

Chapter IV: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

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. This Chapter provides an overview of 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.

4.2 Delay in Submission of Utilisation Certificates

Rule 182 of Chhattisgarh Financial Rules stipulates that where grants-in-aid (GIA) are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to Accountant General (A&E) on or before 30 September of the following year to ensure that the funds have been fully utilised for the intended purposes.

All the UCs (685), for the grants in aid given for specific purposes up to March 2021 and due as per extant provision, were cleared by March 2022. Further, considering the above extant provisions on UCs, UCs for Grants-in-Aid withdrawn during the year 2021-22 were not due for this year. Hence, status of outstanding UCs as of 31 March 2022 is nil.

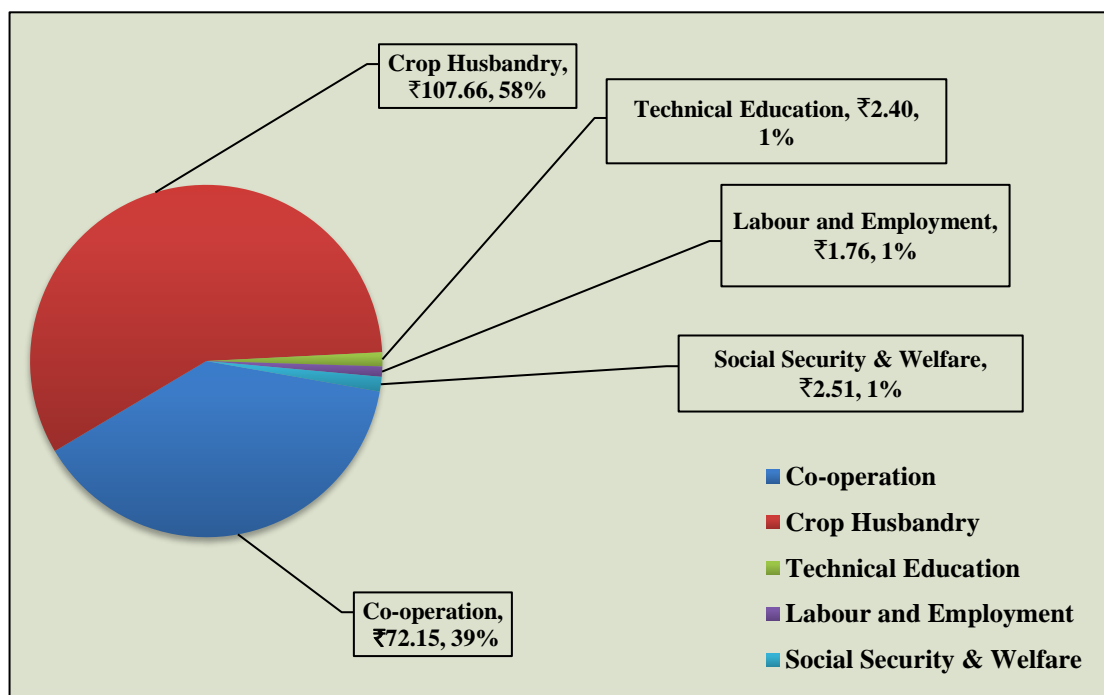
4.3 Pending DCC Bills

As per Rule 327 of the Chhattisgarh Financial Rules, Drawing and Disbursing Officers (DDOs) are authorized to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. Subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (A&E) not later than 25th of the following month in which such amounts are drawn.

As of 31 March 2022, 11 Departments of the Government of Chhattisgarh had not submitted DCC bills for ₹186.85 crore against 356 AC Bills. Department-wise pending DCC bills for the years up to 2021-22 are detailed in **Appendix-4.1**. Status of pending DCC bills in respect of five major departments is given in **Chart 4.1**.

Chart 4.1: Pending DCC Bills in respect of five major Departments

(₹ in crore)



Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

Further, of the above five Departments, major pendency of DCC bills (63 DCC bills) amounting ₹107.66 crore were pertaining to Crop Husbandry as shown in **Chart 4.1**. During scrutiny of these DCC bills, it was noticed that all 63 ACC bills were drawn during last two months of the financial year 2021-22, of which only one DCC bill was received and 62 DCC bills were still pending as of November 2022.

Year-wise details of pendency of DCC bills for the years up to 2021-22 are given in **Table 4.1**.

Table 4.1: Pendency in submission of DCC bills against AC bills

(₹ in crore)

Sl. No.	Year	Opening Balance		Addition		Clearance		Closing Balance	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	Up to 2019-20	288	184.65	277	3,275.53	250	3,258.59	315	201.59
2	2020-21	315	201.59	208	2,947.73	63	2,853.79	460	295.53
3	2021-22	460	295.53	265	2,556.55	369	2,665.23	356	186.85

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

Out of 356 DCC bills worth ₹186.85 crore pending for submission as of 31 March 2022, 54 DC bills (₹2.41 crore), 59 DC bills (₹0.49 crore) and 199 DC bills (₹183.13 crore) pertain to the years 2019-20, 2020-21 and 2021-22 respectively.

Non-submission of DCC bills within the prescribed time limit not only breaches financial discipline but also increases the possibility of wastage/misappropriation /malfeasance etc. and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.4 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by 29 District Treasuries, 53 Forest Divisions, 63 Rural Engineering Services and 156 Other Divisions¹.

During the financial year 2021-22, there were delays in rendition of monthly accounts ranging from one to 34 days by treasuries, one day to 50 days by public works divisions, and one to 12 days by Forest divisions.

The State Government needs to monitor closely, and ensure the rendition of accounts by all the account rendering authorities to the Accountant General (A&E) timely to manage its own budget more effectively.

4.5 Outstanding balances under Suspense and DDR Heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account, and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, *etc.* The Minor Head-wise position of balances under major suspense and remittance heads for the last three years are given in **Table 4.2**.

