

CHAPTER-IV
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING PRACTICES

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Quality of Accounts and Financial Reporting Practices

A sound financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting is, thus, one of the attributes of good governance.

Issues relating to completeness, transparency, measurement and disclosures in financial reporting are discussed in this chapter.

Issues relating 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 the Constitution provides that all revenues received by the Government of a State, all loans raised by that 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 titled 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.

Some significant instances of non-adherence to the above provisions are discussed below.

4.1.1 Building and Other Construction Workers' Welfare Cess

The Government of India (GoI) enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act), to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures. In exercise of powers conferred under section 14 (1) of the Cess Act, GoI framed the Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules). Accordingly, the State Government framed the Himachal Pradesh Building and Other Construction Workers Rules, 2008. The Himachal Pradesh Building and Other Construction Workers Welfare Board was constituted in March 2009. The Board is an autonomous body and its accounts are separately audited and certified by the Pr. Accountant General (Audit).

Section 3 of the Cess Act provides for levy and collection of cess from every employer in relation to building or other construction work, and paid to the Board after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected. As per Section 5 of the Cess rules, the proceeds of the cess collected shall be transferred to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State.

It was noticed that no rules have been framed by the Government of Himachal Pradesh for accounting of labour cess and no dedicated sub-head has been provided by the

Government for booking and collection of labour cess separately. Labour Cess is being collected by divisions of the Public Works Department and Jal Shakti Vibhag at the rate of one *per cent* of the cost of construction and is being booked under Major Head 8443-Civil Deposit-108-Public Works Deposits.

As per the Finance Accounts, during 2021-22, the State Government collected ₹ 38.74 crore as Labour Cess under Major Head 8443 and transferred ₹ 41.59 crore to the Building and Other Construction Workers Welfare Board. Thus, the un-transferred amount from the Major Head 8443 was ₹ 24.92 crore as on 31 March 2022.

However, as per information provided by the Board, it had an opening balance of ₹ 671.82 crore and had received ₹ 132.16 crore during 2021-22 as labour cess, interest, etc. During the year, the Board spent ₹ 100.83 crore out of which ₹ 3.68 crore was spent on administrative expenditure and labour welfare activities/schemes. The Board had an amount of ₹ 703.15 crore at its disposal at the close of the year, i.e. 31 March 2022. It was noticed that there is a difference of ₹ 14.83 crore between the figures of closing balance of previous year i.e. 2020-21 (₹ 656.99 crore) and opening balance of current year i.e. 2021-22 (₹ 671.82 crore). The difference was attributed by the Board to non-finalisation of accounts at the time of providing information during last year.

Since in the Public Account, the Public Works Deposits do not have any dedicated sub-head separately for booking of this Cess exclusively received from all sources, the amount of Cess collected and transferred to the Labour Welfare Board and balance yet to be transferred could not be ascertained fully.

4.1.2 Loans of State Government not being credited to the Consolidated Fund

According to information provided, the State Government did not resort to off-budget borrowings. No such borrowings were noticed during audit of the available Financial Statements of PSUs for the year 2021-22.

4.1.3 Funds transferred directly to State implementing agencies

Even after Government of India's decision to release all assistance for Centrally Sponsored Schemes/ Additional Central Assistance to the State Government and not directly to implementing agencies from 2014-15 onwards, funds were still being transferred by GoI directly to implementing agencies. Since these funds were not routed through the State Budget, these were not reflected in the Accounts of the State Government.

The details of aggregate amount transferred to implementing agencies during the last three years are shown in **Table-4.1**.

Table 4.1: Funds transferred to State implementing agencies

Direct transfers to State implementing agencies	2019-20	2020-21	2021-22
Funds transferred (₹ in crore)	1,372.69	1,866.98	2,534.57

According to information on the PFMS portal of the Controller General of Accounts (CGA), GoI released ₹ 2,534.57 crore (un-audited figures) directly to implementing agencies during 2021-22. Direct transfers of funds to implementing agencies increased by 35.76 per cent from ₹ 1,866.98 crore in 2020-21 to ₹ 2,534.57 crore in 2021-22.

Further, during the year 2021-22, out of total amounting to ₹ 2,534.57 crore as detailed in the Appendix-VI of Finance Accounts, central share of ₹ 1,533.06 crore under 30 Centrally Sponsored Schemes were transferred directly to the Implementing Agencies by-passing the Consolidated Fund of the State. This constituted 4.11 per cent and 8.69 per cent of total Revenue Receipts (₹ 37,309.30 crore) and Grants-in-Aid (₹ 17,633.32 crore) respectively. The State Government accounts for the year 2021-22 depicts only ₹ 5,420.75 crore under central share of Centrally Sponsored Schemes. Besides, contracting the budget and expenditure of State Government to the extent of ₹ 1,533.06 crore, the assets created and dedicated to the Public, remained outside the State Government Accounts.

