
Chapter 3

FINANCIAL REPORTING

Chapter 3 – Financial Reporting

3.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.2 Maintenance of Personal Deposit Accounts

Article 202 of the Constitution of India provides for legislative financial control over public expenditure through the annual financial statement/Budget. The Madhya Pradesh Budget Manual (MPBM) requires statements of anticipated savings in expenditure to be submitted by the Budget Controlling Officers to the Finance Department by 15 January each year.

Previous CAG Audit Reports have repeatedly commented on violation of financial provisions by several departments of the Government of Madhya Pradesh, where unspent funds are routinely transferred to various Personal Deposit (PD) accounts under the Public Account to avoid lapse of grant at the end of the financial year.

As per Rule 533 of the Madhya Pradesh Treasury Code (MPTC), certain types of moneys received at the treasury for deposit in the Public Account can be deposited in "Personal Deposits" (PD). PD Accounts are maintained at the treasury like a banking deposit account, and the receipts and payments are recorded in personal ledgers of the Administrators. Further, as per Rule 543 of the MPTC, the balances in PD Accounts, which have been credited in to the Account by debiting the Consolidated Fund of the State, should be transferred back to the Consolidated Fund before the end of the financial year and if an eventuality so arises, the PD Accounts may be opened again in the next year.

PD accounts which remain inoperative for three years continuously should be closed by the Treasury Officer and balances should be transferred to Government Account after following the prescribed procedure.

The status of PD accounts as on 31 March 2019 is given in **Table 3.1** below:

(₹ in crore)							
Opening Balance		Addition during the year		Expenditure out of PD Accounts during the year		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
847	5,370.06	168	4,868.83	284	6,300.41	731	3,938.48

(Source: Finance Accounts for the year 2018-19)

Audit observations relating to PD Accounts are as follows:

3.2.1 Inoperative Personal/Educational Deposit Accounts

Scrutiny (December 2018 to September 2019) of records of District Treasuries revealed that 88 Personal Deposit (PD)/Educational Deposit (ED) accounts in 12 treasuries with balances of ₹22.13 crore remained inoperative for more than three years. Details are given in **Table 3.2** below.

			(₹ in lakh)
Sl. No.	Name of Treasury	No. of PD /ED Accounts	Amount
1.	Datia	02	31.30
2.	Raisen	02	4.67
3.	Hoshangabad	07	2.56
4.	Khandwa	02	0.69
5.	District Treasury, Bhopal	04	416.23
6.	Vallabh Bhawan Treasury, Bhopal	10	1,202.99
7.	Sehore	03	2.62
8.	Dhar	02	3.70
9.	Tikamgarh	20	83.34
10.	Sagar	26	124.22
11.	Badwani	04	208.08
12.	Bhind	06	132.74
Total		88	2,213.14

(Source: Information furnished by Pr. AG (A&E)-I, Madhya Pradesh)

However, in an act of non-compliance with MPTC Rules, balances in PD/ED accounts were not transferred to Revenue Deposit accounts.

During the exit conference (February 2020) ACS, Finance Department replied that instructions have been issued to close inoperative PD accounts.

3.2.2 Unauthorised retention of Government money in bank accounts

According to Rule 9 of MPTC a Government servant may not, except with the specific permission of the Government, deposit in a bank, moneys withdrawn from the Consolidated Fund and Public Account of the State. Further, Finance Department issued (March 2015) instructions that funds for land acquisition kept in the bank accounts should be withdrawn and deposited in the Personal Deposit (PD) account.

Test check of records of the Offices of the Collectors, Narshinghpur (July 2019), Satna (October 2019), and Ashok Nagar (October 2019) revealed that an amount of ₹13.78 crore pertaining to land acquisition was lying in 10³⁷ bank accounts. The money had been received for payment of compensation against acquisition of land and should have been kept under Personal Deposit (PD) account.

³⁷ (1) Bank of Baroda, Narsinghpur: ₹0.50 crore, (2) Madhyanchal Gramin Bank, BadaItma: ₹0.51 crore, (3) Allahabad Bank, Amadra: ₹0.76 crore, (4) Allahabad Bank, Jhukehi: ₹ 0.24 crore (5) Allahabad Bank, Uchehra: ₹0.96 crore, (6) Allahabad Bank, Maihar: ₹0.83 crore, (7) Madhyanchal Gramin Bank, Kusedi: ₹1.12 crore, (8) Madhyanchal Gramin Bank, Deviji Arkandi: ₹0.53 crore, (9) Bank of Baroda, Satna: ₹8.11 crore, (10) Punjab National Bank, Ashoknagar: ₹0.22 crore.

On this being pointed out, LAO/Collectors, Satna, Narsinghpur, Ashok Nagar replied that action would be taken to close the concerned bank accounts.

Depositing funds pertaining to land acquisition in bank accounts is fraught with the risk of misuse of public funds and fraud, apart from being violative of Government instructions.

3.2.3 Inappropriate operation of PD account

Madhya Pradesh Financial Code (MPFC) Volume I provides that, unless otherwise expressly authorised by any law, rule or order having the force of law, moneys may not be removed from the Consolidated Fund and Public Account for investment or deposit elsewhere without the consent of the Finance Department.

During test check of records (August 2018 and May 2019) of Panchayat Raj Directorate (PRD), Bhopal, Audit observed that PRD opened a PD account (March 2015) with the approval of Finance Department to pay the amount to Gram Panchayats through e-payment mode. However, PRD had lent ₹771.29 crore to Mahatma Gandhi National Rural Employment Guarantee Scheme (₹100 crore in October 2016), Swachh Bharat Mission (₹ 100 crore in November 2016) and Pradhan Mantri Awas Yojana (₹571.29 crore in July 2017) during 2016-18. The consent of the Finance Department for lending money for these schemes was not obtained. Out of ₹771.29 crore, only ₹252.34 crore was recouped. The remaining ₹ 518.95 crore was yet to be recouped as of 31 March 2019.

On this being pointed out, Panchayat Raj Directorate stated (June 2019) that action is being taken by the Department for recouping the remaining amount of ₹518.95 crore in the Departmental PD account.

