
Chapter-3

FINANCIAL REPORTING

CHAPTER 3

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. 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 2012-13.

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 is 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 is related.

The position of outstanding UCs against grants-in-aid sanctioned to various Departments up to 2012-13 is given in **Table 3.1**.

Table 3.1: Year-wise position of outstanding Utilisation Certificates

(₹ in crore)

Year	Opening balance		Utilisation Certificate due during the current year		Total		UCs received during the year		Outstanding Utilisation Certificate at the end of the year	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2010-11	35761	17,733.88	6933	8,773.78	42694	26,507.66	6544	8,379.87	36150	18,127.79
2011-12	36150	18,127.79	4551	15,020.76	40701	33,148.55	296	1,730.83	40405	31,417.72
2012-13	40405	31,417.72	687	3,708.83	41092	35,126.55	2469	6,885.64	38623	28,240.91

(Source : Finance Accounts 2012-13)

As seen from the above, 38623 UCs for an aggregate amount of ₹ 28,240.91 crore were outstanding as on 31 March 2013 in respect of 33 Departments. Details are given in **Appendix 3.1**. Large pendency in submission of UCs was mainly in respect of Urban Administration (₹ 9,548 crore), Rural Development (₹ 4,881 crore), Food and Civil Supplies (₹ 4,942 crore), School Education (₹ 4,285 crore) and Energy (₹ 997 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/Separate Audit Reports (SARs) 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 seven ABs¹ 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 (SAR) and their placement in the Legislature as on 30 June 2013 is given in **Table 3.2**.

Table 3.2 : Status of rendering Accounts of the Autonomous Bodies.

Sl. No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay in submission/non-submission of accounts (in Months)
1	Madhya Pradesh (MP) Housing Board Bhopal	up to 2011-12	2010-11	2007-08	2003-04	2008-09 (40) 2009-10 (34) 2010-11 (22) 2011-12 (12)
2	MP Khadi and Village Industries Board, Bhopal	up to 2011-12	2008-09	2008-09	2004-05	2009-10 (36) 2010-11 (24) 2011-12 (12)
3	MP Human Rights Commission, Bhopal	up to 2012-13	2011-12	2011-12	2008-09	2011-12 (Nil) 2012-13 (Nil)
4	MP Building and Construction Workers Welfare Board, Bhopal	up to 2012-13	2008-09	2005-06	Information awaited	2006-07 (57) 2007-08 (45) 2008-09 (33) 2009-10 (36) 2010-11 (24) 2011-12 (12) 2012-13 (Nil)
5	MP State Electricity Board	01.4.12 to 25.04.12	2012-13	2012-13	Information awaited	-
6	MP Electricity Regulatory Commission	up to 2012-13	2012-13	2011-12	Information awaited	-
7	MP State Legal Service Authority, Jabalpur	Entrustment vide Act of Parliament	Not rendered since inception (1997-98)	-	Information awaited	180

Period of delay taken from the due date of receipt of accounts i.e. 30th June of the ensuing Financial year till 30th June 2013.

¹ As per instructions issued in June 2011 State Legal Services Authority is responsible for collection of accounts of all District Legal Services Authorities, as such status of accounts of 42 DLSAs have not been shown separately.

Out of seven ABs, Madhya Pradesh State Legal Service Authority, Jabalpur did not submit their accounts since inception of the AB (1997-98) even after lapse of 15 years. Correspondence was made (July 2013) with the Member Secretary, MP State Legal Services Authority, Jabalpur for submission of the accounts. As seen from the **Table 3.2**, there were significant delays up to 57 months in submission of accounts by three ABs (Serial No. 1, 2 and 4).

The inordinate delays in submission of accounts and presentation of the SARs to the State Legislature result in delays in scrutiny of the functioning of these bodies, where Government investments are made, beside delays in initiating of necessary remedial action on financial irregularities in the ABs.

