
Chapter-3
FINANCIAL REPORTING

CHAPTER 3

Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the year 2015-16.

3.1 Delay in furnishing Utilisation Certificates

As per Rule 182 of the Madhya Pradesh Financial Code (MPFC) Vol. I, in case of an annual or a non-recurring conditional grant, the Departmental Officer on whose signature or counter-signature the Grants-in-aid bill was drawn, shall furnish the Utilisation Certificates (UCs) to the Accountant General (AG) on or before 30 September of the year following that to which the grant is related.

The position of outstanding UCs against Grants-in-aid sanctioned to various Departments up to 2015-16 is given in **Table 3.1**.

Table 3.1: Year-wise position of outstanding Utilisation Certificates

(₹ in crore)		
Year	Number of Utilisation Certificates awaited	Amount
up to 2013-14	27593	20,630.58
2014-15	02	401.49
2015-16	17	327.21*
Total	27612	21,359.28

(Source: Finance Accounts for the year 2015-16)

*Except where the sanction orders state otherwise, UCs in respect of grants disbursed till 31 March 2016 was due on or before 30 September 2016)

As seen from the above 27612 UCs for an aggregate amount of ₹ 21,359.28 crore were outstanding as on 31 March 2016 in respect of 41 Major Heads. Details are given in **Appendix 3.1**. Large pendency in submission of UCs was mainly in respect of Major Head 3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (₹ 8,711 crore), 2408- Food, Storage and Warehousing (₹ 4,796 crore), 2202-General Education (₹ 1,928 crore), 2501-Special Programmes for Rural Development (₹ 1,022 crore) and 2801-Power (₹ 975 crore).

3.2 Status of Placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

The State Government has set up several Autonomous Bodies (ABs) in the fields of Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of six ABs in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SAR) and their placement in the Legislature as on 30 September 2016 is given in **Table 3.2**.

Table 3.2: Status of rendering Accounts of the Autonomous Bodies

Sl. No	Name of body	Period of entrustment	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay ¹ in submission/non-submission of accounts (in months)
1	Madhya Pradesh (MP) Khadi and Village Industries Board, Bhopal	Entrustment under section 19(3) of C&AG (DPC) Act	2013-14	2012-13	2011-12 (Placement of SAR on 09.12.2015) SARs for the year 2012-13 has been issued. Information about status of placing SAR to the State Legislature was awaited.	2013-14 (24) 2014-15 (15) 2015-16 (03)
2	MP Human Rights Commission, Bhopal	Entrustment vide Act of Parliament	2014-15	2013-14	2013-14 (Placement of SAR on 09.12.2015)	2013-14 (03) 2014-15 (08)
3	MP Building and Other Construction Workers Welfare Board, Bhopal	Entrustment vide Act of Parliament	2011-12	2011-12	SARs for the year 2003-04 to 2011-12 were issued. Information about status of placing SARs to the State Legislature was awaited, despite reminder (September 2016).	2011-12 (23) 2012-13 (39) 2013-14 (27) 2014-15 (15) 2015-16 (03)
4	MP State Legal Services Authority, Jabalpur	Entrustment vide Act of Parliament	1997-98 to 2012-13	Accounts for the year 1997-98 to 2012-13 were received from the MP State Legal Service Authority in August 2015. However, the account of District Legal Services Authorities have not been received since inception.	-	1997-98 (205) 2012-13 (25) 2013-14 (27) 2014-15 (15)
5	MP Housing and Infrastructure Development Board, Bhopal	Entrustment vide Act of State Legislature	2015-16	2014-15	2014-15 (Placement of SAR on 25.07.2016)	2012-13 (16) 2013-14 (09) 2014-15 (04)
6	Madhya Pradesh Electricity Regulatory Commission (MPERC), Bhopal	Entrustment vide Act of Parliament	2015-16	2014-15	2014-15 (Placement of SAR on 09.12.2015)	-

¹ Period of delay taken from the due date of receipt of accounts i.e. 30 June of the ensuing financial year till 30 September 2016

As seen from the **Table 3.2**, there were significant delays up to 205 months in submission of accounts by Madhya Pradesh Legal Services Authority. However, the accounts of Districts Legal Service Authorities were still awaited.

