

## **CHAPTER - IV**

# **Quality of Accounts and Financial Reporting Practices**



## CHAPTER-IV

### QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

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. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making. This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

#### Issues related to completeness of accounts

##### 4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267, of Constitution of India provides that all revenues received by the Government of a State, all loans raised by the Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State. However, in the following cases moneys received by the State Government did not form part of the Consolidated Fund of the State /Public Account of the State as discussed below:

##### 4.1.1 Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 covers establishments employing ten or more building workers on any day of the preceding twelve months in any building or other construction work. The acts, *inter alia*, provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through the levy and collection of cess on the cost of construction works. Accordingly, the State Government created (November 2009) the U.P. BOCW Welfare Board and in terms of the Cess Act, levies cess at the rate of one *per cent*. The U.P. BOCW Rules, 2009, as amended from time to time, provides for collection of registration fee of ₹ 20 and annual membership fee of ₹ 20 from registered workers which were subsequently reduced (December 2020) to zero till 31 March 2021 in view of the COVID-19 pandemic. In this connection, the audit findings are as follows:

**Funds kept outside Government Accounts**

U.P. BOCW Welfare Board has not finalised its accounts since its constitution (November 2009). Details of receipts and utilisation of cess during the period 2016-21, as provided by the Board, are given in **Table 4.1**.

**Table 4.1 Status of Registration Fee, Cess realised and utilisation during the period 2016-21**

Year	Opening balance	Receipts				Total funds available	Expenditure	Closing balance
		Registration fee and annual membership fee	Labour cess		Interest on deposits			
			Received in Board account	From treasury (State Govt.)				
1	2	3	4	5	6	7 (Col. 2 to 6)	8	9 (Col. 7 – 8)
2016-17	2,457.91	13.00	829.60	10.00	162.23	3,472.74	277.78	3,194.96
2017-18	3,194.96	10.54	789.79	36.96	214.36	4,246.61	324.14	3,922.47
2018-19	3,922.47	07.42	891.31	09.99	247.86	5,079.05	193.85	4,885.20
2019-20	4,885.20	13.15	916.45	08.73	323.18	6,146.71	362.67	5,784.04
2020-21	5,784.04	9.31	878.81	10.00	360.00	7,042.16	882.54	6,159.62

Source: UP BOCW Welfare Board (Provisional data)

The State Government appointed (November 2009 and September 2010) all District Collectors and the officers of 16 departments as Cess Assessment Officer and Cess Collectors under the U.P. BOCW Rules, 2009. The State Government further directed (August 2013 and September 2016) to deposit the collected cess into the nationalised bank account of the Board. It is evident from **Table 4.1** that as on 31 March 2021, ₹ 6,159.62 crore was available with the Board. It was further observed that:

- (i) The mechanism adopted for accounting of the cess is not in conformity with the BOCW Cess Rules, 1998<sup>39</sup> which provides that the cess collected shall be transferred to the Board in the head of account of the Board under the accounting procedure of the State. Accordingly, the collected cess should be depicted in Public Account and from there it may be transferred to Board Account. The orders to transfer cess directly to the bank account of the Board without bringing it into Government Accounts violates the provisions of Article 266 of the Constitution of India.
- (ii) In the absence of accounting of cess through Government Accounts, it was also not ascertainable from the accounts of the State Government as to how much money was collected on account of cess, fee, etc., and how much money was transferred to the Board by various Cess Collectors.

**Utilisation of Labour cess**

The State Government notified various schemes/activities, viz., pension, residential school, advances for purchase/construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/marriage of children of beneficiaries, critical illness, solar energy, skill development and technical training, etc., for welfare of the

<sup>39</sup> In exercise of the powers conferred by sub-section (1) of section 14 of the Building and Other Construction Workers' Welfare Cess Act, 1996, Central Government made BOCW Cess Rules 1998 which was published in the Gazette of India dated 26th March 1998.

construction workers from the BOCW Welfare Fund. Details of expenditure on these schemes during the period 2016-21 are given in **Table 4.2**.

**Table 4.2: BOCW registered, covered and expenditure on schemes by UP BOCW Welfare Board during the period 2016-21**

Year	Available funds (₹ in crore)	Scheme Operated		Actual expenditure on scheme (₹ in crore)	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotted by BOCWB (₹ in crore)				Workers covered	Funds utilised against allotment	Funds utilised against availability
2016-17	3,472.74	23	752.83	249.88	34,27,104	5,16,851	15.08	33.19	7.20
2017-18	4,246.61	18	514.06	282.57	42,08,744	3,50,384	8.33	54.97	6.65
2018-19	5,079.05	16	361.75	193.62	48,56,323	2,69,424	5.55	53.52	3.81
2019-20	6,146.71	16	696.94	357.25	53,70,729	12,54,380	23.36	51.26	5.65
2020-21	7,042.16	16	1,203.15	868.88	43,74,964	29,16,380	66.66	72.22	12.34

Source: UP BOCW Welfare Board (Provisional data)

It is evident from **Table 4.2** that the expenditure incurred by the Board on welfare of workers against available funds ranged from 3.81 *per cent* to 12.34 *per cent* and covered 5.55 *per cent* to 66.66 *per cent* of registered workers. It was further observed that the increase of expenditure in the year 2020-21 over previous year 2019-20 was mainly due to expenditure of ₹ 245.91 crore under Disaster Relief Assistance Scheme, ₹ 237.11 crore under Girl Marriage Assistance Scheme, ₹ 152.98 crore under Maternity, Infant and Girl Assistance Scheme and ₹ 139.24 crore under Medical Facilitation Scheme.

#### 4.1.2 State Electricity Regulatory Commission Fund

Section 82 (1) of the Electricity Act, 2003 (Act) provides that every State Government shall constitute a Commission for the State to be known as State Electricity Regulatory Commission. Section 103 of the Act further provides that State Government shall constitute a Fund to be called the State Electricity Regulatory Commission Fund and there shall be credited thereto any grants and loans made to the State Commission by the State Government, all fees received by the State Commission under the Act and all sums received by the Commission from such other sources as may be decided upon by the State Government.

Uttar Pradesh Electricity Regulatory Commission was established on 10 September 1998. Audit noted that the GoUP did not constitute State Electricity Regulatory Commission Fund. As a result, fees received by the Uttar Pradesh Electricity Regulatory Commission (UPERC) are deposited in bank accounts maintained by the Commission. As such, as on 31 March 2021, an amount of ₹ 96.14 crore was kept outside the Public Account of the State in violation of Article 266(2) of the Constitution. Pertinently, in a similar case, Central Electricity Regulatory Commission Fund constituted (October 2007) by the Central Government under Section 99 of the Act was being operated under the Public Account of India.

The issue was also highlighted in Paragraph 6.1 of Audit Report on Economic Sector and Public Sector Undertakings, Government of Uttar Pradesh for the

year ended 31 March 2019. The matter was reiterated in Paragraph 4.1.2 of the State Finances Audit Report for the year ended 31 March 2020.

In earlier reply (June 2020), the Finance Department requested the Energy Department to frame rules for the Uttar Pradesh Electricity Regulatory Fund and transfer the amount to the Public Account of the State. Further necessary action in the matter was awaited.

The matter was again reported to the Government (October 2021); their reply is awaited (March 2022).

