

Chapter IV: Quality of Accounts and Financial Reporting Practices

Introduction

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

4.1 Non-discharge of liability in respect of interest towards interest bearing Deposits/Reserve Funds

The Government has a liability to provide and pay interest on the amount in 'Interest-bearing Deposits' and 'Interest bearing Reserve Funds'. As on 31 March 2022, the balance in 'Interest-bearing Deposits' was ₹ 13,451.17 crore and 'Interest bearing Reserve Funds' was ₹ 3,344.45 crore respectively, on which, the government provided for interest of ₹ 272.96 crore and ₹ 177.41 crore. There was non-payment/under payment of ₹ 11.25 crore in respect of interest towards 'Interest bearing Reserve Funds' as given in Table 4.1. Non-payment of interest liability has resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

Table 4.1: Non-discharged of liability in respect of interest towards Interest bearing Reserve Funds

(₹ in crore)						
S. No.	Fund/Deposit	Opening balance as on 01.04.2022	Basis of calculation of interest paid	Interest due	Interest paid	Interest not paid
1.	MH 8121-129 State Compensatory Afforestation Fund	1,458.39	3.35 per cent (Interest calculated at the rate of 3.35 per cent as per Ministry of Environment, Forest & Climate Change, Government of India Letter dated 10 October 2022)	46.43	35.38	11.25
	Total	1,458.39		46.43	35.38	11.25

Source: Finance Account

4.2 Off Budget Borrowings of the State Government

The State Governments are empowered to borrow money under Article 293 (3) of the Constitution of India. In addition to direct borrowings by the State Government, the State Government also guarantees loans availed by autonomous bodies and Government Companies/Corporations. These borrowings are not reflected in the State Accounts as they are reflected in the accounts of these autonomous entities. However, when the repayment liability of such borrowings falls on the State Government, then such borrowings become the liability of the State Government and therefore, these borrowings are termed as off budget Borrowings of the State Government. Such borrowings remain outside the legislative control.

Government of Rajasthan has not disclosed any off budget borrowing in its accounts. However, audit noticed few instances of off-budget borrowings as of 31 March 2023 from the records of Departments, as detailed in the following paragraphs.

(1) Government of Rajasthan gave guarantee for loan of ₹ 3,948.66 crore obtained by Zila Parishads from Housing and Urban Development Corporation Ltd. (HUDCO) under the Chief Minister Below Poverty Line (CMBPL) Awas Yojana in 2011-12. Out of the guarantee ceiling provided by GoR, the Zila Parishads had availed total guarantees of ₹ 3,624.48¹ crore till 2022-23. It was found that the State Government has been repaying the principal and interest against these loans. During 2022-23, ₹ 350.21 crore (₹ 235.86 crore on account of principal and ₹ 114.35 crore as interest) was transferred by GoR to 31 ZPs, for payment of principal and interest on these loans. As of 31 March 2023, there is an outstanding loan of ₹ 1,276.58 crore.

(2) State Government had given Guarantee of ₹ 155.60 crore to Rajasthan Water Supply and Sewerage Corporation (RWSSC) for loans taken from LIC for water supply project. During 2022-23, Public Health Engineering Department, GoR transferred ₹ 1.64 crore (₹ 1.16 crore as principal and ₹ 0.48 crore as interest) to RWSSC for repayment of loan (Principal and interest) to LIC. As of 31 March 2023, the outstanding debt of RWSSC against this loan was ₹ 2.81 crore.

Year-wise position of outstanding balances of off budget borrowing against GSDP is shown in the Table 4.2 below:

Table 4.2: Trend of off budget borrowings

(₹ in crore)				
S. No	Year	Amount	GSDP	per cent of GSDP
1.	2020-21	1,804.41	10,19,442	0.18
2.	2021-22	1,580.91	12,18,193	0.13
3.	2022-23	1,279.39	14,13,620	0.09

Source: Information provided by concerned Departments and MoSPI

From the table, it can be seen that the outstanding off budget borrowings were 0.09 per cent of GSDP at the end of March 2023. However, off budget borrowing against GSDP is showing decreasing trend during last three years.

The Finance (Budget) Department intimated (December 2023) that in respect of above case, the Zila Parishads are being repaying the loan from their own resources. However, Government grant is being given to the Zila Parishads because of their weak financial position. In the above case, the Government through sanctions/budget provision released amount to the loanee (Zila Parishads) for repayment of loans availed against the state guarantee. The borrowings are not reflected in the State Accounts though repayment is being made through State Government budget only.

Further, regarding loan raised by RWSSC from LIC, Finance Department intimated (December 2023) that repayment of loan is being done by the RWSSC from its own resources. However, audit scrutiny of sanctions revealed that Public Health and Engineering Department transferred amount through its budget head to the Personal Deposit account of RWSSC for repayment of loan.

1. 2011-12: ₹945.37 crore, 2012-13: ₹840.19 crore, 2013-14: ₹958.51 crore, 2014-15: ₹600.64 crore, 2015-16: ₹160.52 crore, 2016-17: ₹61.34 crore, 2017-18: ₹6.34 crore, 2018-19: ₹1.16 crore, 2019-20: 'Nil', 2020-21: ₹50.41 crore, 2021-22: 'Nil' and 2022-23: 'Nil'

4.3 Funds transferred directly to State Implementing Agencies

The Central Government transfers a sizeable quantum of funds directly to the State Implementing Agencies² (IAs) for the implementation of various schemes/programmes in the social and economic sectors. As the funds are not routed through the State Budget/State Treasury System, the Finance Accounts of the State do not capture these funds and to that extent, the state's receipts and expenditure as well as other fiscal variables/parameters derived from them, do not represent the complete picture. Therefore, it was decided by the Central Government that from 2014-15 onwards, plan assistance under all Centrally Sponsored Schemes (CSS) and block grants would be classified as Central Assistance to State Plan and transferred to IAs through the Consolidated Fund of the State in a phased manner.

However, during 2022-23, Central funds of ₹ 18,059.23 crore were transferred directly to the State IAs. Out of this, the Central Government transferred ₹ 6,811.37 crore for Mahatma Gandhi National Rural Employment Guarantee Programme, ₹ 6,083.72 crore for Jal Jeevan Mission/National Rural Drinking Water Mission, ₹ 3,815.67 crore for Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), ₹ 416.96 crore for Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana, ₹ 300.34 crore for works under Roads Wing, ₹ 117.50 crore for MP Local Area Development Scheme, ₹ 66.70 crore for Samarthya (Beti Bachao Beti Padhao Creche, PM Matru Vandana Yojana, Gender Budget Research Skilling Training etc.). The quantum of funds transferred directly to the State IAs are given in the Table 4.3 below and the details are provided in *Appendix 4.1*.

Table 4.3: GoI funds transferred directly to State IAs during 2017-23

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Funds	3,946.78	4,648.31	9,483.87	13,628.16	16,150.62	18,059.23

Source: Finance Accounts of respective years

As is evident from the table that direct transfers from Central government to State IAs increased steadily during 2017-23 which indicates that decision of transfer of funds to IAs through Consolidated fund of State was not strictly followed by GoI.

4.4 Delay in submission of Utilisation Certificates

Rule 68(i) of General Financial and Accounts Rules (GF&AR), 2012 GoR prescribes that all financial sanctions and orders if issued by Administrative Department within its own financial power shall be communicated directly to the Accountant General by specifying the powers under which the same have been issued and Rules 284 & 286 of GF&AR prescribe that Utilisation Certificates (UCs) of grants provided for a specific purpose should be obtained by the departmental officers from the grantees and after verification should be forwarded to the Accountant General (A&E) within one year from the date of their sanction unless specified otherwise. In Rajasthan, the Grants-in-Aid (GIA) by the State Government are given under three object heads (i) 12-Grant-in-

2. State IAs are organisations/institutions including non-governmental organisations which are authorised by the State Government to receive funds from the GoI, for implementing the specific programmes.

