
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 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 2014-15.

3.1 Compliance Audit of outstanding Utilisation Certificates against the grants

3.1.1 Introduction

Grants-in-aid (GIA) are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. GIA is given by the Union Government to the State Governments or Panchayati Raj Institutions, agencies, bodies and institutions. Similarly, the State governments also disburse GIA to agencies, bodies and institutions such as universities, hospitals, cooperative institutions and others. The grants so released are utilised by these agencies, bodies and institution for meeting day-to-day operating expenses and for creation of capital assets.

Rule 341 of the Jharkhand Financial Rules (JFR) provides that only so much of GIA should be paid during the financial year as is likely to be expended during that year, the authority signing or countersigning a bill for GIA should see that the money is not drawn in advance of requirement.

Rule 342 of further stipulates that if GIA are provided during a year for specific purposes, Utilisation Certificates (UCs) in form GFR-19A 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 5841 UCs due in respect of grants aggregating ₹ 5,161.72 crore paid up to 2013-14, were outstanding at the end of March 2015. A major part of such UCs was outstanding against four Departments, viz. Urban Development Department (3881 UCs aggregating ₹ 1,540.56 crore), Education Department (54 UCs aggregating ₹ 556.16 crore), Welfare Department (476 UCs aggregating ₹ 378.26 crore) and Co-operative Department (117 UCs aggregating ₹ 140.08 crore). The Department-wise break-up of outstanding UCs is given in **Appendix 3.1**.

As on 24 August 2015, the number and amount of outstanding UCs were reduced to 5,811 and ₹ 5,148.57 crore respectively as shown in **Table 3.1**.

Table 3.1: Outstanding Utilisation Certificates (as on 24.08.2015)

Year in which GIA disbursed	Year in which UCs due	Utilisation Certificates Outstanding	
		Number	Amount (₹ in crore)
Up to 2010-11	Up to 2011-12	2495	1140.08
2011-12	2012-13	545	438.99
2012-13	2013-14	1075	1406.65
2013-14	2014-15	1696	2162.85
Total Number of UCs awaited		5811	5148.57

Source: Finance Accounts of Government of Jharkhand 2014-15

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.

A compliance audit of outstanding Utilisation Certificates was carried out for the period 2012-14 of Grant No. 36 – Drinking Water and Sanitation Department (DW&SD) for Centrally Sponsored Schemes (CSS) viz. National Rural Drinking Water Programme (NRDWP) and Nirmal Bharat Abhiyan (NBA) implemented in Jharkhand by State Water and Sanitation Mission (SWSM). The sanctioned amount of central share and state share for implementation of CSS schemes were withdrawn from government account through GIA bills by the designated DDO (Executive Engineer, DW&SD, Ranchi West Division) during 2014-15 to deposit the amount in the bank accounts of SWSM, Programme Management Unit (PMU), Doranda, Ranchi operated for the purposes.

3.1.2 Outstanding Utilisation Certificates against the grants

UCs for only ₹ 27.06 crore was submitted by the SWSM against total available fund of ₹ 110.01 crore (opening balance as on 1 April 2012: ₹ 84.33 crore, GIA bills drawn: ₹ 20.25 crore and Interest earned: ₹ 5.43 crore) leaving behind outstanding UCs for ₹ 82.95 crore.

Table 3.2: Outstanding Utilisation Certificates against the grants

Year	Opening balance as on 1 st April 2013	Release during year	Interest earned during year	Total available fund during year	(₹ in crore)	
					Utilisation submitted	Unutilised balance
2012-13	84.33	12.00	2.58	98.91	11.38	87.53
2013-14	87.53	8.25	2.85	98.63	15.68	82.95
Total		20.25	5.43		27.06	

We further observed in nine test checked divisions¹ that UCs for only ₹ 11.07 crore (NRDWP – ₹ 3.16 crore and NBA/SBMG – ₹ 7.91 crore) were submitted by the various implementing agencies (VWSCs and others) against advances of ₹ 61.15 crore (NRDWP – ₹ 10.85 crore and NBA/SBMG – ₹ 50.30 crore) (**Appendix 3.2**) granted to them during 2010-15 for construction of toilets, soakpits and repair and maintenance of hand pumps.

¹ Giridih-2, Gumla, Hazaribagh, Jamshedpur, Madhupur, Medninagar Ranchi West, Sahibganj and Saraikela.

3.1.3 Delay in submission of Utilisation Certificates

We noticed that there were delays between 10 and 21 months in submission of UCs to the Accountant General (A&E) in respect of five sanctions for NRDWP (State Share) and NBA (State share) released during 2012-14 as detailed in **Table 3.3**.

