

CHAPTER-3
FINANCIAL REPORTING

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning, decision making and accountability of the stakeholders. **This Chapter provides an overview and status of State Government's compliance with various financial rules, procedures and directives during the current year.**

3.1 Non-submission of Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and, after verification, these should be forwarded to the Accountant General (Accounts and Entitlement) within 12 months from the date of their sanction unless specified otherwise. A total number of 209 UCs amounting to ₹ 343.04 crore were pending as of March 2018 as shown in **Appendix- 3.1**. Of these, 146 UCs involving ₹ 219.42 crore were pending for a period up to two years and 63 UCs involving ₹ 123.62 crore were pending for more than two years. The age-wise position as regards submission of UCs has been summarised in **Table-3.1**.

Table-3.1: Age-wise position of Utilisation Certificates as on March 2018

Sl. No.	Year	No of UCs awaited	Amount
1.	Upto 2015-16	63	123.62
2.	2016-17	39	41.30
3.	2017-18 #	107	178.12

Except where the sanction order specifies otherwise, UCs in respect of grants in aid drawn during 2017-18 become due only in 2018-19.

Source: Finance Accounts 2017-18 prepared by AG (A&E), Uttarakhand.

The Departmental officers did not submit 102 UCs due for submission by March 2018 in respect of which grants amounting to ₹ 164.92 crore were given up to March 2017 for specific purposes.

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. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

3.2 Non-receipt of information pertaining to institutions substantially financed by the Government

To identify the institutions, which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Power and Conditions of Services) Act, 1971, the Government/ Heads of the Department are required to furnish to Audit every year,

detailed information about the financial assistance given to various institutions, the purpose for which the assistance was granted, and the total expenditure of the institutions. Further, Regulations on Audit and Accounts, 2007 provide that Government and the Heads of Departments 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 paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority.

It was seen that 24 out of 29 Autonomous Bodies/Authorities in the State of Uttarakhand did not furnish the information pertaining to grants aggregating ₹ 10 lakh or more. As such, the institutions which attract audit by Comptroller and Auditor General of India could not be identified. Consequently, audit could not provide assurance to the Legislature/Government on the manner in which the sanctioned grant was utilised.

During Exit Conference the State Finance Department assured that a circular would be issued to all bodies/authorities in whose favour grant/ loan was sanctioned to provide information to office of Principal Accountant General (Audit).

3.3 Delay in submission of Accounts in respect of Departmentally Managed Commercial Undertakings

Three departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *proforma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalized annual accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. **In the absence of timely finalisation of 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 delay in all likelihood may also open the system to risk of fraud and leakage of public money.**

The Heads of Department in the government are to ensure that the undertakings prepare such accounts and submit the same to Principal Accountant General (Audit), Uttarakhand, for audit within a specified time frame. As of March 2018, the department-wise position of arrears in preparation of *proforma* accounts and investment made by the Government are given in *Appendix-3.2*. Delay in finalisation of accounts carries the risk of financial irregularities going undetected.

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

Minor Heads 800- 'Other Expenditure' and 'Other Receipts' under various Major Heads are intended to be operated only when the appropriate minor head has not been provided in the chart of accounts. Routine operation of Minor Heads 800 under various Major

Heads is to be discouraged since it renders the accounts opaque. During 2017-18, an amount of ₹ 593.20 crore under 30 Major Heads of account, constituting 2.81 per cent of expenditure (₹ 21,120.55 crore) booked against these Major Heads and 2.04 per cent of the total revenue expenditure (₹ 29,082.69 crore) was classified under the Minor Head-800 'Other Expenditure' in the Revenue Account. Similarly, ₹ 626.23 crore under 36 Major Heads of Account constituting 6.16 per cent of receipts (₹ 10,169.56 crore) booked against these Major Heads and 2.31 per cent of the total revenue receipts (₹ 27,104.57 crore) was classified under the Minor Head-800 'Other Receipts'. Instances where a substantial portion (20 per cent or more and exceeding ₹ 10.00 crore) of the receipts and expenditure was classified under Minor Head '800-Other Receipts' and '800-Other Expenditure' are depicted in **Table-3.2**.

