

## Chapter III Financial Reporting

This chapter provides an overview and status of compliance of various significant financial rules, procedures and directives with regard to financial reporting of the State Government and its various subordinate offices during the current year.

### 3.1 Delay in furnishing Utilisation Certificates

Rule 281 of General Financial and Account Rules (GF&ARs), 2012 prescribed that the grants shall be provided for specific purpose. Rule 282 & 286 envisages that Utilisation Certificates (UCs) of grants should be obtained by the departmental officers from the grantees and after verification be forwarded to the Accountant General (Accounts and Entitlement) within one year from the date of their sanction unless specified otherwise.

However, 62 UCs aggregating to ₹ 2.34 crore were outstanding in respect of grants provided during the period 2004-05 to 2016-17. The age-wise position of delay in submission of UCs is summarized in **Table 3.1**.

**Table 3.1: Outstanding Utilization Certificates**

(₹ in crore)

Range of delay in number of years	Utilization Certificates outstanding as on 30 June 2018	
	Number	Amount
0-1	6	0.72
1-3	12	0.13
3-5	24	1.07
5-7	16	0.29
7-9	3	0.01
9 and above	1	0.12
<b>Total</b>	<b>62</b>	<b>2.34</b>

Almost 92.31 *per cent* of the amount of outstanding UCs mainly pertained to Science and Technology Department (56 UCs: ₹ 1.51 crore) and Integrated Child Development Services (Nutrition) (1 UCs: ₹ 0.65 crore). The Department wise break up of outstanding UCs is summarized in the following table:

S. No.	Department/ Major Head	Year of Release of Grant	Total Grant Released		Utilization Certificate			
			No.	Amount (₹ in lakh)	Received		Outstanding	
					No.	Amount (₹ in lakh)	No.	Amount (₹ in lakh)
1	Social Welfare (2225)	2004-05	308	235.47	307	223.75	1	11.72
2	Social Welfare (2235)	2016-17	23	4,110.60	19	4,104.19	4	6.41
3	Nutrition (2236)	2016-17	1	65.55	0	0.00	1	65.55
4	Science & Technology (3425)	2009-10	55	84.65	52	83.55	3	1.10
		2010-11	35	176.76	27	166.02	8	10.74
		2011-12	38	752.67	30	734.79	8	17.88
		2012-13	43	1,038.54	30	967.84	13	70.70
		2013-14	35	146.67	24	110.31	11	36.36
		2014-15	56	57.66	52	56.89	4	0.77
		2015-16	35	84.71	27	71.84	8	12.87
		2016-17	7	37.83	6	37.52	1	0.31
	<b>Total</b>		<b>636</b>	<b>6,791.11</b>	<b>574</b>	<b>6,556.70</b>	<b>62</b>	<b>234.41</b>

In the absence of UC, it is not possible to ascertain whether the grant released was utilized for the specified purpose. Non-submission of UCs indicates that the Departmental Officers had failed to comply with rules to ensure accountability of the agencies that received Government grants.

The number and value of UCs pending decreased from 104 UCs valuing ₹ 9.32 crore during 2016-17 to 62 UCs valuing ₹ 2.34 crore during 2017-18.

*Non-submission of UCs within the stipulated period indicates systemic deficiency in utilization of grants by the Departments and is fraught with the danger of financial mismanagement.*

### 3.2 Status of submission of accounts of Autonomous Bodies

The audit of accounts of forty one <sup>1</sup>autonomous bodies in the State has been entrusted to the CAG. These autonomous bodies have been set up by the State Government in the field of legal aid, human rights, electricity regulation and development of *Khadi* and welfare of construction workers.

