

CHAPTER 3

Background

In Jharkhand, funds drawn from the treasury as advances in Abstract Contingent (AC) bills have been unusually large. During the period 2000-12, a total amount of ₹ 13,543 crore was drawn on 53,548 AC bills, of which ₹ 6,861 crore involving 25,611 bills remained outstanding as on 30 June 2012. The advances remained unadjusted as long as the Controlling Officers (COs) did not submit the Detailed Contingent (DC) bills with supporting vouchers to the Accountant General (A&E). Resultantly, the total amount of outstanding AC bills has been increasing from ₹ 4,208 crore at the end of 2008-09 to ₹ 6,861 crore at the end of 2011-12 and we in Audit are unable to provide an assurance as to whether the advances drawn have been utilised for the purposes for which those were sanctioned. In Jharkhand, funds provided for development programmes were also drawn in AC bills for transfer to the implementing agencies of the programmes.

3.1 Introduction

Rule 290 of the Jharkhand Treasury Code (JTC) defines contingent charges as “all incidental and other expenses which are incurred for management of an office as an office or for technical working of the departments”. Contingent charges requiring countersignature of the CO after payment, can be drawn as an advance from the Treasury in an AC bill (T.C. Form 38), without any supporting voucher (Rule 318 of the JTC). The expenditure is debited under the relevant service head and the DC bill (in T.C. Form 39)¹ supported with sub-vouchers and countersigned by the CO² is required to be submitted to the Accountant General (A&E) not later than 25th of the month³ following that to which they relate. A certificate to the effect that the monthly detailed bills for AC bills drawn in the previous month have been submitted for countersignature to the CO shall be attached to the first AC bill presented for payment after the 10th of each month (Rule 319 of the JTC).

Further, as per Rule 300 of the JTC, while submitting a contingent bill to the Treasury in the last week of a financial year, the Drawing and Disbursing Officer (DDO) is required to certify that payment of the bill amount will be made within the financial year and undisbursed amount, if any, will be deposited into the Treasury by 31 March of the financial year.

On receipt of the DC bills in office of the Accountant General (A&E), the same are adjusted, after scrutiny of sub-vouchers, against the concerned AC bills and the differences or disallowances are noted for recovery, and adjustment made in case of misclassification. However, the responsibility for

¹ Rule 320 of JTC

² If there is no Controlling Officer, it may be signed by the Head of the office and directly sent to the Accountant General (A&E).

³ Rule 322 of JTC

the effective control of contingent expenditure rests primarily upon the heads of offices and with the countersigning authorities in case of AC bills.

A compliance audit of the withdrawal of funds in AC bills during the period 2009-12 was conducted during July-August 2012. Three Departments (Home, Human Resources Development and Rural Development) having high value of outstanding AC bills were selected in Audit. During the period 2009-12, ₹ 3,368 crore was drawn through AC bills in the State, of which the outstanding amount was ₹ 2,653 crore, as shown in **Table 3.1**. In the three selected Departments, ₹ 1,731.27 crore was drawn during the period, of which ₹ 1,456.72 crore remained outstanding (*Appendix 3.1*). The AC bills amounting to ₹ 1,170.16 crore⁴ (35 per cent of total AC bills during 2009-12) drawn by 30 DDOs through 245 AC bills in the three selected Departments were examined.

3.2 Trends of drawal of AC bills

At the time of drawal of funds through AC bill, the expenditure is booked under the relevant service head. Therefore, it is essential to ensure utilisation of such funds for the specific purpose within the stipulated period⁵, but not later than 31 March of the financial year⁶. Non-submission of DC bills on time entails breach of financial discipline and leads to risk of misappropriation. The funds drawn through AC bills during the period 2000-12, DC bills submitted and the outstanding amounts against these bills are detailed in **Table 3.1**:

Table 3.1: Outstanding Abstract Contingent bills

(₹ in crore)

Year	AC bills drawn		DC bills submitted		Outstanding AC bills		Percentage of outstanding amount
	Number	Amount	Number	Amount	Number	Amount	
2000-2009	48,783	10,175	26,826	5,967	21,957	4,208	41
2009-2010	2,084	997	598	391	1,486	606	61
2010-2011	1,622	771	420	194	1,202	577	75
2011-2012	1,059	1,600	93	130	966	1,470	92
Total (2009-12)	4765	3368	1111	715	3654	2653	79
Grand Total	53,548	13,543	27,937	6,682	25,611	6,861	51

Source: Notes to Accounts in Finance Accounts 2011-12

It would be seen from the above that out of the total outstanding amount of ₹ 6,861 crore, an amount of ₹ 4,208 crore (61 per cent) was more than three years old. On an average, outstanding amount pertaining to 2000-09 was 41 per cent of the total amounts drawn through AC bills during the period, while the pendency increased during the years 2009-10, 2010-11 and 2011-12 to 61 per cent, 75 per cent and 92 per cent respectively of the total amount of AC bills drawn during that year.

