

## 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 284 & 286 of General Financial and Accounts Rules (GF&ARs), 2012 prescribed that Utilisation Certificates (UCs) of grants<sup>1</sup> provided for a specific purpose should be obtained by the departmental officers from the grantees and after verification should be forwarded to the Accountant General (Accounts and Entitlement) within one year from the date of their sanction unless specified otherwise.

The quantum of grants-in-aid (GIA) released during 2017-19 under various Central/State schemes is given in **Table 3.1**.

**Table 3.1: Grants provided to Local Bodies and other institutions**

Financial Assistance to Institutions	2017-18	2018-19
(₹ in crore)		
<b>(A) Local Bodies</b>		
Municipal Corporations and Municipalities	3,695.48	3,811.13
<i>Panchayati Raj</i> Institutions	18,550.27	14,834.25
<b>Total (A)</b>	<b>22,245.75</b>	<b>18,645.38</b>
<b>(B) Others</b>		
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,283.29	1,452.88
Development Authorities	11.68	13.65
Hospitals and Other Charitable Institutions	918.96	1,241.07
Other Institutions	10,525.42	13,509.23 <sup>2</sup>
<b>Total (B)</b>	<b>12,739.35</b>	<b>16,216.83</b>
<b>Total (A+B)</b>	<b>34,985.10</b>	<b>34,862.21</b>

Source: Finance Accounts and vouchers compiled by AG (A&E) Rajasthan

It was noticed that GIA of ₹ 29,868.64 crore<sup>3</sup> was provided for general/specific purpose during the year 2017-18. However, Utilization Certificates in respect of grant released for specific purposes were not submitted by the Departments to the Accountant General (A&E), Rajasthan as on March 2019 except two Departments viz. Social Justice and Empowerment Department (SJED) (₹ 44.45 crore) and Science & Technology Department (₹ 1.13 crore). The AG (A&E) is pursuing the matter regarding non-submission of UCs of specific grants with the Finance Department. Further, for ensuring compliance with relevant rules, the matter regarding mandatory incorporation of conditions in the sanctions issued by

<sup>1</sup> In case of grants released for general purpose i.e. pay & establishment and expenses for the Scheme under State Fund or Central Assistance, UCs are not required as per Rule 285 (4) of GF&AR.

<sup>2</sup> It included mainly grants given for (i) Co-operative Institutions ₹ 3,700 crore; (ii) Education: ₹ 2,214 crore; (iii) Family Welfare ₹ 1,906 crore; (iv) Relief on account of Natural Calamities ₹ 1,492 crore; and (v) Crop Husbandry ₹ 1,037 crore.

<sup>3</sup> Excluding amount of grants provided for general purpose of salary (₹ 5,116.24 crore), and some other special grants (₹ 0.22 crore) where UCs were not necessary as per financial rules.

grantee department for submission of UCs of specific grants to AG (A&E) is also under correspondence by that office with the Finance Department.

Thus, due to non-submission of UCs, the pendency of UCs relating to GIA provided for specific purpose during the year 2017-18 could not be captured in the accounts. Further, out of the grants provided (₹ 76.56 crore) to these two Departments (Table 3.3) during the period 2004-05 to 2017-18, 195 UCs aggregating to ₹ 5.97 crore were outstanding from the Department to Accountant General (A&E) as on March 2019. The age wise pendency of UCs of these two Departments is summarized in **Table 3.2**.

**Table 3.2: Outstanding Utilisation Certificates**

(₹ in crore)

Range of delay in number of years	Utilization Certificates outstanding as on 30 June 2019	
	Number	Amount
0-1	146	5.21
1-3	6	0.12
3-5	12	0.07
5-7	20	0.33
7-9	10	0.12
9 & above	1	0.12
<b>Total</b>	<b>195</b>	<b>5.97</b>

Almost 94.97 per cent of the amount of outstanding UCs mainly pertained to Science and Technology Department (185 UCs: ₹ 5.67 crore). The Department-wise break up of outstanding UCs is summarized in the following **Table 3.3**.

