
Chapter-3
FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute 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 2012-13.

3.1 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 4299 UCs due in respect of grants aggregating ₹ 4640.48 crore paid up to 31 March 2012, were outstanding as on 30 June 2013 as shown in **Table 3.1**. A major part of such UCs was outstanding against four Departments, viz. Urban Development Department (2905 UCs aggregating ₹ 1070.10 crore), Industries (82 UCs aggregating ₹ 575.68 crore), Human Resources Development Department (47 UCs aggregating ₹ 252.95 crore) and Co-operative Department (100 UCs aggregating ₹ 157.03 crore). The Department-wise break-up of outstanding UCs is given in **Appendix 3.1**.

Table 3.1: Outstanding Utilisation Certificates (as on 30.06.2012)

Year in which GIA disbursed	Year in which UCs due	Utilisation Certificates Outstanding	
		Number	Amount (₹ in crore)
Up to 2008-09	Up to 2009-10	1342	1061.66
2009-10	2010-11	997	675.48
2010-11	2011-12	1080	1349.00
2011-12	2012-13	880	1554.34
Total Number of UCs awaited		4299	4640.48

Source: Finance Accounts of Government of Jharkhand 2012-13

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.

3.2 Submission of accounts and audit of Autonomous Bodies, Authorities and Grantee institutions

3.2.1 Audit under Sections 14 and 15 of CAG's (DPC) Act, 1971

In order to identify institutions/organisations which attract audit under Section 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971 (C&AG's DPC Act), the Government/Heads of 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, Regulations 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 August 2013, no department of the Government had furnished such details for the year 2012-13. However, 85 bodies/authorities in the State which attract audit under section 14 and 15 of C&AG's (DPC) Act 1971 have been identified by Audit on the basis of information gathered from the Annual Accounts of the State, of which audit of 67 authorities/bodies have been conducted for various periods (accounts of 37 bodies audited up to 2011-12), as shown in *Appendix 3.2*.

Due to non submission of information about the financial assistance given by the Government, the purpose of assistance granted and the total expenditure of such bodies/authorities, it was not possible to provide assurance to Legislature/Government about the manner in which the grants sanctioned/paid by them has been utilised. This dilutes control in Government expenditure systems.

3.2.2 Audit under section 19 of CAG's (DPC) Act, 1971

There are three Autonomous Bodies¹ in the State which are to be audited under Sections 19 (3) of the C&AG's (DPC) Act, with regard to verification of

¹ (i) Jharkhand State Legal Services Authority (JHALSA) including District Legal Services Authority (DLSA) (ii) Jharkhand State Electricity Regulatory Commission (JSERC) (iii) Rajendra Institute of Medical Sciences (RIMS).

their transactions, operational activities and accounts, conducting compliance audit of transactions, review of internal management and financial controls, review of systems and procedures, etc.

Separate Audit Report (SAR) of Jharkhand State Legal Services Authority (JHALSA) including 22 District Legal Services Authority (DLSA) for the year 2008-09 was issued on 08 April 2013. Its placement in Legislature had not been intimated. Accounts of 2009-10 and 2010-11 were audited and Draft SAR was issued to Member Secretary, JHALSA in September 2013. Finalisation of the draft SAR based on replies received (October 2013) is in progress (November 2013). Accounts for the years 2011-12 and 2012-13 have not been received (November 2013).

The audit of Accounts of Jharkhand State Electricity Regularity Commission (JSERC) has been completed and SAR has been issued up to 2011-12. However, status of placement of the same for the years 2003-04 to 2011-12 before State Legislature has not been intimated as of November 2013. The accounts for 2012-13 have not been received (November 2013).

Rajendra Institute of Medical Sciences (RIMS) Act was enacted in the year 2002. As per article 22 of the Act the audit of RIMS is to be conducted by the Principal Accountant General (Audit), Jharkhand. Accordingly, the audit of accounts of RIMS was entrusted to Principal Accountant General (Audit) under section 19 (3) of the CAG's DPC Act, 1971 which was accepted by the Principal Accountant General (Audit) in October 2009. However, inspite of active persuasion annual accounts have not been submitted to Audit as of November 2013.

3.3 Pendency in submission of Detailed Countersigned Contingency Bills against Abstract Contingency Bills

As per Rule 318 and Form-38 of the Jharkhand Treasury Code Volume-I & II, every drawing officer has to certify in each Abstract Contingency (AC) bill that detailed 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 their onward transmission to the Accountant General (A&E), Jharkhand, Ranchi. The total amount for which Detailed Contingency (DC) bills were received was ₹ 9225 crore against the total value of AC bills of ₹ 14468 crore drawn during 2000-13, leading to an outstanding balance of DC bills worth ₹ 5243 crore as on 11 November 2013. Year-wise details are given in **Table 3.2**.

Table 3.2: Pendency in submission of Detailed Countersigned Contingency Bills against Abstract Contingency Bills

(₹ in crore)

Year	No. of AC bills	Amount of AC bills	No. of DC bills submitted	Amount of DC bills	DC bills as percentage of AC bills	No. of Outstanding AC bills	Outstanding amount of DC bills
Upto 2010-11	52473	11943	29100	7720	65	23373	4223
2011-12	1052	1600	282	1164	73	770	436
2012-13	544	925	104	341	37	440	584
Total	54069	14468	29486	9225	64	24583	5243

As given in **Table 3.2**, the amount for which DC bills were received against the total AC bills drawn during 2000-13 was 64 *per cent* up to 11 November 2013. Major defaulting departments were Rural Development Department (₹ 1237 crore), Human Resource Development Department (₹ 534 crore), Welfare Department (₹ 760 crore) and Health, Medical Education and Family Welfare Department (₹ 399 crore). Submission of DC bills was only 37 *per cent* of the amount drawn in AC bills during 2012-13, as compared to 73 *per cent* for the previous year. Due to non-submission of DC bills, the expenditure of the State during the respective year was overstated to the extent of the advance drawn on AC bills.