Aid (Non-salary); (ii) 92-Grant-in-Aid (Salary) and (iii) 93-Grant-in-Aid for creation of Capital Assets.

During the year 2021-22, Government of Rajasthan released grants-in-aid of ₹ 49,126.65 crore³, of which ₹ 41,905.84 crore was released under object head 12 (Grant-in-aid, non-salary) and ₹ 578.69 crore under object head 93 (Grant-in-Aid for creation of Capital Assets).

Audit scrutiny revealed that various departments did not submit a total of 895 UCs aggregating to ₹1,107.25 crore pertaining to the period 2010-11 to 2021-22 to the office of the Accountant General (A&E) as on 31 March 2023. Out of the total outstanding UCs, 362 UCs of ₹255.40 crore pertained to 'Grant-in-Aid for creation of Capital Assets'. The year-wise pendency of total outstanding UCs is given in following Table 4.4.

Table 4.4: Year-wise break up of outstanding UCs

(₹ in crore)		
Year*	Number of UCs	Amount
2011-12	5	0.02
2012-13	5	0.04
2013-14	6	0.03
2014-15	7	0.04
2018-19	55	0.78
2019-20	13	4.83
2020-21	58	243.97
2021-22	62	332.15
2022-23	684	525.39
Total	895	1,107.25

Source: Information compiled by office of the AG (A&E)

*Year here relates to 'Due year' i.e. after 12 months of actual drawal

As per information provided by the office of the Accountant General (A & E), almost 97 per cent of the amount of outstanding UCs pertained to 'Other Rural Development Programmes' (425 UCs: ₹ 285.90 crore), Social Security and Welfare (236 UCs: ₹ 65.36 crore), Education, Art & Culture and Sports & Youth Affairs (37 UCs : ₹ 440.22 crore), Medical & Public Health (22 UCs: ₹ 110.42 crore), General Education, (22 UCs: ₹ 44.08 crore), Animal Husbandry (8 UCs: ₹ 102.39 crore), Urban Development (13 UCs: ₹ 48.27 crore) and Other Scientific Research (103 UCs: ₹ 2.10 crore). The Department-wise break up of outstanding 895 UCs as on 31 March 2023 is summarized in following Table 4.5.

Table 4.5: Department-wise position of outstanding UCs

(₹ in crore)		
Name of the Department/Head	No. of UCs	Amount
Capital outlay of Education, Art & Culture and Sports & Youth Affairs	37	440.22
Other Rural Development Programmes	425	289.52
Medical & Public Health	22	110.42
Animal Husbandry	8	102.39
Social Security and Welfare	236	65.37

3. Except grants released for general purpose i.e. pay & establishment and office expenses for the schemes under State Fund or Central Assistance (₹ 6,639.46 crore) UCs for which are not required as per Rule 285 (4) of GF&AR. Further, an amount of ₹2.64 crore was classified under Minor Head-191 (₹ 0.80 crore), Minor Head-192 (₹ 1.53 crore) and Minor Head-196 (₹ 0.31 crore) for which UCs are not required under the same rule.

Name of the Department/Head	No. of UCs	Amount
Urban Development	13	48.27
General Education	22	44.08
Other Scientific Research	103	2.11
Art & Culture	22	2.33
Technical Education	4	1.94
Devsthan	1	0.50
Sports & Youth Affairs	2	0.10
Total	895	1,107.25

Source: Information compiled by office of the AG (A&E)

Reasons for non-submission of UCs were called from the concerned Departments (June-July 2023). The replies are awaited (December 2023).

UCs outstanding beyond the specified period not only weakens the financial accountability mechanism, but also indicates failure of the departmental officers to comply with the rules and procedures to ensure timely utilization of grant for the intended purpose.

4.4.1 Absence of Information regarding Grantee Institution as 'Others'

Regulation 88 of the Regulations on Audit and Accounts (Amendment), 2020 provides that Governments and Heads of the Departments which sanction grants and/or loans to the bodies or authorities shall furnish to the audit office by 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.

As per Finance Accounts 2022-23 of GoR, GIA constituted 20.06 *per cent* of the total expenditure of the State. During the year, out of the total GIA of ₹ 49,443.69 crore, an amount of ₹ 16,553.25 crore (33.48 *per cent*) was disbursed to grantee institutions of type 'Others', where 'Others' means various Government Departments, as given in following Table 4.6.

Table 4.6: Financial Assistance to Institutions

		(₹ in crore)				
S. No.	Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Total grant	34,862.21	41,024.82	39,744.68	49,126.65	49,443.69
2.	Others	10,025.04	10,222.30	12,431.88	14,537.75	16,553.25
3.	Percentage of 'Others' to Total grant	28.76	24.92	31.28	29.59	33.48
4.	Total Expenditure of State	1,87,524	1,93,458	1,94,071	2,34,563	2,46,452
5.	Percentage of total grant to total expenditure of State	18.59	21.21	20.48	20.94	20.06

Source: Finance Accounts

It can be seen that Grants given to 'Others' ranged between 24.92 *per cent* to 33.48 *per cent* of the total GIA during the period 2018-19 to 2022-23. Thus, GIA to Institutions of the type 'Others' constitutes a significant portion of the total grants and total

expenditure of the State which adversely affects the transparency of accounts and monitoring of utilization of GIA.

4.5 Abstract Contingent bills

Irregularities in submission of Detailed Contingent Bills against Abstract Contingent Bills

Under rule 219 of GF&AR, the Controlling and Disbursing Officers are authorised to draw sum of money by preparing Abstract Contingent (AC) bills, by debiting service heads and are required to present Detailed Contingent (DC) bills (vouchers in support of final expenditure) to the Accountant General (A&E) through treasury. Rule 220(1) further provides for submission of DC bills not later than a period of three months⁴ from the drawal of funds through AC bills.

Audit observed that the State Government did not furnish DC bills in respect of 85 AC bills amounting to ₹ 21 crore, as of June 2023. Year-wise details of outstanding DC bills and their age analysis are given in the Table 4.7 and Table 4.8 below:

Table 4.7: Year-wise progress in submission of DC bills against AC bills

(₹ in crore)

Year	Opening balance		Addition		Clearance		Closing balance	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Upto 2020-21	202	55.49	407	34.63	492	58.75	117	31.37
2021-22	117	31.37	505	58.50	533	56.68	89	33.19
2022-23	89	33.19	526	78.28	530	90.47	85	21.00

Source: Finance accounts

Table 4.8: Age-wise position of pending DC bills

(₹ in crore)