**Table 3.3: Position of department-wise outstanding Utilisation Certificates**

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	223.74	1	11.73
2	Social Welfare (2235)	2017-18	134	4,463.88	125	4,444.92	9	18.96
3	Science & Technology (3425)	2009-10	55	84.65	53	83.80	2	0.85
		2010-11	35	176.76	27	166.24	8	10.52
		2011-12	38	752.67	30	735.04	8	17.63
		2012-13	43	1,038.54	31	1,022.58	12	15.96
		2013-14	35	146.67	26	140.26	9	6.41
		2014-15	56	57.66	53	56.90	3	0.76
		2015-16	35	84.71	29	72.35	6	12.36
		2017-18	173	615.29	36	112.97	137	502.32
	<b>Total</b>		<b>912</b>	<b>7,656.30</b>	<b>717</b>	<b>7,058.80</b>	<b>195</b>	<b>597.50</b>

The number and value of pending UCs from these two Departments has increased from 62 UCs valuing ₹ 2.34 crore during 2017-18 to 195 UCs valuing ₹ 5.97 crore during 2018-19.

Further, UCs related to grants sanctioned to *Panchayati Raj Institutions/ Municipal Corporations and Municipalities* which received 63.56 per cent of grant, were not submitted to Accountant General (A&E), Rajasthan.

Medical and Health Department intimated (February 2020) that out of ₹ 2,008.44 crore sanctioned during the year 2017-18, an amount of ₹ 1,441.74 crore has been utilized and remaining ₹ 566.70 crore was the unspent balance which will be adjusted towards grants payable in next year.

Hence, it is evident that the Departments were obtaining and maintaining UCs with them. However, the sanctions and details of these UCs were not being sent to AG (A&E) for capturing in the accounts.

In the absence of submission of UCs to AG (A&E), it is not possible to ascertain whether the grant released was utilized during the financial year for the specified purpose. Further, 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.

***Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.***

***Recommendation 15:***

*State Government may ensure that all the Departments may submit the UCs related to grant-in-aid to AG (A&E) within the stipulated time for effective monitoring on expenditure and to be assured that grant is utilized for the specified purpose.*

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

#### **3.2.1 Non-submission of accounts by Autonomous Bodies**

In order to identify the institutions which attract audit under section 14 of the CAG's (DPC) Act, 1971, the Government/Heads of the Department are required to furnish every year to Audit, the detailed information about (i) the financial assistance given to various institutions, (ii) the purpose for which the assistance is granted and (iii) the total expenditure of the institutions. Further, Regulation 84 of the Regulation on Audit and Accounts, 2007 provides that Governments and Heads of Departments who sanction grants and/or loans to bodies or authorities shall furnish by the end of July every year to the Audit Office, 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) total expenditure of the body or authority.

On the basis of accounts furnished by different Autonomous Bodies (ABs), audit under Section 14 of the CAG's (DPC) Act, 1971 are conducted. There are 149 Autonomous Bodies/Authorities<sup>4</sup> covered under this Section. These are audited with regard to their transactions, operational activities and accounts, review of systems/procedures, internal controls, etc. A total of 62 accounts (including accounts of earlier years) relating to 36 Bodies/Authorities were audited during the year 2018-19.

However, 96 annual accounts of 64 autonomous bodies/authorities due up to 2017-18 had not been received as of June 2019. Department-wise detail of the bodies/ authorities who did not render their annual accounts for audit is given in **Appendix 3.1**. The age wise break up of pendency of annual accounts due for submission is given in **Table 3.4**.

<sup>4</sup> Including 7 bodies/authorities of Industry Department and Art & Culture Department falling under the audit jurisdiction of AG (E&RSA) Rajasthan, Jaipur.

**Table 3.4: Age-wise arrears of Annual Accounts due from Bodies/ Authorities.**

(₹ in crore)	
Delays in number of years	Number of the Bodies/ Authorities
0-1	51
1-3	9
3-5	2
More than 5 Years	2
<b>Total</b>	<b>64</b>

As evident from the table, the delay in submission of the accounts by 62 bodies/ authorities ranged between one to five years, while delay in respect of two bodies/authorities was more than five years.

Further, most of the Departments did not furnish the purpose for which the assistance was sanctioned as prescribed in the Regulation on Audit and Accounts, 2007. This resulted in Audit not being able to provide assurance to Legislature/Government about the manner in which the grant sanctioned/paid by them has been utilised, specifically on the issues of diversion and mis-utilisation.

### **3.2.2 Delay in Submission of Accounts and status of Separate Audit Reports of Autonomous Bodies**

The audit of accounts of 41 autonomous bodies/authorities<sup>5</sup> in the state has been entrusted to the CAG under Section 19 (2) and 20 (1) of the CAG's (DPC) Act, 1971. These autonomous bodies have been set up by the State Government in the field of legal aid, human rights, development of Khadi, electricity regulation and welfare of construction workers.

