

CHAPTER-IV

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICE

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Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system 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 compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

It has been observed that funds meant to be credited to consolidated fund were kept outside the consolidated fund of the State as discussed below:

4.1.1 Building and Other Construction Workers’ Welfare Cess

The Government of India (GoI) enacted “The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996” and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act), to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures. In exercise of the powers conferred by sub-section (1) of section 14 of the Cess Act, GoI framed the Building and Other Construction Workers’ Welfare Cess Rules, 1998 (Cess Rules). Accordingly, Himachal Pradesh Building and Other Construction Workers Rules 2008 were framed under the Act and the Himachal Pradesh Building and Other Construction Workers Welfare Board was constituted in March 2009.

Section 3 of the Cess Act provides for the levy and collection of cess from every employer in relation to the building or other construction work, and paid to the Board after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected. As per Section-5 of the Cess rules, the proceeds of the cess collected shall be transferred to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State. Further, the Board is an autonomous body

and the accounts of the Board is being separately audited and certified by the Pr. Accountant General (Audit).

It was noted that no rules have been framed by the Government of Himachal Pradesh for accounting of labour cess and no sub head has been provided by the Government for booking and collection of labour cess. The Labour Cess collected is being levied at the rate of one *per cent* of the cost of construction by Building and Roads/Jal Shakti Vibhag and is being booked under 8443-Civil Deposit-108-Public Works Deposits. Since the Public Works Deposits do not have any sub head below it for booking this cess, hence the amount of Cess collected, and transferred to the Labour Welfare Board and balance yet to be transferred cannot be ascertained in the absence of prescribed accounting rules.

As per information provided by the Board, it had an opening balance of ₹ 592.83 crore and had received ₹ 116.53 crore during 2019-20 as labour cess, interest, etc. During the year the Board had spent ₹ 53.49 crore out of which ₹ 51.13 crore was spent on labour welfare activities/schemes.

Thus, the Board was unable to spend even the amount received during the year by way of labour cess collected and interest etc. As a result, the Board had an amount of ₹ 655.87 crore at its disposal at the close of the year (31st March 2020). The amount of unutilized funds and low percentage of utilization indicate that the Board was not spending enough on existing schemes.

4.1.2 Regulators

The status of funds of regulators namely Himachal Pradesh Electricity Regularity Commission (HP-ERC), Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PEIRC) and Himachal Pradesh Real Estate Regulatory Authority (HP-RERA) is given in the **Table-4.1** below:

Table-4.1: Showing details of regulators and the funds collected by them

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
1.	Himachal Pradesh Electricity Regulatory Commission	The Himachal Pradesh Electricity Regularity Commission Fund constituted in May 2007 shall be maintained funds at any Nationalized Bank and subsidiary accounts at such other branches of such banks. The Fund shall comprise of all the grants and loans given by the State Government, all fees and fines, and all other sums received from other sources.	No outstanding amount was due from Himachal Pradesh Electricity Regulatory Commission towards Government.

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
2.	Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PERC)	As per Section 8 of HP-PERC Act 2010 a fund shall be established to which shall be credited a) By the private Education Institution such percentage of total fees every year as may be assist by Commission from time to time but not exceeding 1 per cent of total fees. b) Loan from the State Government which will be repayable within three year c) Any other grants received from any other source and d) All sums received by way of penalty	An amount of ₹ 1.80 crore was collected as 1 per cent fee during the period 2011-12 to 2012-13. However, the provision of collection of 1 per cent fee has been stayed by the Hon'ble High Court and the case is pending for adjudication. The HP-PERC also received an amount of ₹ 1.06 crore on account of fine/penalty imposed. The amount has been parked in Fixed Deposits because of the stay given by the Hon'ble High Court. The HP-PERC received ₹ 7.70 crore from the State Government from 2011-12 to 2019-20 in the shape of loans. The same has been utilized for day-to-day expenditure of HP-PERC. The HP-PERC has not repaid any amount of the loans received as on 31/03/2020. The total amount due as on 31/03/2020 was ₹ 7.70 crore along with interest accrued therein.
3.	Himachal Pradesh Real Estate Regulatory Authority	The income of the Authority shall comprise grants-in-aid, registration charges, complaint fee and e-charges from promoters, agents and complainants.	As the Authority has started its functioning with effect from January 2020 only, therefore the funds have been received as grants-in-aid from the State Government.

4.2 Loans of State Government not being credited to the Consolidated Fund

The State Government intimated that the Government did not resort to off-budget borrowings in the State of Himachal Pradesh. No such borrowings were noticed during audit of Financial Statements of PSUs for the year 2019-20, wherever received.