Table 3.3: Delay in submission of Utilisation Certificates

Sl. No.	Sanction No./ date	Scheme	Amount (₹ in crore)	Due date of submission of UC	Actual date of submission of UC	Delay (in months)
1.	70/25.07.2012	NRDWP	39.43	24.07.2013	15.05.2015	21
2.	149/11.12.2012	NRDWP	138.62	10.12.2013	15.05.2015	17
3.	22/15.06.2013	NRDWP	89.00	14.06.2014	15.05.2015	11
4.	219/15.03.2013	NBA	12.00	14.03.2014	23.04.2015	13
5.	1196/18.07.2013	NBA	7.25	17.07.2014	08.05.2015	10

Further, advances of ₹ 48.19 crore (NRDWP – ₹ 7.69 crore and NBA/SBMG – ₹ 40.50 crore) were booked as expenditure in the cash books maintained in the test-checked divisions (except DW&S Division, Saraikela) without being actually utilised for the purposes for which the advances were granted. Thus, UCs were given by EEs of the test-checked divisions without actual expenditure/unadjusted advances of ₹ 48.19 crore.

3.1.4 Delay in release of grants

The State Government is to ensure release/transfer of the sanctioned amount to the implementing agency(s) within 15 days of receipt of sanction order. But we observed in audit that there were delays of 34 to 177 days in releasing the sanctioned amounts to the implementing agencies by the Department as detailed in **Appendix 3.3**. We further noticed that ₹ 15.07 crore sanctioned by GoI (vide sanction No. 595 for ₹ 1388.00 lakh and No. 578 for ₹ 119.29 lakh dated 30 March 2015) were not released by the Department during 2014-15.

3.1.5 Blocking and non-utilisation of grants

We observed that despite huge unspent balances of grants of ₹ 242.86 crore² as on 31 March 2014, the Department released grants of ₹ 412.86 crore³ under NRDWP during 2014-15 of which the Department could utilise only ₹ 471.84 crore⁴ during the year leaving unspent balance of ₹ 205.58 crore⁵ (including interest of ₹ 21.70 crore) as on 31 March 2015 in contravention of Rule 341 of JFR. Moreover, unspent balance of ₹ 5.80 crore under NBA/SBMG was blocked at the state level as on 31 March 2015. The moneys blocked at district level were not made available by the Department.

² Central share – ₹ 120.44 crore and State share – ₹ 122.42 crore

³ Central share – ₹ 183.17 crore and State share – ₹ 229.69 crore

⁴ Central share – ₹ 225.44 crore and State share – ₹ 246.40 crore

⁵ Central share – ₹ 89.19 crore (unspent balance ₹ 78.17 crore and bank interest ₹ 11.02 crore) and State share – ₹ 116.39 crore (unspent balance ₹ 105.71 crore and bank interest ₹ 10.68 crore)

In the nine test-checked divisions, grants amounting to ₹ 35.25 crore (**Appendix 3.4**) under NBA/SBMG was blocked as on 31 March 2015 due to non-utilisation of grants by the divisions.

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 which attract audit under Sections 14 and 15 of the CAG's (DPC) Act, 1971, the Government/Heads of Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of such assistance and the total expenditure of the institutions. Out of Annual accounts of 71 bodies/authorities in the State, audit of 63 assisted authorities/ bodies have been conducted for various periods as of August 2015 as shown in **Appendix 3.5**.

State Government need to take appropriate measures to ensure that these accounts are compiled and submitted for audit within a fixed timeframe, so as to ensure that financial irregularities, if any, do not go undetected.

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

There are three Autonomous Bodies⁶ in the State which are to be audited under Sections 19 (3) of the C&AG's (DPC) Act, with regard to verification of their transactions, operational activities and accounts, conducting compliance audit of transactions, review of internal management and financial controls, review of systems and procedures, etc.

Statement showing submission of accounts and status of audit of the three autonomous bodies is given in **Table 3.4**.

Table 3.4 : Statement showing submission of accounts and status of audit of the autonomous bodies

Sl. No.	Name of Bodies/ Authority	Year up to which accounts were rendered	Period up to which SAR was issued	Placement of SAR in the Legislature	Comments
1	Jharkhand State Legal Services Authority (JHALSA)	2010-11	2010-11	Not intimated	Accounts for the years 2011-12, 2012-13 and 2013-14 have not been received so far (August 2015)
2	Jharkhand State Electricity Regularity Commission (JSERC)	2011-12	2011-12	Not intimated	Accounts for the years 2012-13 and 2013-14 have not been received (August 2015)
3	Rajendra Institute of Medical Sciences (RIMS)	Not submitted since entrusted (2009)	-NA-	-NA-	In spite of active persuasion annual accounts for any year have not been submitted to Audit as of August 2015

⁶ (i) Jharkhand State Legal Services Authority (JHALSA) including 22 District Legal Services Authorities (DLSAs) (ii) Jharkhand State Electricity Regulatory Commission (JSERC) (iii) Rajendra Institute of Medical Sciences (RIMS).

