

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 Compliance to Accounting Standards

Three Indian Government Accounting Standards (IGAS) have been notified by Government of India. The compliance of the existing accounting Standards by the State Government is detailed in **Table 3.1** below:

Table 3.1: Implementation of IGAS

IGAS	Status of Implementation	Remarks
IGAS- I (Guarantees given by the Government)	NA	Government of NCT of Delhi has no power to give guarantees on the security of their Consolidated Fund. Guarantees for the Government are given by Government of India under Article 292 of the Constitution of India. No guarantee was given by the Government of India on behalf of Government of NCT of Delhi during the period 2013-14 to 2017-18*.
IGAS- II (Accounting and Classification of Grant-in-Aid- GIA)	Not complied with	The Government stated (March 2019) that Accounting and classification of GIA as per IGAS II will be complied within Finance Accounts 2018-19.
IGAS- III (Loans & Advances made by the Government)	Not complied with	The Government stated (March 2019) that disclosure of loans and advances in line with IGAS-III will be adopted in Finance Accounts 2018-19.

*Information provided by Principal Accounts Office (GNCTD)

3.2 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, 2,667 UCs for an aggregate amount of ₹ 6,953.64 crore in respect of the grants released up to 31 March 2017 were not furnished by the grantees as of 31 March 2018.** The age-wise pendency in submission of UCs is detailed in **Table 3.2:**

Table 3.2: 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	918	7,165.87	188	255.04
2	2-4	639	1,961.39	155	226.13
3	4-6	382	3,405.45	250	3,093.65
4	6-8	273	1,001.98	92	583.83
5	8-10	266	397.70	93	297.10
6	10 and above	1,993	2,503.41	1,889	2,497.89
	Total	4,471	16,435.80	2,667	6,953.64

Source: Compiled from information furnished by Principal Accounts Office, GNCTD

Out of 2,667 UCs due, 778 UCs of ₹ 4,455.75 crore were outstanding for periods ranging from two to 10 years while 1,889 UCs involving ₹ 2,497.89 crore were outstanding for more than 10 years.

Delhi Jal Board (DJB), Delhi Vidyut Board¹ (DVB) and Directorate of health services contributed ₹ 1,516.92 crore (21.81 per cent), ₹ 1,174.27 crore (16.89 per cent) and ₹ 1,158.45 crore (16.66 per cent) of the arrears respectively. Land and Building Department, Delhi State Industrial and Infrastructure Development Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited, Urban Development Department, Directorate for Welfare for SC/ST, New Delhi Municipal Corporation (LSG) did not furnish UCs for the grants received as detailed in **Appendix 3.1. This indicates lack of internal control of the administrative departments and tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud.**

Further, in the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the intended purpose for which these were sanctioned.

3.3 Non-submission/delay in submission of accounts

The audit of 10 bodies/authorities has been entrusted to the CAG under Section 19 and 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to Audit and issuance of Separate Audit Reports is indicated in **Appendix 3.2**. Out of 10 bodies/authorities, the annual accounts of only five² bodies/authorities upto the year 2016-17 were received.

The annual accounts of five bodies/authorities due up to 2016-17 had not been received as of March 2018 in the office of the Principal Accountant General

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.

² (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.

(Audit), Delhi. The details of these outstanding accounts are given in **Table 3.3:**

Table 3.3: Details of Outstanding Accounts as on 31 March 2018

Sl. No.	Name of the Body/Authority	Year for which accounts had not been received	No. of Accounts pending
1	Delhi Kalyan Samiti	2014-15 to 2016-17	3
2	Delhi Jal Board (DJB)	2012-13 to 2016-17	5
3	Delhi Building and Other Construction Workers Welfare Board	2016-17	1
4	Delhi Urban Shelter Improvement Board (DUSIB)	2010-11 to 2016-17	7
5	Netaji Subhash Institute of Technology (NSIT)	2015-16 and 2016-17	2

From the above, it is observed that 18 annual accounts upto the year 2016-17 of five bodies/authorities were pending.

In absence of timely finalisation of annual accounts, investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delays in finalisation of accounts increases the risk of fraud and leakage of public money.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by the bodies/authorities.

