



Chapter-3

FINANCIAL REPORTING



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 2013-14.

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 JFR 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.

In Jharkhand, a total of 5,264 UCs amounting to ₹ 6,543.82 crore were outstanding as of 31 March 2014 in different departments against the GIA bills drawn during 2006-07 to 2012-13 as given in *Appendix 3.1*.

A compliance audit was conducted between June and August 2014 to study the reasons for huge numbers of outstanding UCs. Accordingly, Panchayati Raj & National Rural Employment Programme (Special Division) Department (PR&NREPD) and Urban Development Department (UDD) with outstanding 4,105 UCs amounting to ₹ 3,321.89 crore covering more than 50 *per cent* of the total outstanding amount were selected in audit. Further, three districts¹

¹ Deoghar, East Singhbhum and Ranchi

covering 25 number of outstanding UCs amounting to ₹ 601.23 crore² pertaining to both the departments were selected for detailed examination.

3.1.2 Status of outstanding UCs in Panchayati Raj & NREP (Special Division) Department and Urban Development Department

The year-wise status of outstanding UCs of ₹ 3,321.89 crore in respect of PR&NREPD and UDD as on 31 March 2014 is given in **Table 3.1**.

Table 3.1: Statement showing outstanding UCs as on 31 March 2014 for the GIA disbursed by the selected departments during 2006-13

(₹ in crore)

Year of disbursement of GIA	Panchayati Raj & NREP (Special Division)		Urban Development	
	No. of UC pending	Amount	No. of UC pending	Amount
2006-07	72	140.95	186	24.21
2007-08	26	48.13	189	45.49
2008-09	55	251.03	352	114.12
2009-10	38	156.86	585	194.00
2010-11	99	250.84	522	142.12
2011-12	64	259.97	390	146.64
2012-13	566	1031.57	961	515.96
Total	920	2139.35	3185	1182.54

From the **Table 3.1**, it may be seen that amount of ₹ 2,139.35 crore (920 UCs) in respect of PR&NREPD and ₹ 1,182.54 crore (3,185 UCs) in respect of UDD pertaining to 2006-07 to 2012-13 were outstanding as on 31 March 2014. As per Rule 342 of the JFR, UCs were to be submitted within 12 months from the date of sanction of GIA. However, the period of non-submission of UCs by the Drawing and Disbursing Officers (DDOs) ranged from one to six years.

In absence of submission of UCs by the concerned DDOs, audit could not ascertain whether the grants were actually utilised. Such huge pendency in submission of UCs indicated ineffective internal control mechanism and poor monitoring of the Department.

Detailed examination of the 25 test-checked cases revealed that non-utilisation of grants, blocking of grant by parking in bank accounts, non-drawal of grants from treasury, delay in release of grants, erroneous submission of UCs by the executing agencies etc. were the reasons for outstanding UCs.

Audit Findings

Significant irregularities noticed in course of audit are detailed below:

3.1.3 Delay in release of grants

The Urban Development Department (UDD) sanctioned (March 2010) grants of ₹ 75.14 crore for Basic Services to Urban Poor (BSUP) (₹ 53.51 crore) and Water Supply Scheme (WSS) (₹ 21.63 crore) in Ranchi district under Jawaharlal Nehru Urban Rural Mission (JNNURM). The Under Secretary, UDD was the DDO for withdrawal of grants. The entire grants were withdrawn from the treasury and transferred (March 2010) to the Greater

² Panchayati Raj & NREP (Special Division) Department – 14 cases – ₹ 379.43 crore and Urban Development Department – 11 cases – ₹ 221.80 crore

Ranchi Development Agency (GRDA), the State Level Nodal Agency for JNNURM, for onward transmission to implementing agencies.

Audit observed that GRDA released the grants to the Chief Executive Officer (CEO), Ranchi Municipal Corporation, the implementing agency, after a delay ranging between 12 to 23 months from the receipt of grant as detailed in **Table 3.2.**

Table 3.2 : Statement showing delay in release of grant to implementing agency
(₹ in crore)

Sanction of Grants		Grants received by GRDA		Grants released by GRDA		Delay in months	Agency
Order/Date	Amount	Date	Amount	Date	Amount		
195/25.3.2010	53.51	31.3.2010	53.51	11.2.2012	53.51	23	CEO, Ranchi Municipal Corporation for BSUP Scheme
147/3.3.2010	21.63	23.3.2010	21.63	29.3.2011	21.63	12	CEO, Ranchi Municipal Corporation for WSS
Total	75.14		75.14		75.14		

In reply, GRDA accepted the audit observation and stated (August 2014) that delay in releasing the grant for BSUP Scheme was due to non-utilisation of previous grants and regarding WSS, the reason was non-submission of UCs and work plans by the implementing agencies.

