

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, 3105 UCs for an aggregate amount of ₹ 7,269.69 crore in respect of the grants released up to 31 March 2016 were not furnished by the grantees as of 31 March 2017. 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	866	7,476.76	188	348.51
2	2-4	450	2,806.92	295	2,112.85
3	4-6	270	1,884.09	265	1,788.15
4	6-8	225	371.11	224	338.19
5	8-10	1008	351.31	1008	351.31
6	10 and above	1125	2,330.68	1125	2,330.68
	Total	3944	15,220.87	3105	7,269.69

Source: Compiled from information furnished by Pay and Accounts Office

Out of 3105 UCs due, 1980 UCs (63.77 per cent) of ₹ 4,939.01 crore were outstanding for periods ranging from two to 10 years while 1125 UCs (36.23 per cent) involving ₹ 2,330.68 crore were outstanding for more than 10 years.

Delhi Jal Board contributed ₹ 1,516.92 crore (20.87 per cent) of the arrears. Municipal Corporation Delhi (Land and Building Department for MCD), Delhi Vidyut Board¹ and Delhi State Industrial and Infrastructure Development Corporation did not furnish UCs of the grants received from Department of Urban Development. Further, New Delhi Municipal Council

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., Indraprastha Power Generation Company Ltd, BSES Rajdhani Power Limited- DISCOM, BSES Yamuna Power Limited (BYPL) - DISCOM; North Delhi Power Limited (NDPL) - DISCOM.

and Delhi Urban Shelter Improvement Board also did not furnish the UCs for the grant received.

3.2 Audit of the bodies/ authorities

The audit of ten bodies/authorities has been entrusted to the CAG under Section 19 and 20 of the CAG's (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 ten² bodies/authorities, the annual accounts of only five³ bodies/authorities upto the year 2015-16 were received.

The annual accounts of five bodies/authorities due up to 2015-16 had not been received as of March 2017 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 2017

Sl. No	Name of the Body/authority	Year for which accounts had not been received	No. of Accounts pending
1.	Delhi Kalyan Samiti (DKS)	2014-15 and 2015-16	2
2.	Netaji Subhash Institute of Technology (NSIT)	2015-16	1
3.	Delhi Jal Board (DJB)	2012-13 to 2015-16	4
4.	Delhi Building and Other Construction Workers Welfare Board	2014-15 and 2015-16	2
5.	Delhi Urban Shelter Improvement Board (DUSIB)	2010-11 to 2015-16	6

From the above, it is evident that 15 annual accounts upto the year 2015-16 of five bodies/authorities were pending. In case of Delhi Urban Shelter Improvement Board, six annual accounts since 2010-11 were pending whereas Delhi Jal Board was yet to submit their annual accounts from 2012-13 to 2015-16. Delhi Building and Other Construction Workers Welfare Board and Delhi Kalyan Samiti did not submit their accounts for the years 2014-15 and 2015-16 while Netaji Subhash Institute of Technology for the year 2015-16.

3.3 Misappropriations, losses and defalcations

As on 31 March 2017, 25 cases of theft, misappropriation/loss of material amounting to ₹ 23.30 lakh were pending for action. The age-profile of the pending cases and the number of cases pending in each category- theft and misappropriation/loss are summarised in **Table 3.3**:

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 and Other Construction Workers Welfare Board, (vi) Delhi Legal Services Authority, (vii) Delhi Electricity Regulatory Commission, (viii) Ambedkar University, (ix) Indraprastha Institute of Information Technology Delhi and (x) Delhi Urban Shelter Improvement Board.

³ (i) Guru Gobind Singh Indraprastha University, (ii) Delhi Electricity Regulatory Commission, (iii) Delhi State Legal Services Authority, (iv) Ambedkar University Delhi and (v) Indraprastha Institute of Information Technology.

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	05	12.92	Theft	13	0.71
5-10	12	9.89			
10-15	06	0.06	Misappropriation / loss of material	12	22.59
15-20	01	0.03			
20-25	1	0.40			
Total	25	23.30	Total pending cases	25	23.30

Of these 25 cases, nine 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 2016-17 with the prior approval of the Controller General of Accounts (CGA), Ministry of Finance, Government of India. As on 31 March 2017, balances of ₹ 49.86 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 ₹ 697.60 crore (61.78 per cent) as against the amount of AC bills of ₹ 1,129.18 crore, leaving an outstanding balance of AC bills of ₹ 431.58 crore as on 31 March 2017. 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

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
Upto 2011-12	131.95	29.61	22.44	102.34
2012-13	62.83	22.40	35.65	40.43
2013-14	41.03	11.45	27.91	29.58
2014-15	83.90	36.10	43.03	47.80
2015-16	278.70	211.43	75.86	67.27
2016-17	530.77	386.61	72.84	144.16
Total	1,129.18	697.60	61.78	431.58

As can be seen from the table, AC bills were outstanding for period exceeding five years. However, adjustment of AC bills through DCC bills in 2016-17 have decreased to 72.84 per cent from 75.86 per cent over the previous year. Due to non-submission of DC bills by different departments, it could not be ensured that funds had been utilised for the purpose for which these had been drawn. Thus, possibility of misappropriation of funds could not be ruled out and, in fact increases, in the absence of DCC bills.