Table 4.2: Balances under Suspense and Remittance Heads

Major Head 8658-Suspense Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-PAO suspense	67.35	19.50	75.32	15.59	68.32	14.46
Net	Dr. 47.85		Dr. 59.73		Dr. 53.86	
102-Suspense Account-Civil	30.81	0.17	29.62	0.17	1.85	1.38
Net	Dr. 30.64		Dr. 29.45		Dr. 0.47	
109-Reserve Bank Suspense - Headquarters	0.03	0.68	1.61	0.04	0.63	1.47
Net	Cr. 0.65		Dr. 1.57		Cr. 0.84	
110-Reserve Bank Suspense - CAO	3.57	0.01	13.62	0.01	8.36	0.02
Net	Dr. 3.56		Dr. 13.61		Dr. 8.34	
112-Tax Deducted at Source	0.00	71.10	0.00	63.14	0.00	84.53
Net	Cr. 71.10		Dr. 63.14		Cr. 84.53	

¹ 57 Building and Road Works Divisions, 62 Irrigation Divisions (Water Resources Department), 37 Public Health Engineering Divisions.

113-Provident Fund Suspense	44.35	0.00	20.62	0.00	20.02	0.00
Net	Dr. 44.35		Dr. 20.62		Dr. 20.02	
123-All India Service Officer's Group Insurance Scheme	0.00	0.19	0.00	0.27	0.06	0.38
Net	Cr. 0.19		Cr. 0.27		Cr. 0.31	
129-Material Purchase Settlement Suspense Account	0.00	84.11	0.00	81.67	0.00	81.67
Net	Cr. 84.11		Cr. 81.67		Cr. 81.67	
Major Head 8782-Cash Remittances						
102-P.W. Remittances	74.83	42.43	74.32	9.13	6,850.00	6,779.51
Net	Dr. 32.40		Dr. 65.19		Dr. 70.49	
103-Forest Remittances	36.20	5.44	50.44	5.56	1,953.20	1,919.79
Net	Dr. 30.76		Dr. 44.88		Dr. 33.41	

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

If the amounts under these suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments. Further, non-clearance of outstanding balances under these heads affects the accuracy of receipt/expenditure figures and balances under different heads of Accounts (which are carried forward from year to year) of the State Government.

4.6 Personal Deposit (PD) Accounts

Under specific circumstances, the Government may authorise the opening of PD accounts for operation by designated Administrators. Transfer of funds to PD accounts is booked under the service major heads, as expenditure under the Consolidated Fund of the State. Under Rule 543 of Treasury Code Vol. I, the Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Consolidated Fund, with the PD accounts being reopened in the next year, if necessary. Government of Chhattisgarh, however, did not comply with this procedure.

Table 4.3 provides the status of funds lying in PD Accounts on the last day of the financial year during the five-year period 2017-22.

Table 4.3: Parking of funds in Personal Deposit Accounts during 2017-22

(₹ in crore)

Sl. No.	Year	Opening Balance as on 1 April		Addition during the year/receipts		Closed during the year/Disbursements		Closing Balance as on 31 March 2022	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2017-18	281	1,892.47	02	643.80	20	779.27	263	1,757.00
2	2018-19	263	1,757.00	02	508.61	34	374.51	231	1,891.10
3	2019-20	231	1,891.10	Nil	272.05	08	577.89	223	1,585.26
4	2020-21	223	1,585.26	03	502.34	18	526.65	208	1,560.95
5	2021-22	208	1,560.95	02	287.56	71	444.13	139	1,404.38

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh in respective years

As can be seen from Table 4.3, during 2017-18 to 2021-22, a total of 09 PD accounts were opened and 151 accounts were closed, as of 31 March 2022, 139 PD accounts were in existence and the closing balance in these accounts was ₹1,404.38 crore.

The State Government drew an amount of ₹19.82 crore from four Major Heads during March 2022 and deposited the same in PD accounts, the details of which are shown in **Table 4.4**. Such transfers at the end of the financial year indicate that the transfers were done to prevent lapse of budgetary provision.

Table 4.4: Details of amounts transferred to Personal Deposit Accounts during March 2022

Sl. No.	Particulars	Major Head	Amount
1	District Collector, Surajpur	2029	4.58
2	Superintendent, Central Jail, Bilaspur	2056	0.14
3	Joint Director, Panchayat Welfare, Bilaspur	2235	0.09
4	Director General of Police, Police Headquarter, Raipur	2055	15.00
5	Collector, Land Records, Dhamtari	2029	0.01
Total			19.82

(₹ in crore)

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation. Further, the Departmental officers have not verified/ reconciled the balances with those maintained by the Office of the Principal Accountant General (A&E), Chhattisgarh.

4.6.1 Funds relating to Land Acquisition kept in PD Accounts

Out of the closing balance of ₹1,404.38 crore under PD Accounts, ₹1,148.87 crore were on account of non-disbursement of amount relating to land acquisition. The treasury wise details of funds pertaining to land acquisition lying in PD accounts are given in **Table 4.5**.

Table 4.5: Details of funds pertaining to Land Acquisition kept in PD Accounts

Sl. No.	Name of the Treasury (No. of accounts as of 31 March 2022)	Closing balance as on 31 March 2020	Closing balance as on 31 March 2021	Closing balance as on 31 March 2022
1	Bilaspur (2)	355.37	293.46	232.13
2	Raipur (1)	259.89	256.19	256.19
3	Raigarh (1)	186.14	189.01	146.80
4	Janjgir-Champa (2)	78.73	92.01	42.31
5	Ambikapur (7)	65.78	66.08	75.06
6	Balrampur (2)	51.79	49.57	49.28
7	Gariyaband (2)	42.07	41.15	10.67
8	Korba (2)	41.44	64.93	105.56
9	Jagdapur (1)	35.90	26.16	27.50
10	Rajnandgaon (1)	34.74	35.19	33.97
11	Mahasamund (1)	29.22	25.04	28.93
12	Kawardha (1)	13.48	9.14	9.92
13	Jashpur (1)	13.40	13.39	12.66
14	Koriya (1)	12.94	12.67	3.95
15	Surajpur (1)	11.21	5.88	14.39
16	Kanker (1)	10.90	9.09	3.76
17	Durg (1)	6.79	1.71	1.59
18	Kondagaon (1)	6.61	7.11	5.55
19	Dantewada (1)	6.44	6.24	5.18

(₹ in crore)

20	Balodabazar (1)	5.30	3.13	3.13
21	Dhamtari (1)	4.81	7.63	4.85
22	Mungeli (4)	4.54	27.53	17.49
23	Bemetara (2)	2.48	2.18	3.97
24	Bijapur (1)	0.18	0.18	0.18
25	Pendra-Marwahi (1)	-	57.28	53.85
Total (40)		1,280.15	1,301.95	1,148.87

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

Information collected from the Land acquisition Officer and SDO, Raipur revealed that one of the main reasons for funds lying in PD account pertaining to Land acquisition was non claiming of the amount by the concerned person even after passing of land award. Further, Directorate of Treasury and Accounts, had earlier informed that non passing of the award of land was also one of the reasons behind non disbursal of funds pertaining to Land acquisition from PD account.