We observed that drawal of funds through AC bills during 2010-11 decreased by 23 per cent over the previous year, while the amounts increased sharply by 108 per cent during 2011-12. We also observed that the outstanding amount of

⁴ Home ₹ 307.54 crore (110 bills), Human Resources Development ₹ 704.82 crore (52 bills), Rural Development/Panchayati Raj & NREP (Spl. Division) ₹ 157.80 crore (83 bills)

⁵ From 1st of a month to 10th of the next month, for submission of detailed bills to the CO for countersignature (Rule 319 of the JTC)

⁶ Rule 300 of JTC

AC bills at the end of 2011-12 was higher than the outstanding amounts⁷ of 2009-10 (₹ 6,366 crore) and 2010-11 (₹ 6,239 crore).

Of the selected Departments, in Human Resources Development Department, the amounts drawn in AC bills decreased from ₹ 73.24 crore (94 bills) in 2009-10 to ₹ 54.14 crore (54 bills) in 2010-11 and then increased to ₹ 678.88 crore (43 bills) in 2011-12. The outstanding amounts of AC bills also decreased from ₹ 70.30 crore (87 bills) in 2009-10 to ₹ 43.97 crore (49 bills) in 2010-11 and then increased to ₹ 665.50 crore (37 bills) in 2011-12. Scrutiny revealed that during 2011-12, ₹ 607 crore drawn on six AC bills related to Sarva Shiksha Abhiyan, for which DC bills were outstanding.

Similarly, in Home Department, the amounts drawn in AC bills decreased from ₹ 156.50 crore (291 bills) in 2009-10 to ₹ 68.96 crore (97 bills) in 2010-11 and then increased to ₹ 242.05 crore (79 bills) in 2011-12. The outstanding amounts of AC bills also decreased from ₹ 90 crore (210 bills) in 2009-10 to ₹ 15.68 crore (60 bills) in 2010-11 and then increased to ₹ 223.15 crore (66 bills) in 2011-12. Scrutiny of selected AC bills revealed that during 2011-12, ₹ 208.36 crore drawn in seven AC bills related to Modernisation of Police Force, for which DC bills were not submitted.

On the other hand, in Rural Development Department, the amounts drawn in AC bills increased from ₹ 145.81 crore (149 bills) in 2009-10 to ₹ 183.46 crore (206 bills) in 2010-11 and then decreased to ₹ 128.23 crore (106 bills) in 2011-12. The outstanding amount of AC bills also increased from ₹ 88.30 crore (140 bills) in 2009-10 to ₹ 136.68 crore (192 bills) in 2010-11 and then decreased to ₹ 123.14 crore (102 bills) in 2011-12.

The details in respect of these Departments are shown in *Appendix 3.1*.

3.3 Drawal of Plan funds in AC bills

Drawal of Plan funds in AC bill is not permissible as the same are not of contingent nature. We observed that out of a total amount of ₹ 1,600 crore drawn on 1059 AC bills in the State during 2011-12, ₹ 1,418 crore⁸ (89 per cent) were Plan funds.

- An analysis of outstanding amounts of AC bills at the end of the year 2011-12 in Jharkhand vis-à-vis four other States (Bihar, Uttar Pradesh, Madhya Pradesh and Chhattisgarh) showed that the pendency was much higher in Jharkhand, as compared to these States (except Bihar), as shown in **Table 3.2**, mainly because of drawal of Plan funds in AC bills in Jharkhand.

Table 3.2: Outstanding amount of AC bills

Year	(₹ in crore)				
	Jharkhand	Bihar	Uttar Pradesh	Madhya Pradesh	Chhattisgarh
2011-12	6,861	18,798	158	20	Nil

Source: Notes to Accounts in Finance Accounts (2011-12)

- Further, out of the test-checked AC bills amounting to ₹ 1,170.16 crore (2009-12), ₹ 1,033.54 crore (88 per cent) related to flagship programmes (₹ 933.75 crore) and State Plan schemes (₹ 99.79 crore). Major portion of

⁷ Report on State Finances 2009-10 and 2010-11

⁸ Annexure 'D' in Notes to Accounts of Finance Accounts 2011-12

flagship programme funds pertained to Sarva Shiksha Abhiyan (₹ 607 crore), which were released to the implementing agency, the Jharkhand Education Project Council. In addition, Plan expenditure/Capital expenditure amounting to ₹ 83.46 crore was also incurred by drawing funds through AC bills. The details are given in **Appendix 3.2**.