Some of the major implementing agencies which received the funds directly from GoI to implement the Centrally Sponsored Schemes during 2021-22 are given in the **Table-4.2:**

Table 4.2: Funds transferred by GoI directly to State implementing agencies

(₹ in crore)			
Sl. No.	Name of Implementing agencies	Name of the Schemes of Government of India	GoI releases during 2021-22
1	Himachal Pradesh Rural Development and Employment Guarantee Society	Mahatma Gandhi National Rural Guarantee Program	1,085.03
2	Director, Empowerment of SCs, OBCs, Minorities and Specially Abled	Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	147.64
3	Director, Urban Development, Town & Country Planning and Housing	Pradhan Mantri Awas Yojana - Housing for All	73.36
4	Director, National Rural Health Mission	National Rural Health Mission	61.48
5	Director Higher Education	Post Matric Scholarship for SC Students	33.70
6	Director, Empowerment of SCs, OBCs, Minorities and Specially Abled	Indira Gandhi National Widow pension scheme (IGNWPS)	29.39
7	Director, Agriculture	Sub-Mission on Agricultural Mechanisation	22.47

Source: Finance Account – Appendix VI

As these funds are not routed through the Consolidated Fund of the State, the Annual Accounts do not capture the flow of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables and parameters derived from them, do not present the complete picture, to that extent.

4.2 Non-discharge of liability in respect of interest towards interest bearing deposits

During 2021-22, the State Government had made short contribution of ₹ 5.42 crore towards Defined Contribution Pension Scheme for Government employees (NPS) and

also neither made provision nor paid interest of ₹ 0.54 crore for balance of ₹ 7.66 crore lying under NPS as of 31 March 2021. Further, the State Government short contributed its share by ₹ 0.20 crore towards State Disaster Response Fund (SDRF) and neither made provision nor paid interest of ₹ 0.47 crore for balance of ₹ 7.88 crore lying under SDRF under Major Heads of Account 8342 at the end of March 2021.

Issues relating to transparency

4.3 Delay in submission of Utilisation Certificates

In terms of Rule 157 of the Himachal Pradesh Financial Rules, 1971 (Revised in 2009), where grants are sanctioned for specific purpose, the departmental officers concerned should obtain Utilisation Certificates (UCs) from the grantee, which, after verification, should be forwarded to Principal Accountant General (Accounts and Entitlement) within the dates specified in the sanction. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Principal Accountant General (Accounts and Entitlement) the fulfilment of conditions attached to the grant. UCs outstanding beyond the specified periods indicate absence of assurance on utilisation of grants for indented purposes, and the expenditure shown in the accounts to that extent cannot be treated as final. A total number of 3,619 UCs amounting to ₹ 4,752.14 crore were pending as of March 2022 (**Appendix-4.1**). The age-wise and year-wise arrears in submission of UCs is summarised in **Table-4.3** and **Table-4.4**.

Table 4.3: Age-wise arrears in submission of Utilisation Certificates

Year	Opening Balance		Clearance		Due for submission	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
Up to 2019-20	1,487	1,587.06	526	537.09	961	1,049.97
2020-21	1,312	1,970.76	477	661.58	835	1,309.18
2021-22	15,605	4,563.10	13,782	2,170.11	1,823	2,392.99
Total:	18,404	8,120.92	14,785	3,368.78	3,619	4,752.14

Source: Compiled from the information provided by the PAG (A&E) Himachal Pradesh.

Note: UCs for GIA disbursed during 2020-21 become due only during 2021-22 i.e. the year mentioned above relates to "Due year" i.e., after 12 months of actual drawal.

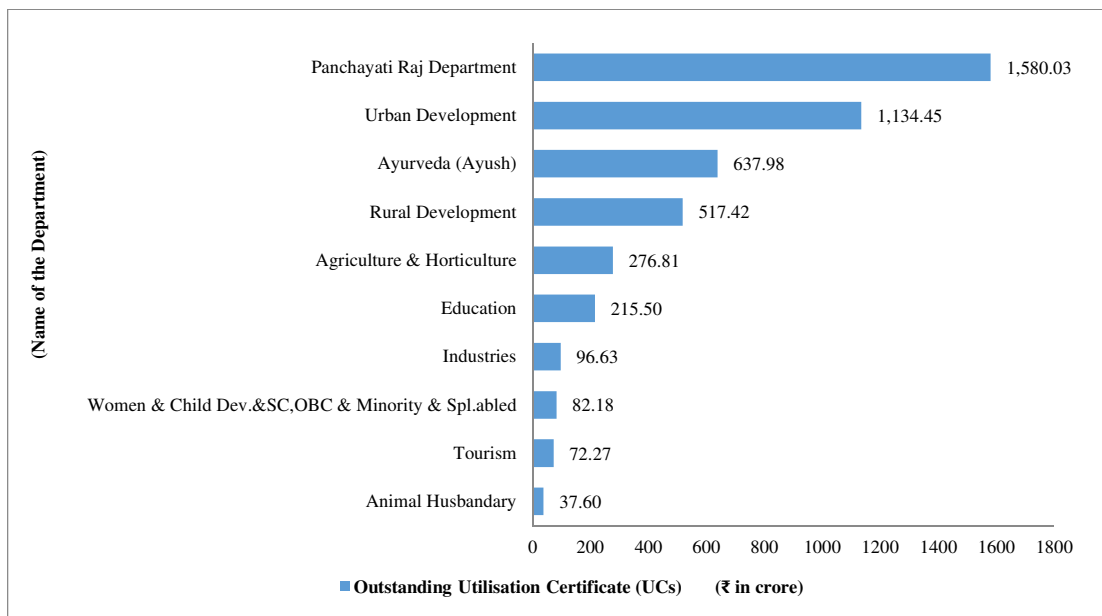
Table 4.4: Year-wise break-up of outstanding UCs

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
2015-16	15	25.79
2016-17	111	65.54
2017-18	248	313.74
2018-19	587	644.90
2019-20	835	1,309.18
2020-21	1,823	2,392.99
Total	3,619	4,752.14

Non-submission of UCs meant that the authorities had not explained as to how funds were spent over the years. There was also no assurance that the intended objectives of providing these funds had been achieved. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor

this aspect closely and hold the persons concerned accountable for submission of UCs in a timely manner.