3.3 Building and Other Construction Workers Welfare Cess

In terms of the Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996, the GoMP constituted (April 2003) the Madhya Pradesh Building and Other Construction Workers Welfare Board (Board). The Board is entitled to receive the cess collected at the rate of one *per cent* of the cost of construction, as stipulated under the BOCW Act, with the aim of improving the working conditions of workers and to provide financial aid to them.

3.3.1 Accounting of Cess

There is no uniformity in the accounting procedure followed by Government departments with regard to labour cess. For example, divisions of the Public Works department deduct Building and Other Construction Workers' Welfare Cess from the running bills of the contractors and the amount is credited to Major Head 8443-108- Public Works Deposits. However, Rural Engineering Service Divisions book Building and Other Construction Workers' Welfare Cess under Major Head 0230-Labour and Employment Minor Head 101- Receipts from Labour Laws. There is no specific sub-head either under Major Head 8443-108 or Major Head 0230-101 for accounting of Building and Other Construction Workers' Welfare Cess. Hence, the amount of cess

actually collected and subsequently transferred to M.P. Building and Other Construction Workers' Welfare Board cannot be ascertained.

Section 27(1) of BOCW Act requires the Board to maintain proper accounts and other relevant records and prepare an annual statement of accounts. Audit noticed that the Board had not prepared its accounts since 2013-14. Details of receipts and expenditure of labour cess during 2014-19 are given in **Table 3.3**.

(₹ in crore)								
Year	Opening Balance	Amount of cess collected	Registration charges	Interest on deposits	Total funds available	Expenditure	Closing Balance	Percentage of utilisation of available funds
2014-15	788.17	303.93	0.01	82.72	1,174.83	63.00	1,111.83	5.36
2015-16	1,111.83	286.44	0.001	65.20	1,463.47	120.18	1,343.29	8.21
2016-17	1,343.29	346.99	0.00008	56.93	1,747.21	261.17	1,486.04	14.95
2017-18	1,486.04	281.95	0.0003	67.84	1,835.83	260.16	1,575.67	14.17
2018-19	1,575.67	351.90	0.0006	50.58	1,978.15	349.52	1,628.63	17.67

(Source: Information provided by M.P. Building and Other Construction Workers Welfare Board, Bhopal)

Audit scrutiny of records of the Board and information furnished revealed following:

- (i) As per the information furnished by the Board, a sum of ₹1,628.63 crore was available as on 31 March 2019. However, an amount of ₹1,777.75 crore was parked in bank accounts. The difference of ₹149.12 crore needs to be reconciled.
- (ii) The details of the assets created out of the funds received had not been accounted for in the fixed asset register of the Board, in the absence of which the physical existence of the assets created and their location could not be verified.

On this being pointed out (October 2019), the Board replied that the differences between Board accounts and bank accounts would be reconciled and the entries would be made in future. The Board also accepted the Audit observation and stated that fixed asset register would be prepared in future.

Although such instances were pointed out in the Audit Reports of earlier years, corrective action was not taken by the Board.

3.3.2 Utilisation of Labour Cess

The State Government notified various schemes/activities viz., maternity benefits, pension, advance for purchase/construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/marriage of children of beneficiaries etc., for benefit from the BOCW Welfare Fund. Details of expenditure in this regard during the five year period 2014-19 are given in **Table 3.4**.

Table 3.4: Expenditure on schemes against available funds							
							(₹ in crore)
Year	Available funds	Budget allotment of schemes		Schemes operated		Registered workers	Workers covered
		No. of schemes	Amount Allotted	No. of schemes	Actual Expenditure		
2014-15	1,174.83	15	86.80	8	58.59	24,65,939	3,14,298
2015-16	1,463.47	20	125.80	17	101.24	24,81,926	5,16,958
2016-17	1,747.21	26	151.60	24	240.06	25,28,255	4,25,448
2017-18	1,835.83	24	233.10	21	287.98	25,87,175	4,98,182
2018-19	1,978.15	24	76.01	24	316.83	12,19,230	3,63,289
Total		109	673.31	94	1,004.70	1,12,82,525	21,18,175

(Source: Information provided by M.P. Building and other Construction Workers Welfare Board, Bhopal)

From the above Table, it is evident that the Board could utilise only 15 per cent of the available funds and only 30 per cent of the registered workers benefited under various schemes such as education, scholarship, accommodation, medical aid etc. during 2018-19. Thus, due to non-utilisation of available funds amounting to ₹1,737.33 crore, about 70 per cent of the registered workers were deprived of benefits envisaged under various schemes.

In response, the Board stated (March 2020) that the benefits of all the schemes run by it are given to the beneficiaries as per eligibility on applying under the scheme.

The reply is not acceptable, as the Board should have created awareness among the beneficiaries about the benefits of the schemes and ensured that the planned benefits were available to all the targeted beneficiaries.

3.3.3 Non-recovery of dues due to time-barred cheques

According to banking norms, a cheque is valid for three months from the date of issue, after which, it becomes time-barred.

The Board receives cheques from its field offices and deposits these into its bank account. It was observed in Audit that, 1621 cheques worth ₹15.51 crore pertaining to the period 2003-04 to 2018-19 became time-barred.

Although such instances were reported in the Audit Reports of previous years, the Board has not taken corrective action.

The Board replied (October 2019) that the time-barred cheques were returned to the concerned agencies/Departments for renewal and would be deposited in bank accounts of the Board after their receipt.

The response is lackadaisical and does not convey any sense of urgency in recovering its dues or any specific action plan to institute appropriate controls to avoid such instances in future.

3.3.4 Outstanding Utilisation Certificates

Rule 238(1) of General Financial Rules provides that Utilisation Certificate (UC) should be submitted within 12 months of the closure of the financial year by the institution or organization that has received grants. The Board provided funds to Labour Offices (LOs) and the latter passed them down to the respective implementing offices.

The UCs relating to allotted funds were to be submitted in the prescribed format as per letter of allotment.