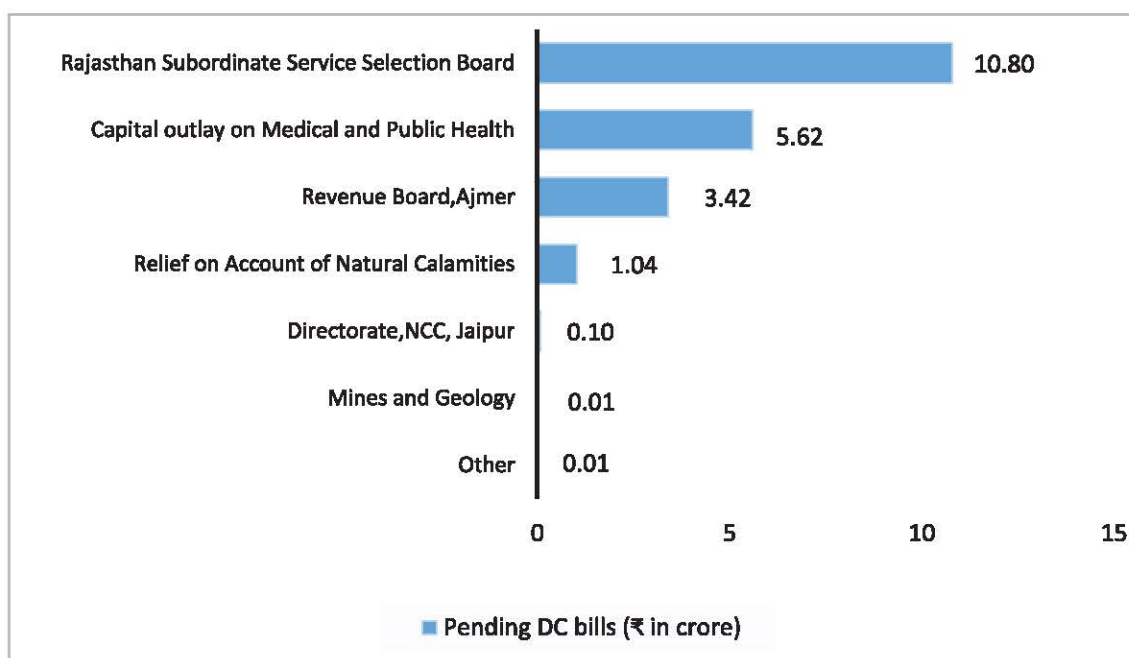
Period of pendency	No. of pending DC bills	Amount
More than 15 years	4	0.01
10 years to 15years	1	2.92
5 years to 10 years	2	1.06
1 year to 5 years	3	6.16
0 to 1 year	75	10.85
	85	21.00

Source: Finance Accounts and information compiled by office of the AG (A&E).

As is evident from the table, 5 bills amounting to ₹ 2.93 crore were pending more than 10 years and 5 bills amounting to ₹ 7.22 crore were pending from one to 10 years.

Major Head wise details of pending AC bills as well as amount outstanding for the period upto June 2023 are presented in the following **Chart 4.1** and detailed in **Appendix 4.2**.

4. Except in case of purchase of machinery/equipment's and other articles from abroad by opening of letter of credit, where the DC bills may be rendered to the competent authority within six months of the drawal of funds through AC bills.

Chart 4.1: Department/Head wise position of pending DC Bills

AC bills remained unadjusted despite laps of substantial period indicated lack of monitoring on the part of Departments as well as treasuries.

4.6 Personal Deposit Accounts

A Personal Deposit (PD) Account is opened with the concerned treasury under the deposit head of the Public Account. Such accounts are maintained as a bank account in the treasury.

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

1. Status of PD Accounts in Rajasthan

Status of funds lying in P.D. Accounts on the last day of the financial year during the period 2018-23 is given in Table 4.9 below.

Table 4.9: Parking of funds in Personal Deposit Accounts during 2018-23

(₹ in crore)

Year	No. of PD Accounts at the end of the year			Closing Balance
	Operative	Inoperative	Total	
2018-19	1,863	36	1,899	13,325.59
2019-20	1,845	55	1,900	16,289.07
2020-21	1,895	33	1,928	14,382.95
2021-22	2,001	52	2,053	18,220.62
2022-23	2,067	133	2,200	14,114.11

Source: Information provided by Office of the Accountant General (A & E), Rajasthan.

It can be seen from the table that the closing balances under P.D. Accounts increased from ₹ 13,325.59 crore in 1,899 PD Accounts in 2018-19 to ₹14,114.11 crore in 2,200 PD Accounts 2022-23.

Age-wise details of PD accounts and their balances are given in the Table 4.10 below:

Table 4.10: Age-wise details of PD accounts as on 31 March 2023

(₹ in crore)		
Age bracket	Number of P.D. accounts	Amount as on 31 March 2023
0-1 Year	193	633.13
1-3 Year	245	778.32
3-5 Year	236	389.98
5-10 Year	317	2,610.90
More than 10 Year	1,023	7,660.71
Details not available	186	2,041.07
Total	2,200	14,114.11

Source: Information provided by Office of the Accountant General (A&E), Rajasthan.

The status of the PD Accounts of the State Government during 2022-23 is given in the following Table 4.11:

Table 4.11: Status of Personal Deposit Accounts during 2022-23

(₹ in crore)		
S. No.	Balances of PD Accounts (2022-23)	
1.	Opening Balances (1 April 2022)	18,220.62
2.	Addition during the year	41,173.89
	(i) Funds transferred through Consolidated fund	24,068.29
	(ii) Funds deposited directly in PD accounts	17,105.59
3.	Withdrawal during the year	45,280.40
4.	Closing Balances as on 31 March 2023	14,114.11
Transactions in PD accounts during March 2023		
5.	Amount transferred/deposited in PD accounts during the month	5,963.07
	(i) Funds transferred through Consolidated Fund	4,128.81
	(ii) Funds deposited directly in PD accounts	1,834.26
6.	Withdrawal during the month	5,327.78
7.	Total expenditure of the State during the year	2,46,452

Source: Information provided by Office of the Accountant General (A & E), Rajasthan.

It can be seen from the table that during the year 2022-23, an amount of ₹ 41,173.89 crore was transferred/credited to PD Accounts under the Major Head 8443-Civil Deposit-106-Personal Deposits which comprised 16.71 per cent of total expenditure (₹ 2,46,452 crore) of the state.

- i. Out of ₹ 24,068.29 crore a sum of ₹ 4,128.81 crore (17.15 per cent) was transferred in the PD Accounts in March 2023. As per State Budget Manual (SBM), the practice of withdrawing funds with a view to avoid lapse of budget grants and placing such moneys in deposits in the Public Account or the bank is forbidden. Therefore, transfer of significant amount to PD Accounts during the month of March is in contravention of SBM provision.
- ii. The unspent balances of ₹ 14,114.11 crore in 2,200 PD Accounts include 25 PD Accounts (each having balances of ₹100 crore and above), in which a sum of ₹ 7,825.32 crore i.e. 55.44 per cent of total unspent balance (₹ 14,114.11 crore) is lying as given in *Appendix 4.3*.

- iii. Examination of PD Accounts held by various Drawing & Disbursing Officers (DDOs) of the State Government revealed that 111 accounts had “nil” balances during the year 2022-23, details of which are given in *Appendix 4.4*.

Adverse Balances in PD accounts

During scrutiny of the balances of PD accounts, it was noticed that three PD accounts had negative balances. Details are given in the **Table 4.12** below:

Table 4.12: Adverse Balances in PD accounts

S. No.	P.D. Account Number and Name	Treasury Name	Amount (In ₹)
1.	1290-Ch. Baba Hardwari Nath Memorial Trust, 2ML, Ganganagar	16-Ganganagar	(-) 23,244
2.	1863-Baba Muvasi Naath Memorial Trust, Ganganagar	16-Ganganagar	(-) 6,720
3.	6708-District Project Management Unit (RGAVP), Rajsamand	33-Rajsamand	(-) 33,935

Source: Information provided by Office of the Accountant General (A & E), Rajasthan.

Negative balances in PD Accounts indicate payment in excess of the available balances in the fund which reflects lack of adequate reconciliation at the level of treasuries.

In compliance to the recommendations made by PAC in 2021-22 on 42nd Report (15th Assembly) regarding negative balances in PD account, the Department had intimated (August 2020) that all the PD Accounts will be linked with the electronic payment system and then it would not be possible to withdraw funds in excess of the balances in PD Accounts. However, it is not clear as to how the negative balances still exist in the above-mentioned PD accounts despite the existence of such a system.