4.6.2 Inoperative PD accounts

PD Accounts, which are inoperative for three years continuously, should be closed by the Treasury Officer by giving notice to the Administrator of the PD account and action for transfer of balance amount as Revenue deposit credit to Government Account should be initiated.

Audit noticed that out of a total number of 139 PD accounts, six PD accounts having a total balance of ₹1.50 crore remained inoperative for more than three years as of 31 March 2022. However, no action has been taken for closing these accounts by the concerned Treasuries.

The State Government should review the PD accounts and take necessary action to close the inoperative PD accounts by transferring the balances to the Consolidated Fund.

4.7 Accounting of Transactions Relating to Central Road Fund

The List of Major and Minor Heads of Accounts prescribes the accounting procedure relating to Central Road Fund (CRF). In terms of the extant accounting procedure, the grants are to be initially booked as revenue receipts under Major Head “1601 Grants-in-Aid”, and an equivalent amount is to be transferred to the Public Account under Major Head “8449- Other Deposits- 103 Subvention from Central Road Fund”, by contra debit to revenue expenditure Major Head “3054 Roads and Bridges”.

As against the aforesaid procedure prescribed by the Central Government, the Government of India released ₹230.29 crore to Central Road Fund during 2021-22, out of which only ₹125.47 crore was transferred by the State Government to “8449- Other Deposits-103 Subvention from Central Road Fund” in the Public Account resulting in overstatement of revenue surplus and understatement of fiscal deficit to the tune of ₹104.82 crore.

Details of the fund received from the Government of India and transferred by the State

Government to “8449-Other Deposits-103 Subvention from Central Road Fund” in the Public Account during 2019-22 are given in **Table 4.6**.

Table: 4.6 Details of Central Road Fund during 2019-22

(₹ in crore)

Sl. No.	Year	Opening Balance	Grant released from GoI	Grant transferred by GoCG to 8449-Other Deposit-103	Closing Balance (Amount not transferred by GoCG)
1	2019-20	14.02	371.61	198.55	187.08
2	2020-21	187.08	234.92	296.54	125.46
3	2021-22	125.46	230.29	125.47	230.28

Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

4.7.1 Infrastructure Development Fund

Chhattisgarh (*Adhosanrachna Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005 provides that cess on land shall be levied for raising funds to implement infrastructure development projects and environment improvement projects. The Act is extended to the whole of State of Chhattisgarh and is in force since 27 May 2005. As per the Act, Infrastructure Development Cess (IDC) shall be levied and collected on all lands on which land revenue or rent is levied. The IDC so collected should be transferred to the Infrastructure Development Fund (IDF), from which expenditure on infrastructure development projects is made. Audit scrutiny, revealed that, the State Government collected IDC of ₹161.63 crore in 2020-21 and same amount was not transferred to IDF during 2021-22. The un-transferred balance of ₹161.63 crore contributes to undischarged liability of the State Government. Such un-transferred balances resulted in overstatement of the revenue surplus and understatement of fiscal deficit. Further, non-transfer of cess to Infrastructure Development Fund for implementation of developments projects also defeated the purpose of creation of fund.

4.7.2 Environment Fund

As per provision made under Chhattisgarh (*Adhosanrachna Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005, an Environment Fund shall be established in GoCG. Environment cess so collected should be transferred to the Environment Fund for implementation of environment projects in the State. Scrutiny of the relevant records revealed that ₹161.63 crore was collected as Environment cess in 2020-21 and same amount was also not transferred to Environment Fund, during 2021-22 by GoCG. Non transfer of the collected cess to Environment Fund, resulted in overstatement of the revenue surplus and understatement of fiscal deficit. Further, non-transfer of cess to Environment Fund for implementation of environment projects also defeated the purpose of creation of fund.

4.8 Funds outside Public Account of the State

GoCG constituted Building and other construction Workers Welfare Board (September 2008). The Board collects Building and other construction Workers Welfare (Labour cess) at the rate of one *per cent* of cost of construction from the employers and utilizes it for the implementation of its schemes as per BOCW Welfare Cess Act 1996. Scrutiny of records of the Chhattisgarh Building and Other Construction Workers Welfare Board revealed that cess collected by various agencies were sent through cheques/drafts to the Board or deposited in the savings bank account of the Board opened for the purpose through District Labour Offices. However, Labour Cess collected by four State Government Departments² has been directly booked under Major Head-8443-Civil Deposit-108-Public Works Deposits. Further, since Minor Head-Public Works Deposits does not have any further sub-heads below it, it is not possible to segregate the amounts paid to the Board. Thus, there is no uniformity in the accounting procedures followed by Government departments and private agencies in GoCG for collection and transfer of Labour cess to the Board in the absence of specific rules and provisions for accounting the labour cess.

4.8.1 Year-wise receipt and utilisation of Labour Cess

The year-wise position of receipt and expenditure of cess for the period 2019-20 to 2021-22 is detailed in **Table 4.7**.

Table 4.7: Year-wise receipt and utilisation of Labour Cess

Sl. No.	Year	Opening Balance	Receipts			Total fund available	Expenditure (including establishment charges)	Closing balance
			Registration charges and Other Receipt	Labour cess received in Board accounts	Interest on deposits			
1	2019-20	300.53	9.93	163.62	21.81	495.89	115.09	380.80
2	2020-21	380.80	0.73	172.34	31.39	585.26	108.10	477.16
3	2021-22	477.16	0.13	191.07	17.20	685.56	92.24	593.32

Source: Information received from the CG Construction & Labour Welfare Board

Out of total expenditure of ₹92.24 crore during 2021-22, the Board incurred an expenditure of ₹88.43 crore (95.87 *per cent*) on welfare schemes and ₹3.81 crore (4.13 *per cent*) on establishment charges.

