

**CHAPTER-III**  
**FINANCIAL REPORTING**



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### FINANCIAL REPORTING

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 Utilisation Certificates

Financial Rules provide that utilisation certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlement), Himachal Pradesh within one year from the date of their sanction unless specified otherwise. However, of the 17,826 UCs due in respect of grants and loans aggregating ₹ 4,837.67 crore upto March 2017, 2,587 UCs (15 per cent) for an aggregate amount of ₹ 2,910.67 crore (60 per cent) were pending as of March 2017. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and age-wise delays in submission of UCs are summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of Utilisation Certificates as on 31 March 2017**

Sr. No.	Range of delay (in number of years)	Total grants paid		Utilisation certificates outstanding	
		Number of Cases	Amount (₹ in crore)	Number of Cases	Amount (₹ in crore)
1.	0 – 1	14,882	2,612.27	1,056	1,238.20
2.	2 – 3	2,307	1,742.70	1,001	1,259.79
3.	4	427	258.37	350	205.60
4.	5	210	224.33	180	207.08
	<b>Total</b>	<b>17,826</b>	<b>4,837.67</b>	<b>2,587</b>	<b>2,910.67</b>

*Source: Accountant General (Accounts and Entitlement)*

Pendency of UCs mainly pertained to the Rural Development (1,605 UCs: ₹ 2,196.14 crore), Social Justice and Empowerment (195 UCs: ₹ 24.57 crore), Medical and Public Health (124 UCs: ₹ 149.85 crore), Forests (201 UCs: ₹ 15.45 crore), Animal Husbandry (90 UCs: ₹ 73.56 crore), Industries (43 UCs: ₹ 6.54 crore), Urban Development (102 UCs: ₹ 369.86 crore) and Power (8 UCs: ₹ 33.48 crore). In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purpose for which these were given.

#### 3.2 Delay in submission of Accounts/Separate Audit Reports (SARs) of Autonomous Bodies and placement of SARs before the State Legislature

Several Autonomous Bodies have been set up by the State Government. The audit of accounts of five autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 3.2**.

Two boards namely HP Building and Construction Workers Welfare Board (for 2014-15 and 2015-16) and Himachal Pradesh Khadi and Village Industries Board,

Shimla (for 2013-14, 2014-15 and 2015-16) have not rendered their accounts. The delay in respect of all the bodies ranged between three months to three years eight months. The accounts for the year 2016-17 in respect of all the six bodies had not been furnished as of August 2017. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

### 3.3 Non-submission of details of grants/loans paid

To identify institutions/organisations 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 the departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulations on Audit and Accounts, 2007 provide that governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

No Departments/autonomous bodies (out of a total of 20 department/autonomous bodies) had furnished such details for the year 2016-17 upto August 2017. Due to non-furnishing of the above details to the office of the Principal Accountant General (Audit), Himachal Pradesh, the bodies/institutions could not be identified to bring them under audit purview, as a result of which the accuracy and propriety of expenditure out of such loans and grants given out of Consolidated Fund of the State could not be examined in audit.

### 3.4 Misappropriation/loss, theft, etc.

Mention was made in previous years Audit Reports regarding cases of misappropriation, losses, theft, etc. In spite of that no action has been taken on the cases by the State Government as of September 2017. The position remained the same during 2016-17.

State Government reported 45 cases of misappropriation/losses, theft, etc., involving government money amounting to ₹ 78.10 lakh upto June 2017 on which final action was still pending. Out of these, 40 cases were more than five years old. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.3** and nature of these cases is given in **Appendix 3.4**. 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 summarised in **Table 3.2**.

**Table 3.2: Profile of misappropriations/losses and theft**

Age-Profile of the Pending Cases				Nature of the Pending Cases		
Range years	in	Number of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0 – 5		05	5.79	Theft	09	11.06
5 – 10		05	7.20			
10 – 15		06	15.57			
15 – 20		13	42.12			
20 – 25		02	3.62	Misappropriation/loss of material	36	67.04
25 and above		14	3.80			
<b>Total</b>		<b>45</b>	<b>78.10</b>	<b>Total</b>	<b>45</b>	<b>78.10</b>

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.3**.

