Education (University and College), Gandhinagar.

The PD account was opened for direct payment of salary to the staff of non-Government Colleges. On the introduction of the scheme, the colleges receiving grant-in-aid are required to credit the full amount of tuition and term fees to the Government and grant-in-aid rules would stand modified for payment of salaries to teaching and non-teaching staff. DD was authorized to open PLA for the direct payment scheme. Further, the accounts under grants-in-aid rules were to be settled with every non-Government college by the end of the financial year and DD was to release quarterly instalment for admissible expenditure other than the salaries of staff. With the passage of time, teacher training institutes, research institutes were included in the scope of scheme. At present grants-in-aid of 356 aided colleges, 15 *gram vidyapith* and 13 teacher training-cum-research institutes are being released through the PLA.

The main objectives of the Audit of the operation of the PLA were to ascertain:

- Whether all the conditions were complied by the Administrator while operating the PLA.
- Whether the surplus funds were credited to current/saving/term deposit accounts. Unspent balances in the PLA were credited to concerned budget head at the close of financial year.
- Whether reconciliation of balances of PLA was carried out by the DDO and the treasury.
- Whether there were instances of diversion of funds deposited in the PLA from one scheme to another.
- Whether the accounts were maintained by the DDO as per rules.

The major Audit findings in this regard are discussed below:

3.6.1 Non closure of PLA cash book at the end of financial year

As per Rule 377 of the Gujarat Treasury Rules (GTR), 2000, “Balance in the Personal Deposit Accounts do not lapse to Government under Rule 386 even if outstanding for more than three complete accounting years. However, in cases where the Personal Deposit Accounts are credited by debit to the Consolidated Fund, the same should be closed at the end of the financial year by minus debit of balance to the relevant service heads in the Consolidated Fund. The Personal Deposit Account may be opened again in the next year, if necessary in the usual manner”.

During scrutiny of the PLA cash book for the year 2013-14 to 2015-16, it was noticed that DD had not transferred the credit balance to the respective service heads at the end of the financial year. Therefore, huge unutilized credit balance was lying at the end of the financial year.

Table 3.11: Details of unutilized closing balance at the end of financial year

(₹ in crore)			
Year	2013-14	2014-15	2015-16
Closing balance of PD/PLA cash book	8.53	3.84	38.17

Source: Information provided by the Dy. Director, Commissioner of Higher Education (University & College), Government of Gujarat

On this being pointed out in audit, Deputy Director replied that the recruitment process for 553 vacancies of teachers during 2015 could not be completed. Further, due to non-availability of the adequate staff, payment of adjustment grant, fifth instalment of sixth pay commission arrears and leave encashment bills could not be made in time. Hence, there was credit balance in the account.

The reply is not convincing as credit balance should be surrendered as per Government rules and fresh provision should be made in next year's budget.

3.6.2 Non reconciliation of balance as per cash book and treasury.

Rule 398 of the Gujarat Treasury Rules stipulates that the Administrator of the PLA should carry out the reconciliation of their balances for the preceding financial year with the Treasury office concerned by 30th June of the following financial year.

During scrutiny of the PLA cash book, it was noticed that the differences in the closing balance of PLA cash book and that as per treasury for the years 2013-14, 2014-15 and 2015-16 were not reconciled. As a result, there was a difference between the balances at the PLA cash book and treasury of ₹ 14.51 crore, ₹ 11.83 crore and ₹ 12.99 crore as on 31st March 2014, 31st March 2015 and 31st March 2016 respectively.

On this being pointed out in audit, DD replied that out of the above closing balances, cheques of ₹ 6.10 crore and ₹ 7.25 crore for 2014-15 and 2015-16

were encashed in first quarter of next financial year. It was further replied that on verification of records, differences of prior period would be reconciled. However, Audit observed that an amount of ₹ 5.74 crore still remained unreconciled in respect of cheques issued but not presented. When this was pointed out, the department could trace details to an extent of ₹ 27.98 lakh in respect of cheques issued from 2008-09 onwards. The DD assured to trace and furnish the details of remaining cheques amounting to ₹ 5.46 crore for the prior period. In respect of un-encashed cheques of ₹ 27.98 lakh, it was noticed that the cheques were issued to various colleges for payment of adjustment grant, ad-hoc grant or personal claims of staff.

The reply is not convincing as the provisions of time barred cheque were not followed and differences in closing balance as per cash book and treasury was allowed to continue without timely reconciliation.

The DD may undertake a review of the un-encashed cheques to re-assess the needs of the institutes/individuals for the funds and decide on the continuation of such grants. Had the reconciliation with the treasury been carried out properly, the difference could have been removed.