Inoperative PD Accounts

Rule 98 of Rajasthan Treasury Rules 2012 provides that in the month of April every year the Treasury Officer would review the PD Accounts in operation and prepare a list of accounts which have remained inoperative continuously for preceding two financial years for sending it to the Finance (Ways & Means) Department. PAC in their 42nd Report (15th Assembly) recommended to adhere to the provisions of Rajasthan Treasury Rules, 2012 regarding inoperative PD accounts and ensure timely closure of inoperative accounts in future.

Review of PD Account of various departments revealed that as of 31 March 2023, total 133 PD Accounts having balance of ₹14.33 crore remained inoperative for the last two years, out of which 40 inoperative PD accounts had *nil* balance and two inoperative PD accounts had minus balances. Details of these 133 inoperative PD Accounts are mentioned in *Appendix 4.5*.

Non-closure of PD Accounts despite remaining inoperative for two years was contrary to the provisions of Rajasthan Treasuries Rules, 2012 and indicates lack of monitoring at the level of treasuries and non-adherence with the PAC recommendations in this regard. The State Government needs to take corrective action for closure of such inoperative accounts.

2. Certain instances were noticed where PD accounts were opened to park the collected money before transferring it to the designated receiver. However, the amount collected was lying in the PD accounts, pending transfer as detailed below:

(i) PD account for Life Insurance Corporation of India (LIC)

A separate PD account⁵ was opened in every treasury for transfer of LIC premium deducted from the salaries of State Government employees for onward transfer to LIC of India. The premium deducted during a month is transferred to LIC in the next month by concerned district treasuries. During scrutiny of monthly treasury-wise record of these PD accounts for the period 2018-2023, it was noticed that all the 40 treasuries had balances of premium deducted from the employees, pending transfer to LIC of India totalling ₹ 70.87 crore as on 31st March 2023. This amount includes ₹ 65.76 crore as premium deducted from the salary during March 2023 which is to be transferred to LIC of India in the next month. However, the remaining amount of ₹ 5.07 crore pertains to previous period which is pending transfer to LIC. This amount includes balances of more than ₹ 50 lakhs lying in three treasuries⁶ for more than three years.

Failure to transfer the premium regularly to LIC of India by treasuries indicates lack of monitoring at the level of the concerned DDOs.

Treasuries intimated (September 2023) reasons such as non-reconciliation of balances and non-traceability of records regarding deduction for lack of timely transfer of the LIC premium.

The State Government may ensure timely transfer of premium amount from the PD account to the LIC of India.

(ii) PD account for House building loan to Government servant

As per Finance Department (Rules Division) Letter⁷, in order to streamline the procedure for making house building loan available to Government servants, the Government had negotiated a new scheme with banks viz. State Bank of Bikaner and Jaipur (SBBJ) & Housing Development and Finance Corporation (HDFC) bank w.e.f. 01.04.2004 for grant of house building loan.

Further, the Finance Department prescribed (14 May 2004) the procedure of repayment of principal and interest on the outstanding balances of loans taken by employees up to 31.03.2004. The treasury officer shall transfer the amount deducted as principal and interest in a separate PD Account⁸ and after reconciliation of monthly accounts shall send a consolidated cheque of the amount to the manager SBBJ to be credited in the escrow account⁹ titled "Repayment of Housing Loan" opened for this purpose.

5. No. 471 under Budget head 8443-106

6. Barmer (₹ 1.49 crore); Nagaur (₹ 1.20 crore) and Jhalawar (₹ 0.79 crore)

7. No. 5(3) FD (Rules) 2004 dated 29 March 2004

8. No. 473

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

During test check of Government account, it was noticed that ₹ 46.59 crore was lying (March 2023) in the PD account in respect to deduction of principal and interest of HBA advance taken upto 31.03.2004 which was required to be transferred to the escrow account. The Department intimated (May 2023) that all treasury officers have been directed for reconciliation of HBA loans with Bank escrow account.

The State Government further decided that 01.04.2004 onwards, new House building loan will be given to State employees from SBBJ and HDFC Bank only. The loan shall be repaid in Equated Monthly Instalments (EMIs) which shall be deducted at source from employee's salary by the Head of office and deposited to PD Accounts¹⁰ for further remittance to HDFC and SBBJ by the Treasuries.

During examination of these PD Accounts, it was noticed that balances of ₹ 1.87 crore and ₹ 1.83 crore in respect of deduction of principal and interest of HBA advance were lying (March 2023) in the PD Accounts pertaining to SBBJ and HDFC respectively which were required to be transferred to the respective bank accounts by treasury officers. It was also noticed that balances in respect of HBA deductions against SBBJ loan in 15 treasury PD Accounts were lying un-transferred for more than five years.

As per point No. 13 of the procedure for new loans, in case of delays in the amount being remitted to the banks, the individual employee will have to pay additional interest for the delayed period. Therefore, delay in transferring the deductions may lead to financial burden on the concerned employees.

The State Government may prescribe a time limit for the transfer of HBA deducted from salary of State Government employees from the PD account to the banks and fix responsibility in cases of delay.

3. Deposit of Local Funds

Section 64 of the Rajasthan Panchayati Raj Act, 1994 provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively¹¹ which would include all money realized or realizable under the Act and all money otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of a panchayat. Similarly, Section 79 of Rajasthan Municipal Act, 2009 envisages that the Municipal Fund is to be held by the Municipality. All money realized or realizable under this act and all money otherwise received by the Municipality are to be kept in the Municipal Fund¹².

The position of local funds of PRIs and Municipal fund as on 31st March 2023 for the last five years is given in the following **Table 4.13**.

10. PD account no. 474 for SBBJ and PD account no. 475 for HDFC Bank.

11. Under Major Head 8448-Deposits of Local Funds, 109-Panchayat Bodies Funds

12. Under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds

Table 4.13: Deposit of Local Funds

(₹ in crore)						
S. No.	Name of Funds	Year	Opening Balance	Receipt	Expenditure	Closing Balance
1	Zila Parishad Fund (8448-109-03)	2018-19	1,872.01	1,781.83	2,144.98	1,508.86
		2019-20	1,508.86	1,198.28	1,407.07	1,300.07
		2020-21	1,300.07	1,318.54	1,128.13	1,490.48
		2021-22	1,490.48	2,327.99	1,951.25	1,867.22
		2022-23	1,867.22	1,883.18	1,986.55	1,763.85
2	Panchayat Samiti Fund (8448-109-02)	2018-19	1,449.78	1,776.44	1,762.27	1,463.95
		2019-20	1,463.95	3,205.03	3,496.43	1,172.55
		2020-21	1,172.55	1,797.45	1,545.79	1,424.21
		2021-22	1,424.21	2,640.36	2,210.78	1,853.79
		2022-23	1,853.79	2,452.99	2,160.82	2,145.95
3	Municipal Fund (8448-102)	2018-19	1,652.01	2,527.25	2,775.08	1,404.17
		2019-20	1,404.17	2,874.08	2,835.52	1,442.73
		2020-21	1,442.73	4,591.66	3,614.48	2,419.91
		2021-22	2,419.91	4,662.10	4,492.33	2,589.68
		2022-23	2,589.68	5,712.06	6,315.85	1,985.89

Source: Finance Accounts and information provided by Office of the AG (A&E).