Chart-4.1: Outstanding UCs in respect of 10 major departments for the grants paid upto 2020-21



Out of total 3,619 outstanding UCs for grants of ₹ 4,752.14 crore, 1,796 UCs for grants of ₹ 2,359.15 crore pertained to the period 2015-16 to 2019-20. Out of total amount of ₹ 4,752.14 crore for which UCs were outstanding, 81.43 per cent (1,497 UCs - ₹ 3,869.88 crore) pertained to four departments – 33.25 per cent (₹ 1,580.03 crore) to Panchayati Raj; 23.87 per cent (₹ 1,134.45 crore) to Urban Development; 13.42 per cent (₹ 637.98 crore) to Ayurveda (Ayush); and 10.89 per cent (₹ 517.42 crore) to Rural Development.

While conducting scrutiny/test-check of records relating to UCs of selected five departments i.e. Panchayati Raj (519 UCs - ₹ 225.64 crore), Urban Development (21 UCs- ₹ 32.85 crore), Ayurveda (Ayush) (18 UCs- ₹ 73.73 crore), Rural Development (43 UCs- ₹ 342.36 crore), and Youth Services & Sports (04 UCs- ₹ 0.40 crore), it was noticed that an amount of ₹ 674.98 crore out of ₹ 3,870.29 crore (605 UCs out of 1,503 UCs) grant has been fully utilised or partially utilised and the UCs were sent by grantees (implementing/executing agencies) to the Heads of Department (HoDs). However, the HoDs concerned after verification, as required, do not seem to have forwarded the same to Pr. Accountant General (A&E), as a result of which these UCs are shown as outstanding in the Accounts. This is due to lack of monitoring at the Directorate level, thus, the position/aspect of outstanding UCs should be monitored closely by the Heads of Departments (HoDs) to ensure submission of UCs in a time bound manner.

4.4 Recording of Grantee Institution as “Others”

There is a mechanism of giving particular codes to various bodies and authorities receiving Grants-in-Aid from Government. In this way, these grants can be

systematically recorded in the office of the Pr. Accountant General (A&E) and submission of UCs can be monitored against outstanding amount for each body / authority. In the absence of proper codes, outstanding amounts against grantees cannot be worked out.

In Himachal Pradesh, there was no system of allotting codes to the bodies / institutions/ authorities receiving grants from the State Government, in order to facilitate monitoring of UCs by the Pr. Accountant General (A&E).

As per **Statement-10** of the Finance Accounts for the year 2021-22, an amount of ₹ 4,980.80 crore had been given as grants-in-aid to different institutions, out of which ₹ 1,039.50 crore (20.87 per cent) was given to “Others”.

During the past five years (2017-22), the Government had continued to record substantial amounts of grants-in-aid as ‘Others’ – ranging between 15.83 per cent and 28.85 per cent as shown in the **Table-4.5**:

Table 4.5: Grants-in-Aid to Grantee Institutions of Type ‘Others’

(₹ in crore)			
Year	Total GIA amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2017-18	2,895.45	784.69	27.10
2018-19	3,633.95	1,048.43	28.85
2019-20	3,506.49	555.22	15.83
2020-21	4,563.11	946.89	20.75
2021-22	4,980.80	1039.50	20.87

Source: Finance Accounts for the respective years

4.5 Abstract Contingent Bills

Rule 183 (3)(V) of Himachal Pradesh Treasury Rules 2017 envisage that no moneys should be drawn from government treasury unless it is required for immediate disbursement. In emergent circumstances, Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money through bills by debiting Service Heads. Rule 187 further provides that advance drawals shall be permitted for emergent circumstances on Abstract Contingent (AC) bills to be drawn by DDOs as specified by the Finance Department for reasons to be recorded in writing. At a time, only one advance can be granted/ passed by District Treasury Officer / Treasury Officer (DTO/TO). It shall be the responsibility of the DDO concerned to get the advance adjusted during the same financial year in which it is drawn. The DTO/TO shall enter advances separately in the advance register. They shall monitor that these are accounted for within the same financial year through Detailed Contingent (DC) bills to Principal Accountant General (A&E). The advance payment register shall be operated continuously and shall be maintained till all advances entered in it are fully recovered/adjusted.

The State Government had not formulated any mechanism for drawal and monitoring of advances through AC bills and their adjustment through DC bills with the office of the Pr. AG (A&E). Drawing and Disbursing Officers (DDOs) were using the same form (i.e. HPTR-5) to draw advances of contingent nature from the Treasury, as the form used for all other routine nature of expenditure like medical reimbursement, travel expenses, contingency/ GIA/ scholarships/ other charges, etc. Thus, there was no mechanism to distinguish/identify the advances drawn through Abstract Contingent (AC) Bills from the other expenditure and adjustment thereof through Detailed Contingent (DC) Bills. As a result of which, Pr. AG (A&E) office is unable to monitor and generate the list/details of advances drawn through AC bills and their adjustments through the DC bills. This issue has been persistently highlighted in the State Finances Audit Reports and Emphasis of Matter (EoM) in the Audit Certificate of the Comptroller and Auditor General of India in Finance Accounts of previous years. Further, the matter was also addressed/taken up repeatedly with the State Government.

