



## **FINANCIAL REPORTING AND COMMENTS ON ACCOUNTS**



## Financial Reporting and Comments on Accounts

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 Personal Ledger/ Personal Deposit Accounts

Article 202 of the Constitution of India provides for legislative financial control over public expenditure through the annual financial statement/Budget. Under the List of Major and Minor Heads of Accounts of Union and States, Personal Deposits are of the nature of deposits not bearing interest opened under 8443-Civil Deposits-106-Personal Deposits. As per para 4 of Uttar Pradesh Personal Ledger Account Rules 1998, the State Government is authorised to open Personal Ledger Account (PLA)/Personal Deposit (PD) accounts for specific purposes in consultation with the Accountant General. Designated Administrators are authorised to operate these PLA/PD accounts by transfer of funds from the Consolidated Fund of the State. Besides PLAs may also be opened for Universities and other similar educational institutions, Municipal Corporations and Local Bodies under different deposits head.

#### *Operation of PLA/PD Accounts*

Audit noticed that PLA/PD Accounts were also being operated by the State Government under different heads of accounts other than the head, i.e., MH- 8443 - Civil Deposits-106 – Personal Deposits. Out of balance of ₹ 4,347.89 crore in 1,070 PLA/PD Accounts as on 31 March 2019, ₹ 2,455.52 crore pertained to 28 PLA/PD Accounts under Major Head-8342-Other Deposits-120-Miscellaneous Deposits and ₹ 995.24 crore pertained to 392 PLA/PD Accounts under MH 8448-Deposits of Local Funds-120-Other Funds.

The State Government stated (July 2020) that the PLA/PD Accounts being operated under other than Major Head '8443-106' were very old and the practice of opening new PLA/PD Accounts has been stopped since March 2018. However, the fact remains that some PLA/PD Accounts were being maintained under other than designated head of accounts '8443 - Civil Deposits-106 – Personal Deposits'.

#### *Reconciliation of PLA/PD Accounts*

Out of 77 treasuries operating the PLA/ PD accounts of the State, only 34 treasuries have reconciled the accounts maintained by them during the year

2018-19. The status of reconciliation of the remaining 43 treasuries has not been made available by the respective treasuries.

The State Government stated (July 2020) that necessary instructions had been issued to the treasuries for reconciliation of PLA/PD Accounts.

### ***Inoperative PLA/PD Accounts***

Under the Uttar Pradesh Personal Ledger Account Rules 1998, if there is no transaction in any PLA/PD accounts for three years, the treasury officer would make a written request to the competent authority for closure of such account, and if no reply was received within three months, the PLA/PD Account would be closed after transfer of the balance, if any, to the corresponding head of account on the advice of Accountant General. Non-compliance to this codal provision were reported in State Finances Audit Reports for the year ended 31 March 2017 and 31 March 2018.

Audit observed that, in contravention of the codal provisions, an amount of ₹ 22.77 crore was irregularly parked in 416 PLA/PD Accounts as on 31 March 2019, despite these PLA/PD Accounts remaining inoperative for more than three years.

The State Government stated (July 2020) that orders were issued in March 2018 to stop the practice of keeping money under Personal Ledger Account (PLA) after withdrawal from Consolidated Fund. Similarly, directions were issued in January 2018 to all Departments for closing all PLA Accounts remaining in-operative for more than three years. As a result, an amount of ₹ 493.46 crore was deposited in the Consolidated Fund between January 2018 and January 2020 and further efforts were being made for depositing the remaining amount lying in the inoperative PLAs.

Audit observed that the amounts lying under inoperative PLAs/PD Accounts reduced after issue of the State Government orders (January 2018 and March 2018). However, further efforts were required to identify and close all inoperative PLAs/PD Accounts, since not transferring the unspent balances lying in such PLAs/PD Accounts to the Consolidated Fund of the State before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

## **3.2 Non-submission of Utilisation Certificates**

The financial rules stipulate that where grants-in-aid are given for specific purposes, the concerned departmental offices should obtain Utilisation Certificates (UCs) from recipients, which, after verification, should be forwarded to the Accountant General (A&E), to ensure that the funds have been utilised for the intended purpose. In respect of grants-in-aid which are

expected to be utilised during the next 12 months from the date of sanction, the competent authority should furnish to the Accountant General the requisite UCs not later than 18 months from the date of sanction of the grant.