The State Government has operated various schemes/activities like pensions, maternity benefits, advance for construction of houses, funeral assistance, medical assistance, assistance for encouragement in sports for students, financial assistance for education/marriage/skill development, distribution of LPG gas connection and stove *etc.* for beneficiaries from the Building and Other Construction Workers' Welfare Fund (BOCWFF). Details of expenditure on these schemes during the period from 2018-19 to 2021-22 are depicted in **Table 4.8**.

² Public Works Department, Public Health Engineering, Water Resources Department and Panchayat & Rural Development Department.

Table 4.8 Expenditure on schemes from available fund

(₹ in crore)

Sl. No.	Year	Avail-able fund	Schemes operated		Actual expend-iture on schemes	Registered workers at the end of the year	Workers covered	Percentage		
			No.	Allot-ment of Fund				Workers covered	Fund utilised against allot-ment	Fund utilised against avail-ability
1	2018-19	494.10	27	342.51	166.98	19,17,281	9,92,847	51.78	48.75	33.79
2	2019-20	495.89	21	367.32	96.57	20,00,567	3,90,818	19.54	26.29	19.47
3	2020-21	585.26	22	382.68	105.06	21,15,415	1,69,239	8.00	27.45	17.95
4	2021-22	685.56	25	409.70	88.43	21,66,576	3,90,139	18.00	21.58	12.90

Source: Information from the CG Building & other construction Workers Welfare Board

The Board could utilise only 12.90 *per cent* of available funds and only 18 *per cent* of registered workers were benefited under various schemes during 2021-22.

Against the allocated amount of ₹409.70 crore during the financial year 2021-22, the Board could utilize only ₹92.24 crore leaving ₹317.46 crore unutilized which resulted in depriving of the benefits of various schemes to the registered workers.

Audit scrutiny revealed that ₹40.60 crore of labour cess was collected by the State Government departments and ₹42.44 crore (includes balance of previous years) was transferred to the Board and balance of ₹4.28 crore has been kept under Public Account Major Head 8443.

Details of short transfer of cess by these *four* departments are shown in **Table 4.9**.

Table 4.9: Departments-wise short transfer of labour Cess to the Board

(₹ in crore)

Sl. No.	Name of the Department	Short transfer
1	Public Works Department	3.89
2	Public Health Engineering Department	0.24
3	Rural Engineering Services (Panchayat and Rural Development Department)	0.12
4	Rural Development Division (Panchayat and Rural Development Department)	0.03
Total		4.28

4.9 Booking under Minor Head 800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/programmes, etc. to which it relates.

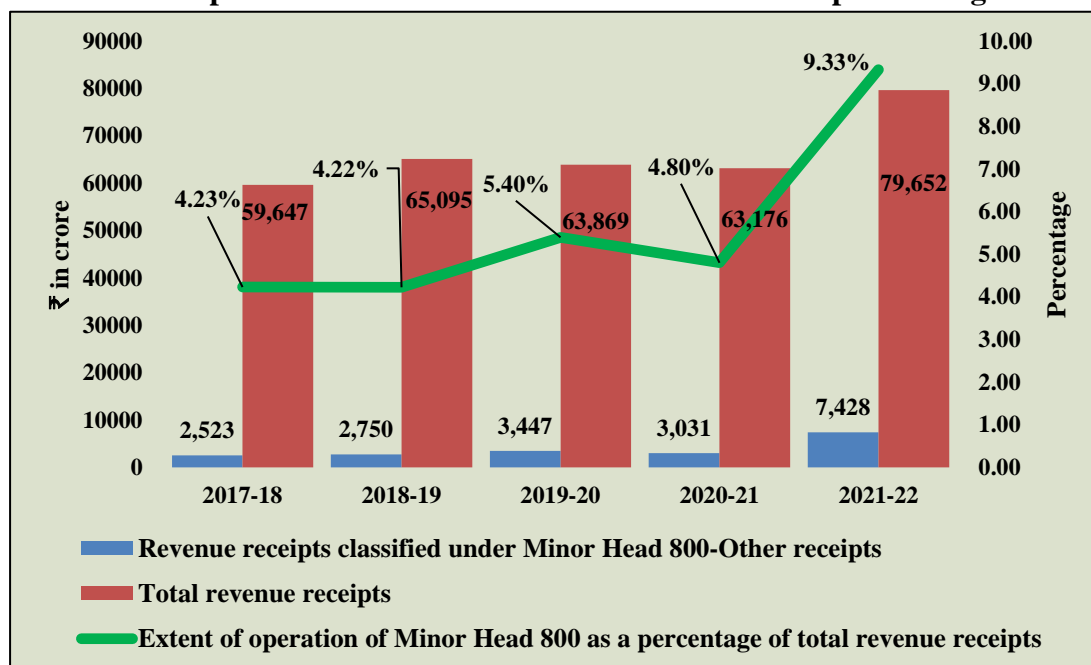
Receipts of ₹7,427.94 crore (constituting 9.33 *per cent* of the total revenue receipts of ₹79,652.03 crore of the State during 2021-22), recorded under 43 revenue receipts Major Heads, were classified under the Minor Head '800-Other Receipts'.

Similarly, an expenditure of ₹1,137.59 crore (constituting 1.33 *per cent* of total revenue and capital expenditure of ₹85,514.23 crore of the State during 2021-22), recorded

under 49 Revenue and Capital expenditure Major Heads, was classified under the Minor Head ‘800-Other Expenditure’.

