

CHAPTER III

FINANCIAL REPORTING

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. It also ensures relevant, reliable and timely financial reporting and thereby assists 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 Delay in submission of utilization certificates

Rule 8.14 (a) (1) of the Punjab Financial Rules Volume-I provides that every order sanctioning a grant would specify its object clearly and time limit within which the grant is to be spent. The departmental officer drawing the grants-in-aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions attached to the grant and submission of certificate (Utilization Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

It was observed that 32 Utilization Certificates (UCs) amounting to ₹ 66.71 crore were not furnished to the Principal Accountant General (A&E) as on 31 March 2016. The age-wise and department wise position of pendency in submission of UCs is summarized in **Table 3.1 and Appendix 3.1** respectively.

Table 3.1: Age-wise pendency of utilization certificates

(₹ in crore)

Year in which UCs became due ¹	Number of UCs	Amount
Up to 2013-14	11	7.57
2014-15	8	2.36
2015-16	13	56.78
Total	32	66.71

Source: Finance Accounts Vol I.

Home Affairs and Justice (9), Welfare of Scheduled Castes and Backward Classes (7) and Sports and Youth Services (5) were major departments having outstanding UCs.

3.2 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies

It was noticed that, as on 31 March 2016, 15 accounts from 2005-06 to 2014-15 were pending in respect of four² out of five autonomous bodies Separate Audit Reports (SARs) which were required to be placed in Legislature were also

¹ Calculated on the basis of 18 months from the drawl of grant-in aid.

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

pending in respect of three³ autonomous bodies. The detail of delay in submission of accounts by the autonomous bodies to Audit and placement of the SARs in the Legislature as on March 2016 are given in **Appendix 3.2**.

The Punjab Labour Welfare Board had not rendered its accounts since the financial year 2005-06 despite repeated comments in the Report of the Comptroller and Auditor General of India (CAG) on State Finances about the arrear in preparation of accounts.

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 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 Principal Accountant General (Audit) within a specified time frame. However, the Punjab Roadways (Transport Department) had not prepared its accounts since 2004-05 (as of October 2016), despite repeated comments in the earlier Reports of the CAG on State Finances about the arrears in preparation of accounts.

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.

There were 168 cases of misappropriation, losses, theft, etc. pending as on 1 April 2015 involving an amount of ₹ 1.58 crore. During the year, 26 cases (₹ 9.16 crore) were added resulting in 194 cases (₹ 10.74 crore) pending as on 31 March 2016. Department-wise detail of outstanding cases as on 31 March 2016 is given in **Table 3.2** and age-wise profile is given in **Appendix 3.3**.

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

Table 3.2: 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	1	0.06	6	12.39	7	12.45
Elections	2	0.21	0	0	2	0.21
Home Affairs and Justice	1	6.00	153	45.88	154	51.88
Health and Family Welfare	2	0.87	1	18.60	3	19.47
Revenue and Rehabilitation	0	0	3	36.49	3	36.49
Rural Development	0	0	3	87.51	3	87.51
PWD	0	0	22	866.10	22	866.10
Total	6	7.14	188	1066.97	194	1074.11

Source: Information as provided by concerned departments

Out of 194 cases, four cases involving an amount of ₹0.68 crore were sub-judice. The reasons for the delay in finalization of these pending cases have been given in **Table 3.3**.

Table 3.3: Reasons for the delay in finalization of pending cases of misappropriation, loss, theft, etc.*(₹ in lakh)*

Reasons	Number of cases	Amount
Awaiting departmental and criminal investigation	33	911.19
Departmental action initiated but not finalised	4	36.98
Criminal proceedings finalized but execution of certified cases for recovery of amount pending	0	0
Awaiting orders for recovery or write off	153	57.92
Pending in the courts of law	4	68.02
Total	194	1074.11

Source: Information as provided by concerned departments

3.5 Abstract Contingent bills

Punjab Treasury Rules (PTR), *inter alia*, provides that Abstract Contingent (AC) bills can be drawn when the permanent advance begins to run short, or when a transfer of charge takes place, and it is necessary to draw money for contingent expenses. The expenditure is debited under the relevant service head and the DDO is required to submit the Detailed Contingent (DC) bill supported by vouchers/sub-vouchers to the Controlling Officer (CO) not later than one month from the date of drawal of AC bill. The advances remain unadjusted as long as the COs do not submit the DC Bills along with supporting vouchers to the Accountant General (A&E).