As on 31 March 2019, a total of 63,366 Utilisation Certificates (UCs) for non-recurring grants-in-aid involving ₹ 23,832.12 crore released during the financial years 2001-02 to 2017-18 (September 2017) were due but remained outstanding. Therefore, there is no assurance that the amount of ₹ 23,832.12 crore has actually been incurred for the purpose for which it was sanctioned/authorised by the Legislature. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud. The details are given in **Table 3.1**.

**Table 3.1: Outstanding Utilisation Certificates**

Period	Number of Utilisation Certificates awaited	Amount (₹ in crore)
Up to 2016-17	62,903	21,799.65
2017-18	463	2,032.47
2018-19	Nil#	Nil
<b>Total</b>	<b>63,366</b>	<b>23,832.12</b>

(Source: Finance Accounts 2018-19)

(# UCs for grants-in-aid released during 2018-19 would be outstanding after 18 months of respective dates of sanction)

Major cases of non-submission of UCs pertain to Social Welfare Department (Special Component Plan for Scheduled Castes), Urban Development Department, Education Department and Agriculture Department, as summarised in **Table 3.2**.

**Table 3.2: List of Departments, where UCs were outstanding**

Sl. No.	Name of the Department	Number of UCs awaited	Amount Outstanding (₹ in crore)	Percentage of amount of outstanding UCs
1	Social Welfare Department (Special Component Plan for Scheduled Castes)	9,627	5,963.09	25.02
2	Urban Development Department	4,886	5,811.87	24.39
3	Education Department (Basic Education)	6,609	4,197.80	17.61
4	Education Department (Secondary Education)	4,456	1,750.99	7.35
5	Agriculture and Other Allied Department (Panchayati Raj)	2,072	1,736.66	7.29
6	Agriculture and Other Allied Department (Rural Development)	3,910	1,099.94	4.62

(Source: Finance Accounts 2018-19)

The State Government stated (July 2020) that the concerned Departments were responsible for submission of UCs to the Accountant General and necessary

directions in this context were issued to all Departments from time to time. As a result, the number of pending UCs had reduced from 63,366 (as on 31 March 2019) to 45,685 (as on 31 March 2020) and action was being taken for submission for remaining UCs.

The fact remains that despite improvement in submission of UCs, a large number of UCs were still awaited.

**Recommendation:** The State Government should prescribe a timeframe within which administrative departments releasing grants collect UCs pending beyond the time stipulated in the sanction orders and all pendencies are reviewed before release of fresh grants to defaulting grantees.

### 3.3 Outstanding Detailed Contingent Bills

The financial rules require that advances drawn through Abstract Contingent (AC) bills are adjusted promptly through Detailed Contingent (DC) bills. It was, however, observed that 3,178 AC bills of ₹ 19.08 crore were lying unadjusted as on 31 March 2019, as per details given in **Table 3.3**. Prolonged non-submission of supporting DC bills renders the expenditure under AC bills opaque.

**Table 3.3: Outstanding Abstract Contingent Bills**

Year	Number of pending DC bills	Amount (₹ in crore)
Up to 2016-17	3,088	16.52
2017-18	27	0.30
2018-19	63	2.26
<b>Total</b>	<b>3,178</b>	<b>19.08</b>

(Source: Finance Accounts 2018-19)

Majority of the DC Bills were awaited from the Departments listed in **Table 3.4**.

**Table 3.4: List of Department where DC bills were pending**

Sl. No.	Name of the Department	Number of pending DC bills	Amount Outstanding (₹ in crore)	Percentage of amount of outstanding DCs bill
1	Secretariat Administration Department	128	7.05	36.95
2	Personnel Department (Training and Other Expenditure)	04	1.98	10.38
3	Education Department (Secondary Education)	435	1.27	6.66
4	Public Works Department (Estate Directorate)	645	1.20	6.29

(Source: Finance Accounts 2018-19)

The State Government stated (July 2020) that instructions were issued to the concerned departments from time to time for adjustment of AC bills and the pendency of DC bills was reduced to 1,330 bills as on 31 March 2020 for which necessary action was being taken for adjustment.

The fact remains that non-submission of DC bills within the prescribed time not only breaches financial discipline and but also increases the possibility of wastage/misappropriation/malfeasance, etc.