4.3 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government does not have any liability to provide and pay interest on the amounts in the Interest-bearing Deposits (Major Heads of Accounts 8338 to 8342).

4.4 Funds transferred directly to State implementing agencies

In spite of the Government of India's decision to release all assistance to Centrally Sponsored Schemes/ Additional Central Assistance to the State Government and not to implementing agencies from 2014-15 onwards, funds were transferred directly to implementing agencies. Since these funds are not routed through the State Budget, these

are not reflected in the Accounts of the State Government. Names of some major implementing agencies which received funds directly from the GoI during 2019-20 are given in the **Table-4.2**:

Table-4.2: Funds transferred by Government of India directly to State implementing agencies

(₹ in crore)

Sl. No.	Name of the Implementing Agencies	Name of the Schemes of Government of India	GoI releases during 2019-20
1	Department of Revenue, Himachal Pradesh	Pradhan Mantri Kisan Sampada Yojana-FPI	572.05
3	Himachal Pradesh Rural Development and Employment Guarantee Society	National Rural Employment Guarantee Scheme	441.60
4	Directorate of Women and Child Development	Pradhan Mantri Matru Vandana Yojna	32.97
5	Himachal Pradesh State Industrial Development Corporation Ltd.	Package for Special Category States for J&K, Himachal Pradesh and UK	31.01
6	Himachal Pradesh State Civil Supplies Corporation Ltd.	Assistance to State Agencies for Intra-State	29.18
7	H.P. State Industrial Development Corporation Ltd.	Transport Subsidy Scheme	20.49
8	HP Tourism Development Board	Swadesh Darshan	19.93
9	HP Road Transport Corporation	Road Transport	18.58
10	Himachal Pradesh Transport Corporation	Scheme for Faster Adoption and Manufacturing	18.58
11	HP AIDS Control Society Shimla	National AIDS & STD Control Programme	12.29
12	Himachal Pradesh State AIDS Control Society Shimla	National AIDS and STD Control Programme	12.29
13	Deputy Commissioner, Kangra	MPs Local Area Development	10.00
14	Others		153.72
Total			1,372.69

Source: Finance Account – Appendix VI

The details of aggregate amount transferred to implementing agencies during the last three years are indicated in **Table-4.3**.

Table-4.3: Funds transferred to State Implementing agencies

Direct transfers to State implementing agencies	2017-18	2018-19	2019-20
Funds transferred (₹ in crore)	901.83	962.08	1,372.69

As per the PFMS portal of the Controller General of Accounts (CGA), GoI released ₹ 1,372.69 crore directly to implementing agencies during 2019-20. The direct transfers of funds to implementing agencies have increased by 42.68 per cent from ₹ 962.08 crore in 2018-19 to ₹ 1,372.69 crore in 2019-20. This comprises 27 per cent of the amount

(₹ 4,915.06 crore) released by the GOI for centrally sponsored scheme as Grants-in-aid, through the state budget.

4.5 Deposit of Local Funds

Some State Panchayati Raj Acts provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds). This would include all amounts realised or realisable under the Act and all amounts otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipts. The Acts also envisages that the Municipal Fund is to be held by the Urban Local Bodies (Nagar Panchayat, Municipal Council and Municipal Corporation). All the money realised or realisable under this act and all money otherwise received by them are to be kept in the Municipal Fund under the Major Head 8448-Deposits of Local Funds-102-Municipal Funds. The details of these funds are detailed in **Table 4.4** below.

Table-4.4: Deposits of Local Funds

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Panchayat Bodies Fund (8448-109)	Opening Balance	134.83	5.34	1.18	0.66	0.13
	Receipt	1.68	-	0.51	-0.51	0
	Expenditure	131.17	4.16	1.03	0.02	0.06
	Closing Balance	5.34	1.18	0.66	0.13	0.07
Municipal Fund (8448-102)	Opening Balance	0.23	0.29	0.29	0.19	0.28
	Receipt	0.06	0	-0.02	0.09	0
	Expenditure	-	0	0.08	-	0.16
	Closing Balance	0.29	0.29	0.19	0.28	0.12

Source: Finance Accounts of respective years

As is evident from the above table, the funds of Panchayat Bodies and Urban Local Bodies had an accumulated balance of ₹ 0.07 crore and ₹ 0.12 crore respectively as on 31 March 2020.