3.6.3 Non submission of audited expenditure statements (Research institutes)

3.6.3.1 As per Government Resolution (July 1989), in case of research institutes, the third instalment of grants should be released only after taking into account the previous two instalments and audited accounts of previous year.

Audit noticed that even though the audited expenditure statements were not submitted by some institutes, the third instalment of the grants was released. The details of such institutes are shown in the **Table 3.12**.

Table 3.12: Non-submission of audited expenditure statements by institutes

(Amount in ₹)

Sl. No.	Name of research institute	Years for which audited expenditure statement not submitted	Payment of ad-hoc grant (During 2008-09 to 2015-16)
1	Shri Dwarkadhish Sanskrit Academy and Endological research institute, Dwarka	2008-09 to 2015-16	2,11,000
2	Maharishi Ved Vigyan Academy, Ahmedabad	2002-03 to 2015-16	6,14,441
3	Sheth Bholabhai Jaisingbhai Adayapan and Sansodhan Vidyabhavan, Ahmedabad	1999-2000 to 2015-16	17,08,750
4	Kala Swadhyay Mandir, Ahmedabad	2005-06 to 2015-16	6,01,182
	Total		31,35,373

Source: Information provided by the Deputy Director, Commissioner of Higher Education (University & College), Government of Gujarat

In this regard, the DD stated that the ad-hoc grants have been released to these institutes for the said periods. On receipt of audited accounts, the actual grant to be released would be worked out by adjusting the ad-hoc grant released. These institutes have already been instructed to submit audited accounts.

The reply is not tenable since the instructions contained in GR have not been followed and grants were released to the institutes without obtaining audited accounts.

3.6.3.2 As per Education Department Resolution (November 1989), all grants-in-aided colleges have to submit their annual audited expenditure statement for assessment to the DD every year under the direct payment scheme for claiming their adjustment grant relating to claims other than salary expenditure.

It was noticed in 13 cases that adjustment grant was released on the basis of receipt of audited accounts for one year even though the audited accounts for prior period (ranging from 1 to 7 years) were not submitted as shown in **Table 3.13**.

Table 3.13: Adjustment grant released without audited accounts

Sl. No.	Name of institutes	Latest audited account submitted	Pending audited accounts for the year
1	B. D. Arts College, Sankri Sheri, Ahmedabad	2012-13	2011-12
2	C. C. Sheth College of Commerce, Ashram road, Ahmedabad	2012-13	2010-11
3	S. V. Arts and Commerce College, Mandvi, District Kachchh	2012-13	2011-12
4	C. and A. A Desai L. K. Doshi Commerce College, Balasinor	2010-11	2003-04 to 2009-10
5	N. S. Patel Arts College, Anand	2011-12	2005-06 to 2009-10
6	V. P. and R. P. T. C Science College, Vallabh Vidhayanagar	2012-13	2011-12
7	Mahila Mahavidhayalay, Juna Padra road, Vadodara	2012-13	2011-12
8	Shri V. M. Maheta Municipal Arts and Commerce College, Jamnagar	2011-12	2002-03 to 2004-05 and 2006-07 to 2007-08
9	Shri B.K. Majumdar Science College, Valsad	2011-12	2010-11
10	Smt. V.P. Kapadia Mahila Arts College, Bhavnagar	2000-01 (2011-12 assessment done audit pending)	2001-02 to 2010-11 and 2012-13
11	Smt. J. J. Kundalia Graduate Teachers College, Rajkot	2011-12	2008-09
12	Smt. S. B. Arts and R. N. Amin Commerce College, Vaso	2012-13	2009-10 to 2011-12
13	Smt. H. D. Arts and C. M. Patel Commerce College, Anklav, Anand	2012-13	2010-11

On this being pointed out, the DD stated that audited accounts of necessary period would be collected to regularize the payments.

The reply is not tenable as the instructions contained in GR have to be followed.

Deficiencies in Control Mechanism

Audit noticed that there was no mechanism to trace receipt of audited accounts. Only details of assessment done were maintained. Thus, there was no watch over non receipt as well as pendency of assessment. On the basis of available records, it was noticed that 1,166 audited accounts in respect of 344 institutes for the period 1998-2015 were pending for assessment.

On this being pointed out, the DD informed that the details will be updated from the year 2014-15 and step would be taken for clearance of the pendency in assessment.

3.6.4 Submission of UCs

As per Gujarat Financial Rules, 1971 (GFR), administrative departments may sanction grants-in-aid (GIA) to an institution or body, subject to the condition that the sanction is in accordance with the Rules or principles prescribed in these Rules or prescribed with the previous consent of the Finance Department (FD). As per Note (ii) below Rule 155 of the GFR "Utilisation Certificate (UC) of grant-in-Aid should be furnished in every case of grant paid for specific purpose even if no conditions are specifically attached to the grant". The funds being transferred to the PLA are grants-in-aid to be distributed to various eligible institutes. When the details of UCs submitted by DD were called for, it was replied that details of pending UCs would be consolidated from the records and pending UCs submitted to appropriate authorities.