#### 4.2 Extra-budget borrowings through State owned PSUs/Authorities not being credited to the Consolidated Fund

**The State Government resorted to extra-budget borrowings through State owned PSUs/Authorities, which were not being credited to the Consolidated Fund, for meeting expenditure having implication on debt parameter of the State.**

The Uttar Pradesh Fiscal Responsibility and Budget Management (UPFRBM) Act, 2004 outlined that the State Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest by disclosing the contingent liabilities created by way of guarantees; the actual liabilities arising out of borrowings by Public Sector Undertaking and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government allocations. Further, the Uttar Pradesh Fiscal Responsibility and Budget Management Rules, 2006 provided that the 'Medium Term Fiscal Restructuring Policy (MTFRP) Statement' laid before the Legislature along with Budget documents shall contain the five year rolling targets with respect to Revenue Deficit, Fiscal Deficit and total outstanding debt<sup>40</sup> of the State Government. For the year 2020-21, debt stock was targeted as 32 per cent of GSDP.

Audit observed that during the period 2017-19, the State Government routed loans outside the budget through various State Government Public Sector Undertakings (PSUs)/ Authorities<sup>41</sup>. Against the loan amount of ₹ 9,501.40 crore sanctioned by GoUP, a sum of ₹ 8,716.40 crore was borrowed from the financial institutions by these State PSUs/Authorities as detailed in **Table 4.3**.

**Table 4.3: Details of extra-budget borrowings during the period 2017-19**

(₹ in crore)				
Year of extra-budget borrowings	Entities borrowed on behalf of Government	Lending F.I.	Loan Sanctioned	Loan disbursed
2017-18	UPSBCL, UPRNN, UPSHA, UPEIDA, UPPCL and UPPTCL	HUDCO and PFC	9,501.40	8,482.40
2018-19	UPEIDA	HUDCO		234.00
<b>Total</b>			<b>9,501.40</b>	<b>8,716.40</b>

Source: Information provided by the respective entities and GoUP sanctions

<sup>40</sup> Total outstanding debt of the State indicates debt stock position or total indebtedness of the State which includes Internal Debt, Loans and Advances from GoI, Small Savings, Provident Funds, etc., Reserve funds and Deposits.

<sup>41</sup> Uttar Pradesh State Bridge Corporation Limited (UPSBCL), Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN), Uttar Pradesh State Highway Authority (UPSHA), Uttar Pradesh Expressways Industrial Development Authority (UPEIDA), Uttar Pradesh Power Corporation Limited (UPPCL) and Uttar Pradesh Power Transmission Corporation Limited (UPPTCL).

These loans are serviced from the budget of the State Government. Out of ₹ 8,716.40 crore of extra-budget borrowings, loan of ₹ 1,834.21 crore was repaid by respective PSUs during the period 2017-20 through financial assistance of the State Government. This included repayment of entire extra-budget loan of ₹ 1,179 crore by UPEIDA.

During the year 2020-21, the State Government provided ₹ 5,781.57 crore (₹ 536.27 crore against interest payment and ₹ 5,245.30 crore against repayment of principal) to these PSUs/Authorities from the State Budget as detailed in **Table 4.4**.

**Table 4.4: Details of assistance for payment of Interest and repayment of principal**

(₹ in crore)

Sl. No	Name of the Entities	Assistance for payment towards interest Amount	Assistance for re-payment towards principal amount
1	UPSBCCL	37.92	501.42
2	UPRNN	161.16	1,996.70
3	UPSHA	175.46	2,006.38
4	UPPCL	92.35	416.67
5	UPPTCL	69.38	324.13
<b>Total</b>		<b>536.27</b>	<b>5,245.30</b>

Source: Information provided by the respective entities and GoUP sanctions

Since these extra-budget borrowings do not form part of the Debt Stock position of the State, the Debt Stock position does not depict the actual debt position as given in **Table 4.5**.

**Table 4.5: Debt Stock position after extra-budget borrowings**

(₹ in crore)

Debt Stock as on 31.3.2021 (as per Finance Accounts 2020-21)	Extra-budget borrowings as detailed in Table 4.3	Repayments of extra-budget borrowings		Debts stock as on 31.3.2021 including extra-budget
		during the period 2017-20	during the year 2020-21	
1	2	3	4	5 = 1 + (2-3-4)
5,64,971.68	8,716.40	1,834.21	5,245.30	5,66,608.57

Source: Finance Accounts of respective years and information provided by respective entities

**Table 4.5** indicates that Debt-Stock was higher by ₹ 1,636.89 crore in 2020-21 after taking into account extra-budget borrowing as on 31 March 2021. Accordingly, the debt-stock to GSDP ratio including extra-budget borrowings was 32.87 per cent as on 31 March 2021 against the ratio of 32.77 per cent without taking into account the extra-budget borrowings.

The matter was reported to Government (October 2021), the reply of the Government is awaited (March 2022).

### 4.3 Undischarged liabilities in Defined Contribution Pension Scheme

**The State Government did not discharge its liability towards the Defined Contribution Pension Scheme as the contributions were not transferred to the designated fund managers for its further investment.**

State Government employees recruited on or after 1 April 2005 are covered under the Defined Contribution Pension Scheme (DCPS). It is also applicable to the new entrants of government aided educational institutions and autonomous bodies financed by the State Government. In terms of the

Scheme, the government employees contribute 10 *per cent* of basic pay and dearness allowance whereas State Government contributes 14 *per cent*. As per the procedure prescribed by the Government of Uttar Pradesh, both the contributions are to be initially credited to the Public Account under the concerned Head of Accounts 8342-Other Deposit-117 DCPS for Government employees and 8342-120-Miscellaneous Deposits for Government aided Educational Institutions and Autonomous Bodies. Thereafter, the entire amount (Government's contribution and employees' contribution) so contributed to DCPS is required to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. Further, the Major Head 8342 comes under the category of 'deposits bearing interest' implying thereby, that the Government is required to pay interest on un-transferred balance.

During the year 2020-21, State Government booked expenditure of ₹ 5,131.88 crore under the head 2071-01-117-Government contribution for DCPS. This included ₹ 4,493.26 crore as Government contribution (₹ 2,634.34 crore for government employees, ₹ 1,858.80 crore for aided educational employees and ₹ 0.12 crore for aided autonomous bodies) and ₹ 638.62 crore for payment of gratuity, family pension and interest on delayed deposits of employees covered under the scheme. Out of this, Government contribution of ₹ 2,791.74 crore was transferred to the heads designated for DCPS under Major Head 8342 in the Public Account. The difference of ₹ 2,340.14 crore between amount booked as revenue expenditure (₹ 5,131.88 crore) and amount actually transferred to designated head (₹ 2,791.74 crore) for DCPS was under reconciliation between the State Government and Accountant General (Accounts & Entitlements).

In respect of State Government employees, Government's contribution of ₹ 2,652.96 crore and employees' contribution of ₹ 1,903.52 crore were transferred during the year 2020-21 to the head 8342-117. As per the information provided by State Government, Government's contribution was ₹ 2,652.61 crore and employees' contribution was ₹ 1,903.02 crore. The difference was under reconciliation between the State Government and Accountant General (Accounts & Entitlements). Further, during the year 2020-21, State Government transferred ₹ 4,522.10 crore to NSDL/Trustee Bank. Thus, the balance amount of ₹ 385.08 crore (including the balance of ₹ 350.71 crore at the end of March 2020) was not transferred to NSDL/Trustee Bank in respect of State Government employees. Such short transfers of contributions of DCPS to the designated fund manager were also reported earlier in the State Finances Audit Reports for the year ended 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020.

As disclosed in Finance Accounts 2020-21, in respect of employees of aided educational institutions and autonomous bodies, State Government did not furnish information regarding contributions transferred to the Major Head 8342 and balances under the head. The balance in respect of these employees under the head 8342-120-Other deposits was not ascertainable from the Finance Accounts as it includes miscellaneous deposits also.

Further, on the opening balance of DCPS at the beginning of the year (₹ 350.71 crore) in respect of Government employees, the Government was required to credit interest amounting to ₹ 24.90 crore calculated as per the rate of interest payable to General Provident Fund. However, no interest was paid

on the balance of DCPS in respect of Government employees. This resulted in understatement of revenue deficit as well as fiscal deficit by ₹ 24.90 crore.