3.4 Reporting of cases on 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 by defalcations or otherwise should be immediately reported by the office to the higher authority, Finance Department as well as to the Principal Accountant General (Audit), Jharkhand even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as a suspicion arises that there has been a loss; they must not be delayed while enquiries are made.

In reply to the audit request (June 2013) for providing information in this regard, the Finance Department wrote a letter in July 2013 to all departments which in turn directed the DDOs for providing such information to Audit. In this regard 18 DDOs sent 'nil' report to Principal Accountant General (Audit), Jharkhand and one DDO (Block Development Officer, Kudu) reported misappropriation of ₹ 21.90 lakh (₹ 1.50 lakh occurred in 2008 and ₹ 20.40 lakh occurred in 2010). The cases were pending in the courts of law.

3.5 Funds drawn and kept in bank account and PL Account

As per rule 300 of Jharkhand Treasury Code money should not be withdrawn from Treasury unless it is required for immediate payment. It is not permissible to draw advances, in anticipation of demands, from the treasury for prosecution of works, the completion of which is likely to take a considerable time to prevent lapse of appropriation. Further, financial rules prohibit keeping of Government money outside Government accounts.

- i) It was noticed that ₹ 209.23 crore was drawn in Abstract Contingency (AC) bills and Fully Vouched Contingent bills without any sub-vouchers on last three working days of March 2013 and kept in bank accounts. Detailed contingent bills (DC) in adjustment of these drawals in AC bills and sub-vouchers in support of Fully Vouched Contingent bills have not been received by the Accountant General (A&E) as of June 2013 from the concerned departments. Major defaulters were the Departments of Rural Development (₹ 102.22 crore), Agriculture (₹ 21.72 crore), Human Resource Development (₹ 16.03 crore), Home (₹ 8.32 crore) and Health and Family Welfare (₹ 6.28 crore).
- ii) Review of Finance Accounts and Voucher Level Computerisation (VLC) data related to the transactions in the minor heads under the Major Head of accounts 8448 Civil Deposit for the year 2012-13 revealed that there were 95 Personal Ledger Accounts of the State.
The closing balances under the PL Accounts were continuously increasing during the last three years, as shown in **Table 3.3**:

Table 3.3: Funds of Personal Ledger Accounts

(₹ in crore)

Year	Opening balance	Receipts	Disbursement	Closing Balance
2010-11	1457.58	1940.34	1670.78	1727.14
2011-12	1727.14	2248.95	1782.95	2193.14
2012-13	2193.14	3110.78	2349.49	2954.43

Thus, drawal of government money to prevent it from being lapsed and keeping it in bank account/PL Accounts for its expenditure in the years other than in which it was provided in the budget with the approval of Legislature not only violated the Financial Rules but also led to the failure of budgetary control of the State. Moreover, misutilisation of the money kept in bank could not be ruled out.

3.6 Outstanding Certificate of Administrative Audit of Secret Services expenditure

As per provisions in Appendix-5 of Annexure-A of Bihar Financial Rules, as adopted by Jharkhand State, for officer authorised to incur secret service expenditure Government will nominate a controlling officer who should conduct at least once in every financial year, an administrative audit of the expenditure incurred and furnish a certificate to the Accountant General in prescribed format not later than the 31 August, following the year to which it relates.

It was observed from the records of A.G. (A&E) that during 2005-06 to 2011-12, Director General and Inspector General of Police spent ₹ 21.70 crore under secret services, against which certificate of ₹ 6.40 crore pertaining to 2009-10 to 2011-12 was received in the office of the Accountant General (A&E) while, certificate of ₹ 15.30 crore pertaining to the years 2005-06 (₹ 8.30 crore), 2007-08 (₹ 4.50 crore) and 2008-09 (₹ 2.50 crore) remained outstanding as of October 2013. Even after regular correspondence made by the Accountant General (A&E) in this regard, the certificate was not provided by the concerned officers. Hence, the veracity of expenditure of ₹ 15.30 crore could not be ascertained.

3.7 Conclusion

Utilisation certificates of grants-in-aid amounting to ₹ 4640.48 crore were not submitted by the State institutions/bodies, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations.

Government departments have not submitted the accounts of grantee bodies to the Principal Account General (Audit). Separate Audit Reports on the accounts of the Autonomous Bodies have not been submitted timely before the State Legislature.


Abstract Contingent bills amounting to ₹ 5243 crore for the period 2000-13 were outstanding as on 11 November 2013 since Detailed Contingent bills were not submitted.

An amount ₹ 209.23 crore drawn in AC bills on the last three days of the financial year was kept in Bank Account to prevent it from being lapsed. There was a huge balance of ₹ 2954.43 crore in Personal Ledger accounts at the end of March 2013. Transfer of budgeted funds passed by the Legislature for the current year to PL Accounts for expenditure in further year(s) was irregular.

3.8 Recommendations

- The Departments should ensure timely submission of utilisation certificates in respect of the grants released to the grantee institutions.
- Detailed Contingent bills against the drawals on Abstract Contingent bills should be submitted as per provisions of the State.
- Parking funds in bank account and Personal Ledger account should be avoided and funds should be utilised during the financial year for which it was provided in the budget.

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