
Chapter-III
FINANCIAL REPORTING

CHAPTER III

Financial Reporting

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 compliances is 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 year 2011-12.

3.1 Delay in furnishing Utilisation Certificates

As per Rule 182 of the Madhya Pradesh Financial Code Vol. I, in case of an annual or a non-recurring conditional grant, the Departmental Officer on whose signature or counter signature the Grant-in-aid bill was drawn, shall furnish the Utilisation Certificates (UCs) to the Accountant General on or before 30 September of the year following that to which the grant related.

The position of outstanding UCs against Grants-in-aid sanctioned to various Departments up to 2011-12 is given in **Table 3.1**.

Table 3.1: Year-wise position of outstanding Utilisation Certificates

Year	Number of UCs awaited	Amount involved (₹ in crore)
Up to 2009-10	35761	17,733.88
2010-11	2888	6,760.54
2011-12	1756	6,923.30
Total	40405	31,417.72

(Source : Finance Accounts 2011-12)

Thus, as on 31 March 2012, 40405 UCs for an aggregate amount of ₹ 31,417.72 crore were outstanding in respect of 37 Departments involving 47 Major Heads. The details are given in **Appendix 3.1**. The large pendency in submission of UCs were mainly in respect of Urban Administration (₹ 10,406 crore), Rural Development (₹ 5,985 crore), Food and Civil Supplies (₹ 4,430 crore), School Education (₹ 3,189 crore) and Housing and Environment (₹ 2,468 crore) Departments.

Non-submission of UCs in time indicates lack of monitoring of utilisation of grants by the Departments and could result in misutilisation of the Grants.

3.2 Delay in Submission of Accounts/Audit Reports of Autonomous Bodies

The State Government has set up several autonomous bodies (ABs) in the fields of Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of 48 ABs in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports and their placement in the Legislature is indicated in **Appendix 3.2**. Separate Audit Reports of three ABs were yet to be placed before the State Legislature as detailed in **Table 3.2**.

Table 3.2: Delays in tabling of Separate Audit Reports

Name of the Autonomous Body	Year(s) for which Separate Audit Reports are yet to be placed before the State Legislature
M.P. Housing Board, Bhopal	2004-05 to 2006-07
M.P. Khadi and Village Industries Board, Bhopal	2005-06 and 2006-07
M.P. Human Rights Commission, Bhopal	2009-10

Out of 48 ABs, 44 ABs (serial no. 5 to 48 of **Appendix 3.2**) did not submit their accounts since the inception of the AB (1997-98 to 2006-07) even after lapse of five to 13 years and three ABs (serial no. 2 to 4 of **Appendix 3.2**) submitted their accounts for the years 2003-04 to 2010-11 with a delay of nine to 84 months. Correspondence with the units and the Administrative Departments is going on for submission of accounts.

The inordinate delay in submission of accounts and presentation of the reports to the State Legislature results in delayed scrutiny of the functioning of these bodies, where Government investments are made. This is fraught with the risk of fraud and leakage of funds. Further, it also delays the initiation of necessary remedial action.

3.3 Misappropriation, Losses, Defalcations etc.

Rule 22(1) of the Madhya Pradesh Financial Code Vol. I states that any loss of public money, caused by defalcation or otherwise, should be immediately reported to the Accountant General, even when such loss has been made good by the party responsible for it.

The State Government reported 3111 cases of misappropriation, losses, defalcation, etc., involving Government money amounting to ₹ 46.25 crore up to the period March 2012 on which final action was pending. A large number of cases amounting to ₹ 27.78 crore and ₹ 13.79 crore were pending for recovery/regularisation against the School Education and Forestry and Wild Life Departments respectively. The Department-wise break up of pending cases of misappropriation, losses, defalcations etc. and write-offs for 2011-12 and their age-wise analysis is given in **Appendix 3.3** and **Appendix 3.4**.

Department/category-wise details of nature of these cases are given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category- theft and misappropriation/loss- as emerging from these Appendices are summarised in **Table 3.3**.

Table 3.3: Profile of Misappropriation, Losses, Defalcations, etc.