3.6.5 Irregularities noticed in maintenance of PD/PLA cash book.

The following irregularities were noticed during audit of PLA cash book for the year 2013-14 to 2015-16.

1. In contravention of Rule 28 (v) of GTR, Head of office had not compared the treasury statement and PLA cash book at the end of each month.
2. Details of expenditure, Cheque no. and payee had not been written in the columns prescribed in the cash book.

On this being pointed out in audit, DD replied that necessary action will be taken henceforth.

3.7 Misappropriations, losses, defalcations, etc.

The State Government reported 146 cases of misappropriation, defalcation etc. involving Government money of ₹ 13.87 crore (up to March 2016) on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the

number of cases pending under categories of theft and misappropriation/loss as emerged from these appendices is summarised in **Table 3.14**.

Table 3.14: Age-Profile of Misappropriations, losses, defalcations, etc.

(₹ in crore)

Age-Profile of the Pending Cases		
Range in Years	Number of Cases	Amount Involved
Up to 5	32	5.80
5 – 10	11	0.31
10 – 15	18	6.67
15 – 20	15	0.19
20 – 25	16	0.51
25 and above	54	0.39
Total	146	13.87

Source: Information compiled by O/o Pr. Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

Reasons for which these cases are outstanding are given in **Table 3.15**.

Table 3.15: Reasons for pendency of Misappropriations, losses, defalcations cases

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	35	3.74
ii)	Departmental action initiated but not finalised	41	0.82
iii)	Criminal proceedings finalised but execution of certificate for the recovery of the amount pending	3	0.02
iv)	Awaiting orders for recovery or write off	24	0.13
v)	Pending in the courts of law	41	9.11
vi)	Others	2	0.05
Total		146	13.87

Source: Information compiled by O/o Pr. Accountant General (E&RS Audit) and Accountant General (G&SS Audit), Gujarat

Out of the total 146 outstanding cases involving ₹ 13.87 crore, 35 cases involving ₹ 3.74 crore were awaiting departmental action/criminal investigation which need to be speeded up. Narmada, Water Resources, Water Supply and Kalpsar Department had 20 cases and Land Revenue Department had 16 cases which are pending for more than 25 years and need to be resolved at the earliest.

3.8 Operation of omnibus Minor Head 800

The omnibus Minor Head 800 accommodates the expenditure which could not be classified under the available programme minor heads.

During 2015-16, expenditure aggregating ₹ 13,071.38 crore, constituting 10.31 *per cent* of the total expenditure was classified under Minor Head 800 – other expenditure against 75 Major Heads under Revenue and Capital sections. Entire expenditure on Miscellaneous General Services (Major Head 2075), Capital Outlay on other General Economic Services (Major Head

5475), Capital Outlay on Miscellaneous General Services (Major Head 4075), Capital Outlay on Iron and Steel Industries (Major Head 4852), Capital Outlay on Crop Husbandry (Major Head 4401), Capital Outlay on Nutrition (Major Head 4236), Loans for Urban Development (Major Head 6217) and Loans for Engineering Industries (Major Head 6858) were classified under omnibus Minor Head – 800. Also, 96.57 *per cent* Capital Outlay on Medium Irrigation (Major Head 4701) was classified under Minor Head 800.

Similarly, revenue receipts aggregating ₹ 10,836.96 crore, constituting 11.12 *per cent* of total receipts were classified under omnibus Minor Head ‘800 – Other Receipts’ under 55 Major Heads under Revenue and Capital Sections. Entire receipts of Other Special Areas Programmes (Major Head 0575), Food Storage and Warehousing (Major Head 0408), Power (Major Head 0801), Tourism (Major Head 1452), Family Welfare (Major Head 0211), 85.18 *per cent* receipt of Grant-in-Aid from Central Government (Major Head 1601) were classified under omnibus Minor Head – 800.

Budgeting of large amounts under the omnibus Minor Head 800 – Other Expenditure/Receipts affects the transparency in financial reporting as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

The FD while accepting the fact replied (December 2016) that the matter has been brought to the notice of all the administrative departments of GoG.

It is observed that the expenditure under the Minor Head 800 has slightly decreased from ₹ 14,702.53 crore in 2014-15 to ₹ 13,071 crore in 2015-16 while the revenue receipts under the same minor head have increased during the same period from ₹ 9,109.61 crore to ₹ 10,836.96 crore. More efforts are required on the part of FD to classify the expenditure/receipts under correct respective minor heads instead of minor head 800.