During test-check (October 2019) of records of the Board, Audit observed that an amount of ₹76.02 crore was allotted to 51 district offices of the Labour Department during 2018-19 by the Board and the same was transferred to various implementing agencies. However, UCs amounting to ₹44.74 crore (58.85 per cent) were outstanding as on 31 March 2019 from the district offices. The details of outstanding UCs are given in **Appendix 3.1**.

On this being pointed out (October 2019), the Board replied that efforts were being made to obtain the UCs from all district offices.

3.3.5 Non-compliance with Income Tax Act

As per Section 26 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 the Board shall prepare its annual report, giving a full account of its activities during the previous financial year. This implies that the accounts should be ready and audited before 30 September of every year i.e. before the due date of filing the Income Tax return.

The Board had received (October 2007) exemption on its income under section 10 (23C) (IV) from the Income Tax Department, subject to the condition that “the Board will regularly file its return of income in accordance with the provisions of the Income Tax Act, 1961”.

As per Section 139 (1) of the Income Tax Act the assessee has to file the return of income before 30 September of each assessment year. Section 244(a) states that where the refund is out of any tax collected at source under Section 206 (C) or paid by way of advance tax or treated as paid under section 199, during the financial year immediately preceding the assessment year, such interest shall be calculated at the rate of one-half per cent for every month or part of a month comprised in the period.

During test-check of records of the Board (July 2018), it was noticed that banks had been deducting TDS on interest on the deposits of the Board. Further, Audit noticed that the accounts of the Board for the year 2012-13 were prepared and certified during March 2018 by the auditors. However, the Income Tax return for the year 2012-13 (Assessment Year 2013-14) had not been filed as of March 2019 whereas it should have been filed by 30 September 2013. The Board had not prepared its accounts for the financial years from 2013-14 to 2018-19. Due to non-filing of the return from financial years 2012-13 to 2018-19, the Board had failed to claim refund of income tax of ₹5.10 crore deducted at source by banks in respect of 38 TAN deductors. Details are given in **Appendix 3.2**.

In response, the Board stated (March 2019 and October 2019) that the accounts for the years 2013-14 to 2017-18 were being prepared by the Chartered Accountants, due to which, the Income Tax return could not be filed and that, it had written many letters to the banks (March 2013 to October 2013) for not deducting TDS on the basis of exemption given by the Income Tax Department and order of the Hon'ble High Court

on writ petition 426 of 2009 which provides that no tax would be deducted at source from the interest income of the Board.

The reply is not acceptable, as the Board has not approached the banks from 2014-15 to 2018-19 and also failed to get its accounts prepared on time, resulting in its inability to file the Income Tax returns.

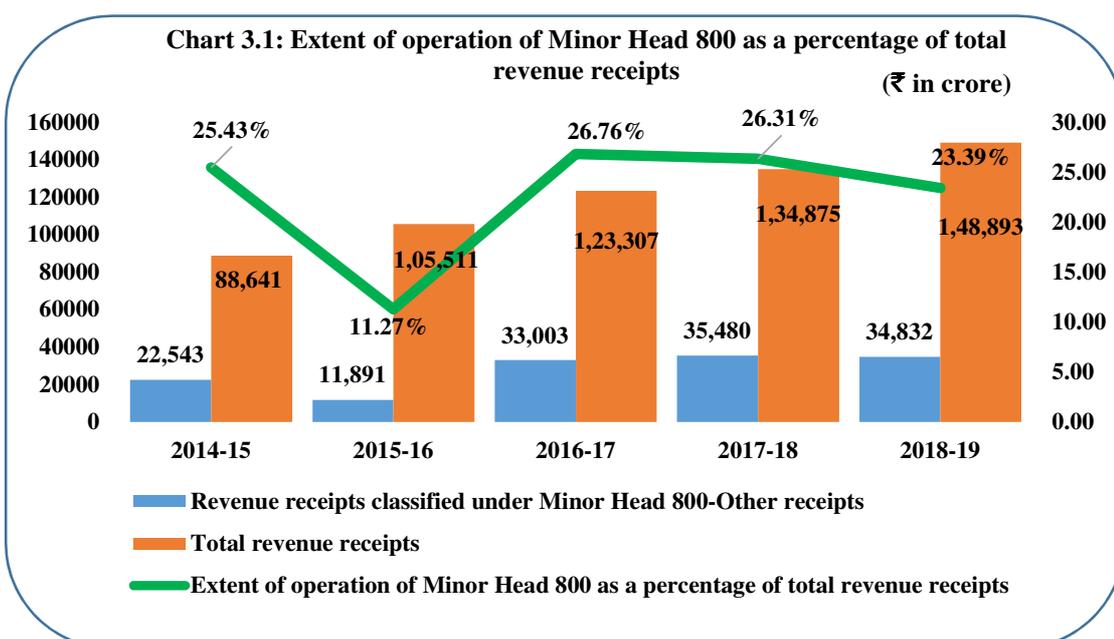
During the exit conference (February 2020), the ACS, Finance Department replied that these cases would be taken up with the concerned Departments.