Accounts of all the forty one autonomous bodies/ authorities have been received upto 2016-17 except one viz. Rajasthan Building and other Construction Workers Welfare Board, Jaipur for which accounts for the year 2016-17 have not been received as of June 2018. Separate Audit Reports (SARs) in respect of Rajasthan Khadi and Village Industries Board, Rajasthan State Human Rights Commission and Rajasthan Electricity Regulatory Commission have been issued upto the year 2016-17, for 36 District Legal Services Authorities and Rajasthan State Legal Services Authority upto the year 2015-16 and in respect of Rajasthan Building and other Construction Workers Welfare Board, Jaipur, it has been issued upto the year 2014-15.

### 3.3 Delay in submission of *Proforma* Accounts of Departmentally managed commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *proforma* accounts annually in the prescribed format, showing the working results of financial operations so that the Government can assess their functioning. The Heads of Departments in the Government are to ensure that the undertakings prepare such accounts and submit them to Accountant General for audit within six months of the closure of financial year. As of March 2018, seven out of 10 undertakings have prepared and submitted their accounts up to 2016-17. The department-wise position of the investment made by the Government up to the year for which *proforma* accounts are finalized and accumulated losses in these undertakings are given in **Appendix 3.1**. It is observed that an amount of ₹ 16,565.70 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their

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<sup>1</sup> Rajasthan Khadi and Village Industries Board, Rajasthan State human Rights Commission, Rajasthan state Legal Services Authority, Rajasthan Building and other Construction Workers Welfare Board, Jaipur, Rajasthan Electricity Regulatory Commission and 36 District legal Services Authorities.

accounts were finalised. Of these, eight undertakings incurred accumulated losses of ₹ 12,211.94 crore continuously for more than five years.

*The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business.*

**Recommendation: 12**

*Head of department should ensure timely preparation and submission of proforma account for taking remedial measures to improve efficiency and accountability of these undertakings.*

### 3.4 Misappropriations, losses, defalcations etc.

Rule 20 of GF&AR (Part-I) provided that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the officer concerned to the next higher authority as well as to the Principal Accountant General.

State Government reported 872 cases of misappropriation/embezzlement (323) and theft/loss (549) of government money amounting to ₹ 67.73 crore under various departments up to 31 March 2018 on which final action was pending (June 2018). The department-wise break up of pending cases and age-wise analysis is given in *Appendix-3.2* and nature of these cases is given in *Appendix-3.3*. The age profile of the pending cases and the number of cases pending in each category of theft/loss and misappropriation as emerged from these appendices are summarised in the **Table 3.2**:

**Table 3.2: Profile of misappropriation, losses, defalcations etc.**

Age profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in crore)	Nature of the cases	Number of cases	Amount involved (₹ in crore)
0-5	236	27.30	Theft/loss of material	549	17.08
5-10	137	17.73	Misappropriation/ embezzlement	323	50.65
10-15	195	10.43	-	-	-
15-20	129	6.33	-	-	-
20-25	101	3.49	-	-	-
25 and above	74	2.45	-	-	-
<b>Total</b>	<b>872</b>	<b>67.73</b>	<b>Total pending cases</b>	<b>872</b>	<b>67.73</b>

**Source:** Information received from the Departments.

Reasons for pendency of the outstanding cases are classified in following table:

**Table 3.3: Classification of reasons for delay of outstanding cases of misappropriations, losses, defalcations etc.**

Reasons for Delay	Number of cases	Amount (₹ in crore)
Awaiting departmental and criminal investigation	320	32.00
Awaiting orders for recovery/write off	491	30.80
Pending in the courts of law	61	4.93
<b>Total</b>	<b>872</b>	<b>67.73</b>

**Source:** Information received from the Departments.

**Recommendation: 13**

*Departmental inquiries in all misappropriation and embezzlement cases should be expedited and the internal controls in all these organizations should be strengthened to prevent recurrence of such cases.*

**3.5 Personal Deposit Accounts**

Rule 260 (1) of GF&AR provides that no money shall be received for deposits in the government accounts unless they are such as by virtue of any statutory provisions or of any general or special orders of the Government and are required or authorized to be held in the custody of the Government.