In response, the State Government stated (October 2022) that the detailed guidelines for drawal of the AC bills and adjustment thereof through DC bills is under consideration and codification of these bills are being finalised in consultation with National Informatics Centre (NIC).

In Himachal Pradesh, six departments namely, Ayurveda, Health and Family Welfare, Youth Services and Sports, Agriculture, Horticulture and Prosecution have been authorised by the State Government to draw AC bills. Test-check of the records/registers maintained by the DDOs of these departments revealed that during 2016-17 to 2021-22, 103 AC bills amounting to ₹ 97.26 crore have been drawn by Ayurveda (60), Horticulture (37), Youth Services and Sports (05) and Prosecution (01) departments and out of which, 46 AC bills amounting to ₹ 10.67 crore of Ayurveda Department are pending for adjustment.

It was further noticed that some other departments, who are not authorised by the State Government to draw the advances through AC Bills, are also drawing advances. For instance, during test-check of records of Elementary Education, it was noticed that an advance of ₹ 0.12 crore had been drawn by Director, Elementary Education through AC bill during 2021-22 to organise State Level Teacher's Day function and the same was adjusted during the year.

Thus, drawing of advances through AC bills without proper mechanism for their identification/ distinction increases the possibilities of mis-utilisation/ misappropriation of Government money. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct/ final. Furthermore, selection/authorisation only of/to six departments to draw advances through AC bills, reflects on a lack of understanding on the part of the State Government/Department since drawal of AC bills, if any, by other departments cannot be identified/monitored.

4.6 Personal Deposit Accounts

Under Rule 12.7 of the Himachal Pradesh Financial Rules Vol-I, 1971, Personal Deposit (PD) accounts are operated under Public Accounts of the State by transferring

amounts from the Consolidated Fund to be utilised for specific purposes and booked as final expenditure against the service Major Heads concerned without any actual cash flow. Unspent balances lying in PD accounts are required to be transferred back to the Consolidated Fund on the last working day of the financial year, and reopened next year, if necessary. This Rule has not been followed by the State Government, despite persistent correspondence over the past many years.

At the end of 2021-22, an amount of ₹ 1.74 crore remained as unspent balance in 106 PD accounts without being transferred to the Consolidated Fund (**Appendix-4.2**). The status of PD accounts at the close of the financial year 2021-22 is given in **Table-4.6**.

Table 4.6: Status of PD Accounts (MH 8443-106) as on 31 March 2022

(₹ in crore)

PD Accounts as on 01.04.2021		Additions during the year		Close/ withdrawal during the year		Closing balance as on 31.03.2022		Operative Accounts		Inoperative Accounts	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
112	2.18	02	0.22*	08	0.66	106	1.74	69	1.71	37	0.03

* The amount ₹ 0.22 crore appears as receipt of ₹ 0.59 crore - lapsed deposit of ₹ 0.37 crore during 2021-22.

Out of total 106 PD Accounts, 69 PD accounts were operative whereas 37 PD accounts were inoperative (of which 26 accounts had zero balances) for more than three years. Further, two PD accounts were opened, and eight PD accounts closed during the year.