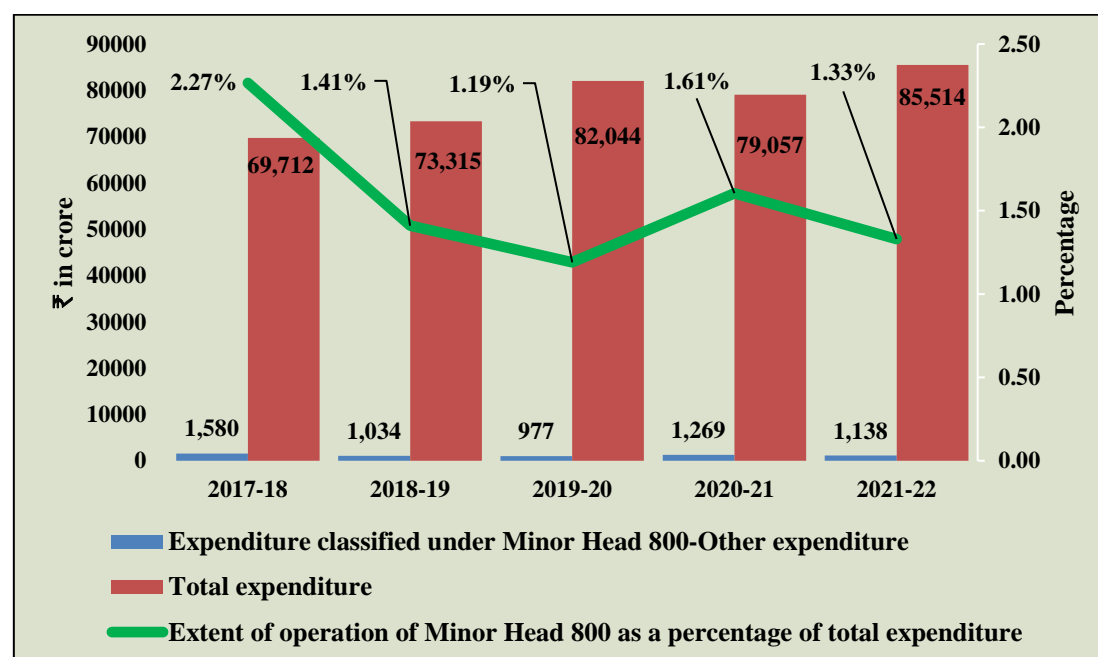
The extent of operation of Minor Head 800 for receipts and expenditure, as a percentage of Total Receipts and Expenditure during 2017-22, is given in **Charts 4.2 and 4.3**.

Chart 4.2: Operation of Minor Head 800-Other Receipts during 2017-22



Source: Finance Accounts of the respective years

Chart 4.3: Operation of Minor Head 800-Other expenditure during 2017-22



Source: Finance Accounts of the respective years

This issue has been flagged in the SFAR every year. There has been a major increase in the amount classified under this Minor Head on the Receipts side during 2021-22 (9.33 per cent) as compared to the previous year (4.80 per cent). On the expenditure side, it decreased from 1.61 per cent in 2020-21 to 1.33 per cent of total expenditure during 2021-22. The fact that such substantial proportion of the receipts and expenditure are booked under Minor Head 800 is a cause for serious concern, since it severely impacts transparency of accounts.

4.9.1 Booking under Minor Head - 800 - other receipts for more than ₹50 crore

Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/programmes, etc. to which it relates. However, during test check of the related records, it was noticed that in some Major Heads, operation of Minor Head 800 - other receipts was carried out as a routine nature and substantial amount (i.e. more than ₹50 crore) was booked under these Minor Head for last five years as mentioned in the **Table 4.10**. However, persistent booking under Minor Head 800-other expenditure for last five years for more than ₹50 crore has not been noticed.

Table 4.10: Details of operation of Minor Head 800 for booking of amount for more than ₹50 crore in last five years

Sl. No.	Major Head	Receipt				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	0029	99.68	97.56	85.60	269.86	335.73
2	0039	874.31	981.67	1,037.89	1,110.10	1,075.84
3	0041	1,071.97	321.84	63.85	190.66	186.58
4	0043	224.56	240.61	253.04	260.13	561.94
5	0853	2,000.98	791.01	1,386.47	545.51	4,879.34

Source: Data furnished by O/o the PAG (A&E), Raipur

Such substantial proportion of the receipts are booked under Minor Head 800 continuously for last five years is a cause for serious concern, since it severely impacts transparency of accounts.

4.9.2 Booking of Royalty under Minor Head - 800 - other receipts

As per the List of Major and Minor Heads of Account of Union and States, the royalties realised from mines should be classified under Major Head 0853 Non-Ferrous Mining and Metallurgical Industries-Minor Head 102- Mineral Concession fees, rents and royalties.

During audit test check of challans in respect of Major and Minor Head 0853-800, it was noticed that as against total revenue receipts of ₹12,305.38 crore under Major Head 0853-800 during 2021-22, receipts of royalties of ₹1.02 crore was booked under Minor Head- 800-other receipts instead of Minor Head 102-Mineral Concession fees, rents and royalties as prescribed in the List of Major and Minor Heads of Account. The details are shown in **Table 4.11**.

Table: 4.11: Details of revenue receipts booked erroneously under Minor Head 800

(₹ in crore)

Sl. No.	Name of Treasury/Bank	No. of Cases	Total Receipts booked under 800
1.	Raipur	83	0.37
2.	Bemtra	01	0.20
3.	Surajpur	09	0.02
4.	Baikunthpur	13	0.09
5.	Bilaspur	03	0.01
6.	Bijapur	03	0.04
7.	Kondagaun	03	0.02
8.	Raigardh	01	0.07
9.	Kanker	01	0.01
10.	Janjgir-Champa	01	0.01
11.	Dantewada	04	0.03
12.	Balrampur	04	0.01
13.	Baloda-Bazaar	02	0.11
14.	Mungeli	02	0.03
Total		130	1.02

Source: Data furnished by O/o the PAG (A&E), Raipur

Rule 56(2) of Chhattisgarh Minor Minerals Rules, 1996 read with Chhattisgarh Minerals Resources Department's order (October, 2012) states that 33 per cent of total royalty revenue shall be disbursed to the Panchayat and Rural Development Department and remaining 67 per cent of total royalty revenue shall be disbursed to the concerned individual *Panchayat* and *Janpad Panchayat*. Considering the above stated provisions, due to misclassifications of Minor Head 102 (Mineral Concession fees rents and royalties) under Major Head 0853 (Non-Ferrous Mining and Metallurgical Industries) to 800 (Other receipts), a substantial revenue loss to the *Gram Panchayat* and *Janpad Panchayat* cannot be ruled out.