Inordinate delays in submission of accounts and presentation of the SARs to the State Legislature result in delays in scrutiny of the functioning of these bodies, where Government investments are made, besides delays in initiating necessary remedial action on financial irregularities in the Autonomous Bodies.

3.3 Reporting of Misappropriation, Losses and Defalcations etc.

Rule 22(1) of the Madhya Pradesh Financial Code Vol. I states that any loss of public money, caused by defalcation or otherwise, should be immediately reported to the Accountant General, even when such loss has been made good by the party responsible for it.

The State Government reported 3099 cases of misappropriation, losses, defalcations etc., involving ₹ 37.19 crore up to 31 March 2016 on which final action was pending as of June 2016. The amount included ₹ 4.04 crore (270 cases) for the year 2015-16. A large number of cases involving ₹ 15.52 crore (2501 cases) and ₹ 8.30 crore (11 cases) were pending for recovery/regularisation against the Major Head 2406-Forestry & Wild Life and Major Head 2054-Treasury and Accounts Administration respectively. Major Head-wise details of pending cases of misappropriation, losses, defalcations etc. at the end of 2015-16 and their age-wise analysis is given in **Appendix 3.2**. Major Head-wise and nature of irregularity-wise details of these cases are given in **Appendix 3.3**. The age-profile of the pending cases with nature of irregularities emerging from these Appendices are summarised in **Table 3.3**.

Table 3.3: Profile of Misappropriation, Losses, Defalcations etc.

(₹ in crore)

Age-profile of the pending cases			Details of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0 – 5	672	14.04	Theft	173	6.47
5 – 10	322	12.23			
10 – 15	321	2.69	Misappropriation/ Loss of material	2926	30.72
15 – 20	389	4.03			
20 – 25	544	2.16			
25 & above	851	2.04			
Total	3099	37.19	Total	3099	37.19

Further analysis indicated that the cases were outstanding owing to reasons listed in **Table 3.4**.

Table 3.4: Reasons for outstanding cases of Misappropriation, Losses, Defalcations etc.

		(₹ in crore)	
Reasons for the delay/outstanding cases		Number of cases	Amount
(i)	Awaiting Departmental and criminal investigation	12	0.37
(ii)	Departmental action initiated but not finalised	15	0.75
(iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	04	0.17
(iv)	Awaiting orders for recovery or write off	2991	26.86
(v)	Pending in the Courts of law	77	9.04
Total		3099	37.19

Thus, out of 3099 cases involving ₹ 37.19 crore, 2105 cases (68 per cent) involving ₹ 10.92 crore were pending for more than 10 years. In 2991 cases (97 per cent), orders for recovery or write off were awaited.

During the exit conference (December 2016), FD replied that necessary action would be taken by the concerned Departments.

Further, 127 cases of losses involving an amount of ₹ 63.21 lakh were written off during the year 2015-16, as detailed in **Appendix 3.4**. An amount of ₹ 53.07 lakh pertaining to 388 cases had been recovered and credited to Government Account during 2015-16. The details are given in **Appendix 3.5**.

Loss Due to shortage of stock in Civil Aviation Department

Para 6(3) of Aviation Department's notification (January 2000) stipulated that the purchase of spare parts, stock etc. would be physically verified twice in a year and the officials from Directorate of Treasury and Accounts Service would be nominated in verification team. Further, Rule 135 (ii) (b) of MPFC provides that the article found short may continue to be borne on the stock accounts until the loss is adjusted either by a recovery or a sanctioned write off.