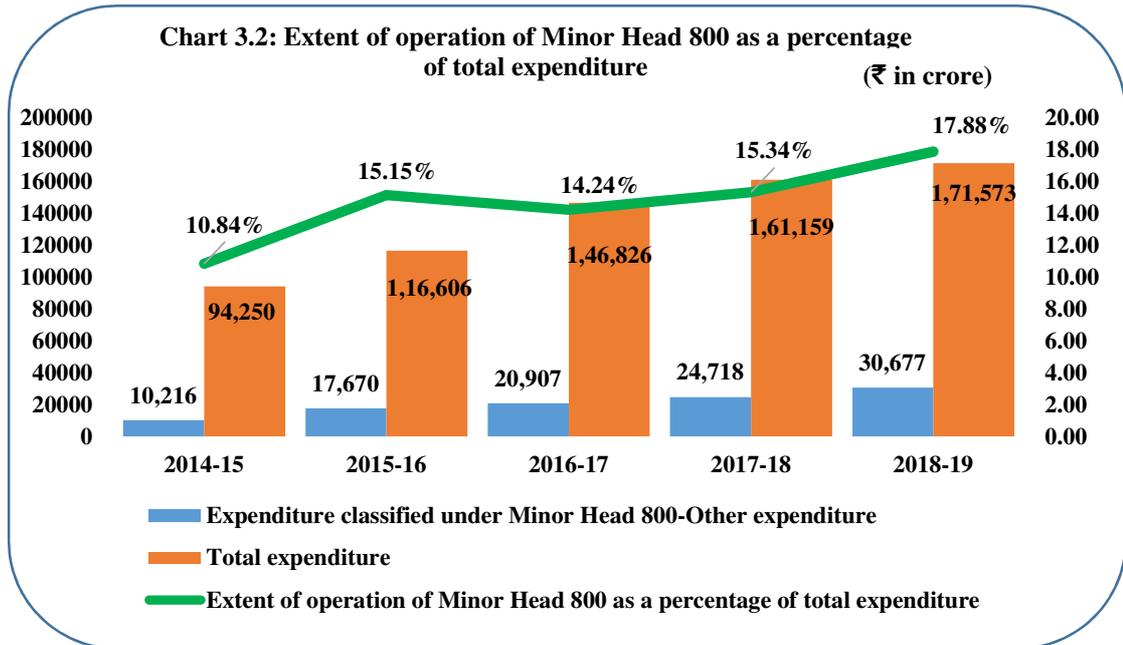
3.4 Opaqueness in Government Accounts – Operation of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Receipts of ₹34,831.64 crore (constituting 23.39 *per cent* of the total Revenue Receipts of ₹1,48,892.79 crore) recorded under 51 Revenue Heads, were classified under the Minor Head ‘800-Other Receipts’ in the Accounts. Similarly, expenditure of ₹30,676.59 crore under 43 Revenue and 23 Capital Major Heads of Accounts (constituting 17.88 *per cent* of the total expenditure of ₹1,71,573.40 crore) recorded under various Major Heads, was classified under the Minor Head ‘800-Other Expenditure’ in the Accounts.

The extent of operation of Minor Head 800 for receipts and expenditure, as a percentage of Total Receipts and Expenditure during 2014-19 is given in **Chart 3.1 and 3.2**.





Instances where a substantial portion (10 per cent or more of the total receipts/expenditure under the concerned Major Head) of the receipts/ expenditure classified under Minor Head 800-Other Receipts/Expenditure are given in **Appendix 3.3** and **3.4** and summarised in **Table 3.5**.

Table 3.5: Amount booked under Minor Head 800- ‘Other Receipts’ and ‘Other Expenditure’

Particulars	Receipts		Expenditure	
	Amount (₹ in crore)	Heads of Account	Amount (₹ in crore)	Heads of Account
100 per cent	917.47	0056, 0059, 0217, 0702, 0801, 0852, 1452	681.96	2250, 2852, 4070, 4408, 4875, 5425
Between 75 per cent and 99 per cent	27,267.00	0049, 0202, 0211, 0220, 0235, 0435, 1601	14,288.94	2075, 2217, 2702, 4515, 4700, 4701
Between 50 per cent and 74 per cent	1,027.04	0029, 0210, 0401, 0403, 0406, 0515, 0701	8,679.25	2204, 2401, 2705, 2851, 4225, 4853
Between 25 per cent and 49 per cent	1,634.19	0215, 0405, 0425, 0700, 0853, 1054,	3,777.59	4215, 4217, 3454, 4403, 4702, 5054
Between 10 per cent and 24 per cent	3,664.65	0030, 0039, 0043, 0055, 0070, 0071, 0230, 0851	2,016.32	2245, 2403, 2405, 2515, 2700, 2701, 3054, 4055, 4202, 4705, 4801,
Less than 10 per cent	321.29	Other Major Heads	1,232.53	Other Major Heads
Total	34,831.64		30,676.59	

(Source: Finance Accounts for the year 2018-19)

This issue is being flagged in the SFAR by the CAG every year. While there has been a marginal reduction in the amount under this Minor Head on the Receipts side during 2018-19 (23.39 per cent) compared to the previous year (26.31 per cent), on the Expenditure side, it increased from 15.34 per cent in 2017-18 to 17.88 per cent of total expenditure during 2018-19. The fact that such substantial proportion of the receipts and expenditure under the concerned Major Head are booked under Minor Head 800 is cause for serious concern since it severely impacts transparency.

3.5 Incorrect Operation of Sub Major Head under Plan/Non-Plan

Government of India notified that w.e.f. 01.04.2017, the following Heads of Accounts would not be operational as given in **Table 3.6**.

Grant-in-aid under Major Head 1601		Loans and Advances Under Major Head 6004	
Sub Major Head	Description	Sub Major Head	Description
Sub Major Head-01	Non-Plan Grants	Sub Major Head-01	Non-Plan Loans
Sub Major Head-02	Grants for State/Union Territory Plan Schemes	Sub Major Head-02	Loans for State/Union Territory Plan Schemes
Sub Major Head-03	Grants for Central Plan Schemes	Sub Major Head-03	Loans for Central Plan schemes
Sub Major Head-04	Grants for Centrally Sponsored Plan Schemes	Sub Major Head-04	Loans for Centrally Sponsored Plan Schemes
Sub Major Head-05	Grants for Special Plan Schemes	Sub Major Head-05	Loans for Special Schemes
		Sub Major Head-06	Ways and Means Advances
		Sub Major Head-07	Pre 1984-85 Loans'

Scrutiny of Finance Accounts 2018-19 revealed that some of these Sub-Major Heads and Minor Heads continued to be operated during the year due to allocation of funds under these heads in the budget by the State Government. As per Finance Accounts 2018-19, an amount of ₹25,758.68 crore as detailed in **Table 3.7** and ₹3,795.78 crore were booked under Major Heads 1601 and 6004-02-101 respectively, which was incorrect.

