



Chapter-3

Financial Reporting

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Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by a State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. This chapter provides an overview and status of the Delhi Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing utilisation certificates

Departmental officers are required to obtain certificates of utilization (UCs) of grants from the grantee, i.e., statutory bodies, non-governmental institutions etc. indicating that the grants had been utilised for the purpose for which these were sanctioned and where grants were conditional, the prescribed conditions had been fulfilled. According to the information furnished by the Principal Pay and Accounts Office, Government of NCT of Delhi, utilization certificates of ₹ 17289.41 crore were outstanding as on 31 March 2013. The age-wise delay in submission of UCs is summarized in **Table 3.1** below.

Table 3.1
Age-wise arrears in submission of utilization certificates

Sl. No.	Range of number of years	Grants released		Utilization Certificates outstanding	
		Number	Amount	Number	Amount
1.	0-2	480	10023.43	327	4374.41
2.	2-4	354	3305.20	337	3247.43
3.	4-6	1163	2127.34	1145	2118.35
4.	6-8	396	1507.14	396	1507.14
5.	8-10	208	761.17	208	761.17
6.	10 & above	2180	5380.92	2180	5380.92
	Total	4781	23105.20	4593	17389.41

From the above table, it would be seen that 4781 number of grants amounting to ₹ 23105.20 crore were given till 31 March 2012. Out of 4781 grants, 4593 UCs amounting to ₹ 17389.41 crore were awaited from various departments/ organizations/ bodies at the end of March 2013. Out of 4593 outstanding UCs, 2180 UCs (47.46 *per cent*) amounting to ₹ 5380.92 crore were due for more than 10 years.

The major departments are the Department of Urban Development (₹ 15603.53 crore), Directorate of Health services (₹ 718.59 crore), Department of Power (₹ 517.75 crore) and Directorate of Industries (₹ 144.30 crore).

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total

expenditure of these institutions. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports are indicated in **Appendix 3.1**. Out of eight¹ autonomous bodies under the audit jurisdiction of this office, the annual accounts of only five² autonomous bodies/authorities upto the year 2011-12 were received and audited during the year 2012-13.

The annual accounts of remaining three autonomous bodies/authorities due up to 2011-12 had not been received as of March 2013 in the office of the Principal Accountant General (Audit), Delhi. The details of these outstanding accounts are given in **Table 3.2**:

Table 3.2
The details of outstanding accounts as on 31 March 2013

Sl. No	Name of the Body/authority	Year for which accounts had not been received	No. of Accounts pending	Grants received (₹ in crore)
1	Delhi Jal Board (DJB)	2008-09 to 2011-12	4	1050.08
2	Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd.	2004-05 to 2011-12	8	-
3	Netaji Subhash Institute of Technology (NSIT)	2009-10 to 2011-12	3	131.98

It can be seen from the above table that 15 annual accounts upto the year 2011-12 of three autonomous bodies/ authorities were pending. In case of Delhi SC/ ST/ OBC/ Minority and Handicapped Financial and Development Corporation Ltd., eight annual accounts since 2004-05 were pending. Netaji Subhash Institute of Technology had not submitted their three annual accounts since 2009-10 and Delhi Jal Board had not submitted their four accounts since 2008-09 onwards.

3.3 Misappropriations, losses, defalcations etc.

Twenty three cases of theft, misappropriation/ loss of material amounting to ₹ 23.05 lakh were intimated by Deptts. to Audit upto 31 March 2013. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.2** and nature of these cases is given in **Appendix 3.3**. The age-profile of the pending cases and the number of cases pending in each category - theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.3** below:

¹ (i) Delhi Building and Other Construction Workers Welfare Board (ii) Delhi Electricity Regulatory Authority, (iii) Delhi Jal Board (iv) Delhi Kalyan Samiti, (v) Delhi Legal Services Commission, (vi) Guru Gobind Singh Indraprastha University, (vii) Delhi SC/ST/OBC/Minority and Handicapped Financial and Development Corporation Ltd., and (viii) Netaji Subhash Institute of Technology,

² (i) Delhi Building and Other Construction Workers Welfare Board, (ii) Delhi Electricity Regulatory Authority, (iii) Delhi Kalyan Samiti, (iv) Delhi Legal Services Commission, and (v) Guru Gobind Singh Indraprastha University.

Table 3.3
Profile of misappropriations, losses, theft, defalcations, etc.

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	3	12.67	Theft	11	0.46
5-10	12	9.89			
10-15	6	0.06	Misappropriation/loss of material	12	22.59
15-20	2	0.43			
Total	23	23.05	Total pending cases	23	23.05

Of these 23 cases, eight cases pertain to Hospitals, seven cases to Education department and two cases each to NCC and Social Welfare Department.

3.4 Unadjusted abstract contingent bills

Rule 118 of Controller General of Accounts (R&P) Rules, 1983, states that a certificate should be attached to every abstract bill to the effect that the detailed contingent bills (DCC) have been submitted to the controlling officer in respect of abstract contingent (AC) bills drawn during the month previous to that in which the bill in question is presented for payment. On no account may an abstract contingent bill be cashed without this certificate.