Thus, the State Government did not discharge its liability towards DCPS and the current liability stands deferred to future year(s). As a result, the non-remitted fund did not yield any value appreciation as it could not become part of the corpus of investment of the subscribers. Further, the State Government has created uncertainty in respect of benefits due to the employees/avoidable financial liability to the Government in future, and, thus, leading to possible failure of the scheme itself.

The matter was reported to Government (October 2021), the reply of the Government is awaited (March 2022).

#### 4.4 Uttar Pradesh Road Transport Accident Relief Fund

**The State Government did not establish Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF) which resulted in a sum of ₹ 636.81 crore not being credited to UPRTARF.**

As per provisions of section 8(1) of Uttar Pradesh Motor Vehicle Taxation (UPMVT) Act, 1997, as amended in 2009, the State Government shall establish the Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF) for the purpose of providing relief to the passengers or heirs of such passengers or other persons suffering casualty in which a public service vehicle is involved. An amount equivalent to two *per cent* of the tax levied under Section 4 and two *per cent* of the additional tax levied under Section 6 shall be credited to the fund.

A mention was made in the State Finances Audit Report for the year ended 31 March 2016 (Para No. 1.9.3.2 of Report No. 4 of the year 2016 – Government of Uttar Pradesh) regarding non-establishment of the UPRTARF by the State Government, which negated the very purpose of the provision in the UPMVT Act. In reply, the State Government had stated that the process of creation of the UPRTARF was in progress. The matter was reiterated in Paragraph 4.4 of the State Finances Audit Report for the year ended 31 March 2020. However, it was observed that the State Government had not yet established the UPRTARF.

During the period 2015-21, Transport Department realised tax of ₹ 31,840.13 crore under Section 4 and Section 6 of UPMVT Act as detailed in **Table 4.6**.

**Table 4.6: Details of tax to be credited to the UPRTARF during the period 2015-21**  
(₹ in crore)

Year	Tax realised under Section 4			Addl. Tax realised under Section 6 0041-102-01	Total Tax realised under Section 4 and Section 6	Two <i>per cent</i> to be transferred to the UPRTARF
	0041-102-01	0041-102-03	Total			
1	2	3	4 = 2+3	5	6 = 4+5	7= 2% of col. 6
2015-16	3,710.60	159.40	3,870.00	213.00	4,083.00	81.66
2016-17	4,357.84	168.27	4,526.11	243.67	4,769.78	95.40
2017-18	5,186.72	186.02	5,372.74	270.73	5,643.47	112.87
2018-19	5,585.21	199.77	5,784.98	259.01	6,043.99	120.88
2019-20	5,843.87	203.25	6,047.12	231.25	6,278.37	125.57
2020-21	4,809.33	153.75	4,963.08	58.44	5,021.52	100.43
<b>Total</b>	<b>29,493.57</b>	<b>1,070.46</b>	<b>30,564.03</b>	<b>1,276.10</b>	<b>31,840.13</b>	<b>636.81</b>

Source: Information provided by the office of Transport Commissioner, Uttar Pradesh.

It is evident from **Table 4.6** that a sum of ₹ 636.81 crore was to be credited to the UPRTARF for the period 2015-21 but could not be credited as the Fund was not established. Out of ₹ 636.81 crore, ₹ 100.43 crore pertains to the year 2020-21. This also had an impact on the Revenue Deficit and Fiscal Deficit of the State, which was understated by ₹ 100.43 crore during the year 2020-21.

Transport Commissioner, Uttar Pradesh stated (October 2021) that the creation of UPRTARF was under process at the Government level. It was further intimated that a sum of ₹ 1.23 crore<sup>42</sup> was provided as financial assistance to the concerned entitled persons suffering from casualty during the period 2015-21 from the Major Head 2235-Social Security and Welfare under the Transport Department Grant Number 43. Thus, financial assistance to the entitled persons due to casualty was not being provided from the UPRTARF which was required to be established under the UPMVT Act, 1997. Also, there was large difference in money required to be credited to fund (₹ 636.81 crore) and financial assistance provided to victims (₹ 1.23 crore) during the years 2015-21. The Government needs to comply with the provisions of the Act by establishing the UPRTARF in the Public Account of the State.

The Government stated in its earlier reply (July 2021) that the matter of establishing UPRTARF was under process. The matter was again reported to the Government (October 2021); the reply is awaited (March 2022).

#### **4.5 Transfer of Central Scheme Funds to Implementing Agencies in the State**

Appendix VI of Volume II of the Finance Accounts exhibits the direct transfer of central scheme funds to Implementing Agencies in the State, i.e., fund routed outside State Budget, which is compiled from PFMS portal of GoI. During the year 2020-21, GoI directly transferred ₹ 182.46 crore to State Implementing Agencies (State Government PSUs: ₹ 20.94 crore, State Government Institutions: ₹ 160.09 crore and statutory bodies: ₹ 1.43 crore). However, the direct transfer of Central Scheme funds to the State Government Implementing Agencies has decreased by 66.39 *per cent* in the year 2020-21 as compared to the year 2019-20 (from ₹ 542.82 crore in 2019-20 to ₹ 182.46 crore in 2020-21).

#### **Issues related to Transparency**

#### **4.6 Delay in submission of Utilisation Certificates**

The Financial Hand Book Volume-V Part-I, Para 369-H prescribes that, where grants are sanctioned for specific purposes, the departmental officers concerned should obtain Utilisation Certificate (UC) from the grantee, which after verification should be forwarded to the Accountant General (A&E). Further, in respect of grants which are expected to be utilised during the next 12 months from the date of sanction, the competent authority should furnish to the Accountant General the requisite certificate not later than 18 months from the date of sanction of the grant.

<sup>42</sup> Year 2015-16- ₹ 5.85 lakh (41 casualties), year 2016-17- ₹ 19.35 lakh (77 casualties), year 2017-18- ₹ 24.00 lakh (121 casualties), year 2018-19- ₹ 19.15 lakh (143 casualties), year 2019-20- ₹ 33.07 lakh (176 casualties) and year 2020-21- ₹ 21.60 lakh (164 casualties).

The purpose for which grants-in-aid were utilised can be confirmed only on receipt of UCs which would safeguard against diversion of funds for other purposes. Thus, expenditure shown in the accounts cannot be treated as final to the extent of non-receipt of UCs. The position of outstanding UCs as on 31 March 2021 for grants given up to 30 September 2019 is given in **Table 4.7**.

**Table 4.7: Arrears in submission of Utilisation Certificates**

Year*	Number of UCs awaited (as on 31 <sup>st</sup> March)	Amount (₹ in crore)
Up to 2018-19	38,154	14,530.12
2019-20	1,433	11,706.96
<b>Total</b>	<b>39,587</b>	<b>26,237.08</b>

Source: Finance Accounts 2020-21

\*The year mentioned in the table is release year for which UCs were due but not received by March 2021.