During test check (January 2016) of records of Directorate, Civil Aviation, Bhopal, it was observed that the shortage of 15 items amounting to ₹ 1.22 crore were noticed during the physical verification of its Technical Branch conducted during February 2015, as detailed in **Appendix 3.6**. Further scrutiny revealed that these missing equipment were spare parts of aircraft/helicopter. The shortage also included tools of ₹ 9.64 lakh procured from local market, though such procurement from local market was prohibited. However, no action was taken for fixing responsibilities and adjustment of stock by recovery or write off.

On this being pointed out, Directorate replied (June 2016) that the responsibilities would be fixed after intensive investigation.

The reply of the Department is not acceptable as the Department did not initiate any action for fixing the responsibilities despite lapse of more than one year.

3.4 Pendency in submission of Detailed Countersigned Contingent bills against Abstract Contingent bills

As per Rule 313 of the Madhya Pradesh Treasury Code (MPTC) Part-1, every Drawing and Disbursing Officer (DDO) has to certify in each Abstract Contingent (AC) bill that Detailed Countersigned Contingent (DCC) bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the concerned Controlling Officers (CO) for countersignature and transmission to the Accountant General (A&E). As per MPTC Subsidiary Rule 327, DDOs should submit monthly DCC bills along with necessary certificate to the CO within 5th of the following month. The CO is required to submit the passed DCC bills to AG, so that these may be received in AG's office till 25th of the same month. However, drawal of amounts by way of AC bills has been prohibited by the Finance Department instructions (July 2011) for all the Departments.

We observed that 19 DCC bills aggregating to ₹ 7.59 crore were pending at the end of March 2016, which were drawn by State Protocol Officer, Bhopal under General Administration Department. The case of these drawals was pending for decision in the Court of law. The case was closed by the Honorable Court of the special judge under prevention of Corruption Act on 13.03.2012, however adjustment of these AC bills were awaited. Year-wise pendency in submission of DCC bills are given in **Table 3.5**.

Table 3.5: Year-wise position of outstanding DCC bills

(₹ in crore)		
Year	Number of Outstanding DCC bills	Amount
2004-05	11	4.60
2005-06	05	2.74
2006-07	03	0.25
Total	19	7.59

(Source: Finance Accounts for the year 2015-16)

3.5 Reconciliation of Departmental receipts and expenditure

According to Para 24.9.3 of the Madhya Pradesh Budget Manual (MPBM), Budget Controlling Officers (BCOs) are responsible for reconciliation of accounts maintained by them with those appearing in the Accountant General (A&E)'s books and for identifying and correcting misclassifications.

We observed that against the total expenditure of ₹ 1,19,766 crore (excluding repayment of "Public Debt") during 2015-16, all the 117 Controlling Officers (COs) have partially reconciled an expenditure of ₹ 64,790 crore (54.10 per cent) as on 31 March 2016.

Further, all BCOs are required to reconcile the receipts of the Government with the figures accounted for by the Accountant General (A&E). All the 117 Controlling Officers have partially reconciled for ₹ 1,118 crore (1.06 per cent) against the total receipts of ₹ 1,05,701 crore excluding receipts under "Public Debt" during the year 2015-16.

The failure to reconcile the expenditure and receipts by the Controlling Officers indicated deficient financial management. Even though non-reconciliation of Departmental figures is pointed out regularly in our Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2015-16.

3.6 Adjustment of temporary advances

According to Subsidiary Rule 53(4) of MPTC, temporary advance should be adjusted as early as possible and adjustment should not be delayed for more than three months in any condition. According to the Finance Department's instructions (October 2001), temporary advances taken by Government employees for tours or contingent expenditure should be adjusted within three months from the date of drawal of advance or by the end of the financial year whichever is earlier, failing which interest as per the interest rate on fixed deposits of State Bank of India should be charged from the erring employee/officer.

Information furnished by various Departments (to the extent available) revealed that as on 31 March 2016, 2552 cases aggregating ₹ 8.39 crore were pending for adjustment by 12 Departments² in their records. We observed that large pendency of temporary advance (more than one crore) was in respect of General Administration Department (₹ 5.65 crore) and Farmer Welfare and Agriculture Development (₹ 1.62 crore), which were pending for adjustment.