Issues related to transparency

4.6 Delay in submission of Utilisation Certificates

In terms of Rule 157 of the Himachal Pradesh Financial Rules, 1971 (Revised in 2009), where grants are sanctioned for specific purpose, the departmental officers concerned

should obtain Utilization Certificates (UCs) from the grantee, which, after verification, should be forwarded to Principal Accountant General (A&E) within the dates specified in the sanction. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Principal Accountant General (Accounts and Entitlement) for the fulfilment of the conditions attached to the grant. UCs outstanding beyond the specified periods indicate absence of assurance on utilization of grants for indented purposes, and thus the expenditure shown in the accounts to that extent can not be treated as final. A total number of 2,482 UCs amounting to ₹ 2,847.94 crore was pending as of March 2020. The age-wise and year-wise position as regards submission of UCs has been summarised in **Table-4.5** and **Table-4.6**.

Table-4.5: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1119	777.08	640	307.43	479	469.65
2018-19	1288	1121.72	684	528.79	604	592.93
2019-20	13694	3,344.30	12295	1558.94	1399	1785.36

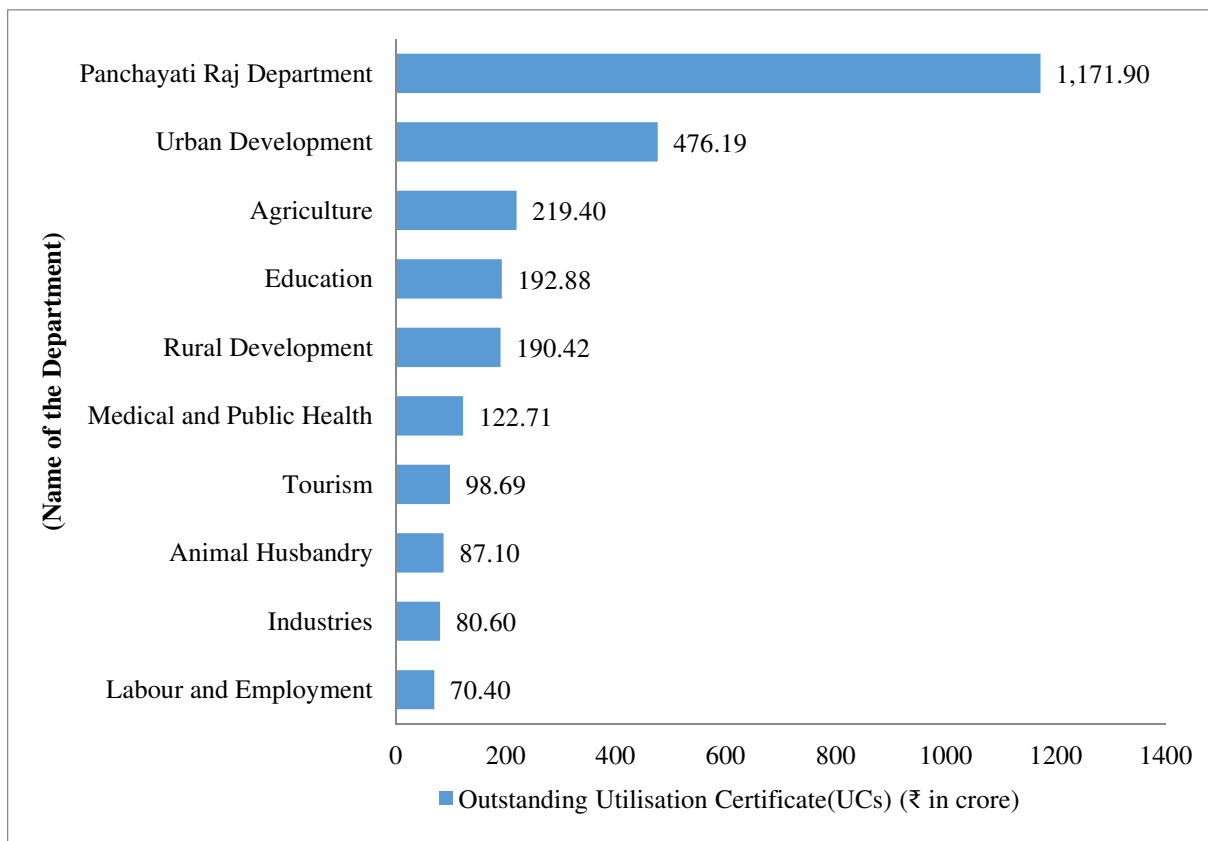
Source: Compiled from the information provided by the PAG (A&E) Himachal Pradesh.