Release of grants by the UDD without actual utilisation of the previous grants by the implementing agency reflected that the requirement of the grants was not for immediate use, which was in contravention of Rule 341 of the JFR. Further, failure to obtain UCs and work plan by the GRDA showed poor monitoring of works by the GRDA resulting in non-achievement of the purpose for which the grants were released. Moreover, delay in release of grants further delayed its actual utilisation and submission of UC thereon.

Further, scrutiny of grants of ₹ 53.51 crore released to CEO, Ranchi Municipal Corporation revealed that only ₹ 7.16 crore was utilised and balance ₹ 46.35 crore could not be utilised either due to non-completion of ongoing projects or due to inclusion of projects yet to be started under BSUP scheme into Rajeev Awas Yojana for which revised Detailed Project Report (DPR) was to be sent to the Ministry of Housing & Urban Poverty Alleviation (MoHUPA), GOI. Thus, ₹ 46.35 crore remained blocked and UC could not be submitted (August 2014). However, ₹ 21.63 crore was fully utilised (August 2014) by Ranchi Municipal Corporation for Ranchi Water Supply Scheme under JNNURM.

3.1.4 Improper disbursement of grants and incorrect submission of Utilisation Certificate

General Basic Grant of ₹ 57.41 crore under Thirteenth Finance Commission for execution of works³ as per approved work plan for Gram Panchayat (GP) were sanctioned (September 2012) by the Panchayati Raj and NREP (Special Division) Department. The Under Secretary after withdrawal (October 2012) of grants from treasury transferred it to all 24 districts of Jharkhand through

³ Arrangement of Computer and Computer operator in all offices of Panchayats; Arrangement of generator/inverter/solar panel in Panchayat Bhawans; Supply of equipment in Panchayat Bhawans and arrangement of drinking water in Panchayats.

Real Time Gross Settlement (RTGS), of which ₹ 3.93 crore was transferred (October 2012) to the Secretary, Zila Parishad, Ranchi.

According to the sanction order, the Zila Parishad was to electronically transfer the grants immediately into the bank accounts of concerned GPs opened for that particular scheme. Further, UCs of the expenditure incurred were to be sent to Accountant General (A&E), Jharkhand in prescribed format of GFR 19A along with a copy to the Secretary, Department of Panchayati Raj and NREP (Special Division).

The Secretary, Zila Parishad, Ranchi instead of transferring the grants directly into the bank accounts of the GPs, transferred (November 2012) the said grants to 18 Block Development Officers⁴ (BDOs) of Ranchi district for onward disbursement to 303 GPs at the rate of ₹ 1,29,794 each. Further information furnished by the Zila Parishad revealed that the amount was ultimately credited on 9 February 2013 into the bank accounts of the GPs after a delay of four months from the date of allotment for execution of approved works.

The Secretary accepted and stated (July 2014) that the grants would be transferred electronically direct to the GPs in future.

On being asked for physical and financial progress of the works executed through these grants, the Secretary, Zila Parishad stated (July 2014) that it would be obtained from concerned blocks and made available. However, the Secretary, Zila Parishad had already submitted (March 2013) the UC in the prescribed format GFR-19A showing the entire grant of ₹ 3.93 crore actually utilised.

Thus, the Secretary submitted incorrect UC to Accountant General (A&E) without obtaining the status of actual work executed and expenditure incurred.

The improper release of grant to BDOs instead of electronic transfer into the bank accounts of gram panchayats led to delay in disbursement and ultimately delayed the submission of UC showing actual utilisation. Faulty submission of UC not only reflected on the poor monitoring of works by the Secretary, Zila Parishad but also raises a question mark on the validity of the UC.