Age-profile of the pending cases			Details of the pending cases		
Range in years	Number of cases	Amount involved (₹ in crore)	Nature of the case	Number of cases	Amount involved (₹ in crore)
0 – 5	457	32.63	Theft	214	2.03
5 – 10	468	3.71			
10 – 15	464	4.70	Misappropriation/ Loss of material	2897	44.22
15 – 20	422	2.03			
20 – 25	695	1.67			
25 & above	605	1.51			
Total	3111	46.25	Total	3111	46.25

Further analysis indicated that the cases were outstanding owing to reasons listed in **Table 3.4**.

Table 3.4: Reasons for Outstanding Cases of Misappropriation, Losses, Defalcations etc.

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in crore)
(i)	Awaiting departmental and criminal investigation	3	0.0038
(ii)	Awaiting orders for recovery or write off	3108	46.2498
Total		3111	46.25

Thus, out of 3111 cases involving ₹ 46.25 crore, 2186 cases (70.2 per cent) involving ₹ 9.91 crore were pending for more than 10 years.

55 cases of losses involving an amount of ₹ 10.84 lakh were written off during 2011-12 as detailed in **Appendix-3.4**.

3.4 Pendency in submission of DCC Bills, Non-reconciliation of Departmental figures and Non-adjustment of Temporary Advances

3.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per Rule 313 of the Madhya Pradesh Treasury Code (MPTC), every Drawing and Disbursing Officer (DDO) has to certify in each Abstract Contingent (AC) bill that Detailed Countersigned Contingent (DCC) bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective Controlling Officers for countersignature and transmission to the Accountant General (A&E). However, the drawal of amounts by way of AC bills has been prohibited by the Finance Department, Government of Madhya Pradesh instructions (September 1999) for all the Departments except Sports and Youth Welfare Department (only for N.C.C.).

870 DCC bills aggregating to ₹ 19.50 crore were pending at the end of 31 March 2012. The age-wise details in pendency in submission of DCC bills against AC bills are given in **Table 3.5**.

Table 3.5: AC bills outstanding for want of DCC bills for the year ending March 2012

(₹ in crore)		
Year	No. of AC bills outstanding	Amount outstanding
Up to 2009-10	792	19.10
2010-11	70	0.35
2011-12	8	0.05
Total	870	19.50

(Source : Finance Accounts 2011-12)

Department-wise pending DCC bills for the years up to 2011-12 is detailed in **Appendix 3.6**.

3.4.2 Reconciliation of Receipts and Expenditure

According to Para 24.9.3 of the Madhya Pradesh Budget Manual (MPBM), Budget Controlling Officers (BCOs) are responsible for reconciliation of accounts maintained by them with those appearing in the Accountant General (A&E)'s books and for identifying and correcting misclassifications. Even though non-reconciliation of departmental figures is pointed out regularly in our Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2011-12.

We observed that against the total expenditure of ₹ 77,513 crore during 2011-12, reconciliation was carried out by the Controlling Officers for ₹ 74,704.65 crore (96.38 per cent). Controlling Officers of five Departments did not reconcile expenditure amounting to ₹ 2,808.35 crore as of March 2012. Out of these, Controlling Officers of two Departments viz., Education (Public Instructions) and Social Welfare had not reconciled expenditure aggregating ₹ 2,802.45 crore (99.8 per cent of the total unreconciled expenditure) as detailed in **Table 3.6**.

Table 3.6: List of Controlling Officers under whom amounts exceeding ₹ 10 crore in each case remained un-reconciled during 2011-2012

(₹ in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1	Commissioner, Public Instructions, M.P. Bhopal	1,918.45
2	Director, Social Welfare	884.00
Total		2,802.45

(Source: Information furnished by AG (A&E)-I, M.P.)

All DDOs are required to reconcile the receipts of the Government with the figures accounted for by the Accountant General. Such reconciliation had been completed for ₹ 1,036 crore (1.44 per cent only) against the total non-debt receipt of ₹ 71,753 crore of the Government during the year 2011-12. Non-reconciliation of expenditure and receipts by the controlling officers indicated deficient financial management.