Table-3.2: Substantial amount booked under Minor Head-'800' other receipts/expenditure

(₹ in crore)

Sl. No.	"800-Other Receipts"				"800-Other Expenditure"			
	Major Head	Total Receipts	Booking under Minor Head 800	Percentage of Receipts	Major Head	Total Expenditure	Booking under Minor Head 800	Percentage of Expenditure
1.	0023- Hotel Receipt Tax	19.07	19.02	99.74	2040- Taxes on Sales, Trades etc.	189.82	109.82	57.85
2.	0029- Land Revenue	24.09	12.72	52.80	2245- Relief on Account of Natural Calamities	518.75	167.93	32.37
3.	0055- Police	23.56	13.93	59.13	2250- Other Social Services	18.94	18.73	98.89
4.	0059- Public Works	18.69	18.59	99.46	2501- Special Program for Rural Development	121.80	28.40	23.32
5.	0406- Forestry and Wild Life	312.09	115.10	36.88	-	-	-	-
6.	0801- Power	286.21	286.21	100.00	-	-	-	-
Total		683.71	465.57	68.09	Total	849.31	324.88	38.25

Source: Finance Accounts 2017-18 prepared by Accountant General (A&E) Uttarakhand.

As is evident from above table, around 68 per cent of receipts pertaining to six Major Heads were booked under 800- Other Receipts. Similarly, around 38 per cent of revenue expenditure pertaining to four Major Heads was booked under the 800-Other Expenditure.

Classification of large amounts booked under the Minor Head '800'-Other receipts/expenditure affects the transparency/ fair picture in financial reporting.

3.5 Apportionment of Pensionary liabilities between Uttar Pradesh and Uttarakhand

In terms of the Uttar Pradesh Re-organisation Act, 2000, apportionment of the Pensionary dues between the State Governments of Uttarakhand and Uttar Pradesh for the period from April 2000 to March 2011, has been completed. The apportionment of Pensionary dues beyond March 2011 is under examination by the two Governments.

3.6 Unallocated Balances between Uttarakhand and Uttar Pradesh

As per Appendix-XIII of Finance Accounts 2017-18 of Government of Uttarakhand, balances amounting to ₹ 8,758.82 crore representing balances under deposits and advances (MH 8336- Civil Deposits to MH 8550- Civil Advances) remain to be apportioned between

the successor States of Uttarakhand and Uttar Pradesh, almost two decades after the formation of Uttarakhand State.

3.7 Investment

The State Government has not made available/confirmed the information on investment made in Government Companies/Corporations by them. The information contained in the Finance Accounts is primarily based on information on Government investments which are captured from the vouchers by the Accountant General (A&E). The investment figures as shown in the Finance Accounts (₹ 3,209 crore) are under reconciliation with the records of the entities (₹ 3,270 crore) where the investments have been made by the State Government.

3.8 Implementation of Indian Government Accounting Standards (IGAS)

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 the **Table-3.3**.

Table-3.3: Implementation of IGAS

IGAS	Status of Implementation	Remarks
IGAS- I (Guarantees given by the Government)	Not complied with	The State Government has provided limited information on outstanding guarantees. Incomplete information regarding maximum amount of guarantees, added/invoked/discharged/not discharged during the year, guarantee commission receivable/received, etc. has been made available by the State Government.
IGAS- II (Accounting and Classification of Grant-in-Aid- GIA)	Not complied with	During the year 2017-18, the State Government gave grants of ₹ 47.98 crore under six Capital Major Heads, which was in contravention of IGAS- 2.
IGAS- III (Loans & Advances made by the Government)	Partially Implemented	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS-3, to the extent furnished by the State Government. Information on the repayments in arrears from various loanee entities was not provided. State Government departments have not furnished details of outstanding principal and loans that are sanctioned in perpetuity. Consequently, the requirements of IGAS-3 have not been fully met in these accounts.

3.9 Conclusions and Recommendations

The departmental officers did not submit 102 Utilisation Certificates (due for submission by March 2018) to the Accountant General (A&E), Uttarakhand in respect of the grants of ₹ 164.92 crore given up-to March 2017 for specific purposes. In the absence of these certificates, it could not be ascertained whether the recipients had utilised the grants for the intended purposes.

The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.

The departmental heads were not furnishing information pertaining to financial statements of such bodies and authorities to Principal Accountant General (Audit), Uttarakhand to which grants or loan aggregating ₹ 10 lakh or more were paid during

preceding year. As such, the institutions which attract audit by CAG could not be identified.

The Government may ensure timely submission of such statements of all autonomous bodies and other entities that receive grants or loans for ensuring accountability.

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

The Government may take comprehensive review of all the items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are booked under the appropriate head of account to enhance transparency in financial reporting.

Dehradun
The : 05 July 2019


(S. ALOK)
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Countersigned

New Delhi
The : 11 July 2019


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Comptroller and Auditor General of India

