

CHAPTER III

FINANCIAL REPORTING

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives.

3.1 Utilization certificates

3.1.1 Delay in submission of utilization certificates

Rule 8.14 of the Punjab Financial Rules Volume I stipulates that every order sanctioning a grant should specify its object clearly and time limit within which the grant is to be spent. The departmental officer drawing the grant-in-aid should be primarily responsible for certifying to the Accountant General (AG) where necessary, the fulfillment of the conditions attached to the grant and furnish the certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Principal Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

It was observed that out of 393 Utilization Certificates (UCs) due in respect of grants amounting to ₹ 830.09 crore paid during 2006-07 to 2012-13, 165 UCs (41.98 per cent) amounting to ₹386.18 crore¹, were not furnished to the Pr. AG (A&E) as on 31 March 2013. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1*. The age-wise position of pendency in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise pendency of utilization certificates

(₹ in crore)

Range of delay in number of years	Total grants paid upto 31 March 2013		Utilization certificates pending as on 31 March 2013	
	Number of sanctions	Amount	Number of UCs	Amount
0-1	367	652.10	145	256.07
1-3	17	132.19	11	108.19
3-5	8	20.80	8	20.80
5-7	1	25.00	1	1.12
Total	393	830.09	165	386.18

Source: Office of the Pr AG (A&E), Punjab

¹ Interim UCs in respect of ₹ 25.68 crore (partial expenditure) have been received from Rural Development and Panchayats Department, Science, Technology and Environment Department and Information and Public Relation Department. However, final UCs of the full grant were outstanding as on 31 March 2013.

Out of the 165 outstanding UCs, 19 UCs involving ₹ 128.99 crore (33.40 per cent) were pending for the period ranging between one and five years and one UC involving ₹ 1.12 crore pertaining to the Rural Development and Panchayats Department was outstanding since 2006-07. In the absence of UCs, it could not be ascertained whether the grants had been spent for the purposes for which they were given. On this being pointed out by audit the Finance Department stated (September 2013) that all the departments were being directed to sent pending UCs to AG office in time on monthly basis.

3.2 Delay in submission of Accounts/Audit Reports of autonomous bodies

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/Head of the Department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which assistance was given, and the total expenditure of the institutions. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the State Legislature is indicated in *Appendix 3.2*. The age-wise delays in submission of accounts by the autonomous bodies to Audit and placement of the SARs in the Legislature are given in **Table 3.2**.

Table 3.2: Detail of pending accounts/delays in submission of accounts and tabling of SARs in the Legislature as on 31 March 2013

Sr. No.	Name of the Autonomous Body	Accounts received with delay	Extent of delay in submission of accounts (in months)	Number of pending accounts	Pendency of submission of the SARs to the Legislature
1.	Punjab Legal Services Authority	-	-	1 (2011-12)	SARs for the years 2006-07 to 2010-11 were pending.
2.	Punjab Khadi and Village Industry Board	-	-	3 (2009-10) to (2011-12)	-
3.	Punjab State Human Rights Commission	2011-12	7	--	SARs for the years 2009 -10 to 2010-11 were pending
4.	Punjab Labour Welfare Board	-	-	10 (2002-03 to 2011-12)	SARs for the years 2000-01 and 2001-02 were pending.
5.	Pushpa Gujral Science City	-	-	1 (2011-12)	SAR is not required to be placed in the State Legislature as per Rule 14 Memorandum of Association of Society

Source: Information on the basis of departmental record

The Accounts of four² autonomous bodies for the year 2011-12 were awaited as of 31 March 2013. The Punjab Labour Welfare Board has not rendered its accounts since the financial year 2002-03 despite repeated comments in the Report on State Finances of the Comptroller and Auditor General of India (CAG). There was delay of seven months in submission of accounts by Punjab State Human Rights Commission. As many as nine SARs in respect of three³ autonomous bodies issued between May 2008 and February 2012 were pending to be placed before the Legislature. On this being pointed out by audit the Finance Department stated (September 2013) that necessary instructions were being issued to the concerned bodies.