It can be seen that during 2018-23, huge balances have been lying in ZP fund, PS funds and Municipal Fund pending utilization. The closing balance in these funds during 2022-23 was ₹1,763.85 crore, ₹2,145.95 crore and ₹1,985.89 crore respectively. Further, proper status of un-utilised funds lying in the accounts of GPs could not be ascertained due to keeping funds in bank account.

Further, to reduce huge balances in PD Accounts and Banks, the Rural Development and Panchayati Raj Department had issued directions (July 2020 and September 2021) to deposit the unutilised amount of closed schemes to the concerned revenue heads and close the inoperative accounts. However, even after these directions, there has been no significant impact on the balances of the accounts as shown in the table above.

The State Government needs to put in place a mechanism for timely utilization of PRI and Municipal Funds, deposit the unutilized balances of closed schemes to revenue head and also monitor the balances kept in the bank accounts of the GPs.

4.7 Operation of Minor Head-800

Para A.10 of State Budget Manual stipulates that sufficient care should be taken to ensure that expenditure is classified under proper object heads and classification under the category of 'Other expenditure' should be avoided as far as possible.

During 2022-23, ₹ 10,515.26 crore under 58 Major Heads of accounts, constituting 4.27 per cent of the total Revenue and Capital expenditure (₹ 2,46,277.58 crore) was classified under Minor Head-800-Other expenditure in the accounts whereas in 2021-22, ₹ 12,532.44 crore had been booked under Minor Head 800-Other expenditure. Similarly, ₹ 12,013.42 crore under 44 Major Heads of accounts, constituting 6.16 per cent of the total Revenue Receipts (₹ 1,94,987.93 crore) was classified under Minor

Head 800-Other Receipts in the accounts while in 2021-22, booking under Minor Head 800-Other Receipts was ₹ 18,829.85 crore.

The State Government has operated this minor head extensively during the period 2018-2023. Instances where substantial portion (50 per cent or more) of expenditure and receipts were classified under Minor Head 800 are indicated in *Appendix 4.6*.

The extent of operation of Minor Head 800-Other expenditure and 800- Other receipts, as a percentage of total expenditure and receipts of the respective heads during 2018-23 is given in **Charts 4.2** and **Chart 4.3** respectively.

Chart 4.2: Operation of Minor Head 800-Other expenditure during 2018-23

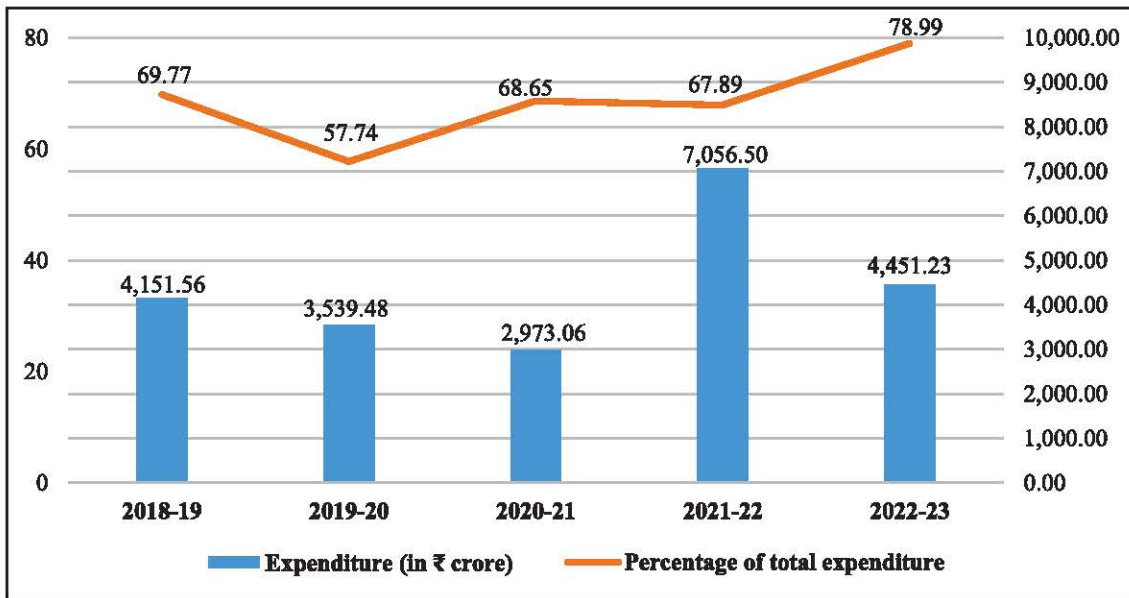
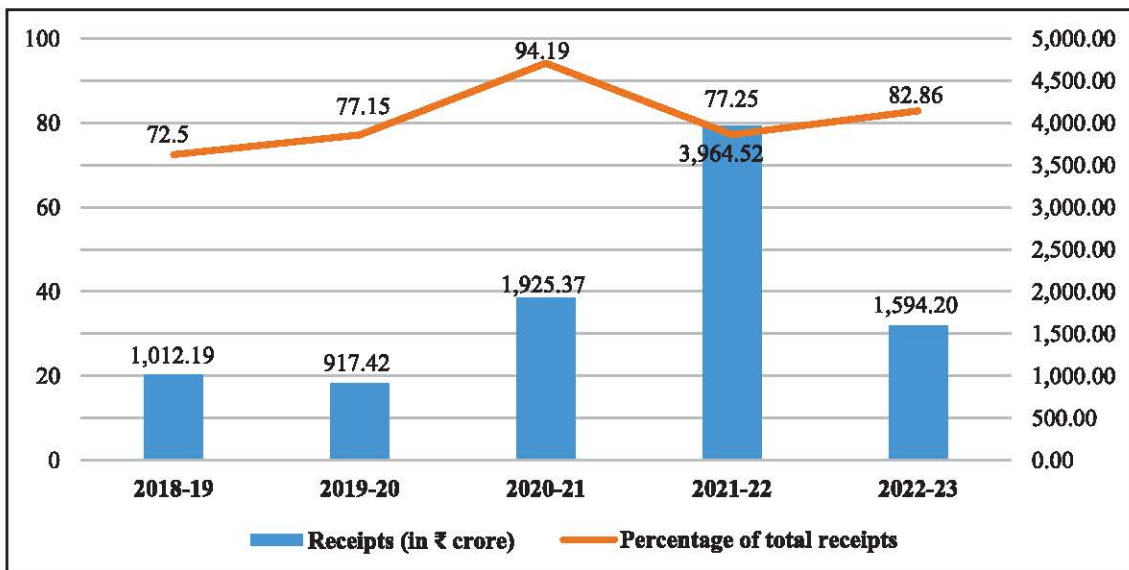


Chart 4.3: Operation of Minor Head 800-Other receipts during 2018-23



It can be seen that there was an increase in percentage terms in case of both 800-Other expenditure as well as 800-Other receipts.

Booking of substantial amounts under omnibus Minor Head-800 negatively impacts the transparency in financial reporting.

Indiscriminate use of Minor Head-800

Omnibus Minor Head-800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under the concerned Major Head in the List of Major and Minor Heads (LMMH) of Account of the Union and States. Booking under Minor Head 800 even when appropriate minor head is available under the same Major Head adversely impacts the transparency of accounts. Such instances of booking under Minor head 800 even on availability of suitable Minor head are given in **Appendix 4.7**. Some major instances are detailed below:

- i) In six instances related to maintenance and repairs/ road works/ construction, the State government made provision of ₹ 766.12 crore under the head 800-Other expenditure whereas appropriate Minor heads viz: 105-maintenance and 337-Roads works were available under the concerned Major Heads 3054 and 5054.
- ii) In five instances, the State Government booked ₹ 62.00 crore on account of construction works of residential school and hostel buildings under the head 800-Other Expenditure whereas appropriate Minor head viz: 277-Education was available under the same Major Head 4225.
- iii) In three instances, ₹73.92 crore were booked for construction works under various schemes under the head 800-Other expenditure whereas appropriate Minor head viz: 051-Construction was available under the same Major Head 4217.
- iv) In three instances related to construction work of Health centres, the State government made provision of ₹ 64.88 crore under the head 800-Other expenditure whereas appropriate Minor heads viz: 101, 103 and 104 for Health centres were available under Major Head 4210.