(₹ in crore)		
Sub Major Head and Minor Heads thereunder	Description	Receipts During 2018-19
Sub Major Head-01	Non Plan Grants	
Minor Head-109	Grants towards contribution to State Disaster Response Fund	914.40
Minor Head-110	Grant from National Disaster Response Fund	334.00
Minor Head-800	Other Grants	3,671.93
Sub Major Head-02	Grants for State/Union Territory Plan Schemes	
Minor Head-101	Block Grants	63.75
Minor Head-104	Grants under Provision to Article 275(1) of Constitution	246.26
Minor Head-800	Other Grants	20,511.21
Sub Major Head-03	Grants for Central Plan Schemes	
Minor Head-800	Other Grants	17.13
Total-1601		25,758.68

(Source: Finance Accounts for the year 2018-19)

3.6 Non-submission of Utilisation Certificates

Financial rules stipulate that in the case of conditional grants, a formal Utilisation Certificate (UC) about the proper utilisation of the grant is to be furnished to the Principal Accountant General (A&E) by the sanctioning authority on or before 30 September of the year following that to which the Grant is related. The status of outstanding UCs is given in **Table 3.8**. Further details are given in **Appendix 3.5**.

Table 3.8: Outstanding Utilisation Certificates				
(₹ in crore)				
Year	Status as on 31 March 2018		Status as on 31 March 2019	
	Number of outstanding UCs	Amount involved	Number of outstanding UCs	Amount involved
Up to 2016-17	20,666	17,793.21	20,253	13,978.51
2017-18	-	-	-	-
2018-19	-	-	25	492.11
Total	20,666	17,793.21	20,278	14,470.62

(Source: Finance Accounts for the years 2017-18 and 2018-19)

As on 31 March 2019, a total of 20,278 UCs involving ₹14,470.62 crore, which has become due, were not submitted by the bodies and authorities of the State against the Grants-in-aid provided by 25 departments. Therefore, there is no assurance that the expenditure of ₹14,470.62 crore has actually been incurred for the purpose for which it was sanctioned/authorised by the Legislature. About 85.74 per cent amount of pending UCs as on 31 March, 2019 pertains to five departments viz. Panchayat & Rural Development (60.19 per cent – 1,268 UCs amounting to ₹8,711.00 crore), Food, Civil Supplies & Consumer Protection (15.11 per cent - 1,453 UCs amounting to ₹2,186.80 crore), Social welfare (5.17 per cent – 1,143 UCs amounting to ₹748.03 crore), Agriculture (3.04 per cent – 3,090 UCs amounting to ₹439.99 crore) and Urban Administration & Development (2.22 per cent – 684 UCs amounting to ₹321.34 crore).

High pendency of UCs is fraught with the risk of misappropriation of funds and fraud. Despite drawing attention of the State Government to this issue year after year in the Audit Reports of the CAG, there has been no improvement.

3.7 Reporting of misappropriation, losses and defalcations etc.

Rule 22(1) of Madhya Pradesh Financial Code Vol I, provide 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 3,232 cases of misappropriation, losses, defalcations etc., involving ₹38.69 crore up to 31 March 2019 on which final action was pending as of June 2019. Out of these cases, 522 cases involving ₹4.63 crore were noticed during 2018-19. 2,678 cases (₹16.41 crore) and 11 cases (₹8.30 crore) were pending for recovery/regularisation against the Major Heads 2406-Forestry & Wild Life and 2054-Treasury and Accounts Administration respectively. Major Head-wise/age-wise details of pending cases of misappropriation, losses, defalcations etc. at the end of 2018-19 is given in **Appendix 3.6**. Major Head-wise and nature of irregularity-wise details of these cases are given in **Appendix 3.7**. The age-profile of the pending cases with nature of irregularities are summarised in **Tables 3.9** and **3.10**.

Table 3.9: Age-profile of pending cases		
(₹ in crore)		
Range in years	Number of cases	Amount involved
0 – 5	873	9.74
5 – 10	233	13.54
10 – 15	291	6.58
15 – 20	386	3.67
20 – 25	274	1.91
25 & above	1,175	3.25
Total	3,232	38.69

(Source: Information furnished by concerned Departments)

Table 3.10: Category-wise profile of misappropriation, losses, defalcations etc.		
(₹ in crore)		
Nature of pending cases		
Nature of the case	Number of cases	Amount involved
Theft	161	6.12
Misappropriation/Loss of material	3,071	32.57
Total	3,232	38.69

(Source: Information furnished by concerned Departments)

Further analysis indicated that the cases were outstanding owing to reasons listed in **Table 3.11**.

Table 3.11: Reasons for outstanding cases of misappropriation, losses, defalcations etc.			
(₹ in crore)			
Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
(i)	Awaiting departmental and criminal investigation	01	0.04
(ii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	01	0.00*
(iii)	Awaiting orders for recovery or write off	3,160	37.59
(iv)	Pending in the Courts of law	70	1.06
Total		3,232	38.69

(Source: Information furnished by concerned Departments)

*Amount ₹47,165

As can be seen from **Table 3.11** above, out of 3,232 cases involving ₹38.69 crore, 2,126 cases (66 *per cent*) involving ₹15.41 crore were pending for more than 10 years. Orders for recovery or write off were awaited in respect of 3,160 cases (98 *per cent*). First Information Reports were lodged in 360 cases (to the extent available) out of 3,232 cases.

Further, 46 cases of losses involving ₹23.75 lakh were written off during the year 2018-19, as detailed in **Appendix 3.8**. An amount of ₹22.73 lakh pertaining to 545 cases had been recovered and credited to Government account during 2018-19. The details are given in **Appendix 3.9**.

3.8 Variation in cash balance

There was a net difference of ₹1,360.70 crore (Credit) as on 31 March 2019 between the Cash Balance with the Reserve Bank of India (RBI) as worked out by the Accountant General and as reported by the RBI. The difference is mainly due to non-

reconciliation of 516 cases at treasury level from 2006-07 and 362 cases at RBI level from 2008-09 as on 31 March 2019, and is under reconciliation.