**Recommendation:** *The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.*

### 3.4 Non-maintenance/ Incomplete Cash Books

The Cash Book is a primary record of financial transactions of receipts and disbursements which is required to be maintained mandatorily in each office to ensure proper receipt and custody of Government money. Non-maintenance/improper maintenance of Cash Book not only impacts the accuracy and completeness of accounts but is also a red flag for probable fraud, misappropriation and embezzlement of Government funds.

The reports of the C&AG submitted to the State Legislature and individual inspection reports of the Accountant General issued to various departments have flagged many instances of non-maintenance/improper maintenance of Cash Books by various entities under the State Government. Some instances noticed in recent audits are listed at **Appendix 3.1**. These cases were noticed during the test audit of 534 entities audited during April 2019 to December 2019, however, such cases may also occur in other entities. The Finance Department may, therefore, like to internally examine the position in case of other DDOs with a view to ensure that the essential records are maintained.

**Recommendation:** *The Finance Department should ensure that all departments and subordinate entities of State Government maintain Cash Books in the manner prescribed in the financial rules.*

### 3.5 Non-transfer of amounts to the Central Road Fund

The list of Major and Minor Heads prescribes the accounting procedure relating to the Central Road Fund (CRF). In terms of this procedure, such grants received from GoI are credited in the State Accounts to the Major Head '1601- Grants-in-aid from Central Government'. These amounts are credited to major head '8449- Other Deposits-Subventions from Central Road Fund', by per contra debit to the major head '3054-Roads and Bridges' or any other appropriate head of account concerned, from where expenditure on maintenance and repairs of roads and bridges is to be set off.

The State Government, however, failed to transfer the sum of ₹ 655.91 crore received as CRF grant from the Government of India in 2018-19 to the Public Account and though expenditure of ₹ 4,302.40 crore was incurred against maintenance and repairs of roads and bridges, it could not be ascertained how

much of the GoI release of ₹ 655.91 crore was utilised for the intended purposes.

Due to non-accounting of CRF as per the prescribed accounting procedure, there was opaqueness in actual utilisation of grants received from GoI for the Central Road Fund.

### 3.6 Impact on Revenue Surplus and Fiscal Deficit

The impact of incorrect booking/accounting of expenditure and revenue, as depicted in the Finance Accounts 2018-19, resulted in a net overstatement of revenue surplus by ₹ 13,418.64 crore. Further, fiscal deficit was also understated to the tune of ₹ 13,410.69 crore as is given in **Table 3.5**.

**Table 3.5: Impact on Revenue Surplus and Fiscal Deficit as per State Accounts**

(₹ in crore)

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement of Revenue Surplus	Under-statement of Revenue Surplus	Over-statement of Fiscal Deficit	Under-statement of Fiscal Deficit
<b>Expenditure on minor construction works, maintenance of vehicle, purchase of petrol etc. and maintenance of computer and purchase of related stationery booked under Capital Section instead of Revenue</b> <i>(Para no. 1(v) of Notes to Account, Volume-I Finance Accounts)</i>	68.98	..	..	..
<b>Expenditure on purchase of staff car/vehicle for office use booked under Revenue Section instead of Capital</b> <i>(Para no. 1(v) of Notes to Account, Volume-I Finance Accounts)</i>	..	61.03	..	..
<b>Non-Contribution to Guarantee Redemption Fund.</b> <i>(Para no. 3(ii) of Notes to Account, Volume-I Finance Accounts)</i>	453.91	..	..	453.91
<b>Amount transferred as Revenue Receipts to Consolidated Fund from Sinking Fund</b> <i>(Para no. 3(v)(a) of Notes to Account, Volume-I Finance Accounts)</i>	12,693.33	..	..	12,693.33
<b>Non-transfer of NDRF grant</b> <i>(Para no. 3(v)(b) of Notes to Account, Volume-I Finance Accounts)</i>	157.23	..	..	157.23
<b>Non-payment of interest on Reserve Funds balances (State Disaster Response Fund)</b> <i>(Para no. 3(v)(b) of Notes to Account, Volume-I Finance Accounts)</i>	106.22	..	..	106.22
<b>Total</b>	<b>13,479.67</b>	<b>61.03</b>	<b>-</b>	<b>13,410.69</b>

(Source: Finance Accounts 2018-19)

In view of the above, the revenue surplus and fiscal deficit of the State which was ₹ 28,250 crore and ₹ 35,203 crore would actually be ₹ 14,831 crore and ₹ 48,614 crore respectively.

