

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 compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic 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 Status of submission of accounts by Autonomous Bodies

There are 30 Autonomous Bodies in the State of which audit of accounts of two Autonomous Bodies has been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit and rendering of accounts by the Autonomous Bodies are given in **Table 3.1**.

Table- 3.1: Position of submission of Accounts

Name of the Body	Period of entrustment	Year upto which accounts were rendered
Chhattisgarh Housing Board	2004-05 to 2009-10 and 2007-08 to 2011-12	No account rendered till September 2012
Chhattisgarh State and District Legal Services Authority	2007-08 to 2011-12	No account rendered till September 2012

Thus, a total of 13 Accounts are due from Chhattisgarh Housing Board (8) and Chhattisgarh State and District Legal Services Authority (5). Non-submission of accounts is fraught with the risk of fraud and leakage of public money.

3.2 Misappropriation, losses, defalcation, etc.

Rules 22 and 23 of the Chhattisgarh Financial Rules provides that each and every case of loss, misappropriation and defalcation should be intimated to the Accountant General. A total of 1631 cases involving Government money of ₹ 16.49 crore as reported by the State Government to Accountant General (Audit) were awaiting conclusive investigation and settlement at the end of 31 March 2012. Year-wise analysis of such cases is shown in *Appendix-3.1*. The Department-wise and category-wise break up of pending cases is given in *Appendix-3.2*. The age-profile of the pending cases and the number of cases pending in each category viz. theft and misappropriation/loss are summarised in **Table-3.2**.

Table-3.2: Profile of misappropriation, losses, defalcation, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0 - 5	319	508.15	Theft	195	96.52
5 - 10	314	298.85			
10 - 15	160	321.44	Misappropriation/ Loss of materials	1436	1,552.22
15 - 20	263	237.20			
20 - 25	232	211.33			
25 & above	343	71.77			
Total	1631	1,648.74	Total pending cases	1631	1,648.74

(Source: Cases reported by the Departments of the State Government)

Further analysis indicates that the reasons for which the cases were outstanding could be classified under the five categories listed in the following Table.

Table-3.3: Reasons for outstanding cases of misappropriation, losses, defalcation, etc.

(₹ in crore)

Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	312	2.79
2	Departmental action initiated but not finalised	115	0.50
3	Criminal proceedings finalised but execution of certificate cases for recovery of the amount pending	18	0.11
4	Awaiting orders for recovery or write off	1126	11.97
5	Pending in the courts of law	60	1.12
	Total	1631	16.49

(Source: Information received from the Departments of the State Government)

It can be seen from the above Table that in 1631 cases departmental action was pending. Further, 69 per cent of the cases were outstanding as orders for recovery or write off were awaited.

3.3 Status of Abstract contingent bills and temporary advances

3.3.1 Status of submission of Detailed Contingent bills against Abstract Contingent bills

As per Rule 313 of the Chhattisgarh State Treasury Code, every Drawing officer has to certify in each abstract contingent (AC) bill that detailed contingent (DC) 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). As per information received from Accountant General (A&E), detailed bills aggregating to ₹ 33.59 crore were received during the period 2006-2012 and all the outstanding AC bills have been cleared by drawing DC bills as on 31 March 2012. Year-wise details are given in **Table-3.4**.

Table-3.4: Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

(₹ in crore)

Year	Opening balance		AC bills drawn during year		DCC bills submitted during the year		Outstanding AC bills	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2006-07	275	2.95	284	5.82	169	1.58	390	7.19
2007-08	390	7.19	98	1.43	3	0.13	485	8.49
2008-09	485	8.49	471	8.70	217	3.78	739	13.41
2009-10	739	13.41	30	0.55	--	--	769	13.96
2010-11	769	13.96	187	7.21	886	16.64	70	4.53
2011-12	70	4.53	208	6.93	278	11.46	--	--
Total			1278	30.64	1553	33.59		

(Source: Information received from the office of the Accountant General (A&E).)

3.3.2 Non-adjustment of temporary advances

According to Rule 53 (4) of the Chhattisgarh State Financial Code, temporary advance as far as possible should be adjusted at the earliest and under no circumstances should it be extended beyond three months from the date of drawal. The Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government.

Information obtained from the Accountant General (A&E) revealed that 139¹ cases of temporary advances aggregating to ₹ 1.79 crore in Public Works Department, Public Health and Engineering Department and Water Resources Department were pending for adjustment by DDOs as on 31 March 2012.

