

CHAPTER 4

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 year 2011-12.

4.1 Delay in furnishing Utilisation Certificates against grants paid

According to Rule 341 of the Bihar Financial Rules (as adopted by Jharkhand), unless in any case the Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant. According to Note 2 below Rule 342 of the Rules, if Grants-in-aids (GIA) 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 Accountant General (A&E), Jharkhand within 12 months from the date of their sanction.

It was noticed that 5732 UCs due in respect of grants aggregating ₹ 6,936.04 crore paid up to 2010-11, were outstanding at the end of March 2012. A major part of such UCs was outstanding against three Departments, viz. Industries (490 UCs aggregating ₹ 1,619.37 crore), Human Resources Development Department (326 UCs aggregating ₹ 1,247.54 crore) and Urban Development Department (3645 UCs aggregating ₹ 936.24 crore). The Department-wise break-up of outstanding UCs is given in *Appendix 4.1*.

As on 30 September 2012, the number and amount of outstanding UCs were reduced to 5232 and ₹ 6,836.04 crore respectively, as shown in **Table 4.1**.

Table 4.1: Outstanding Utilisation Certificates (as on 30.09.2012)

Sl. No.	Year in which GIA disbursed	Year in which UCs due	Utilisation Certificates Outstanding	
			Number	Amount (₹ in crore)
1	Up to 2007-08	Up to 2008-09	1942	2468.28
2	2008-09	2009-10	636	778.28
3	2009-10	2010-11	1230	1139.15
4	2010-11	2011-12	1424	2450.33
Total Number of UCs awaited			5232	6836.04

Source: Finance Accounts of Government of Jharkhand 2011-12

Non-receipt of UCs for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of the grants for the intended purposes.

4.2 Delay in submission of accounts by Autonomous Bodies/Authorities

4.2.1 Autonomous Bodies/Authorities under Sections 14 and 15

There are 82 Autonomous Bodies and Authorities in the State (pertaining to five¹ Departments) which are financed by the State Government through grants and loans. As of September 2012, Accounts of eight Bodies and Authorities have been received by the Principal Accountant General (Audit), Jharkhand up to the year 2011-12. The age-wise pendency in receipt of the accounts of 74 Bodies and Authorities is shown in **Table 4.2**.

Table 4.2: Age-wise pendency of Annual Accounts

Delay in number of years	Number of Bodies/Authorities
0 - 1	18
1 - 3	33
3 - 5	20
5 - 7	02
7 - 9	Nil
9 and above	01
Total	74

As given in **Table 4.2**, it can be seen that in respect of 51 Bodies and Authorities submission of accounts were delayed up to three years, accounts of 22 Bodies and Authorities were delayed by three to seven years while the account of one Autonomous Body was delayed by more than nine years. The details are given in *Appendix 4.2*.

Due to non-receipt of the detailed information about the financial assistance given by the Government, the purpose of assistance granted and the total expenditure, the Bodies and Authorities which attract audit under the Sections 14 and 15 of CAG's (Duties, Powers and Conditions of Service) Act, 1971, were not ascertainable.

4.2.2 Autonomous Bodies/Authorities under section 19 and 20 (i)

There are two Autonomous Bodies² in the State which are audited under Sections 19 and 20 (i) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 with regard to verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial controls, review of systems and procedures etc.

¹ Art, Culture, Sports & Youth Affairs; Human Resources and Development; Health & Family Welfare; Rural Development and Welfare.

² (i) Birsa Agriculture University, (ii) Jharkhand State Electricity Regulatory Commission.

Of the two Autonomous Bodies, the Birsa Agriculture University (BAU) submitted their accounts of 2005-06 in 2009-10 to the Principal Accountant General (Audit), Jharkhand, for audit, while the Jharkhand State Electricity Regulatory Commission (JSERC) submitted their accounts from 2003-04 to 2010-11 in 2011-12. Audit of BAU had been completed for the year 2005-06 and the Separate Audit Report (SAR) was issued in October 2010. Audit of the JSERC had been completed up to the year 2008-09. The SARs of JSERC for the years 2003-04 and 2004-05 were issued in May 2012 and for 2005-06 and 2006-07 were issued in August 2012. The SAR of JSERC for the years 2007-08 and 2008-09 are yet to be issued.