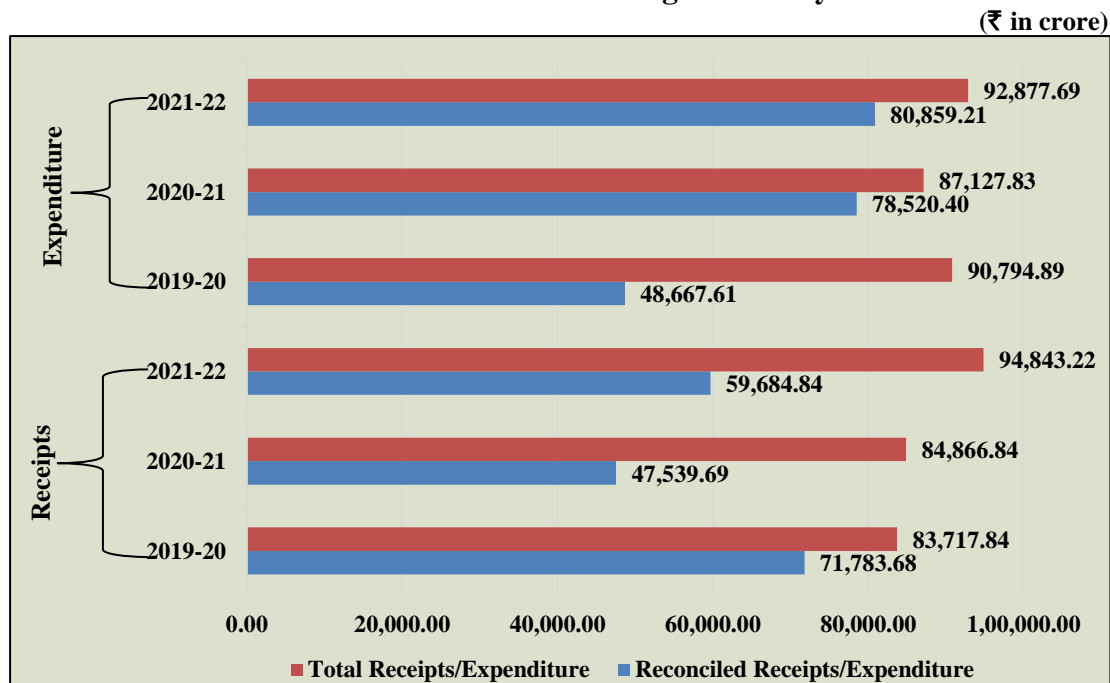
4.10 Non-Reconciliation of Departmental Figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

While 56.02 per cent of the receipts and 90.12 per cent of the disbursements were reconciled during 2020-21, these figures are 62.93 per cent for receipts and 87.06 per cent in respect of disbursements for the year 2021-22.

The status of reconciliation of receipts and expenditure by the COs during the three year period 2019-22 is shown in **Chart 4.4**.

Chart 4.4: Status of reconciliation during the three years 2019-22



Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

The details relating to the number of COs and the extent of reconciliation during the last three years are given in Table 4.12.

Table 4.12: 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							
2019-20	40	14	14	12	83,717.84	71,783.68	85.74
2020-21	40	04	31	05	84,866.84	47,539.69	56.02
2021-22	40	03	31	06	94,843.22	59,684.84	62.93
Expenditure							
2019-20	94	19	39	36	90,794.89	48,667.61	53.60
2020-21	94	61	23	10	87,127.83	78,520.40	90.12
2021-22	94	42	48	04	92,877.69	80,859.21	87.06

Source: Data compiled by O/o the PAG (A&E), Raipur

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the objective of budgetary process.

4.11 Reconciliation of Cash Balances

As of 31 March 2022, there was a difference of ₹24.64 crore (Net credit), between the Cash Balance of the State Government, as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India. This

difference was due to erroneous reporting by the accredited Banks to the Central Accounts Section, Reserve Bank of India, Nagpur which is responsible for maintaining the cash balance of the State Government.

4.12 Compliance with Indian Government Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor General of India in the year 2002 has been formulating Standards for Government accounting and financial reporting, to enhance accountability mechanisms. As at end of March 2020, 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 Chhattisgarh in its financial statements for the year 2021-22 are given in **Table 4.13**.

Table 4.13: Compliance with Indian Government Accounting Standards

Sl. No.	IGAS	Essence of IGAS	Status	Impact of non-compliance
1	IGAS 1- Guarantees given by government- Disclosure requirements	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.	Partially Complied	The State Government disclosed about 11 out of 13 guarantee institutions i.e. (Eighty Five per cent) related to guarantees in prescribed format of IGAS-1 during the year 2021-22, along with additions during the year, discharged, invoked and outstanding as of end of March 2022.
2	IGAS 2- Accounting and Classification of Grants-in-Aid	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.	Partially complied	The State Government has disbursed GiA amounting to ₹2,227.04 crore for creation of capital Assets and accounted as Capital Expenditure instead of Revenue Expenditure. The State Government has furnished the information relating to GiA disbursed during 2021-22 as shown in Statement No. 10 and Appendix No. III of the Finance Account as per the prescribed format of IGAS-2.

3	IGAS 3- Loans & Advances made by Government	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, accurate and uniform accounting practices	Partially complied	60 out of 94 Budget Controlling officers i.e. 64 per cent have furnished the information relating to loans and advances made by the Government in prescribed format of IGAS-3. Non-compliance to IGAS-3 leads to opaqueness in accounting practices.
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4.13 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

The State Government has set up several Autonomous Bodies (ABs), out of which audit of only four Autonomous Bodies has been entrusted to the Comptroller & Auditor General of India. The status of pending accounts as on June 2022 is given in **Table 4.14**.

Table: 4.14: Arrears of accounts of Autonomous Bodies/Authorities

Sl. No.	Name of the Body/Authority	Account pending since	Number of accounts pending up to Financial Year
1.	State CAMPA, Chhattisgarh State	2021-22	1
2.	Chhattisgarh State and District Legal Services Authority	2009-10	68 ³
3.	Chhattisgarh State Housing Board	2015-16	6

4.14 Cases of losses and defalcation, etc.

Rules 22 and 23 of the CGFC Vol.-I, provide that each and every case of loss, misappropriation and defalcation of public fund will have to be reported to the Accountant General. Further, Rule 24 of the Code provides that any serious loss of immovable property such as buildings, roads and bridges caused by fire, flood, storm, earthquake or any other natural calamity should be reported to the Accountant General. This is followed by detailed investigation by the departments and report thereof citing reasons for such losses and measures/action taken to prevent recurrence.