As on 31 March 2016, 976 AC bills pertaining to the period from 2002 to 2016 involving ₹ 2,044.97 crore remained unadjusted. Though PTR provides that Abstract Contingent bill can be drawn when the permanent advance begins to run short or when a transfer of charge takes place and it is necessary to draw money for contingent expenses yet it was noticed that AC bills had been drawn for capital expenditure also. Detail of AC bills remained unadjusted during last three years is given in **Table 3.4**:

Table 3.4: Detail of unadjusted AC bills during 2013-16

(₹ in crore)

	Year	Unadjusted AC bills		
		No. of Major Heads	No. of bills	Amount involved
Revenue	2013-14	4	23	82.26
	2014-15	6	135	108.91
	2015-16	11	301	391.12
	Total	21	459	582.29
Capital	2013-14	4	76	200.84
	2014-15	8	209	333.49
	2015-16	12	167	761.81
	Total	24	452	1296.14
G. total		45	911	1878.43

Source : Information compiled from the data supplied by the office of the Accountant General (A&E) Punjab.

In order to draw a representative sample, two revenue⁴ and two capital⁵ major heads (out of 21 and 24, respectively) with maximum amount of outstanding AC bills in the last three years were selected. Out of 21 treasuries, six treasuries (29 per cent), with maximum amount involved in the outstanding AC bills under the selected major heads, were selected for detailed examination. The audit findings are brought out in the succeeding paragraphs.

3.5.1 Trends of drawal of AC bills

PTR requires that at the time of drawal of funds through AC bills, the heads of contingent expenditure are required to be entered in manuscript in the bill along with full details of the expenditure. Therefore, it is essential to ensure utilisation of such funds for the specific purpose within the stipulated period, but not later than 31 March of the financial year.

Audit of records showed that under four test checked⁶ major heads of accounts, a total of 28,299 bills amounting to ₹ 3,668.67 crore were drawn during 2013-16. Of these, ₹ 1,317.62 crore (35.92 per cent) were drawn through AC bills (Table 3.5).

Table 3.5: AC bills drawn during 2013-16

(₹ in crore)

Year	Head of Account	Total bills passed for payment by Treasuries		AC bills included in total bills		Percentage of AC bills to total bills	
		No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2013-14	2235	8269	598.44	31	61.53	0.37	10.28
	2236	14	8.48	5	3.31	35.71	39.03
	4217	7	133.62	7	133.62	100.00	100.00
	5054	9	279.55	Nil	Nil	Nil	Nil
	Total	8299	1020.09	43	198.46	0.52	19.46
2014-15	2235	10863	257.37	44	9.50	0.41	3.69
	2236	57	98.76	38	47.67	66.67	48.27
	4217	22	228.39	22	228.39	100.00	100.00
	5054	25	900.47	Nil	Nil	Nil	Nil
	Total	10967	1484.99	104	285.56	0.95	19.23

⁴ 2235-Social Security and 2236-Nutrition.

⁵ 4217-Capital outlay on urban development and 5054-Capital outlay on Roads and Bridges.

⁶ (i) 2235-Social Security (ii) 2236-Nutrition (iii) 4217-Capital outlay on Urban Development (iv) 5054-Capital outlay on Roads and Bridges.

Year	Head of Account	Total bills passed for payment by Treasuries		AC bills included in total bills		Percentage of AC bills to total bills	
		No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2015-16	2235	8963	260.82	65	53.16	0.73	20.38
	2236	47	60.23	39	44.93	82.98	74.60
	4217	8	131.09	8	131.09	100.00	100.00
	5054	15	711.45	11	604.42	73.33	84.96
	Total	9033	1163.59	123	833.60	1.36	71.64
	G Total	28299	3668.67	270	1317.62	0.95	35.92

Source: Information compiled from the data supplied by the selected Treasury Officers.

Table 3.5 revealed that the percentage of funds drawn through AC bills under major heads 2235, 2236 and 5054 to total funds drawn ranged between 3.69 and 84.96. However, no AC bills were drawn during 2013-15 under major head 5054. Further, entire funds under major head 4217 were drawn through AC Bills for transfer to autonomous bodies.

3.5.2 Non-submission of DC bills

PTR prescribes that DDO is required to submit the DC bills supported by vouchers/sub-vouchers for AC bills drawn to the Controlling Officer (CO) not later than one month from the date of drawal of AC bill. The advances remain unadjusted as long as the Controlling Officers (COs) do not submit the Detailed Contingent (DC) Bills along with supporting vouchers to the Accountant General (A&E).

Audit of records showed that under the selected four major heads of accounts, 270 Abstract Contingent (AC) Bills were passed for payment of ₹ 1,317.62 crore during 2013-16. Against these AC Bills, corresponding 96 DC bills involving ₹ 702.55 crore were yet to be submitted by the DDOs (July 2016) as detailed in **Table 3.6**:

Table 3.6: Detail of pending DC bills

Year	AC bills passed by the District Treasury Officers		AC bills against which DC bills were yet to be submitted		Percentage of outstanding	
	No. of bills	Amount	No. of bills	Amount	Bills	Amount
2013-14	43	198.46	9	98.69	20.93	49.73
2014-15	104	285.56	37	202.25	35.58	70.83
2015-16	123	833.60	50	401.61	40.65	48.18
	270	1317.62	96	702.55	35.56	53.32

Source: Information compiled from the data supplied by the selected Treasury Officers.

