

CHAPTER III

FINANCIAL REPORTING

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the year 2016-17.

3.1 Outstanding Utilisation Certificates (UCs)

3.1.1 The financial rules stipulate that where grants in aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to the Accountant General (A&E), to ensure that the funds have been utilised for the intended purposes.

Audit test check revealed that a total of 1,407 UCs amounting to ₹ 5,016.79 crore were outstanding as of 31 March 2017 in different departments against the Grant-in-aid (GIA) bills drawn up to 2016-17.

The position of outstanding UCs against GIAs released to different Departments up to 31 March 2017 is given in the **Table 3.1**.

Table 3.1: Year wise position of UCs pending

(₹ in crore)

Year	Total Grant paid		UCs received		UCs pending	
	Number	Amount	Number	Amount	Number	Amount
Up to 2013-14	89,596	32,428.17	88,984	29,843.16	612	2,585.01
2014-15	1,060	2,328.93	879	1,498.98	181	829.95
2015-16	626	910.42	194	40.77	432	869.65
2016-17	183	732.78	1	0.60	182	732.18
Total	91,465	36,400.30	90,058	31,383.51	1,407	5,016.79

(Source: Finance Accounts 2016-17)

The major head wise and year wise position of UCs pending are given in **Appendix 3.1**.

Major cases of non-submission of UCs relate to Major Head 2217-Urban Development (₹ 1,713.07 crore) and 3604-Compensation and Assignment to Local Bodies and Panchayati Raj Institutions (₹ 3,136.59 crore). Though such instances of non-submission of UCs are being regularly reported in the reports of the C&AG, there has been no improvement.

Non-receipt of UCs against GIA indicates failure of the departmental officers to comply with the rules and procedures to ensure timely submission of utilization of the grants for the intended purposes. Pendency of UCs is fraught with the risk of misappropriation of funds and fraud.

3.1.2 Utilisation Certificates of Finance Commission Grants

Finance Commission Grants should be utilised within the award period and unspent amounts should be deposited in the Government account.

During audit, it was observed that contrary to the above provision, unspent balances amounting to ₹ 14.43 crore in nine DDOs/Offices were neither utilised nor surrendered at the end of each Finance Commission award period. Details of unutilized grants of the Finance Commission are given in **Appendix 3.2**.

Recommendations: The Finance Department should prescribe a time frame within which administrative departments releasing grants collect UCs pending for more than the time stipulated in the grant orders and also ensure that till such time, administrative departments release no further grants to defaulting grantees. The Government may initiate appropriate action against departmental officers who default in submission of UCs on time.

3.2 Delay in submission of accounts of Public Sector Undertakings

The Companies Act, 2013 stipulates that the annual financial statements of companies are to be finalised within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under which every officer of the concerned defaulting Company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ₹ 50,000 but which may extend to ₹ 5,00,000, or with both. **Table 3.2** below provides the details of progress made by Public Sector Undertakings (PSUs) in finalisation of accounts as of 31 December 2017.

Table 3.2: Position relating to finalisation of accounts of PSUs

Sl.No.	Particulars	Working	Non-working	Total
1	Number of PSUs	20	3	23
2	Number of PSUs having accounts in arrears	13	0	13
3	Number of accounts in arrears	20	0	20
4(a)	Number of PSUs with arrears more than six years	Nil	0	Nil
4(b)	Number of accounts in arrears in the above PSUs	NIL	0	Nil
5(a)	Number of PSUs with arrears between two to five years	2	0	2
5(b)	Number of accounts in arrears in the above PSUs	9	0	9
6(a)	Number of PSUs with arrears up to one year	11	0	11
6(b)	Number of accounts in arrears in the above PSUs	11	0	11
7	Extent of arrears (numbers in years)	1 to 5	0	1 to 5

(Source: Data compiled from information furnished by the company)

Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of companies as stipulated in Company Act for periods of up to five years.

The above denotes failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies comply with the relevant Acts.

The State Government had extended Budgetary support¹ of ₹ 7,707.17 crore to eight working PSUs {equity: ₹ 490 crore (one PSU), guarantees: ₹ 3,410.30 crore (three PSUs), grants: ₹ 570.82 crore (three PSUs), and others (subsidy and revenue grant): ₹ 3,236.05 crore (six PSUs)} upto 2016-17.

