

## CHAPTER 4

### QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

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, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

#### 4.1 Labour Cess

As per section 5 of the Building and other Construction Workers' Welfare Cess Rules 1998, amounts collected as labour cess from contractors was required to be transferred to the Labour Welfare Board.

As per the Finance Accounts, ₹ 550.18 crore was collected as cess from contractors executing government projects upto 2019-20. The cess collected has not been transferred to the Labour Welfare Board Fund (October 2020) thereby inflating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-2020) and represent the unaccounted liabilities of the State.

#### 4.1.1 Accounting and Utilisation of Labour Cess

It was observed that the Labour Welfare Board has finalised its accounts only upto 2012-13. However, receipts and utilisation of funds till 2019-20, as furnished by the Board, is shown in **Table 4.1**.

**Table 4.1: Details of amounts received by the Board and its utilisation**

(₹ in crore)

Year	Amount provided by the Govt. as Grant-in-aid	Cess received directly by the Board	Total Receipt	Amount spent by the Board on schemes <sup>1</sup>	Amount spent on establishment	Total Expenditure	Unutilised balance amount
(1)	(2)	(3)	{(2+3)=4}	(5)	(6)	{(5+6)=7}	{(4-7)=8}
Upto 2015-16	5.08	252.16	257.24	104.08	1.66	105.74	151.50
2016-17	0	70.26	70.26	48.33	1.29	49.62	20.64
2017-18	0	74.01	74.01	41.64	0.90	42.54	31.47
2018-19	0	90.19	90.19	59.19	0.89	60.09	30.10
2019-20	0	120.00	120.00	75.78	0.83	76.60	43.40
<b>Total</b>	<b>5.08</b>	<b>606.62</b>	<b>611.70</b>	<b>329.02</b>	<b>5.57</b>	<b>334.59</b>	<b>277.11</b>

Source: By Jharkhand Building and Other Construction Workers Welfare Board

<sup>1</sup> 22 schemes are running under the Welfare Board as per statement dated 16.01.2020 provided by Jharkhand Building and Other Construction Workers Welfare Board.

During the period 2009-10 to 2019-20, ₹ 329.02 crore was spent on welfare schemes while ₹ 5.57 crore was spent on establishment. The Board had utilised only 54.70 per cent of available funds.

**Recommendation-1:** *The Jharkhand Building and other Construction Workers' (BOCW) Welfare Board should take steps for timely preparation of annual accounts and its submission to the Principal Accountant General (Audit) for audit.*

**Recommendation-2:** *The GoJ should ensure transfer of Labour Cess to the Labour Welfare Board as early as possible and ensure proper utilisation of the available fund so that the Board can fulfil its objectives of improving the working conditions of building and other construction workers and providing adequate financial assistance to them.*

#### 4.1.2 Funds of Regulators outside Government Account (₹ 35.98 crore)

A. Article 266(1) of the Constitution of India stipulates that all revenue receipt and all loans raised by the State Government shall form part of the Consolidated Fund of the State. Further, Article 266(2) stipulates that other public moneys received by or on behalf of the Government of a State shall be entitled to the Public Account of the State.

The Government of Jharkhand made “Jharkhand State Electricity Regulatory Commission Fund Rules, 2009” in-exercise of powers conferred to the State Government by Section 180 (2) (g) read with the provisions of Section 103 of Electricity Act, 2003. In terms of the above provisions Government established a Fund named as the “Jharkhand State Electricity Regulatory Commission (JSERC) Fund” for deposit of all grants and loans made to the Commission by the Government, all license fees, petition fees, processing fees etc. It was provided that the Fund should be operated in designated nationalized bank.

During verification of records of JSERC Fund for the period 2014-20, it was noticed that ₹ 6.40 crore was opening balance in 2014-15 and ₹ 32.90 crore were deposited during the period 2014-20, of which ₹ 18.24 crore spent during the period leaving a balance of ₹ 21.06 crore at the end of March 2020.

Thus, due to non-consideration of Article 266 (1) and 266 (2) of Constitution in Jharkhand State Electricity Regulatory Commission Fund Rules, 2009 by the State Government, the receipts of ₹ 32.90 crore were kept out of Public Account by the JSERC during 2014-15 to 2019-20. At the end of the year 2019-20, ₹ 21.06 crore was lying out of Government Account.

B. An Environment Management Fund (EMF) was to be set up for reviving the small mining area in which each mining lease holder of minor mineral had to deposit a contribution of one per cent of the royalty, which was to be used in the conservation of forest, environment and climate.

During scrutiny of records of Director of Mines it was noticed that ₹ 3.08 crore was collected as royalty during September 2018 to March 2020 and

deposited in commercial bank in place of PL Accounts of the State violating Article 266 (1) and 266 (2) of the Constitution. However, no amount from EMF was utilised on the purposes for which it was deposited.

#### 4.2 Off budget borrowings

Off budget borrowings by the State PSUs and SPVs are either explicit payments or guarantees and are contingent liabilities of the State. No such borrowings by the State PSUs/SPVs were reported during 2019-20.

#### 4.3 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and Programmes. Since these funds are not routed through the State Budget, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts.