3.3 Compliance Audit of funds drawn on Abstract Contingent bills by Drinking Water and Sanitation Department

3.3.1 Introduction

As per Rule 318 of the Jharkhand Treasury Code (JTC) Volume-I & II, contingent charges can be drawn as an advance from the treasury on an Abstract Contingent (AC) bill (T.C. Form 38), without any supporting voucher. The expenditure is debited under the relevant service head and the Detailed Contingent (DC) bill (in T.C. Form 39)⁷ supported with sub-vouchers and countersigned by the Controlling Officer (CO)⁸ is required to be submitted to the Accountant General (A&E) not later than 25th of the month⁹ following that to which they relate. A certificate to the effect that the detailed bills for the 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).

The total amount for which DC bills were received was ₹ 10,970 crore against the total value of AC bills of ₹ 15,856 crore drawn during 2000-15, leading to an outstanding balance of DC bills worth ₹ 4,886 crore as on 31 March 2015. Year-wise details are given in **Table 3.5**.

Table 3.5 : Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

(₹ in crore)

Year	AC bills drawn		DC bills submitted		Outstanding DC bills		Percentage of outstanding amount of DC bills
	Number	Amount	Number	Amount	Number	Amount	
Upto 2012-2013	54095	14468	40798	10572	13297	3896	27
2013-2014	468	667	248	343	220	324	49
2014-2015	550	721	79	55	471	666	92
Total	55113	15856	41125	10970	13988	4886	31

Source: Notes to Accounts of Finance Accounts of respective years

As given in **Table 3.5**, the amount for which DC bills were outstanding against the total AC bill amount drawn during 2000-15 was 31 *per cent* up to 31 March 2015. Controlling Officers of top 50 outstanding DC bills for the year 2014-15 as on 31 March 2015 are listed in **Appendix 3.6**. Major defaulting departments were 'Rural Development Department' (₹ 962 crore), 'Welfare Department' (₹ 826 crore), 'Health, Medical Education and Family Welfare Department' (₹ 483 crore), 'Social Welfare, Women and Child Development Department' (₹ 453 crore) and 'Home Department' (₹ 148 crore). In the five departments, details of Controlling Officers of outstanding DC bills as on 31.03.2015 drawn during 2014-15 are given in **Appendix 3.7**. Non-submission of DC bills was 92 *per cent* of the amount drawn in AC bills during 2014-15, as compared to 49 *per cent* for the previous year. Due to non-submission of DC bills by the Controlling Officers, the expenditure of the State during the respective years was overstated to the

⁷ Rule 320 of JTC

⁸ 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).

⁹ Rule 322 of JTC

extent of the advance drawn on AC bills.

A compliance audit of the funds withdrawn on AC bills by Drinking Water and Sanitation Department (DW&SD) was conducted between May and August 2015. In DW&SD, funds amounting to ₹ 120.83 crore were drawn through six AC bills under Major heads 4215 and 2245 during the period 2005-2012 against which DC bills for ₹ 119.28 crore were submitted. However, we noticed that DC bills for ₹ 1.55 crore were outstanding (as of 21 August 2015) against three AC bills as shown in **Table 3.6**.

Table 3.6: Outstanding DC bills

Year	Major Head	Drawing and Disbursing Officer	AC bills drawn		DC bills submitted		Outstanding DC bills	
			No. of bills	Amount of bill (₹ in lakh)	No. of bills	Amount of bill (₹ in lakh)	No. of bills	Amount of bill (₹ in lakh)
2008-09	4215	EE, DW&S Division, Latehar	2	91.83	-	-	2	91.83
2011-12	2245	Principal Secretary, DW&SD	1	6195.50	1	6131.93	1	63.57
Total			3	6287.33	1	6131.93	3	155.40

Further, we observed the following during audit:

3.3.2 Delay in submission of Detailed Contingent bills

Rule 322 of JTC provides that DC bills shall be sent to the Accountant General (A&E) Jharkhand, Ranchi not later than the 25th of the month following the month to which they relate.

Scrutiny of the records of DW&SD revealed that four AC bills amounting to 119.92 crore under major head 2245 was withdrawn from Doranda Treasury by the Principal Secretary as Drawing and Disbursing Officer (DDO) during 2005-06, 2010-11 and 2011-12. The funds were distributed (between January 2006 and March 2012) to working divisions for implementation of schemes. We observed in audit that DC bills were submitted by the divisions (**Appendix 3.8**) through their controlling officers directly to Accountant General (A&E) with a delay ranging between two and 100 months instead of being submitted by the DDO in contravention to above codal provision. These are detailed below in the **Table 3.7**.