Recommendation: The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.

¹ No Budgetary support had been extended to the non-working PSUs.

3.2.1 Dividend not declared by PSUs

The State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, nine PSUs with government equity of ₹ 6,146.97 crore earned an aggregate profit of ₹ 74.43 crore. Only *one* PSU, i.e., *Chhattisgarh Rajya Van Vikash Nigam Limited* proposed dividend of ₹ 0.87 crore i.e., 9.94 per cent of its profit of ₹ 8.75 crore during 2016-17.

Recommendation: State Government should formulate a dividend policy for return on its investments as share capital and ensure that profit earning PSUs declare dividend in terms of the policy.

3.3 Abstract Contingent bills and Detailed Contingent bills

The Chhattisgarh Treasury Code (CGTC) stipulates that when contingent charges are drawn as an advance from the treasury on Abstract Contingent (AC) bills without supporting vouchers, the relevant Detailed Contingent (DC) bills supported with sub-vouchers and countersigned by the Controlling Officer (CO) are to be submitted to the Accountant General (A&E) before the 25th of the following month.

Year wise details of pending DC bills are given in **Table 3.3**.

Table 3.3: Status of submission of DC bills against AC bills

(₹ in crore)

Year	Opening Balance of unadjusted AC bills		AC bills drawn during the year		DC bills submitted during the year		Outstanding DC bills		
	1	2	3	4	5	6	7	8=2+4-6	9=3+5-7
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Up to 2014-15	87	63.13	412	733.31	479	717.06	20	79.37	
2015-16	20	79.37	1,418	5,491.72	1,135	4,925.23	303	645.86	
2016-17	303	645.86	1,317	3,556.39	1,505	4,177.06	115	25.19	

(Source: Finance Accounts of respective years)

The Department wise details of pending DC bills as on 31 March 2017 are given in **Appendix 3.3**.

Non-submission of DC bills within the prescribed time not only breaches financial discipline but also entails risk of misappropriation of public money and unhealthy practices.

Test check of records of the funds drawn on AC bills by the Food, Civil Supply and Consumer Protection Department (71.97 per cent), Trade and Industry Department (2.26 per cent) and Energy Department (24.87 per cent) covering the period 2014-17 revealed the following irregularities: -

3.3.1 Plan funds drawn on AC bills

Plan expenditure is earmarked for meeting specific purposes of a project or scheme and factored into budget preparation. Plan expenditures are estimated after discussions between each of the ministries concerned and the Planning Commission. Thus, plan expenditure is not of contingent nature and there should be no occasion to draw money through AC bill to incur plan

expenditure. The department wise details of plan funds drawn through AC bills during 2014-17 are given in **Table 3.4.**

Table 3.4: Department wise plan fund drawn through AC bills

(₹ in crore)

Sl No.	Name of the Department	AC bill drawn	
		No. of Bills	Amount
1.	Food, Civil Supply and Consumer Protection Department	83	7,039.79
2.	Energy Department	89	2,432.59
3.	Trade and Industry Department	2,731	221.16
Total		2,903	9,693.54

(Source: Information furnished by VLC)

Recommendation: Withdrawal of fund on AC bills for expenditure not of contingent nature should be prohibited.

3.3.2 Wrong accountal of AC bills

During scrutiny of records of Deputy Director, Food, Civil Supply & Consumer Protection Department it was noticed that 140 AC bills amounting ₹ 9,961.94 crore were drawn on CGTC-35 during 2014-17, without enclosing any supporting vouchers and sent to Raipur Treasury for passing the bills and after passing the bills the same were sent to AG (A&E).

However, only 81 bills amounting ₹ 7,039.79 crore were booked under AC bills and 59 bills amounting ₹ 2,922.15 crore were booked under FVC bills which means the final expenditure was debited to the service head without obtaining any supporting vouchers. This resulted in understatement of AC bills amounting to ₹ 2,922.15 crore during 2014-17.