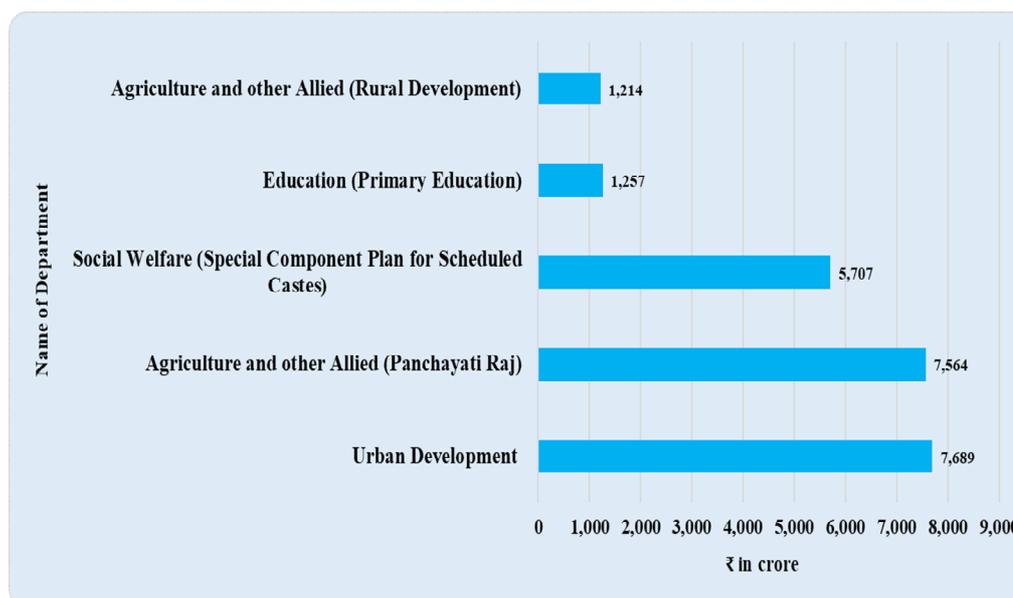
**Table 4.7** shows that 39,587 UCs aggregating ₹ 26,237.08 crore were outstanding as on 31 March 2021 for grants released during the period 2001-02 to 2019-20 (up to September 2019). Though, outstanding UCs amounting to ₹ 9,089.88 crore for the period up to 30 September 2019 were cleared during the year 2020-21. The age-wise status of pendency of UCs is summarised in **Table 4.8**.

**Table 4.8: Year wise break up of outstanding UCs**

Year	Number of UCs	Amount (₹ in crore)
2001-02 to 2009-10	25,932	5,393.07
2010-11	936	573.08
2011-12	708	336.73
2012-13	722	415.46
2013-14	1,711	1,197.05
2014-15	1,973	954.37
2015-16	1,135	441.12
2016-17	1,163	637.88
2017-18	1,256	963.12
2018-19	2,618	3,618.24
2019-20	1,433	11,706.96
<b>Total</b>	<b>39,587</b>	<b>26,237.08</b>

Source: Finance Accounts 2020-21 and information maintained by Accountant General (A&E) U.P.

Of the total outstanding UCs, 18,068 UCs (45.64 *per cent*) amounting to ₹ 23,430.75 crore (89.30 *per cent*) pertained to five departments: Urban Development Department, Agriculture and other Allied Departments (Panchayati Raj), Social Welfare Department (Special Component Plan for Scheduled Castes), Education Department (Primary Education) and Agriculture and other Allied Departments (Rural Development), as presented in **Chart 4.1**.

**Chart 4.1: Department wise amount of outstanding UCs**

Source: Finance Accounts 2020-21

In the absence of UCs, there is no assurance that grants-in-aid disbursed have actually been incurred for the purpose for which these were sanctioned/ authorised by the Legislature. Moreover, high pendency of UCs was fraught with the risk of embezzlement, diversion and misappropriation of funds.

#### 4.7 Abstract Contingent Bills

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on Abstract Contingent (AC) Bills. As per para 183 of Financial Hand Book (Volume V) Part I, in the case of contingent charges countersigned after payment, Detailed Countersigned Contingent (DCC) bills are required to be submitted by the Head of the Office to the controlling officer or if there is no controlling officers, to the Accountant General directly by the end of the next month. Delayed submission or prolonged non-submission of supporting DCC bills renders expenditure through AC Bills opaque. The details of pending DCC bills as on 31 March 2021 are given in **Table 4.9**.

**Table 4.9: Year wise status of pending DCC bills as on 31 March 2021**

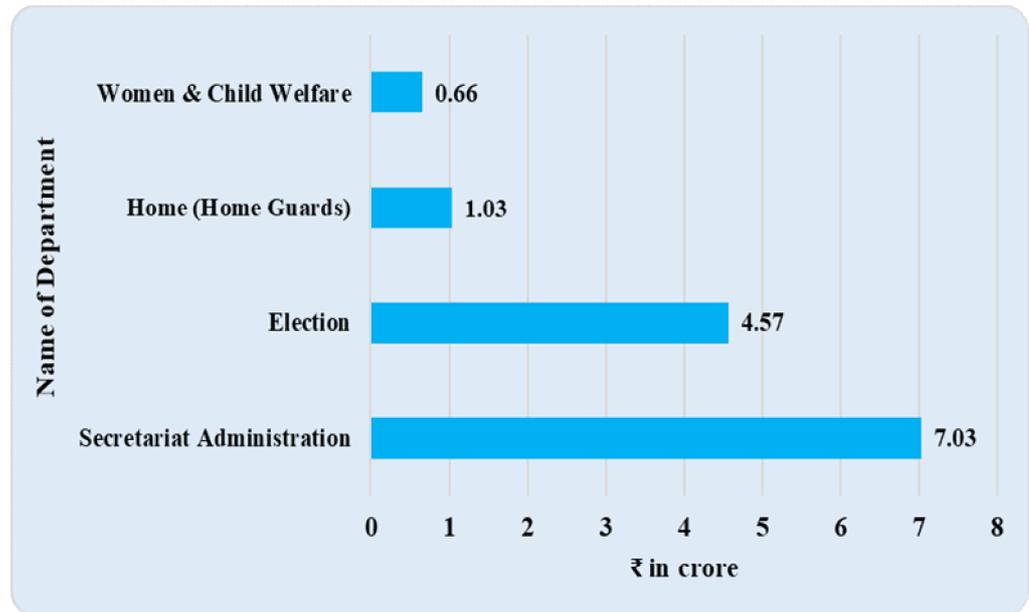
Year	Number of pending DCC Bills	Amount (₹ in crore)
Up to 2018-19	1,108	10.81
2019-20	47	5.09
2020-21	23	0.31
<b>Total</b>	<b>1,178</b>	<b>16.21</b>

Source: Finance Accounts 2020-21

As evident from **Table 4.9**, 1,155 DCC bills amounting to ₹ 15.90 crore were pending for long periods from the year 2001-02 to 2019-20 and 23 outstanding DCC bills amounting to ₹ 0.31 crore pertains to the year 2020-21. Of the total outstanding AC bills, 247 bills (20.97 per cent) amounting to ₹ 13.29 crore (81.99 per cent) pertained to four departments: Secretariat Administration Department (127 AC bills amounting to ₹ 7.03 crore); Election Department (79 AC bills amounting to ₹ 4.57 crore); Home Department (Home Guards)

(11 AC bills amounting to ₹ 1.03 crore) and Women & Child Welfare Department (30 AC bills amounting to ₹ 0.66 crore) as depicted in **Chart 4.2**.

**Chart 4.2: Pending DCC Bills of major defaulting departments**



Source: Finance Accounts 2020-21

Delay in submission of detailed contingent bills indicates that funds were drawn without requirement for immediate payment. The withdrawal of money through an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time specified, the expenditure stands inflated to that extent. Further, non-submission of DCC bills within the prescribed time not only breaches financial discipline but also increases the possibility of wastage/misappropriation/malfeasance, etc.

#### 4.8 Personal Deposit Accounts

Under the List of Major and Minor Heads of Accounts of Union and States, Personal Deposits are of the nature of deposits not bearing interest opened under 8443-Civil Deposits-106-Personal Deposits. As per para 4 of Uttar Pradesh Personal Ledger Account (UPPLA) Rules 1998, the State Government is authorised to open Personal Deposit (PD) accounts/PLA for specific purposes in consultation with the Accountant General. Designated Administrators are authorised to operate these PD accounts by transfer of funds from the Consolidated Fund of the State. Further, under Rule 10(2) of UPPLA Rules, 1998 further provides that if there is no transaction in any PD Account for three years, the Treasury Officer would make a written request to the competent authority for closer of such accounts and if no reply is received within three months, the PD Account would be closed after transfer of the balance, if any, to the corresponding head of account on the advice of the Accountant General and it would be communicated to the competent authority.

