

CHAPTER III

FINANCIAL REPORTING

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. It also ensures relevant, reliable and timely financial reporting and thereby assists the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives.

3.1 Delay in submission of utilization certificates

Rule 8.14 (a) (1) of the Punjab Financial Rules Volume-I provides that every order sanctioning a grant would specify its object clearly and time limit within which the grant is to be spent. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions attached to the grant and submission of certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

It was observed that five Utilization Certificates (UCs) amounting to ₹ 4.47 crore were not furnished to the Accountant General (A&E) as on 31 March 2017.

The age-wise position of pendency in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise pendency of utilization certificates

(₹ in crore)

Year in which UCs became due ¹	Number of UCs	Amount
Up to 2014-15	2	3.40
2015-16	3	1.07
Total	5	4.47

Source: Finance Accounts

The departments having outstanding UCs include Home Affairs & Justice (2), Industry & Commerce (2) and Tourism & Cultural Affairs (1).

Further, a comparison with earlier years revealed that there was decrease in number of pending UCs since 2012-13 except for the year 2015-16 as depicted in **Table 3.2**.

Table 3.2: Position of pending UCs during 2012-17

(₹ in crore)

Year	Number of pending UCs	Amount
2012-13	165	386.18
2013-14	132	134.85
2014-15	29	24.21
2015-16	32	66.71
2016-17	05	4.47

Source: Finance Accounts

¹ Calculated on the basis of 18 months from the date of drawal of grant-in aid.

3.2 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies

It was noticed that, as on 31 March 2017, 15 accounts from 2006-07 to 2015-16 were pending in respect of four² out of five autonomous bodies. Separate Audit Reports (SARs) which were required to be placed before Legislature were also pending in respect of five³ autonomous bodies. The details of delay in submission of accounts by the autonomous bodies to Audit and placement of the SARs in the Legislature as on March 2017 are given in **Appendix 3.1**.

The Punjab Labour Welfare Board had not rendered its accounts since the financial year 2006-07 despite repeated comments in the Reports of the Comptroller and Auditor General of India (CAG) on State Finances about the arrear in preparation of accounts.

3.3 Departmental Commercial Undertakings

The departmental undertakings performing activities of commercial/quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working. In the absence of timely finalization of accounts, the results of the investment of the Government remained outside the purview of State Legislature and escaped scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit) within a specified time frame. However, the Punjab Roadways (Transport Department) had not prepared its accounts since 2004-05 (as of September 2017), despite repeated comments in the earlier Reports of the CAG on State Finances about the arrears in preparation of accounts.

3.4 Misappropriations, losses, thefts etc.

Rules 2.33 to 2.35 of the Punjab Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/Accountant General.

There were 26 cases of misappropriation, losses, theft, etc. pending as on 31 March 2017 involving an amount of ₹ 6.37 crore. The department-wise

² (i) Punjab Legal Services Authority; (ii) Punjab Khadi and Village Industry Board; (iii) Punjab Labour Welfare Board; and (iv) Punjab Bus Metro Society.

³ (i) Punjab Legal Services Authority; (ii) Punjab Khadi and Village Industries Board; (iii) Punjab State Human Rights Commission; (iv) Punjab Labour Welfare Board and (v) Punjab Building and Other Construction Welfare Board.

detail of outstanding cases as on 31 March 2017 is given in **Table 3.3** and age-wise profile is given in **Appendix 3.2**.

Table 3.3: Pending cases of misappropriation, losses, theft, etc.

(₹ in lakh)

Name of Department	Cases of misappropriation/ losses of Government material		Cases of theft		Total	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Education	7	12.45	0	0	7	12.45
Elections	2	0.21	0	0	2	0.21
Home Affairs and Justice	1	6.00	0	0	1	6.00
Health and Family Welfare	2	19.02	1	0.45	3	19.47
Revenue and Rehabilitation	7	53.63	0	0	7	53.63
Rural Development	4	412.59	0	0	4	412.59
PWD	1	133.00	0	0	1	133.00
Excise and Taxation	0	0	1	0	1	0
Total	24	636.90	2	0.45	26	637.35

Source: Information as provided by concerned departments

The reasons for the delay in finalization of these pending cases have been given in **Table 3.4**.