3.1.5 Blocking and non-utilisation of Grants

As already mentioned in paragraph 3.1.1, no money should be drawn in advance of requirement (Rule 341 of JFR). Further, as per provisions of Appropriation Act, the funds drawn from the treasury should be utilised within the financial year. Again, Rule 300 of Jharkhand Treasury Code (JTC) stipulated that no money should 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 either for the execution of works, the completion of which is likely to take a considerable time or to prevent the lapse of appropriations. Rule further stipulates that if money is drawn in advance, the unspent balance of the amount so drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest

⁴ Angara, Bero, Bundu, Burmu, Chanho, Itki, Kanke, Khelari, Lapung, Mandar, Nagri, Namkum, Ormanjhi, Rahe, Ratu, Sonahatu, Silli and Tamar.

possible opportunity and in any case before the end of financial year in which the amount was drawn.

In course of test-check of outstanding UCs, following cases of blocking of grants were noticed:

- On the basis of the recommendation of Twelfth Finance Commission under State Specific Needs, against the total sanctioned grant of ₹ 275.51 crore for rehabilitation of Heavy Engineering Corporation (HEC) Ltd, Ranchi, the Urban Development Department (UDD), sanctioned (March 2010) grant of ₹ 36 crore for payment to HEC Ltd. The grant was to be paid to the HEC Ltd after it hands over the un-encroached land and buildings measuring 354.25 acres⁵ to the State Government. The Under Secretary withdrew (March 2010) the grant from treasury and transferred it to the Secretary, Industries Department in the shape of Bankers cheque issued in favour of Chairman-cum-Managing Director, HEC Ltd valid till 30 September 2010. As the land measuring 354.25 acres, which was under encroachment, was not handed over to the State Government by the HEC Ltd, the said Bankers cheque remained unutilised with the Secretary, Industries Department in the shape of lapsed Bankers Cheque (June 2014).

Since the grants could not be utilized, UCs against the same could not be submitted by the UDD.

- The UDD administratively approved and allotted (March 2011) ₹ 1.41 crore to Deoghar Municipal Corporation for construction of a park at Club *Maidaan*, Deoghar. The Chief Executive Officer (CEO), Deoghar Municipal Corporation after withdrawal from treasury deposited (March 2011) the entire amount of ₹ 1.41 crore into its Personal Ledger (PL) Account.

The work for construction of park could not be started (July 2014) as the land selected for construction was sub-judice since 2005 in the Hon'ble High Court of Jharkhand. The CEO requested (March 2013 and January 2014) the Department for permission to utilise the grants for up-gradation of Children's Park, Jalsar. The permission for the same was not granted by the department as yet (July 2014) and the entire amount of ₹ 1.41 crore allotted for construction of park remained blocked for more than three years.

Keeping the unutilized grant amount blocked in PL Account in violation of the Rule 341 of JFR and Rule 300 of JTC resulted in non-submission of UC. Moreover, sanction for construction of park on disputed land showed the improper selection of work which reflected the defective procedure for sanctioning the grant.

- Greater Ranchi Development Agency (GRDA) is the State Nodal Agency for implementation of JNNURM scheme. The grants pertaining to JNNURM are withdrawn by the Departmental officers of

⁵ A total of 2,342 acres of land was to be handed over by the HEC Ltd after payment of ₹ 275.51 crore. Of which 1987.75 acres were already handed over to the State Government.

UDD and transferred to GRDA for the implementation of schemes taken up under JNNURM.

Scrutiny of information received from GRDA revealed that the UDD released (April 2010) grants of ₹ 1.02 crore through two sanction orders to GRDA, Ranchi for onward disbursement to Executive Officers, Lohardaga Municipal Corporation and Hazaribag Nagar Parshad for implementation of Solid Waste Management (SWM) scheme. But the amount was not disbursed to both the Executive Officers as of July 2014. Thus, the said amount remained blocked for more than four years with GRDA which hampered the implementation of scheme and non-submission of UCs thereof.

In reply, the GRDA accepted and stated (August 2014) that the grants were not released to the Executive Officers of Lohardaga Municipal Corporation and Hazaribag Nagar Parshad due to non-finalisation of pending enquiries against them.

Delay in finalisation of pending enquiries by the Department against the concerned Executive Officers and not utilising the said grants on other schemes by taking back it from the GRDA reflected ineffective monitoring of the Department.