### 3.7 Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 covers establishments employing ten or more building workers in any building or other construction work. The Acts, *inter alia*, provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through the levy and collection of cess on the cost of construction works. Accordingly, the State Government created (November 2009) the U.P. BOCW Welfare Board and in terms of the Cess Act, levies cess at the rate of one *per cent*. The U.P. BOCW Rules, 2009 provides for collection of registration fee of ₹ 50 and annual membership fee of ₹ 50 from registered workers. In this connection, the findings of Audit are given below.

#### 3.7.1 Accounting of Cess

U.P. BOCW Welfare Board has not finalised its accounts since its constitution (November 2009). Details of receipts and utilisation of cess over the past five years (2014-19), as provided by the Board, are given in **Table 3.6**.

**Table 3.6: Financial status of registration charges, cess realised and utilisation**

(₹ in crore)

Year	Opening balance	Receipts				Total funds available	Expenditure	Closing balance
		Registration fee and annual membership fee	Labour cess		Interest on deposits			
			Received in board account	From treasury (State Govt.)				
2014-15	1,322.87	28.59	500.44	9.25	97.07	1,958.22	127.63	1,830.59
2015-16	1,830.59	14.55	686.81	0	128.37	2,660.32	202.41	2,457.91
2016-17	2,457.91	13.00	829.60	10.00	162.23	3,472.74	277.78	3,194.96
2017-18	3,194.96	10.54	789.79	36.96	214.36	4,246.61	324.14	3,922.47
2018-19	3,922.47	7.42	891.31	9.99	247.85	5,079.04	193.85	4,885.19

(Source: Secretary, BOCW) (Provisional data)

Since the Board has not prepared accounts since inception, the authenticity of receipts and expenditure could not be ascertained in Audit. The State Government appointed (September 2010) the officers of 16 Departments as Cess Assessment Officer and Cess Collectors. The State Government issued (August 2013 and September 2016) orders to deposit the receipts of cess collected by the concerned officials into the nationalised bank account being operated by the Board for this purpose. The orders to transfer the cess directly to the bank account without bringing it into the Consolidated Fund of the State violates the provision of Article 266 (1) of the Constitution of India.

Consequently, it is not ascertainable from the accounts of the State Government as to how much money was collected by the Cess Assessment Officers and Cess Collectors on account of cess, fee etc. and how much money was transferred to the Board.

### 3.7.2 Utilisation of Labour cess

The State Government notified various schemes/activities, viz., maternity benefits, pension, advances for purchase/construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/marriage of children of beneficiaries, etc., for welfare of the construction workers from the BOCW Welfare Fund. Details of expenditure on these schemes during 2014-19 are given in **Table 3.7**.

**Table 3.7: Expenditure on schemes against allotment and available fund**

Year	Available funds (₹ in crore)	Scheme Operated		Actual expenditure on scheme (₹ in crore)	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotted by BOCWB (₹ in crore)				Workers covered	Funds utilised against allotment	Funds utilised against availability
2014-15	1,958.22	22	457.90	105.96	19,58,544	2,14,121	10.93	23.14	5.41
2015-16	2,660.32	21	605.61	141.82	27,41,452	2,77,909	10.14	23.42	5.33
2016-17	3,472.74	23	752.83	249.88	34,27,104	5,16,851	15.08	33.19	7.20
2017-18	4,246.61	18	514.06	282.57	42,08,744	3,50,384	8.33	54.97	6.65
2018-19	5,079.04	21	361.75	174.45	48,56,323	2,69,500	5.55	48.22	3.43

(Source: Secretary, BOCW) (Provisional data)

As seen from the table, the expenditure incurred by the Board for welfare of workers against available funds ranged from only three to seven *per cent* and covered just six to 15 *per cent* of the registered workers. The Board stated (December 2019) that the ongoing welfare schemes were revised in view of the Model Welfare Scheme for BOCW circulated by GoI in September 2018 due to which there was less utilisation of fund during 2018-19.