3.3 Reporting of 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 3165 cases of misappropriation, losses, defalcations, etc., involving Government money amounting to ₹ 51.76 crore up to 31 March 2013 on which final action was pending as of June 2013. The amount included ₹ 2.41 crore (175 cases) for the year 2012-13. A large number of cases involving ₹ 27.77 crore and ₹ 14.66 crore were pending for recovery/regularisation against the School Education and Forestry & Wild Life Departments respectively. The Department-wise details of pending cases of misappropriation, losses, defalcations etc. at the end of 2012-13 and their age-wise analysis is given in **Appendix 3.2**. Department-wise and nature of irregularity-wise details of nature of these cases are given in **Appendix 3.3**. The age-profile of the pending cases with nature of irregularities 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	554	38.17	Theft	228	2.54
5 – 10	426	3.55			
10 – 15	482	4.37	Misappropriation/ Loss of material	2937	49.22
15 – 20	404	2.47			
20 – 25	699	1.69			
25 & above	600	1.51			
Total	3165	51.76	Total	3165	51.76

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	36	0.30
(ii)	Departmental action initiated but not finalised	21	1.21
(iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending.	05	0.06
(iv)	Awaiting orders for recovery or write off	3096	46.43
(v)	Pending in the Courts of law	07	3.76
Total		3165	51.76

Thus, out of 3165 cases involving ₹ 51.76 crore, 2185 cases (69 per cent) involving ₹ 10.04 crore were pending for more than 10 years. In 3096 cases (98 per cent), orders for recovery or write off were awaited.

Further, 66 cases of losses involving an amount of ₹ 11.66 lakh were written off during the year 2012-13, as detailed in **Appendix-3.4**.

3.4 Pendency in submission of DCC bills

3.4.1 Pendency in submission of Detailed Countersigned Contingent (DCC) bills against Abstract Contingent (AC) bills

As per Rule 313 of the Madhya Pradesh Treasury Code (MPTC), every Drawing and Disbursing Officer (DDO) has to certify in each AC bill that DCC bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the concerned Controlling Officers (CO) for countersignature and transmission to the Accountant General (A&E). As per MPTC Subsidiary Rule 327, DDOs should submit monthly DCC bills along with necessary certificate to the CO within fifth of the following month. The CO is required to submit the passed DCC bills to AG, so that these may be received in AG's office before 25th of the same month. However, drawal of amounts by way of AC bills has been prohibited by the Finance Department instructions (September 1999) for all the Departments except Sports and Youth Welfare Department (only for expenditure on NCC).

We observed that 673 DCC bills aggregating to ₹ 15.24 crore were pending at the end of March 2013. The age-wise details of pendency in submission of DCC bills against the AC bills drawn are given in **Table 3.5**.

Table 3.5: AC bills outstanding for want of DCC bills for the year ending March 2013

Year	Opening balance		AC bills drawn during the year		Total		DC bills received during the year		Outstanding DC bills at the end of the year	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
	Up to 2010-11	1343	21.11	203	1.53	1546	22.64	207	1.21	1339
2011-12	1339	21.43	8	0.05	1347	21.48	477	1.98	870	19.50
2012-13	870	19.50	300	1.66	1170	21.16	497	5.92	673	15.24

(Source : Finance Accounts 2012-13)

Department-wise pending DCC bills for the years up to 2012-13 is detailed in **Table 3.6**.

Table 3.6: Pending DCC bills for the year up to 2012-13

Sl. No.	Name of Departments/Controlling Officers	Number of AC bills	Amount (₹ in crore)
1	State Protocol Officer, Mantralaya, Bhopal	19	7.59
2	Deputy Director, (NCC) State, Bhopal	57	0.46
3	Commissioner, Tribal Welfare Department, Bhopal	37	0.37
4	Director, Farmers Welfare and Agriculture Development, Bhopal.	529	6.45
5	Joint Director (Soil Conservation), Farmers Welfare and Agriculture Development, Bhopal	31	0.37
Total		673	15.24

3.5 Non-reconciliation of Departmental figures

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 (COs) in this regard continued to persist during 2012-13.

We observed that against the total expenditure of ₹ 79,920 crore during 2012-13, reconciliation was carried out by the 81 out of 104 Controlling Officers for ₹ 52,339.05 crore (65 per cent). Controlling Officers of 23 Departments did not reconcile expenditure amounting to ₹ 27,580.95 crore as on 31 March 2013.

Further, all BCOs are required to reconcile the receipts of the Government with the figures accounted for by the Principal Accountant General (A&E). Such reconciliation had been completed for ₹ 4,398.53 crore (6.24 per cent) only against the total non-debt receipt of ₹ 70,500 crore of the Government during the year 2012-13. Non-reconciliation of expenditure and receipts by the controlling officers indicated deficient financial management.