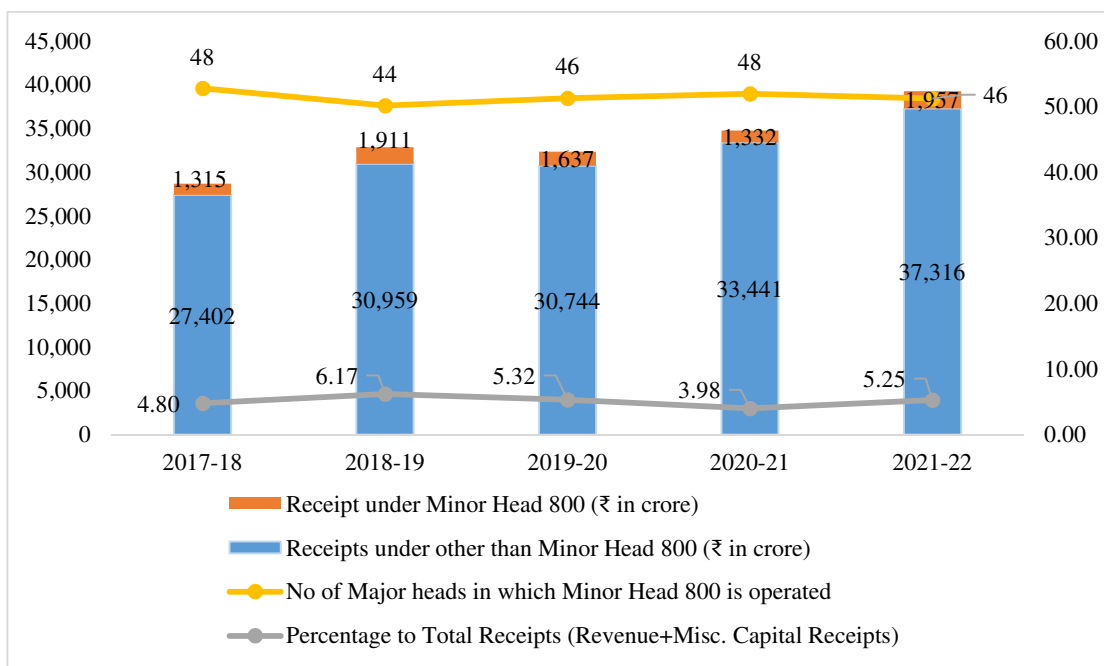
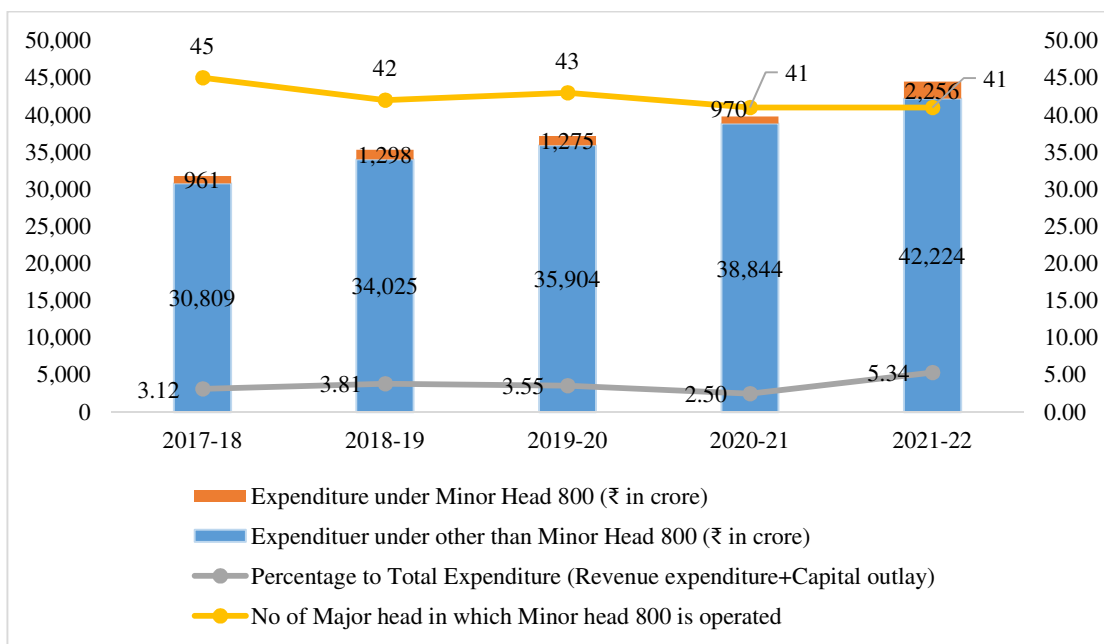
As per the prescribed procedure, Personal Deposit Accounts are opened under the designated heads of account, i.e. MH-8443-Civil Deposits-106-Personal Deposits and are reconciled with plus and minus memoranda as supplied by PD account holders and treasuries. However, it was noticed that there were 38 cases where PD accounts were opened under the head MH-8448-109, which was not the designated head of account.

Unspent balances lying in PD Accounts meant that there was overstatement of expenditure to the extent of the balances. Non-reconciliation of Personal Deposit Accounts periodically and non-transfer of the unspent balances lying in Personal Deposit Accounts to Consolidated Fund entails the risk of misuse of public funds.

4.7 Indiscriminate use of Minor Head-800

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 under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Pr. Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Routine operation of Minor Head-800 is to be discouraged since indiscriminate booking of receipts and expenditures under Minor Head-800 obscures the nature of transactions and affects transparency of accounts.

The extent of operation of Minor Head-800 as a percentage of total expenditure during 2017-18 to 2021-22 is given in **Chart-4.2** and **Chart-4.3**.

Chart-4.2: Operation of Minor Head 800- Other Receipts during 2017-22**Chart-4.3: Operation of Minor Head 800 - Other Expenditure during 2017-22**

During 2021-22, an amount of ₹ 2,255.53 crore under 41 Major Heads of account, constituting 5.34 per cent of total expenditure (₹ 42,223.92 crore), was classified under Minor Head-800 'Other Expenditure' in the Revenue and Capital accounts. Similarly, ₹ 1,957.37 crore under 46 Major Heads of Account, constituting 5.25 per cent of total receipts (₹ 37,316.31 crore), was booked under Minor Head-800 'Other Receipts'. Instances where significant proportion (20 per cent or more of total receipts/ expenditure under the Major Head and exceeding ₹ 5 crore) of receipts and expenditures was classified under Minor Head 800-Other Receipts / Other Expenditure during the year 2021-22 are depicted in **Table-4.7**.

Table 4.7: Significant amount booked under Minor Head- ‘800-Other Receipts/ Expenditure’ during 2021-22

(₹ in crore)