3.3 Departmental Commercial Undertakings

The departmental undertakings performing activities of commercial/quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working. In the absence of timely finalisation of accounts, the results of the investment of the Government remain outside the purview of State Legislature and scrutiny by the Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General for Audit within a specified time frame. As of 31 March 2013, the Punjab Roadways (Transport Department) had not prepared its accounts since 2002-03. Despite repeated comments in the earlier Reports on State Finances of the CAG about the arrears in preparation of accounts, there is no improvement so far in preparation of the proforma accounts by this undertaking. On this being pointed out by audit, Finance Department stated (September 2013) that necessary instructions were being issued to the concerned Government undertakings.

3.4 Misappropriations, losses, thefts etc.

Rules 2.33 to 2.35 of the Punjab Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/Accountant General.

Out of 135 cases of misappropriation, theft, loss of material, etc. involving an amount of ₹ 2.26 crore pending up to 31 March 2013, seven cases (₹ 4.12 lakh) have been settled during the year 2012-13 leaving 128 cases (₹ 2.22 crore) pending as on 31 March 2013. Out of these 128 cases (₹ 2.22 crore) two cases (₹ 4.51 lakh) were outstanding for the last 25 years. Department-wise detail of

² (i) Punjab Legal Services Authority, (ii) Punjab Khadi & Village Industry Board (iii) Punjab Labour Welfare Board and (iv) Pushpa Gujral Science City.

³ (i) Punjab Legal Services Authority, (ii) Punjab State Human Rights Commission and (iii) Punjab Labour Welfare Board.

outstanding cases upto 2012-13 is given in **Table 3.3** and age-wise profile is given in *Appendix 3.3*.

Table 3.3: Pending cases of misappropriation, loss, theft etc.

(₹ in lakh)

Name of Department	Cases of theft		Cases of Misappropriation/ Loss of Government material		Total	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Education	2	0.08	6	12.39	8	12.47
Elections	2	0.21	-	0	2	0.21
Home Affairs and Justice	1	6.00	112	39.07	113	45.07
Health and Family Welfare	1	0.42	-	0	1	0.42
Printing and Stationery	--	--	1	80.30	1	80.30
General Administration	--	--	1	10.00	1	10.00
Rural Development	--	--	2	73.76	2	73.76
Total	6	6.71	122	215.52	128	222.23

Source: Information as provided by the departments

Out of 128 cases, five cases involving amount of ₹ 68.23 lakh were sub-judice. The reasons for the delay in finalisation of pending cases of thefts, misappropriations, losses, etc. are given in **Table 3.4**.

Table 3.4: Reasons for the delay in finalisation of pending cases of misappropriation, loss, theft, etc.

(₹ in lakh)

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	8	12.29
Departmental action initiated but not finalised	9	101.94
Awaiting orders for recovery or write off	105	38.66
Pending in the courts of law	5	68.23
Criminal proceeding finalized but execution of certificated cases for the recovery of the amount pending	1	1.11
Total	128	222.23

Source: Information as provided by the departments

On this being pointed out by audit the Finance Department stated (September 2013) that necessary instructions were being issued to the concerned departments.

3.5 Unadjusted abstract contingent bills

Under Rule 262 of Punjab Treasury Rules (PTR), a Drawing and Disbursing Officer (DDO) may draw money from treasury for contingent expenses. Further, as per Rule 274 and Note 4 there under read with Rule 276 *ibid*, on

producing an Abstract Contingent (AC) bill during the month, the DDO will have to certify that the Detailed Contingent (DC) bills have been submitted to the Controlling Officer (CO) in respect of AC bills drawn more than a month before the date of that bill. On no account may an AC bill be cashed by treasury officer without this certificate. The CO may send the countersigned DC bill to Pr. AG (A&E) for adjustment of corresponding AC bills. However, out of total 1926 AC bills for ₹ 1,606.66 crore drawn during the period 2010-13 by different departments from various treasuries of the State, 1141 adjustment bills (DC bills) amounting to ₹ 949.82 crore were sent to Pr. AG (A&E), Punjab. As many as 785 AC bills amounting to ₹ 656.84 crore were awaiting adjustment as on 31 March 2013.