Reasons for non-adjustment of temporary advances have not been intimated by Departments. Age-wise analysis of advances pending is given in **Table 3.6**.

Table 3.6: Age-wise analysis of cases of advances pending as of March 2016

(₹ in crore)			
Sl. No.	Pendency	No. of cases	Amount
1	More than 10 years	647	0.47
2	More than five years and upto 10 years	380	0.27
3	More than one year and upto five years	488	6.03
4	Upto one year	1037	1.62
Total		2552	8.39

(Source: Data Furnished by the Departments)

It would be seen from the above that 25 per cent of the cases (647 nos.) were more than ten years old and thus, possibility of their recovery appears to be remote.

Non-recovery of advances indicated absence of effective internal controls in the concerned Departments.

During the exit conference (December 2016), FD replied that necessary instructions would be issued in this regard.

² (1) Commerce, Industry and Employment: ₹ 1.18 lakh, (2) Education: ₹ 7.24 lakh, (3) Farmer Welfare and Agriculture Development: ₹ 161.65 lakh, (4) Fisherman Welfare and Fisheries Development: ₹ 1.53 lakh, (5) General Administration (Election): ₹ 564.79 lakh, (6) Horticulture and Food Processing: ₹ 78.48 lakh, (7) Home (Public Prosecution): ₹ 0.20 lakh, (8) Jail: ₹ 1.44 lakh, (9) Narmada Valley Development Authority: ₹ 3.35 lakh, (10) Panchayat and Rural Development: ₹ 3.20 lakh, (11) Tribal Welfare: ₹ 0.04 lakh, (12) Water Resources Department: ₹ 15.64 lakh

3.7 Opaqueness in Government Accounts

Since most of the government activities are well defined in the list of Major and Minor Heads of Accounts of Union and States, issued by the Controller General of Accounts, and also provided in para 8.3.5(vi) of MP Budget Manual, the Budget Controlling Officers are to ensure that operation of the minor head '800-Other Receipts/ Expenditure' should be minimised.

Scrutiny of Finance Accounts 2015-16 disclosed that expenditure of ₹ 17,669.83 crore, consisting 15.15 *per cent* of total expenditure of ₹ 1,16,606.17 crore under revenue and capital major heads was classified under the minor head '800-Other Expenditure'.

We also observed that under 37 major heads of accounts (revenue and capital), substantial portion (10 *per cent* or more) of an amount of ₹ 16,148.78 crore, which constituted 53.93 *per cent* of total expenditure of ₹ 29,942.10 crore under these major heads, were classified under the minor head of accounts '800-Other Expenditure'. Such expenditure ranged between 11 *per cent* and 100 *per cent* of total expenditure under the respective major heads, as detailed in **Appendix 3.7**.

Similarly, revenue receipts of ₹ 11,890.88 crore, constituting 11.27 *per cent* of the total revenue receipts (₹ 1,05,510.60 crore) recorded under the respective major heads, were classified under the minor head '800-Other Receipts'. Under 30 revenue receipt major heads of accounts, substantial portion (10 *per cent* or more) of an amount of ₹ 11,747.50 crore, which constituted 60.31 *per cent* of total receipts (₹ 19,477.79 crore) under these major heads, were classified under '800-Other Receipts'. The booking under minor head '800-Other Receipts' in these cases ranged between 10 and 100 *per cent* of total revenue receipts under the respective major heads. Details are given in **Appendix 3.8**.

Large amounts booked under the minor head '800-Other Receipts' and '800-Other Expenditure' affects the transparency in financial reporting as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

3.8 Payment of Previous year's liabilities from the next year's Budget

Subsidiary rule 283 of MPTC provides that all charges actually incurred must be drawn and paid at once, and under no circumstances they be allowed to stand over to be paid from the grant of another year. To the extent possible, expenditure should be postponed till the sanction of new budget, but on no account the charge be incurred in one year and thrown on the grant of another year.

