

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing of Utilisation Certificates

3.1.1 The position of outstanding Utilisation Certificates (UCs) is given in **Table 3.1**.

Table 3.1: Outstanding utilisation certificates

Periods	Number of outstanding UCs	Amount (₹ in crore)
Upto 2010-11	2,52,424	51,811.32
2011-12	17,433	7,276.35
2012-13	23,967	7,537.57
Total	293,824	66,625.24

(Source: Finance Accounts of respective years)

It would be seen from **Table 3.1** that a large number of UCs involving substantial amounts were lying outstanding at the close of 2012-13 (since 2001-02).

3.1.2 In test check, relevant data/information about submission of UCs by the grantees were collected (October 2013) from 13 Departments. We noticed that UCs for an aggregate amount of ₹ 8,149.42 crore were in arrears. The department-wise break-up of the outstanding UCs is given in **Appendix 3.1** and the age-wise delay in their submission is summarised in **Table 3.2**.

Table 3.2: Age-wise Arrears of UCs

Sl. No.	Range of delay in number of years	Total grants paid		UCs outstanding	
		In number	Amount (₹ in crore)	In number	Amount (₹ in crore)
1	0-1	909	5,503.49	407	3,752.24
2	1-3	1,272	6,739.97	532	2,317.33
3	3-5	1,945	2,216.07	856	2,078.96
4	5-7	77	6.25	25	0.89
	Total	4,203	14,465.78	1,820	8,149.42

(Source: Records of concerned Departments)

We also noticed that the *Panchyati Raj* Department paid grants for an aggregate amount of ₹ 5,726.68 crore during 2007-12. However, UCs in respect of these were not received (as of October 2013).

Other major departments in default were Social Welfare (₹ 2,094.81 crore), Registrar, Co-operative Societies, Uttar Pradesh (₹ 183.29 crore), Dairy Development Department (₹ 89.92 crore) and Social Welfare Department (Scheduled Tribes Development) (₹ 25.90 crore).

3.1.3 The Minority Department (UP State Haj Committee) sanctioned (2006-07) ₹ 1.20 crore for the families whose members died in stampede at Meena in 2006. However, due to non-identification of legal heir of two deceased families an amount of ₹ 10 lakh was not distributed and retained in saving bank account for the preceding seven years (as of October 2013).

3.2 Detailed Contingency Bills

Drawing and Disbursing Officers¹ are authorised to draw sums of money by preparing Abstract Contingent (AC) Bills by debiting service heads. Detailed Contingent (DC) Bills are presented within one month to the Accountant General (A&E) along with supporting documents. Prolonged non-submission of corresponding DC Bills renders the expenditure under AC Bills opaque. As on 31 March 2013, 7,654 AC Bills amounting to ₹ 64.55 crore were outstanding for want of DC Bills. Year-wise details are given in the **Table 3.3**.

Table 3.3: Outstanding Abstract Contingent Bills

Period	AC Bills drawn but outstanding upto 2011-12 and those drawn during 2012-13		DC Bills Received during 2012-13		AC Bills outstanding as on 31 March 2013	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Upto 2010-11	10,097	118.12	2,908	73.42	7,189	44.70
2011-12	842	39.42	536	24.33	306	15.09
2012-13	485	28.07	326	23.31	159	4.76
Total	11,424	185.61	3,770	121.06	7,654	64.55

(Source: Finance Accounts of respective years)

Seventy two AC Bills amounting to ₹ 3.51 crore which were drawn in March 2013 includes seven AC Bills amounting to ₹ 1.66 crore drawn on 31 March 2013. Significant expenditure against AC Bills in March indicates inadequate budgetary control.

3.3 Departmental Commercial Undertakings

Departmental Commercial Undertakings finalise *proforma* accounts in prescribed format annually showing the working results of the financial

¹ Vide Government Order No. A-1-3 (1) Ten- 10820/ 2001 dated 24 January 2006.

operations and efficiency in business. The accounts should be submitted to the Accountant General for audit within three months from the month of closure of the accounts.