Drawal of AC bills for incurring Plan/Capital expenditure was in violation of the codal provision (Rule 318 of the JTC, which stipulates drawal of AC bills only for the purpose of contingent charges). Besides, there was remote possibility of spending the Programme funds within the stipulated period⁹ for utilisation of funds drawn in AC bills.

- As indicated in the 'Notes to Accounts' of Finance Accounts, Government of Jharkhand 2011-12, the classification of budget provision under the object head for the Central Plan/Centrally Sponsored Programme, such as Sarva Shiksha Abhiyan, Mid Day Meal, Indira Awaas Yojana, Mahatma Gandhi National Rural Employment Guarantee Scheme, etc. was '70- State contribution' for State share and '69-Central contribution' for Central share. Though the funds for these programmes were to be released to the implementing agencies as Grants-in-Aid (GIA), the State Budget did not have the object head 'Grants-in-aid' under these Programme heads, unlike other neighbouring States¹⁰. Due to non-provision of funds for flagship programmes in the State budget as GIA, the Departments could not draw the funds in GIA bill. Further, while releasing the funds, the drawing officers directed the implementing agencies to submit the utilisation certificates (UCs) as the expenditure was not of contingent nature. This was one of the reasons for the high outstanding AC bill amounts in Jharkhand as compared to three other States, as shown in **Table 3.2**.
- As per Para 15 of Bihar Finance Department's orders dated 17 April 1998, as adopted by Jharkhand State, the Secretary of an Administrative Department may allow the DDOs to draw funds in advance only for procurement of such material for which there is requirement of making advance payment to the supplier.

While scrutinising the AC bills of Human Resources Development Department we noticed that the Department while sanctioning funds for Sarva Shiksha Abhiyan and Saakshar Bharat Programme, allowed (2011-12) the DDO to draw the entire programme funds of ₹ 611 crore (Sl. 1 and 3 of **Appendix 3.2**) in advance, quoting the provision of the Finance Department's orders dated 17 April 1998. Sanction of advance drawal of the entire programme funds was in contravention of the Government orders.

⁹ From 1st of a month to 10th of the next month, i.e. 1 to 40 days (Rule 319 of the JTC), but not later than 31 March of the financial year (Rule 300 of the JTC)

¹⁰ The State Budget in Madhya Pradesh and Chhattisgarh contains a separate object head 'Grants-in-aid' for the Central Plan Schemes, which indicate the nature of expenditure. For indicating the source of fund, there is a separate detailed head 'Central share/State share' under the object head. Also, drawal of Abstract Contingent bill is prohibited in both the States.

3.4 Unauthorised drawal of funds in AC bill for Capital works

Rule 318 of the JTC, stipulates drawal of AC bills only for the purpose of contingent charges. Therefore, drawal of funds in AC bill for Capital works is not permissible.

We noticed (July 2012) that based on the Home Department's sanction of funds for construction of buildings at Sub-jail at Chakradharpur, the Superintendent, Mandal Kara, Chaibasa had drawn AC bills for ₹ 14.38 crore (October 2010 to August 2011) and transferred the funds to the Executive Engineer, Building Construction Division for execution of the work. Of this, ₹ 4.96 lakh was spent on soil testing. The funds of ₹ 14.33 crore remained unutilised as of July 2012 due to delay in acquisition of land. Drawal of AC bills for capital works and also transfer of funds before acquisition of land was irregular.

3.5 Drawal of AC bills at the end of the financial year

As per provisions of the Appropriation Act, the funds drawn from the Treasury should be utilised within the financial year. Further, Rule 300 of the Jharkhand Treasury Code stipulates that no money should be withdrawn from the 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 execution of works, the completion of which is likely to take a considerable time or to prevent the lapse of appropriations. Also, while drawing funds from the Treasury in the last week of March the DDO is required to certify that all funds drawn will be paid within the financial year.