- Department of Panchayati Raj and NREP (Special Division) sanctioned (December 2006) grants of ₹ 11.29 crore for developmental works of 2,052 Gram Sabhas of Ranchi district. The grants were to be transferred to Gram Sabhas at the rate of ₹ 55,000 per Gram Sabha. The said grant was withdrawn (March 2007) from the Treasury by District Panchayati Raj Officer (DPRO), Ranchi, of which ₹ 10.54 crore was released (April 2007 to August 2008) to 1,916 Gram Sabhas and ₹ 74.80 lakh remained unreleased as bank accounts of some Gram Sabhas had not been opened and some Gram Sabhas were falling under other district (Khunti). The Deputy Commissioner (DC), Ranchi requested (June 2010) the Department for sanction to spent the unutilised grants of ₹ 74.80 lakh for implementation of different schemes for Gram Sabhas of Ranchi District, but the reply of the department was awaited (July 2014). Thereafter neither any correspondence was made by the DC with the Department, nor the balance amount of the grant was refunded into Government Account. Thus, the unreleased grants of ₹ 74.80 lakh had been blocked by the DPRO in its current Bank Account for more than seven years.

Failure to provide necessary instruction by the Department for utilisation of the unspent grant and non-refund of the same into government account by the DC and DPRO reflected ineffective internal control mechanism and violation of the Rules mentioned *ibid*.

Thus, the developmental works of the Gram Sabhas could not be carried out due to non-utilisation of the grants which ultimately resulted in non-submission of UC thereof.

- The UDD administratively approved (March 2011) ₹ 7.24 crore and released (March 2011) ₹ 5.76 crore⁶ for the work of construction of Auditorium and laying of coloured interlocking pavers to Deoghar Municipal Corporation. The CEO, Deoghar Municipal Corporation, against the available grant of ₹ 5.76 crore, spent only ₹ 1.35 crore⁷ on the work and ₹ 4.41 crore remained un-utilised (July 2014) due to slow progress of work by the contractor in respect of construction of auditorium and delayed commencement of the work in respect of laying of coloured interlocking pavers.

In reply, the Chief Executive Officer, Deoghar Municipal Corporation accepted the audit observation and stated (July 2014) that the matter would be examined, works would be completed and grants would be utilised soon.

Delay in completion of work for more than three years from the date of allotment showed poor monitoring of the work by the Chief Executive Officer which led to non-submission of UCs.

Thus, drawal of grants without its immediate use and keeping it blocked and unutilised was in violation of the provisions of the Appropriation Act, financial Rules and treasury codes. This also reflected the poor planning and monitoring by the Department resulting in non-utilisation and ultimately non-submission of UCs.

3.2 Compliance Audit of funds drawn on Abstract Contingent bills by the Welfare Department

Background

In Jharkhand, funds drawn from the treasury as advances in Abstract Contingent (AC) bills have been unusually large. During the period 2000-14, a total amount of ₹ 15,135 crore was drawn on 54,563 AC bills, of which ₹ 5,162 crore involving 17,778 bills remained outstanding as on 30 June 2014. The advances remain outstanding as long as the Controlling Officers (COs) do not submit the Detailed Contingent (DC) bills with supporting vouchers to the Accountant General (A&E). In the absence of submission of DC bills for outstanding amount drawn on AC bills, 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.

3.2.1 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 on an AC bill (T.C. Form 38), without any supporting voucher (Rule 318 of the JTC). The expenditure is debited under

⁶ (i) Construction of Auditorium in Shilpagram-Approved estimated cost: ₹ 2.76 crore; released amount: ₹ 2.76 crore, (ii) Laying of coloured interlocking pavers- Approved estimated cost: ₹ 4.48 crore; released amount: ₹ 3.00 crore

⁷ Construction of Auditorium – ₹ 85.78 lakh and Interlocking pavers – ₹ 48.73 lakh

the relevant service head and the DC bill (in T.C. Form 39)⁸ supported with sub-vouchers and countersigned by the CO⁹ is required to be submitted to the Accountant General (A&E) not later than 25th of the month¹⁰ following that to which they relate. A certificate to the effect that the 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 adjustments are made in case of misclassification. However, the responsibility for 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 funds withdrawn on AC bills during the period 2011-14 by the Welfare Department was conducted in September-October 2014. In Jharkhand, funds amounting to ₹ 3,192 crore were drawn through AC bills during the period 2011-14, of which ₹ 1,383 crore were outstanding (June 2014) as shown in **Table 3.3**. The Welfare Department withdrew ₹ 164.60 crore during the period, of which ₹ 161.54 crore remained outstanding (**Appendix-3.2**). The AC bills amounting to ₹ 89.71 crore drawn during 2011-14 by three DDOs¹¹ of Welfare Department in Ranchi district through 11 AC bills were examined in detail.