As of 31 March 2014, the Central Government had transferred a sizeable quantum of fund directly to State implementing agencies for implementing various schemes/ programmes in social and economic sectors, which were recognized as critical. These funds were not routed through state budget/ state treasury system. Expenditure of these funds was not mentioned in the Finance Accounts of the State. During 2014-15, GOI decided to release all assistance pertaining to centrally sponsored schemes/ additional central assistance directly to the State resulted in decrease of transfer from ₹ 2,601.80 crore in 2013-14 to ₹ 130.92 crore in 2014-15 which further increased to ₹ 322.36 crore in 2017-18. However, after consistent decrease from 2017-18 onwards direct transfer to State implementing agencies stood at ₹ 235.71 crore in 2019-20. Expenditure from direct transfer to implementing agencies was not provided in the accounts of the State. Details of transfer along with fund transferred to some major agencies are given in **Table 4.2**.

**Table 4.2: Funds transferred by GOI directly to State implementing agencies**

(₹ in crore)

Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases during 2019-20
1	MP Local Area Development Scheme	Deputy Commissioner/ District Magistrate	82.50
2	Infrastructure Development and Capacity Building	Indo-Danish Tool Room	32.51
3	National AIDS and STD Control Programme	Jharkhand State AIDS Control Society	22.73
4	National Animal Disease Control Programme for Foot and Mouth Disease and Brucellosis	Jharkhand State Implementing Agency for Cattle and Buffalo Development	15.01
5	Promotion of IT and Electronics Manufacturing (MSIPS, EDF and Manufacturing Clusters)	Adityapur Electronic manufacturing Cluster Limited	12.44
6	Others	Various agencies	70.52
	<b>Total</b>		<b>235.71</b>

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2019-20).

#### 4.4 Deposit of Local Funds

Some State Panchayati Raj Acts provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds) which would include all the money realised or realisable under the Act and all money otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of a Panchayat. The Acts also envisages that the Municipal Fund is to be held by the Municipality. All the money realised or realisable under this act and all money otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds.

**Table 4.3: Deposits of Local Funds**

(₹ in crore)

Year		2015-16	2016-17	2017-18	2018-19	2019-20	
Panchayati Raj Institutions	(8448-109)	Opening Balance	197.68	183.88	212.71	309.67	364.38
		Receipt	72.6	143.53	181.74	128.99	124.60
		Expenditure	86.4	114.7	84.78	74.28	150.86
		<b>Closing Balance</b>	<b>183.88</b>	<b>212.71</b>	<b>309.67</b>	<b>364.38</b>	<b>338.12</b>
Urban Local Bodies	(8448-102)	Opening Balance	944.37	1,535.71	2,003.17	1,870.03	1,959.09
		Receipt	1,073.55	1,159.19	1,122.21	915.05	1,252.93
		Expenditure	482.21	691.73	1,255.35	825.99	1,134.27
		<b>Closing Balance</b>	<b>1,535.71</b>	<b>2,003.17</b>	<b>1,870.03</b>	<b>1,959.09</b>	<b>2,077.75</b>

Source: Finance Accounts of the respective years.

It was noticed that in 2019-20, the net addition in PRIs had decreased significantly in comparison to the previous year, whereas, it increased slightly in ULBs.

#### 4.5 Delay in submission of Utilisation Certificates

Non submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

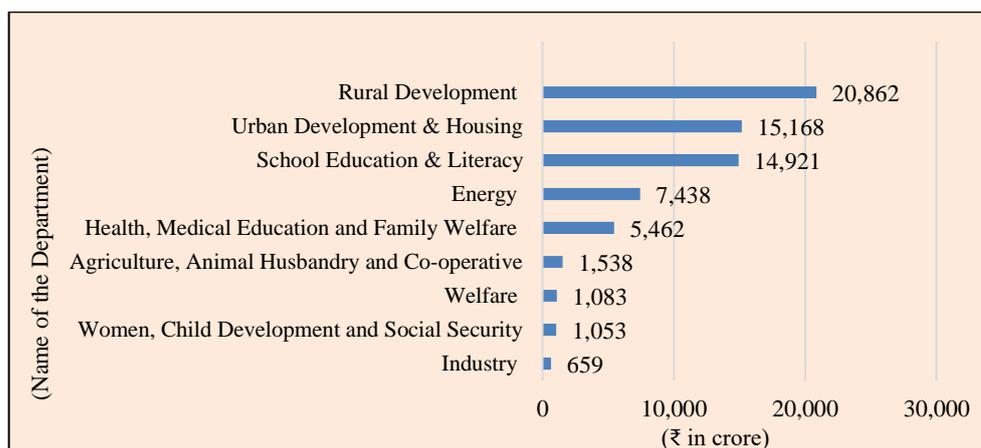
The Jharkhand Financial Rules (JFR) stipulate that departmental officers should obtain Utilisation Certificates (UCs) from the grantees and after verification should forward these to the Principal Accountant General (A&E), Jharkhand within 12 months of drawal of the grant.

Audit observed that 29,358 UCs due in respect of grants aggregating to ₹ 69,702.99 crore, paid up to 2018-19, were outstanding at the end of March 2020. A significant part of these UCs were outstanding against five departments, viz., Rural Development (2,468 UCs aggregating ₹ 20,861.54 crore), Urban Development (7,959 UCs aggregating ₹ 15,167.62 crore), School Education and Literacy (3,942 UCs aggregating ₹ 14,920.86 crore),

Energy Department (82 UCs aggregating ₹ 7,437.84 crore) and Health and Family Welfare (610 UCs aggregating ₹ 5,462.37 crore).

During 2018-19 and 2019-20, out of total Grants-in-Aid of ₹ 17,975.81 crore and ₹ 19,191.46 crore a sum of ₹ 8,446.82 crore and ₹ 7,079.39 crore respectively was granted for creation of capital assets to the authorities and bodies. However, UCs in respect of creation of capital assets were not submitted by the authorities hence, creation of capital assets could not be ascertained.