During 2017-18, the amount of ₹ 30,295.29 crore was transferred to/deposited in Personal Deposit (PD) Account in the Major Head 8443-Civil Deposits-106- Personal Deposits, which comprised 18.05 per cent of total expenditure (₹ 1,67,799 crore). Out of this, a sum of ₹ 4,035.89 crore (13.32 per cent) was transferred to/deposited to PD Account only in March 2018. Transfers of significant amount during the month of March indicate inadequate budgetary control.

The position of the PD Accounts of the State Government as on 31 March 2018 was as under:

Particulars	(₹ in crore)							
	Number of PD Accounts (as on 01 April 2017)		Addition during the year		Closed during the year		Number of PD Accounts (as on 31 March 2018)	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Operative PD Accounts	1,513	5,182.88	166	30,296.08* (includes amount 450.72 of new PD account)	33	25,942.37 (includes amount 6.66 of closed PD account)	1,646	9,536.59
Inoperative PD Accounts (for more than five years)	15	13.57	20	1.98	15	13.57	20	1.98
<b>Total</b>	<b>1,528</b>	<b>5,196.45</b>	<b>186</b>	<b>30,298.06</b>	<b>48</b>	<b>25,955.94</b>	<b>1,666</b>	<b>9,538.57</b>

\* Including sum of ₹ 0.79 crore transferred from inoperative PD Account.

During the year total amount of ₹ 30,295.29<sup>2</sup> crore was transferred to/deposited in PD Account. There was unspent balances of ₹ 9,538.57 crore (1,666 PD accounts) which included 14 PD accounts<sup>3</sup> having balances of

<sup>2</sup> ₹ 30296.08 crore- ₹ 0.79 crore.

<sup>3</sup> (a) Director, Mines and Geology Department, Udaipur (₹ 498.17 crore), (b) Ajmer Smart City Ltd., Ajmer (₹ 166.80 crore), (c) District Mineral Foundation Trust Fund, Bhilwara (₹ 303.02 crore), (d) Secretary, Rajasthan Rural Road Development Agency, Jaipur (City) (₹ 751.00 crore), (e) M.D. & F.A., Rajasthan State Bridge Road Development & Construction Corporation Ltd, Jaipur (Secretariat) (₹ 377.21 crore), (f) M.D. RajCOMP Info Services Ltd., Jaipur (Secretariat) (₹ 355.36 crore), (g) Rajasthan Secondary Education Council, Jaipur (Secretariat) (₹ 165.28 crore), (h) Rajasthan Urban Infrastructure Finance Development Corporation (RUIFDCO), Jaipur (Secretariat) (₹ 482.02 crore), (i) Rajasthan Medical Services Corporation, Ltd., Jaipur (Secretariat) (₹ 324.71 crore), (j) Rajasthan Mission and Skill and Livelihood, Jaipur (Secretariat) (₹ 103.63 crore), (k) Kota Smart City Ltd, Kota (₹ 168.40 crore), (l) District Mineral Foundation Trust, Rajsamand (₹ 298.98 crore), (m) Commissioner, Tribal Area Development, Udaipur (₹ 103.98 crore) and Rajasthan State Health Society, Jaipur (Secretariat) (₹ 467.92 crore).

₹ 100 crore and above, which constituted 47.9 per cent (₹ 4,566.48 crore) of total unspent balances in all PD accounts. Interestingly a sum of ₹ 1,629.02 crore (i.e. 17.1 per cent) out of total unspent balance of ₹ 9,538.57 crore is lying in just 35 PD accounts of Rajasthan District Mineral Foundation Trust (RDMFT).

Detailed analysis of two PD accounts viz. Rajasthan District Mineral Foundation Trust Fund and Rajcomp Info Services Limited, Jaipur are discussed in following paragraphs:

### 3.5.1 Rajasthan District Mineral Foundation Trust Fund

The State Government established (June 2016) District Mineral Foundation Trust (DMFT) as per rule 5 of Rajasthan District Mineral Foundation Trust (RDMFT) Rules 2016 in all the districts of the State with a Governing Council and Managing Committee. The objectives of the RDMFT were to work for the interest and benefit of persons and area affected by mining related operations in the district. RDMFT is to utilize RDMF Contribution in *Pradhan Mantri Khanij Kshetra Kalyan Yojana* and other welfare schemes of the State and Central Government to implement various developmental and welfare projects/ programs in mining affected areas.