Accounts of all the 41 autonomous bodies/authorities have been received up to 2017-18 except accounts of Building and Construction Workers Welfare Board (BOCW) for the year 2016-17 and 2017-18 and accounts of two District Legal Services Authorities (DLSA), Chittorgarh and Sirohi for the year 2017-18 as of June 2019.

Separate audit reports (SARs) in respect of Rajasthan State Legal Services Authority, Rajasthan State Human Rights Commission, Rajasthan Khadi and Village Industries Board and Rajasthan Electricity Regulatory Commission have been issued up to the year 2017-18, for DLSA, Chittorgarh upto 2015-16, DLSA, Sirohi upto 2016-17 and in respect of Building and Construction Workers Welfare Board up to 2015-16.

The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Report and its placement in the legislature are indicated in *Appendix 3.2*.

### **3.3 Delay in submission of Proforma Accounts by Departmentally managed Commercial Undertakings**

The departmental undertakings of certain Government Departments performing activities of quasi-commercial nature are required to prepare

<sup>5</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.

*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 2019, only one out of 10 undertakings has submitted accounts up to 2017-18 and one undertaking has submitted accounts up to 2018-19.

The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. 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 3.3**. It is observed that an amount of ₹ 16,885.83 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their accounts were finalised. Of these, eight undertakings incurred accumulated losses of ₹ 13,857.86 crore continuously for more than five years. Most of the accumulated losses (99.91 *per cent*) pertained to Rajasthan Water Supply and Sewerage Management Board, which engaged in supply of drinking water and maintenance of sewage through network of Public Health and Engineering Department in the State.

**Recommendation 16:**

*Heads of Departments may identify the reasons for delay in finalisation of Accounts and institute remedial measures to ensure timely preparation and submission of accounts for improving 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 etc. 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.

The State Government reported 831 cases of misappropriation/embezzlement (328) and theft/loss (503) of government money amounting to ₹ 79.45 crore under various departments up to 31 March 2019, on which final action was pending (June 2019). Most of the misappropriation, losses and defalcation cases pertain to Rural Development and Panchayati Raj Department (₹ 22.75 crore), Education Department (₹ 14.25 crore), Revenue Department (₹ 13.09 crore). The department-wise break up and age-wise analysis of pending cases is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. 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 3.5**.

**Table 3.5: 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	219	37.75	Theft/loss of material	503	21.19
5-10	138	17.24	Misappropriation/ embezzlement	328	58.26
10-15	163	10.30			
15-20	124	7.31			
20-25	108	4.41	-	-	-
25 and above	79	2.44	-	-	-
<b>Total</b>	<b>831</b>	<b>79.45</b>	<b>Total pending cases</b>	<b>831</b>	<b>79.45</b>

Source: Information received from the Departments.

Reasons for pendency of the outstanding cases are classified in **Table 3.6**.

**Table 3.6: 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	308	39.37
Awaiting orders for recovery/write off	447	33.96
Pending in the courts of law	76	6.12
<b>Total</b>	<b>831</b>	<b>79.45</b>

Source: Information received from the Departments.

**Recommendation 17:**

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

**3.5 Personal Deposit Account**

Personal Deposit (PD) account is an account opened with the concerned Treasury under the Deposits head of the Public Account. The accounts are maintained as a bank account in treasury. 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 the virtue of any statutory provisions or of any general orders of the government and are required or authorized to be held in the custody of the Government.

During 2018-19, an amount of ₹ 31,821.06 crore was transferred/credited to PD Accounts in the Major Head 8443-Civil Deposits-106-Personal Deposits which comprised 16.9 per cent of total expenditure (₹ 1,87,524 crore), out of which ₹ 24,914.25 crore was transferred by debiting the Consolidated fund of the State. Out of the total amount, a sum of ₹ 5,002.11 crore (20.08 per cent) was transferred to/deposited in PD Accounts only in March 2019. As per State Budget Manual, the practice of withdrawing funds with a view to avoid lapse of budget grants and placing such amounts of money in deposits in the Public Account or the bank is forbidden. Transfer of significant amount to the PD accounts during the month of March indicates inadequate budgetary control.