**Recommendation:** *The U.P. BOCW Welfare Board should fulfil its mandate of improving the working conditions of building and other construction workers and providing adequate financial assistance to them. The State Government should also review its orders to transfer the cess directly to the bank account of the Board instead of the Consolidated Fund of the State.*

### 3.8 Transfer of additional stamp duty to Development Authorities

The Uttar Pradesh Urban Planning and Development Act, 1973 provides for collection of additional stamp duty by the Stamps and Registration Department, which is thereafter, to be transferred to the development

authority, Uttar Pradesh Avas Evam Vikas Parishad, Municipal Corporations/ Municipalities in specified proportions.

The amount of realised stamp duty and additional stamp duty are accounted for under the Major Head 0030-Stamps and Registration Fees, 02-Stamps Non-Judicial, 102-Sale of Stamps. However, no distinct sub head has been opened by the State Government for accounting of the additional stamp duty in the absence of which, it is not clear how much money was received by the Government on account of two *per cent* additional stamp duty and whether all the moneys received were transferred to the concerned municipal corporations/municipalities/parishads/development authorities in specified proportions.

As regards the transfer of funds to development authorities/municipalities, it was noticed that the Government was booking expenditure in respect of transferred additional stamp duty under the Major Head 3475-800-03 instead of MH 2216-Housing or 2217-Urban Development as the case may be.

The State Government issued orders (April 2017) stipulating that Housing and Urban Planning Department (Account) would release money to all Authorities for implementation of schemes approved by the Housing and Urban Planning Department (HUPD). During 2018-19, against the budget provision of ₹ 200 crore, no amount was transferred to the Authorities/boards for the intended purposes. Housing and Urban Planning Department stated (January 2020) that the amount could not be transferred as the approval of Finance Department was not received.

Further, the Government while determining the procedure (September 2013) for distribution of the additional two *per cent* stamp duty, ordered transfer of 25 *per cent* of the amount collected to a Dedicated Urban Transport Fund (DUTF) which was against the provisions of the Act. As per the provisions of the Act, the additional amount of two *per cent* stamp duty collected was to be allocated to the development authority, Uttar Pradesh Avas Evam Vikas Parishad, municipal corporations/municipalities and therefore transferring 25 *per cent* of the fund to Dedicated Urban Transport Fund was irregular. It was noticed that the Government had been constantly making provisions towards the DUTF fund from the year 2014-15 onwards. The provisions made and expenditure on this account are detailed in **Table 3.8**.

**Table 3.8: Details of provision/ expenditure for Dedicated Urban Transport Fund**

(₹ in crore)		
Year	Provision	Expenditure
2014-15	300	285
2015-16	434	430
2016-17	375	00
2017-18	375	00
2018-19	150	00

(Source: Appropriation Accounts of the respective years)

Urban Planning Department surrendered (March 2019) entire provision of ₹ 150 crore under DUTF during 2018-19 stating that the amount could not be incurred due to non-receipt of financial sanction.

**Recommendation:** The State Government should ensure that the accounts fully and transparently capture the receipts and transfer of the additional stamp duty to the authorities/municipalities etc. as specified under the U.P. Urban Planning and Development Act. State Government should also review the order authorising transfer of 25 per cent of the additional stamp duty to a Dedicated Urban Transport Fund which is not provided under the Act.

### 3.9 Reporting of cases of defalcation or losses of Government money

The State Government reported 135 cases of defalcation or losses of Government money involving ₹ 9.31 crore on which final action was pending as on 31 March 2019. First Information Reports were lodged in 101 out of 135 cases. The department-wise break up of pending cases and their age-wise analysis is given in *Appendix 3.2*. The nature of these cases is given in *Appendix 3.3*. The nature and age profile of the pending cases given in the appendices are summarised in **Table 3.9**.

**Table 3.9: 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	0	0	Theft	62	33.21
5 – 10	21	400.77	Misappropriation	09	111.95
10 – 15	18	49.51	Losses	23	171.78
15 – 20	13	78.27	Defalcation	41	613.84
20 – 25	32	13.87	<b>Total</b>	<b>135</b>	<b>930.78</b>
Above 25	51	388.36			
<b>Total</b>	<b>135</b>	<b>930.78</b>			

(Source: Records of concerned Departments)

Out of total pending 136 cases (as on 31 March 2018) involving ₹ 935.22 lakh, one case of ₹ 4.44 lakh was settled/written off (*Appendix 3.4*) during 2018-19 and therefore a total of 135 cases involving ₹ 930.78 lakh was pending as on March 2019. The reasons for pendency, as reported by the departments, are listed in **Table 3.10**.