Note: UCs for the GIA disbursed during 2018-19 become due only during 2019-20 i.e. The year mentioned above relates to "Due year" i.e., after 12 months' of actual drawal.

Table-4.6: Year wise break up of outstanding UCs

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
2012-13	33	7.96
2013-14	11	15.28
2014-15	10	56.62
2015-16	65	106.21
2016-17	360	283.58
2017-18	604	592.93
2018-19	1,399	1,785.36
Total	2,482	2,847.94

Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

Chart-4.1: Outstanding UCs in respect of 10 major departments for the grants paid up to 2018-19

Out of total 2,482 outstanding UCs, 1,083 UCs for grants of ₹ 1,062.58 crore pertain to the period 2009-10 to 2017-18. Out of total amount of ₹ 2,847.94 crore for which UCs were outstanding, 58 per cent pertain to two departments (41.15 per cent Panchayat Raj Department: ₹ 1,171.90 crore and 16.72 per cent Urban Development Department: ₹ 476.19 crore).

4.6.1 Recording of Grantee Institution as “Others”

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid from Government. These grants are also recorded in VLC system of AG office and submission of UCs is monitored against outstanding amount against each institute. Needless to say, for this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

In Himachal Pradesh no code is being allotted to the institutions receiving grants from the Government of Himachal Pradesh for monitoring of UCs by Pr. Accountant General (A&E).

As per the Statement number 10 of the Finance Accounts 2019-20, an amount of ₹ 3,506.49 crore had been given as grants-in-aid to different institutions during the current

year. Out of total grants-in-aid of ₹ 3,506.49 crore, ₹ 555.21 crore (15.83 per cent) was given to “Others” during 2019-20. The Government has continued to record substantial amount of grants-in-aid as ‘Others’, it ranged between 25.09 per cent and 35.14 per cent during 2015-19.

Table-4.7: Grants-in-Aid to Grantee Institutions of Type ‘Others’

(₹ in crore)

Year	Total GIA Amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2015-16	2,612.28	917.86	35.14
2016-17	3,356.98	842.39	25.09
2017-18	2,895.45	784.69	27.10
2018-19	3,633.95	1048.43	28.85
2019-20	3,506.49	555.22	15.83

Source: Finance Accounts for the respective years

4.7 Abstract Contingent Bills

Drawing and Disbursing Officers (DDO) are authorized to draw sums of money in advance and submit adjustment bills thereafter. The State Government had identified (June 2017) six departments namely Youth Services and Sports, Ayurveda, Health and Family Welfare, Prosecution, Agriculture and Horticulture to operate Abstract Contingent (AC) bills but the State Government had not formulated any mechanism to identify/monitor the expenditures of contingency nature drawn as advances (through AC bills) and its adjustment (through Detailed Contingent (DC) bills). However, the Drawing and Disbursing Officers (DDOs) are being using routine expenditure form (HPTR-5) to withdraw the contingent advances from the treasury.

Advances drawn and not accounted for increase the possibility of wastage/misappropriation/malfeasance, etc. and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.8 Personal Deposit Accounts

Under Rule 12.7 of the Himachal Pradesh Financial Rules Vol-I, 1971, Personal Deposit (PD) accounts are operated by transferring amounts from the Consolidated Fund to be utilized for specific purposes and booked as final expenditure against the concerned service Major Heads without any actual cash flow. Unspent balances lying in PD accounts are required to be transferred back to the Consolidated Fund on the last working day of the financial year, and reopened next year, if necessary. This Rule has not been followed by the State Government, despite persistent correspondence over the past many years.

At the end of 2019-20, an amount of unspent balances of ₹ 2.82 crore in 112 PD accounts remained un-transferred to the Consolidated Fund of State. The status of PD accounts during 2019-20 is given in **Table-4.8**.

Table-4.8: Status of PD Accounts (MH 8443-106) as on 31 March 2020

(₹ in crore)

PD Accounts as on 01.04.2019		Additions during the year		Disbursements during the year		Closing balance as on 31.03.2020		Operative Accounts		Inoperative Accounts	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
112	2.56	00	0.61	00	0.35	112	2.82	102	2.59	10	0.23

Out of total 112 PD accounts, 36 accounts have zero balance and PD accounts were inoperative since more than one year. As per the prescribed procedure PD accounts are opened under the designated heads of account, i.e., MH- 8443 - Civil Deposits-106 – Personal Deposits and are reconciled with plus and minus memo as supplied PD accounts holders and all the treasuries. However, it was noticed that there were two cases where PD accounts were opened under the heads (8448-106 and 8448-109) other than the designated heads of accounts.

