

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. 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. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including 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 as well as the previous years.

3.1 Outstanding Detailed Contingent bills

Rule 177 of Bihar Treasury Code (BTC) 2011 provides that a certificate shall be furnished by the DDO to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC 2011, countersigned DC bill shall be submitted within six month following that in which the abstract bill was drawn and no abstract bill shall be cashed after the end of this period of six months unless detailed bill has submitted.

Table-3.1: Position of outstanding DC bills

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding DC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2010-11	83528	25279.19	78180	22520.61	5348	2758.58
2011-12	8626	4974.42	4088	4080.01	4538	894.41
2012-13	1863	1692.49	463	738.86	1400	953.63
Total	94017	31946.10	82731	27339.48	11286	4606.62

(Source: Finance Accounts for the year 2012-13)

As indicated in **Table 3.1** out of ₹ 31946.10 crore drawn on 94017 AC bills, only 82731 DC bills for ₹ 27339.48 crore were submitted to the Accountant General (A&E), Bihar. The status of clearance of outstanding DC bills was better as compared to previous year. DC bills in respect of 11286 AC bills for ₹ 4606.62 crore were yet to be submitted.

Scrutiny revealed that out of ₹ 1692.49 crore drawn during 2012-13 on AC bills, a sum of ₹ 372.58 crore (22 per cent) was drawn in March 2013. Of this, ₹ 38.40 crore was drawn during the last day of the financial year. Huge draws during the last month of financial year indicate inadequate financial management and is also fraught with the risk of misappropriation.

3.2 Delay in furnishing utilisation certificates

The term Grants-in-aid includes grants to local bodies, religious, charitable or educational institutions, stipend, scholarship, contributions to public exhibitions etc. Rule 341(2) of Bihar Financial Rules states that only so much of the grant should be paid during the financial year as is likely to be expended during that year, the authority signing or countersigning a bill for Grants-in-aid under Rule 431 of Bihar Treasury Code 1937 should see that money is not drawn in advance of requirement. There should be no occasion for rush for payment of these grants in the month of March. Further, Finance Department's executive order no. 573 dated 16 January 1975, prescribed time of one year from the date of sanction for giving utilisation certificate. This time limit was however, revised to 18 months vide executive order no. 9736 dated 19 October 2011.

Table-3.2: Age-wise arrears of utilisation certificates

(₹ in crore)

Sl. No.	Range in No. of Year	Utilisation Certificates in arrears	
		Number	Amount
1	0-1(*)	518	17453.74
2	1-2(*)	144	6392.21
3	2 and above	860	10840.62
	Total	1522	34686.57

(Source: Finance Accounts for the year 2012-13)

(*) Except where the sanction order specifies otherwise, UCs in respect of grants drawn during 2011-12 (Sanctions after September 2011) and 2012-13 become due only in 2013-14.

However, 1522 UCs aggregating to ₹ 34686.57 crore in respect of grants-in-aid paid upto 2012-13 were in arrears. The age wise arrears of UCs are summarised in **Table 3.2**.

Non submission of UCs was fraught with the risk of the funds released for various schemes/programmes having misused or diverted for unauthorised purposes.

As huge amounts are lying unutilised, oversight of release/utilisation and accountability should be the priority in order to ensure that the funds are not diverted/misused.

3.3 Delays in submission of Accounts/Audit Reports of certain authorities or bodies for certification

Section 20 (i) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, provides for the audit of accounts of any body or authority, if entrusted to the Comptroller and Auditor General by any law or if requested to do so by the Governor of a State having a Legislative Assembly. Such audit could be undertaken on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of the bodies and authorities.

The audit of accounts of the Bihar State Legal Services Authority was entrusted to the Comptroller and Auditor General permanently. Further, the audit of accounts of the Bihar State Khadi and Village Industries Board (BSKVIB), the Bihar State Housing Board (BSHB) and the Rajendra Agriculture University (RAU), Pusa, Samastipur were entrusted to the Comptroller and Auditor General for the period 2009-10, 2004-05 onwards and 2011-12, respectively. The position of submission of accounts by these bodies, issuance of Separate Audit Reports (SARs) by the Comptroller and Auditor General and their placement in the State Legislature are indicated in **Appendix 3.1**.

3.4 Outstanding balances under major suspense 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. The position of gross figures under some of major suspense heads (under Major Head 8658) to the end of last three years is indicated in **Table 3.3**.

Table 3.3: The position of Suspense balances under Major Suspense Heads for the last three years

Name of Minor Head	2010-11		2011-12		2012-13	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101- Pay and Accounts Office Suspense	218.71	Nil	208.11	Nil	214.35	Nil
Net	(Dr.)	218.71	(Dr.)	208.11	(Dr.)	214.35
102- Suspense Accounts (Civil)	876.50	236.22	1433.50	247.08	1707.43	253.37
Net	(Dr.)	640.28	(Dr.)	1186.42	(Dr.)	1454.06
110- R.B. Suspense Central Accounts Office	1231.11	970.02	1223.35	894.70	1237.71	894.60
Net	(Dr.)	261.09	(Dr.)	328.65	(Dr.)	343.11

(Source: Finance Accounts for the year 2012-13)

There is net increase of ₹ 6.24 crore debit under 101-Pay and Accounts office suspense, ₹ 267.64 crore (debit) under 102-Suspense Account (Civil) and ₹ 14.46 crore (debit) under 110-R.B. Suspense-Central Accounts office as compared to 2011-12.

If these amounts remain un-cleared, the balances under the Suspense Heads would accumulate and would not reflect true and fair picture of Government's expenditure. Thus, clearance of outstanding balances under Suspense Heads would require to be vigorously pursued.

