

A sound internal financial reporting system and the availability of relevant and reliable information significantly contributes to efficient and effective governance by a State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

According to Note 2 below Rule 342 of the Jharkhand Financial Rules, if grants are provided during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification these should be forwarded to the Principal Accountant General (A&E), Jharkhand within 12 months from the date of their sanction. However, 4042 UCs due in respect of grants and loans aggregating ₹ 5169.67 crore paid up to 2009-10, were in arrears at the end of March 2011. The department-wise break-up of outstanding UCs is given in *Appendix 3.1*. The year-wise delay in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Year-wise arrears of Utilisation Certificates

Sl. No.	Year	Utilisation Certificates Outstanding	
		Number	Amount (₹ in crore)
1	Upto to 2007-08 (GIA sanctioned upto 2006-07)	1423	2072.78
2	2008-09 (GIA sanctioned during 2007-08)	499	603.68
3	2009-10 (GIA sanctioned during 2008-09)	745	1115.57
4	2010-11 (GIA sanctioned during 2009-10)	1375	1377.64
	Total no. of UCs awaited	4042	5169.67

Non-receipt of UCs for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure accountability of the agencies that received Government Grants.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/heads of the department are required to furnish to the office of the Principal Accountant General (Audit), Jharkhand every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions.

The annual accounts of a total of 68 autonomous bodies/ authorities due up to 2009-10 had not been received as of 31 March 2011 by the Principal Accountant General (Audit), Jharkhand. The age-wise pendency of these accounts is presented in **Table 3.2**.

Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies

Delay in Number of Years	No. of the Bodies/ Authorities
0 – 1	08
1 – 3	25
3 – 5	11
5 – 7	04
7 – 9	Nil
9 and above	20
Total	68

As given in **Table 3.2**, it can be seen that in respect of 33 autonomous bodies/ authorities submission of accounts were delayed up to three years, 15 autonomous bodies/authorities were delayed by three to seven years whereas the accounts of 20 autonomous bodies/authorities were delayed by more than nine years.

3.3 Misappropriation, losses etc.

There were eight cases of misappropriation, losses etc. involving Government money amounting to ₹ 153.11 lakh at the end of 2010-11 on which departmental and criminal investigation was awaiting. The age profile of pending cases with number of cases pending in each category- theft and misappropriation is given in **Table 3.3**. Department -wise breakup of these cases is given in *Appendix 3.2*.

Table 3.3: Profile of Misappropriation, losses etc.

(₹ in lakh)

Age profile of the pending cases			Nature of pending cases		
Range in year	No. of Cases	Amount involved	Nature of cases	Number of cases	Amount involved
0-5	5	141.46	Theft	-	-
6-10	3	11.65	Misappropriation/losses	8	153.11
Total	8	153.11	Total cases	8	153.11

3.4 Personal Deposit/Personal Ledger Accounts

Personal Deposit (PD) Accounts are created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the same financial year by minus debit to the relevant service heads. Scrutiny of accounts revealed that PD accounts were not closed at the end of the financial year 2010-11 and ₹ 68.56 crore was the balance at the end of March 2011. Similarly, out of ₹ 1926.75 crore posted in Personal Ledger (PL) Accounts during 2010-11 only ₹ 1670.07 crore were utilised and ₹ 256.68 crore remained as unspent balance in the PL account in violation of the State Financial Rules. Consequently, the expenditure of the State was overstated by ₹ 256.68 crore during the year 2010-11.

3.5 Grants-in-aid

Rule 340 of Jharkhand Financial Rules enjoins that grants-in-aid can be given to a person or a body which is independent of the Government. One department of the Government cannot give grants-in-aid to another department of the same Government. However, it was noticed that out of grants-in-aid paid from the Consolidated Fund of Jharkhand amounting to ₹ 3121.71 crore in financial year 2010-11, a sum of ₹ 676.50 crore was drawn by officers of Government departments, instead of making payments to the grantee bodies directly. Further, grants-in-aid amounting to ₹ 382.04 crore was drawn on last four working days of March 2011 and transferred to Local Fund Account by debiting to Service heads. Such transfers reflect disbursement and do not represent expenditure within the financial year.

3.6 Departmentally managed Commercial Undertakings

The Departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of the Audit. Consequently,

corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also leave the system vulnerable to risk of fraud and leakage of public money.

Heads of Departments in the Government are to ensure that these departmentally managed undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit), Jharkhand for audit within a specified time frame. As of 2010-11, there were 31 such undertakings, none of whom had submitted their accounts up to 2009-10 to the Principal Accountant General (Audit), Jharkhand. The Comptroller and Auditor General of India has repeatedly commented on the arrears in preparation of such accounts in State Audit Reports but there had been no improvement so far in this regard.

3.7 Fund lying outside Government Account

Rule 300 of Jharkhand Treasury Code stipulates that no money is to be withdrawn from Treasury unless it is required for immediate payment. It is not permissible to draw advances in anticipation of demands from the treasury either for the prosecution of works, the completion of which is likely to take a considerable time or to prevent the lapse of appropriation.

A total amount of ₹156.20 crore was, however, drawn in Abstract Contingency (AC) bill and fully Vouched Contingency Bill on the last four working days of March 2011 and kept in bank accounts. Detailed contingency (DC) bills against these drawal through AC Bills and sub-vouchers against drawal in Fully Vouched Contingency bills in support of expenditure incurred in 2010-11 were not submitted to the Principal Accountant General (A&E), Jharkhand till 30.06.2011. Grants-in-aid amounting to ₹ 162.32 crore was also drawn from treasury on the last four working days of March 2011 and kept in bank account to prevent the lapse of appropriation.

3.8 Conclusion

Utilisation certificates of ₹ 5169.67 crore by State institutions/bodies and accounts of 68 autonomous bodies/authorities were not submitted on time and in complete form, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations.

Misappropriation, losses etc. involving Government money amounting to ₹ 153.11 lakh at the end of 2010-11 on which departmental and criminal investigation was awaiting.

During 2010-11 ₹ 256.68 crore remained as unspent balance in the Personal Ledger Account in violation of the State Financial Rules.

3.9 Recommendations

The Government may ensure that:

- the departments make timely submission of utilisation certificates in respect of the grants released for specific purposes to the grantee institutions.

- the annual accounts in respect of the autonomous bodies are submitted in time to the Principal Accountant General (Audit), Jharkhand.
- departmental enquiries in respect of all fraud and misappropriation cases are expedited to bring the defaulters to book. Internal controls in all the organisations may be strengthened to prevent such cases.
- a monitoring mechanism is put in place in the departments to avoid the practice of drawal of fund in the last week of the financial year and keep it in the Bank Account/Personal Ledger Account.

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