3.4 Personal Deposit Accounts

Rule 191 of Receipt and Payment Rules 1983 read with 191(3) stipulates that Personal Deposit Accounts (PDAs) are generally authorised to be opened under the special order of the Ministry/Department concerned in consultation with the Controller General of Accounts (CGA) in the following types of cases:

- (a) In favour of an administrator appointed for the purpose of administering moneys tendered by or on behalf of ward and attached estates and estates under Government management. These PDAs do not lapse to Government as per Rule 192(1), even if outstanding for more than three complete years;
- (b) In relation to Civil and Criminal Courts deposits, in favour of the Chief judicial authority concerned and these PDAs will not lapse as per Rule 192(2);
- (c) Where, under certain regulatory activities of the Government, receipts are realised and credited to a Fund or Account under the provisions of an Act to be utilised towards expenditure thereunder and no outgo from the Consolidated Fund is involved. These PDAs will not lapse to Government until the provisions of the relevant Act are in force.

The Principal Accounts Office, GNCT of Delhi, is operating 12 PDAs with the prior approval of the CGA, Ministry of Finance, Government of India.

The purpose of opening these PDAs was to deposit receipts of compensation received from the land requisitioning authorities (DDA etc.), for payment to land owners for land acquisitions through land acquisitions collectors, scrutiny charges in paper book cases, security charges, fees of election petitions, civil deposits, criminal deposits and rent of litigants as per order of court etc. and no outgo from consolidated fund is involved.

As on 31 March 2018, there was closing balances of ₹ 56.49 crore in these 12 PDAs which are non-lapsable.

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 (DCC) bills 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 ₹ 205.21 crore (33.77 per cent) as against the amount of AC bills of ₹ 607.64 crore, leaving an outstanding balance of AC bills of ₹ 402.43 crore as on 31 March 2018. 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

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills	Amount of DCC bills as percentage of AC bills	Amount Outstanding of AC bills
Upto 2012-13	142.77	12.53	8.77	130.24
2013-14	29.58	7.64	25.82	21.94
2014-15	47.80	23.10	48.33	24.70
2015-16	67.27	19.22	28.57	48.05
2016-17	144.16	75.63	52.46	68.53
2017-18	176.06	67.09	38.11	108.97
Total	607.64	205.21	33.77	402.43

As can be seen from the table, AC bills were outstanding for periods exceeding five years. However, adjustment of AC bills through DCC bills in 2017-18 have decreased to 38.11 per cent from 52.46 per cent over the previous year. **Due to non-submission of DCC bills by different departments, it could not be ensured that funds had been utilised for the purpose for which these had been drawn.**

Against the AC Bills of ₹ 176.06 crore during 2017-18 an amount of ₹ 90.85 crore (51.60 per cent) pertains to March 2018.

The Government stated (September 2018) that the outstanding amount has been reduced to ₹ 349.63 crore as of July 2018. However, considerable balances remain outstanding for want of adjustment of AC bills.

Non-submission of DCC bills within prescribed time after drawal of AC bills breaches financial discipline and entails risks of misappropriation of public money and unhealthy practices. This, therefore, needs to be monitored closely.

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

Scrutiny of Finance Accounts for the year 2017-18 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 3.5**.

Table 3.5: Minus/Adverse Balances of Loans and Advances

(₹ in lakh)

Sl. No.	Major Head	Description	Balance as on 31.03.2018
1	6401	Loans for Crop Husbandry 105-Manures and Fertilizers	(-)90.08
2	7610	Loans to Government Servants 201-House Building Advances	(-)618.37
3	7610	Loans to Government Servants 202-Advances for Purchase of Motor Conveyance	(-)223.20
4	7610	Loans to Government Servants 203-Advances for Purchase of Other Conveyance	(-)22.85
5	7610	Loans to Government Servants 204-Advances for Purchase of Computer	(-)160.10

The Government stated (September 2018) that minus balance under Major Head 6401-Loans for Crop Husbandry 105-Manures and Fertilizers has been taken up with the concerned Departments and Pay and Accounts Office (PAO). Further, it was stated that minus balance under Major Head 7610-Loans to Govt. Servants relate to the loan taken by Central Public Works Department (CPWD) employees in the Ministry/Department of Central Government which is recoverable from them during their tenure in PWD, Government of NCT of Delhi. 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 a particular financial year the receipts would be more than the amount transferred to PAO of Central Government thereby resulting in adverse balances in the Accounts. However, this aspect is already being looked into for corrective action and appropriate treatment would be given in accounts of the next financial year.