Initially contribution towards trust fund was to be deposited by the lease holders at a prescribed rate with the concerned Mining Engineers (ME)/Assistant Mining Engineers (AME) office or directly in the Centralized current bank account. Thereafter, contribution was to be transferred to the non-interest bearing PD account.

Further, Finance (Ways and Means) Department directed (April 2017) for opening a non-interest bearing PD Account in all the districts in the name of DMFT. Thereafter, the contributions towards trust funds are being collected by the Department through non-interest bearing PD Accounts in all districts of the State. Non-interest bearing PD Accounts were later converted (June 2018) into interest bearing PD Accounts.

The total collection towards DMFT funds was ₹ 1,629.02 crore, which were lying in 35 PD accounts of DMFT in Rajasthan as on 31 March 2018. Out of this, an amount of ₹ 498.17 crore was lying in PD Accounts opened (August 2016) in treasury Udaipur. Following irregularities were observed in maintenance and utilization of the fund:

- RDMFT rules 13(4) & 13(5) provides that ME/AME are responsible for collection, reconciliation and cross verification of contribution to DMFT funds and shall deposit the same in trust account opened in interest bearing PD account.

It was however observed that an amount of ₹ 498.17 crore was pending for transfer to concerned DMFT fund as the reconciliation was not carried out.

- According to rule 13(2) of RDMFT rules, 2016 the payment towards trust fund shall be collected in advance along with royalty under a separate sub-head. However, no proposal was sent by the Finance Department to the Accountant General (A&E) for opening of a separate sub-head for accounting of payments to RDMFT fund.
- As per Rule 15(6) of RDMFT Rule 2016, each trust shall prepare and maintain a website for maintaining the transparency in operations. Information regarding status of ongoing works, implementation status/progress of all the projects/programs being undertaken by the trust should be displayed on the website including description of work, details of beneficiaries, estimated cost, name of implementing agencies, expected date of commencement and completion of work, financial and physical progress up to last quarter etc.

During test check of website of RDMFT, district-wise status of ongoing works was not found on the website. Also, the website does not show contributions from RDMFT, fund utilization, number of completed projects, name of implementing agency etc.

### **3.5.2 Rajcomp Info Services Limited, Jaipur**

Rajcomp Info Services Limited (RISL), Jaipur is the State Designated Agency for implementation of projects under National e-Governance Plan (NeGP). Its primary areas of expertise include IT consultancy, e-Governance project conceptualization and implementation, capacity building in the IT area, provision of customized IT solutions spanning hardware as well as software projects, GIS development and multimedia development.

The amount related to Elementary Education, Planning (Bhamashah) and Food and Civil Supply Department was deposited in the PD Account of RISL for providing IT services. There were unspent balances of ₹ 178.23 crore, ₹ 170.94 crore and ₹ 355.36 crore lying in the PD account as on March 2016, March 2017 and March 2018 respectively.

The Manager (Finance), RISL intimated (May-July 2018) that no amount was released through PD Account due to non-raising of demand and non-release of payments for works under various projects.

#### ***Recommendation: 14***

*In view of high amount credited to these PD Accounts and lying unutilized for more than two to three years, the Finance Department should review these PD Accounts and ensure that amounts lying in these PD Accounts are utilized for intended purpose or the PD Accounts closed.*

### **3.5.3 Inoperative PD Account**

Rule 98 of Rajasthan Treasury Rules, 2012 also provided that in the month of April every year the Treasury Officer would review the PD Accounts in operation and prepare a list of accounts which have remained inoperative continuously for preceding five financial years for sending it to the Finance (Ways & Means) Department and recommend for their closure.