Test check of records of Office of the Superintendent of Police (Radio), Bhopal (July 2016) revealed that the Department purchased CCTVs and Digital Radio Tracking System (on turnkey basis), Data SIMs and other equipment costing ₹ 36.94 crore for Shinmhast 2016 from seven firms during the financial year 2015-16. However, despite availability of budget, the balance payment of ₹ 28.29 crore was not made to respective firms during the financial year 2015-16 (**Appendix 3.9**). Thus, the charges incurred in one year was thrown on the grant of another year, which was in contravention to subsidiary rule 283 of MPTC.

The Department replied that the pending bills were not passed due to unavailability of budget allotment.

The reply is not acceptable, as an amount of ₹ 36.32 crore was allotted to the Department for Shimhast 2016, out of which only ₹ 9.99 crore was incurred by the Department leaving a balance of ₹ 26.33 crore.

The matter was referred to the Government (August 2016); their reply had not been received (November 2016). However, during the exit conference (December 2016), FD replied that the concerned Department would take necessary action.

3.9 Irregular Maintenance of bank accounts

Rule 6 of MPFC and Subsidiary Rule 284 of MPTC provide that withdrawal of funds from Consolidated Fund of the State without immediate requirement is totally prohibited. According to Rule 9 of MPTC a Government servant may not, except with the special permission of the Government, deposit in a bank moneys withdrawn from the Consolidated Fund and Public Account of the State. Finance Department, Government of Madhya Pradesh directed (February 2009) that Government Offices, which had withdrawn funds of various schemes and deposited in bank accounts opened without permission of Finance Department, may withdraw money immediately from these bank accounts and deposit into Government Accounts.

With a view to ascertain whether Government money was being parked in bank accounts, information on deposit of funds in bank account by departmental authorities was called from all Departments of Government of Madhya Pradesh. As per information received from 35 Departments, there were no cases of deposits in bank accounts by departmental authorities of these Departments. Information from 12 Departments was still awaited (November 2016).

In case of six Departments³, the amount of ₹ 28.25 crore was withdrawn from Consolidated Fund and deposited in 51 bank accounts, which were being operated by 40 Drawing and Disbursement Officers (DDOs) as on 31 March 2016. The amount parked in these accounts should have been withdrawn and deposited in Government Accounts as per the direction of FD, but the same was not complied with. Details of balances in the bank accounts of these 40 DDOs are shown in **Appendix 3.10**.

Audit scrutiny (June 2016) of records of Office of the Deputy Director (DD), Horticulture and Food Processing, Satna⁴ revealed that DD, withdrew ₹ 21.75 lakh⁵ during April 2012 to January 2014 from treasury for payment to beneficiaries under Special Central Assistance Programme for Tribal Sub-Plan Area and deposited the same in its bank account. However, it remained unutilised.

³ (1) Commerce, Industry and Employment, (2) Higher Education, (3) Finance, (4) Fisherman Welfare and Fisheries Development, (5) Gas Tragedy, Relief & Rehabilitation (6) Horticulture and Food Processing

⁴ included in 40 DDOs mentioned in Appendix 3.10

⁵ (1) ₹ 1.75 lakh (April 2012), (2) ₹ 15.00 lakh (October 2013), (3) ₹ 5.00 lakh (January 2014)

On this being pointed out, DD replied (June 2016) that the amount was withdrawn and deposited in bank account as prior selection of beneficiary farmers was not done and budget was getting lapsed.

Reply is not acceptable as permission of FD was not obtained to deposit money in bank. Further, withdrawal of funds without immediate requirement and depositing the same in bank was in contravention to the directions of FD and provision of MPTC.

The above matter was referred to the Government (May 2016); their reply was awaited (November 2016).

During the exit conference (December 2016), FD replied that directions in this regard were already issued to all the Departments. However, specific cases would be taken up with the concerned Departments.

3.10 Submission of the details of grants or loans paid to bodies and authorities

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

During 2015-16 information regarding financial assistance to various institutions were received from only six bodies⁶. In the absence of complete information on the financial assistance given by the Government, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned/paid by them had been utilised. This dilutes the legislative control over the government expenditure systems.