Routine operation of Minor Head-800 needs to be discouraged, as it renders the accounts opaque.

In this regard, Finance Department issued (August 2022) directions to all DDOs/CCOs for not making of provision under Minor Head 800-Other expenditure without necessity and booking of expenditure under “800-Other expenditure” only when appropriate head is not available in LMMH.

4.8 Outstanding balances under major Suspense and DDR heads

The transactions relating to ‘Suspense’ and ‘Remittance’ heads are intended to record all adjusting heads. Certain intermediary/adjusting Heads of Accounts known as ‘Suspense Heads’ are opened in Government Accounts to reflect transactions of receipt and payments which cannot be booked under a final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/Pay and Accounts Officers, non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These Heads of Accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final Heads of Account. If these amounts are not cleared, the balances under suspense heads get

accumulated and prevent depiction of correct picture of the Government's receipts and expenditure.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit entries within the same or in another circle of accounting.

The status of the balances under suspense and remittance heads for the last three years is given in the Table 4.14 below.

Table 4.14: Balances under Suspense and Remittance Heads

		(₹ in crore)					
S. No.	Minor Head	2020-21		2021-22		2022-23	
	Major Head 8658 - Suspense						
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1.	101 - PAO suspense	143.76	8.04	103.83	9.79	103.92	9.23
	Net	Dr. 135.72		Dr. 94.04		Dr. 94.69	
2.	102 - Suspense Account-Civil	6.69	111.49	0.41	100.24	0.37	85.19
	Net	Cr 104.80		Cr 99.83		Cr 84.82	
3.	106 - Telecommunication Accounts Office Suspense	*	-	*	-	*	-
	Net	Dr.-*		Dr.-*		Dr.-*	
4.	112 -Tax Deducted at Source (TDS) Suspense	-	136.75	-	26.62	-	(-) 1.62
	Net	Cr. 136.75		Cr. 26.62		Cr. (-) 1.62	
5.	123 - A.I.S Officers' Group Insurance Scheme	-	0.17	-	0.19	-	0.21
	Net	Cr. 0.17		Cr. 0.19		Cr. 0.21	
6.	129 - Material Purchase Settlement Suspense Account	-	(-) 3.50	-	(-) 3.50	-	(-) 3.50
	Net	Cr. (-) 3.50		Cr. (-) 3.50		Cr. (-) 3.50	
7.	139 - GST-Tax Deducted at Source Suspense	-	52.70	-	54.18	-	57.17
	Net	Cr. 52.70		Cr. 54.18		Cr. 57.17	
	Net Total	(Cr.) 155.20		(Cr.) 83.28		(Cr.) 42.39	
	Major Head 8782-Cash Remittances						
8.	102 - P.W. Remittances	26.47	28.78	26.46	28.82	25.40	26.76
	Net	Cr. 2.31		Cr. 2.36		Cr. 1.36	
9.	103 - Forest Remittances	0.05	0.13	0.04	0.01	0.10	*-*
	Net	Cr. 0.08		Dr. 0.03		Dr. 0.10	
10.	108 - Other Departmental Remittances	0.03	-	0.03	-	0.03	-
	Net	Dr. 0.03		Dr. 0.03		Dr. 0.03	
11.	129 - Transfer within Indira Gandhi Nahar Project	77.41	76.67	0.74	-	0.74	-
	Net	Dr. 0.74		Dr. 0.74		Dr. 0.74	
	Net Total	(Cr.) 1.62		(Cr.) 1.56		(Cr.) 0.49	

* ₹1,000 only ** ₹14,000 only

The position of figures under major suspense and remittance heads for the last three years shows that the aggregate net balance under the Major Head '8658-Suspense Accounts' in the Finance Accounts registered credit balance decrease by ₹112.81 crore from 2020-21 to 2022-23.

Adverse balances under DDR Heads

Adverse balances are negative balances appearing under those heads of account where there should not be negative balances.

As of 31 March 2023, there were 25 cases¹³ of adverse balances under Debt, Deposit and Remittances (DDR) heads under 12 Major Heads amounting to ₹ 4,232.08 crore. The adverse balances were mainly under Pension Funds of employees of Municipal Councils/Municipalities (₹3,293.32 crore). Adverse balances under these DDR heads need to be reconciled and adjusted on priority.

4.9 Reconciliation of departmental figures

Reconciliation and verification of figures is an important tool of Financial Management which prevents misclassification and incorrect booking of receipts and expenditure in the accounts. As per Rule 11 (3) of GF&AR, all Budget Controlling Officers are required to reconcile the receipt and expenditure figures of the State Government with the figures accounted by the Accountant General (A&E), Rajasthan.

During 2022-23, 100 *per cent* reconciliation of (i) total expenditure of ₹ 3,72,189.96 crore and (ii) total receipts of ₹ 3,55,989.15 crore by Controlling Officers was accomplished. In fact, throughout the last five years, the State Government has been able to accomplish 100 *per cent* reconciliation of expenditure and receipts.

4.10 Reconciliation of cash balances

The balance against 'Deposit with Reserve Bank' represents the balance according to Government Account, which includes inter government monetary settlements advised to the Reserve Bank of India upto 15 April 2023. There was a net difference of ₹ 53.06 crore (Dr.) between the figures as reflected in the accounts [₹ 61.90 crore (Cr.)] and that intimated by the Reserve Bank of India [₹ 8.84 crore (Dr.)]. Amount of ₹ 53.22 crore (Dr.) has been reconciled and cleared. A net difference of ₹0.16 crore (Cr.) is still outstanding and under reconciliation (June 2023).

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. 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

13. Loan for Food Storage and Warehousing (One case: only ₹0.03 crore); Loans for education, art and Culture (One case: only ₹32); Loans for Road Transport (One case: only ₹201); Loans for General Economic Services (One case: only ₹31,570); Loans to Government Servants etc. (10 cases: ₹2.90 crore); State Provident Funds (One case: ₹0.01 crore); Insurance and Pension Funds (One case: ₹3,293.32 crore); General and other Reserve Funds (two case: ₹848.03 crore); Deposits for Local Funds (Two cases: ₹0.34 crore); Civil Deposit (one case: ₹60.67 crore) and Cash Remittance and adjustments between officers rendering accounts to the same officers (four cases: ₹26.78 crore).

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 following Table 4.15 provides the position of compliance with these three Accounting Standards.

Table 4.15: Compliance with Accounting Standards

S. No.	Accounting Standards	Essence of IGAS	Compliance by Government	State	Impact of deficiency
1.	IGAS-1: <i>Guarantees given by the Government-Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees (class or sector-wise) given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the beginning and end of the year, grantor commission and other material details.	Complied.		-
2.	IGAS-2: <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use. Grant in aid given in kind is required to be disclosed.	Partly complied as detailed information in respect of Grant-in-aid given in kind and total value of Grant-in-aid in kind has not been furnished by the State Government. Further, non-compliance of classification of Grant-in-aid as revenue expenditure has been discussed para 3.4.7		Lack of disclosure of Grant-in-aid given in kind as required by the Accounting Standard.
3.	IGAS-3: <i>Loans and Advances made by Government</i>	It is related to recognition, measurement and valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices and to ensure adequate disclosure on Loans and Advances are made by the Government.	Partly complied. Information regarding write-off of irrecoverable loans and advances, entity-wise details of interest credited on loans and advance given by the State Government, reasons for disbursements of fresh loans and advances during the year and details of overdue principal & interest where detailed accounts are maintained by the State were not provided by the State Government.		Disclosure requirements of Loans and Advances not met by the State Government.