3.4 Advances from Contingency Fund

As per the Contingency Fund Act, 2001 of the State, no advances shall be made out of the Fund, except for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State under appropriation made by law. The Fund is operated in the form of an imprest with corpus limit of ₹ 40 crore. The following instances of departure from the procedure laid down in the Act, *ibid*, regarding drawal of funds from the Contingency Fund were noticed.

- An amount of ₹ two crore was sanctioned (November 2011) to General Administration Department as advance for payment of pending bills of *Rajyostav* pertaining to previous years and for the year 2011.

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Name of the Department	Number of cases	Amount outstanding as on 31 March 2012 (₹ in crore)
Public Works Department	50	0.95
Water Resources Department	62	0.75
Public Health Engineering	27	0.09
Total	139	1.79

- An amount of ₹ 15 lakh was sanctioned (October 2011) to Public Works Department as advance for construction of Transit Hostel Building for officers and staff at District Headquarters Gariaband and Balrampur.
- An amount of ₹ five lakh was sanctioned (August 2011) to Economic and Statistical Department as advance for consultation on effective implementation and quality review of schemes of the State Government.

The expenditure incurred cannot be termed as an expenditure of unforeseen and emergent nature and hence the withdrawals from the Contingency Fund were not justified.

3.5 Personal Deposit accounts

As per Rule 543 of Chhattisgarh Financial Rules, the Personal Deposit (PD) accounts which are opened with the prior permission of the Finance Department are required to be closed at the end of the financial year. Accordingly, the PD accounts created for parking funds by debit to the Consolidated Fund of the State should be closed at the end of the financial year by minus debit to the relevant service heads.

We observed that there were 143 PD Accounts in 19 District treasuries and sub -treasuries involving ₹ 729.22 crore as of March 2012, out of which 89 PD Accounts involving ₹ 18.09 crore were not operated for more than three years. This included two² PD accounts with a balance of ₹ 1.49 crore and ₹ 1.26 crore lying unchanged since September 2003 and March 2006 respectively. Out of the 89 inoperative PD Accounts, 63 were pertaining to the period from 1999 to 2001. The amounts lying in these inoperative accounts were not transferred back to their respective Service Heads as pointed out by the Accountant General (A&E) during inspection of the respective treasuries during 2011-12.

Details of age-wise inoperative PD accounts are given in Table 3.5.below:

Table 3.5: Details of inoperative PD Accounts

Year	No. of inoperative PD Accounts	Amount (₹ in crore)
3-5	14	2.15
5-10	28	15.69
10-15	46	0.25
15 years and above	1	- ³
Total	89	18.09

(Source: Treasury inspection Report of AG (A&E))

Keeping the funds in PD accounts and not utilising the same for a considerable period inflated the revenue expenditure and locked up the resources which could otherwise have been utilised gainfully for developmental purposes elsewhere.

² Land Acquisition Officer, Rajnandgaon (₹ 1.49 crore) and Engineering College, Raipur (₹ 1.26 crore)

³ The amount of PD account was not mentioned due to negligible amount (₹ 4050)

3.6 Conclusion

A total of 13 Accounts of two Autonomous Bodies were not submitted to Accountant General (Audit) Chhattisgarh till September 2012. Out of 1631 pending cases of misappropriation, losses, defalcation etc., 312 cases involving ₹ 2.79 crore were pending for want of initiation of departmental and criminal investigations and of the total pending cases, 575 cases involving ₹ 283.10 crore were pending for more than 20 years. As on 31 March 2012, 139 cases of temporary advances amounting to ₹ 1.79 crore were pending for adjustment. Withdrawals were made from the Contingency Fund for expenses which were not of contingent nature. 89 out of 143 Personal Deposit Accounts, involving ₹ 18 crore, were not operated for more than three years.

3.7 Recommendations

- Departmental enquiries in cases involving misappropriation, losses, defalcation etc., should be initiated promptly and completed expeditiously. Internal control mechanism in the concerned Departments should be strengthened to prevent recurrence of such cases.
- Codal provisions for sanction of advances from the Contingency Fund should be adhered to strictly.
- Personal Deposit accounts should be closed at the end of the financial year and amounts lying in non-operative PD accounts should be transferred back to their respective service heads.

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