The matter was taken up with Finance Department in May 2016. The reply was awaited as of November 2016.

⁶ (1) Chief Administrative Officer, Bharat Bhawan Nyas (Trust), Bhopal, (2) Directorate of Town and Country Planning issued grant to Body and Authority (3) Kasturba Vanwasi Kanya Ashram Niwali, Badwani, (4) Madhya Pradesh Vanwasi Sewa Mandal, Mandla, (5) Project Administrator/Secretary Special Backward Caste Baiga Development Agency, Dindori, (6) State Health Samiti (National Health Mission, Public Health and Family Welfare)

3.11 Maintenance of Personal Deposit Accounts

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

Overall position of PD Accounts

The position of PD accounts remained open as on 31 March 2016 is detailed in Table 3.7.

Table 3.7: Position of Personal Deposit Accounts as on 31 March 2016.

(₹ in crore)

Opening Balance		Addition during the year		Closed during the year		Closing Balance	
No.	Amount	No.	Amount	No.	Amount	No.	Amount
802	2,704.45	45	2,356.97	61	1,829.50	786*	3,231.92

(Source: Finance Accounts for the year 2015-16)

*Government: 783, Semi Government: 3, of these 414 PD accounts containing ₹ 48.66 crore have been inoperative for more than one year

The closing balance in PD accounts indicated that the administrators did not close the PD accounts by minus debit to the relevant service head at the close of financial year, as required under the rules. Since the amounts transferred to PD accounts are shown as final expenditure from the Consolidated Fund of the State, the failure to close PD accounts at the close of the year resulted in overstatement of expenditure under Consolidated Fund during the year.

Records relating to the Administrators of five PD accounts⁷ were test checked (November 2014 and May to August 2016) in audit. The observations noticed are discussed in the succeeding paragraphs:

⁷ (1) Collector, Khargon, (2) Commissioner, Health Services, Bhopal (3) Director, Horticulture and Farm Forestry, Bhopal, (4) Divisional Forest Officer, General Forest Division, Katni, (5) Project Officer, Intensive Horticulture Development Scheme, Betul

Parking of fund in Bank Account instead of PD Account by the administrator

Rule 6 of MPFC and Subsidiary Rule 284 of MPTC provide that withdrawal of funds from consolidated fund of the State without immediate requirement is totally prohibited. According to Rule 9 of MPTC, a Government servant may not, except with the special permission of the Government, deposit in a bank moneys withdrawn from the Consolidated Fund and Public Account of the State. Further, Finance Department, Government of Madhya Pradesh directed (August 2005) that funds for land acquisition kept in the bank accounts should be withdrawn and deposited in the Personal Deposit account.

During test check of records of Office of the Collector, Khargon (November 2014), Audit observed that amount of ₹ 1.92 crore⁸ received for Compensation against Government/Public/Religious Place submerged under Omkareshwar/Maheshwar canal project were deposited in interest bearing account (No. 53022455961) of State Bank of India in the name of Collector, Khargone, whereas the amount should have been kept under Personal Deposit Account as per directions issued by Finance Department (August 2005).

Further scrutiny revealed that Collector, Khargon transferred ₹ 1.22 crore from the bank account to Personal Deposit Account No. 31 (December 2015), District Treasury, Khargon and the amount of ₹ 0.61 crore were issued through cheque to beneficiaries. The remaining amount of ₹ 9.37 lakh were still lying in the Bank account.

On this being pointed out, Collector, Khargone replied (November 2016) that the amount of ₹ 9.37 lakh related to compensation for land acquisition of agriculture land of temple.

Reply is not acceptable as the amount pertaining to land acquisition should have been deposited in Personal Deposit Account and not in the bank account.

The matter was referred to the Government (February 2015); their reply was not received (November 2016).