**Chart 4.1: Outstanding UCs in respect of Major Grants**



The number and amount of outstanding UCs as on 31 March 2020 are shown in **Table 4.4**.

**Table 4.4: Arrears in submission of Utilisation Certificates**

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2016-17	17,048	28,205.67	5,019	17,481.36	668	6,571.50	21,399	39,115.53
2017-18	21,399	39,115.53	4,219	19,545.33	515	6,114.69	25,103	52,546.17
2018-19*	25,103	52,546.17	4,483	17,435.44	228	278.62	29,358	69,702.99

\*UCs for the GIA disbursed during 2018-19 become due only during 2019-20.

**Table 4.5: Year wise break up of outstanding UCs**

(₹ in crore)

Year	Number of UCs	Amount
Up to 2010-11	2,192	966.40
2011-12	494	273.38
2012-13	945	1,141.17
2013-14	1,333	1,518.08
2014-15	2,134	5,354.78
2015-16	8,907	9,574.60
2016-17	4,873	14,501.49
2017-18	3,997	18,937.65
2018-19	4,483	17,435.44
<b>Total</b>	<b>29,358</b>	<b>69,702.99</b>

Further, scrutiny of records revealed that 1,831 UCs amounting to ₹ 7,150.44 crore was outstanding against major head 2515 under Grant No. 56-Rural Development Department (Panchayati Raj Division), Jharkhand, Ranchi at the end of 2019-20. Year wise number and amounts of outstanding UCs are shown in **Table 4.6**.

**Table 4.6: Year wise breakup of outstanding UCs under Major Head 2515 (Rural Development- Panchayati Raj Division)**

Year	Total Grants Released		UCs submitted		Outstanding UCs	
	No. of Grants	Amount	No. of Grants	Amount	No. of Grants	Amount
Up to 2016-17	2,723	4,932.25	1,327	2,338.80	1,396	2,593.44
2017-18	155	1,293.56	4	0.53	151	1,293.03
2018-19	111	774.08	4	0.31	107	773.77
2019-20	177	2,490.20	00	00	177	2,490.20
<b>Total</b>	<b>3,166</b>	<b>9,490.09</b>	<b>1,335</b>	<b>2,339.64</b>	<b>1,831</b>	<b>7,150.44</b>

Non receipt of UCs against the GIA Bills indicates the failure of the departmental officers to comply with the rules and procedures to ensure timely submission of utilization of the grants for the intended purpose. High pendency of UCs is fraught with the risk of misappropriation of funds and fraud. Reasons for non-submission of UCs were not provided by the department.

**Recommendation 3:** The Finance Department should take initiatives for submission of outstanding UCs within a prescribe time frame. The administrative departments releasing the grants should be held responsible for collection of UCs pending beyond the time stipulated in the grant orders. FD should ensure that no further grants should be released to the defaulting grantees. The Government may initiate appropriate action against officers who defaulted in submission of UCs in time.

#### 4.6 Abstract Contingent bills

The Jharkhand Treasury Code (JTC), 2016 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) should be submitted to the Principal Accountant General (A&E) within six months from the date of drawal of the AC bill. Year-wise details of pending DC bills as on 31.03.2020 are given in Table 4.7.

**Table 4.7: Year wise progress in submission of DC bills against the AC bills** (₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2017-18	17,489	4,143.05	335	1,209.12	96	876.43	17,728	4,475.74
2018-19	17,728	4,475.74	243	1,061.32	52	699.96	17,919	4,837.10
2019-20	17,919	4,837.10	330	2,168.00	30	560.66	18,219	6,444.44

Fifteen departments of the State had drawn ₹ 2,168 crore from Government accounts against 330 Abstract Contingent (AC) bills during the financial year 2019-20 but did not submit 300 Detailed Contingent (DC) bills amounting to ₹ 1,607.34 crore before the close of the financial year. Therefore, there is no assurance that the amount of ₹ 1,607.34 crore has actually been incurred during the financial year for the purpose for which it

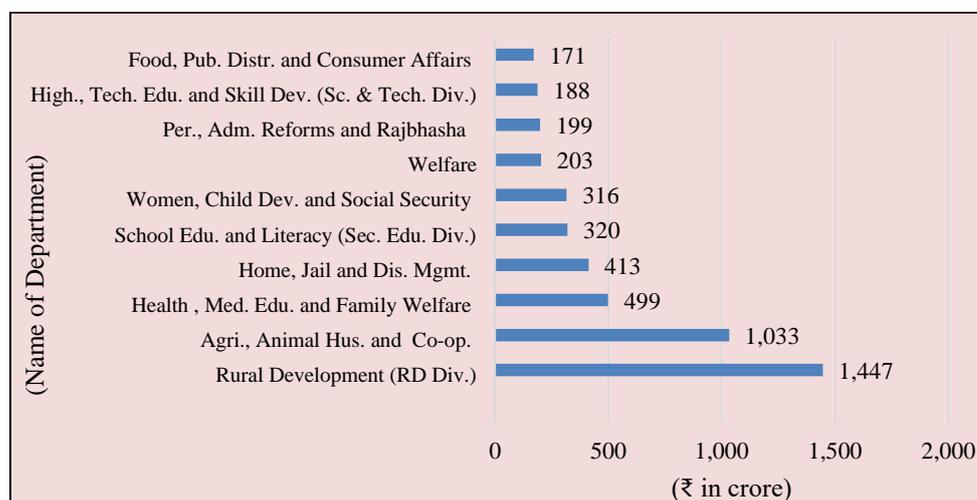
was sanctioned/authorised by the Legislature. This is a possible overstatement of expenditure in the year 2019-20.