During the year 2020-21, an amount of ₹ 1.19 crore was transferred from the Consolidated Fund of the State to PD Accounts under head 8443-106. This includes ₹ 0.04 crore constituting 3.36 *per cent* of the total credit to PD Accounts, transferred in March 2021 from the Consolidated Fund of the State. Details of PD accounts as on 31 March 2021 are given in **Table 4.10**.

Table 4.10: Status of PD Accounts during the year 2020-21

Opening Balance (As on 01-04-2020)		Receipts during the year	Disbursement during the year	Closing Balance (As on 31-03-2021)	
No. of Administrators	Amount	Amount	Amount	No. of Administrators	Amount
12	9.99	1.16	0.62	12	10.53

(₹ in crore)

Source: Finance Accounts 2020-21

There was a difference of ₹ 0.03 crore between the amount transferred from the Consolidated Fund (₹ 1.19 crore) and that intimated by State Government (₹ 1.16 crore). As per Finance Accounts 2020-21, the closing balance under the MH 8443-106-Personal Deposits was ₹ 5.54 crore, which also differs with the balance (₹ 10.53 crore) informed by the State Government. Further, PD accounts were also operated under heads other than the head 8443-106. However, the State Government did not furnish the segregated details of PD accounts.

During the year 2020-21, out of 12 Administrators of PD accounts of the State, only two Administrators have reconciled and verified their balances with the treasury figures and two annual verification certificates were furnished by them to the Treasury Officer for onward submission to Accountant General office.

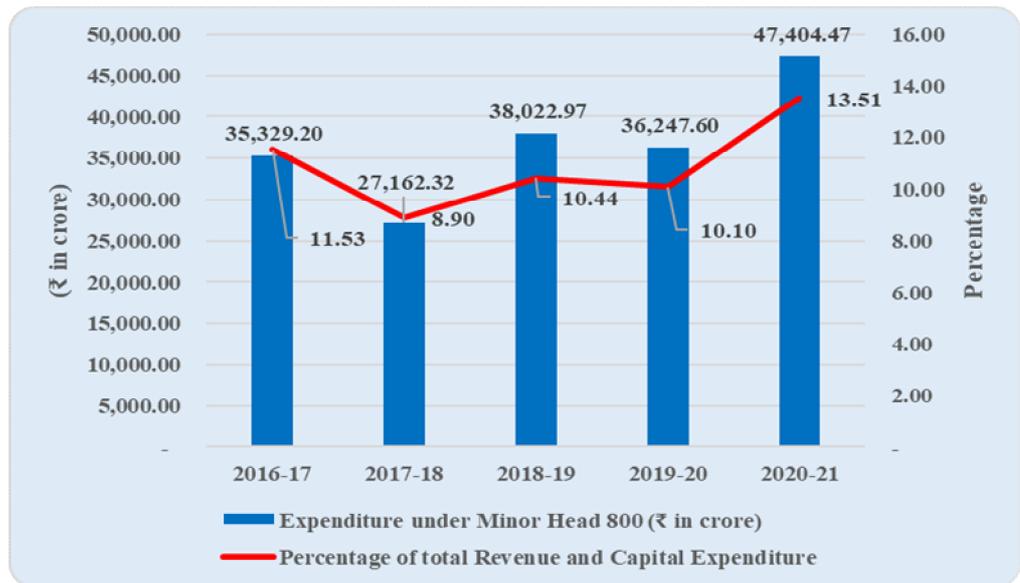
The difference in balances under PD Accounts as well as total number of PD accounts were under reconciliation between the office of the Accountant General (A&E) Uttar Pradesh and the State Government.

#### 4.9 Indiscriminate use of Minor Head 800

As a crucial component of a transparent system of budgeting and 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 important stakeholders. For the purpose, Minor head 800 relating to 'Other Receipts' and 'Other Expenditure' is intended to be operated 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 the year 2020-21, ₹ 47,404.47 crore under 78 Major Heads of accounts on the expenditure side, constituting 13.51 *per cent* of the total Revenue and Capital expenditure of ₹ 3,50,780.56 crore, was classified under Minor Head 800-Other Expenditure. The trend of expenditure booked under Minor Head 800-Other Expenditure during the period 2016-21 and its percentage to total expenditure is depicted in **Chart 4.3**.

Chart 4.3: Operation of Minor Head 800 - Other Expenditure during the period 2016-21



Source: Finance Accounts of respective years

Instances where a substantial proportion (50 per cent or more of the total expenditure under the Major Head) of the expenditure was classified under minor head 800-Other Expenditure are listed in **Table 4.11**.

**Table 4.11: Significant expenditure booked under Minor Head 800 – Other Expenditure during the year 2020-21**

(₹ in crore)				
Major Head	Major Head Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
2245	Relief on account of Natural Calamities*	1,607.85	1,321.51	121.67
2801	Power	8,790.29	8,790.29	100.00
2040	Taxes on Sales, Trade etc.	787.55	787.55	100.00
5053	Capital outlay on Civil Aviation	528.25	528.25	100.00
4070	Capital outlay on other Administrative Services	215.99	215.99	100.00
2885	Other outlays on Industries and Minerals	183.08	183.08	100.00
2705	Command Area Development	88.21	88.21	100.00
4859	Capital outlay on Telecommunication and Electronic Industries	8.20	8.20	100.00
2407	Plantations	4.97	4.97	100.00
4853	Capital outlay on Non-ferrous Mining and Metallurgical Industries	3.50	3.50	100.00
4047	Capital outlay on Other Fiscal Services	2.20	2.20	100.00
2041	Taxes on Vehicles	0.76	0.76	100.00
3053	Civil Aviation	49.97	52.73	94.77
2575	Other Special Area Programmes	3.76	4.03	93.30
2216	Housing	526.15	625.74	84.08
2075	Miscellaneous General Services	19.66	25.13	78.23
4575	Capital outlay on Other Special Areas Programmes	445.39	622.22	71.58
4235	Capital Outlay on Social Security and Welfare	211.29	300.92	70.21

Major Head	Major Head Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
2852	Industries	398.04	578.73	68.78
2700	Major Irrigation	441.89	682.38	64.76
2515	Other Rural Development Programmes	10,482.27	16,508.83	63.49
4401	Capital Outlay on Crop Husbandry	160.04	267.71	59.78
3054	Roads and Bridges	5,416.11	9,330.08	58.05
3452	Tourism	30.17	54.43	55.43
2211	Family Welfare	4,359.09	7,971.73	54.68
2501	Special Programmes for Rural Development	809.3	1,574.94	51.39

Source: Finance Accounts 2020-21

\*Out of total expenditure of ₹2,923.12 crore booked under Major Head 2245, ₹1601.61 crore was adjusted against State Disaster Response Fund. As a result, net total expenditure under Major Head 2245 was ₹1,321.51 crore which was less than the expenditure of ₹1,607.85 crore under the minor head 800 below Major Head 2245.

Similarly, during the year 2020-21, revenue receipts aggregating ₹6,105.30 crore were booked under Minor Head 800-Other Receipts in 52 Major Heads of accounts on the receipt side constituting 2.06 per cent of the total revenue receipts of the State of ₹2,96,176.33 crore. Instances where a substantial proportion (50 per cent or more of the total receipts under the Major Head) of the revenue receipts was classified under minor head 800-Other Receipts during the year 2020-21 are listed in **Table 4.12**.