3.4.3 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanctions of the State Government. According to the Finance Department's instruction (October 2001), temporary advances taken by Government employees for tours or contingent expenditure should be adjusted within three months from the date of drawal of advance or by the end of the financial year, whichever is earlier, failing which interest as per the interest rate on fixed deposits of State Bank of India should be charged from the responsible employee/officer.

Information available in our Inspection Reports of audited units of DDOs and data furnished by various Departments (to the extent available) revealed that as of 31 March 2012, 5239 cases of advances aggregating ₹ 498.90 crore were pending for adjustment by 138 DDOs in their records. Reasons for non-adjustment of temporary advances had not been intimated by the concerned Departments. Age-wise analysis of advances pending is given in **Table 3.7**.

Table 3.7: Age-wise analysis of cases of advances pending

Sl. No.	Pendency	No. of cases	Amount (₹ in crore)
1	More than 10 years	1448	1.88
2	More than five years upto 10 years	1261	11.90
3	More than one year but less than five years	1472	105.19
4	Less than one year	1058	379.93
Total		5239	498.90

As may be seen from the above Table, more than 27 per cent of the cases are more than 10 years old and thus, the possibility of their recovery appears to be remote. Non-recovery of advances indicated absence of effective internal controls in the concerned Departments.

3.4.4 Delay in Rendition of Accounts

As per Sub Rule 36 of MPTC, monthly accounts should be submitted by the Treasury Officer/Department to the Accountant General (A&E) on the first day of the next month (fifth day of the next month for March).

We observed that there was an average delay of six to ten days in rendition of accounts by the Treasury, Public Works Divisions and Forest Divisions to the Accountant General (A&E). Timely rendition of accounts may be ensured by the Treasury as well as the concerned departments to avoid delay in compilation of accounts.

3.5 Personal Deposit Accounts

As per provisions of the MPTC Part I Sub-Rule 543, Personal Deposit (PD) accounts can be created in the Public Account by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. No PD account is to be continued without the approval of the Finance Department.

- As on 1 April 2011, there were 765 PD accounts having balance of ₹ 2,003.45 crore. During the year 2011-12, 128 PD accounts (involving ₹ 3.93 crore) were opened and seven PD accounts (involving ₹ 0.08 crore) were closed. Thus, there were 886 PD accounts having closing balance aggregating ₹ 2,007.30 crore as on 31 March 2012. The closing balance in the PD accounts indicated that the administrators had not followed the aforesaid provisions of MPTC Part I.
- Our test check of records (July 2012) of the Director, Medicine Cell (*Aushadhi Prakosth*), Bhopal under the Public Health and Family Welfare Department revealed that PD Account no.37 was opened (January 2008) in favour of the Director, Medicine Cell under the New Medicine Purchase Policy for the purpose of purchasing medicines and continued up to 2012-13. The PD account having balances of ₹ 17.91 crore as on 31 March 2012 was not closed at the end of the financial year by minus debit to the relevant service heads. The Department stated (July 2012) that permission for continuance of PD account up to 2012-13 was given on 30 June 2012. The fact remains that permission for continuance of PD account should have been obtained before closing of the financial year (31 March 2012) and thus, the provisions of rule 543 of MPTC Volume I were not adhered to.

The matter was referred to the Government (August 2012 and November 2012); their reply had not been received (November 2012).

3.6 Non-utilisation of Grants-in-Aid for State Specific needs recommended by the Thirteenth Finance Commission and parking of funds in Civil Deposit

During 2011-12 Grants-in-aid amounting to ₹ 102.87 crore¹ on account of Thirteenth Finance Commission Award was received by the Public Health and Family Welfare (₹ 68.00 crore) and Culture (₹ 34.87 crore) Departments.

As per Madhya Pradesh Treasury Code (MPTC) Part 1 Sub Rule 284, no money should be drawn from the Treasury unless it is required for immediate disbursement. During test check of records of the following Departments we noticed that the grants received were not utilised/parked in Civil Deposits.