Table 3.4: Reasons for the delay in finalization of pending cases of misappropriation, losses, theft, etc.

(₹ in lakh)

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	09	369.89
Departmental action initiated but not finalised	08	186.63
Awaiting orders for recovery or write off	08	12.87
Pending in the courts of law	01	67.96
Total	26	637.35

Source: Information as provided by concerned departments

3.5 Abstract Contingent bills

Punjab Treasury Rules⁴ (PTR), *inter alia*, provides that Abstract Contingent (AC) bills can be drawn when the permanent advance begins to run short, or when a transfer of charge takes place, and it is necessary to draw money for contingent expenses. The expenditure is debited under the relevant service head and the DDO is required to submit the Detailed Contingent (DC) bill supported by vouchers/sub-vouchers to the Controlling Officer (CO) not later than six month from the date of drawal of AC bill. The AC bills remain unadjusted as long as the COs do not submit the DC Bills along with supporting vouchers to the Accountant General (A&E). Prolonged non-submission of supporting DC bills renders the expenditure under AC bills opaque.

⁴ Rule 269 (1)

Year-wise details of AC bills which remained unadjusted as on 31 March 2017 is given in **Table 3.5**:

Table 3.5: Detail of unadjusted AC bills as on 31 March 2017

(₹ in crore)

Year	Unadjusted AC bills	
	No. of Bills	Amount
Up to 2014-15	170	286.91
2015-16	139	184.39
2016-17	144	230.45
Total	453	701.75

Source: Finance Accounts

Out of 453 unadjusted AC Bills amounting to ₹ 701.75 crore, 412 unadjusted AC Bills amounting to ₹ 498.75 crore (71.07 per cent) pertain to following five Departments:

- I. Local Government (29 unadjusted AC bills amounting to ₹ 209.85 crore)
- II. Rural Development and Panchayats (119 unadjusted AC bills amounting to ₹ 131.05 crore)
- III. Planning (106 unadjusted AC bills amounting to ₹ 97.36 crore)
- IV. Social Security and Development of Women and Children (84 unadjusted AC bills amounting to ₹ 35.23 crore)
- V. Agriculture (74 unadjusted AC bills amounting to ₹ 25.26 crore)

Out of 1,101 AC bills amounting to ₹ 2,856.17 crore drawn during 2016-17, 98 AC bills amounting to ₹ 136.01 crore (4.76 per cent) were drawn in March 2017.

Significant expenditure against AC bills in March indicates that the drawal was primarily to exhaust the budget provisions and reveals inadequate budgetary control.

3.6 Follow up action on Audit Report

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the Departments to initiate *suo moto* concrete action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases had been taken up for examination by PAC or not. The Departments were also required to furnish to PAC detailed notes, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

As regards the Audit Reports relating to the period 2009-14 which have been laid before the State Legislature, the PAC took up (August 2015) Audit Report on State Finances for the year 2013-14 for discussion and directed the Finance Department for submission of reply to all paragraphs within three weeks. However, no detailed note has been received in the Audit Office (December 2017).

3.7 Conclusions

As on 31 March 2017, five utilization certificates in respect of grants amounting to ₹ 4.47 crore were pending for submission by the Departmental Officers. There was delay in submission of accounts to Audit and submission of Separate Audit Reports to the Legislature by the autonomous bodies. As on 31 March 2017, 26 cases of theft, loss and misappropriation involving an amount of ₹ 6.37 crore were pending finalization. As many as 453 AC bills for ₹ 701.75 crore were pending for adjustment.

3.8 Recommendations

The Government may consider:

- (i) to ensure timely submission of utilization certificates by the departments in respect of the grants released for specific purposes;
- (ii) expediting inquiries in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases; and
- (iii) carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.

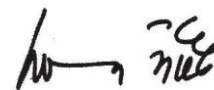
The above points were reported to the State Government in September 2017; reply was awaited (December 2017).



CHANDIGARH
The 5 February 2018

(JAGBANS SINGH)
Principal Accountant General (Audit), Punjab

Countersigned



NEW DELHI
The 7 February 2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India