**Table 4.12: Significant receipts booked under Minor Head 800 – Other Receipts during the year 2020-21**

(₹ in crore)

Major Head	Major Head Description	Receipts under Minor Head 800	Total Receipts	Percentage
0801	Power	1,308.99	1,308.99	100.00
0217	Urban Development	22.13	22.13	100.00
0810	Non-Conventional Sources of Energy	12.89	12.89	100.00
0425	Co-operation	6.16	6.16	100.00
1456	Civil Supplies	2.89	2.89	100.00
0506	Land Reforms	2.35	2.35	100.00
0023	Hotel Receipts Tax	0.99	0.99	100.00
0875	Other Industries	0.08	0.08	100.00
0047	Other Fiscal Services	0.02	0.02	100.00
0575	Other Special Area Programmes	0.01	0.01	100.00
0415	Agricultural Research and Education	0.01	0.01	100.00
1053	Civil Aviation	19.53	19.57	99.80
0235	Social Security and Welfare	35.23	35.49	99.27
1054	Roads and Bridges	985.12	997.34	98.77
0700	Major Irrigation	68.14	70.02	97.32
0211	Family Welfare	3.16	3.27	96.64
0056	Jails	4.59	4.90	93.67
0220	Information and Publicity	0.48	0.53	90.57
0059	Public Works	48.76	53.98	90.33
0029	Land Revenue	260.08	297.18	87.52
1055	Road Transport	0.15	0.18	83.33
0070	Other Administrative Services	487.17	589.95	82.58

Major Head	Major Head Description	Receipts under Minor Head 800	Total Receipts	Percentage
0230	Labour and Employment	42.83	54.15	79.10
0406	Forestry and Wild Life	231.79	316.96	73.13
0515	Other Rural Development Programmes	54.68	79.61	68.68
0401	Crop Husbandry	105.97	158.64	66.80
0403	Animal Husbandry	17.96	28.96	62.02
0435	Other Agricultural Programme	0.88	1.62	54.32

Source: Finance Accounts 2020-21

The classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

#### 4.10 Expenditure under omnibus Object Head: '42- Other Expenditure'

With a view to bringing greater transparency in the budget of the State Government and effecting adequate security and control in planning and implementing, there is a need for budgeting provision under the appropriate heads instead of the omnibus object head '42- Other Expenditure'. As defined in budget documents, 'Other Expenditure' pertains to residual items and it also includes remuneration and award related expenses and expenditure from discretionary funds.

Scrutiny of the Accounts revealed that expenditure of ₹ 16,127.62 crore was made under Object Head '42- Other Expenditure' which was 4.26 per cent of the total disbursements of ₹ 3,78,710.66 crore out of the Consolidated Fund of the State during 2020-21. Further, it was observed that in 20 grants, the expenditure under Object Head: '42- Other Expenditure' was more than five per cent of the total expenditure of these grants and this contributed to 30.68 per cent of total expenditure of these grants as given in Table 4.13.

**Table 4.13: Showing expenditure under Object Head '42 – other expenditure' and Total Expenditure in various Grants**

(₹ in crore)					
Sl. No.	Grant No.	Grant Description	Total Expenditure	Expenditure under Object Head 42	Percentage of expenditure under OH 42 to Total Expenditure
1	35	Medical Department (Family Welfare)	6,030.46	4,363.02	72.35
2	91	Institutional Finance Department (Stamps & Registration)	299.01	181.85	60.82
3	28	Home Department (Political Pension and Other Expenditure)	284.36	145.82	51.28
4	76	Labour Department (Labour Welfare)	562.59	284.85	50.63
5	03	Industries Department (Small Industry and Export Promotion)	492.67	248.51	50.44
6	13	Agriculture and Other Allied Departments (Rural Development)	12,021.05	5,108.41	42.50

Sl. No.	Grant No.	Grant Description	Total Expenditure	Expenditure under Object Head 42	Percentage of expenditure under OH 42 to Total Expenditure
7	78	Secretariat Administration Department	853.60	277.54	32.51
8	69	Vocational Education Department	757.11	218.28	28.83
9	53	National Integration Department	0.71	0.19	26.76
10	33	Medical Department (Ayurvedic and Unani)	915.72	219.63	23.98
11	81	Social Welfare Department (Tribal Welfare)	950.04	211.50	22.26
12	52	Revenue Department (Board of Revenue and other expenditure)	3,266.11	496.14	15.19
13	83	Social Welfare Department (Special Component Plan for Scheduled castes)	19,236.56	2,727.66	14.18
14	45	Environment Department	11.02	1.21	10.98
15	38	Civil Aviation Department	616.21	67.57	10.97
16	34	Medical Department (Homoeopathy)	387.27	40.66	10.50
17	66	Finance Department (Group Insurance)	232.01	22.00	9.48
18	29	Confidential Department (Governor's Secretariat)	15.90	1.37	8.62
19	89	Institutional Finance Department (Commercial Tax)	806.54	60.76	7.53
20	92	Cultural Department	122.11	9.01	7.38
<b>Total (Above 5 per cent)</b>			<b>47,861.05</b>	<b>14,685.98</b>	<b>30.68</b>

Source: Information maintained by Accountant General (A&E) U.P.

The classification of large amounts under the Object Head '42- Other Expenditure' does not give a clear picture in financial reporting.

#### Issues related to Measurement

#### 4.11 Outstanding balances under major Suspense and Remittance Heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works, Forest Divisions, etc. The outstanding balances under certain major suspense heads of accounts are indicated in **Table 4.14**.

**Table 4.14: Balances under Suspense and Remittance Heads**

(₹ in crore)

Suspense Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 - Suspense</b>						
<b>101 - PAO suspense</b>	238.98	5.51	427.72	181.76	305.56	711.90
<b>Net</b>	Dr. 233.47		Dr. 245.96		Cr. 406.34	
<b>102 - Suspense Account-Civil</b>	424.01	(-)31.62	17,250.45	15,426.11	15,856.65	16,415.75
<b>Net</b>	Dr. 455.63		Dr. 1,824.34		Cr. 559.10	
<b>109 - Reserve Bank Suspense -Headquarters</b>	0.00	0.00	0.00	0.00	0.00	0.00

Suspense Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Net</b>		0.00 <sup>43</sup>		0.00 <sup>44</sup>		0.00 <sup>44</sup>
<b>110 - Reserve Bank Suspense – Central Accounts Office</b>	11.69	11.89	(-)88.84	(-)83.08	(-)84.60	(-)827.29
<b>Net</b>		Cr. 0.20		Cr. 5.76		Dr. 742.69
<b>Major Head 8782-Cash remittances and adjustments between officers rendering accounts to the same Accounts Officer</b>						
<b>102 - P.W. Remittances</b>	(-)0.41	2.47	1,41,969.51	1,44,127.12	1,80,269.09	1,82,097.49
<b>Net</b>		Cr. 2.88		Cr. 2,157.61		Cr. 1,828.40
<b>103 - Forest Remittances</b>	125.65	390.18	3,100.31	3,293.99	3,206.05	3,405.87
<b>Net</b>		Cr. 264.53		Cr. 193.68		Cr. 199.82
<b>8793-Inter State Suspense Account</b>	2.09	0.16	60.46	(-)0.09	62.96	0.01
<b>Net</b>		Dr. 1.93		Dr. 60.55		Dr. 62.95

Source: Finance Accounts 2020-21

The implications of balances under these heads are discussed in the succeeding paragraphs.

#### **Pay and Accounts Office Suspense**

(i) This Minor Head is operated for settlement of inter-departmental and inter-governmental transactions arising in the books of Pay and Accounts Offices (PAOs) and the AG (A&E). Outstanding debit balance under the Minor Head would mean that payments have been made by the AG (A&E) on behalf of another Accounts Officer, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG (A&E) on behalf of another Accounts Officer, which are yet to be repaid/adjusted.