3.6 Booking under Minor Head ‘800-Other Receipts’ and ‘800-Other Expenditure’

As per para 8.3.5(VI) of MP Budget Manual, Budget Controlling Officers are to ensure Operation of omnibus minor head ‘800-Other Receipts’ and ‘800-Other Expenditure’. Since most of the government activities are well defined in the list of Major and Minor Heads of Accounts of Union and States, issued by the Controller General of Accounts, operation of the minor head ‘800-Other Receipts/Expenditure’ should be minimised. In case, classification of expenditure under this minor head is necessitated by special circumstances, estimates should be accompanied with a detailed explanation and would require vetting by the Accountant General.

Scrutiny of Finance Accounts 2012-13 disclosed that expenditure of ₹10,462.42 crore, consisting 14 per cent of total expenditure (revenue and capital) recorded under the respective major heads, was classified under the minor head ‘800- Other Expenditure’. Under 15 Major heads of accounts (revenue and capital), ₹ 6,819.50 crore (77 per cent of total expenditure under these 15 major heads: ₹ 8,870.43 crore) were classified under the minor head of accounts ‘800-Other Expenditure’ in the accounts. The amounts under each minor head ranged between 51 and 100 per cent of total expenditure under the respective major head. Details are in **Appendix-3.5**.

Similarly, revenue receipts of ₹ 14,944.51 crore, constituting 21 per cent of the total revenue receipts (₹ 70,427.28 crore) recorded under the respective major head, were classified under the minor head ‘800-Other Receipts’. Under 18 major head of accounts (revenue receipt) ₹ 12,140.63 crore (71 per cent) out of total receipts under these major heads amounting to ₹ 17,208.44 crore were classified under ‘800-Other Receipts’, which ranged between 51 and 101 per cent of total revenue receipts under the respective heads. Details are given in **Appendix-3.6**.

Large amounts booked under the minor head ‘800- Others’ affects the transparency in financial reporting as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

3.7 Non-submission of the details of grants or loans paid to bodies and authorities

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG'S DPC Act), the Government/Heads of the Departments are required to furnish to Audit every year the detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts 2007 provides that Governments and heads of departments which sanction grants and /or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

As of September 2013, none of the departments of the Government of Madhya Pradesh furnished such details for the year 2012-13. The matter was also taken up (August 2013) with the Chief Secretary of the Government and also with the Finance Department.

Finance Department stated (September 2013) that necessary instructions would be issued to the concerned Departments.

3.8 Personal Deposit Accounts

The Personal Deposit (PD) Accounts are Deposit Accounts kept in Treasuries in the name of the Administrators of the Accounts. The moneys are placed under 8443- Civil deposits 106 Personal Deposit. These accounts can be opened with the approval of the Finance Department. AG's consent is not required as per the existing rules. In terms of provisions made for maintenance of PD Accounts in Subsidiary Rules 543 and 584 to 590 of Madhya Pradesh Treasury Code (MPTC) Part-1, the PD Accounts which are opened by debit to the Consolidated Fund of the State should be closed at the end of the financial year by minus debit to relevant service heads. As per Finance Department instructions of February 2010, if it is necessary to open a PD Account in the next year, the same may be opened in the usual manner. The PD Accounts which remained inoperative for continuous three years, should be closed by the Treasury Officer by giving notice to the Administrator of the PD Account and action for transfer of balance amount as Revenue deposit credit to Government Account should be initiated. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the Administrator concerned.

Overall position of PD Accounts

The transactions relating to PD accounts of Government and Semi-Government institutions which are opened by debit to the consolidated fund of the State for the period 2010-13 are detailed in **Table 3.7**.

Table 3.7: Status of balance under the PD accounts

Year	Opening balance		Opened during the year		Closed during the year		Existing PD accounts at the close of the year	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2010-11	683	1,894.03	87	109.43	05	0.02	765	2,003.45
2011-12	765	2,003.45	128	3.93	07	0.08	886	2,007.30
2012-13	886	2,007.30	27	80.96	09	25.24	904*	2,063.02

(Source: Finance Accounts)

*236 PD Accounts containing ₹ 42.30 crore were inoperative for more than one year

Analysis of above table revealed that there were 904 PD accounts (Government: 898, Semi Government: 06) having balance of ₹ 2,063.02 crore as of 31 March 2013 in 55 District Treasuries. The closing balance in PD accounts indicated that the administrators did not close the PD accounts by minus debit to the relevant service head at the close of financial year, as required under the rules. Since the amounts transferred to PD Accounts are shown as final expenditure from the Consolidated Fund of the State, non-closing of the PD accounts at the close of the year resulted in overstatement of expenditure under Consolidated Fund during the year.