Though, the Accountant General (A&E) Punjab was pursuing for submission of DC bills, the number of outstanding AC bills has been on an increasing trend, raising from 9 (20.93 per cent) in 2013-14 to 50 (40.65 per cent) in 2015-16. The amount of outstanding AC bills ranged between 48.18 and 70.83 per cent of the total AC bills drawn. Due to non-submission of DC bills, Audit is unable to provide assurance as to whether ₹ 702.55 crore (**Table 3.6**), drawn through AC bills, have been utilised for the purpose for which these were sanctioned.

The concerned DDOs assured to comply with the rules in future.

3.5.3 Passing of subsequent AC bills without clearance of previously drawn AC bills

PTR prescribes that every DDO dealing with countersigned contingencies shall attach a statement, showing detail of AC bills cashed in the previous month and submission of corresponding DC bills to COs, to the first contingent bill presented for payment at the treasury during a month. In the absence of this statement the Treasury Officer shall refuse payment. Further, a certificate shall be attached to every AC bill to the effect that the DC bills have been submitted to the 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 without this certificate.

The Treasury Officer shall, before cashing such a bill, verify the entries and see that every such bill cashed in the previous months is included in the statement and that against each entry, the date of submission of the DC bills is entered in red ink.

Audit of records showed that though a register to record AC bills passed by District Treasury Officers (DTOs) was being maintained but out of total AC bills passed by the treasury for payment, a large number of bills were not entered in the register. Against 270 AC bills passed for payment during 2013-16, only 185 bills were found to have been entered in the AC bill registers of DTOs at Chandigarh, Ferozepur, Gurdaspur, Ludhiana, and Mohali as detailed in **Table 3.7**. DTO Sangrur did not maintain such register. Moreover, the register had date-wise entries instead of DDO-wise.

Table 3.7: Details of AC bills not entered in AC bill Register

Year	AC bills passed	Amount	(<i>₹ in crore</i>)	
			AC bills entered in register	Amount
2013-14	43	198.46	27	48.03
2014-15	104	285.56	65	46.25
2015-16	123	833.60	93	684.76
Total	270	1317.62	185	779.04

Source: Information compiled from the data supplied by the selected Treasury Officers.

In the absence of complete and DDO-wise register, the prescribed check of verification of the entries in the certificate to see that the DDOs have included every such bill cashed in the previous months in the statement could not be exercised by the DTOs.

Further, examination of 270 AC bills amounting to ₹ 1,317.62 crore revealed that DTOs passed the subsequent AC bills without submission of statement of DC bills in respect of AC bills drawn during the previous month by DDOs.

The DTOs stated (July 2016) that they had noted it for future compliance.

3.5.4 Drawal of AC bills for capital expenditure

The Punjab Treasury Rules, inter alia, provide that contingent bills can be drawn when the permanent advance begins to run short, or when a transfer of charge takes place, and it is necessary to draw money for contingent expenses.

Audit of records showed that an amount of ₹ 1,317.62 crore (**Table 3.6**) was drawn through 270 AC bills during 2013-16. Of these, ₹ 1,097.52 crore

(83.29 per cent) were drawn under capital heads at Chandigarh and Mohali treasuries (Table 3.8).

Table 3.8: Detail of AC bills drawn under Capital major heads

(₹ in crore)

Year	Head of account	AC bills passed for capital expenditure		Total DC Bills awaited from Department		Percentage of outstanding AC Bills	
		No. of bills	Amount involved	No. of bills	Amount involved	Bills	Amount
2013-14	4217	7	133.62	4	95.38	57.14	71.38
	5054	0	0	0	0	0	0
	Total	7	133.62	4	95.38	57.14	71.38
2014-15	4217	22	228.39	18	190.36	81.82	83.35
	5054	0	0	0	0	0	0
	Total	22	228.39	18	190.36	81.82	83.35
2015-16	4217	8	131.09	8	131.09	100.00	100.00
	5054	11	604.42	3	222.87	27.27	36.87
	Total	19	735.51	11	353.96	57.89	48.12
	G.Total	48	1097.52	33	639.70	68.75	58.29

Source: Departmental Data

The provision of PTR allowing drawal of AC bills for meeting the contingent expenditure was being mis-utilized to draw funds for capital expenditure.

On being pointed out, DTOs, Chandigarh and Mohali intimated (July 2016) that the bills were passed on the basis of sanctions issued by the Government. The reply of DTOs was not admissible as neither the sanction had any mention of drawal of these funds through AC bills nor the PTR allows drawal of funds through AC bills for meeting capital expenditure.