During scrutiny of monthly accounts received from treasury, it is noticed that 50 AC bills amounting to ₹ 2,584.28 crore were booked under 103 instead of 101. Further, it was also noticed that nine bills amounting ₹ 337.88 crore were wrongly booked under Contingent bills by the treasury. Thus, 59 bills amounting ₹ 2,922.15 crore were booked under FVC and understatement of AC bills to that extent during 2014-17.

The details of AC bills drawn by the department and booked in the Annual Accounts are given in **Table: 3.5.**

Table: 3.5 AC bills shown as FVC bills in Annual Accounts.

(₹ in crore)

Sl. No.	Year	Amounts drawn through AC bills by the department	Amounts of AC bills as per VLC	Difference (3-4)
1	2014-15	1,929.27	200.00	1,729.27
2	2015-16	5,319.68	4,126.84	1,192.84
3	2016-17	2,712.99	2,712.95	0.04
Total		9,961.94	7,039.79	2,922.15

(Source: Information furnished by Departments & VLC data)

3.3.3 DC bills prepared without supporting vouchers

During scrutiny of records of Trade and Industry Department, it was noticed that vouchers were not submitted with DC bills amounting to 71.26² crore in Trade and Industry Department.

On this being pointed out the Deputy Director, Trade & Industry Department, Raipur, accepted and stated that an instruction would be issued to all the District Trade and Industries Centres to send the necessary records/documents along with DC bills within the stipulated period.

Thus, due to absence of supporting vouchers, in all the above cases, it could not be ensured that the above funds were utilized for intended purpose.

3.3.4 Delay in submission of detailed contingent bills

The Chhattisgarh Treasury Code stipulates that the Controlling Officers are required to transmit the detailed bills to the Accountant General (A&E), duly passed, so as to reach his office not later than the 25th of the same month.

Test check of records pertaining to AC bills in three³ Drawing and Disbursing Officers (DDOs) of Trade & Industry Department, one⁴ DDO of Food, Civil Supply and Consumer Protection Department and one⁵ DDO of Energy Department revealed that 1,012 DC bills amounting ₹ 8,568.87 crore were received in Office of the AG (A&E) with delays ranging from one month to fifteen months due to which the audit could not ensure that the funds drawn through AC bills are actually spent for the intended purposes. The details are shown in **Appendix-3.4**.

On this being pointed out in audit, the above departments accepted and stated that delays in submission of DC bills were due to delay in receipt of treasury vouchers and utilisation certificates from the respective field offices. Further, Trade and Industry Department assured that a notice would be issued to all concerned field offices to avoid delay in submission of DC Bills.

3.3.5 Non maintenance of AC/DC bill register

During scrutiny of records/documents in test checked DDOs, it was found that DC bill register was not being maintained. In absence of above register, the status of AC/DC bills could not be ensured.

On this being pointed out the head of test checked DDOs accepted the facts and stated that the AC/DC bill register would be maintained as per Treasury Rules.

Recommendation: The Finance Department should ensure that all controlling officers adjust all AC bills are adjusted within the prescribed period, and ensure that departmental action against such officers who violate such instructions.

² General Manager, DTIC, Balodabazar (57.50 crore), Chief General Manager, DTIC, Durg (8.36 crore) and General Manager (5.40 crore).

³ Office of the DTI Centres, Baloda Bazar, Durg & Raipur

⁴ Office of the Deputy Director, Food, Civil Supply and Consumer Protection, Raipur

⁵ Office of the Chief Electrical Inspector, Raipur

3.4 Reporting of cases of misappropriation, losses, etc.

The Chhattisgarh Financial Code stipulates that each and every case of loss, misappropriation and defalcation of public fund will have to be reported to the Accountant General, even when such loss has been made good by the party responsible for it.

The State Government reported total 2,022 cases of defalcation or losses involving ₹ 139.04 crore were pending for settlement as of 2016-2017. The Department-wise break up of pending cases and their age-wise analysis is given in **Appendix 3.5**. The nature of these cases is given in **Appendix 3.6**. The nature and age-profile of the pending cases are summarized in **Table 3.6**.