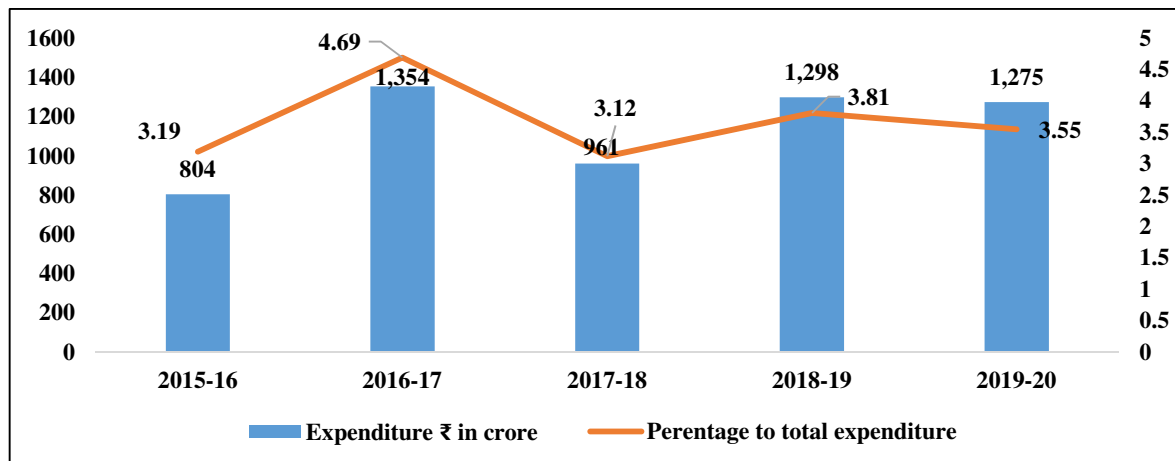
Amounts lying in PD accounts resulted in overstatement of expenditure to that extent. Non-reconciliation of PD accounts periodically and not transferring the unspent balances lying in PD accounts to Consolidated Fund entails the risk of misuse of public funds, fraud and misappropriation.

4.9 Indiscriminate use of Minor Head 800

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 under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Pr. Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Routine operation of Minor Head 800 is to be discouraged, since indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

The extent of operation of Minor Head-800, as a percentage of total expenditure during 2015-16 to 2019-20 is given in **Chart-4.2**.

Chart-4.2: Operation of Minor Head 800- Other Expenditure during 2015-20



During 2019-20, an amount of ₹ 1,275 crore under 43 Major Heads of account, constituting 3.55 per cent of expenditure (₹ 35,904 crore) was classified under the Minor Head-800 'Other Expenditure' in the Revenue and Capital accounts. Similarly, ₹ 1,637 crore under 46 Major Heads of Account constituting 5.33 per cent of receipts (₹ 30,744 crore) booked under the Minor Head-800 'Other Receipts'. Instances where significant amount (20 per cent or more and exceeding ₹ 5 crore) of the receipts and expenditure was classified under Minor Head '800-Other Receipts' and '800-Other Expenditure' during the year 2019-20 are depicted in Table-4.9.

Table-4.9: Significant amount booked under Minor Head- '800-Other Receipts/ Expenditure' during 2019-20

(₹ in crore)

"800-Other Receipts"				"800-Other Expenditure"			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0801-Power	1,021.68	1,021.68	100.00	4711-Capital Outlay on Major Irrigation	326.68	309.64	94.78
0045-Other Taxes and Duties on Commodities and Services	312.10	210.37	67.40	2230-Labour, Employment and Skill Development	270.22	128.52	47.56
0853-Non-Ferrous Mining and Metallurgical Industries	246.30	56.20	22.82	5475-Capital Outlay on Other General Economic Service	137.69	137.63	99.96
0049-Interest Receipts	245.36	61.51	25.07	4701-Capital Outlay on Medium Irrigation	85.00	55.00	64.70
0235-Social Security and Welfare	38.79	36.73	94.68	5452-Capital Outlay on Tourism	33.69	33.05	98.10