In addition to this, 17,919 AC bills amounting to ₹ 4,837.10 crore drawn up to 2018-19 were also outstanding as on 31 March 2020. Advances drawn and not accounted for increases the possibility of wastage/misappropriation/ malfeasance etc.

Out of ₹ 2,168 crore drawn on AC bills in 2019-20, ₹ 263.68 crore was drawn in the month of March 2020. In comparison to the drawal of AC bills in March 2019 (₹ 62 crore) there was significant drawal of AC bills in March 2020. Significant expenditure through AC bill in March 2020 indicates that the drawal was primarily to exhaust the budget and reveals inadequate budgetary control.

Departments with maximum amount of pending DC bills along with comparative details are given in **Chart 4.2**.

**Chart 4.2: Pending DC Bills in respect of major Departments**



Further, scrutiny of records of Grant No. 56-Rural Development Department (Panchayati Raj Division), Jharkhand, Ranchi revealed that out of 367 Abstract contingent (AC) bills of ₹ 214.15 crore drawn during the period 2003-20, only 80 Detailed Contingent (DC) bills amounting to ₹ 70.18 crore were submitted by the department and 287 DC bills amounting to ₹ 143.96 crore (67.22 per cent) were outstanding as of December 2020. It was also observed that 278 Detail contingent (DC) bills amounting to ₹ 140.50 crore were pending for more than 05 years under the major head 2515.

In eight test-checked districts of Rural Development Department (Panchayati Raj Division), Jharkhand, Ranchi, DC bills for ₹ 52.06 crore were pending against AC bills drawn during the period 2003-20 as detailed in **Table 4.8**.

**Table 4.8: Statement showing the outstanding DC Bills**

(₹ in crore)

Sl. No.	District	Period	Outstanding AC Bill	
			No.	Amount
1	Ranchi	2003-04 to 2019-20	57	30.07
2	Gumla	2010-11	01	0.29
3	Hazaribagh	2003-04 to 2015-16	04	6.79
4	Bokaro	2005-06 to 2015-16	10	3.81
5	Dhanbad	2005-06 to 2016-17	18	5.64
6	East Singhbhum	2003-04 to 2009-10	03	0.48
7	Saraikela-Kharsawan	2003-04 to 2010-11	16	2.65
8	West Singhbhum	2010-11	09	2.33
<b>Total</b>			<b>118</b>	<b>52.06</b>

Scrutiny of records of Mines and Geology Department revealed that out of AC bills amounting to ₹ 1.90 crore drawn under head 2853 during the period 2001-20, DC bills of ₹ 0.31 crore were not submitted as of December 2020. Details are given in **Appendix 4.1**.

Drawal of funds on AC bills and 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. Moreover, drawal of funds on AC bills on the last day of the financial year is fraught with the risk of mis-utilisation of public money.

#### 4.7 Delay in submission of DC bills

Scrutiny of records of Rural Development Department (Panchayati Raj Division), Jharkhand under Grant No.56, revealed that DC bill amounting to ₹ 37.42 crore against AC bills drawn during 2000-17 (Major Head-2515, 2015 and 3451) were submitted to Pr. Accountant General (A&E) with a delay ranging between two days to 104 months for which no specific reason was provided by the Department.

Further, in seven out of eight test-checked districts, DC bills amounting to ₹ 13.23 crore against AC bills drawn during 2000-16 were submitted to Pr. Accountant General (A&E) with a delay ranging between 01 month and 104 months as detailed in **Table 4.9**.

**Table 4.9: Statement showing the DC Bills submitted with delay**

(₹ in crore)

Sl. No.	District	Period	DC Bill submitted with delay		Delay (in months)
			No.	Amount	
1	Ranchi	2005-06 to 2015-16	13	8.23	1 to 80
2	Gumla	2000-01 to 2003-04	04	0.30	24 to 104
3	Dhanbad	2010-11 to 2011-12	02	1.09	32 to 48
4	East Singhbhum	2003-04 & 2010-11	02	2.78	58 to 79
5	Saraikela-Kharsawan	2010-11 & 2014-15	02	0.08	19 to 71
6	West Singhbhum	2008-09 & 2010-11	02	0.66	01 to 50
7	Bokaro	2014-15	01	0.09	01
<b>Total</b>			<b>26</b>	<b>13.23</b>	

Drawal of funds on AC bills and 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.

**Recommendation 4:** *The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.*

#### 4.8 Personal Ledger Accounts

As per Rule 174 of Jharkhand Treasury Code, money should not be withdrawn from Treasury unless it is required for immediate payment.

Review of Finance Accounts and Voucher Level Computerisation (VLC) data related to the transactions in the minor heads under the Major Head of accounts 8448-Deposits of Local Funds for the year 2019-20 revealed that there were 172 Personal Ledger Accounts (PLAs) operated by various agencies of the State Government as of 31 March 2020.

Year-wise details of balances in PLAs are given in **Table 4.10**.