3.2.2 Trends of drawal of Abstract Contingent 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 period¹², but not later than 31 March of the financial year¹³. Non-submission of DC bills on time entails breach of financial discipline and leads to risk of misappropriation. The details of funds drawn through AC bills during 2000-14, DC bills submitted and outstanding amounts against these bills as of 30 June 2014 are detailed in **Table 3.3**.

⁸ Rule 320 of JTC

⁹ 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).

¹⁰ Rule 322 of JTC

¹¹ (i) Deputy Director, Tribal Welfare, Welfare Department (ii) District Welfare Officer, Ranchi and (iii) Project Director, Integrated Tribal Development Agency (ITDA), Ranchi

¹² From 1st of a month to 10th of the next month, for submission of detailed bills to the CO for counter signature (Rule 319 of the JTC)

¹³ Rule 300 of JTC

Table 3.3 : Outstanding Detailed Contingent bills as on 30 June 2014*(₹ in crore)*

Year	AC bills drawn		DC bills submitted		Outstanding DC bills		Percentage of outstanding amount
	Number	Amount	Number	Amount	Number	Amount	
2000-2011	52489	11943	35892	8164	16597	3779	32
2011-2012	1059	1600	333	1208	726	392	25
2012-2013	547	925	498	494	49	431	47
2013-2014	468	667	62	107	406	560	84
Total (2011-2014):	2074	3192	893	1809	1181	1383	43
Grand Total :	54563	15135	36785	9973	17778	5162	34

Source: Notes to Accounts in Finance Accounts

It would be seen from the **Table 3.3** that out of the total outstanding amount of ₹ 5,162 crore (June 2014), an amount of ₹ 3,779 crore (73 *per cent*) was more than three years old. The outstanding amount of AC bills drawn during 2000-11 was 32 *per cent* of the total amounts drawn. While the pendency decreased to 25 *per cent* for AC Bills drawn during 2011-12, it increased to 47 *per cent* and 84 *per cent* for the years 2012-13 and 2013-14 respectively of the total amount of AC bills drawn during that year.

We observed that drawal of funds through AC bills continuously decreased during 2012-13 (₹ 547 crore from ₹ 1059 crore) and 2013-14 (₹ 468 crore from ₹ 547 crore) in comparison to preceding year.

In Welfare Department, the amounts drawn on AC bills increased from ₹ 42.96 crore (70 bills) in 2011-12 to ₹ 107.06 crore (25 bills) in 2012-13 and then decreased to ₹ 14.58 crore (two bills) in 2013-14. The outstanding amounts against these AC bills were ₹ 39.90 crore (66 bills) for 2011-12, ₹ 107.06 crore (25 bills) for 2012-13 and ₹ 14.58 crore (two bills) for 2013-14 as of August 2014 (**Appendix-3.2**).

3.2.3 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 test-checked 11 AC bills pertaining to Welfare Department revealed that amount of ₹ 53.52 lakh was withdrawn (March 2012) by the District Welfare Officer (DWO), Ranchi through two AC bills. The details of which are shown in **Table 3.4**.

Table 3.4 : Delay in submission of Detailed Contingent bills

Sl. No	Bill No	Date of withdrawal from treasury	Amount (₹ in lakh)	Due date of submission of DC Bills	Date of submission of DC Bills	Delay in months
1	285/11-12	31.03.2012	24.33	25.04.2012	20.06.2014 and 04.07.2014	26
2	288/11-12	31.03.2012	29.19	25.04.2012	20.06.2014 and 04.07.2014	26
Total			53.52			

Source : Information furnished by the District Welfare Officer, Ranchi

As per JTC Rule the DC bills were to be submitted to AG (A&E) Jharkhand, Ranchi by 25 April 2012. But it is evident from the **Table 3.4** that the DC bills were submitted in June and July 2014 with a delay of approximately 26 months.