3.9 Reconciliation of departmental receipts and expenditure

Para 24.9.3 of the Madhya Pradesh Budget Manual requires all Controlling Officers (COs) to reconcile the receipts and expenditure of the Government with the figures accounted for by the Accountant General. This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

During 2018-19 upto March 2019 all the 124 Controlling Officers have partially reconciled expenditure of ₹84,586.64 crore (48.99 per cent of the total expenditure of ₹1,72,663.06 crore excluding repayments under “Public Debt”) and receipt of ₹20,768.47 crore (13.94 per cent of total receipts of ₹1,48,975.71 crore excluding receipts under “Public Debt”).

The details relating to the number of COs and the extent of reconciliation during the last three years are given in **Table 3.12**.

Table 3.12 Status of Reconciliation of Receipts and Expenditure figures							
							(₹ in crore)
Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/ Expenditure	Reconciled Receipts/ Expenditure	Percentage of Reconciliation
Receipts							
2016-17	117	10	04	103	1,24,103.04	3,806.56	3.07
2017-18	117	08	27	82	1,41,881.03	25,914.75	18.27
2018-19	124	01	10	113	1,48,975.71	20,768.47	13.94
Expenditure							
2016-17	117	19	85	13	1,51,766.61	53,985.77	35.57
2017-18	117	22	91	04	1,63,802.35	80,505.33	49.15
2018-19	124	08	108	08	1,72,663.06	84,586.64	48.99

(Source: Information furnished by Pr. AG (A&E)-I, Madhya Pradesh)

Non-reconciliation of receipts and expenditure affects the accuracy and completeness of accounts. Despite this issue being flagged regularly in the CAG’s Audit Reports, the lapses continue to persist.

3.10 Adjustment of Temporary Advances

According to Subsidiary Rule 53 of MPTC, temporary advances should be adjusted as early as possible and should not be delayed for more than three months under any condition. Further, rule 112(2) of the Madhya Pradesh Municipal Accounts Rules, 1971 stipulates that no advance shall be drawn unless expenditure is likely to be incurred within one month.

As on 31 March 2019, 1,955 cases of temporary advances aggregating ₹3.63 crore were pending adjustment by six³⁸ Departments. Temporary advances of more than ₹one crore were pending in respect of General Administration (Election) Department (₹3.53 crore). Details are given in **Table 3.13** below.

Table 3.13: Age-wise analysis of cases of advances pending as of March 2019			
			(₹ in crore)
Sl. No.	Pendency	No. of cases	Amount
1	More than 10 years	405	0.14
2	More than five years and upto 10 years	138	0.57
3	More than one year and upto five years	925	2.47
4	Upto one year	487	0.45
Total		1,955	3.63

(Source: Data furnished by the Departments)

- Audit scrutiny of records (July 2018 to October 2019) of seven District Collectors viz. Bhopal, Shahdol, Umaria, Satna, Balaghat, Tikamgarh and Sagar revealed that 205 cases, involving an aggregate amount of ₹1.07³⁹ crore, provided as temporary advance for tour, election work, providing food for Narmada Sewa Yatra, Atal Jyoti *etc.* was pending for adjustment.

In response, the Department stated that action was being taken for adjustment of advances.

- Test-check (July 2018 to April 2019) of records of offices⁴⁰ of Dy. Director Agriculture (DDA), Farmer Welfare and Agriculture Development Department revealed that 744 cases of temporary advances involving an aggregate amount of ₹6.57 crore provided for farmer training, district tour for farmers *etc.* was pending adjustment.

On this being pointed out, DDAs stated that advances were being adjusted and letters were issued for the adjustment of the advances.

- Test-check (October 2018 to March 2019) of records of Nagar Parishads (NP), Jirapur (Rajgarh), Manpur (Indore), Kantaphod (Dewas), Khajuraho (Chhatarpur) and Janpad Panchayat (JP) Pushprajgarh, (Anuppur), Badnagar (Ujjain), Rajnagar (Chhatarpur), Porsa (Morena), Narsinghgarh (Rajgarh) and Bagh (Dhar) revealed that in 409 cases, involving an aggregate amount of ₹1.87⁴¹ crore, provided as temporary advances to individuals for purchasing, constructions, maintenance of

³⁸ (1) General Administration (Election) Department (₹352.61 lakh), (2) Public Works Department (₹5.03 lakh), (3) Social Justice & Disabled Welfare Department (₹0.09 lakh) (4) Fisheries Department (₹1.55 lakh), (5) Education Department (₹2.27 lakh), (6) Public Relations Department (₹1.39 lakh)

³⁹ (1) Collector, Bhopal: ₹2.73 lakh, (2) Collector, Shahdol: ₹4.79 lakh, (3) Collector, Umaria: ₹41.29 lakh, (4) Collector, Satna: ₹31.99 lakh, (5) Collector, Balaghat: ₹15.75 lakh, (6) Collector, Tikamgarh: ₹3.56 lakh (7) Collector, Sagar: ₹6.44 lakh

⁴⁰ (1) DDA Sheopur: ₹11.50 lakh (2) DDA Katni: ₹15.01 lakh, (3) DDA Tikamgarh: ₹71.58 lakh (4) DDA Hoshangabad: ₹247.20 lakh, (5) DDA Alirajpur: ₹11.33 lakh, (6) DDA Vidisha: ₹6.73 lakh, (7) DDA Anuppur: ₹26.33 lakh, (8) DDA Bhopal: ₹21.26 lakh, (9) DDA Seoni: ₹38.63 lakh, (10) DDA Sehore: ₹67.15 lakh, (11) DDA Chhindwara: ₹18.42 lakh, (12) DDA Shahdol: ₹29.04 lakh (13) ASCO Sagar, ₹0.91 lakh, (14) DDA Rewa: ₹92.35 lakh

⁴¹ (1) NP, Rajgarh: ₹2.52 lakh, (2) NP Jirapur (Rajgarh): ₹2.35 lakh, (3) NP Manpur (Indore): ₹115.95 lakh, (4) NP Kantaphod (Dewas): ₹10.30 lakh, (5) NP Khajuraho: ₹11.79 lakh, (6) JP, Pushprajgarh (Anuppur): ₹4.65 lakh, (7) JP, Badnagar (Ujjain): ₹0.72 lakh, (8) JP, Rajnagar (Chhatarpur): ₹2.74 lakh, (9) JP, Porsa (Morena): ₹7.35 lakh, (10) JP, Narsinghgarh (Rajgarh): ₹1.72 lakh, (11) JP, Bagh (Dhar): ₹27.26 lakh

vehicles, travelling expenses, children's marriage, miscellaneous work etc. between 1988 to 2018 by Urban Local Bodies and PRIs was pending adjustment.