**Table 4.10: Funds in Personal Ledger Accounts**

(₹ in crore)

Year	Opening balance	Receipts	Disbursement	Closing Balance
2016-17	5,217.97	8,406.87	4,136.44	9,488.40
2017-18	9,488.40	12,694.02	8,979.76	13,202.66
2018-19	13,202.66	9,875.32	8,730.74	14,347.24
2019-20	14,347.24	10,447.62	11,088.27	13,706.59

It is evident from **Table 4.10** that every year, a substantial amount was added in the PLAs leading to a sharp increase in the closing balance except in 2019-20.

During 2019-20 the disbursement was more than the receipts by ₹ 640.65 crore. A huge balance of ₹ 13,706.59 crore was kept outside the Consolidated Fund beyond the direct control of the Government which is against the provisions of budgetary control system.

Further, Rule 334 of JTC stipulates that the administrator shall review all Personal Deposit Accounts at the end of each financial year. Money lying unspent after two consecutive financial years should not be spent any further and balance should be transferred as reduction of expenditure to the concerned service head from which the money was withdrawn.

A test check of PL Accounts of 14 Administrators revealed that eight Administrators did not follow the above rules and unspent fund of ₹ 19.13 crore was kept blocked in PL Accounts for more than three years. Details are given in **Table 4.11**.

**Table 4.11: Amount blocked in PL accounts for more than three years**

(₹ in crore)

Sl. No.	Name of Office	Closing Balance	Amount kept in PLAs more than last three years
1	Zila Parishad, Khunti	0.88	0.52
2	Zila Parishad, Dhanbad	12.12	2.35
3	Zila Parishad, Lohardaga	1.13	0.53
4	Zila Parishad, Jamtara	2.55	0.85
5	District Social Welfare Officer, Ranchi	4.39	4.39
6	Zila Parishad, Ranchi	16.58	8.57
7	Zila Parishad, Bokaro	2.43	1.91
8	Zila Parishad, Saraikela Kharsawan	18.43	0.01
<b>Total</b>		<b>58.51</b>	<b>19.13</b>

Unspent balances lying in PLAs for such a long period and not transferred to the Consolidated Fund before the closure of the financial year was not only at variance with the provisions of financial rules but also entails the risk of misuse, fraud and misappropriation of public funds.

**Recommendation 5:** *The Finance Department should review all PL accounts and ensure that all amounts unnecessarily lying in these PL accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department is required to reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*

#### 4.9 Personal Deposit Accounts

Jharkhand Treasury Code rule 328 to 330 provides that Personal Deposit (PD) accounts may be opened at the treasuries with the concurrence of the Finance department and authorised by the Accountant General (A&E). The PD accounts are opened for specific purposes to deposit funds required for specific purposes and for specified period as per authorisation of Finance department. After expiry of such period the treasury officer will close the account with prior permission of Finance department as well as AG (A&E).

Finance department directed the treasury officers of all the districts to open PD accounts in the name of District Land Acquisition Officers in December 2019. Accordingly, 22 PD accounts were opened to deposit land acquisition compensation fund. All these accounts are operational and an amount of ₹ 1,520.74 crore was deposited in these accounts during 2019-20. Out of the total deposit in these PD accounts, ₹ 365.08 crore was disbursed during the year leaving a balance of ₹ 1,155.66 crore at the end of the financial year.

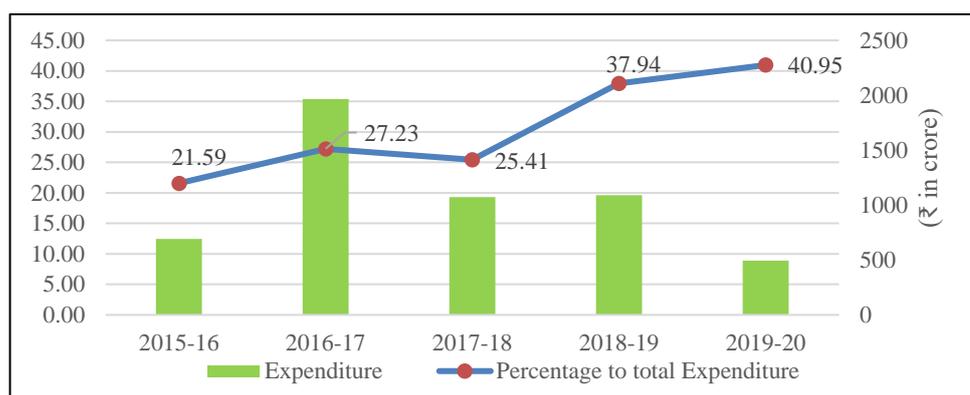
#### 4.10 Indiscriminate use of Minor head 800

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 it renders the accounts opaque.

During 2019-20, ₹ 526.35 crore was booked under the minor head “800-Other Expenditure” in seven Major Heads, of which, expenditure (more than 10 per cent of total expenditure in each case) aggregating to ₹ 494.65 crore (40.95 per cent of the total expenditure of ₹ 1,207.80 crore in these heads) booked under three Major Heads. Details are given in **Table 4.12**.

**Table 4.12: Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year**

(₹ in crore)				
Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	percentage
4047	Capital Outlay on Other Fiscal Services	42.66	62.79	67.94
4701	Capital Outlay on Medium Irrigation	386.99	749.34	51.64
2053	District Administration	65.00	395.67	16.43
<b>Total</b>		<b>494.65</b>	<b>1,207.80</b>	<b>40.95</b>

**Chart4.3: Operation of Minor Head 800 - Other Expenditure during 2015-20**

Similarly, ₹ 1,401.43 crore was booked under the minor head “800-Other Receipts” in 46 Major Heads, of which revenue receipts (more than 10 per cent of total receipts in each case) aggregating ₹ 1,168.30 crore (38.52 per cent of the total receipt of ₹ 3,032.99 crore in these heads) under 27 Major Heads were classified under minor head “800-Other Receipts”. In 14 major heads amount booked under omnibus head 800 ranged between 61.50 per cent and 100 per cent. Details are given in **Appendix 4.2**.