- (i) **Public Health and Family Welfare Department:** Our test check (July 2012) of records of the Director, Health Services, Bhopal and Appropriation Accounts for the year 2011-12 revealed that under the scheme 4210-01-110-1301 to 1303 Central Finance Commission (General/TSP/SCSP)-6453 Strengthening of Health Infrastructure, budget provision of ₹ 62.50 crore was made under Grant no.19 (General: ₹ 40.65 crore), Grant no.41 (Tribal Area Sub Plan: ₹ 12.50 crore) and Grant no. 64 (Scheduled Caste Sub Plan: ₹ 9.35 crore), approval for which was received on 2 March 2012 from the GOI. Out of this, an expenditure of only ₹ 13.42 crore was incurred, which included ₹ 4.06 crore transferred to 8443-Civil Deposits-800-Other Deposits on 31 March 2012 by exhibiting it as final expenditure in the accounts, ₹ 48.17 crore was surrendered during the year and ₹ 0.91 lakh lapsed. This resulted in actual utilisation of only ₹ 9.36 crore (15 per cent of the provision) during the year indicating lack of control over expenditure by the Department.

The matter was referred to the Government (August 2012 and November 2012); their reply had not been received (November 2012).

- (ii) **Culture Department:** Our test check (July 2012) of records of the Commissioner, Archaeological Records and Museum, Bhopal and Appropriation Accounts for 2011-12 revealed that the GOI approved (30 March 2012) Grants-in-aid of ₹ 34.87 crore for Conservation, Development and management of heritage sites for the year 2011-12. In Grant no.26- Culture under the scheme 2205-800-1301-Central Finance Commission (General)-6464-Development and maintenance works etc. of monuments and museums, an expenditure of ₹ 36.69 crore was incurred which included ₹ 34.87 crore received from GOI and transferred to 8443-Civil Deposits-800-Other Deposits on 31 March 2012 by exhibiting the same as final expenditure in the accounts, which was still lying unutilised (July 2012).

¹ Health Infrastructure: ₹ 62.50 crore and Conservation, Development, Management of Heritage sites: ₹ 34.87 crore and Upgradation of MTH Hospital, Indore: ₹ 5.50 crore

The Department stated (July 2012) that funds were received on the last day of the financial year and could not be utilised during 2011-12. A proposal for release of fund from the Civil Deposit head as per work plan for 2011-12 was sent to the Finance Department (July 2012). The fact remains that the provisions of sub rule 284 of MPTC Part I which states that no money should be drawn from the treasury unless it is required for immediate disbursement were not adhered to as the funds were drawn without immediate requirement and were lying unutilised up to July 2012.

The matter was referred to the Government (August 2012 and November 2012); their reply had not been received (November 2012).

3.7 Conclusion

The Government compliance with various rules and Financial Procedures was deficient. 40405 Utilisation Certificates in respect of grants for an aggregate amount of ₹ 31,418 crore were awaited from the grant sanctioning authorities, indicating lack of proper monitoring by the Departments in the utilisation of grants. There were delays of nine months and above in submission of accounts by 47 autonomous bodies, affecting their transparency and accountability. The Government's compliance towards disposal of cases of losses, misappropriation, etc. amounting to ₹ 46.25 crore was pending. Detailed Countersigned Contingent bills for an amount of ₹ 19.50 crore against Abstract Contingent bills were awaited including ₹ 19.10 crore for the period prior to 2010-11. ₹ 2,007 crore was retained in 886 Personal Deposit Account as at the end of March 2012 in violation of the provisions of Madhya Pradesh Treasury Code. Non-reconciliation of expenditure amounting to ₹ 2,808 crore in respect of Controlling Officers of five Departments was also noticed. All these deficiencies reflected lack of internal controls and ineffective governance in the Departments.

3.8 Recommendations

- The Departments should ensure timely submission of Utilisation Certificates in respect of the grants released to the grantee institutions.
- Timely submission of accounts by Autonomous Bodies should be ensured.
- Departmental enquiries in all cases of misappropriations, losses, etc., should be expedited to bring the defaulters to book. Internal controls should be strengthened to prevent recurrence of such cases.

- Closing of PD Accounts having huge balances as of 31 March 2012 may be taken up on priority and funds transferred to the Consolidated Fund.
- Temporary advances lying outstanding at the end of 2011-12 should be recovered/adjusted forthwith.

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