Table 3.7 : Delay in submission of Detailed Contingent bills

Sl. No	Bill No	Date of withdrawal from treasury	Amount (₹ in crore)	Due date of submission of DC Bills	Date of submission of DC Bills between	Delay in months ranged between
1	158/2005-06	03.01.2006	2.50	25.02.2006	16.06.2008 and 30.06.2015	28 and 100
2	190/2010-11	19.03.2011	49.38	25.04.2011	22.10.2011 and 20.09.2012	6 and 17
3	114/2011-12	29.10.2011	61.96	25.11.2011	07.05.2012 and 27.11.2012	5 and 12
4	191/2011-12	26.03.2012	6.08	25.04.2012	03.07.2012 and 30.09.2012	2 and 5
Total			119.92			

Source : Information furnished by the test-checked divisions

3.3.3 Repeated drawal of funds on Abstract Contingent bills

Rule 319 of the JTC stipulates that a certificate to the effect that the detailed bills for abstract bills drawn in the previous month have been submitted for countersignature to the controlling officer with particulars of dates shall be attached to the first contingent abstract bill presented for payment after the 10th of each month. On no account an abstract bill may be cashed after 10th of the month without this certificate.

We observed in audit that the Principal Secretary, DW&SD as DDO withdrew four abstract contingent bills (one in January 2006 and three during March 2011 to March 2012) for ₹ 119.92 crore under major head 2245 for which detailed bills for ₹ 119.28 crore were submitted (between 16.06.2008 and 30.06.2015) to Accountant General (A&E) by the working divisions directly and DC bills for ₹ 63.57 lakh are yet to be submitted to AG (A&E). Scrutiny further revealed that the next three abstract bills were withdrawn from treasury without submitting detailed contingent bills drawn previously as shown in above table in contravention to the provision stated *ibid*.

3.4 Reporting of cases on misappropriation, losses etc.

Rule 31 of the Jharkhand Financial Rules, 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 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; these must not be delayed while enquiries are made.

In reply to the audit request (02 June 2015, 08 July 2015 and 20 August 2015) for providing information in this regard, no information has been received from the Finance Department as of August 2015. However, we noticed in audit that an FIR had been lodged (March 2014) by the Executive Engineer-cum-Member Secretary-I, District Water and Sanitation Mission, East Singhbhum, Jamshedpur for fraudulent drawal of ₹ 8.00 lakh from the bank accounts maintained for implementation of Nirmal Bharat Abhiyan in East Singhbhum district. However, further action was awaited (October 2015).

3.5 Classification between Revenue and Capital

Revenue expenditure is recurring in nature and is intended to be met from revenue receipts. Capital expenditure is defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. However, the Government has incorrectly provided and incurred an amount of ₹ 15.96 crore towards “Major Works” under the Revenue Section during the year as indicated in **Appendix 3.9**. Consequently, the Revenue Surplus and assets of the State Government for the financial year 2014-15 is understated to this extent.

Expenditure relating to Grants-in-Aid as per the Indian Government Accounting Standard (IGAS)-2 is to be classified as Revenue expenditure. The State Government made budget provision and classified ₹ 5.37 crore under

capital major head 4702 Capital outlay on Minor Irrigation. Consequently, the Revenue Surplus and Capital outlay of the State Government for the financial year 2014-15 stood overstated to this extent. The matter has been brought to the notice of State Government but remained uncorrected.

3.6 Funds drawn and kept in Personal Ledger (PL) Accounts

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. Rule 552 of Jharkhand Treasury Code states that all balances unclaimed for more than three complete account years shall, at the close of March in each year, be credited to the Government. Further, financial rules prohibit keeping of Government money outside Government accounts.

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 Deposits for the year 2014-15 revealed that there were 99 Personal Ledger Accounts of the State as of 31 March 2015.

The closing balances under the PL Accounts continuously increased during the years 2011-12 and 2012-13 whereas it decreased during the year 2013-14. During 2014-15, it increased again to ₹ 3,329.95 crore (28.20 per cent) over the previous year, as shown in **Table 3.8**.

Table 3.8: Funds in 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
2013-14	2954.43	2613.93	2970.86	2597.50
2014-15	2597.50	5155.09	4422.64	3329.95

It may be seen from **Table 3.8** that funds amounting to ₹ 3,329.95 crore were kept in PL Accounts at the end of March 2015. Some Major Service heads from which budget was transferred to PL accounts are 2217 (Urban Development), 2851 (Village and Small Industries), 2225 (Welfare of SC, ST and OBC), 2515 (Other Rural Development Program), etc.

Thus, drawal of government money to prevent it from being lapsed and keeping it in PL Accounts for its expenditure in the years other than in which it was approved by the Legislature not only violated the Financial Rules but also led to the failure of budgetary control by the State. Further, Rule 331 of Jharkhand Treasury Code requires that at the close of 31st day of March every year all deposits unclaimed for more than three complete account years shall be credited to the Government. Thus, State Government overstated its expenditure figures by ₹ 3,329.95 crore as the services claimed to be provided were not delivered.