“800-Other Receipts”				“800-Other Expenditure”			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0059-Public Works	53.51	16.47	30.79	4851-Capital Outlay on Village and Small Industries	29.95	22.08	73.71
0070-Other Administrative Services	49.65	26.87	54.11	2075-Miscellaneous General Services	23.89	23.65	99.01
0217-Urban Development	6.62	6.62	100.00	4070-Capital Outlay on Other Administrative Service	15.91	12.91	81.14
1475-Other General Economic Services	13.36	8.59	64.30	2852-Industries	11.59	7.19	62.04
0401-Crop Husbandry	8.48	5.95	70.09	4700-Capital Outlay on Major Irrigation	9.07	9.07	100
1452-Tourism	5.89	5.75	97.54	--	--	--	--
0406-Forestry and Wildlife	83.61	16.78	20.07	--	--	--	--
1054-Roads and Bridges	12.44	4.81	38.65	--	--	--	--
Total:	2,097.79	1,478.33	70.47	Total:	943.69	738.74	78.28

As is evident from above table, around 70 per cent of receipts pertaining to 13 Major Heads were booked under ‘800- Other Receipts’. Similarly, around 78 per cent of revenue and capital expenditure pertaining to 10 Major Heads was booked under the ‘800-Other Expenditure’. Classification of large amounts booked under the Minor Head ‘800-Other Receipts/Expenditure’ affects the transparency/fair picture in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It is further to be noted that this matter had already been discussed with the Finance Department, and the Finance Department had issued (October 2018) instructions to all the State Departments to stop the existing practice of booking under Minor Head 800- Other expenditure/Other Receipt. It further directed that the expenditure should be booked under already existing appropriate minor head or by opening a new sub head an appropriate minor head. But as is evident from the above table, it is clear that the booking of expenditure under Minor Head 800 is still in practice.

Issues related to measurement

4.10 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table-4.10**.

Table-4.10: Status of Suspense and Remittances Balances

(₹ in crore)

Name of Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 - Suspense Accounts						
101-Pay and Accounts Office-Suspense	86.03	36.55	96.21	35.55	124.62	56.33
Net	49.48 Dr.		60.66 Dr.		68.29 Dr.	
102-Suspense Account (Civil)	171.47	164.12	149.77	131.53	1,551.08	164.34
Net	7.35 Dr.		18.24 Dr.		1,386.74 Dr.	
110-Reserve Bank Suspense-Central Accounts Office	0.03	0.03	0.57	---	3,755.23	3,755.23
Net	Nil		0.57 Dr.		Nil	
112-Tax Deducted at Source (TDS) Suspense	400.08	453.76	484.05	497.09	447.74	468.23
Net	53.68 Cr.		13.04 Cr.		20.49 Cr.	
129-Material Purchase Settlement Suspense Account	270.59	347.59	164.43	305.64	139.79	244.17
Net	77.00 Cr.		141.21 Cr.		104.38 Cr.	
8782 - Cash remittances and adjustments between officers rendering accounts to the same Accounts Officer						
102-Public Works Remittances	6,668.66	7,037.44	7,185.44	7,660.51	7,507.51	8,104.89
Net	368.78 Cr.		475.07 Cr.		597.38 Cr.	
103- Forest Remittances	120.04	151.49	151.59	187.49	124.72	141.58
Net	31.45 Cr.		35.90 Cr.		16.86 Cr.	

Source: Finance Accounts

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2019-20 are detailed below:

Pay and Accounts Office – Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Pr. Accountants General. The outstanding debit balance (31 March 2020) under this Head was ₹ 68.29 crore against debit balance of ₹ 60.66 crore at end of the previous year.

Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final Head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers etc.) are initially booked under this suspense head.

During 2019-20, the debit balances under Suspense head increased significantly by ₹ 1,401.31 crore as compared to previous year 2018-19, primarily due to expenditure of ₹ 1,373.77 crore (Revenue Expenditure: ₹ 1,202.25 crore and Capital Expenditure: ₹ 171.52 crore) has been booked under this head during 2019-20 due to non-furnishing the proof of actual expenditure (relevant bills/vouchers) by the State Government even after repeated requests. The amounts were withdrawn merely based on sanction orders from the treasury by various DDOs and retained outside the Government account in different savings bank accounts. However, the State Government treated the above amounts as expenditure incurred against the budget provisions made by the State Legislative Assembly without incurring actual expenditure.

Apart from above, it was noticed that there was no adverse balance under these minor heads of accounts below the Major Head-Suspense.

4.11 Reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Pr Accountant General (A&E).

During the year 2019-20, such reconciliation was completed fully by 102 CCOs/COs covering receipts of ₹ 30,744.45 crore (100 per cent) and expenditure of ₹ 35,904.34 crore (100 per cent) respectively. The reconciliation of receipts and expenditure figures has been fully completed by CCOs/COs during the last three years (2017-20).