As of 31 March 2022, a total of 2,163 cases amounting to ₹125.58 crore pending in various departments of the State Government, were awaiting conclusive investigation and settlement. The department-wise and category-wise break-up of pending cases is given in **Appendix 4.2**. Year-wise analysis of cases is shown in **Appendix 4.3**. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarised in **Table 4.15**.

³ Accounts of District Legal Services Authority, Mungeli was not received since its inception in 2009-10.

Table 4.15: Profile of losses and defalcation, etc.

(₹ in crore)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0 – 5	316	5.89			
5 – 10	381	72.33	Theft	124	0.54
10 – 15	334	31.69	Loss of property/material	1,978	119.76
15 – 20	234	4.88	Defalcation	61	5.28
20 – 25	209	4.60			
25 & above	689	6.19			
Total	2,163	125.58	Total pending cases	2,163	125.58

Source: Cases reported by the departments of the State Government

Out of 2,163 cases, Forest Department and School Education Department had 562 and 39 cases respectively which were pending for more than 25 years. First Information Reports were lodged in 338 cases out of 2,163 cases.

Further, it was also observed that in six cases, various departments had recovered ₹1.91 lakh during 2021-22 as detailed in *Appendix 4.4*.

4.15 Off Budget Borrowing

The State Government PSUs/Corporations/Other bodies may take loans to implement various schemes/programmes of the Government. The repayment of such loans may be the responsibility of the State Government from its budgetary resources. Such borrowings will impact the revenue deficit and fiscal deficit of the State Government. Creating such liabilities without disclosing them in the budget, raises questions both on transparency and inter-generational equity. Such off-budget borrowings are not taken into the disclosure Statements in the budget documents, nor do these have Legislative approval. Five such instances of off-budget borrowings have been discussed below:

- a) Government of Chhattisgarh issued guarantees to Chhattisgarh Housing Board (CHB) for availing loans of ₹800 crore from Canara Bank for construction of 6,424 residential buildings for Government Officials and ₹195.00 crore in 2017-18 from Allahabad Bank for purchasing 728 flats. Against the total guaranteed amount, CHB availed loan of ₹800 crore and ₹195 crore respectively up to 31 March 2022. The State Government has repaid interest and principal of ₹333.23 crore through budget on the above loans.
- b) Similarly, Government also issued guarantees to Chhattisgarh Police Housing Corporation Limited (CPHCL) for availing loans of ₹800 crore from two financial institutions i.e. Allahabad Bank (₹400 crore) and Canara Bank (₹400 crore) for construction of 10,000 residential houses for Police Officials in June/July 2017 (Valid up to 2027). CPHCL has availed total loan of ₹644.54 crore up to March 2022 against the maximum guaranteed amount of ₹800 crore. The State Government has repaid interest of ₹201.19 crore through budget on the above loans.

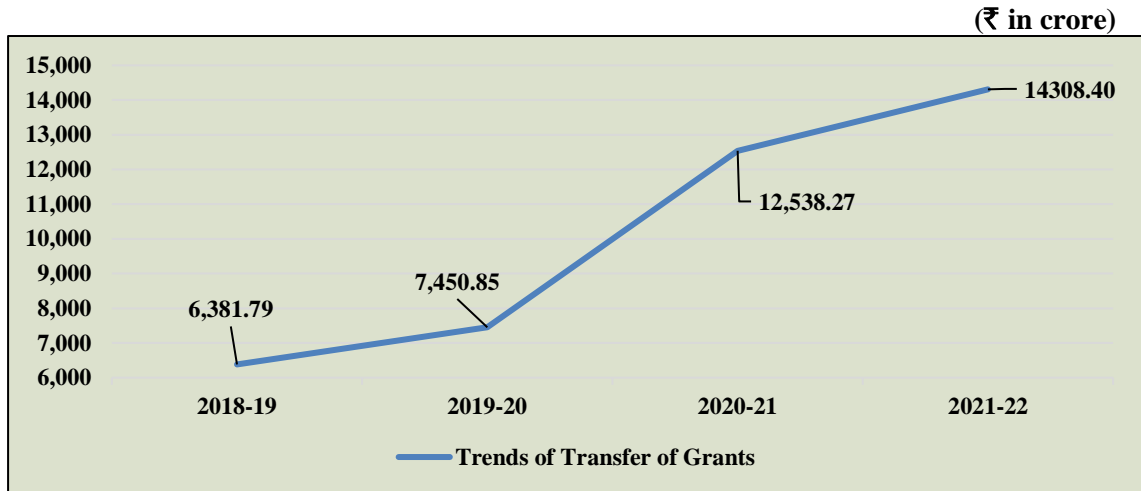
- c) Further, Government issued guarantee to State Urban Development Agency (SUDA) for availing loans of ₹3,357 crore from financial institutions for payment of State share in “Pradhan Mantri Awaas Yojana” (PMAY-Urban) in February 2018 (Valid up to 2022). Out of which, SUDA availed loan of ₹825 crore up to 31 March 2022. The State Government has made repayment of ₹201.57 crore towards interest and principal of above loan from the Budget.
- d) Government of Chhattisgarh issued guarantee to avail loan of ₹5,225 crore (₹1,225 crore for construction of 12 roads and ₹4,000 crore for construction of 741 Roads and Bridges) from Banks or Financial institutions to Chhattisgarh Road and Infrastructure Development Corporation Limited (CGRIDCL) in December 2020. Out of which, CGRIDCL has availed loan of ₹126.39 crore as of 31 March 2022. The State Government has not released any amount to CGRIDCL for repayment of the Principal and Interest amount. However, Company has repaid ₹0.33 crore to Bank.
- e) Chhattisgarh Government issued guarantees of ₹3,427.28 crore (valid up to 2034-35) to Chhattisgarh Rural Housing Corporation (January 2018) for availing loans from the banks/financial institutions in order to implement Pradhan Mantri Awaas Yojna-Grameen in Chhattisgarh. Against the above Guarantee the Corporation has availed the total loans of ₹1,792.44 crore (₹1,000 crore from Canara Bank and ₹792.44 crore from NABARD). The State Government has released ₹375.27 crore for repayment of Principal amount up to 31 March 2022.