**Table 3.10: Reasons for pending cases**

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
1.	Awaiting departmental and criminal investigation	27	189.67
2.	Departmental action initiated but not finalised	72	536.62
3.	Criminal proceedings finalised but action on recoveries pending	1	4.14
4.	Awaiting orders for recovery or write off	9	6.40
5.	Pending in Courts of Law	26	193.95
<b>Total</b>		<b>135</b>	<b>930.78</b>

(Source: Records of concerned Departments)

**Recommendation:** *The Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/reduce recurrence of such cases.*

### 3.10 Proforma Accounts of Departmental Commercial Undertakings

Departmental Commercial Undertakings are required to finalise proforma annual accounts in the prescribed format and submit the same to the Accountant General for audit within three months of closure of accounts. However, out of the nine departmental commercial undertakings in the State, three had not finalised their accounts for many years (*Appendix 3.5*).

### 3.11 Delay in finalisation of accounts of PSUs/Corporations

Financial statements of Companies for each financial year are to be finalised within six months from the end of the relevant financial year, i.e., 30 September under Section 166 and 210 of the Companies Act, 1956. Similar provisions also exist under Section 96(1) read with Section 129(2) of the Companies Act 2013. Failure to do so may attract penal provisions under section 129(7) of the Companies Act, 2013<sup>32</sup>, which stipulates that every officer of the defaulting company responsible for non-compliance shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both. The accounts of statutory corporations are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

In violation of the above provisions, more than 92 *per cent* of the Public Sector Undertakings (PSUs) in Uttar Pradesh are in arrears of accounts, as detailed in **Table 3.11**.

<sup>32</sup> Earlier under section 210(5) of the Companies Act 1956 which stipulated that if any person, being a director of the company, fails to take reasonable steps to comply with the provisions of this section, shall be punishable for each offence with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees or with both.

Table 3.11: Age-wise arrears of Annual Accounts of PSUs

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs	64	46	110
2(a)	Number of PSUs/Corporations having accounts in arrears	60	42	102
2(b)	Number of accounts in arrears	225	658	883
3(a)	Number of PSUs/Corporations with arrears of less than 5 years	42	11	53
3(b)	Number of accounts arrears in above PSUs	75	25	100
4(a)	Number of PSUs/Corporations with accounts in arrears for 5 to 10 years	13	7	20
4(b)	Number of accounts arrears in above PSUs/ Corporations	91	50	141
5(a)	Number of PSUs/Corporations with accounts in arrears for 10 years and above	5	24	29
5(b)	Number of accounts arrears in above PSUs/Corporations	59	583	642
6	Extent of arrears of accounts (in years)	1 to 15	1 to 37	1 to 37

(Source: Latest finalised accounts of the PSUs up to 30 September 2019)

The situation depicted above indicates failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting Companies and Corporations comply with the relevant Acts. Further, the State Government provided budgetary support of ₹ 5,036.61 crore to 22 working Public Sector Undertakings up to 31 March 2019 (equity: ₹ 1,552.38 crore, loans: ₹ 996.52 crore, capital grants: ₹ 1,748.52 crore, other grants: ₹ 665.57 crore and subsidies: ₹ 73.62 crore) and guarantees of ₹ 4,460.64 crore during the period for which their accounts were in arrears (*Appendix 3.6*). These Public Sector Undertakings have not finalised their accounts for the last 1 to 15 years in gross violation of the provisions of the Companies Act. Due to non-finalisation of accounts, the Comptroller and Auditor General of India was unable to discharge his responsibilities with regard to certification of accounts of these PSUs as required under CAG's DPC Act, 1971 and the Companies Act.

Audit noticed that even in the absence of accounts to judge the genuineness of demands for financial support from these PSUs, the Finance Department had regularly provided budgetary support to these PSUs by way of infusion of equity, loans and Grants-in-aid/subsidies. State Government had provided budgetary support of ₹ 6,339.54 crore and guarantees of ₹ 4,460.64 crore to 22 working Companies/Statutory Corporation whose accounts up to 2017-18 were not received during 2018-19, as detailed in *Appendix 3.6*. Thus, State Government needs to see if this is value-for-money expenditure.