3.7 Booking under Minor Head “800”

Bookings of receipts or expenditure under the minor head “800 – Other Receipts” and “800 – Other Expenditure” is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes, etc., to which the amounts relate. These minor heads normally accommodate the receipts/expenditure which cannot be classified under the available programme minor heads or due to incorrect identification of expenditure under the available heads of account at the stage of budget preparation.

During 2014-15, under five major heads (2501, 4047, 4070, 4701 and 6801) in the Revenue and Capital section, expenditure aggregating ₹ 558.22 crore (51.28 *per cent* of the total expenditure of ₹ 1,088.55 crore in these heads) was classified under the minor head “800 – Other Expenditure” as indicated in **Appendix 3.10**.

Similarly, under 31 major heads, revenue receipts aggregating ₹ 1,016.29 crore (80.10 *per cent* of the total receipt of ₹ 1,268.85 crore), were classified under minor head “800 – Other Receipts”. The entire receipts in 14 major heads were classified under the omnibus minor head “800 – Other Receipts” as indicated in **Appendix 3.11**.

Classification of large amount under the omnibus minor head “800 – Other Expenditure/Receipts” reflected lack of transparency in financial reporting.

3.8 Follow up on Audit Report on State Finances

Public Accounts Committee had discussed paragraph 2.4.4 (Excess over provisions relating to previous years) of the Audit Report on State Finances for the year 2011-12 and regularised the excess expenditure over provisions amounting to ₹ 8,120.12 crore out of ₹ 8,120.63 crore on 13.01.2014 as shown in **Appendix 3.12**.

3.9 Compliance Audit of State Disaster Response Fund

3.9.1 Introduction

The Disaster Management Act, 2005 defines disaster¹⁰. Section 48 (I) (a) of the Act stipulates constitution of State Disaster Response Fund (SDRF) at State level to meet any threatening disaster situation or disaster. For operation of the fund, the Ministry of Home Affairs, Government of India has issued (September 2010) guidelines on constitution and administration of the SDRF. In pursuance of the provisions of the Act and guidelines, the State Government notified (November 2010) constitution of SDRF in Jharkhand in the Public Account under the Reserve Fund bearing Interest in the Major Head

¹⁰ As a “catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or manmade causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of property, or damage to, or degradation of, environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area.

8121-General and other Reserve Fund in the accounts of the State Government.

The SDRF is to be utilised for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost¹¹.

At State level, State Executive Committee (SEC) consisting of the Chief Secretary and four Secretaries to the Government of the State is responsible for the operation of SDRF. The Chief Secretary is the ex-officio Chairperson of the Committee. SEC is to take the decisions on all the financial matters regarding investment and expenditure from SDRF and ensure that the money drawn from SDRF has been actually utilised for the purposes for which SDRF was set up. Responsibility for relief work is vested in Commissioners, Deputy Commissioners (DC) and Sub-Divisional Officers through the Additional Collectors (Relief) and their subordinate offices at Block/Circle levels.

A compliance audit of SDRF, covering the period from 2010-15, was conducted between April and August 2015. The audit aimed to ascertain whether amount of SDRF was utilised in conformity with the provisions of concerned Act, Rules and Guidelines and gratuitous relief to the affected and dependent of deceased persons were paid in time. The audit was conducted by test check of records at department¹² level and six districts¹³, selected through Statistical Random Sampling Method.

The important points noticed in audit are discussed in succeeding paragraphs:

3.9.2 Financial Management

3.9.2.1 Funding pattern

The amount of contribution to the SDRF of each State for each of the financial years 2010-15 has been allocated by the Thirteenth Finance Commission. The Commission has allocated an amount of ₹ 1,433.61 crore for Jharkhand in 75:25 manner as Central and State share, of which 75 per cent contribution (₹ 1,075.22 crore) was to be made by the Government of India (GoI) and 25 per cent (₹ 358.39 crore) by State Government as detailed in **Table 3.9**. In addition to this, the balance amount (₹ 767.93 crore) of Calamity Relief Fund as on 31 March 2010 was also to be the part of SDRF.

Table 3.9: Allocation of amount for SDRF by the Thirteenth Finance Commission

(₹ in crore)			
Year	Central Share	State Share	Total
2010-11	194.59	64.86	259.45
2011-12	204.32	68.10	272.42
2012-13	214.53	71.51	286.04
2013-14	225.26	75.08	300.34
2014-15	236.52	78.84	315.36
Grand total	1075.22	358.39	1433.61

¹¹ Cold wave/frost was included in the list of eligible calamity for assistance from SDRF on 13 August 2012 by the Ministry of Home Affairs, Government of India.