Sr. No.	“800-Other Receipts”				“800-Other Expenditure”			
	Major Head	Total Receipts	Booked under MH 800	Percentage	Major Head	Total expenditure	Booked under MH 800	Percentage
1.	0801- Power	1,183.51	1,183.51	100.00	2043- Collection Charges Under States Goods and Services Tax	5.37	5.37	100.00
2.	4000- Misc. Capital Receipts	7.01	7.01	100.00	2075- Miscellaneous General Services	30.06	29.81	99.17
3.	0515- Other Rural Development Programmes	19.17	17.49	91.24	5475- Capital Outlay on Other General Economic Services	330.52	323.60	97.91
4.	0070- Other Administrative Services	104.90	90.16	85.95	4235- Capital Outlay on Social Security and Welfare	14.39	13.30	92.43
5.	0230- Labour and Employment	13.94	10.63	76.26	4851- Capital Outlay on Village and Small Industries	122.73	109.07	88.87
6.	0045- Other Taxes and Duties on Commodities and Services	340.58	235.68	69.20	4701- Capital Outlay on Medium Irrigation	19.47	14.52	74.58
7.	0401- Crop Husbandry	8.19	5.62	68.62	4401- Capital Outlay on Crop Husbandry	11.21	7.78	69.40
8.	0235- Social Security and Welfare	17.23	11.55	67.03	2801- Power	1,645.69	1,048.98	63.74
9.	1054- Roads and Bridges	21.69	11.17	51.50	5452- Capital Outlay on Tourism	89.81	56.27	62.65
10.	0059- Public Works	69.00	23.75	34.42	4070- Capital Outlay on Other Administrative Services	15.99	9.49	59.35
11.	1475- Other General Economic Services	6.59	1.90	28.83	4711- Capital Outlay on Food Control Projects	31.82	16.84	52.92
12.	0406- Forestry and Wildlife	106.28	30.62	28.81	2402- Soil and Water Conservation	124.98	44.67	35.74
13.	0210- Medical and Public Health	20.11	4.53	22.53	2851- Village and Small Industries	167.20	55.97	33.47
14.	--	--	--	--	2230- Labour, Employment and Skill Development	261.83	78.12	29.84
15.	--	--	--	--	4225- Capital Outlay on Welfare of SCs, STs, OBCs and Minorities	12.67	2.49	19.65
	Total:	1,918.20	1,633.62	85.16	Total:	2,883.74	1,816.28	62.98

Source: Finance Accounts

As is evident from the above table, in 13 Major Heads more than 85 per cent of receipts were booked under '800-Other Receipts', and in 15 Major Heads, around 63 per cent of expenditure (revenue and capital) was booked under '800-Other Expenditure'. Classification of large amounts under Minor Head '800-Other Receipts/Expenditure' affected transparency in financial reporting and understanding of allocative priorities / quality of expenditure.

The matter was discussed during the exit conference (June 2021) with the State Government/Finance Department pertaining to State Finances Audit Report (SFAR) for the year 2020-21. The State Government stated that the process of clean up/ rationalisation of amounts under Minor Head-800 has already been initiated and the effect/changes will be seen in the coming budget estimates.

Issues relating to measurement

4.8 Outstanding balance under major Suspense and DDR 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 and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table-4.8**.

Table 4.8: Status of Suspense and Remittances Balances

Name of Minor Head	2019-20		2020-21		2021-22	
	Debit (Dr.)	Credit (Cr.)	Debit (Dr.)	Credit (Cr.)	Debit (Dr.)	Credit (Cr.)
8658 - Suspense Accounts						
101-Pay and Accounts Office-Suspense	124.62	56.33	138.83	66.53	133.69	87.07
Net	68.29 Dr.		72.30 Dr.		46.62 Dr.	
102-Suspense Account (Civil)	1,551.08	164.34	1,854.36	223.31	767.15	271.88
Net	1386.74 Dr.		1,631.05 Dr.		495.27 Dr.	
110-Reserve Bank Suspense-Central Accounts Office	3,755.23	3,755.23	2.24	2.26	26.53	00.00
Net	Nil		0.02 Cr.		26.53 Dr.	
112-Tax Deducted at Source (TDS) Suspense	447.74	468.23	471.25	497.83	00.03	41.60
Net	20.49 Cr.		26.58 Cr.		41.57 Cr.	
129-Material Purchase Settlement Suspense Account	139.79	244.17	81.69	219.46	00.00	234.90
Net	104.38 Cr.		137.77 Cr.		234.90 Cr.	
8782 - Cash remittances and adjustments between officers rendering accounts to the same Accounts Officer						
102-Public Works Remittances	7,507.51	8,104.89	6,841.07	7,372.10	00.00	637.47
Net	597.38 Cr.		531.03 Cr.		637.47 Cr.	
103- Forest Remittances	124.72	141.58	0.03	16.81	00.00	16.67
Net	16.86 Cr.		16.78 Cr.		16.67 Cr.	

Source: Finance Account

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office

under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2021-22 are detailed below:

Pay and Accounts Office – Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. The outstanding debit balance (31 March 2022) under this Head was ₹ 46.62 crore against debit balance of ₹ 72.30 crore at end of the previous year. Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO(s), which are yet to be recovered.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final Head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers etc.) are initially booked under this suspense head. Receipts are credited and expenditure is debited to this account and cleared on receipt of required information by minus credit and minus debit respectively during the financial year. Outstanding debit balance under this head implies 'payment made' but could not be debited to the final head of expenditure for want of certain particulars and outstanding credit balance represents the 'receipts' which could not be credited to final receipt head of account for want of details.

During 2021-22, the debit balances under Suspense head decreased by ₹ 1,135.78 crore from ₹ 1,631.05 in 2020-21 to ₹ 495.27 crore at the end of year 2021-22, primarily due to clearance/adjustment and booking of ₹ 1,190.78 crore (₹ 1,183.76 crore of 2019-20 and ₹ 7.02 crore of 2020-21) under the relevant heads of expenditure (Revenue expenditure: ₹ 1,057.29 crore and Capital expenditure: ₹ 133.49 crore) in the Finance Accounts during 2021-22 resulting in overstatement of expenditure against the budget provisions to that extent. Further, an amount of ₹ 78.74 crore (Revenue Expenditure: ₹ 74.28 crore and Capital Expenditure: ₹ 4.46 crore) has been objected and booked under this head during the current year due to non-furnishing of vouchers and other documents as proof of actual expenditure. The objected amount of ₹ 78.74 crore has not been considered as Revenue/Capital expenditure in the Finance Accounts or as actual expenditure in the Appropriation Accounts against the budget provisions for the year 2021-22.