The status of these (operative & inoperative) PD Accounts of the State Government as on 31 March 2019 is given **Table 3.7**.

**Table 3.7: Status of Operative and Inoperative PD Accounts****(₹ in crore)**

Particulars	No. of Accounts (as on 01 April 2018)		Addition during the year		Closed during the year		No. of PD Accounts (as on 31 March 2019)	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Operative PD Accounts	1,646	9,536.59	253	31,822.20*	36	28,033.38**	1863	13,325.41
Inoperative PD Accounts (for more than five years)	20	1.98	36	0.18	20	1.98	36	0.18
<b>Total</b>	<b>1,666</b>	<b>9,538.57</b>	<b>289</b>	<b>31,822.38</b>	<b>56</b>	<b>28,035.36</b>	<b>1899</b>	<b>13325.59</b>

\*Includes sum of ₹1.14 crore transferred from inoperative PD account.

\*\* Includes amount of ₹ 0.84 crore of closed PD accounts.

During the year total amount of ₹ 31,821.06 crore was transferred to/deposited in PD Accounts. Out of total transferred amount, there were unspent balances of ₹ 13,325.59 crore in 1,899 PD Accounts. These include 21 PD Accounts<sup>6</sup> (each having balances of ₹ 100 crore and above), in which sum of ₹ 7,685.59 crore i.e. 57.68 per cent of the total unspent balances is lying.

Age-wise details of PD accounts are given in the table below:

**Table 3.8: Age-wise details of PD accounts as on 31<sup>st</sup> March 2019****(₹ in crore)**

Age bracket	Number of PD accounts	Amount as on 31st March 2019
0-1 year	245	215.67
1-3 year	216	3,903.42
3-5 year	50	305.41
5-10 year	526	2,197.22
More than 10 year	667	5,687.50
Details Not Available	195	1,016.37
<b>Total</b>	<b>1,899</b>	<b>13,325.59</b>

During detailed analysis of PD accounts following irregularities were noticed:

### 3.5.1 PD account for New Pension Scheme operated by State Insurance & Provident Fund Department

In order to implement New Pension Scheme (NPS)<sup>7</sup>, Finance (Revenue) Department, GoR had decided (12 October 2011) that a separate Personal

<sup>6</sup> Rajasthan State Health Society, Jaipur (Secretariat) (₹ 1,057.06 crore); Dy. Manager, Rajasthan Rajya Co-operative Bank Jaipur City (₹ 986.49 crore); Secretary Rajasthan Rural Road Development Agency Jaipur City (₹ 873.02 crore); Rajcomp Info services Ltd. Jaipur (Secretariat) (₹ 616.93 crore); Rajasthan Urban Infrastructure Finance Development Corporation (₹ 578.67 crore); DMFT, Bhilwara (₹ 479.95 crore); DMFT, Rajsamand (₹ 457.59 crore); Director, Mines and Geology Department, Udaipur (₹ 451.74 crore); Director, Sarva Shiksha Abhiyan, Jaipur (Secretariat) (₹ 414.09 crore); MD, Rajasthan Secondary Education Council, Jaipur (Sectt.) (₹ 226.10 crore); Indira Awas Yojana, Jaipur (Secretariat); (₹ 198.48 crore); Commissioner, TAD, Udaipur (₹ 164.05 crore); Kota Smart City Ltd. Kota (₹ 161.09 crore); Ajmer Smart City Ltd., Ajmer (₹ 154.68 crore); Chairman, DMFT Fund, Ajmer (₹ 149.74 crore); Rajasthan Medical Services Corporation Ltd. Jaipur City (₹ 146.95 crore); MD &FA, Rajasthan State Bridge/Road Development & Construction Corporation Ltd. (₹ 126.52 crore); DMFT, Udaipur (Rural) (₹ 126.43 crore); DMFT, Chittorgarh (₹ 114.42 crore); DMFT, Pali (₹ 101.56 crore) and Rajasthan Bhawan Nirman Karmkar Kalyan Mandal, Jaipur City (₹ 100.03 crore).

<sup>7</sup> New Contributory Pension Scheme also known as National Pension System.

Deposit Account (479) under Budget Head 8443-106-00 will be opened in every treasury office for NPS contribution. Employee Contribution of State Government/PRI employees and Officers of All India Services would be deducted from their salary. After reconciliation of deduction by State Insurance and Provident Fund Department the amount will be transferred to PD account No. 479 for onward transfer to Trustee Bank (Bank of India). Since this PD account is a non-interest bearing account, return on Employee contribution would start only after transfer to Trustee Bank.