#### 4.11 Outstanding balance under major Suspense and Debt, Deposits and Remittance heads

Suspense heads are operated when transactions of receipts and payments cannot be booked to a final head of account due to lack of information as to the nature or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when amounts under them are booked to their respective final heads of accounts. Suspense balances remaining uncleared at the end of the year adversely affect the accurate reflection of the Government’s receipt and expenditure of the year. The position of Suspense balances of the State are indicated in **Table 4.13**.

**Table 4.13: Position of balances under Suspense Head - 8658**

(₹ in crore)

Name of the Minor Head	2016-17		2017-18		2018-19		2019-20	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101- Pay and Accounts Office Suspense	46.06	24.77	70.90	45.38	150.67	138.66	307.46	309.99
<b>Net</b>	<b>Dr. 21.29</b>		<b>Dr. 25.52</b>		<b>Dr. 12.01</b>		<b>Cr. 2.53</b>	
102 - Suspense Account (Civil)	160.19	11.59	196.54	17.27	28.67	23.33	34.22	26.72
<b>Net</b>	<b>Dr. 148.60</b>		<b>Dr. 179.27</b>		<b>Dr. 5.34</b>		<b>Dr. 7.50</b>	

**Table 4.14: Position of balances under Remittances Head - 8782**

(₹ in crore)

Major Head 8782-Cash Remittances								
102 - P.W. Remittances	16,750.50	16,721.19	26,822.84	26,889.20	37,102.27	37,220.48	47,673.38	47,785.72
<b>Net</b>	<b>Dr. 29.31</b>		<b>Cr. 66.36</b>		<b>Cr. 118.21</b>		<b>Cr. 112.34</b>	
103 - Forest Remittances	583.85	584.50	974.89	975.36	1,291.04	1,291.68	1,831.09	1,832.93
<b>Net</b>	<b>Cr. 0.65</b>		<b>Cr. 0.47</b>		<b>Cr. 0.64</b>		<b>Cr. 1.84</b>	

Source: Finance Accounts of Government of Jharkhand

The implications of the balances under these heads are stated below:

• **Pay and Accounts Office (PAO) Suspense**

Outstanding debit balances under this head represents payments that have been cleared by the PAG (A&E) Jharkhand on behalf of PAOs of Central Government departments, which are yet to be recovered. Outstanding credit balances represent payments made by PAOs on behalf of the State Government which the PAG (A&E) is yet to adjust. It was noticed that the net balance changed from debit ₹ 25.52 crore in 2017-18 to credit balance of ₹ 2.53 crore in 2019-20. On settlement of the net credit balance under this head (₹ 2.53 crore), the cash balance of the State Government will decrease upto that level.

• **Suspense Accounts (Civil)**

This minor head is credited for recording receipts and debited for expenditure incurred and is cleared on receipt of supporting documents by the PAG (A&E). There is no impact on cash balance on clearance of this item. The net balance under this suspense head fluctuated between debit ₹ 5.34 crore to debit ₹ 179.27 crore during 2017-18 to 2019-20.

Scrutiny of Cash Remittances and adjustments between officers rendering accounts to the same accounts' officers revealed that a credit balance of ₹ 112.34 crore was in transit at the end of March 2020.

#### **4.12 Non-reconciliation of Departmental figures**

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

Rule 134 of Budget Manual requires that Controlling Officer should arrange to reconcile departmental accounts with the books of the Principal Accountant General (A&E) on a monthly basis to avoid misclassification of expenditure and receipts.

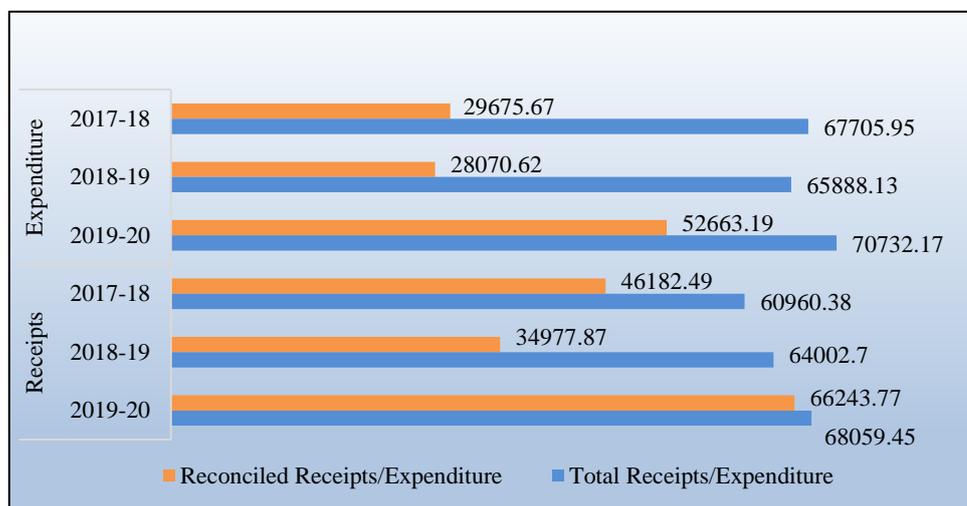
Every year, the Principal Accountant General (Accounts & Entitlements) reiterates to Budget Controlling Officers, the requirements of the Bihar Budget Manual (as adopted by Jharkhand) to reconcile their monthly and quarterly figures of receipts and expenditure with the books of the Principal Accountant General (A&E).