3.9 Comments on Accounts

3.9.1 Transparency in accounts

To bring out greater transparency and to enable informed decision making in Government Accounts, the Twelfth Finance Commission had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of subsidies given, both explicit and implicit expenditure on salaries by various departments/units, detailed information on pensioners and expenditure on government pensions, data on committed liabilities in the future, statement on debt and other liabilities as well as repayment schedule, accretion to or erosion in financial assets held by the Government including those arising out of changes in the manner of spending by the Government, implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows and statement on maintenance expenditure with segregation of salary and non-salary portions.

Presently, in the Finance Accounts of the State, the appendix on subsidy does not provide information regarding implicit subsidies. Regarding details of salary, the data captured in accounts is related to State sector only. Details of salary in case of aided institutions are included under the grants released to them. Accounting reforms are required to be undertaken to bring the data available into the Finance Accounts to make it more transparent.

3.9.2 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the 'Suspense Head'. On the receipt of relevant details/information, 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. Debt, Deposit and Remittances heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the Finance Accounts 2015-16 of the state has been adversely affected by large number of transactions under suspense heads awaiting final classification. A general review of the transactions showed the following:

Outstanding balances under major suspense accounts

The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Accountant General (Accounts and Entitlement), are indicated in Table 3.16.

Table 3.16: Suspense Head (8658 – Suspense Accounts)

Name of Minor Head	₹ in crore)					
	2013-14		2014-15		2015-16	
	Dr	Cr	Dr	Cr	Dr	Cr
101- Pay and Accounts office Suspense	117.27	0.87	119.18	(-) 5.94	147.20	0.00
	Net Dr. 116.40		Net Dr. 125.12		Net Dr. 147.20	
102- Suspense Accounts (Civil)	109.49	50.35	121.45	50.38	67.26	0.05
	Net Dr. 59.14		Net Dr. 71.07		Net Dr. 67.21	
110- Reserve Bank suspense Central Accounts Office	152.85	(-) 91.44	152.11	(-) 91.44	243.56	0.00
	Net Dr. 244.29		Net Dr. 243.55		Net Dr. 243.56	

Source: Finance Accounts

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs.

Pay and Accounts Office (PAO) Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs and the Accountant General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer, against whom the minor head 'PAO Suspense' has been operationalised. Credit under the head is cleared by 'minus credit' when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realisation of cheque from the Accounts Officer on whose behalf payment was made.

Outstanding debit balance under this head would mean that payments have been made by the Accountant General on behalf of a PAO which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the Accountant General on behalf of a PAO, which are yet to be repaid/adjusted. The net debit balance under this head has increased continuously during 2013-14 to 2015-16. On clearance/settlement of this, the cash balance of the State Government will increase.

Suspense Account (Civil)

This transitory minor head is operated for accounting of the transactions, which for want of certain information/documents viz., vouchers, challans etc. cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts.

Outstanding debit balance under this head would mean payments were made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts were received which could not be credited to the final receipt head for want of details. The net debit balance under this head is ₹ 67.21 crore, indicating that necessary details for classification of final expenditure head were not available. Steps need to be taken for obtaining the requisite details.

3.10 Conclusion and Recommendations

The Personal Deposit (PD) Account of Deputy Director, Commissionerate of Higher Education was opened for direct payment of salary to the staff of non-Government Colleges. During test check in audit, it was found that there were instances of non closure of Personal Ledger (PL) Account cash book at the end of financial year, non reconciliation of balances as per cash book and treasury, cheques issued but not presented and non submission of audited expenditure statements.

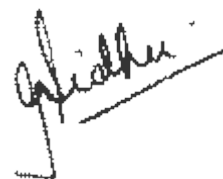
The concerned department may evolve a mechanism to ensure adherence with provisions of PD/PL accounts.

Non-submission of utilisation certificates of ₹ 5,385.40 crore indicated lack of adequate monitoring by the Departments in utilisation of grants given for specific purposes. We noticed instances of non-submission/incomplete submission of utilisation certificates in our detailed scrutiny of records of Health and Family Welfare Department.

The sanctioning authority/concerned department may evolve a mechanism to gather UCs promptly, verify their genuineness, including by way of sample inspection, and look into the delays in submission to identify the bottlenecks and address them for sound internal control and financial reporting.

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. In respect of 32 autonomous bodies/authorities auditable under section 14 of C&AG's (DPC) Act, 1971, accounts were in arrears for more than five years. None of the 42 autonomous bodies auditable under Section 19(2), 19(3) and 20(1) submitted its accounts in time.

The Controlling Departments may identify the reasons for delay in finalisation of pending accounts of autonomous bodies/authorities for suitable remedial measures so that backlog of arrears in accounts is cleared in a time bound manner.



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The

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