The net credit balance under this head was ₹ 406.34 crore as on 31 March 2021.

#### **Suspense Accounts (Civil)**

(ii) This transitory Minor Head is operated for accounting of transactions, which for want of certain information/documents, viz., vouchers, challans, etc. cannot be taken to the final head of expenditure or receipt. This Minor Head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents, the Minor Head is cleared by minus debit or minus credit by per contra debit or credit to the concerned Major/Sub-Major/ Minor Heads of accounts.

As on 31 March 2021, there was a net credit balance of ₹ 559.10 crore, indicating that classification of final receipt and expenditure could not be done due to want of details.

#### **Reserve Bank Suspense-Central Accounts Office**

(iii) This Head is operated for recording inter-governmental transactions where monetary settlement between cash balances of two Governments is done by sending advice to the Central Accounts Section of RBI. This Head is cleared by transferring the amount to the final Head of account on receipt of intimation of the monetary settlement having been carried out by RBI. The main transaction which gets settled through this Suspense Head are

<sup>43</sup> Dr. 0.40 lakh

<sup>44</sup> Cr. 0.02 lakh

grants/loans received from the GoI and their repayments and discharge of securities and interest paid thereon by the Public Debt Offices of RBI.

As on 31 March 2021, net debit balance under this Head was ₹ 742.69 crore.

#### 4.12 Adverse balances of Loans and Advances

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 repayment than the original amount advanced.

Finance Accounts for the year 2020-21 contained the following adverse balances of Loans and Advances as on 31 March 2021: Loans to Uttar Pradesh State Electricity Board for construction of inter-State transmission lines (₹ 356.18 crore under the Accounts Head 6801-205), Advances for purchase of motor conveyances (₹ 15.40 crore under the Accounts Head 7610-202), Advances for purchase of other conveyances (₹ 25.31 crore under the Accounts Head 7610-203), Other advances (₹ 3.02 crore under the Accounts Head 7610-800) and Depreciation/Renewal Reserve Fund of Government Non-Commercial Departments (₹ 17.20 crore under the Accounts Head 8226-102).

These adverse balances were under reconciliation between the office of the Accountant General (A&E) Uttar Pradesh and the State Government.

#### 4.13 Non-reconciliation of Departmental figures

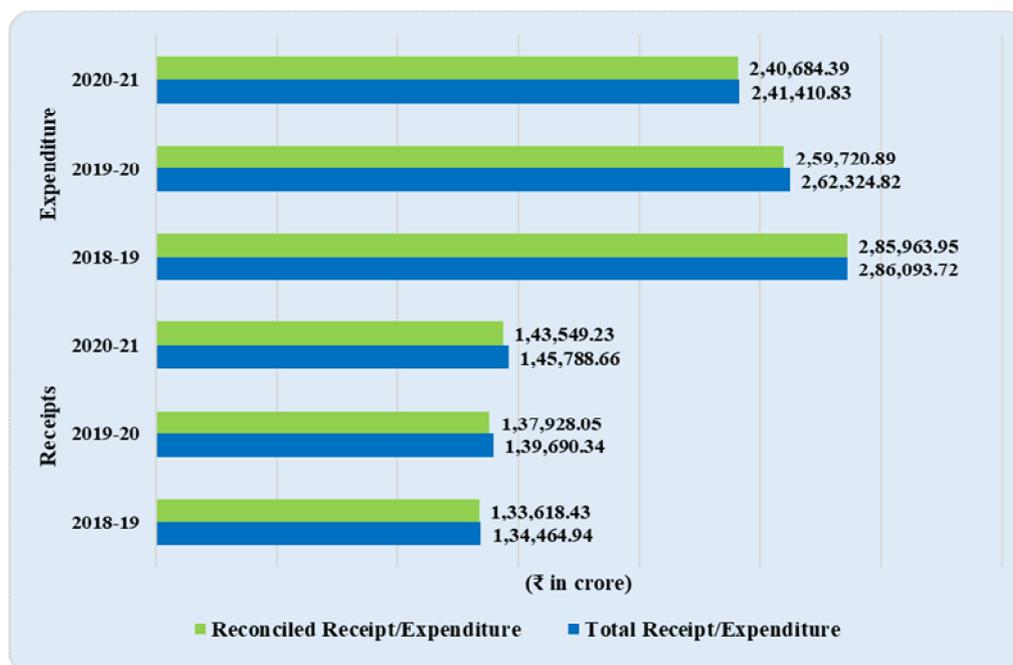
To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, as per para 124 of UP Budget Manual, Chief Controlling Officers (CCOs)/Controlling Officers (COs) are required to reconcile every month, the receipts and expenditure recorded in their books with the figures of the Accountant General (A&E). The status of reconciliation of figures by the Controlling Officers is given in **Table 4.15**.

**Table 4.15: Status of Reconciliation of Receipts and Expenditure by Controlling Officers**

Year	Total No. of Controlling Officers	No. of controlling officers reconciled their receipts/ expenditure		
		Fully Reconciled	Partially Reconciled	Not reconciled at all
<b>Receipts</b>				
2018-19	48	45	--	03
2019-20	48	43	--	05
2020-21	48	45	--	03
<b>Expenditure</b>				
2018-19	179	178	--	01
2019-20	179	166	--	13
2020-21	179	173	--	06

Source: Information maintained by Accountant General (A&E) U.P.

Reconciliation of receipts was completed by 45 out of 48 CCOs, as they reconciled receipts of ₹ 1,43,549.23 crore (98.46 per cent of total receipts of ₹ 1,45,788.66 crore due for reconciliation) during 2020-21. Further out of 179 CCOs, 173 CCOs had reconciled their expenditure figures of ₹ 2,40,684.39 crore (99.70 per cent of total expenditure of ₹ 2,41,410.83 crore due for reconciliation) as shown in **Chart 4.4**.

**Chart 4.4: Status of Reconciliation of Receipts and Expenditure during the year 2018-21**

Source: Information maintained by Accountant General (A&E) U.P.

Necessary action for reconciliation in respect of all receipts and expenditure is required to be taken.

#### Issues related to Disclosure

#### 4.14 Submission of Accounts/Separate Audit Reports of Autonomous Bodies/ Authorities

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20 of the CAG's DPC Act).

Audit certificate to the accounts being 'true and fair' is issued in case of abovementioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit the same to AG (Audit) for audit. Apart from Audit certificate, on completion of the financial audit, the audit office issues a separate audit report (SAR) that is part of the audit certificate on the accounts.

It was observed that 266 annual accounts of 63 Autonomous Bodies and Authorities (due up to 2020-21) for audit as on 30 September 2021 have not been submitted by the concerned entities. The Department-wise details of accounts due from Autonomous Bodies and Authorities are given in **Appendix 4.1**. Age wise pendency of these 266 accounts is given in **Table 4.16**.

**Table 4.16: Age-wise analysis of Annual Accounts due for audit but not submitted**

Delay in number of years	No. of Bodies/Authorities	No. of Accounts
1-2	21	39
3-4	36	142
5-10	01	06
More than 10	05	79
<b>Total</b>	<b>63</b>	<b>266</b>

In the absence of annual accounts and their audit, proper utilisation of grants-in-aid and loans disbursed to these Bodies/Authorities and their accounting cannot be vouched. Audit has been taking up the matter of non-submission of accounts of the defaulting bodies with the authorities concerned from time to time, but without perceivable improvement.

#### 4.15 Proforma Accounts of Departmental Commercial Undertakings

Departmental Commercial Undertakings are required to finalise proforma annual accounts in the prescribed format and submit the same to the Accountant General for audit within three months of closure of accounts. However, out of the nine Departmental Commercial Undertakings in the State, three had not finalised their accounts for many years (**Appendix 4.2**).