¹² Disaster Management Department (DMD)

¹³ Bokaro, Dhanbad, East Singhbhum, Palamau, Ranchi and Sahibganj

The Disaster Management Department (DMD) provided funds of SDRF to the DCs of the different districts for management of disaster. Prior to April 2013, the DCs used to submit their demands to the Department for payment of immediate relief to the victims. Accordingly, the demands were approved by the SEC for onward allotments to the DC of concerned districts. Thereafter, the procedure of funding to districts was changed to avoid the delays in providing assistance to the victims. The Member Secretary of SEC was delegated the power for approval and disposal of demands as received from the DCs and to provide assistance amount immediately to the districts. During its meeting, statement of assistance amount was being submitted to the SEC by the Member Secretary for formal approval. In addition to this, funds were also provided by the DMD to districts/ other departments who were engaged in management of disaster on the basis of decisions taken by the SEC.

3.9.2.2 Delayed/non-credit of contributions in SDRF

The allocated SDRF of the State was to be released by the GoI in June and December of each financial year and upon receipt the State Government was to transfer the amount, along with its share, to the Public Account Head opened/operated for this purpose.

The GoI invariably allotted its share in two instalments during each financial year with the direction to the State Government to credit the amount along with its share in SDRF during the current financial year itself.

We noticed in audit that although the first instalment for these years was remitted by the State Government during the same year but the second instalment for 2011-14 was remitted in subsequent years. Further, second instalment (₹ 157.68 crore) of Central (₹ 118.26 crore) and State Share (₹ 39.42 crore) for the year 2014-15 has not been credited into SDRF as of August 2015.

3.9.2.3 Utilisation and investment of fund

The position of funds credited into and disbursed from SDRF during 2010-15 is detailed in **Table 3.10**.

Table 3.10: The details of amount credited into and disbursed from SDRF during 2010-15

(₹ in crore)

Year	OB	Central Share	State Share	Others	Total	Disbursement	Balance
2010-11	767.93	194.59	64.86	1.45	1028.83	484.08	544.75
2011-12	544.75	102.16	34.05	2.37	683.33	243.71	439.62
2012-13	439.62	209.43	69.80	0.58	719.43	403.23	316.20
2013-14	316.20	219.90	73.29	3.47	612.86	21.30	591.56
2014-15	591.56	230.89	76.96	0.00	899.41	32.62	866.79
G. Total		956.97	318.96	7.87		1184.94	

Source: Finance and Appropriation Accounts

Scrutiny of Finance and Appropriation Accounts (2010-15) showed that against the available fund of ₹ 2,043.86 crore (OB: ₹ 767.93 crore, Central

Share: ₹ 956.97 crore, State Share: ₹ 318.96 crore) only ₹ 1,184.94 crore¹⁴ was disbursed from SDRF account with balance of ₹ 858.92 crore. Besides, ₹ 7.87 crore was also available with the department as receipt of unspent balances of the previous years and fund from other head of accounts. Thus, a total sum of ₹ 866.79 crore remained as balance in the Public account as on 31 March 2015.

- As per clause 18 of SDRF guidelines SEC had to take appropriate action for investment of SDRF.

Audit revealed that against the available fund of ₹ 2,043.86 crore during 2010-15, only ₹ 400 crore was invested as of August 2015 by the SEC though the department had substantial closing balances at the end of each financial year (**Table 3.10**).

- As per clause 4 of the guidelines, payment of interest was to be paid by State Government on un-invested amount of the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI.

In contravention of the provisions, the SEC did not take any initiative for payment of interest in case of non-investment of funds as of August 2015 which resulted in short accumulation of fund.

3.9.2.4 Blocking of fund

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 any amount from the Treasury as advance in anticipation of expenditure/ demands either for the execution of works, the completion of which is likely to take a considerable time or to avoid the lapse of appropriation.

- The DMD allotted (2010-12) ₹ 5.55 crore to the DCs of four¹⁵ test- checked districts for supply of drinking water and management of schemes in *Nagar Nikay* of the districts during disaster. The DCs accordingly, provided (between March and September 2011) ₹ 5.29 crore¹⁶ to respective Urban Local Bodies (ULBs), of which ₹ 2.67 crore was utilised by them while balance ₹ 2.62 crore remain parked in their Personal Ledger Accounts (PLA)/Bank account as of August 2015.
- The DMD allotted (October 2010) ₹ 300 lakh as agriculture input subsidy grant to the DC, East Singhbhum for drought affected area of the district, of which ₹ 130 lakh was sub-allotted (January 2011) to Sub Divisional Officer (SDO), Dhalbhum for payment against supply of seeds. Considering the information and vouchers received from Sub Divisional Agriculture Officer, Jamshedpur, the SDO withdrew (March 2011) only ₹ 70.87 lakh from the

¹⁴ This included investment of ₹ 400 crore in fixed deposits of various banks during the year 2012-13

¹⁵ Bokaro, Dhanbad, East Singhbhum and Ranchi

¹⁶ Amount of ₹ 19.51 lakh provided to Nagar Panchayat, Bundu by the DC, Ranchi has not been included as utilisation not provided

treasury. The SDO while verifying the beneficiaries list found that seeds were even distributed to some ineligible farmers and disallowed them. SDO paid only ₹ 33.70 lakh to the Agriculture Officer and ₹ 37.17 lakh remain unutilised (August 2015) with the SDO for more than four years.