4.12 Misappropriations, Losses, thefts, etc.

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

State Government reported 732 cases of misappropriation/embezzlement (291) and theft/loss (441) of the Government money across various departments amounting to

₹ 126.01 crore up to 31 March 2023 on which final action is pending till the end of June 2023. Details are given in the Table 4.16 below.

Table 4.16: Pending cases of misappropriation, losses, theft etc.

Name of Department	Cases of misappropriation / losses/ theft of Government material		Reasons for delay in final disposal of pending cases of misappropriation, losses, theft etc.					
			Awaiting Departmental and Criminal investigation		Departmental action initiated but not finalised (Awaiting order for Recovery/ Write Off)		Recovery of the amount pending due to pending Judicial Proceedings	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Works ¹⁴	245	9.66	63	4.57	165	3.38	17	1.71
Education ¹⁵	137	54.17	47	44.11	64	8.68	26	1.37
Revenue ¹⁶	59	12.98	38	4.30	9	7.55	12	1.13
Medical ¹⁷	59	7.95	34	5.60	6	0.97	19	1.38
LSG	9	3.87	1	0.03	8	3.84	0	0.00
RD & PRD	124	24.53	103	21.64	18	1.34	3	1.55
Miscellaneous ¹⁸	99	12.85	25	1.46	47	9.29	27	2.10
Total	732	126.01	311	81.71	317	35.06	104	9.24

The Department-wise break up of pending cases is given in *Appendix 4.8*. The age-profile of pending cases and the number of cases pending in each category of theft/loss and misappropriation are summarized in the Table 4.17 below:

Table 4.17: Profile of Misappropriations, losses, defalcations etc.

Age-profile of pending cases			Nature of the pending cases		
Range (in years)	Number of cases	Amount involved	Nature of the cases	Number of cases	Amount involved
0-5	109	63.70	Theft/Loss	76	6.93
			Embezzlement	33	56.77
5-10	169	26.16	Theft/Loss	119	9.12
			Embezzlement	50	17.04
Above 10	354	36.15	Theft/Loss	246	4.86
			Embezzlement	208	31.29
			Total pending cases	732	126.01

Analysis of the pending embezzlement cases reveals that the cases were related mainly to forgery in cash book, bungling in stocks kept in stores, payment/drawl by forged bills/ cheques, government money not deposited in the bank etc. Theft/loss cases were related to theft of cash, stores/stock, vehicles and parts of vehicles, machinery and

14. **Works Departments:** PWD, Irrigation, GWD, IGNP, Forest and PHED.

15. **Education Departments:** Primary, Secondary, Literacy & Continuing Education (Adult Edu.), College, Sanskrit Education, RSERT Udaipur, Polytechnic College, DIET, Samgra Shiksha Abhiyan, Teachers Training Institute and ITI.

16. **Revenue Departments:** Land, Transport, Mines, Stamps & Registration, Commercial Tax, State Excise and Colonization.

17. **Medical Departments:** Medical & Health, Janani Surksha Yojana (Parivar Kalyan), Medical College, Family Welfare, Ayurveda, IEC, NHRM and RMCL.

18. **Miscellaneous:** Justice, Police, Devsthan, Rajasthan Khadi and Village Industries Board, Industry, Food and Civil Supply, Laboure, Printing and Stationery, RPSC, Sainik Welfare Board, Social Welfare, DTA, RCDF, Vishram Bhawan, SIPF, Minority, Akal Rahat (Relief), Women & Child Welfare, Archeology, Museum, Secretariat, Prosecution, Horticulture, Watershed Development & Soil Conservation, State Lottery (DTA (Small Savings)), Environment, Sanitation Water & Community Health Project, RSSCL, Information & Public Relation, TAD and Animal Husbandry (Vatnary), Industry, Pension and Agriculture.

equipment, etc. Out of 732 cases, 317 (285+32) cases amounting to ₹ 35.06 crore were pending because of pending orders for recovery/ write-off and rest of the cases were pending for the want of departmental action and judicial proceeding.

4.13 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

The audit of accounts of 44 autonomous bodies/authorities¹⁹ in the state has been entrusted to the CAG under Section 19 (2) and 20 (1) of the CAG's (DPC) Act, 1971. As of June 2023, accounts of all the 44 autonomous bodies/authorities have been received up to 2021-22 except accounts of CAMPA for the years 2018-19 to 2021-22 and Building and Other Construction Workers Welfare Board (BOCW) for the years 2018-19 to 2021-22. Adverse opinions were given in case of two bodies as detailed in Table 4.18 below:

Table 4.18: Cases of adverse opinion

Body /Authority	Type of opinion given	Reason
Rajasthan Khadi and Village Industries Board, Rajasthan (Accounts of 2021-22)	Disclaimer	Balances shown in financial statements were not reconciled/confirmed at the time of approval of financial statements; different balances of Capital/Corpus fund were shown in Balance Sheet and Consolidated Balance Sheet of Board and Commercial Centres. Reconciliation of these balances were not provided to audit, thus, correctness of figures could not be ensured. Significant differences between bank statements and balances of PD accounts shown in balance sheet were noticed. Further, bank balances of saving account of the Board were also not reconciled. Instances of non-carry forward of closing balances of previous year as opening balance of current year were noticed in case of Reserve & Surplus, Earmark/Endowment Fund and Fixed Assets. Further, closing balance of consolidated Receipt and Payment account was not taken as opening balance while preparing the consolidated receipt and payment account. In the schedule to Consolidated Balance Sheet, totals of assets and liabilities side were not matched. The RKIVB has prepared the Receipt and Payment Account on the basis of hybrid system. Revenue and expenditure is accounted for on cash basis and non-cash items i.e. creating of depreciation reserve and provision for damaged goods, doubtful debts etc. are accounted on accrual basis. Further, bank balances of the Divisional

19. Rajasthan Khadi and Village Industries Board; Rajasthan State Human Rights Commission; Rajasthan Building and other Construction Workers Welfare Board (BOCW), Jaipur; Rajasthan Electricity Regulatory Commission; Rajasthan Real Estate Regulatory Authority (RERA); State Compensatory Afforestation Management and Planning Authority (CAMPA); Rajasthan State Legal Services Authority (02) and District Legal Services Authorities (36).

Body /Authority	Type of opinion given	Reason
		Offices were not exhibited in the Consolidated Accounts.
Rajasthan Khadi and Village Industries Board, Rajasthan (Accounts of 2020-21)	Not true and fair view	The Gross value of audit comments given in the preceding paragraph is ₹ 16.70 crore and net impact of comments is that Assets were overstated by ₹ 9.84 crore and Liabilities were overstated by ₹ 10.04 crore. Excess of Income over Expenditure is understated by ₹ 0.20 crore which resulted in conversion of surplus of ₹ 0.16 crore shown in the accounts into deficit of ₹ 0.04 crore.
Building and Other Construction Workers Welfare Board (Account of 2017-18)	Not true and fair view	Net impact is that Assets are understated by ₹456.55 crore, Liabilities are understated by ₹ 381.63 crore and Surplus is understated by ₹ 74.92 crore.