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, in fact tantamount to retention of GoI money by GNCTD. Despite this issue being highlighted in Report on State Finances of the Comptroller and Auditor General of India for the year 2016-17, no corrective measure has been taken. This needs to be reviewed.

3.7 Bookings under Minor Head 800-'Other Receipts' and 'Other Expenditure'

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 2017-18, under 19 Major Heads, receipts of ₹ 189.10 crore (96.00 per cent), out of total receipts of ₹ 196.97 crore, were classified under the minor head '800-Other receipts'. These constituted 0.49 per cent of the total revenue receipts (₹ 38,667.27 crore). Instances where a substantial portion exceeding ₹ 10 crore of the receipt was classified under Minor Head '800-Other Receipts' are depicted in **Table 3.6:**

Table 3.6: Substantial amount booked under Minor Head – '800 other Receipts'

(₹ in crore)

Sl. No.	'800-Other Receipts'			
	Major Head	Total Receipts	Booking under Minor Head 800	Percentage of Receipts
1	0059-Public Works	14.34	13.14	91.63
2	0210-Medical & Public health	89.08	83.05	93.23
3	0217-Urban Development	32.23	32.23	100
4	0230-Labour & Employment	20.79	20.20	97.16
5	0801-Power	26.25	26.25	100

Under 16 Major heads of account, expenditure of ₹ 3,258.79 crore (96.99 per cent), out of total expenditure of ₹ 3,359.87 crore was classified under the minor head of account '800-Other expenditure' during 2017-18 which constituted 8.30 per cent of the total expenditure (₹ 39,244.43 crore). Instances where a substantial portion exceeding ₹ 10 crore of expenditure was classified under Minor Head '800-Other Expenditure' are depicted in **Table 3.7.**

Table 3.7: Substantial amount booked under Minor Head – '800 other Expenditure'

(₹ in crore)

Sl. No.	'800-Other Expenditure'			
	Major Head	Total Expenditure	Booking under Minor Head 800	Percentage of Expenditure
1	2041-Taxes on Vehicles	214.55	157.72	73.51
2	2211-Family Welfare	53.64	40.00	74.57
3	2702-Irrigation & Flood Control	17.10	13.31	77.84
4	2801-Power	1694.32	1694.32	100.00
5	3054-Roads & Bridges	531.08	509.06	95.85
6	3075-Other Transport Services	660.17	660.17	100.00
7	4070-Capital Outlay on Other Administrative Services	96.62	96.62	100.00
8	4711-Capital outlay on Flood Control Projects	64.86	64.86	100.00

The Government stated (September 2018) that Finance Department will examine these cases and necessary action will be initiated accordingly.

This issue was pointed out in earlier Reports on State Finances also. However, no corrective action has been taken. The Government may carry out comprehensive review of all the items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are booked appropriately under the correct head of account to enhance transparency in financial reporting.

3.8 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 ₹ 4,455.75 crore were outstanding for periods ranging from two to 10 years while ₹ 2,497.89 crore were outstanding for more than 10 years. There is therefore, no assurance that the expenditure against the grants has actually been incurred for the purpose for which it was authorised.

Detailed Countersigned Contingent bills of ₹ 205.21 crore (33.77 per cent) were received against the Abstract Contingent bills of ₹ 607.64 crore, leaving an outstanding balance of AC bills of ₹ 402.43 crore as on 31 March 2018. During 2017-18, 51.60 per cent of the outstanding Abstract Contingent bills, pertain to March 2018 only. There is no assurance that the amount for which DCC bills are outstanding has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature.

18 annual accounts of five bodies/authorities due upto 2016-17 had not been received as of March 2018.

Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting transparency in financial reporting.

The Finance Accounts do not contain 'Notes to Accounts'. Since the issues highlighted in this Report are very significant for ensuring accuracy, transparency and completeness of financial position, Government of NCT of Delhi needs to start including these issues under 'Notes to Accounts' in the Finance accounts.



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Dated: 13 August 2019

Countersigned



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Comptroller and Auditor General of India

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Dated: 16 August 2019