

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 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 (GoI). The compliance of the existing accounting standards by the Government of NCT of Delhi is detailed in **Table 3.1**.

Table 3.1: Implementation of IGAS

| IGAS | Status of Implementation | Remarks |
|---|--|---|
| IGAS- I (Guarantees given by the Government) | NA | GNCTD has no power to give guarantees on the security of their consolidated fund. Guarantees for the GNCTD are given by GoI under article 292 of the Constitution of India. No guarantee was given by the GoI on behalf of GNCTD during the period 2014-15 to 2018-19*. |
| IGAS- II (Accounting and classification of Grants-in-aid) | Complied (Appendix to Statement 10 of Finance Accounts) | - |
| IGAS- III (Loans and advances made by the Government) | Complied (Finance Accounts statement 4 for summarised and statement 16 for detailed statement) | - |

*Information provided by Principal Accounts Office, GNCTD

3.2 Delay in furnishing Utilisation Certificates

Rule 238 of the GFRs, 2017 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, 1,773 UCs for an aggregate amount of ₹5,169 crore in respect of the grants released up to 31 March 2018 were not furnished by the grantees as of 31 March 2019. 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 | 1,066 | 13,142.18 | 258 | 3,868.16 |
| 2 | 2-4 | 889 | 6,939.18 | 165 | 576.76 |
| 3 | 4-6 | 466 | 2,923.67 | 196 | 396.64 |
| 4 | 6-8 | 169 | 1,753.76 | 51 | 202.83 |
| 5 | 8-10 | 79 | 235.54 | 41 | 45.16 |
| 6 | 10 and above | 1,328 | 582.39 | 1,062 | 79.45 |
| | Total | 3,997 | 25,576.72 | 1,773 | 5,169.00 |

Source: Finance Accounts 2018-19

Out of 1,773 UCs due, 711 UCs of ₹5,089.55 crore were outstanding for periods up to 10 years while 1,062 UCs involving ₹79.45 crore were outstanding for more than 10 years.

Delhi Transport Corporation (DTC) and Delhi Urban Shelter Improvement Board (DUSIB) contributed ₹2,007 crore (38.83 per cent) and ₹765.62 crore (14.81 per cent) of the arrears respectively 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 Sections 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 four¹ bodies/authorities up to the year 2017-18 were received.

The annual accounts of six bodies/authorities due up to 2017-18 had not been received as of March 2019 in the office of the Principal Accountant General (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 2019

| Sl. no. | Name of the Body/Authority | Year for which accounts had not been received | No. of Accounts pending |
|---------|--|---|-------------------------|
| 1 | Delhi Kalyan Samiti | 2017-18 | 1 |
| 2 | Delhi Jal Board (DJB) | 2013-14 to 2017-18 | 5 |
| 3 | Delhi Building and Other Construction Workers' Welfare Board | 2017-18 | 1 |
| 4 | Delhi Legal Services Authority (DLSA) | 2017-18 | 1 |
| 5 | Delhi Urban Shelter Improvement Board (DUSIB) | 2010-11 to 2017-18 | 8 |
| 6 | Netaji Subhash Institute of Technology (NSIT) | 2016-17 and 2017-18 | 2 |

From the above, it is observed that 18 annual accounts up to the year 2017-18 of six bodies/authorities were pending.

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 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.

¹ (i) Guru Gobind Singh Indraprastha University, (ii) Delhi Electricity Regulatory Commission, (iii) Ambedkar University, Delhi and (iv) Indraprastha Institute of Information Technology.

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:

- 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;
- 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);
- 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, GNCTD, 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, 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 2019, there was closing balances of ₹72.84 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 (AC) bill to the effect that the Detailed Countersigned Contingent (DCC) bills have been submitted to the controlling officer in respect of 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 ₹118.54 crore (17.36 per cent) as against the amount of AC bills of ₹682.98 crore, leaving an outstanding balance of AC bills of ₹564.44 crore as on 31 March 2019. 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 | 130.24 | 16.50 | 12.67 | 113.74 |
| 2013-14 | 21.94 | 10.49 | 47.81 | 11.45 |
| 2014-15 | 24.70 | 4.90 | 19.84 | 19.80 |
| 2015-16 | 48.05 | 5.65 | 11.76 | 42.40 |
| 2016-17 | 68.53 | 24.51 | 35.77 | 44.02 |
| 2017-18 | 108.97 | 31.87 | 29.25 | 77.10 |
| 2018-19 | 280.55 | 24.62 | 8.78 | 255.93 |
| Total | 682.98 | 118.54 | 17.36 | 564.44 |

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 2018-19 have decreased to 8.78 per cent from 29.25 per cent over the previous year. Against the AC Bills of ₹280.55 crore during 2018-19 an amount of ₹115.12 crore (41 per cent) pertains to March 2019.

Forty five Government Departments did not submit 468 Detailed Contingent (DC) bills amounting to ₹255.93 crore before closing of the accounts for the financial year 2018-19 and, therefore, there is no assurance that the expenditure of ₹255.93 crore has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature. A total of 4,663 AC bills involving ₹564.44 crore were outstanding as of March 2019.

Advances drawn and not accounted for increased the possibility of wastage/misappropriation/malfeasance, etc. This, therefore, needs to be monitored closely.

The matter was reported to the Government (October 2019), the reply is awaited.

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

Scrutiny of Finance Accounts for the year 2018-19 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 31.03.2019 |
|---------|------------|---|--------------------------|
| 1 | 6401 | Loans for Crop Husbandry 105-Manures and Fertilizers | (-)90.08 |
| 2 | 7610 | Loans to Government Servants 201-House Building Advances | (-)547.22 |
| 3 | 7610 | Loans to Government Servants 202-Advances for Purchase of Motor Conveyance | (-)223.46 |
| 4 | 7610 | Loans to Government Servants 203-Advances for Purchase of Other Conveyance | (-)23.30 |
| 5 | 7610 | Loans to Government Servants 204-Advances for Purchase of Computer | (-)160.20 |

The Government stated (January 2020) that minus balance under major head 6401 - 'Loans for Crop Husbandry' 105 - 'Manures and Fertilizers' pertains to old period and may have been due to misclassification. Further, it was stated that minus balance under major head 7610 - 'Loans to Government Servants' has been reduced in March 2019 as compared to March 2018. However, outcome would be reflected in the next financial year.

The reply is not satisfactory as the issue still persists despite been highlighted in the State Finances Audit Reports of the Comptroller and Auditor General of India for the year 2016-17 and 2017-18. More effective measures need to be taken to ensure that minus/adverse balances on loans and advances are reduced to a minimum.

3.7 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 ₹5,089.55 crore were outstanding for periods up to 10 years while 1,062 UCs involving ₹79.45 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.

Eighteen annual accounts of six bodies/authorities due up to 2017-18 had not been received as of March 2019.

Detailed Countersigned Contingent bills of ₹118.54 crore (17.36 per cent) were received against the Abstract Contingent bills of ₹682.98 crore, leaving an outstanding balance of Abstract Contingent bills of ₹564.44 crore as on 31 March 2019. During 2018-19, 41 per cent of the outstanding Abstract Contingent bills, pertain to March 2019 only. There is no assurance that the amount for which Detailed Countersigned Contingent bills are outstanding has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature.



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Dated: 26 June 2020

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Comptroller and Auditor General of India

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Dated: 7 July 2020