After regular reporting of non-reconciliation of receipts and disbursements of the State with the books of AG (A&E) a change was noticed to some extent and it was observed that during 2019-20, 97.33 *per cent* (₹ 66,243.77 crore) of the total receipts of the State (₹ 68,059.45 crore) was reconciled by the departmental officers with the books of AG (A&E) against 45.35 *per cent* in 2018-19. Similarly, out of total expenditure of ₹ 70,732.17 crore, 74.45 *per cent* (₹ 52,663.19 crore) was reconciled

during 2019-20 by the departmental officers against 57.40 *per cent* in 2018-19.

Since reconciliation of amount is a major source of obtaining reasonable assurance of the receipt and expenditure figures in annual accounts the target of 100 *per cent* reconciliation is still to be achieved.

**Chart 4.4: Status of reconciliation during the three years 2017-20**



#### 4.13 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a difference of ₹ 41.69 crore (net credit) between the figures reflected in the accounts {₹ 54.14 crore (credit)} and that intimated by the RBI {₹ 12.45 crore (debit)}. The difference of ₹ 40.08 crore (net credit) for the year 2019-20 has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction. In addition, a balance of ₹ 1.61 crore (debit) for the period prior to October 1987 is also under reconciliation in RBI, Nagpur.

#### 4.14 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

**Table 4.15: Compliance to Accounting Standards**

S. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	<b>IGAS-1:</b> Guarantees Given by the Government – Disclosure requirements	The objective of this Standard is to set out disclosure norms in respect of Guarantees given by the Union, the State Governments and Union Territory Governments (with legislature) in their respective Financial Statements to ensure uniform and complete disclosure of such Guarantees	Complied (Statements 9 and 20 of Finance Accounts)	No deficiency
2.	<b>IGAS-2:</b> Accounting and Classification of Grants-in-Aid	This Standard is to prescribe the principles for accounting and classification of Grants-in-aid in the Financial Statements of Government both as a grantor as well as a grantee. This Standard aims to prescribe appropriate principles of accounting and classification of Grants-in-aid by way of appropriate disclosures in the Financial Statements of Government.	Complied (Statement 10 of Finance Accounts)	No deficiency
3.	<b>IGAS-3:</b> Loans and Advances made by Government	This Standard aims to lay down the norms for Recognition, Measurement, Valuation and Reporting of Loans and Advances made by the Union and the State Governments in their respective Financial Statements to ensure complete, accurate, and uniform accounting practices, and to ensure adequate disclosure on Loans and Advances made by the Governments consistent with best international practices.	Partially complied (Statement 7 and 18 of Finance Accounts).  Disclosure regarding cases of loans sanctioned as loan in perpetuity and extraordinary transactions was not provided.	Exact amount of overdue loans and the time by which loans are to paid could not be ascertained.

#### **4.15 Submission of Accounts/Separate Audit Reports of Autonomous Bodies**

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any authority or body has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

***Arrears of accounts of bodies or authorities***

Submission of accounts and status of audit regarding eight reported Autonomous Bodies in the State, auditable under Sections 19 & 20 of the C&AG's (DPC) Act, 1971 with regard to verification of their transactions, operational activities and accounts, conducting compliance audit of transactions, review of internal management and financial controls, review of systems and procedures, etc. are given in **Table 4.16**.

**Table 4.16: Details of submission of accounts and status of audit of autonomous bodies**

Sl. No.	Name of Bodies/ Authority	Year up to which accounts submitted	SAR was issued upto	Placement of SAR in the Legislature	Comments
1	Jharkhand State Legal Services Authority (JHALSA)	2016-17	2016-17	Not Intimated	Annual Accounts for the years 2017-18 and 2018-19 have been received and audit is in progress.
2	Jharkhand State Electricity Regularity Commission (JSERC)	2018-19	2011-12	03.03.2014	Audit of the accounts for the year 2012-13 to 2014-15 is pending for want of reply of audit observation from JSERC. Further, audit of accounts for the year 2015-16 to 2018-19 has not been conducted on technical issues.
3	State Highway Authority of Jharkhand (SHAJ)	2011-12 to 2017-18	2017-18	Not intimated	After entrustment audit completed and SAR for the period 2011-12 to 2017-18 issued on 6 March 2020. Annual account for the year 2018-19 is awaited.
4	Rajendra Institute of Medical Sciences (RIMS)	2002-03 to 2009-10	Audit of accounts have not been started yet for want of entrustment under Section 19(3) of DPC Act, 1971.		
5	National University of Study and Research in Law (NUSRL), Ranchi	No account submitted	Entrustment received, but no account has been received till date.		
6	Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS), Ranchi	No account submitted	Neither entrustment nor account has been received till date.		
7	Jharkhand Housing Board, Ranchi	No account submitted	Neither entrustment nor account has been received till date.		
8	Compensatory Afforestation Management and Planning Authority	No account submitted	Neither entrustment nor account has been received till date.		

Information regarding placement of SARs in respect of audited accounts of JHALSA has not been intimated despite active pursuance. Further, though audit pursued the matter regularly with the concerned authorities for submission of accounts of four bodies mentioned in the above table, the same has not been submitted to audit since inception. However, Compliance Audit of these bodies is being regularly conducted.