Further, Rule 264 (2) of GF&AR provides that payment will not be permitted by Treasury Officer from a Personal Deposit Account, which has not been operated continuously, for preceding five financial years and which has been closed with the sanction of Finance Department.

Review of position of PD accounts held by various departments of the State Government revealed that as of 31 March 2018, total 20 PD Accounts having balance amount of ₹ 1.98 crore remained inoperative for the last five years (2013-18). Out of these, four PD Accounts i.e. Rent House in New Delhi in Jaipur (Secretariat), Entrepreneurship and Management Development Institute, Jaipur (Secretariat), New Pension scheme, Jodhpur (City) and SDO, Land Equi Officer Jhadol, Udaipur (Rural) had significant balances of ₹ 0.24 crore, ₹ 0.79 crore, ₹ 0.51 crore and ₹ 0.19 crore respectively. Details of current status regarding these PD Accounts are mentioned in **Appendix 3.4**.

The Joint Director of Treasury and Accounts, Jaipur and Treasury Officer, Jaipur (Rural) intimated (May- June 2018) that Finance (Ways and Means) department has given acceptance to continue two PD accounts with the condition that if no transaction is made during a period of six months, the accounts will be deemed as closed. To avoid deemed closure departments deposited ₹ 100 by challan in these accounts without availability of fund. Non-closure of PD Accounts despite remaining inoperative for five years was contrary to the provisions of Rule 264 (2) of GF&AR and Rule 98 of Rajasthan Treasury Rules, 2012.

***While examining the irregularities in the maintenance of PD Accounts, the Public Accounts Committee in its 97<sup>th</sup> Report (March 2016), 206<sup>th</sup> Report (October 2017) and 253<sup>rd</sup> Report (February 2018) had recommended for strict compliance of rules, so as to prevent its recurrence. In spite of the direction of the PAC, irregularities like unspent balances and non-closure of inoperative PD Accounts continue to persist.***

#### **3.5.4 Deposit of Local Funds**

Section 64 of the Rajasthan Panchayati Raj Act, 1994 provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) maintain ZP fund, PS fund and GP fund respectively which include all money realised or realisable under the Act and all money otherwise received by the PRI, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of a panchayat. Section 79 of Rajasthan Municipal Act 2009 envisages that the Municipal Fund is to be held by the Municipality. All money realised or realisable under this act and all money otherwise received by the Municipality are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds.

Besides this, the Panchayati Raj Institutions (PRIs) hold PRI fund which is classified under the Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds. Further, Gram Panchayat would deposit all receipts in nearest post office or branch of any scheduled bank, Panchayat Samiti and Zila Parishad in the Personal Deposit accounts maintained in nearest Government Treasury/Sub-treasury. The position of Deposits of local funds in PRI's and Municipal fund as on 31 March 2018 is as under:



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(₹ in crore)

Year	Zila Parishad Fund (8448-109-03)				Panchayat Samiti Fund (8448-109-02)				Total Closing Balance end of the year	Municipal Fund (8448-102)			
	Opening Balance	Receipt	Expen- diture	Closing Balance	Opening Balance	Receipt	Expen- diture	Closing Balance		Opening Balance	Receipt	Expen- diture	Closing Balance
1	2	3	4	5	6	7	8	9	(5+9) 10	11	12	13	14
2012-13	1,104.83	2,356.16	2,044.31	1,416.68	470.20	884.48	704.67	650.01	2,066.69	337.78	1,545.16	1,284.08	598.86
2013-14	1,416.68	2,619.37	2,578.78	1,457.27	650.01	1,568.13	1,473.86	744.28	2,201.55	598.86	1,637.98	1,688.86	547.98
2014-15	1,457.27	2,732.06	2,753.13	1,436.20	744.28	1,289.63	1,140.81	893.10	2,329.30	547.98	1,841.45	1,772.50	616.93
2015-16	1,436.20	4,412.58	3,879.91	1,968.87	893.10	1,091.19	967.73	1,016.56	2,985.43	616.93	2,217.67	1,903.89	930.71
2016-17	1,968.87	3,044.50	3,330.05	1,683.32	1,016.56	1,546.68	1,283.19	1,280.05	2,963.37	930.71	2,647.54	2,160.13	1,418.12
2017-18	1,683.32	2,220.82	2,032.13	1,872.01	1,280.05	1,599.99	1,430.26	1,449.78	3,321.79	1,418.12	2,351.12	2,117.23	1,652.01