Failure to comply with instruction of FD for closure of PD Accounts

Finance Department issued instructions (March 2016) to close PD accounts No.54 and 05 (as detailed in **Table 3.8**) before 26th March 2016 and transfer the funds deposited in these PD accounts to Consolidated Fund of the State. Audit observed that Administrator of these PD accounts did not comply with the instructions of FD.

⁸ (1) Collector (Religious branch), Khargon: ₹ 61.16 lakh (10/2010), (2) Land Acquisition Officer, Sardar Sarovar Project, Khargon: ₹ 9.37 lakh (07/2010), (3) Land Acquisition Officer, Maheshwar Hydrel Power Project, Khargon: ₹ 56.18 lakh (12/2010), (4) Land Acquisition Officer, Maheshwar Hydrel Power Project, Khargon: ₹ 41.97 lakh (01/2011), (5) Land Acquisition Officer, Maheshwar Hydrel Power Project, Khargon: ₹ 23.70 lakh (05/2011)

Table 3.8: Details of PD Accounts which were to be closed as per direction of FD

			(₹ in crore)
Sl. No.	Name of Administrator of Personal Deposit Account	Personal Deposit Account Number	Balance as on 31 March 2016
1	Director, Horticulture and Farm Forestry, Bhopal	54	3.77
2	Divisional Forest Officer, General Forest Division, Katni	05	2.44
Total			6.21

(Source: Data furnished by Audited Units)

- In spite of instructions of Finance Department, Director, Horticulture and Forestry Department, Bhopal neither transferred amount of ₹ 3.77 crore lying in PD account No. 54 to Consolidated Fund of the State nor PD account was closed. Permission for continuation of the same was also not obtained for the Financial Year 2015-16.

On this being pointed out, Director, Horticulture and Forestry Department, Bhopal, replied that the unspent amount was related to various centrally sponsored scheme which was to be paid. Therefore, the account was not closed. Permission for continuation of PD account was being obtained.

Reply is not acceptable as the Department did not ensure compliance of instructions issued by FD.

- No transaction was made in PD account No. 5 being operated by Divisional Forest Officer, General Forest Division, Katni since February 2013. As per cash book of the administrator, PD account had a closing balance of ₹ 2.44 crore as on March 2016 while as per treasury the account had a balance of ₹ 2.98 crore. The difference of ₹ 0.54 crore between treasury and administrator shows that administrator did not reconcile the figures with the treasury. Administrator also failed to comply with instructions issued by Finance Department (March 2016) regarding transfer of funds of PD account into Consolidated Fund of the State and closing of PD account.

On this being pointed out, Divisional Forest Officer, General Forest Division, Katni replied (June 2016) that treasury was requested (June 2016) to close the PD account and transfer the funds into Consolidated Fund of the State.

The fact remains that the treasury had been requested to close the PD account in June 2016 while the account should have been closed by 26 March 2016 as per instruction of FD. Further, figures were also not reconciled by administrator with treasury.

Failure to transfer of funds available in inoperative PD accounts into Government Account

Two test checked PD accounts having balance of ₹ 12.68 crore were inoperative for more than three years as of March 2016. The details are given in **Table 3.9**.

Table 3.9: Details of Inoperative Personal Deposit Accounts

(₹ in crore)				
Sl. No.	Name of Administrator of Personal Deposit Account	Personal Deposit Account Number	Inoperative from	Balance as on 31 March 2016
1	Project Officer, Intensive Horticulture Development Scheme, Betul	54	March 2010	1.80
2	Commissioner, Health Services, Bhopal	26	August 2008	10.88
Total				12.68

(Source: Data furnished by Audited Units)

While analysing the above PD accounts, the following observations were made:

- An amount of ₹ 1.80 crore was deposited (March 2010) in PD account No. 54 in the name of Project Officer, Intensive Horticulture Development scheme Betul under *Gramin Haat Bazar Yojna* which remained unspent from year 2009-10 to 2015-16. Since, the Department did not get permission from FD for continuation of PD account, it should have been closed at the end of financial year by transferring the unspent amount to Government Account but the same was not done by the administrator.