As of March 2013, there were ten such undertakings in the State. Four of these had not finalised their upto date *proforma* accounts. The department-wise position of arrears of accounts is given in **Appendix 3.2**. The State Pharmacy of Ayurvedic and Unani Medicine (Government investment of ₹ nine lakh) and Criminal Tribes Settlement Tailoring Factory (Government investment of ₹ four lakh), as per their latest accounts, had not finalised their accounts since 1988-89 and 1980-81 as of 2012-13 respectively. Similarly, *proforma* accounts of the Public Distribution System of Foodgrains and State Live Stock cum Agriculture Farm with an investment of ₹ 2,566.73 crore and ₹ 17.03 crore respectively were not finalised for 2010-13. As a result, the investments in Departmental Commercial Undertakings remained beyond the scrutiny of Audit/State Legislature. Non-preparation of accounts has also a risk of fraud and leakage of funds.

3.4 Reporting of pending cases

As per Paragraph 82 of the Financial Rules, cases of defalcation or losses should immediately be reported to the Office of the Principal Accountant General (G&SSA), Uttar Pradesh, Allahabad even though made good by the person responsible for it.

As of 2012-13, 143 such cases involving ₹ 893.84 lakh were pending for settlement. The Department-wise breakup of pending cases and their age-wise analysis is given in **Appendix 3.3**. The nature of these cases is also given in **Appendix 3.4**. The age-profile of the pending cases given in the appendices are summarised in **Table 3.4**.

Table 3.4: Profile of Pending cases

Age-profile of the pending cases			Nature of the pending cases		
Years ranging	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
0 - 5	23	360.76	Theft	65	42.90
5 - 10	23	59.37			
10 - 15	12	71.91	Misappropriation	10	64.89
15 - 20	38	14.33			
20 - 25	20	33.11	Losses	24	171.74
25 & above	27	354.36	Defalcation	44	614.31
Total	143	893.84	Total pending cases	143	893.84

(Source: Records of concerned departments)

We observed that out of 161 cases involving ₹ 895.87 lakh, 18 cases (**Appendix 3.5**) involving ₹ 2.03 lakh were settled/written off during 2012-13

and the remaining 143 cases involving ₹ 893.84 lakh were pending as of March 2013 for various reasons as listed in **Table 3.5**.

Table 3.5: Reasons for Pending cases

Reasons for the delay/ outstanding cases		Number of cases	Amount (₹ in lakh)
i	Awaiting departmental and criminal investigation	27	189.67
ii	Departmental action initiated but not finalised	77	550.40
iii	Criminal proceedings finalised but execution of cases for the recovery of the amount pending	2	4.58
iv	Awaiting orders for recovery or write off	12	7.99
v	Pending in the courts of law	25	141.20
Total		143	893.84

(Source: Records of concerned Departments)

3.5 Booking under Minor Head 800-‘Other Receipts’ and ‘Other Expenditure’

Minor Heads 800-Other Expenditure/Other Receipts are intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Heads 800 is to be discouraged, as it renders the accounts opaque. During 2012-13, ₹ 20,860.88 crore, under the various Revenue and Capital Major Heads of accounts on the expenditure side, constituting about 12.68 *per cent* of the total expenditure (Revenue and Capital), was booked under Minor Head 800-Other Expenditure below the concerned Major Heads. Similarly, ₹ 17,779.03 crore, under various Revenue Major Heads of accounts on the receipt side, constituting about 12.19 *per cent* of the total Revenue Receipts, was booked under Minor Head 800-Other Receipts under concerned Major Heads. Instances where substantial proportion (50 *per cent* or more) of the receipts/expenditure were classified under minor head ‘800 – Other Receipts/Other Expenditure’ are summarised in **Table 3.6**.

Table 3.6: Bookings under Minor Head 800- ‘Other Receipts’ and ‘Other Expenditure’

Particulars	Receipts		Expenditure	
	Amounts (₹ in crore)	Heads of accounts	Amounts (₹ in crore)	Heads of accounts
100 <i>per cent</i> and above	149.87	1456, 0801, 0023, 0217, 0852, 0810, 0215, 0415, 0875, 0047, 0575	677.18	4859, 4070, 2705, 2407, 2885, 2041, 4851, 4853, 5053
Between 75 <i>per cent</i> and 99 <i>per cent</i>	5,633.91	0851, 1055, 0029, 0071, 0235, 0406, 0220, 0075, 0230, 0059, 1452	6,546.96	2801, 2575, 4235, 2425, 4401
Between 50 <i>per cent</i> and 74 <i>per cent</i>	10,372.72	0211, 1054, 0700, 0425, 0403, 0056, 1601	2,775.79	4515, 2700, 2405, 2501, 4406, 4575
Total	16,156.50		9,999.93	

(Source: Finance Accounts 2012-13)

As a result, expenditure incurred under various programmes/ activities of the Government and classified under Minor Head '800- Other expenditure' could not be depicted distinctly in the Finance Accounts 2012-13.