Table 3.6: Profile of losses and defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Years ranging	Number of cases	Amount involved	Nature of the cases	Number of cases	Amount involved
0 – 5	286	4,693.95	Theft	127	57.99
5 – 10	474	6,909.41	Loss of property/material	1,662	13,497.99
10 – 15	312	1,355.59			
15 – 20	206	465.86	Defalcation	233	347.91
20 – 25	260	305.76			
25 & above	484	173.32	Total	2,022	13,903.89
Total	2,022	13,903.89			

(Source: Cases reported by the departments of the State Government)

Reasons for pendency, as reported by the departments are listed in **Table: 3.7**

Table 3.7: Reasons for pending cases

(₹ in lakh)

Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	3	3.14
2	Departmental action initiated but not finalized	603	1,916.39
3	Criminal proceedings finalized but execution of certificate cases for recovery of the amount pending	1	0.01
4	Awaiting orders for recovery/write off	1,395	11,906.07
5	Pending in Courts of Law	20	78.28
	Total	2,022	13,903.89

(Source: Information received from the departments of the State Government)

The above table shows that out of 2,022 outstanding cases, 1,395 cases (69 per cent) involving money value of ₹ 119.06 crore were pending due to non-issue of the orders for recovery or write off by the departments/Government mainly under Forest department (863 cases, ₹ 9.17 crore) and Public works department (404 cases, ₹ 107.20 crore). This indicates that delayed action on the part of departments/Government led to non-realization or non-disposal of cases.

It is also noticed that in 603 cases involving ₹ 19.16 crore, though the departmental actions initiated, mainly under Police department (163 cases, ₹ 0.33 crore), Animal Husbandry (126 cases, ₹ 0.09 crore), Forest department (70 cases, ₹ 0.71 crore) and Public works department (64 cases, ₹ 13.91 crore) were yet to be finalized as on 31 March 2017.

Further, it was observed that in 33 cases, various departments had recovered ₹ 10.61 lakh during 2016-17 as detailed in **Appendix 3.7**.

Recommendation: The State Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/reduce recurrence of such cases.

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.

During 2016-17, Government of Chhattisgarh incorrectly budgeted and booked Grants-in-aid (₹ 1,478.88 crore), Salaries and Allowances (₹ 84.47 crore), expenditure on Work Charged Establishment (₹ 41.13 crore), Payment of Professional Services (₹ 2.91 crore), Maintenance Work, Office Expenses, Travelling Allowances & Tools and Plants (₹ 3.80 crore) have been booked under Capital Major Heads instead of Revenue Major Heads. Details are given in **Appendix 3.8**.

Further, scrutiny of sanction orders issued by Chhattisgarh Government during 2016-17, revealed that Revenue expenditure was taken as Capital expenditure amounting to ₹ 0.64 crore (48 cases) and Capital expenditure was taken as Revenue amounting to ₹ 1.37 crore (04 cases). The details are given in **Appendix-3.9**. Further, the misclassification of expenditure, overstated the Revenue surplus by ₹ 1611.83 crore and understated by ₹ 1.37 crore.

3.6 Opening of new sub heads/detailed heads of accounts

Article 150 of the Constitution of India and The Chhattisgarh Financial Code stipulates that the opening of a new sub-head or a detailed head in the demands for grants will be sanctioned by the Finance Department according to administrative requirements after consultation with the Accountant-General.

Government of Chhattisgarh has opened 57 new sub-heads/detailed heads under the Revenue and Capital section in the budget during 2016-17. However, approval of Accountant General was not accorded before opening of new sub heads. Further, the State Government incurred expenditure of ₹ 1,523.46 crore under the revenue section and ₹ 136.37 crore under the Capital section under these new heads.

Recommendation:- The Finance department should open new sub head/detailed head under the minor head after the consultation with Accountant General.

3.7 Booking under minor head 800

Minor head- 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head -800 is to be discouraged, since renders the accounts opaque.

During 2016-17, ₹ 2,290.09 crore, constituting 9.30 *per cent* of the total revenue receipts (₹ 24,607.38 crore) recorded under the respective major head, were classified under the minor head 800-Other Receipts. The booking under minor head 800-other receipts in these cases amounting to ₹ 2,204.79 crore ranged between 10 and 130 *per cent* of total revenue receipts under the respective major heads. Details are given in **Appendix 3.10**.