During current year 2012-13 total amount of DCC bills received was ₹ 88.43 crore (20.23 *per cent*) as against AC bills of ₹ 437.06 crore. Scrutiny of records revealed that the total amount of DCC bills received was ₹ 286.61 crore (31.97 *per cent*) as against the amount of AC bills of ₹ 896.54 crore, leaving an outstanding balance of AC bills of ₹ 609.93 crore as on 31 March 2013. Year wise details are given in **Table 3.4** below:

Table 3.4
Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(₹ in crore)				
Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
Upto 2008-09	155.62	31.25	20.08	124.37
2009-10	49.34	29.90	60.60	19.44
2010-11	70.46	19.72	27.99	50.74
2011-12	184.06	117.31	63.73	66.75
2012-13	437.06	88.43	20.23	348.63
Total	896.54	286.61	31.97	609.93

The above table shows that AC bills were outstanding for period exceeding five years. The Pr. Accounts Office, GNCT of Delhi stated (November 2013)

that major amount under the outstanding AC bills pertain to the opening of Letter of Credit (LC) by various Departments of the Government for procurement of equipment, machineries etc. from the foreign suppliers and also for IT related hardware, software from the NICSI. They further stated (April 2014) that the Administrative Departments have been authorized by the Finance Department to open the LCs with the nationalised banks. The advances for opening of LCs on AC bills are drawn by the Department for procurement of equipment, machinery from foreign suppliers and the adjustment of the advances depends upon the submission of adjustment bills by the Departments. As such no firm commitment could be made in regard to the time period of adjustment of bills.

This contention of the Department that no firm commitment could be made in regard to the time period of adjustment of bills, is not acceptable in view of Rule position stated above.

Further, due to non-submission of DCC bills by different departments, it could not be ensured that funds had been utilized for the purpose for which these had been drawn and possibility of temporary misappropriation of funds could not be ruled out in the absence of detailed contingent bills.

3.5 Personal deposit accounts

Principal Accounts Office informed that no personal deposit account was being operated for the purpose of parking funds withdrawn from the consolidated fund of the State. However, 11 Personal Deposit Accounts were opened with the prior approval of Controller General of Accounts (CGA), Ministry of Finance, Government of India in the offices of Housing Commissioner, Land and Buildings; Delhi High Court and District & Sessions Courts.

Details of the outstanding balances as on 31st March 2013 in these personal deposit were awaited (February 2014).

3.6 Suspense balances

The Government of NCT of Delhi has no separate Public Account and such transactions are carried out under the "Public Account of the Union Government". All such transactions are ultimately cleared either by payment of recovery in cash or by book adjustment. These are recorded initially under the Suspense Heads which are required to be reviewed at short intervals so as to ensure that no item remains unadjusted longer than is reasonably necessary and its clearance is brought about in the ordinary course with due regard to the rules applicable in each case. There is, therefore, a need to clear these balances expeditiously and to classify them to appropriate heads of account.

Examination of such transactions in the Public Accounts (Central) prepared by the Government of NCT of Delhi showed that large balances amounting to

₹ 273.78 crore were outstanding under ‘Suspense Heads’ during the last four years as shown in **Table 3.5** :

Table 3.5
Amount under suspense heads

(₹ in crore)			
Year	Opening balance	Net addition (+)/settlement (-)	Closing balance
2009-10	631.52	-530.50	101.02
2010-11	101.02	+57.79	158.81
2011-12	158.81	+56.81	215.62
2012-13	215.62	+58.16	273.78

The head wise details of suspense heads as on 31 March 2013 are given below:

(₹ in crore)	
Pay and Accounts office Suspense Account	Dr. 76.16
Cash Settlement Suspense Account (CSSA)	Dr. 178.49
Provident Fund Suspense Account	Dr. 0.09
Public Sector Bank Suspense Account	Dr. 20.27
Material Purchase Suspense Account (MPSA)	Cr. 39.41
Suspense Account (Civil)	Cr. 0.10
Total	Dr. 273.78

The Principal Accounts Office stated (November 2013) that major portion of the outstanding amount under the Head “Cash Settlement Suspense Account” (CSSA) (65.19 *per cent*) pertains to PAO, Ministry of Road Transport and Highways (MORTH), Government of India and Delhi Police, under Ministry of Home Affairs and that the matter had been taken up with the Engineer-in-Chief, PWD, Government of NCT of Delhi for clearance of outstanding balances under Material Purchase Settlement Suspense Account (MPSA) and CSSA.

It was assured that more clearances are anticipated in the current financial year (2013-14) under CSSA from the Divisions and that all the PAOs had been instructed to take necessary action to get the re-imbursement of outward claim. It was further replied that due to introduction of Core Banking System from 2009, balances have accumulated in case of Public Sector Bank Suspense and the matter had been pursued by the Department with the SBI for liquidating the balances.

3.7 Conclusions

Out of eight autonomous bodies, annual accounts of three autonomous bodies due upto 2011-12 had not been received as of March 2013. Substantial delays in submission of utilization certificates by various grantee institutions occurred and as a result proper utilization of grants could not be ensured. Out

of 4593 outstanding UCs, 2180 UCs (47.46 *per cent*) amounting to ₹ 5380.92 crore were pending for more than 10 years. The State Government departments reported 23 cases of misappropriation, loss, theft, defalcation etc. involving public money of ₹ 23.05 lakh upto March 2013. Final action in these cases was pending.

3.8 Recommendations

The Government may consider:

- adopting a system to expedite the submission of annual accounts by the autonomous bodies;
- strengthening the internal control mechanism of the Government Departments to watch the timely submission of UCs and releasing further grants only after receipt of UCs of earlier grants; and
- preparing a time bound framework for taking action in cases of misappropriation, theft, loss, etc.

New Delhi

The 30 June 2014



(DOLLY CHAKRABARTY)

Principal Accountant General (Audit), Delhi

Countersigned

New Delhi

The 1 July 2014



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India