**Recommendation:** *The Finance Department should review the cases of all PSUs that are in arrears of accounts and ensure that the accounts are made current within a reasonable period.*

### 3.12 Dividend not declared

The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum dividend of five per cent on the paid-up share capital contributed by the State Government. Accordingly, 17 PSUs were required to declare dividend of ₹ 611.22 crore based on their last finalised accounts (**Appendix 3.7**). However, only 11 PSUs declared dividend of ₹ 8.29 crore. The remaining six profit earning PSUs did not declare dividend of ₹ 602.93 crore, out of which ₹ 602.48 crore relates to Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited.

**Recommendation:** *The State Government should ensure that the profit earning PSUs invariably deposit the specified dividend into the Government account at the close of the year.*

### 3.13 Unreconciled Equities/Loans

The figures in respect of equity and loans outstanding as per records of the Investee Organisation/State PSUs should agree with the figures appearing in the Finance Accounts of the State. As of 31 March 2019, the Government had invested a total of ₹ 1,18,532 crore in various entities<sup>33</sup>. However, the amount as per the books of accounts of the investee organisations was ₹ 1,24,808 crore. The difference of ₹ 6,276 crore require reconciliation.

Further, as per Finance Accounts 2018-19, the loan amount of ₹ 1,998.72 crore out of the total loan of ₹ 30,709.56 crore was not reconciled by the recipient loanees with the Government account during the year 2018-19.

**Recommendation:** *The Finance Department and the concerned administrative departments should work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to the State Government investments, loans, and guarantees extended to State PSUs.*

### 3.14 Opaqueness in accounts

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in

<sup>33</sup> Government Companies (₹ 1,15,283 crore), Co-operatives (₹ 2,247 crore), Statutory Corporations (₹ 956 crore) and Banks (₹ 58 crore)- details of investment amounting to ₹ 12 crore are under reconciliation.

the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

Scrutiny revealed that during the year 2018-19, under various revenue and capital Major Heads of accounts, the minor head 800 was operated. Thus, on the expenditure side, ₹ 38,022.97 crore, constituting 10.44 *per cent* of total expenditure (revenue and capital) was recorded under minor head 800-Other Expenditure under different Major Heads.

Similarly, ₹ 24,190.25 crore (constituting 7.33 *per cent* of the total revenue receipts) under various revenue Major Heads of accounts, was recorded under minor head 800-Other Receipts under different Major Heads.

Instances where a substantial proportion (50 *per cent* or more of the total receipts/expenditure under the concerned Major Head) of receipts/expenditure were classified under minor head 800 - Other Receipts/Expenditure are given as **Annexure B and C of Notes to Accounts (Finance Accounts Volume-I)**.

The issue has been continuously reported in previous reports of the C&AG. As compared to the year 2017-18, the omnibus booking under minor head 800 – other receipts during the year 2018-19 increased from 6.59 *per cent* to 7.33 *per cent* of total revenue receipts, whereas under minor head 800- other expenditure increased from 8.90 *per cent* to 10.44 *per cent* of total expenditure. The fact that such substantial proportion of the receipts and expenditure under the concerned Major Head are booked under minor head 800 is a cause for serious concern since it severely impacts transparency.

**Recommendation:** *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account and further, if required, appropriate heads of accounts may be opened.*

### 3.15 Apportionment of balances on reorganisation of the State

Even after two decades of reorganisation of the composite State of Uttar Pradesh with effect from 9 November 2000, balances amounting to ₹ 8,757.37 crore representing balances under the Deposits and Advances (MH 8336-Civil Deposits to MH 8550-Civil Advances) remain to be apportioned between the successor States of Uttar Pradesh and Uttarakhand.

**Recommendation:** *The State Government should expedite the apportionment of balances under Deposits and Advances (₹ 8,757.37 crore) between the two successor States.*

**3.16 Follow up**

Separate Report on State Finances is being prepared from the year 2008-09 onwards and presented to the State Legislature. The Public Accounts Committee is yet to discuss these reports.

ALLAHABAD  
THE 01 AUGUST 2020

(SARIT JAJA)

Principal Accountant General (Audit-I)  
Uttar Pradesh

COUNTERSIGNED

NEW DELHI  
THE 4th August, 2020

(RAJIV MEHRISHI)

Comptroller and Auditor General of India