- The DMD allotted (August and October 2010) ₹ 58.05 lakh to DC, Ranchi for storage and distribution of 10 quintal rice per panchayat to provide relief in emergent situation during drought. The entire amount withdrawn from treasury between September 2010 and March 2011 remained unutilised as of August 2015.

Thus, a total amount of ₹ 3.57 crore remain blocked at various levels, in contravention of SDRF guidelines and codal provisions.

3.9.2.5 Diversion/Unauthorised expenditure of SDRF

As per rule 26 of General Financial Rules 2005, the controlling officer should ensure that the expenditure is incurred for the purpose for which funds have been provided.

- The DMD allotted (August 2011) ₹ 40.00 lakh to DC, Sahibganj for supply of food grains in the flood affected areas of the district. Against the allotted amount, only ₹ 22.84 lakh was utilised for supply of food grains and ₹ 11.75 lakh were diverted for other unauthorised purposes¹⁷. Besides, ₹ 5.41 lakh was remitted (May 2015) into treasury.
- The DMD allotted (October 2011) ₹ 36.07 lakh to DC, Sahibganj for supply of food grains for flood affected areas in Sahibganj district. Scrutiny further revealed that out of the allotted amount, expenditure of ₹ 1.70 lakh was incurred on purchase of life jackets for which the funds were not allotted.

Thus, expenditure on the purposes other than the specified purpose, for which the funds were not allotted, was irregular and amounted to misuse of SDRF by the DCs.

- The DMD allotted (December 2010 to September 2013) ₹ 11.11 crore to the DCs of East Singhbhum (₹ 4.29 crore) and Sahibganj (₹ 6.82 crore) for supply of drinking water and food grains during drought and providing relief during flood from Public Account (SDRF). The concerned DC utilised only ₹ 7.99 crore after withdrawing it from the treasury and remitted (October 2012 to July 2015) ₹ 3.12 crore into the treasury in the Government revenue heads. The DCs East Singhbhum and Sahibganj remitted ₹ 2.91 crore under the head 0250-00-800-01-01-01 (Other Social Services) and ₹ 0.21 crore under the head 0075-00-911-01-02 (Miscellaneous General Services) respectively instead of prescribed head of account.

Thus, remittance of SDRF fund to State revenue was irregular.

¹⁷ Ex-gratia payment: ₹ 8,00,000, Fodder: ₹ 75,000 and Medicine: ₹ 2,99,995

3.9.3 Implementation through SDRF

3.9.3.1 Delayed/non assistance to affected persons

The SDRF is to be utilised for providing immediate relief to the victims of disaster like cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost.

- In test-checked districts, it was noticed that 7,458 affected and dependents of deceased persons were provided ex-gratia assistance after a delay of seven to 59 months from the date of incidence (**Appendix 3.13**).
- In five¹⁸ test-checked districts, it was noticed that for the incidences which occurred between April 2010 and May 2014, ex-gratia assistance to 828 victims were not paid even after lapse of 14 to 63 months despite availability of sufficient funds. It is pertinent to mention that the available funds either remain unutilised or surrendered (**Appendix 3.14**).

Thus, the main objective of providing immediate relief to the affected/dependent persons from SDRF was badly defeated.

3.9.3.2 Inadmissible execution of works through SDRF

- Clause 15 of guidelines on constitution and administration of the SDRF stipulates the norms for the expenditure from SDRF on each approved items which are already defined by the Ministry of Home Affairs with the concurrence of Ministry of Finance. Further, clause 10 along with its appendix of items and norms of assistance from SDRF fixed by Ministry of Home Affairs (Disaster Management Division), Government of India, New Delhi categorically mentions that the expenditure under the item Infrastructure would be spent only for the repair and restoration of damaged infrastructure which includes repair of damaged platform of hand pumps, restoration of damaged stand posts, replacement of damaged pipes, repair of pumping machines etc.

Scrutiny of allotment letters and other concerned records, however, revealed that DMD allotted (2010-12) ₹ 136.59 crore to Drinking Water and Sanitation Department (DWSD) for drinking water supply scheme in drought affected area. Out of this, the DWSD allotted (March 2011 to March 2012) ₹ 122.41 crore to the Executive Engineers of different divisions for sinking of High Yield Drilled Tubewell (HYDT) (₹ 121.79 crore), laying of pipes (₹ 0.42 crore) and scheme related to storage of water into Dam through pumping from cut-off trench (₹ 0.20 crore) and surrendered ₹ 14.18 crore to the DMD. Of this, expenditure of ₹ 121.79 crore on sinking of HYDT was inadmissible as the work was in violation of SDRF guidelines.