Similarly, under various revenue and capital major heads of accounts on the expenditure side, ₹ 1,377.39 crore (constituting 4.11 *per cent* of total expenditure ₹ 33,514.77 crore) was recorded under minor head ‘800-Other Expenditure’ under 43 Major Heads. The booking under minor head ‘800-Other Expenditure’ in these cases amounting to ₹ 1,280.94 crore ranged between 11 *per cent* and 100 *per cent* of total expenditure under the respective major heads, as shown in **Appendix 3.11**.

Further, during scrutiny it was revealed that ₹ 1,031.41 crore was misclassified and booked under Minor head “800-Other Expenditure” even though separate minor heads were allotted for such expenditure under various major heads. Details are given in **Table 3.8**.

Table 3.8: Details misclassification under minor head-800

(₹ in crore)

Major Head & name	Amount	Correct minor head to be booked
2853-Non-ferrous Mining and Metallurgical Industry	284.83	191,192,193, 196,197 and 198
4700-Capital Outlay on Major Irrigation	575.84	051
4701-Capital Outlay on Medium Irrigation	104.47	051
3275-Other Communication Services	59.09	101 or 102
5275-Capital Outlay on Other Communication Services	7.18	101 or 102
Total	1,031.41	

Recommendation: *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.*

3.8 Findings from Local Audit

Irregularities in financial reporting that were noticed during local audit are depicted below:

3.8.1 Parking of funds outside Government Account

The Chhattisgarh Treasury Code stipulates that amounts drawn from the Consolidated Fund of the State and State Public Account shall not be deposited in any bank without special sanction of the Government.

During scrutiny of records of 10 DDOs, it was noticed that ₹ 36.00 crore of different schemes pertaining to the period 2011-16 was withdrawn from the treasury and parked in bank accounts as detailed in **Appendix 3.12**. Even after lapse of one to five years, the amount was neither utilized nor deposited back in Government Account.

Recommendation: *Government should take necessary action to avoid parking funds and take disciplinary action against the departmental officers who irregular park Government money outside the Government accounts.*

3.8.2 Non Adjustment of Temporary Advances

The Chhattisgarh Treasury Code stipulates that advances should be adjusted by presenting detailed bills and vouchers within three months.

As on 31 March 2017, 658 cases of advances amounting to ₹ 7.62 crore were pending for adjustment by 18 Departments. Age-wise analysis of the advances pending is given in **Table 3.9**. Details of department wise and year wise advances are given in the **Appendix 3.13**.

Table 3.9: Age wise analysis of Temporary Advance

(₹ in crore)

Sl. No	Pendency	Period	Number of advances	Amount
1	More than 10 years	up to 2005-06	121	0.14
2	More than 5 years and up to 10 years	2006-07 to 2010-11	181	0.72
3	More than 3 years and up to 5 years	2011-12 to 2012-13	54	0.32
4	More than 1 year and up to 3 years	2013-14 to 2014-15	136	2.16
5	up to 1 year	2015-16 to 2016-17	166	4.28
Total			658	7.62

Recommendation: Government should take necessary steps for timely adjustment of Temporary Advance.

3.8.3 Improper maintenance of Cash Books

Proper maintenance of cash book is one of the significant instruments of financial management and absence of it indicates a serious loophole in the internal control mechanism. Such an environment manifolds the risk of embezzlement, fraud, misappropriation, etc.

Scrutiny of records in local audit during 2016-17, found the following irregularities amounting ₹ 79.44 crore (details are shown in **Appendix-3.14**):

- Recorded in other subsidiary records but did not recorded in cash book amounting ₹ 60.26 crore in 15 cases.
- Not reconciled with the Bank amounting to ₹ 16.70 crore.
- Short accountal of ₹ 2.46 crore.
- Incorrect carry forward of ₹ 0.02 crore.