During scrutiny of treasury-wise record of this PD account for the year 2018-19, it was noticed that 16 treasuries had opening balances of ₹ 30.17 crore<sup>8</sup> which increased to closing balance of ₹ 90.79 crore<sup>9</sup> in 20 treasuries.

The Department intimated (July 2019) that out of ₹ 90.79 crore, ₹ 27 crore was erroneously transferred by the Dungarpur Treasury to PD Account and the same had been corrected (April 2019) by transfer entry. An amount of ₹ 29.32 crore was transferred by 3 treasuries in the last week of March 2019 and clarification from other treasuries was being obtained. The Department further added (September 2019) that an amount of ₹ 18.38 crore pertained to interest on legacy amount and ₹ 0.66 crore which was to be debited to PD account was wrongly debited to LIC and adjustment was under process. Further, reconciliation for an amount of ₹ 12.59 crore which pertained to February and March was under process. For remaining amount of ₹ 2.84 crore, no comment was offered.

However, the fact remains that an amount of ₹ 15.43 crore deducted from employees on account of NPS contribution either in February/March or earlier, was pending for transfer to the trustee bank as on September 2019. This resulted in deferment of due benefits to the employees till transfer of contributions to the trustee bank.

### **3.5.2 PD account for House building loan to Government servant**

Government of Rajasthan introduced (January 2004) a new scheme to provide House Building Advance (HBA) to government servants in cooperation with two banks viz. SBBJ and HDFC. Accordingly, with effect from 1.4.2004, the state employees were to be given HBA advance directly from these banks. The balance of outstanding HBA was also to be transferred to the banks. For the recoveries of outstanding HBA, a Personal Deposit Account (No. 473) was to be opened to keep deductions (principal/interest) before sending to escrow account in banks. As per the scheme, an outstanding amount of ₹ 319.71 crore of HBA Loan (prior to April 2004) was taken over by the SBBJ.

As per the modalities decided (14 May 2004) by Finance Department, the treasury officers were required to transfer the recoveries (principal/interest)

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<sup>8</sup> Jaipur (Rural), Ajmer, Chittorgarh, Tonk, Jhalawar, Karauli, Alwar, Kota, Rajsamand, Sawaimadhopur, Jaipur (Secretariat), Dholpur, Jaisalmer, Jaipur (City), Jaipur TO (pension) and Churu.

<sup>9</sup> Jaipur (Rural), Ajmer, Chittorgarh, Tonk, Jhalawar, Karauli, Alwar, Kota, Rajsamand, Sawaimadhopur, Jaipur (Secretariat), Dholpur, Jaisalmer, Jaipur (City), Jaipur TO (pension), Dungarpur, Nagaur, Jalore, Dausa and Jhunjhunu.

from the PD Account (No. 473), after reconciliation of monthly accounts with the Manager, SBBJ, in the escrow account<sup>10</sup> titled “Repayment of Housing Loan” opened for this purpose.

It was, however, noticed that an amount of ₹ 39.04 crore on account of deductions of principal and interest of HBA advances was lying as balances in PD account (No. 473) to be transferred to escrow account as on March 2019. This indicates that though the Government had deducted Principal and Interest from the employees, however, it is pending credit to their loan account. This also represents the liability of the State Government to that extent.

Further, GoR had clarified (March 2007) that the balances under the existing HBA ‘Major Head 7610-Loan to Government Servant’ would be made zero in Government account as all the outstanding HBA had been transferred to SBBJ by GoR and all excess /adjustment entries would be done through PD account instead of Major Head 7610 in Government account. However, it was noticed that an amount of ₹ 67.32 lakh was lying as balance under government account (Major Head-7610) as on March 2019. This indicates that HBA loan of ₹ 67.32 lakh was still pending to be transferred to PD account or escrow account in the bank.

Treasury and Accounts Department intimated (September 2019) that the amount shown in this account by the Pension Department is in respect of outstanding HBA of retiring employees. These balances need to be transferred to PD account or escrow account in the Bank.