Information regarding placement of SARs in the State Legislature has not been intimated to Principal Accountant General (Audit) as of November 2012.

4.3 Misappropriation, losses etc.

Rule 31 of the Bihar Financial Rules, as adopted by Jharkhand, provides that loss of public money, government revenue, stores or other property carried by defalcations or otherwise should be immediately reported by the office to the higher authority as well as to the Principal Accountant General (Audit), Jharkhand.

As per information received from 37 Government offices, there were six cases of theft, misappropriation, losses etc. in four offices³ involving Government money amounting to ₹ 41.93 lakh at the end of 2011-12 on which departmental action/execution of certificate case for recovery of losses were pending or the cases were pending in the Court of law, as of September 2012. Department wise break-up of these cases involving ₹ 41.93 lakh is given in **Appendix 4.3**. The age profile of pending cases with number of cases pending in each category- theft and misappropriation is given in **Table 4.3**.

Table 4.3: Profile of Misappropriation, losses etc.

(₹ in lakh)

Age profile of the pending cases			Nature of pending cases		
Range in year(s)	No. of cases	Amount involved	Nature of cases	Number of cases	Amount involved
0-5	6	41.93	Theft	2	5.79
6-10	nil	nil	Misappropriation/losses	4	36.14
Total	6	41.93	Total cases	6	41.93

Source: Information received from Government offices

In addition, no Action Taken Notes have been received (September 2012) against the eight outstanding cases (₹ 153.11 lakh) pointed out in the Audit Report on State Finances for the year ended 31 March 2011.

³ Block Development Officer, Khudu; Joint Director (Administration), Planning and Development Department; Factory Inspector, Dhanbad Anchal and District Fisheries Officer, Hazaribag

4.4 Personal Deposit Accounts

As per the Finance Department, Government of Jharkhand order dated 19 February 2003, the Treasury Officer should close the Personal Deposit (PD) Account at the end of each financial year through transfer of closing balance to the concerned service head, after keeping a token amount of ₹ 100, under intimation to the Accountant General (A&E), Finance Department and the concerned Administrator.

As per the Finance Accounts, there was a closing balance of ₹ 68.53 crore at the end of 2011-12, against the opening balance of ₹ 68.56 crore. The entire closing balance pertained to one personal deposit account of the 'State Advocate Welfare Association Fund' and the same was not closed at the end of the financial year 2011-12.

4.5 Disbursement of Grants-in-aid

Rule 340 of the 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.

It was noticed that out of Grants-in-aid⁴ paid from the Consolidated Fund of Jharkhand amounting to ₹ 4,530.23 crore during the year 2011-12, a sum of ₹ 618.68 crore was drawn in favour of the officers of 11⁵ Government Departments, instead of drawing the funds in favour of grantee bodies. Such drawal reflects disbursement and do not represent the actual expenditure of the State within the financial year.

4.6 Conclusion

Utilisation certificates of Grants-in-aid amounting to ₹ 6,836.04 crore were not submitted by State institutions/bodies, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations. Annual Accounts of 74 Bodies and Authorities had not been received by the Principal Accountant General (Audit) Jharkhand as of September 2012. The funds in Personal Deposit Account of 'State Advocate Welfare Association Fund' were not closed at the end of the financial year 2011-12.

4.7 Recommendations

- The Departments should ensure timely submission of utilisation certificates in respect of the grants released for specific purposes to the grantee institutions.

⁴ Appendix IV of Finance Accounts 2011-12

⁵ Agriculture & Sugarcane Development; Art, Culture, Sports & Youth Affairs; Co-operative; Civil Aviation; Human Resources Development; Industries; Personnel, Administrative Reforms & Raj Bhasha; Science & Technology; Social Welfare, Women & Child Development; Urban Development and Water Resources.

- The annual accounts in respect of the Autonomous Bodies and Authorities should be submitted regularly to the Principal Accountant General (Audit), Jharkhand.
- Steps should be taken to place the Separate Audit Reports of the Autonomous Bodies before the Legislature.

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