In response, Commissioner/CMOs/CEOs stated that the amount of advances would be recovered from individuals.

The reply is not acceptable as the amount of temporary advances was not adjusted by the Department in accordance with the provision of MP Municipal Accounts Rules even after the lapse of a long period.

3.11 Irregular maintenance of bank accounts

Rule 6 of MPFC and subsidiary rule 284 of MPTC prohibits withdrawal of funds from Consolidated Fund of the State without immediate requirement is prohibited. According to Rule 9 of MPTC a Government servant may not, except with the specific permission of the Government, deposit in a bank, moneys withdrawn from the Consolidated Fund and Public Account of the State. GoMP directed (February 2009) that Government offices which had withdrawn funds pertaining to various schemes from the Consolidated Fund and deposited in bank accounts (opened without permission of Finance Department), should withdraw money immediately from these bank accounts and deposit it back into Government account.

As per information received from Department of Social Justice & Disabled Welfare and Backward Classes & Minorities Welfare, ₹0.22 crore was withdrawn by two DDOs from the Consolidated Fund for Deen Dayal Antyoday Mission and Self Employment Scheme *etc.* and deposited in three bank accounts without obtaining permission from the Finance Department, as on 31 March 2019. The details are given in **Table 3.14**.

					(₹ in lakh)
Sl. No.	Name of the Department	Name of the Office	Drawing and Disbursing Officer	Name of the Bank	Amount
1	Social Justice & Disabled Welfare	Dy. Director, Social Justice and Disabled Welfare, Badwani	Dy. Director Social Justice and Disabled Welfare, Badwani	State Bank of India, Jhanda Chowk Badwani	5.86
				State Bank of India M.G Road, Badwani	2.95
2	Backward Classes & Minorities Welfare	Assistant Director, Backward Classes and Minorities Welfare, Katni	Assistant Director, Backward Classes and Minorities Welfare, Katni	Axis Bank, Katni	13.28
Total					22.09

- Scrutiny of records (June-October 2019) of Collectors, (Alirajpur, Dhar, Balaghat, Tikamgarh, Sagar, Jhabua, Dewas, Satna and Ratlam), revealed that an amount of ₹15.78 crore was lying in 11 bank accounts which were opened without obtaining permission from the Finance Department. The details are given in **Appendix 3.10**. Though such instances have been pointed out regularly in the reports of the C&AG, there has been no improvement.

- Test check of records (July-October 2019) of Collectors (Harda, Burhanpur, Katni, Shajapur, Chhatarpur and Alirajpur), revealed that interest amount of ₹0.87⁴² crore accrued from the balances available in bank accounts was not credited to Government account.

3.11.1 Parking of funds in bank accounts to avoid lapse of Budget Grant

Scrutiny of records (March 2019) of the Office of the Assistant Commissioner (AC), Tribal Affairs Development Department, Betul, revealed that an amount of ₹4.51 crore was withdrawn from the treasury and deposited in five⁴³ bank accounts which were opened for various schemes, viz. minor construction work of hostel, Ashram and school, Sport Contribution local fund, Kaushal Vikas, and SC&ST Post Matric Scholarship for Scheduled Tribe students without obtaining permission from the Finance Department and was lying idle.

On this being pointed out, the AC replied (March 2019) that the deposited amount in banks related to prior sanctioned construction work and that, payment would be made from time to time after assessment of work. Regarding Kaushal Vikas Yojna, guidance have been sought from Commissioner, Tribal Department, regarding depositing the balance amount in Government account.

The reply is not acceptable, as permission of Finance Department was not obtained to deposit the funds in the bank. The fact remains that the amount parked in these accounts should have been withdrawn and deposited in Government account. Withdrawal of funds without immediate requirement and depositing the same in the bank is in contravention of the directions of Government and provisions of MPTC.

3.11.2 Parking of funds in bank accounts after closure of scheme

As per rule 173 of Chapter 9 of MPFC Volume I, unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied condition that any portion of the amount, which is not ultimately, required for expenditure upon that object should be duly surrendered to Government.

Test-check of records of Commissioner/Chief Municipal Officer (CMO), Municipal Corporations⁴⁴/Councils⁴⁵ (MCs), revealed that an amount of ₹5.20 crore of Urban Local Bodies of different schemes was lying in the bank accounts. The schemes were either closed or are being operated through Treasury portal but the amounts were not surrendered/deposited into the Government account. The details are given in **Appendix 3.11.**

Parking of funds amounting to ₹5.20 crore of different schemes in bank accounts is not only a violation of rules but also affects the flow of funds which could have been used in implementation of other schemes by the Government.

⁴² (1) SBI, Harda: ₹1.26 lakh, (2) SBI, Burhanpur: ₹5.65 lakh, (3) SBI, Katni: ₹15.17 lakh, (4) State Bank of Indore, Shajapur: ₹36.61 lakh, (5) SBI, Chhatarpur: ₹5.30 lakh, (6) SBI, Alirajpur: ₹22.65 lakh

⁴³ (1) Bank of Baroda, ₹2.25 crore, (2) State Bank of India, ₹0.02 crore, (3) Bank of Baroda, ₹1.02 crore, (4) Bank of Maharashtra, ₹0.60 crore, (5) Central Bank of India, ₹0.62 crore.

⁴⁴ Jabalpur, Khandwa

⁴⁵ Akoda (Bhind), Bijuri (Anuppur), Chakghat (Rewa), Dhanpuri (Shahdol), Gurh (Rewa), Govindgarh (Rewa) and Pasan (Anuppur).

Commissioner/CMO of MCs accepted the audit observation and stated that action would be taken for depositing the amount in Government account and intimated to Audit.