### **3.5.3 Follow up of items featured in previous Report**

Previous year, two PD accounts were analysed in detail and featured in State Finances Audit Report-2017-18. The follow up of para 3.5.1 and 3.5.2 is discussed below:

#### **(i) District Mineral Foundation Trust (DMFT)**

At para 3.5.1 of SFAR 2017-18, it was stated that the closing balances in DMFT funds increased from ₹ 1,629.02 crore in 2017-18 to ₹ 2,177.54 crore in 2018-19, which was lying in 35 PD accounts. In addition, an amount of ₹ 498.17 crore was pending for transfer to concerned DMFT funds since 2017-18.

Directorate, Mines and Minerals stated (August 2019) that an amount of ₹ 450.89 crore is lying in this account as on August 2019, out of which ₹ 402.74 crore had been reconciled and sanction for transfer to concerned district had been issued.

Finance (Ways and Means) Department has directed (April 2017) for opening of non-interest bearing PD Account in all the districts in the name of DMFT.

<sup>10</sup> An escrow account is a temporary pass through account held by a third party during the process of a transaction between two parties. This is a temporary account as it operates until the completion of a transaction process, which is implemented after all the conditions between the buyer and the seller are settled.

These Non-interest bearing PD accounts were to be later converted (June 2018) into interest bearing PD Accounts.

Department stated (August 2019) that the proposal for conversion of non-interest bearing PD Accounts into interest bearing PD Accounts in the name of DMFT is yet to be done and is under submission.

**(ii) Rajcomp Info Services Limited, Jaipur**

As stated in para 3.5.2 of SFAR 2017-18, there was an unspent balance of ₹ 355.36 crore in the PD account-Rajcomp Info Services Limited, Jaipur as on March 2018 which has increased to ₹ 616.93 crore in March 2019.

Department intimated (July 2019) that balance amount would be refunded by Rajcomp Info Services Limited to the Department after completion of the projects.

The increasing balances in the above mentioned PD accounts indicate that the Finance Department has failed to check parking of funds in these PD accounts despite being reported in previous year report.

***Non-transfer of unspent balances lying in the PD accounts to consolidated fund of the State entails the risk of mis-use of funds, fraud and misappropriation.***

***Recommendation 18:***

*Finance Department may ensure that funds lying in these PD accounts are utilized for intended purpose rather than lying parked in these accounts.*

**3.5.4 Inoperative PD Accounts**

Rule 98 of Rajasthan Treasury Rules 2012 provides 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 with recommendation for their closing.

Review of Position of PD Accounts held by various departments of the State Governments revealed that as of 31 March 2019, total 36 PD Accounts having balance amount of ₹ 18.35 lakh remained inoperative for the last five years (2014-19). Details of current status of these PD Accounts are mentioned in **Appendix 3.6**. Out of these, 12 inoperative PD accounts have nil balance for last five years, while 6 PD Accounts (including 3 PD accounts with nil balance) have been closed. This indicates lack of monitoring at the level of the treasury. These accounts need to be closed as early as possible by treasury.

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 Treasuries Rules 2012.

### 3.5.5 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) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds) which would include all the money realised or realisable under the Act and all money otherwise received by the PRIs, 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. Similarly, Section 79 of Rajasthan Municipal Act 2009 envisages that the Municipal Fund is to be held by the Municipality. All the money realised or realisable under this act and all money otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448-Deposits of Local Funds-102-Municipal Funds.

The position of Deposits of local funds in PRI's and Municipal fund as on 31 March 2019 is given in **Table 3.9**.

**Table 3.9: Deposits of Local Funds**

(₹ 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	Expend- iture	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	470.2	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	893.1	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	893.1	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
2018-19	1,872.01	1,781.83	2,144.98	1,508.86	1,449.78	1,776.44	1,762.27	1,463.95	2,972.81	1,652.01	2,527.25	2,775.08	1,404.17

It was observed that during 2012-19, huge balances are lying in ZP fund, PS funds and Municipal Fund pending for utilisation. The closing balances in these funds during 2018-19 were ₹ 1,508.86 crore, ₹ 1,463.95 crore and ₹ 1,404.18 crore respectively.

In addition to this Gram Panchayats also maintain accounts in nearest branch of scheduled bank. The status of un-utilised funds lying in these accounts of GPs could not be ascertained as these details were neither compiled at the Panchayat Samiti nor at the Zila Parishad level. These balances are not maintained in Treasury Accounts also.