3.5.5 Non-utilisation of funds drawn through AC bills

Punjab Financial Rule (PFR) provides that no money should be drawn from the treasury unless it is required for immediate disbursement.

Audit of outstanding AC bills revealed that the Deputy Controller (F&A) Local Government, Punjab, Chandigarh drew ₹ 493.09 crore through 37 AC bills during 2013-16 under the major head “4217-Capital Outlay on Urban Development”, but spent only ₹ 162.17 crore (33 per cent), thereby leaving an unspent balance of ₹ 330.92 crore (67 per cent). Similarly, the Chief Agriculture Officer, Mohali had drawn ₹ 414.30 crore through 6 AC bills during 2015-16 under the major head “5054-Capital outlay on Roads & Bridges” and transferred these funds to Punjab Mandi Board, Mohali (PMB) But PMB could spend only ₹ 191.43 crore (46 per cent), thereby leaving an unspent balance of ₹ 222.87 crore (54 per cent) beyond the prescribed period of one month as detailed in Table 3.9:

Table 3.9: Detail of unspent amount drawn against AC bills

(₹ in crore)

Sr. No.	DDO Name	Head of account	Year	No. of bills	Amount drawn	Amount spent	Amount remained unspent	Loss of interest
1	Deputy Controller (F&A) Local Government, Punjab, Chandigarh	4217	2013-14	7	133.62	104.61	29.01	6.08
			2014-15	22	228.38	57.56	170.82	24.31
			2015-16	8	131.09	0	131.09	5.87
	Total			37	493.09	162.17	330.92	36.26
2	Chief Agriculture Officer, Mohali	5054	2015-16	6	414.30	191.43	222.87	0.63
	Grand Total			43	907.39	353.60	553.79	36.89

Source: Departmental Data

Thus, both, the drawal of funds under capital major head through AC bills for its transfer to autonomous bodies and in advance of its requirement was in departure from the rules *ibid*. Keeping the funds outside the Consolidated Fund of the State beyond the prescribed period of one month also led the State to suffer a loss of interest of ₹ 36.89 crore⁷, which was avoidable.

PMB, retained the unspent amount in saving bank accounts and earned an interest of ₹ 0.95 crore during 2013-16, which was also not credited to Government account.

On being pointed out, the Deputy Controller (Finance & Accounts) Local Government, Punjab, Chandigarh assured (June 2016) that either the UCs for this amount would be obtained from the field offices or the unspent amount would be refunded to Government Account. PMB assured to submit the DC bills and also ensured to deposit the amount of interest earned in Government account.

3.6 Follow up action on Audit Report

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the Departments to initiate *suo moto* concrete action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The Departments were also required to furnish to PAC detailed notes, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

As regards the Audit Reports relating to the period 2009-14 which have been laid before the State Legislature, the PAC took up (August 2015) Audit Report on State Finances for the year 2013-14 for discussion and directed the Finance Department for submission of reply to all paragraphs within three weeks. However, no detailed note had been received in the Audit Office (October 2016).

3.7 Conclusions

Utilisation Certificates for ₹ 66.71 crore (32 UCs) were awaited. There was delay in submission of accounts by the autonomous bodies and submission of Separate Audit Reports to the Legislature. As on 31 March 2016, 194 cases of theft, loss and misappropriation involving an amount of ₹ 10.74 crore were pending for finalization. As many as 976 AC bills for ₹ 2,044.97 crore were awaiting adjustment as on 31 March 2016. As much as, 35.92 *per cent* of the total funds drawn during 2013-16 were through Abstract Contingent (AC) bills, of which, 83.29 *per cent* were for meeting Capital expenditure. System to ensure submission of Detail Contingent (DC) bills was not in place with District Treasury Officers; as a result DC bills for 53.32 *per cent* of funds were outstanding. As much as 61 *per cent* of the funds drawn under capital heads through AC bills remained unutilised.

⁷ Calculated on average Governments borrowing rates of 8.04, 8.35 and 8.09 per cent per annum for the functional years 2013-14, 2014-15 and 2015-16 respectively.

3.8 Recommendations

The Government may consider:

- (i) expediting inquiries in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases;
- (ii) carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the extant rule; and
- (iii) drawing Abstract Contingent Bills only for the admissible purposes.

3.9 Response of Government to the recommendations

The State Government stated (November 2016) that:

- (i) the concerned administrative departments had been asked to take necessary action for expediting inquiries in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases;
- (ii) action was being taken by the concerned administrative departments for submitting Detailed Contingent bills against Abstract Contingent bills; and
- (iii) drawing of Abstract Contingent bills only for admissible purposes would be ensured.



(JAGBANS SINGH)

Pr. Accountant General (Audit), Punjab

CHANDIGARH
The 25 January 2017

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

NEW DELHI
The 07 February 2017