#### 4.16 Pending cases of misappropriations, losses, thefts, etc.

Para 82 of Financial Handbook, Volume-V Part-I lays down detailed instructions regarding fixing of responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report them to the Accountant General.

The State Government reported 135 cases<sup>45</sup> of misappropriation/ losses/thefts, etc., of Government material/money involving ₹ 9.31 crore on which final action was pending as on 31 March 2021. The department-wise break up of pending cases of misappropriation, losses, theft, etc., and reasons for the delay in final disposal are given in **Table 4.17**.

**Table 4.17: Pending cases of misappropriation, losses, theft etc.**

(₹ in lakh)

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Food and Civil Supplies	9	28.78	-	-	7	26.83	2	1.95
Social Welfare	3	0.95	-	-	2	0.70	1	0.25
Horticulture	1	3.59	-	-	1	3.59	-	-

<sup>45</sup> Pertaining to period January 1967 to 2020-21.

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Rural Development	9	3.28	1	0.74	7	2.34	1	0.20
Education	8	171.16	2	101.08	4	55.55	2	14.53
Technical Education	1	11.59	-	-	-	-	1	11.59
Animal Husbandry	16	6.55	7	5.20	9	1.35	-	-
Fisheries	3	2.61	-	-	3	2.61	-	-
Agriculture	3	7.62	2	2.17	1	5.45	-	-
Irrigation	41	121.03	4	16.07	35	36.95	2	68.01
Cooperative	2	1.45	-	-	1	0.17	1	1.28
Medical Health and Family Welfare	11	15.89	1	0.30	9	14.22	1	1.37
Home (Police)	8	56.09	7	8.61	-	-	1	47.48
Revenue	5	14.49	3	8.81	2	5.68	-	-
Finance	1	0.67	1	0.67	-	-	-	-
Weight and Measurements	1	1.01	-	-	-	-	1	1.01
Public Works Department	9	147.80	4	27.26	1	0.12	4	120.42
Revenue (Land Acquisition)	3	331.78	-	-	3	331.78	-	-
Judiciary	1	4.44	-	-	1	4.44	-	-
<b>Total</b>	<b>135</b>	<b>930.78</b>	<b>32</b>	<b>170.91</b>	<b>86</b>	<b>491.78</b>	<b>17</b>	<b>268.09</b>

Source: Information received from concerned departments

The age wise analysis of these pending cases is depicted in **Table 4.18**, which indicates that 91 cases involving ₹ 4.60 crore were pending as on 31 March 2021 since more than 20 years:

**Table 4.18: Age-wise analysis of pending cases of misappropriation, losses, theft etc.**

(₹ in lakh)

Years ranging	Number of cases	Amount involved
0 – 5 Years (2016-17 to 2020-21)	Nil	Nil
5 – 10 Years (2011-12 to 2015-16)	08	108.95
10 – 15 Years (2006-07 to 2010-11)	17	310.31
15 – 20 Years (2001-02 to 2005-06)	19	51.25
20 – 25 Years (1996-97 to 2000-01)	27	60.20
Above 25 Years (1995-96 and before)	64	400.07
<b>Total</b>	<b>135</b>	<b>930.78</b>

Out of a total of 135 pending cases (as on 31 March 2021) involving ₹ 930.78 lakh, departmental and criminal investigation was not initiated in 32 cases amounting to ₹ 170.91 lakh. Departmental action was initiated in 86 cases (involving ₹ 491.78 lakh) which were not finalised. Criminal

proceedings were finalised in 17 cases (involving ₹ 268.09 lakh), but recovery of the amount was pending.

#### 4.17 Conclusion

- The sums collected against labour cess are being deposited directly in bank accounts of U.P. Building and Other Construction Workers Welfare Board without bringing it into Government Accounts. In the absence of accounting of cess through Government Accounts, it was not ascertainable from the accounts of the State Government as to how much money was collected on account of cess, fee, etc., and how much money was transferred to the Board by various Cess Collectors.
- The State Government did not constitute the State Electricity Regulatory Commission Fund as required under Electricity Act, 2003. Fees received by the Uttar Pradesh Electricity Regulatory Commission are being kept in bank accounts instead of in Public Account of the State.
- The State Government resorted to extra-budget borrowings through State owned PSUs/Authorities for meeting expenditure having implication on debt parameters of the State. Since these extra-budget borrowings do not form part of the Debt-Stock of the State, the debt position as reflected in Finance Accounts does not depict actual debt position.
- The State Government did not remit entire amount of employees' and employers' contributions towards the Defined Contribution Pension Scheme to the designated fund manager for its further investment. As a result, the State Government has created uncertainty in respect of benefits due to the employees/avoidable financial liability to the Government in future, and, thus, leading to possible failure of the scheme itself.
- The State Government did not establish Uttar Pradesh Road Transport Accident Relief Fund, as required under Uttar Pradesh Motor Vehicle Taxation Act, 1997, meant to provide relief to the passengers or heirs of deceased passengers or other persons suffering casualty.
- A large number (39,587) of UCs aggregating ₹ 26,237.08 crore were outstanding at the close of the year 2020-21. In the absence of UCs, there is no assurance that grants-in-aid disbursed have actually been incurred for the purpose for which they were sanctioned/authorised by the Legislature.
- As many as 1,178 AC bills amounting ₹ 16.21 crore were awaiting adjustment as on 31 March 2021.
- Classification of large amounts booked under the Minor Heads '800-Other Receipts/Expenditure' does not give a complete picture in the financial reporting. Similarly, in respect of 20 grants, the expenditure under Object Head: '42- Other Expenditure' contributed to 31 *per cent* of total expenditure of these grants, which affects transparency in financial reporting.
- 266 annual accounts of 63 Autonomous Bodies/Authorities (due up to 2020-21) for audit as of 30 September 2021 have not been submitted by the concerned entities. In absence of annual accounts and their audit, proper utilisation of grants and loans disbursed to these Autonomous Bodies/Authorities cannot be vouched.

- There were 135 cases of misappropriation, losses and theft involving an amount of ₹ 930.78 crore oldest pending since January 1967 on which final action was pending as on 31 March 2021.

#### **4.18 Recommendations**

- *Sums collected against labour cess by the U.P. Building and Other Construction Workers Welfare Board should be part of Public Account of the State and from there it may be transferred to the Board Account. The U.P. Building and Other Construction Workers Welfare Board should fulfil its mandate of improving the working condition of building and other construction workers and providing adequate financial assistance to them.*
- *The State Government should constitute the State Electricity Regulatory Commission Fund and credit the fund balance in the Public Account of the State.*
- *The State Government should avoid extra-budget borrowings and credit all loans taken by PSUs/ Authorities on behalf of State Government but serviced by the State Government, to the Consolidated Fund.*
- *The State Government should transfer the entire amount of Defined Contribution Pension Scheme to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank so that the un-transferred amount could become the part of corpus of investment of the subscribers and yield value appreciation.*
- *Being the statutory requirement, the Government should create the 'Uttar Pradesh Road Transport Accident Relief Fund' so that the fund could be utilised for benefit of the affected persons.*
- *The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants-in-aid released for specific purposes and all pendencies may be reviewed before release of fresh grants to defaulting grantees.*
- *The Finance Department should ensure that all controlling officer adjust Abstract Contingent bills within stipulated period, as required under the Rules.*
- *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 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account. Further, at object head level, indiscriminate use of object head 42-Other expenditure should be minimised.*
- *The Finance Department should consider evolving a system for regular review to expedite the process of compilation and submission of annual accounts by Bodies/Authorities/Departmental Commercial Undertakings in order to assess their financial position.*
- *The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*