In reply, the DWO, Ranchi accepted and stated (September 2014) that delay in submission of DC bills was due to delayed receipt of measurement books and vouchers from the implementing agencies.

Audit further observed that the remaining test-checked nine bills amounting to ₹ 89.17 crore drawn during March 2012 to March 2013 were yet to be adjusted through submission of DC bills (August 2014).

The Project Director (PD), Integrated Tribal Development Agency (ITDA) accepted and stated (October 2014) that non-completion of works in time by the implementing agencies was the reason for non-submission of DC bills. The reply of the Tribal Welfare Commissioner (TWC), Welfare Department is awaited (October 2014).

3.2.4 Drawal of Plan funds on Abstract Contingent bills

Drawal of Plan funds on AC bill is not permissible as the same are not of contingent nature.

- We observed that out of a total amount of ₹ 164.60 crore drawn on 97 AC bills by the Department during 2011-14, ₹ 160.01 crore (97 *per cent*) were Plan funds. Against these Plan funds, DC bills of only ₹ 3.06 crore were submitted to Accountant General (A&E) and ₹ 156.95 crore remained outstanding as of August 2014.
- Scrutiny of test-checked AC bills revealed that the Welfare Department allotted (September and December 2012) ₹ 77.18 crore to two DDOs¹⁴ for implementation of different schemes under Article 275(1) of the Constitution and allowed to draw funds as lump-sum advance. Accordingly, the entire funds of ₹ 77.18 crore were drawn (January 2013 and March 2013) by the DDOs as advance through two AC bills from treasury. As the funds allotted from Central Government under article 275(1) of the Constitution are grants, these were to be released as Grants-in-aid (GIA) for implementation of the schemes. However, we noticed that since the State Budget did not have the detailed head “Grants-in aid” under Minor (programme) head (796-Tribal area sub-plan)- Sub head (08-Central Assistance under Article 275 (1) of the Constitution), the DDOs could not draw the funds on GIA bills.

Withdrawal of GIA funds on AC bills was one of the reasons for high outstanding AC bills amounts in Jharkhand.

Further, we observed that drawal of funds as lump-sum advance was allowed by the Department quoting the provisions of Para 15 of Bihar Finance Department's orders dated 17 April 1998, as adopted by Jharkhand, under which 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.

Sanction for lump-sum advance drawal of entire funds under article 275 (1) of the Constitution based on above Government orders was

¹⁴ Tribal Welfare Commissioner, Ranchi (₹ 69.96 crore) and Project Director, Integrated Tribal Development Agency (ITDA), Ranchi (₹ 7.22 crore)

irregular, as the advance was not drawn only for procurement of materials.

The reply of the Department is awaited (October 2014).

3.2.5 Drawal of Abstract Contingent 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.

The amounts drawn by the Welfare Department and test-checked DDOs¹⁵ of Ranchi district at the fag end of the financial year through AC bills during 2011-14 are shown in **Table 3.5**.

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

(₹ in crore)

	Total Drawal		Drawn in March		Drawn in last week of March		Drawn on 31 st March	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Welfare Department	97	164.60	79	59.12(36)	74	55.27(34)	55	35.12(21)
Test -checked AC Bills	11	89.71	10	19.75(22)	9	16.67(18.58)	8	14.63(16)

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 ₹ 164.60 crore drawn by the Department in AC bills during the years 2011-14, ₹ 59.12 crore (36 per cent) was drawn in the month of March. Of these, ₹ 55.27 crore (34 per cent) was drawn in the last week of March. The amount drawn on the last day of the financial year was ₹ 35.12 crore. The 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.

Further, test-check of records of three DDOs of the Department revealed that the DDOs withdrew (March 2012 and March 2013) ₹ 19.75 crore through 10 AC bills for implementation of various schemes. Of these, ₹ 11.20 crore was paid/disbursed or remitted into treasury and ₹ 8.55 crore remained unutilised with them as of August 2014. Moreover, out of ₹ 11.20 crore, only ₹ 0.22 crore was paid during the same financial year (March 2013) and ₹ 10.98 crore were paid/disbursed or remitted into treasury during the subsequent financial years.

Thus, drawal of ₹ 19.53 crore¹⁶ in AC bills, not required for immediate payment, was in violation of the Appropriation Act and the provisions of the JTC.