It was observed that during 2013-18, the balances in ZP fund, PS funds and Municipal Fund showed an increasing trend. The closing balance in these funds during 2017-18 were ₹ 1,872.01 crore, ₹ 1,449.78 crore and ₹ 1,652.01 crore respectively.

Further, the status of unutilised funds lying in the accounts of GPs could not be ascertained as these details were not compiled either at the Panchayat Samiti or at the Zila Parishad level.

### 3.6 Opaqueness in accounts

As the crucial component of a transparent system of accounting, the forms of accounts in which the receipts and expenditure of the Government are reported to the legislature, should constantly be reviewed and updated so that they truly reflect receipts and expenditure on all major activities of the Government in a transparent manner to meet the basic information needs of all the important stakeholders.

Minor Head '800-Other Expenditure' is intended to be operated when the appropriate Minor Head has not been provided in the accounts. Scrutiny of Finance Accounts 2017-18 of Government of Rajasthan disclosed that ₹ 10,927.16 crore, comprising 6.56 per cent of the total expenditure (Revenue and Capital) recorded under 53 Major Heads of Accounts (representing functions of the Government) were classified under the Minor Head '800-Other Expenditure'.

The major functions in respect of which the expenditure was not depicted distinctly in the Finance Accounts but were clubbed under the Minor Head '800-Other Expenditure' are summarized below:

(₹ in crore)

S. No.	Name of the Function	Amount
1.	National Rural Health Mission under Family Welfare	1,329.77
2.	Notional adjustment of interest on Capital account under Major Irrigation (All Irrigation Projects)	1,226.34
3.	Agriculture input grant except for small and marginal farmers under Relief on account of Natural Calamities	732.83
4.	Public Health Insurance Scheme under Medical and Public Health	513.86
5.	Agriculture input grant for small and marginal farmers for agriculture crops, horticulture crops and annual lease crops under Relief on account of Natural Calamities	411.37



S.No.	Name of the Function	Amount
6.	Investment Subsidy under Taxes on Sales, Trade etc.	369.77
7.	Funds released to Local Bodies etc. under Capital Outlay on Urban Development	284.42
8.	Rajasthan Transport Infrastructure Development Fund under Urban Development	254.00
9.	National Agriculture Development Project under Crop Husbandry	207.21
10.	Interest grant to good loanee/ borrowers of Co-operatives under Co-operation	206.15
11.	Notional adjustment of interest on Capital account under Medium Irrigation (All Irrigation Projects)	205.82
12.	Ajmer, Jaipur, Udaipur and Kota Smart City under Urban Development	205.00
13.	Reimbursement to Private Schools under RTE under General Education	163.88
14.	Funds released to Zila Parishad (Rural Development Cell) under Capital Account of Special Areas Programme	134.61

Though details of these expenditure are depicted at sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government accounts, the booking of large amounts under the Minor Head '800-Other Expenditure' affects the transparency in financial reporting.

**Recommendation: 15**

*The Finance Department should in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head '800-Other Expenditure' and ensure that in future all such receipt and expenditure are booked under the appropriate heads of account to avoid opaqueness in the accounts.*

**JAIPUR,  
The 01 May 2019**

  
**(R.G. VISWANATHAN)  
Principal Accountant General  
(General and Social Sector Audit), Rajasthan**

**Countersigned**

**NEW DELHI,  
The 03 May 2019**

  
**(RAJIV MEHRISHI)  
Comptroller and Auditor General of India**