During 2011-12, Plan funds of ₹ 888.98 crore¹¹ (63 per cent of total Plan funds drawn in AC bills) were drawn in March 2012. In the three selected Departments, the amounts drawn at the fag end of the financial year through AC bills (test-checked cases) during 2009-12 are shown in **Table 3.3**:

Table 3.3 :Drawal of test checked AC bills at the end of the financial year

(₹ in crore)

Department	Total Drawal		Drawn in March		Drawn in last week of March		Drawn on 31 st March	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Home	110	307.54	66	93.11 (30)	29	42.86 (14)	15	28.16 (9)
Human Resources Development	52	704.82	37	479.09 (68)	23	48.76 (7)	15	47.79 (7)
Rural Development/ Panchayati Raj & NREP (Spl. Div)	83	157.80	55	84.43 (54)	40	67.78 (43)	20	40.41 (26)
Total	245	1170.16	158	656.63 (56)	92	159.40 (14)	50	116.36 (10)

Source : Voucher Level Computerisation(VLC) database

Figures in brackets shows the percentage value to the total amount drawn through AC bills

We observed that out of ₹ 1,170.16 crore drawn during the years 2009-10 to 2011-12, ₹ 656.63 crore (56 per cent) was drawn in the month of March. Of

¹¹Annexure 'E' of Notes to Accounts of Finance Accounts (2011-12)

these, ₹ 159.40 crore (14 per cent) was drawn in the last week of March. The amount drawn on the last day of the year was ₹ 116.36 crore. The programme funds drawn in the month of March, particularly during the last week of the month, were not likely to be utilised within that financial year.

- Test-check of records of three DDOs¹² in Human Resources Development Department revealed that the DDOs withdrew (March 2010 and March 2012) ₹ 14.17 crore through AC bills for implementation of various programmes¹³. Of these, ₹ 10.50 crore was disbursed during the next financial year and ₹ 3.67 crore remained undisbursed with them (July/August 2012). Out of the disbursed amount, the implementing agencies utilised only ₹ 7.50 crore as of July/August 2012 (*Appendix 3.3*). Thus, drawal of ₹ 14.17 crore in AC bills, not required for immediate payment, was in violation of the Appropriation Act and the provisions of the JTC.

3.6 Repeated drawal of funds in AC bills

Our scrutiny of the test-checked AC bills revealed that 23 DDOs (*Table 3.4*) repeatedly withdrew (2009-12) funds amounting to ₹ 1,109.54 crore through 223 AC bills without submitting the DC bills against the previously drawn AC bills, in contravention of Rules 319 and 320 of the JTC. The details are given in *Appendix 3.4*.

Table 3.4: Repeated drawal of funds through AC bills

(₹ in crore)				
Sl.	Department	No. of DDOs	No. of Bills	Amount
1	Human Resources Development	6	50	700.06
2	Home	9	108	304.45
3	Rural Development and Panchayati Raj & NREP (Special Division)	8	65	105.03
Total		23	223	1109.54

Source : VLC database

The AC bill (TC Form 38) contains a certificate of the DDO that DC bills for all contingent charges drawn prior to the 1st of the current month had been forwarded to the respective controlling officers for countersignature and transmission to Accountant General (A&E). In all the above cases the DDOs signed such certificates while presenting the AC bills to the treasuries. Thus, the DDOs furnished wrong certificates for drawing AC bills, as DC bills were found outstanding against the AC bills drawn earlier.

3.7 Funds drawn on AC bills kept in bank account

As per provisions of the JTC, funds should not be drawn unless required for immediate disbursement. Further, financial rules prohibit keeping of Government money outside Government accounts. We observed that funds drawn in AC bills were transferred to the implementing agencies, which were kept in bank accounts by them, as discussed below:

¹² District Superintendents of Education, Dhanbad, Godda and Palamu

¹³ Construction of school buildings, store-cum-kitchen shed under MDM and seminar for educational programme.