The Government stated (November 2017) that lot of efforts have been made for liquidation of the outstanding balances. The fact, however, remains that considerable balances are lying outstanding for adjustment of AC bills.

3.6 Suspense balances

The Government of NCT of Delhi has no separate Public Account, and the account of the transactions relating to debt, deposits, advances, remittances and suspense are recorded and merged in the Public 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 for settlement periodically through the mechanism of monthly reconciliation statements.

Despite this mechanism being in place, it was noticed that the transactions in the Public Accounts (Central) prepared by the Government of NCT of Delhi showed outstanding balances of ₹ 198.56 crore as on 31 March 2017 as detailed in **Table.3.5**.

Table 3.5: Amount under Suspense Heads

(₹ in crore)

Year	Opening Balance	Net Addition (+)/Settlement (-)	Closing Balance
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.)
2016-17	207.80	(-) 9.24	198.56 (Dr.)

The details of balances (minor head-wise) under MH 8658-Suspense as on 31 March 2017 are given in **Table 3.6**.

Table 3.6: Balance under MH 8658-Suspense

(₹ in crore)

Name of minor head of account	Amount
Pay and Accounts Office Suspense Account (101)	24.50 (Dr.)
Cash Settlement Suspense Account (CSSA) (107)	177.49 (Dr.)
Provident Fund Suspense Account (113)	0.09 (Dr.)
Material Purchase Settlement Suspense Account (MPSSA) (129)	11.75 (Cr.)
Public Sector Bank Suspense Account (108)	8.33 (Dr.)
Suspense Account (Civil) (102)	0.10 (Cr.)
Total	198.56(Dr.)

The Government stated (November 2017) that the operation of Major Head 8658 MPSSA and CSSA has been discontinued with effect from 2014-15 and for clearance of the existing balances, concerned departments have been advised to make efforts for their liquidation.

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

Scrutiny of Finance Accounts for the year 2016-17 of NCT of Delhi revealed that there were minus/adverse balances of Loans and Advances in 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 31.03.2017
1	Statement No. 16	6401- Loans for Crop Husbandry 105-Manures and Fertilizers	(-)90.08
2		7610- Loans to Government Servants 201-House Building Advances	(-)628.76
3		7610- Loans to Government Servants 202-Advances for Purchase of Motor Conveyance	(-)201.98
4		7610- Loans to Government Servants 203-Advances for Purchase of Other Conveyance	(-)21.89
5		7610- Loans to Government Servants 203-Advances for Purchase of Computer	(-)153.10

The Government stated (September 2017) that the minus balance under Major Head 7610- Loans to Govt. Servants 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. Further, the existing adverse balances would be reviewed during the current financial year and appropriate instructions would be given.

The reply is not tenable as the recoveries in respect of loans taken by the CPWD employees in Ministries/Department and recoverable during their tenure in PWD of GNCTD should be transferred simultaneously to the PAO of the Central Government. This is tantamount to retention of GoI money by GNCTD.

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 2016-17, under 21 Major Heads, receipts of ₹ 161.01 crore (96.13 *per cent*), out of total receipts of ₹ 167.49 crore, was classified under the minor head '800-Other receipts' and under 23 Major heads of account, expenditure of ₹ 6,869.48 crore (73.83 *per cent*), out of total expenditure of ₹ 9,304.77 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.

The Government stated (September 2017) that Finance Department will examine these cases and necessary action will be initiated accordingly.

3.9 Conclusion

There were substantial delays in submission of utilisation certificates by various grantee institutions and as a result proper utilisation of grants could not be ensured. Utilisation certificates involving ₹ 4,939.01 crore (63.77 *per cent*) were outstanding for periods ranging from two to 10 years while 36.23 *per cent* involving ₹ 2,330.68 crore were outstanding for more than 10 years. Out of 10 bodies/ authorities, 15 annual accounts of five bodies/authorities due upto 2015-16 had not been received as of March 2017. 25 cases of misappropriation, loss and theft involving public money of ₹ 23.30 lakh were pending for action as on 31 March 2017. AC bills of ₹ 431.58 crore were outstanding for more than five years against the amount of ₹ 1,129.18 crore as on 31 March 2017. 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 periodic 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 (December 2017), its replies were awaited (December 2017).



New Delhi
Dated: 14 March 2018

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Countersigned



New Delhi
Dated: 16 March 2018

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Comptroller and Auditor General of India