On this being pointed out, Project Officer, Intensive Horticulture Development scheme, Betul, replied (May 2016) that funds deposited in PD account could not be utilised for want of approval for continuation of PD account.

Reply of the Department was not acceptable as the PD account was inoperative for the last three years but neither the account was closed nor the amount was transferred to Government Account which was in contravention to provision of MPTC.

- PD account No. 26 was operated (2003) by Commissioner, Health Services, Bhopal with the objective of construction of Health buildings (Sub Health Centre, Primary Health Centre, Community Health Centre) in the State. It was noticed that Cash book of PD account was not maintained in prescribed format. As per treasury records as on March 2016, balance of ₹ 10.88 crore was lying unutilised in PD account No. 26 since 05.08.2008

Further, Administrator of PD account did not reconcile balance with the treasury figures. Audit scrutiny revealed that there was unreconciled difference of ₹ 2.20 crore (Treasury figure: ₹ 10.88 crore and Cash book figure: ₹ 8.68 crore) as on March 2016.

On this being pointed out, Commissioner, Health Services Bhopal replied (August 2016) that it had requested the Treasury Officer, Bhopal to close the PD account and transfer the fund into Government account. However, the fact remains that PD account was still not closed.

During the exit conference (December 2016), FD replied that these cases would be taken up with the concerned Departments.

3.12 Conclusion and Recommendations

Outstanding Utilisation Certificates against the Grants

- Utilisation Certificates (27612) in respect of grants-in-aid given by different Departments of State Government amounting to ₹ 21,359.28 crore were outstanding as on 31 March 2016, indicating lack of proper monitoring by the concerned Departments of utilisation of grants.

The internal control mechanism of the Government Departments needs to be strengthened to watch timely submission of the utilisation certificates by the organisations to whom grants were released.

Submission of Accounts by Autonomous Bodies

- There were significant delays (up to 205 months) in submission of accounts by five Autonomous Bodies to the Accountant General, resulting in delays in scrutiny of functioning of the Autonomous Bodies.

Government should ensure timely submission of accounts by the Autonomous Bodies to the Audit.

Cases of misappropriations, losses and defalcations

- Total of 3099 cases of misappropriation, losses, etc. amounting to ₹ 37.19 crore were pending in different Departments as on 30 June 2016. In 2991 cases (97 per cent), order for recovery or write off was awaited.

Government should expedite inquiries in cases of misappropriations, losses, etc. and strengthen the internal control system to prevent recurrence of such cases.

Operation of omnibus minor head '800'

- Classification of large amounts (₹ 17,669.83 crore under revenue and capital expenditure major heads and ₹ 11,890.88 crore under revenue receipts major heads) booked under the Minor Heads '800-Other Receipts/Expenditure' affected transparency in the financial reporting.

Government should discourage routine operation of Minor Heads-'800' since it renders the accounts opaque.

Irregular maintenance of bank accounts

- In case of six Departments, the amount of ₹ 28.25 crore was withdrawn from Consolidated Fund of the State and parked in 51 bank accounts as on 31 March 2016.

Government should ensure deposit of moneys in Government Account, which are kept outside Consolidated Fund of the State and parked in various bank accounts.

Fund kept in Personal Deposit Accounts

- Personal Deposit (PD) Accounts were continued even after close of the financial year without approval of Finance Department, in violation of the provisions of Madhya Pradesh Treasury Code. There was significant amount of closing balance aggregating to ₹ 3,231.92 crore in the PD accounts at the end of March 2016. The failure to close PD accounts at the close of the year resulted in overstatement of expenditure under Consolidated Fund during the year.

The Departments should ensure closing of PD Accounts at the end of the financial year and the balance should be transferred to the Consolidated Fund of the State.



(SAURABH K. MALLICK)
Accountant General
(General and Social Sector Audit)
Madhya Pradesh

Gwalior
The 23 January 2017

Countersigned



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 24 January 2017