Our test check of records of Administrators (May to September 2013) of two PD Accounts² revealed the following:

- Director of Animal Husbandry deposited ₹ 73.23 crore of various schemes³, in his PD Account (No. 38) during the period 2007-13. The PD Account was not closed at the end of the years. As on 31 March 2013, the closing balance was ₹ 11.71 crore, which included ₹ 10.14 crore pertaining to Bundelkhand Package transferred during 2011-12.

Further, there was discrepancy of ₹ 0.59 crore (treasury figure: ₹11.12 crore and Cash book figure: ₹ 11.71 crore) as on 31 March 2013 between the departmental figures and the treasury figures due to non-reconciliation with the treasury records.

On this being pointed out, the Director stated (August 2013) that money had been drawn and kept in PD Account with the approval of the Finance Department and correspondence with Accountant General has

² (1) Director, Animal Husbandry, Bhopal (2) Commissioner, Institutional Finance (Fund Manager) Bhopal.

³ (1) Fodder & Fodder Land Development, (2) Up-gradation of Biosecurity Laboratory, (3) Rural Backyard Poultry Development, (4) National Agricultural Development Programme, (5) Avian Influenza, (6) Bird flu livestock link worker training programme, (7) Bundelkhand Package.

been carried out to reconcile the difference. Fact remains that provisions of MPTC regarding closing of PD Accounts and periodical reconciliation were not followed by the Administrator.

- Scrutiny of the PD Account (No. 17) of the Fund Manager, Madhya Pradesh Infrastructure Investment Fund Board (MPIIFB) under Finance Department (Institutional Finance) revealed that an amount of ₹ 9.37 crore was retained continuously from April 2008 to June 2012. No action was taken by the Treasury Officer and the Administrator for transferring the amount in Government account, as required under the rule. Of this, ₹ 9.24 crore was spent during 2012-13. As on 31 March 2013, there was a closing balance of ₹ 13.25 lakh in the account.

Finance Department while forwarding the reply of MPIIFB stated (October 2013) that from this PD Account, funds were disbursed mainly to Madhya Pradesh Road Rural Development Corporation for Viability Gap Funding only for achievement of necessary milestone. The Board stated that timely approval was obtained (January 2012) for continuing the PD Account since 2011-12. It also stated that MPTC Rule 543 does not apply to this PD Account, as it was not opened after debiting the Consolidated fund of the State.

Reply is not acceptable, as the Administrator did not obtain permission for continuation of PD Account before start of each financial year. MPTC Rule 543 did apply to this PD Account as it was opened with concurrence of AG in which it was clearly stated that PD Account should be closed at the end of the financial year. Thus, funds of ₹ 9.37 crore remained blocked for four years.

The matter was referred to the Government (August 2013); their reply had not been received (October 2013).

3.9 Conclusion

State Government's compliance with various financial rules and procedures was deficient. Large number of Utilisation Certificates (38623) in respect of grants given for ₹ 28,240.91 crore were awaited from the grantee institutions, indicating lack of proper monitoring by the Departments in the utilisation of grants. There were significant delays (up to 57 months) in submission of accounts by the autonomous bodies, affecting their transparency and accountability. Government's compliance towards disposal of cases of losses, misappropriation, etc. amounting to ₹ 51.76 crore was pending. Detailed Countersigned Contingent bills against ₹ 15.24 crore drawn on Abstract Contingent bills were awaited at the end of 2012-13. As on 31 March 2013, ₹ 2,063 crore was retained in 904 Personal Deposit Account in violation of the provisions of Madhya Pradesh Treasury Code. Controlling Officers of 23 Departments did not reconcile expenditure amounting to ₹ 27,580.95 crore during 2012-13. All these deficiencies reflected on lack of internal controls and ineffective governance in the Departments.

3.10 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 at the end of the financial year may be ensured and funds transferred to the Consolidated Fund of the State.

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