**Table 3.3: Reasons for outstanding cases of misappropriation/loss, theft, etc.**

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	25	27.40
(ii)	Awaiting orders for recovery or write off	01	2.57
(iii)	Pending in the courts of law	06	26.72
(iv)	Recovery made/written off but awaiting final disposal from PAC	12	20.99
(v)	Others	01	0.42
<b>Total</b>		<b>45</b>	<b>78.10</b>

### 3.5 Non-adjustment of temporary advances

The Himachal Pradesh Financial Rules 2009 provide that Head of the Office or any other authorized officer may sanction advances to a Government servant for purchase of goods or for hiring services or for any other special purpose subject to the condition that the adjustment bill, along with balance if any, shall be submitted by the concerned Government servant within fifteen days of the drawal of advance.

Test-check of records and information furnished by the various departments revealed that as on 31 March 2017, there were 76 cases of temporary advances relating to the period 2012-13 to 2016-17 aggregating ₹ 23.19 crore were pending for adjustment by seven departments in their records due to non-submission of adjustment vouchers in the same financial year. Age-wise analysis of advances pending is given in **Table 3.4**.

**Table 3.4: Age-wise analysis of cases of advances pending as of March 2017**

Sr. No.	Department	Pending year	No. of cases	Amount (₹ in lakh)
1.	Director, Ayurveda	2012-13	01	19.70
		2013-14	02	100.00
		2014-15	04	55.50
		2015-16	16	312.50
		2016-17	10	368.71
2.	Director, Atal Bihari Vajpayee Institute of Mountaineering and Allied Sports, Manali	2012-13	01	0.29
3.	Youth Services and Sports	2016-17	01	10.00
4.	Director, Health and Family Welfare	2012-13	01	35.00
		2014-15	13	1,398.33
5.	Director, Language, Art and Culture	2014-15	01	18.20
6.	Director General, Jail and Reforms Services	2012-13	01	0.10
		2015-16	02	0.25
7.	Director General and Commandant General, Home Guards and Civil Defence	2013-14	23	0.35
<b>Total</b>			<b>76</b>	<b>2,318.93</b>

Non-recovery/adjustment of advances indicated absence of effective internal controls in the concerned departments.

### 3.6 Comments on Accounts

#### 3.6.1 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the 'Suspense Head'. On the receipt of relevant details/information, these heads of accounts are finally cleared by minus debit or minus credit when the amounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately. Debt, Deposit and Remittances heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the Finance Accounts 2016-17 of the State has been adversely affected by large number of transactions under suspense heads awaiting final classification. A general review of the transactions showed the following:

#### Outstanding balances under major suspense accounts

The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Accountant General (Accounts and Entitlement), are indicated in Table 3.5.

Table 3.5: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2014-15		2015-16		2016-17	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-Pay and Accounts Office-Suspense	45.63	23.37	55.66	18.15	77.13	29.96
Net	22.26 Dr		37.51 Dr.		47.17 Dr.	
102-Suspense Account (Civil)	139.08	131.80	194.87	212.23	275.05	275.24
Net	7.28 Dr		17.36 Cr		0.19 Cr.	
110-Reserve Bank Suspense-Central Accounts Office	36.40	36.40	0.08	-	-	0.03
Net	-nil-		0.08 Dr		0.03 Cr.	
112-Tax Deducted at Source (TDS) Suspense	263.90	285.67	284.65	303.47	380.08	394.95
Net	21.77 Cr		18.82 Cr		14.87 Cr.	
129-Material Purchase Settlement Suspense Account	68.51	370.99	143.71	407.35	175.64	399.29
Net	302.48 Cr		263.64 Cr		223.65 Cr.	

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the following paragraph.

### 3.7 Conclusion

Substantial delays in submission of utilisation certificates occurred and as a result proper utilisation of grants could not be ensured. Further, Government's compliance towards disposal of 45 cases of theft of government money misappropriation/loss, etc.,

amount to ₹ 78.10 lakh was pending for long period. Adjustment against the temporary advances of ₹ 23.19 crore were still awaited as of September 2017.

### **3.8 Recommendation**

*The State Government may ensure timely submission of utilisation certificates in respect of the grants released to grantee institutions and timely preparation and submission of Annual Accounts by the Autonomous Bodies to facilitate auditing. An effective and time bound mechanism needs to be put in place to ensure speedy settlement of cases relating to theft, misappropriation and losses.*

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