It is evident from the above instances that use of borrowed funds raised through other entities for financing the expenditure of the State Government not only led to understatement of revenue/capital expenditure and revenue/fiscal deficit but also ensured that borrowings remains outside the computation of debt in the accounts of the State Government. The burden of current expenditure would get shifted to future generations to the extent of service of debt through budgetary support in subsequent years. The State Government has a net off budget liability of ₹3,872.80 crore (3.91 per cent of total budgeted liabilities) in addition to the total budgeted liabilities of ₹99,172.89 crore outstanding as of 31 March 2022. Thus, the total liability of the state stood at ₹1,03,045.69 crore. Budget documents of the State Government for the year 2017-18 to 2021-22 did not disclose any off-budget borrowings.

4.16 Funds transferred directly to State implementing agencies

During the year 2021-22, an amount of ₹14,308.40 crore was transferred directly to the implementing agencies in Chhattisgarh as per Public Financial Management System Portal of Controller General of Accounts (CGA). The trends of transfer of such amount from 2018-19 to 2021-22 is shown in **Chart 4.5**.

Chart 4.5: Trends of transfer of Grants directly to state implementing agencies from 2018-19 to 2021-22



Source: Data compiled by O/o the PAG (A&E), Chhattisgarh

As compared to previous year the direct transfer of fund to the implementing agencies has increased during this year by ₹1,770.13 crore (14.12 per cent).

4.17 Single Nodal Accounts

With a view to have more effective cash management and bring more efficiency in the public expenditure management better monitoring of availability and utilization of funds released to the States under the Centrally Sponsored Schemes (CSS) the Government of India issued directions (July 2021) that every State Government will designate a Single Nodal Agency for implementing each CSS. The Single Nodal Agency will open a Single Nodal Account (SNA) for each CSS at the State level in a Scheduled Commercial Bank authorized to conduct government business by the State Government. The information collected revealed that there were 114 schemes under 20 departments, which were maintaining Single Nodal Accounts. The information on SNA received from eight Departments is as shown in **Table 4.16**.

Table 4.16: Details on operationalization status of Single Nodal Account

(₹ in crore)

Sr. No.	Name of the Department	Scheme Name	Closing balance as of 31 March, 2022	Date of opening of SNA
1	Social Welfare	Indira Gandhi National Old Age Pension	-	10.08.2018
		Indira Gandhi National Widow Pension	-	
		Indira Gandhi National Disability Pension	-	
		National Family Benefit	-	
2	O/o the Mission Director, Jal Jeevan Mission	Jal Jeevan Mission	258.75	29.11.2021
3	Fisheries Department,	Pradhan Mantri Matsya Sampada Yojna	-	03.08.2021

Chhattisgarh				
4	Health and Family Welfare	National Health Mission	145.11	23.09.2021
		National Urban Health Mission	0.07	30.12.2021
		PM ABHIM, Chhattisgarh	18.76	24.08.2021
5	Directorate of Agriculture	Rashtriya Krishi Vikas Yojna (RAFTAAR)	7.35	22.11.2021
		Pradhanmantri Krishi Sichai Yojna	14.20	November, 2021
		Submission on Agriculture Extension (Atma)	-	06.08.2021
		Krishi Yantrikikaran Mission Subsidy	39.75	10.02.2022
		Paramparagat Krishi Vikas Yojna (PKVY)	1.19	06.08.2021
		Targeting Rice Fallow Area (TRFA)	-	22.11.2021
		Bringing Green Revolution in Eastern India (BGREI)	0.46	22.11.2021
		National Food Security Mission (Oilseed and Oilpalm)	0.64	22.11.2021
		Submission on Seeds and Planting Material (SMSP)	-	June, 2021
		NMSA-Soil Health Management	0.54	22.12.2021
		Bhartiya Prakritik Krishi Paddhatti	22.54	20.12.2021
6	Directorate of Industry	Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME)	9.73	11.08.2020
7	Directorate of AYUSH	National Ayush Mission	24.30	12.08.2021
8	Directorate of Women and Child Development	Poshan Abhiyan Sanksham-2 (5354)	47.48	20.07.2021
		Swadhar Greh (7754)	0.54	30.07.2021
		Ujjawala Pariyojna (7815)	0.10	30.07.2021
		Pradhan Mantri Matru Vandana Yojna (7884)	-	30.07.2021
		Mission Vatsalya (Child Protection Services and Child Welfare Services)	55.72	26.07.2021
		ICDS Supervision Saksham -2	2.47	20.07.2021
		ICDS Aganwadi Services (9044)	159.49	20.07.2021
		ICDS Nutrition Saksham-2 (9050)	1.19	20.07.2021
Adolscnt Girls Saksham-2 (7361)	-	20.07.2021		

Sources: Information received from the State Government Department

4.18 Follow-up on Audit Reports

State Finances Audit Report is being presented to the State Legislature from 2008-09 onwards. However, the Public Accounts Committee (PAC) of Chhattisgarh State Legislative Assembly is yet to take up these reports for discussion (September 2022).

4.19 Conclusion

Non-submission of DCC bills by Departments for funds drawn for specific developmental programmes/projects and non-submission of accounts by public sector entities was violative of prescribed financial rules and directives. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.

Operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹7,427.94 crore) and ‘Other Expenditure’ (₹1,137.59 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Principal Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

Government of Chhattisgarh has not disclosed in the budget, its off budget borrowing with regard to the loans obtained by various public sector entities at its behest for implementation of various socio-economic developmental programmes.

4.20 Recommendations

- i.** The State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of DCC bills to the Principal Accountant General (A&E) within the stipulated timeframe.
- ii.** All the accounts rendering units need to be instructed to submit the complete accounts as per the prescribed time schedule and furnish the missing/incomplete details to enable clearance of suspense and remittances transactions in a time bound manner.
- iii.** The 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.
- iv.** The State Government should disclose all its liabilities, including off budget borrowings transparently while presenting its budget, to enable proper appreciation of its financial position.
- v.** 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.