3.12 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Legislature

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 seven 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 (SARs) and their placement in the legislature as on 30 September 2019 is given in **Table 3.15**.

Sl. No.	Name of body	Audit under Act	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay ⁴⁶ in submission/ non-submission of accounts (in months)
1	Madhya Pradesh (MP) Khadi and Village Industries Board, Bhopal	Section 19(3) of C&AG (DPC) Act	2015-16	2015-16	2013-14 (placement of SAR on 07.03.2018)	2014-15 (31) 2015-16 (19) 2016-17 (27) 2017-18 (15) 2018-19 (03)
2	MP Human Rights Commission, Bhopal	Section 19(2) of C&AG (DPC) Act	2016-17	2016-17	2014-15 (placement of SAR on 30.11.2017)	2015-16 (15) 2016-17 (22) 2017-18 (15) 2018-19 (03)
3	MP Building and Other Construction Workers Welfare Board, Bhopal	Section 19(2) of C&AG (DPC) Act	2012-13	2012-13	SARs for the year 2003-04 to 2012-13 were issued. Status of placing SARs in the State Legislature was awaited.	2012-13 (59) 2013-14 (63) 2014-15 (51) 2015-16 (39) 2016-17 (27) 2017-18 (15) 2018-19 (03)
4	MP State Legal Services Authority, Jabalpur	Section 19(2) of C&AG (DPC) Act	2006-07 to 2012-13	2009-10	SAR for the year 2009-10 was issued on 26.06.2018. Status of placing SAR in the State Legislature was awaited. MPSLSA, Jabalpur has placed its unaudited accounts from 1997-98 to 2012-13 in State Legislature on 25.02.2016.	2006-07 (133) 2007-08 (121) 2008-09 (109) 2009-10 (97) 2010-11 (85) 2011-12 (73) 2012-13 (61) 2013-14 (63) 2014-15 (51) 2015-16 (39) 2016-17 (27) 2017-18 (15) 2018-19 (03)

⁴⁶ Period of delay taken from the due date of receipt of accounts i.e. 30 June of the ensuing financial year till 30 September 2019.

Sl. No	Name of body	Audit under Act	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay ⁴⁶ in submission/ non-submission of accounts (in months)
5	MP Housing and Infrastructure Development Board, Bhopal	Section 19(3) of C&AG (DPC) Act	2017-18	2017-18	2015-16 (Placement of SAR on 18.07.2017)	2016-17 (02) 2017-18 (00) 2018-19 (03)
6	Madhya Pradesh Electricity Regulatory Commission (MPERC), Bhopal	Section 19(2) of C&AG (DPC) Act	2017-18	2017-18	2017-18 (placement of SAR on 20.02.2019)	2018-19 (03)
7	Madhya Pradesh Real Estate Regulatory Authority	Section 19(2) of C&AG (DPC) Act	2017-18 (New)	2017-18	Not placed	2017-18 (04) 2018-19 (03)

3.13 Non-compliance with Indian Government Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. As of end of March 2019, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the Government of Madhya Pradesh in its financial statements for the year 2018-19 are given in **Table 3.16**.

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by government – Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Complied	State Government had disclosed the maximum amount guaranteed during the year 2018-19 as along with additions during the year, discharged, invoked and outstanding as on March 2019.
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use	Not complied	State Government classified GIA amounting to ₹749.36 crore under Capital Major Heads of Account, instead of under the Revenue section. Non-compliance led to overstatement of revenue surplus and overstatement of capital expenditure. (Para 2.3.9)
IGAS 3 <i>Loans & Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete,	Partly complied	Disclosures regarding “Write-off of irrecoverable loans and advances”, “Repayments in arrears from loanee entities”, “Fresh Loans and Advances made during the year” and

Table 3.16 Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
	accurate and uniform accounting practices.		“Disclosures indicating extraordinary transactions relating to Loans and Advances” were not made in the Finance Accounts, as the information was not provided by the State Government. It is therefore not possible to report on these important aspects of the State finances.

3.14 Conclusion

Indiscriminate operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹34,831.64 crore) and ‘Other Expenditure’ (₹30,676.59 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Utilisation Certificates had not been submitted by various Departments for an aggregate amount of ₹14,470.62 crore drawn for specific developmental programmes/projects, which was violative of prescribed financial rules and directives, and point to inadequate internal controls, while reflecting poorly on the monitoring mechanism of the State Government.

The Controlling Officers have reconciled their accounts figures with those booked by the office of the PAG (A&E) to the extent of only 13.94 per cent in respect of receipts and 48.99 per cent in respect of expenditure. Non-reconciliation of accounts by the account rendering units/authorities affected the accuracy and completeness of accounts of the State and impacted effective budgetary management.

The MP Building and Other Construction Workers Welfare Board parked an amount of ₹1,777.75 crore in bank accounts. Further, the Board could utilise only 15 per cent of the available funds and cater to the welfare of only 30 per cent of the registered workers under various schemes.

An amount of ₹13.78 crore was parked in bank accounts by Collectors of various districts without authorisation from the Finance Department.

There were several PD Accounts with huge balances lying inoperative for over three years. The Government should have monitored these Accounts closely and ensured that such inoperative Accounts are closed and the balances transferred to Government Account in accordance with the Treasury Code of the State.

3.15 Recommendations

- i) State Government should review all the PD accounts and ensure that funds lying idle in these accounts are immediately transferred to the Government account. Further, Government should also disclose details of unspent balances in PD accounts.

- ii) State Government should review expeditiously all the bank accounts opened by the Departmental officers without authorisation and fix accountability for violating its orders. Funds lying in all such bank accounts should be transferred to the Consolidated Fund of the State immediately.
- iii) State Government should ensure that the MP BOCW Welfare Board finalises its accounts and fulfils its mandate of improving the working conditions of building and other construction workers, as prescribed in the Act. No further funds should be released without submission of outstanding UCs.
- iv) State Government needs to institute a rigorous monitoring mechanism to identify the issues holding up submission of UCs and ensure that the Departments comply with the prescribed rules and procedures with regard to timely submission of UCs.
- v) State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.
- vi) Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.

**Gwalior
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