Audit further noticed the various other irregularities such as the following details of which are shown in **Appendix 3.15**

- Use of whitener in cash book.
- Transactions not recorded.
- Entries in the cash book not attested and necessary certificates were not recorded in the cash book.
- Physical verification of cash not done.
- Use of pencil in cash book.
- Amount of vouchers and cash book is not matched.
- Cash payment of more than ₹ 10,000.
- Cash book for different schemes not prepared separately.
- Difference of amount in cash book and pass book.

On this being pointed out in audit, the head of the concerned departments accepted the facts and stated that the necessary corrections will be made in cash

book and existing provisions for maintenance of cash book will be followed in future.

Recommendation: Irregularities such as non-recording of transactions, short accountal, non-reconciliation of transactions etc., are fraught with the risk of misappropriation of funds and fraud. The Government may put in place robust mechanism to eliminate these kinds of irregularities and initiate appropriate action against the defaulting departmental officers/officials.

3.9 Building and Other Construction Workers Welfare Cess

Rules have not been framed by the Government of Chhattisgarh for accounting of Labour Cess. No sub-head has been opened by the Government for booking the Labour Cess collected by various Departments executing projects involving labour. The Labour Cess collected by Government Departments has been directly booked under MH-8443-Civil Deposit-108-Public Works Deposits without routing through the Consolidated Fund of Chhattisgarh, as required under Article 266 (1) of the Constitution of India. Further, since minor head-Public Works Deposits do not have any further sub-heads below it, it has not been possible to segregate the amount paid to the Labour Welfare Board.

3.9.1 Year wise receipt and utilisation of Labour Cess

Scrutiny of records of the Chhattisgarh Building and Other Construction Workers Welfare Board revealed that the Cess collected by various agencies were sent through cheques/drafts to the Board or deposited in the savings bank account of the Board opened for the purpose through District Labour Offices. The year-wise position of the receipt and expenditure of Cess for the period 2012-13 to 2016-17 is detailed in **Table 3.10**.

Table 3.10: Year wise receipt and utilisation of Labour Cess

(₹ in crore)

Year	Opening Balance	Receipt	Interest Accrued	Total available amount	Expendi-Ture	Closing Balance	Percentage of utilisation of available funds
2012-13	91.38	85.27	6.16	182.81	57.92	124.89	31.68
2013-14	124.89	134.81	9.46	269.17	104.24	164.93	38.73
2014-15	164.93	131.92	13.61	310.47	62.98	247.48	20.28
2015-16	247.48	126.89	20.85	395.23	121.95	273.28	30.85
2016-17	273.28	172.52	19.76	465.56	183.92	281.64	39.50

(Source: Compiled from the information provided by Chhattisgarh Building and Other Construction Workers Welfare Board)

Test check of records of PWD department, it was revealed that ₹ 135.54 crore was collected during 2012-17, out of this ₹ 127.54 crore was transferred to the Labour Welfare Board and the remaining amount ₹ 8.00 crore was not transferred as of 31 March 2017 and kept under public account deposits which is violation of Constitutional provision.

Recommendation: GoCG should adhere to Constitutional provisions and route the Cess through the Consolidated Fund and also frame rules for accounting of the Cess and also ensure transfer of Labour Cess to the Labour Welfare Board as early as possible.

3.10 Reconciliation of receipt and expenditure

All Budget Controlling Officers (BCOs) are required to reconcile the receipts and expenditure of the Government recorded in their books with the figures accounted for by the Accountant General (A&E). During 2016-17, out of 94 BCOs, 18 BCOs have fully reconciled and 18 BCOs have partially reconciled expenditure of ₹ 21,147.63 crore (35.77 per cent of total expenditure of ₹ 59,120.189 crore). Similarly, on the receipts side out of 94 BCOs, Nine BCOs have fully reconciled and seven BCOs have partially reconciled receipts of ₹ 21,249.81 crore (35.81 per cent of total receipts of ₹ 59,340.92 crore).

Substantive audit testing of figures related to BCO, Director of Agriculture, revealed that ₹ 3.94 crore was shown as receipt by the Director, whereas as per record of AG (A&E), ₹ 10.03 crore was booked during 2016-17. Similarly, ₹ 1,480.34 crore was shown as expenditure by the Director, whereas in the record of AG (A&E), ₹ 1,481.28 crore was booked during 2016-17. Thus, there is a difference of ₹ 6.09 crore in receipt side and ₹ 0.95 crore in expenditure side. No reply has been furnished by the Director of Agriculture, Government of Chhattisgarh to Audit.