3.5 Non-adjustment of Temporary Advances and Imprest

As per Rule 176 of Bihar Treasury Code 2011, no money should be withdrawn from the treasury unless it is required for immediate payment. Further, as per Rules 177, it is not permissible to draw advances in anticipation of expenditure from the Treasury either for the execution of works, completion of which is likely to take a considerable time or to prevent the lapse of appropriation. If under special circumstances, money is drawn in advance, the unspent balance of the amount so drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest possible opportunity and in any case before the end of the financial year in which the amount is drawn.

It was noticed that ₹ 159.91 crore of temporary advances and imprest was drawn upto 31 March 2013 by the DDOs of eight concerned departments. Department wise analysis of advances and imprest pending upto 31 March 2013 is given in **Table 3.4.**

Table-3.4: Department wise analysis of pending Advances and Imprest
(₹ in crore)

Name of the Department	Total amount of unadjusted advance and imprest
Building Construction	14.12
Irrigation	32.70
National Highways	1.04
Public Health Engineering	9.78
Road Construction	68.62
Rural Works	22.62
Planning and Development	5.90
Tube well and Minor Irrigation	5.13
Total	159.91

(Source: Finance Accounts for the year 2012-13)

The pending cases of advances and imprest indicated laxity on the part of departmental officers in enforcing the codal provisions regarding adjustment of the advances involving substantial amount.

3.6 Non-reconciliation of Receipts and Expenditure

Rule 475(viii) of the Bihar Financial Rules provides that the head of departments and the Accountant General (A&E), Bihar will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those of the figure appearing in the books of Accountant General

(A&E). The main object of reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.

Scrutiny, however, revealed that in spite of the case of non-reconciliations of departmental accounts being pointed out in the earlier Reports and pursuance by the Accountant General (A&E), such lapses on the part of controlling officer continued to persist during 2012-13. Against the total expenditure of ₹ 64050.67 crore (except loans and advances) reconciliation was completed for only ₹ 10763.07 crore (16.80 *per cent*) of the total expenditure during 2012-13. Out of the total receipts of ₹ 59566.66 crore, only ₹ 42719.20 crore (71.72 *per cent*) was reconciled by the controlling officer during 2012-13.

3.7 Operations of omnibus Minor Head-800

Booking of receipts or expenditure under the Minor Head ‘800 – Other Receipts’ and ‘800 – Other Expenditure’ is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes etc, to which the amount relate. The head accommodates expenditure which cannot be classified under the available programme minor heads.

During 2012-13, expenditure aggregating ₹ 612.29 crore under 20 Revenue and Capital Major Heads of accounts (representing functions of the Government) on expenditure side was classified under the Minor Head ‘800–Other Expenditure’ constituting about 1.83 *per cent* of the total expenditure under the respective Major Heads. Three Major Heads¹ having expenditure of ₹ 107.69 crore classified as ‘Other Expenditure’ are detailed in **Appendix 3.2**. There is improvement from previous year but yet there is a definite scope for improvement.

Similarly, revenue receipts aggregating to ₹ 578.77 crore under 43 Revenue Major Heads of accounts on receipts side (excluding Grants-in-aid) was classified under the Minor Head ‘800- Other Receipts’ in the accounts constituting 8.77 *per cent* of the total receipt under the respective Major Heads. 17 Major Heads having substantial receipt of ₹ 421.08 crore classified as ‘Other Receipts’ as detailed in **Appendix 3.3**.

Classification of large amounts under the omnibus Minor Head ‘800-Other Expenditure/Receipts’ affected transparency in financial reporting.

3.8 Reporting of cases of Defalcations

Rules 31 and 32 of the Bihar Financial Rules provide that any loss or suspicion thereof, of public money held by or on behalf of the Government caused by defalcation or otherwise should be immediately reported by the officer concerned to his immediate superior official and the Finance Department as well as to the Accountant General even when such loss has been made good by the party responsible. Subsequent to investigation, a complete report should be submitted regarding the nature, extent and reasons leading to such loss and the prospects of affecting its recovery. The officers receiving these reports must forward it forthwith to the Government along with a detailed report, after completing such departmental investigations as may be necessary or expedient, on the causes or circumstances which led to the misappropriation, loss or defalcation and mentioning the disciplinary action proposed against the responsible person. No such report was made available to the Accountant General by the heads of the offices. However, during audit in 2012-13, three cases of defalcation involving ₹ 0.29 crore were reported as pending by the departments. The age-wise/ category-wise break- up of the pending cases is detailed in **Appendix 3.4**.

¹ 2075-Miscellaneous General Services, 3452-Tourism and 5452-Capital outlay on tourism.

3.9 Conclusion

Although the progress in submission of D C bills against A C bills during the year was better, however, it needs further improvement. Delays in submission of utilisation certificates should be avoided. Placement of Separate Audit Reports in the legislature is also a matter of concern for the State Government. Large amount of receipts and expenditure were classified under the omnibus minor head '800-Other Receipts/Expenditure' during 2012-13.

3.10 Recommendations

The Government should:

- Put in place a rigorous monitoring mechanism in the departments to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules;
- Ensure timely submission of utilisation certificates in respect of grants released for specific purpose to the grantee institutions;
- Ensure timely placement of Separate Audit Reports in the legislature;
- Ensure timely reconciliation of departmental figures of receipt and expenditure;
- Ensure corrections in financial reporting by classifying the amounts received or expended under various schemes in the accounts distinctly instead of clubbing the same under the minor head '800-Other Expenditure' and '800-Other Receipts'.

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