Rural Development and Panchayati Raj Department intimated (August 2019) that in compliance of audit, direction has been issued (vide office order 1929 dated 30 July 2019) for compilation of details of un-utilised fund in Gram Panchayat account at the level of Panchayat Samiti or Zila Parishad level.

### 3.6 Adverse balances under Debt, Deposit and Remittances Heads

Adverse balances (credit balances in debit heads and debit balances in credit heads) are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayments than the original amount advanced.

As of 31 March 2019, there were 65 cases<sup>11</sup> of adverse balances under Debt, Deposit and Remittances (DDR) heads in 10 Major Heads amounting to ₹ 1,457.92 crore. The adverse balances were mainly under Pension Funds of employees of Municipal Councils/Municipalities (₹ 1,376.65 crore).

**Recommendation 19:**

*Adverse balances in DDR heads in 65 cases amounting to ₹ 1,457.92 crore need to be reconciled and adjusted on priority.*

**3.7 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 only when the appropriate Minor Head has not been provided in the accounts. Scrutiny of Finance Accounts of 2018-19 of Government of Rajasthan disclosed that ₹ 10,692.43 crore, comprising 5.74 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 incurred but not depicted distinctly in the Finance Accounts by clubbing under the Minor Head ‘800-Other Expenditure’ are summarized in **Table 3.10**.

**Table 3.10: Scheme-wise position of expenditure under minor head 800**

(₹ in crore)		
S. No.	Name of the Function	Amount
1.	District and Other Roads under Capital Outlay on Roads and Bridges	2,537.12
2.	National Rural Health Mission under Family Welfare	1,261.10
3.	Agriculture input grant except for small and marginal farmers under Relief on account of Natural Calamities	1,195.41
4.	Notional adjustment of interest on Capital account under Major, Medium and Irrigation (All Irrigation Projects)	1,093.57
5.	Funds released to Local Bodies etc. for integrated development of Small and Medium Towns under Capital Outlay on Urban Development	566.93
6.	Expenditure pertains to Investment Subsidy under Taxes on Sales, Trades etc.	474.73
7.	Agriculture input grant for small and marginal farmers for agriculture crops, horticulture crops and annual lease crops under Relief on account of Natural Calamities	337.59

<sup>11</sup> Loans and Advances from the Central Government (seven cases: ₹ 12.23 crore); Loans for Crop Husbandry (one case: ₹ 7,200 only); Loans to Government Servants (46 cases: ₹ 2.71 crore); State Provident Funds (one case: ₹ 0.01 crore); Insurance and Pension Funds (one case: ₹ 1,376.65 crore); Deposits of Local Funds (one case: ₹ 11.05 crore); Civil Deposits (one case: ₹ 48.98 crore); Suspense Account (three cases: ₹ 3.22 crore); Security Deposits made by Government (one case: ₹ 0.33 crore); and Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officers (three cases: ₹ 2.74 crore).

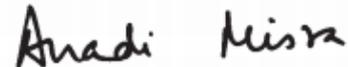
S. No.	Name of the Function	Amount
8.	Maintenance of District Roads and Other roads and Metropolitan Roads under major head Roads and Bridges	296.72
9.	Interest grant to good loanee/borrowers of Co-operatives under Co-operation	260.04
10.	Reimbursement to Private Schools under RTE under General Education	128.45
11.	Rajasthan Transport Infrastructure Development Fund under Urban Development	110.98
12.	Funds released to Zila Parishad (Rural Development Cell) for Border Area Development (Central Assistance) under Capital Outlay on other Special Area Programmes	110.49
13.	Mukhyanmantri Nishulk Janch Yojana and Mukhyanmantri Nishulk Dava Yojana under Medical and Public Health	107.62
14.	Rashtriya Krishi Vikas Yojana under Crop Husbandry	106.03
15.	Pradhan Mantri Krishi Sinchai Yojana under Crop Husbandry	100.54
<b>Total</b>		<b>8,687.32</b>

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 20:**

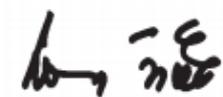
*The Finance Department may in consultation with the Accountant General (A&E), conduct a comprehensive review of all the items presently appearing under minor head '800-Other Expenditure' and ensure that in future all such receipt and expenditure are booked under the appropriate heads of account to avoid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

JAIPUR,  
The 25 July, 2020

  
(ANADI MISRA)  
Accountant General  
(Audit-I), Rajasthan

Countersigned

NEW DELHI,  
The 27 July, 2020

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India