4.14 Follow up action on State Finances Audit Reports

SFAR for the year 2021-22 was presented in State Legislature on 19 July 2023. PAC has so far discussed and made recommendations on the SFAR up to the year 2018-19 (September 2023). During the period April 2022 to March 2023, PAC discussed 4 paras of Report for the year 2018-19. Currently, 17 paras related to the Report for the year 2019-20 and 2020-21 are pending for discussion/Report writing. These paras pertain to major policy Pronouncements in Budget and their actual funding for ensuring implementation, review of selected grants, deposit of local funds, submission of accounts/separate audit reports, Misappropriation, Losses, Theft etc., collection of cess/surcharge, delay in furnishing Utilisation Certificates, delay in furnishing Utilisation Certificates, Personal Deposit Accounts etc.

A review of the outstanding ATNs on paras revealed that two ATNs on paras pertaining to SFAR 2020-21 are pending from three departments²⁰ as on 30 September 2023.

4.15 Implementation of Recommendations of Sixth Finance Commission

Article 243-1 of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the 73rd Constitutional Amendment Act and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review financial position of local bodies and to make recommendations to the Governor for devolution of funds.

The Interim Report for the years 2020-21 and 2021-22 was presented by 6th SFC to the State Government in June 2021, and was accepted by the Government in September 2021. The final report of the 6th SFC is awaited. As per the Interim Report, the 6th SFC recommended for devolution of 6.75 *per cent*²¹ of net proceeds of the Own tax revenue of the State to the PRIs and ULBs and the distribution of the amount between them in

20. Art, Literature, Culture and Archaeology Department, Education Department and Labour & Employment Department.

21. As per 6th SFC, this works out to ₹ 3,888.77 crore and ₹ 5,919.98 crore for 2020-21 and 2021-22 respectively which may vary as per the actual receipts.

the ratio of 75.1:24.9 respectively. This was accepted by the State in the Action Taken Report submitted to the Rajasthan Legislative Assembly.

The actual net proceeds of the Own tax revenue of the State for the year 2022-23 are given below in Table 4.19:

Table 4.19: Details of actual net proceeds of the own tax of the State

(₹ in crore)		
Sl. No.	Particulars	2022-23
1.	Own Tax Revenue	87,346.38
2.	Deduct: Cost of Collection	2,517.50
3.	Net Own Tax Revenue	84,828.88

The position of State's own net tax revenue, amount of grants to be devolved and grants actually transferred to the Local Bodies as per 6th SFC recommendations during 2022-23 are given in the Table 4.20 below:

Table 4.20: Year wise position of amount of grants to be devolved and grants actually devolved to Local Bodies as per 6th SFC recommendations

(₹ in crore)						
S. No.	Particulars	Grants estimated to be transferred by 6 th SFC	Grants to be transferred as per 6 th SFC recommendation based on actual net proceeds	Grants actually transferred	Excess (+)/ Short (-) devolution of Grants in comparison to Budget Estimates	Excess (+)/ Short (-) devolution of Grants in comparison to actual net proceeds
(1)	(2)	2022-23 (Budget Estimate)	2022-23 (Actual)	2022-23	2022-23	2022-23
		(3)	(4)	(5)	(6 = 5-3)	(7 = 5-4)
1.	Share of PRIs (75.1% of Total Devolution of funds)	4,819.12	4,300.18	3,951.63	(-)867.49	(-)348.55
	(a) Zila Parishads (5% of Share of PRIs)	240.96	215.01	343.96	(+)103.00	(+)128.95
	(b) Panchayat Samitis (20% of Share of PRIs)	963.82	860.04	1,110.51	(+)146.69	(+)250.47
	(c) Gram Panchayats (75% of Share of PRIs)	3614.34	3,225.13	2,497.16	(-)1117.18	(-)727.97
2.	Share of ULBs (24.9% of Total Devolution of funds)	1,597.82	1,425.76	1,255.85	(-) 341.97	(-) 169.91
	(i) Municipal Corporation	454.89	405.91	337.26	(-)117.63	(-) 68.61
	(ii) Municipalities/ Municipal Councils	1,142.93	1,019.85	918.59	(-)224.34	(-) 101.26
3.	Total Devolution of funds @ 6.75% of Net Own Tax Revenue	6,416.94	5,725.94	5,207.48	(-)1,209.46	(-) 518.46

Source: State Government Budget Accounts

The above table reveals that during 2022-23, against the recommendations of 6th SFC, the devolution by the State Government to the Local Bodies fell short by ₹ 518.46 crore and ₹ 1,209.46 crore in comparison to actual net proceeds and Budget estimates respectively.

Further, as per information available regarding utilisation of 6th SFC funds transferred to PRIs in respect of 10 Districts during 2022-23 is given in the Table 4.21 below:

Table 4.21: Details of funds devolution to PRIs and expenditure during 2022-23

(₹ in crore)				
S. No.	Name of District	Funds transferred by the State Government during 2022-23	Expenditure during 2022-23	Short(-)/Excess (+)
1.	Jalore	155.72	127.87	(-) 27.85
2.	Chittorgarh	13.10	3.89	(-) 9.21
3.	Tonk	57.61	102.23	(+) 44.62
4.	Pratapgarh	56.43	80.50	(+) 24.07
5.	Baran	30.62	25.44	(-) 5.18
6.	Jaipur	10.87	2.72	(-) 8.15
7.	Sirohi	105.48	67.80	(-) 37.68
8.	Ajmer	67.29	32.52	(-) 34.77
9.	Banswara	127.22	46.36	(-) 80.86
10.	Churu	7.65	6.94	(-) 0.71
Total		631.99	496.27	(-) 135.72

It is evident from the table that these 10 PRIs spent ₹ 496.27 crore (78.52 per cent) out of ₹ 631.99 crore transferred by the State Government under 6th SFC recommendations during 2022-23. The ZPs attributed reason of short expenditure to reasons such as non-release of sanctions for works and excess expenditure to utilisation of previous year's balance grants. Information from the remaining ZPs was awaited (December 2023).

The State Government should take necessary steps for timely utilisation of SFC funds while also ensuring adequate devolution of funds.

4.16 Conclusion

Non-submission of 895 Utilisation Certificates amounting to ₹ 1,107.25 crore within the specified period weakened the financial accountability mechanism. GIA to Institutions of the type 'Others' constitutes a significant portion of the total grants and total expenditure of the State which adversely affects the transparency of accounts and monitoring of utilization of GIA.

AC bills remained unadjusted despite lapse of substantial period indicates lack of monitoring on the part of Departments as well as treasuries.

Non-closure of 133 PD Accounts despite remaining inoperative for two years was in contravention of the provisions of GF&AR and Rajasthan Treasuries Rules and indicates lack of monitoring at the level of treasuries. In addition, huge balances have been lying in ZP fund, PS funds and Municipal Fund pending utilization. Further, status of un-utilised funds lying in accounts of GPs could not be ascertained as their details were neither compiled at the level of PS or ZP nor provided to the Treasury Accounts.

The booking of large amounts under the Minor Head 800-Other Expenditure/Receipts even when suitable minor head is available under the same Major Head negatively affects the transparency of accounts.

4.17 Recommendations

- State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to timely submission of Utilisation Certificates.
- The State Government should ensure prompt closure of inoperative PD Accounts and timely utilisation of funds transferred to PD Accounts.
- The State Government needs to put in place a mechanism for timely utilization of PRI and Municipal Funds, and deposit the unutilized balances of closed schemes to the concerned revenue heads and also monitor the balances kept in the bank's accounts of the GPs.
- Finance Department should conduct a comprehensive review of all items presently appearing under Minor Head '800' and ensure that such receipts and expenditure are booked under the appropriate heads of account to the extent possible.
- 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.