Huge balances under this Head (Public Account) at the end of the year distorts the financial position of the State Government to that extent, as these expenditure(s)/receipt(s) could not be booked to their final heads of account and remained outside the Consolidated Fund of the State.

4.9 Reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate those receipts and expenditures during the financial year recorded in their books be reconciled by them every month with those recorded in the books of the Pr. Accountant General (A&E).

During the year 2021-22, such reconciliation of revenue and capital receipts (₹ 37,316.31 crore) and revenue and capital expenditure (₹ 42,223.92 crore) has been fully completed by CCOs/COs.

4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

However, it was noticed that there was a net difference of ₹ 10.11 crore (Dr.) in cash balance as on 31 March 2022 between the figures reflected in the account of Pr. Accountant General (A&E), Himachal Pradesh and as reported by the Reserve Bank of India (RBI). The cash balance as worked out by the Office of the Pr. Accountant General (A&E), Himachal Pradesh was ₹ 45.41 crore (Cr.) whereas ₹ 55.52 crore (Dr.) was reported by Reserve Bank of India. The difference was mainly due to incorrect reporting of transactions and non-reconciliation by the Agency Banks.

Issues relating to disclosures

4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The compliance of these accounting standards by the State Government is detailed in the **Table-4.9**.

Table 4.9: Compliance to Accounting Standards

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
1	IGAS 1: <i>Guarantees given by the Government</i>	Partially Complied	IGAS-1 requires that sector-wise and class-wise disclosures on guarantees given by the State Government should be incorporated in Finance Accounts. Statements 9 and 20 show the details of Guarantees given by the State Government and the interest on the guaranteed amount on the basis of information provided by the State Government. Although sector-wise details have been disclosed, class-wise details were not incorporated in Finance Accounts of the State.
2	IGAS 2: <i>Accounting and classification of grants-in-aid</i>	Partially complied	As per IGAS-2, expenditure relating to Grants-in-aid should be classified as revenue expenditure even if it involves creation of assets, except in cases specifically authorised by the President on the advice of the Comptroller and Auditor General of India. Requirements regarding accounting and classification of Grants-in-aid given by the State Government have been depicted in Statement 10 and Appendix III which are prepared as per the requirements of IGAS-2. Detailed information in respect of Grants-in-aid given in kind has also not been furnished by the State Government. Further, IGAS prescription

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
			as regards to obtaining the Utilisation Certificates before providing next instalments to the grantees was not ensured.
3	IGAS 3: Loans and advances made by Governments	Partially complied	Statements 7 and 18 of the Finance Accounts have been prepared incorporating the disclosures under IGAS-3. The details of loan and advances reported in these Statements of the Finance Accounts are based on information received through the accounts rendered to the Principal Accountant General (A&E) and detailed accounts maintained by the Principal Accountant General (A&E) in respect of loans and advances made to Government servants. The balances under loans and advances were not fully reconciled by the Loanee Entities/State Government. Out of six Loanee Entities*, five have reconciled the balances depicted in Statements 7 and 18 as on 31 March 2022.

Source: Indian Government Accounting Standards and Finance Accounts

4.12 Delays in submission of Accounts/ Separate Audit Reports of Autonomous Bodies/ Authorities

Several autonomous bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Audit of accounts in respect of 18 autonomous bodies/authorities in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same (**Appendix-4.3**). Detail of bodies/authorities whose accounts are in arrears is given in **Table-4.10**:

Table 4.10: Arrears of accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2021-22
1.	HP Khadi and Village Industries Board	2013-14	08
2.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2017-18	04

It can be seen from **Table-4.10** that accounts of two bodies/authorities (out of 18) were in arrears for periods ranging between four years in respect of Compensatory Afforestation Fund Management and Planning Authority (CAMPA) and eight years relating to HP Khadi and Village Industries Board. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.

* (i) Municipalities/Municipal Councils/Municipal Corporations, (ii) Housing Board, (iii) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. (HPMC), (iv) Himachal Pradesh Krishi Vishwavidyalya (HPKVV), (v) Himachal Pradesh State Electricity Board Ltd. and (vi) General Financial Institutions

4.13 Non-submission of details of grants / loans given to bodies and authorities

In order to identify institutions that attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/ Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, purpose for which such assistance was granted, and the total expenditure of the institutions.

Further, Regulations on Audit and Accounts (Amendments) 2020 provides that the Government and Heads of Departments which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office, by the end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority.

The State Government did not furnish information pertaining to grants aggregating ₹ 10 lakh or more extended to Autonomous Bodies/Authorities in the State of Himachal Pradesh. However, information was sought by Audit from the bodies/authorities concerned. None of the bodies/ authorities (out of 35 from whom information was sought) furnished the information to Audit (**Appendix-4.3**).

Non-furnishing of information by the State Government/Heads of the Department to Audit was in violation of Regulations on Audit and Accounts (Amendments) 2020. Further, in the absence of such information, the bodies/authorities to be audited could not be identified and the correctness, regularity/propriety of expenditure from the grants and loans given to these bodies / authorities out of the Consolidated Fund of the State could also not be examined in audit.