3.6 Non-transfer of Amounts to the Central Road Fund

Government of India releases funds for Central Road Fund as grants-in-aid which is accounted for under the Major Head '1601-Grants-in-aid'. The amounts so released are required to be transferred to the Major Head '8449-Other Deposits-103-Subventions' from Central Road Fund after a provision in the budget is made by the State Government.

We observed that the Government of India transferred grants-in-aid of ₹ 184.76 crore to the Central Road Fund during 2012-13 for construction of roads. However, as no provision was made in the budget during 2012-13 by the Government, the amount could not be transferred to the Major Head '8449-Other Deposits-103-Subventions' from Central Road Fund. The entire amount remained in the Consolidated Fund of the State at the end of March 2013.

3.7 Variation in Cash Balances

The difference of ₹ 22 crore (net credit), as of 31 March 2013, between the Cash Balances of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India, is mainly due to non-reconciliation of figures by the Agency Banks. This difference in Cash Balances is under reconciliation.

3.8 Transfer of Funds to Personal Deposit Accounts

The State Government is authorized to open Personal Deposit (PD) Accounts for specific purposes. Designated Administrators are authorised to operate these accounts by transfer of funds, which is booked as expenditure against the Consolidated Fund (service major heads) of the State. These PD accounts are required to be closed on the last working day of the following financial year and the unspent balances are to be remitted back to the Government Accounts. The State Government has not followed this procedure. Details are given in **Table 3.7**.

Table 3.7: Status of Personal Deposit Accounts

Opening Balance		Addition during 2012-13		Clearance during 2012-13		Closing Balance	
No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)	No. of accounts	Amount involved (₹ in crore)
1572	1,333.86	Nil	1,124.20	70	146.75	1,502	2,311.31
Out of 1,502 PD accounts, 554 were operative and the remaining 948 inoperative.							

(Source: Finance Accounts 2012-13)

Forty three out of the 77 treasuries in the State Government intimated to the Accountant General (A&E) that 837 accounts maintained by them had been reconciled during 2012-13. The status of reconciliation of the remaining 34 treasuries is not known.

3.9 Reconciliation of Receipt and Expenditure

Chief Controlling Officers (CCOs)/ Controlling Officers (COs) are required to reconcile the Receipts and Expenditure of the Government with the figures accounted for by the Accountant General (A&E). During the year, 99.43 *per cent* of the total expenditure and 99.95 *per cent* of the total receipts were reconciled by the CCOs with the Accountant General.

3.10 Non-submission/delay in submission of details of grants/loans paid

The Regulation on Audit and Accounts, 2007 provides that the Government and heads of Departments sanctioning the assistance should furnish to the Audit Office, by the end of July every year, a statement of such institutions/organisations to which financial assistance aggregating ₹ 10 lakh or more were paid during the preceding year indicating the amount of assistance, the purpose for which the assistance was sanctioned and the total expenditure of the institutions/organisations so as to identify those which attract audit under Section 14 and 15 of C&AG's (Duties, Powers and Conditions of Services) Act, 1971. However, no such statement was sent to the Audit Office. The Finance Department assured (October 2013) that action will be taken to submit the statement.

3.11 Conclusion

Utilisation Certificates and the Detailed Contingent Bills against Abstract Contingency Bills were outstanding at the close of the financial year 2012-13. Substantial cases of theft and misappropriations, defalcation etc. involving an amount of ₹ 893.84 lakh, were pending either for recovery or write off. The receipts and expenditure were not classified under appropriate heads.

3.12 Recommendations

The Government should ensure that:

- A review of grants provided to the grantees needs to be done to identify the departments not pursuing the receipt of Utilisation Certificates.
- The departmental enquiries in all the cases of theft, misappropriations, losses, defalcations etc. should be conducted expeditiously.

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