¹⁸ Bokaro, East Singhbhum, Palamau, Ranchi and Sahibganj

3.9.4 Non-submission of Utilisation Certificates

As per instructions contained in allotment letters, Utilisation Certificates (UCs)/expenditure report has to be submitted by the executing agencies in the prescribed format to the funding authority to ensure expenditure against the allotted fund.

- During 2010-15, the DMD allotted ₹ 97.46 crore to the DCs of test checked districts for management of disaster, of which ₹ 84.53 crore was provided to different executing offices/field offices in the districts by the DCs. However, the actual expenditure incurred by the concerned executing/field offices could not be provided by the DCs due to non-submission of UCs in support of the actual expenditure incurred by the executing agencies to whom the funds were provided.
- The DMD allotted (October 2010 to June 2014) ₹ 150.21 crore to the Secretary, Drinking Water and Sanitation Department (DWSD) and Director General-cum-Commandant (DG), Home Guard and Fire Services for drinking water supply scheme (₹ 136.59 crore) and purchase of fire equipments (₹ 13.62 crore) respectively. Against the total allotted funds, ₹ 14.18 crore were surrendered by DWSD and expenditure report of only ₹ 5.86 crore was furnished by the DG. Expenditure report/ UCs for the balance amount of ₹ 130.17 crore had not been received (August 2015) even after lapse of more than one to four and half years.

As such, in absence of expenditure report/UCs, the actual utilisation of funds could not be ascertained.

3.9.5 Non-maintenance of Subsidiary Accounts

As per clause 30 of guidelines on constitution and administration of the SDRF, SEC was required to maintain calamity-wise subsidiary accounts.

However, we noticed that subsidiary accounts were not being maintained by the SEC. As such, in absence of this important record, the actual position of fund on a particular point of time could not be ascertained.

3.10 Conclusion and Recommendations

Outstanding Utilisation Certificates against the grants

- As on 31 March 2015, Utilisation Certificates (UCs) of ₹ 5,161.72 crore were outstanding in the State against the GIA bills drawn during 2000-14 by different departments, of which ₹ 82.95 crore was outstanding in DW&SD. Non-receipt of UCs against the GIA bills for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure timely submission of utilisation of the grants for the intended purpose.

It is recommended that the State Government should ensure timely utilisation of the grants for the intended purpose and submission of UCs there against.

Drawal of funds on Abstract Contingent Bills

- As on 31 March 2015 significant amount of ₹ 4,886 crore drawn on Abstract Contingent (AC) bills during 2000-15 remained outstanding in the State due to non-submission of Detailed Contingent (DC) bills.

It is recommended that State Government should ensure timely submission of DC bills as per extent rules and provisions.

Submission of Accounts and Audit of Autonomous Bodies, Authorities and Grantee Institutions

- Government departments have not timely submitted the accounts of grantee bodies to the Accountant General (Audit). Status of submission of Separate Audit Reports of the Autonomous Bodies to the Legislature has not been intimated to the Accountant General (Audit) by the departments.

It is recommended that Government Departments should ensure timely submission of the accounts of Autonomous Bodies to the Accountant General (Audit).

Funds kept in Personal Ledger Accounts

- There was huge balance of ₹ 3,329.95 crore in Personal Ledger Accounts at the end of March 2015. Transfer of budgeted funds passed by the Legislature for the current year to Personal Ledger Accounts for expenditure in future years was in contravention of Financial Rules and weakened the budgetary control of the State.

It is recommended that taking advantage of the computerization of treasuries, the State Government may consider evolving a system of automatic closure of Personal Ledger Accounts after their validity period and the transferring of unutilised balances to the Consolidated Fund.

Booking under Minor Head “800”

- Large amount (₹ 1,574.51 crore) of Receipts and Expenditure were classified under the omnibus minor head “800 – Other Expenditure/ Receipts” which reflected lack of transparency in financial reporting.

It is recommended that receipts/expenditure which cannot be classified under the available program minor heads was only be booked under the minor head “800-Other Receipts/ Expenditure”.

Compliance audit of State Disaster Response Fund

- The SEC had not made investment of the amount from SDRF though the department had substantial balances at the end of each financial year. It also did not take any initiative for payment of interest on un-invested amount as per guidelines.

It is recommended that the provisions of SDRF guidelines should be strictly adhered to and SEC should either invest the amount of SDRF or should take necessary steps for getting interest on un-invested SDRF.

- The department executed inadmissible works worth ₹ 121.79 crore while ₹ 13.45 lakh was diverted for other works without sanction.

It is recommended that works should be executed strictly as per SDRF guidelines.

- The main objective of providing immediate relief to the affected/dependent persons from SDRF was not fully achieved as 8,286 cases of delayed/non-payment to affected persons were noticed.

It is recommended that an effective mechanism should be put in place to ensure immediate relief to the affected persons.



(S. RAMANN)

Accountant General (Audit),
Jharkhand

Ranchi
The 19 January 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi
The 22 January 2016