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Pr. Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a net difference of ₹ 17.28 crore (Dr.) in cash balance as on 31 July 2020 between the figures reflected in the account of Pr. Accountant General (A&E), Himachal Pradesh and as reported by the Reserve Bank of India (RBI). The cash balance as worked out the by Office of the Pr. Accountant General (A&E), Himachal Pradesh was ₹ 77.93 crore (Dr.) whereas ₹ 60.65 crore (Cr.) was reported by Reserve Bank of India. The State Government imposed no penal interest on the agency banks.

Issues related to disclosure

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The compliance of the existing accounting Standards by the State Government is detailed in the **Table-4.11**.

Table-4.11: Compliance to Accounting Standards

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
1	IGAS 1: <i>Guarantees given by the Government</i>	Complied	Detailed information like number of guarantees for each institution has been furnished.
2	IGAS 2: <i>Accounting and classification of grants-in-aid</i>	Partially complied (Statement 10 and Appendix-III of Finance Accounts)	Details of Grants-in-aid given by the State Government are shown in Statement 10 and Appendix-III of the Finance Accounts as per the requirement of IGAS-2. During the year 2019-20 the State Government released grants-in-aid to the tune of ₹ 3,506.49 crore and allocated fund amounting to ₹ 844.73 crore for creation of Capital assets. Although the break-up of this amount was provided major head wise, however institution wise break-up of the same was not available.
3	IGAS 3: <i>Loans and advances made by Governments</i>	Partially complied (Statement 7 and 18 of Finance Accounts)	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS 3, to the extent furnished by the State Government except information on (i) Repayment in arrears from other loanee entities and (ii) Fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears.

Source: Indian Government Accounting Standards and Finance Accounts

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

Several autonomous bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Out of which, audit of accounts in respect of 18 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same. Detail of authorities whose accounts are in arrears is given in **Table-4.12**:

Table-4.12: Arrears of accounts of Bodies or Authorities

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
1	Himachal Pradesh Building and Other Construction Workers Welfare Board, Shimla	2019-20	01
2	HP Khadi and Village Industries Board	2013-14	07
3	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2013-14	07
4	HP City Transport and Bus Stand Management and Development Authority	2018-19	02
5	HP State Regulatory Commission	2019-20	01
6	Himachal Pradesh State Veterinary Council, Shimla	2019-20	01
7	District Legal Service Authority, Hamirpur	2018-19	02
8	District Legal Service Authority, Bilaspur		02
9	District Legal Service Authority, Nahan		02
10	District Legal Service Authority, Una	2019-20	01
11	District Legal Service Authority, Shimla		01
12	District Legal Service Authority, Kinnaur at Rampur		01
13	District Legal Service Authority, Mandi		01

It can be seen from **Table 4.12** that the accounts are in arrears/pending ranging from one to seven years. Delay in finalizations 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.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.

4.15 Non-submission of details of grants / loans given to bodies and authorities

To identify the institutions, which attract audit under Section 14 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 was granted, and the total expenditure of the institutions.

Further, Regulation on Audit and Accounts (Amendments) 2020 provides that Government and the 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.

The State Government did not furnish the detailed information pertaining to grants aggregating ₹ 10 lakh or more extended to Autonomous Bodies/Authorities in the State of Himachal Pradesh. However, information was sought by Audit from the concerned bodies/authorities, and only five¹ bodies/ authorities (out of 36), furnished the information to Audit (**Appendix-4**).

Thus, non-furnishing of information by the State Government/Heads of the Department in prescribed time to Audit was in violation of Regulations on Audit and Accounts, (Amendments) 2020. Further, in the absence of such information, the bodies/authorities to be audited, could not be identified and in the same time the correctness, regularity/propriety of expenditure from the grants and loans given out of the Consolidated Fund of the State could also not be examined in audit.

4.16 Timeliness and Quality of Accounts

During 2019-20 all the account rendering entities (Treasuries, PWD & I&PH Divisions and PAO New Delhi), who render their monthly accounts to Pr. Accountant General (A&E), had rendered their accounts in time and there was no case of exclusion.

Other Issues

4.17 Misappropriations, losses, thefts, etc.

As per the rule 24 of the Himachal Pradesh Financial Rules, 1971(revised in 2009), an officer shall be held responsible personally or vicariously for any loss sustained by the Government on account of causes mentioned in rule 21 of these rules due to any omission or commission or negligence, whether intentional or unintentional, on his part. And as per rule 145 (5) of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), in case goods become unserviceable due to negligence, fraud or mischief on the part of the Government servant, responsibility for the same shall be fixed.