¹⁵ (i) Deputy Director, Tribal welfare, Welfare Department (ii) District Welfare Officer, Ranchi and (iii) Project Director, ITDA, Ranchi

¹⁶ ₹ 19.75 crore – ₹ 0.22 crore

3.2.6 Repeated drawal of funds on Abstract Contingent bills

Our scrutiny revealed that two test-checked DDOs repeatedly withdrew funds amounting to ₹ 89.17 crore through AC bills during 2011-13 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 Table 3.6.

Table 3.6 : Statement showing repeated drawal of Abstract Contingent Bills

(₹ in Crore)				
Sl.	Drawing & Disbursing Officers	Drawal of Bills	No. of Bills drawn	Amount
1	Deputy Director, Tribal Welfare	Between 29 March 2012 and 31 March 2013	07	81.72
2	Project Director, Integrated Tribal Development Agency (ITDA), Ranchi	31 March 2012 and 31 March 2013	02	7.45
	Total		09	89.17

Source : Voucher Level Computerisation (VLC) Database

While drawing funds from treasury on AC bills after 10th of the next month of month of drawal of AC bills, the DDO signs a certificate in TC Form 38 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 onward submission to Accountant General (A&E).

As could be seen from the Table 3.6, both the DDOs withdrew funds from the treasury on subsequent AC bills by signing certificates required for withdrawal of funds on AC bills. Thus, the DDOs furnished false certificates, as DC bills were outstanding against the previously drawn AC bills.

3.2.7 Funds drawn on Abstract Contingent bills kept in bank account

Rule 300 of the JTC requires that funds should not be drawn unless required for immediate payment. Further, Financial Rules prohibit keeping of Government money outside Government accounts. We observed that funds drawn by the DDOs in AC bills were not utilised fully and were lying in the bank accounts of the DDOs and implementing agencies as discussed below:

- The Project Director (PD), Integrated Tribal Development Agency (ITDA), Ranchi withdrew (March 2012 and March 2013) ₹ 7.45 crore through two AC bills for implementation of tribal welfare schemes. Out of which only ₹ 4.20 crore was spent up to 24 September 2014 and balance ₹ 3.25 crore was lying unutilised in the savings account of ITDA as on September 2014.

The PD, ITDA, Ranchi accepted and stated (October 2014) that funds could not be utilized due to non-completion of the schemes.

- The Deputy Director, Tribal Welfare, Welfare Department withdrew (March 2012 to March 2013) ₹ 81.72 crore through seven AC bills from treasury for implementation of various Tribal welfare Schemes, of which ₹ 75.33 crore was paid/dispensed for implementation of different schemes and balance amount of ₹ 6.39 crore was kept in bank accounts of Tribal Welfare Commissioner as of September 2014.

The reply is still awaited (October 2014).

- The TWC, Welfare Department released (February 2013 to August 2014) ₹ 2.96 crore to PD, ITDA and DWO, Ranchi for implementation of various schemes, of which only ₹ 0.77 crore was utilised and remaining amount of ₹ 2.19 crore was kept in the bank accounts of concerned agencies as of September 2014.

The PD, ITDA, Ranchi accepted and stated (September 2014) that funds could not be utilised due to non-completion of works and non-payment to the suppliers. The DWO, Ranchi also accepted and stated (September 2014) that funds could not be utilized due to non-completion of works.

3.2.8 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 various irregularities in drawal of AC bills to the Finance Secretary to Government on regular intervals. 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. However, it was noticed that though the drawal of funds through AC Bills had decreased during 2012-14; trend of non-submission of DC bills for long periods against the bills drawn during 2012-14 still continued.

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

3.3.1 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 Service) 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 October 2014, no department of the Government had furnished such details for the year 2013-14. However, 71 bodies/authorities in the State which attract audit under section 14 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 59 authorities/bodies have been conducted for various periods as of October 2014 (accounts of one body audited up to 2013-14 and 16 bodies audited up to 2012-13), as shown in *Appendix 3.3*.

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.

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

There are three Autonomous Bodies¹⁷ 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.

Separate Audit Report (SAR) of Jharkhand State Legal Services Authority (JHALSA) including 22 District Legal Services Authorities (DLSAs) for the year 2008-09 was issued on 08 April 2013. Its placement in Legislature had not been intimated. Annual Accounts of 2009-10 and 2010-11 were audited and SAR was issued to Member Secretary, JHALSA on 22 November 2013. Accounts for the years 2011-12 and 2012-13 have not been received so far (October 2014).