Recommendation: The Finance Department should evolve a mechanism to ensure that all Budget Controlling Officers reconcile their accounts with the Accountant General (A&E) every month.

3.11 Apportionment of balances as on reorganisation of the State

Balances amounting to ₹ 669.76 crore under Public Accounts along with balance under Capital Section ₹ 5,755.20 crore and Loans and Advances ₹ 2,176.05 crore remained to be apportioned between the successor States Madhya Pradesh and Chhattisgarh, almost two decades after the reorganisation of the erstwhile State of Madhya Pradesh with effect from November 2000.

Recommendation: The State Government is required to liaison with the Government of Madhya Pradesh to expedite the apportionment of balances under Public Accounts, capital section and Loans and advances between the two successor States.

3.12 Follow up on Audit Report on State Finances

The State Finance Report is being presented to the State Legislature from 2008-09 onwards. No discussion on the audit reports of State Finances has been done in Public Accounts Committee (PAC) of Chhattisgarh State Assembly till date.

3.13 Impact on Revenue Surplus and Fiscal Deficit

The impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of Revenue Surplus by ₹ 1,509.67 crore and understatement of Fiscal Deficit to the tune of ₹ 30.79 crore as depicted in the Finance Accounts is given in **Table 3.11**:

Table 3.11: Impact on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
Grants-in-aid booked under Capital Section instead of Revenue	1,478.88	0.00	0.00	0.00
Short contribution of Government's matching share towards NPS	4.64	0.00	0.00	4.64
Non provision of interest on Reserve and Deposits	26.15	0.00	0.00	26.15
Total (Net impact)	1,509.67	0.00	0.00	30.79

However, as discussed in various places in the Report, the impact of incorrect booking/accounting of expenditure and revenue as worked by Audit are discussed in **Table 3.12:**

Table: 3.12: Impact on Revenue Surplus and Fiscal Deficit as per Audit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit		Impact on outstanding liabilities
	Over-statement	Under-statement	Over-statement	Under-statement	Under-statement
Grants-in-aid booked under Capital Section instead of Revenue	1,478.88	0.00	0.00	0.00	0.00
Capital expenditure booked as Revenue expenditure	0.00	1.37	0.00	0.00	0.00
Revenue expenditure booked as Capital expenditure	0.64	0.00	0.00	0.00	0.00
Expenditure on Salaries & Allowances, Work charged establishment, Professional services, maintenance work, Office expenses and travelling allowance and Tools & plant booked under Capital section	132.31	0.00	0.00	0.00	0.00
Short contribution of Government's matching share towards NPS	4.64	0.00	0.00	4.64	53.25
Liability shown as Guarantee given to CSPDCL	0.00	0.00	0.00	0.00	1,955.00
Non credit of interest bearing Reserve funds and Deposits	31.43	0.00	0.00	31.43	225.87
Non-transfer to IDF	0.00	0.00	0.00	0.00	304.24
Non-transfer to Guarantee Redemption Fund	9.94	0.00	0.00	9.94	112.60
Total	1,657.84	1.37	0.00	46.01	2,650.96
(Net) Impact	Overstated by ₹ 1,656.47 crore		Understated by ₹ 46.01 crore		

In view of the above, the Revenue Surplus and Fiscal Deficit of the State which are ₹ 5,520.65 crore and ₹ 4,047.27 crore as projected in the finance account would actually be ₹ 3,864.18 and ₹ 4,093.28 crore respectively due to overstatement of revenue surplus by ₹ 1,656.47 crore and understatement of fiscal deficit to the tune of ₹ 46.01 crore. The liabilities of the State are also understated to the extent of ₹ 2,650.96 crore.



(BIJAY KUMAR MOHANTY)
Principal Accountant General (Audit)
Chhattisgarh

Raipur
The 24 AUG 2018

Countersigned



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 28 AUG 2018