State Government reported 42 cases of misappropriation/loss, theft, etc., involving government money amounting to ₹ 90.12 lakh upto March 2020 on which final action was pending. In all these cases, the departments concerned had filed First Information Report (FIR). The department-wise break up of pending cases and reasons for pendency of action in these cases is summarized in **Table 4.13**.

¹ Livestock Development Board, Boileauganj, Shimla, HP State Milkfed Co-operative, Totu, Shimla, HP State Cooperative Marketing and Consumers Federation Ltd. (HIMFED), Academy of Language, Art and Culture & RUSA.

Table-4.13: Department-wise break up of pending cases and reasons for pendency of action in cases of misappropriation, losses, theft, etc.

Name of Department	Cases of misappropriation/ losses/ theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.	Number of cases	Amount (₹ in lakh)
	Number of cases	Amount (₹ in lakh)			
Education	04	3.88	Awaiting departmental and criminal investigation	26	31.37
Rural Development	02	4.68			
Agriculture	02	9.46			
Land Revenue	01	2.57	Awaiting orders for recovery or write off	01	2.57
Horticulture	03	2.89			
Police	01	0.08			
Municipal Corporation, Chamba	01	0.42	Pending in the courts of Law	04	26.36
Home Guard	02	25.37			
Public Health (Medical)	01	0.95			
Forests	05	19.75	Recovery made/ written off but awaiting final disposal from PAC	09	29.00
Public Works	15	11.16			
Jal Shakti	05	8.91			
			Others	02	0.82
Total	42	90.12	Total	42	90.12

Source: Information received from departments and compiled by Audit.

The State Government may devise an effective mechanism to ensure speedy and time-bound settlement of cases relating to misappropriation/loss, theft, etc.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table-4.14**.

Table-4.14: Profile of misappropriation, losses, defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	3	4.81	Theft cases	8	7.20
5-10	6	8.85			
10-15	5	12.03	Misappropriation/ loss of Government material	34	82.92
15-20	12	41.39			
20-25	3	4.91			
25 and above	13	18.13			
Total	42	90.12	Total pending cases	42	90.12

Out of the total loss cases, 80.95 per cent cases are related to Misappropriation/ loss of Government material and the remaining 19.05 per cent were theft cases. Out of the total 42 cases of misappropriation/theft, 61.90 per cent (26 cases) were pending due to delays in finalizing/initiating departmental and criminal investigation. It was further noticed that 39 cases out of total 42 were more than five years old, including 16 cases, which were more than 20 years old. The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also led to non-accountability of the officers/officials at fault.

The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc.

4.18 Follow up action on State Finances Audit Report

The State Finances Audit Report is being prepared and presented to the State Legislature from the year 2008-09 onwards. The State Government had submitted action taken notes (ATNs)/ *suo moto* replies upto State Finances Audit Report 2016-17. Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Report despite the issue being taken up with the PAC.

4.19 Conclusions


- Non-submission of Utilisation Certificates indicated lack of monitoring as regards utilisation of grants released by the departments to the grantees, and entailed risk of non-utilisation, misutilisation or diversion of funds released for various works/schemes/programmes.
- Non-submission of accounts by autonomous bodies and non-providing of detailed information as regards bodies/authorities substantially financed through grants and loans entailed risk of financial irregularities in such autonomous bodies/bodies/authorities going undetected.
- The drawing of advances through Abstract Contingent Bills without a mechanism for their identification/distinction and subsequent lack of monitoring entailed risk of misappropriation/malfeasance. Further, there were cases of theft, misappropriation/loss of Government material and defalcation, in respect of which departmental action was pending.
- Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting. Operation of omnibus Minor Head 800- Other Expenditure/Other Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- The State Government has yet not fully implemented the notified IGAS- 2 and 3 rules in the State, thereby, compromising on the quality of financial reporting.

4.20 Recommendations

- The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- State Government should develop a mechanism to monitor withdrawal of contingent nature of advances against AC bills and their adjustments through DC bills.
- The Government should also institute a mechanism to ensure that the respective Autonomous Bodies/authorities and PSUs submit their accounts to audit immediately/without delay.


- The State Government should discourage the operation of omnibus Minor Head 800 and chalk out a specific time frame/period in consultation with the Pr. Accountant General (A&E) to identify appropriate heads of account to classify the transaction correctly in the books of accounts.
- The State Government should take steps to implement fully the IGAS in the State to improve the quality of financial reporting.

Shimla
The 09 August 2021


(RITU DHILLON)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 23 August 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