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. Accounts for the years 2012-13 and 2013-14 have not been received (October 2014).

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, in spite of active persuasion annual accounts for any year have not been submitted to Audit as of October 2014.

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 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; these must not be delayed while enquiries are made.

In reply to the audit request (28 April 2014 and 26 June 2014) for providing information in this regard, no information has been received by the Finance Department as of October 2014.

¹⁷ (i) Jharkhand State Legal Services Authority (JHALSA) including District Legal Services Authorities (DLSAs) (ii) Jharkhand State Electricity Regulatory Commission (JSERC) (iii) Rajendra Institute of Medical Sciences (RIMS).

3.5 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. 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 Deposit for the year 2013-14 revealed that there were 101 Personal Ledger Accounts of the State as of 31 March 2014.

The closing balances under the PL Accounts were continuously increasing during the years 2011-12 and 2012-13 whereas it decreased during the year 2013-14, as shown in **Table 3.7**.

Table 3.7: 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

It may be seen from **Table 3.7** that huge funds amounting to ₹ 2,597.50 crore were kept in PL Accounts at the end of March 2014.

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 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.

3.6 Conclusion and Recommendations

Outstanding Utilisation Certificates against the grants

- Utilisation certificates (UCs) of ₹ 6,543.82 crore against the GIA bills drawn during 2006-07 to 2012-13 by different departments were outstanding as on 31 March 2014. 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 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.

- The reasons for Utilisation certificates remaining outstanding were delayed and improper release of grants, non-utilisation or partial utilisation of grants, blocking of grants and non-reconciliation of drawal of grants and submission of UCs thereof by the concerned Drawing and Disbursing Officer with the Accountant General (A&E), Jharkhand.

It is recommended that monitoring should be done at each level to avoid delay in release of grants and watch the physical and financial progress of the works and submission of Utilisation Certificates thereof. It is also recommended that the Departmental Officers should comply strictly with the financial rules and procedures to avoid blocking and non-utilisation of grants. Reconciliation of outstanding UCs should be done between Accountant General (A&E) and concerned Drawing and Disbursing Officers at regular intervals to avoid the undue delay/non-receipt of UCs despite submission.

In addition to above, it is also recommended that process of sanction of grants-in-aid by the department, permission for drawal of GIA by office of the Accountant General (A&E) and submission of Utilisation certificates by the grantee should be done electronically to watch the actual withdrawal of grants from treasury and submission of Utilisation Certificates in time by the concerned Drawing and Disbursing Officers.

Drawal of funds on Abstract Contingent Bills

- Significant amount of ₹ 5,162 crore drawn on Abstract Contingent (AC) bills during 2000-14 remained outstanding as of June 2014 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.

- Non-provisioning of funds, allotted as grants from Central Government, in the State budget as Grants-in-aid resulted in drawal of the same through AC bills. AC bills were drawn for purposes for which advance drawal was not permissible. The Departments withdrew AC bills even for Plan expenditure.

It is recommended that funds allotted as grants from Central Government should be provisioned as Grants-in-aid in the State Budget and such funds should be drawn on GIA bills and not on AC bills.

- 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. Further, unspent funds drawn on AC bills were kept in bank accounts and not deposited into the Government account.

It is recommended that withdrawal of funds on AC bills for expenditure not of contingent nature should be prohibited and unspent amounts drawn through AC bills should be immediately deposited in to the Government Accounts.

- AC bills were repeatedly drawn by the DDOs by furnishing false certificates regarding submission of DC bills in respect of AC bills drawn earlier.

It is recommended that 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.

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 Principal Accountant General (Audit). Status of submission of Separate Audit Reports of the Autonomous Bodies to the Legislature has not been intimated to the Principal Accountant General (Audit) by the departments.


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

Funds kept in Personal Ledger Accounts

- There was a huge balance of ₹ 2,597.50 crore in Personal Ledger Accounts at the end of March 2014. 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 parking funds in Personal Ledger Accounts should be avoided and funds should be utilised during the financial year for which it was provided in the budget.

Ranchi
The


(MRIDULA SAPRU)
Principal Accountant General (Audit),
Jharkhand

Countersigned

New Delhi
The


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India