- Finance Department's resolution (January 2007) and Home Department's instructions (March 2007) envisaged that funds received by the Board/Corporation from the State Government will be kept in the Personal Ledger (PL) Account. It was noticed that during the year 2009-12, Inspector General (Modernisation & Provisioning) drew ₹ 274.96 crore¹⁴ (Sl. 4 of **Appendix 3.2**) through AC bills and transferred the funds to the Jharkhand Police Housing Corporation Limited¹⁵ (JPHCL) for construction of police buildings. Further, Superintendent of Police, Khunti drew (October 2010) ₹ 1.09 crore (included in Sl. 9 of **Appendix 3.2**) through AC bill and transferred (November 2010) the funds to the JPHCL for construction of portable huts for Kobra camp. Out of ₹ 276.05 crore available, the JPHCL kept ₹ 209.36 crore in PL Account and ₹ 66.69 crore in savings bank accounts. Scrutiny revealed that the JPHCL executed agreements with contractors for works valued ₹ 119.41 crore, as of July 2012. Thus, drawal of ₹ 156.64 crore, not intended for immediate payment, was in violation of Rule 300 of JTC. Further, keeping of ₹ 66.69 crore (**Appendix 3.5**) in savings bank accounts was also in violation of the Department's instructions.
- For construction of Block-cum-Circle office, residence of Block Development Officer and development of Block campus in two Blocks¹⁶, the Rural Development Department sanctioned (April 2010) ₹ 6.20 crore, and allowed advance drawal (May 2010 and February 2011) of ₹ 3.88 crore to DC, Chatra. The amount was drawn (March 2011) in AC bills and kept in savings bank account, of which ₹ 0.95 crore was utilised up to June 2012 and ₹ 2.93 crore remained in the savings bank account.
- Further, the Rural Development Department allotted ₹ Six lakh in January 2011, ₹ 30 lakh in March 2011 and ₹ 24 lakh in March 2012 to Deputy Commissioner, Ranchi for purchase of 10 vehicles for use in 10 Blocks. The Department allowed advance drawal of funds for payment of advance to the supplier. The DC, Ranchi drew the amounts (March 2011 and March 2012) on AC bills and kept the same in current bank account. Payment of ₹ 36 lakh was made (between April 2011 and January 2012) only on delivery of the vehicles and ₹ 24 lakh was lying in the bank account (August 2012). Drawal of funds in AC bills not required for immediate payment and keeping the funds in bank accounts was irregular.
- Based on sanction (May 2011) of the Panchayati Raj & NREP (Spl. Division) Department for installation of basic infrastructure in 121 Panchayat Headquarters, the Deputy Commissioner, Ranchi drew (October 2011) ₹ 10 crore in AC bill and kept the same in savings bank account. Of this, ₹ 9.68 crore was released in March to April 2012 to the Electrical Supply Circle, Ranchi but the amount could not be utilised as of June 2012.

¹⁴ ₹ 66.60 crore in 2009-10 and ₹ 208.36 crore in 2011-12

¹⁵ JPHCL was created by a resolution (February 2002) of Home Department, Government of Jharkhand for executing construction and maintenance works of Police buildings in the State and registered as company in March 2002.

¹⁶ Kanhachatti & Mayurhand

3.8 Lack of response to Audit

The issue of large amount of outstanding AC bills has repeatedly been brought to the notice of the State Government through our Audit Reports. The Accountant General (A&E) Jharkhand, Ranchi had also pointed out (March 2010) various irregularities in drawal of AC bills to the Chief Secretary to Government. He also recommended discontinuance of the practice of drawal of AC bills under Plan heads and transfer of money out of the Consolidated Fund of the State into bank accounts. Though the Chief Secretary issued instructions (March 2010) to all the Secretaries and Principal Secretaries for adoption of the recommendations of the Accountant General (A&E) as well as strict adherence to the provisions of the Jharkhand Treasury Code and Jharkhand Financial Rules regarding drawal of AC bills and submission of DC bills, the irregularities pointed out by us were still persisting in the selected Departments. Further, the Finance Department and the three selected Departments did not respond to our request (3 October 2012) to intimate the steps taken by them, pursuant to the Chief Secretary's instructions of March 2010, to prevent the irregular drawal of AC bills and ensure timely submission of detailed bills.

3.9 Conclusion

In Jharkhand, huge amounts (₹ 13,543 crore) were drawn on Abstract Contingent (AC) bills during 2000-12 and the bills remained outstanding (₹ 6,861 crore as of June 2012) for long periods due to non-submission of Detailed Contingent (DC) bills. AC bills were found drawn for purposes for which advance drawal was not permissible. The Departments drew AC bills even for programme implementation and other Plan/Capital expenditure. AC bills were repeatedly drawn by the DDOs by furnishing wrong certificates regarding submission of DC bills in respect of AC bills drawn earlier. We also observed that Plan funds, though not required for immediate payment, were drawn through AC bills at the fag end of financial year to avoid lapse of budget allotment. Also, unspent funds drawn in AC bills were kept in bank accounts and not deposited into the Government account. Further, non-provisioning of funds for flagship programmes in the State budget as Grants-in-aid resulted in drawal of the same through AC bills.

3.10 Recommendations

- Funds should be drawn through AC bills only for contingent charges. Drawal of AC bills for expenditure not of contingent nature should be prohibited.
- Funds for flagship programmes should be provisioned as Grants-in-aid in the State Budget and such funds should not be drawn in AC bill.
- Unspent amounts drawn through AC bills should be immediately deposited into the treasury. The funds retained unauthorisedly in bank accounts should also be remitted to the Government account immediately.
- A suitable mechanism should be instituted at the Treasury to verify the actual submission of DC bills against the previously drawn AC bills, before fresh AC bills are drawn by the DDOs.