4.14 Timeliness and Quality of Accounts

During 2021-22, all the account rendering entities (Treasuries, PWD & I&PH Divisions and PAO New Delhi), which render their monthly accounts to Pr. Accountant General (A&E), had rendered their accounts in time and there was no case of exclusion.

Other Issues

4.15 Misappropriations, losses, thefts, etc.

As per Rule 24 of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), an officer shall be held responsible personally or vicariously for any loss sustained by the Government on account of causes mentioned in Rule 21 of these Rules due to any omission or commission or negligence, whether intentional or unintentional, on his part. As per Rule 145 (5) of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), in case goods become unserviceable due to negligence, fraud or mischief on the part of the Government servant, responsibility for the same shall be fixed.

State Government had 42 cases of misappropriation/loss, theft, etc., amounting to ₹ 90.12 crore at the end of previous year i.e., March 2021. Out of this, 11 cases involving an amount of ₹ 37.80 crore were settled/cleared during the year 2021-22.

However, there were still 31 cases of misappropriation/loss, theft, etc., involving government money amounting to ₹ 52.32 lakh as of March 2022 on which final action was pending. In all these cases, the departments concerned had filed First Information Report (FIR). The department-wise break up of pending cases and reasons for pendency of action in these cases is summarised in **Table 4.11**.

Table-4.11: Department-wise break up of pending cases and reasons for pendency of action in cases of misappropriation, losses, theft, etc.

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.	Number of cases	Amount (₹ in lakh)
	Number of cases	Amount (₹ in lakh)			
Education	03	2.95	Awaiting departmental and criminal investigation	19	15.84
Land Revenue	01	2.57	Awaiting orders for recovery or write off	01	2.57
Horticulture	03	2.89			
Police	01	0.08			
Municipal Corporation, Chamba	01	0.42	Pending in the courts of Law	03	25.43
Home Guard	02	25.37			
Public Health (Medical)	01	0.95			
Forests	04	5.93	Recovery made/ written off but awaiting final disposal from PAC	07	8.06
Public Works	15	11.16			
			Others	01	0.42
Total	31	52.32	Total	31	52.32

Source: Information received from departments and compiled by Audit.

The State Government may devise an effective mechanism to ensure speedy and time-bound settlement of cases relating to misappropriation/loss, theft, etc.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table-4.12**.

Table-4.12: Profile of misappropriation, losses, defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	1	0.40	Theft cases	6	3.78
5-10	5	8.50			
10-15	2	0.71	Misappropriation/ loss of Government material	25	48.54
15-20	5	26.58			
20-25	7	8.71			
25 and above	11	7.42			
Total	31	52.32	Total pending cases	31	52.32

Out of the total loss cases, 80.65 per cent cases are related to Misappropriation/ loss of Government material and the remaining 19.35 per cent were theft cases. Out of the total 31 cases of misappropriation, losses, theft, etc., 61.29 per cent (19 cases) were pending

due to delays in finalising/initiating departmental and criminal investigation. It was further noticed that 30 cases (out of total 31) were more than five years old, including 18 cases, which were more than 20 years old.

The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also led to non-accountability of the officers/officials at fault. The Government may consider preparing a time bound framework for taking prompt action to ensure speedy settlement of above cases relating to theft, misappropriation, losses, etc., so that accountability can be fixed.

4.16 Follow up action on State Finances Audit Report

State Finances Audit Report is being prepared and presented to the State Legislature from the year 2008-09 onwards. The State Government had submitted Action Taken Notes (ATNs)/ *suo motu* replies for State Finances Audit Reports up to 2018-19. Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Reports as of date.

4.17 Conclusions

- Utilisation Certificates amounting to ₹ 4,752.14 crore (3,619 UCs) were awaited which indicates lack of monitoring with regard to utilisation of grants released by the departments to the grantees, and entailed risk of non-utilisation, misutilisation or diversion of funds released for various works/schemes/programmes.
- Similarly, drawing of advances through AC bills without proper mechanism for their identification/ distinction leading to subsequent lack of monitoring, increases the possibilities of mis-utilisation/ misappropriation of Government money.
- Non-submission of accounts by autonomous bodies and non-providing of detailed information as regards bodies/authorities substantially financed through grants and loans entailed risk of financial irregularities in such autonomous bodies/bodies/authorities going undetected.
- Significant amounts of expenditure (₹ 2,255.53 crore- 5.34 *per cent* of total expenditure) and receipts (₹ 1,957.37 crore- 5.25 *per cent* of total receipts) were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting transparency in financial reporting and obscuring proper analysis of allocative priorities and quality of expenditure.
- There were 31 cases amounting to ₹ 0.52 crore of theft, misappropriation / loss of Government material and defalcation, in respect of which departmental action was pending.
- The State Government had yet not fully implemented the notified IGAS in the State.

4.18 Recommendations

- The Government should ensure timely submission of utilisation certificates by departments in respect of the grants released for specific purposes.
- State Government should develop a proper mechanism/system for identification of withdrawal of advances of contingent nature through AC bills, along with their adjustment through DC bills with the office of the Pr. Accountant General (A&E).
- The Government should institute a mechanism to ensure that Autonomous Bodies/ authorities and PSUs submit their accounts to Audit without delay.
- State Government should take necessary steps to expedite the process of proper accounting of amounts booked under Minor Head-800 in appropriate heads of account to classify the transactions correctly in the books of accounts.
- State Government should take steps to fully implement IGAS in the State to improve the quality of financial reporting.