***Departmental Commercial Undertakings/Corporations/Companies***

The Companies Act, 2013 stipulates that the financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by 30 September of the next financial year. Failure to submit accounts on time renders the officers of the company liable to penal provisions under the Act.

**Table 4.17** below provides the details of progress made by the PSUs in finalisation of accounts as of 31 December 2020.

**Table 4.17: Position relating to finalisation of accounts of working and inactive PSUs**

Sl. No.	Particulars	Working	Inactive	Total
1	Number of PSUs	28	03	31
2	Number of PSUs having accounts in arrears	28	03	31
3	Number of accounts in arrear	97	05	102
4(a)	Number of PSUs with arrears of more than six years	04	00	04
4(b)	Number of accounts in arrear in the above PSUs	33	00	33
5(a)	Number of PSUs with arrears between three to five years	13	01	14
5(b)	Number of accounts in arrear in the above PSUs	50	03	53
6(a)	Number of PSUs with arrears between one to two years	11	02	13
6(b)	Number of accounts in arrear in the above PSUs	14	02	16
7	Extent of arrears (in years)	1 to 10	1 to 3	1 to 10

*Source: Data compiled from the information furnished by the companies*

The above position reflects the failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies comply with the provisions of the Companies Acts. However, accounts of the companies for the year 2019-20 have not been received as of December 2020.

It was observed that 10 companies were persistent defaulter in submitting their accounts and in violation of the provisions of the Companies Act their outstanding accounts ranged between three to 10 annual accounts as on 30 September 2020.

**Recommendation 6:** *State Government needs to take appropriate measures to ensure that the pending accounts are compiled and submitted for audit within a fixed timeframe to ensure that financial irregularities, if any, do not go undetected.*

#### **4.16 Non-submission of details of grants / loans given to bodies and authorities**

Bodies and authorities that are substantially financed by way of loans or grants from the Consolidated Fund, or those that receive such loans or grants for specific purposes are audited by the CAG.

As on date, there are 70 such reported bodies and authorities in the State.

Scrutiny revealed that out of 70 bodies/authorities, no body/authority had submitted their latest accounts as of 20 February 2020, whereas four<sup>2</sup> bodies/authorities have not submitted their accounts to audit since inception. Audit of 66 bodies and authorities have been completed as detailed in **Appendix 4.3**.

Further, as required under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 the Government / HODs furnish to Audit:

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

However, no department of the State had furnished any such data to the Principal Accountant General (Audit) as of January 2021.

<sup>2</sup> (i)Jharkhand State Hindu Religion Trust Council (ii) Executive Director, Waste Land Development Board, Jharkhand, (iii) CAMPA and (iv) Forest Development Authority

#### **4.17 Misappropriations, losses, thefts, etc.**

Rule 31 of the Jharkhand Financial Rules, provides that loss of public money, government revenue, stores or other property by defalcations or otherwise should be immediately reported by the office to the higher authority, Finance Department as well as to the Accountant General (Audit), Jharkhand even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as a suspicion arises that there has been a loss; these must not be delayed while enquiries are made. PAG (A&E) has informed that no such information was forwarded to A&E office by the State Government in this regard.

However, in previous years in reply to audit request Finance Department (FD) directed the departments to provide the information and departments in turn instructed the DDOs to provide the same to audit which indicates that FD has no data base as required under rule 31 to monitor such cases. Thus, FD is unable to know the number of such cases and its status at any point of time.

#### **4.18 Follow up action on State Finances Audit Report**

In every State, the PAC/Finance Department require the line Departments to provide a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Public Accounts Committee (PAC) had discussed paragraph 2.4.4 (Excess over provisions relating to previous years) of the Audit Report on State Finances for the year 2011-12 and ₹ 8,120.12 crore out of ₹ 8,120.63 crore was regularised (13.01.2014) on the recommendation of PAC. No excess expenditure over provisions was regularised after that date as no recommendation has been made by the PAC in this regard. Further, 130 paragraphs of SFARs on incomplete projects, advance from contingency fund, excess over provision, substantial surrender of funds etc. pertaining to the period 2008-09 to 2017-18 were outstanding for discussions in PAC as on 31 December 2020. During 2019-20, no discussions were held on SFARs.

#### **4.19 Conclusion**

Labour cess amounting to ₹ 550.18 crore collected up to March 2020 was not transferred to the Labour Welfare Board Fund (October 2020) thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-20).

The fees collected by the Jharkhand State Electricity Regulatory Commission are kept in a nationalised bank account of JSERC, out of Public Account. As such, an amount of ₹ 32.90 crore of receipts were kept outside of the Public Account of the State during 2014-15 to 2019-20. Similarly, an amount of ₹ 3.08 crore was collected as environment

management fund during September 2018 to March 2020 was also kept outside Personal Ledger (PL) Accounts.

As on 31 March 2020, 29,358 Utilisation Certificates (UCs) amounting to ₹ 69,702.99 crore were outstanding in the State up to 2019-20 from different departments.

Drawal of funds on AC bills and 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. As of 31 March 2020, a huge number of DC bills (18,219) amounting to ₹ 6,444.44 crore were not submitted against the AC bills drawn up to 2019-20.

**Ranchi**  
**The**

**(INDU AGRAWAL)**  
**Pr. Accountant General (Audit) Jharkhand**

**Countersigned**

**New Delhi**  
**The**

**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**