The departments may ensure timely submission of DC bills in accordance with the extant rules so that adequate control over squaring of AC bills exist. On this being pointed out by audit the Finance Department stated (September 2013) that matter had been taken up with the concerned departments.

3.6 Opaqueness in Government Accounts

Finance Accounts of the State Government for 2012-13 showed that expenditure of ₹ 6,731.77 crore (16.27 per cent of the total expenditure) under 67 Major Heads and receipts of ₹ 1,383.67 crore (4.32 per cent of the total Revenue Receipts) under 44 Major Heads were classified under Minor Head-"800- Other Expenditure" and "Other Receipts" respectively. An illustrative statement in respect of ten Major Heads (expenditure) and seven Major Heads (receipts) with substantial amounts of ₹ 5804.22 crore and ₹ 328.69 crore, respectively, classified under Minor Head-800 is given in **Table 3.5**. The major schemes are not depicted distinctly in the Finance Accounts, though the details of these expenditure are depicted in the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government's Accounts.

Table 3.5: Details of expenditure and receipts booked under Minor Head-800 – Other Expenditure/Receipts

(₹ in crore)

Sr. No.	Major Head of Account	Expenditure/ receipts booked under Minor Head-800- Other Expenditure/ Receipts	Total Expenditure/ receipts under Major Head	Percent age	
		EXPENDITURE			
1	2013	Council of Ministers	32.17	36.46	88.23
2	2801	Power	5059.39	5059.39	100.00
3	3053	Civil Aviation	15.83	18.13	87.31
4	3456	Civil Supplies	233.69	340.81	68.57
5	4217	Capital Outlay on Urban Development	122.72	165.97	73.94
6	4250	Capital Outlay on Other Social Services	9.86	9.95	99.10
7	4515	Capital Outlay on Other Rural Development Programme	92.13	122.07	75.47

Sr. No.	Major Head of Account		Expenditure/ receipts booked under Minor Head-800- Other Expenditure/ Receipts	Total Expenditure/ receipts under Major Head	Percent age
8	4055	Capital Outlay on Police	20.09	25.74	78.05
9	4701	Capital Outlay on Medium Irrigation	134.42	178.85	75.16
10	4705	Capital Outlay on Command Area Development	83.92	83.92	100.00
TOTAL			5804.22	6041.29	
RECEIPTS					
1	0029	Land Revenue	35.30	37.13	95.07
2	0217	Urban Development	100.12	106.15	94.32
3	0401	Crop Husbandry	12.53	19.90	62.96
4	0435	Other Agricultural Programme	38.60	38.63	99.92
5	0515	Other Rural Development Programme	48.43	48.50	99.86
6	0700	Major Irrigation	40.23	49.07	81.98
7	1456	Civil Supplies	53.48	53.48	100.00
TOTAL			328.69	352.86	

Classification of large amounts booked under the minor heads '800-Other receipts/expenditure' affects the transparency/fair picture in the financial reporting.

On this being pointed out by audit the Finance Department stated (September 2013) that matter had been taken up with all the departments to prepare Budget Estimates 2014-15.

3.7 Conclusions

There were delays in submission of utilization certificates, accounts by the autonomous bodies and submission of Separate Audit Reports to the Legislature. There were cases of misappropriation, loss and theft etc. As many as 785 AC bills amounting to ₹ 656.84 crore were awaiting adjustment as on 31 March 2013. Classification of large amounts booked under the minor heads '800-Other receipts/expenditure' does not give fair picture in the financial reporting.

3.8 Recommendations

The Government may consider:

- *timely submission of Utilization Certificates.*
- *timely submission of the accounts by the autonomous bodies.*

- *expediting enquiries in cases of misappropriation, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*
- *placing monitoring mechanism to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules.*
- *ensuring greater transparency in financial reporting, by avoiding usage of the minor head 800-other receipts or other expenditure.*

CHANDIGARH
The


(AJAIB SINGH)
Accountant General (Audit), Punjab

Countersigned

NEW DELHI
The


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India