

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 Submission of Utilisation Certificates

Rule 182 of Chhattisgarh Financial Code stipulates that where Grants-in-Aid (GIA) is annual or a non-recurring grant, has been given for one year only, the departmental officer on whose signature or counter signature the grant-in-aid bill was drawn, shall on or before September 30, of the year following that to which the grant related, furnish Utilisation Certificates (UCs) to the Accountant General.

All the UCs (236), for the Grants-in-Aid given up to March 2022 and due as per extant provision were cleared by March 2023. Further, considering the above extant provisions, UCs for Grants-in-Aid withdrawn during the year 2022-23 were not due for this year. Hence, status of outstanding UCs as of 31 March 2023 is nil.

To ascertain the timely submission of UCs and its utilization, a test check of records of Energy department was done for which details are as below:

- Energy Department released ₹496.73 crore Grants-in-Aid to Chhattisgarh Renewable Energy Authority (CREDA) for implementation of two major schemes *Saur Sujala Yojna* and *Solar Pump Hetu Sahayak Anudan* in the year 2021-22. During scrutiny of records pertaining to above two schemes, it was noticed that UCs for full amount i.e. ₹496.73 crore were submitted to the Accountant General in August 2022 by Energy Department. However, funds of ₹24.37 crore were actually utilised in subsequent months (upto October 2022) by the CREDA.

This indicates that the UCs were issued without the actual utilization of funds and there was no proper monitoring in the department to ensure the actual utilization of funds against the grant.

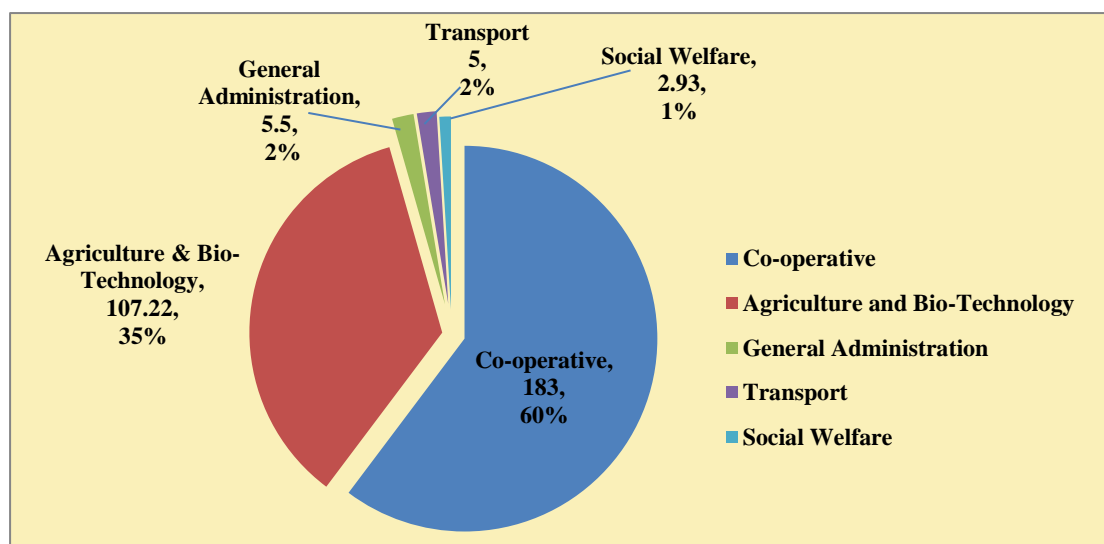
4.3 Pending DC Bills

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 (DC) 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 2023, 12 Departments of the Government of Chhattisgarh had not submitted DC bills for ₹306.67 crore against 471 AC Bills. Department-wise pending DC bills for the years up to 2022-23 are detailed in *Appendix 4.1*. Status of pending DC bills in respect of five major departments is given in **Chart 4.1**.

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

(₹ in crore)



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

Further, out of the above five Departments, major pendency of DC bills (51 DC bills) amounting to ₹183 crore and ₹107.22 crore were pertaining to Co-operative and Agriculture and Bio-Technology Department respectively as shown in **Chart 4.1**. Further, out of DC bills, 309 DC bills amounting ₹122.29 were still pending as of November 2023.

Year-wise details of pendency of DC bills for the years up to 2022-23 are given in **Table 4.1**.

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

(₹ in crore)

Sl. No.	Year	Opening Balance		Addition		Clearance		Closing Balance	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	Upto 2020-21	315	201.59	208	2,947.73	63	2,853.79	460	295.53
2	2021-22	460	295.53	265	2,556.55	369	2,665.23	356	186.85
3	2022-23	356	186.85	531	3,492.42	416	3,372.60	471	306.67

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

Out of 471 DC bills of ₹306.67 crore pending for submission as of 31 March 2023, 2 DC bills (₹0.02 crore), 35 DC bills (₹0.58 crore), 39 DC bills (₹0.38 crore), 126 DC bills (₹107.73 crore) and 269 DC bills (₹197.96 crore) pertained to the years 2017-18, 2019-20, 2020-21, 2021-22 and 2022-23 respectively.

A test check of records relating to submission of AC/DC bills of two departments were done for which details are as below:-

- **Department of Agriculture Development and Farmers Welfare and Bio-Technology** had drawn 48 AC bills during year 2021-22 and 2022-23. Out of 48 AC bills, **Directorate of Agriculture** had drawn 31 AC bills amounting to ₹ 106.82 crore during year 2021-22 for providing assistance to the farmers under the schemes i.e *Bhartiya Prakritk Krishi Paddhti Yojna* (BPKY), Agriculture Mechanization Sub-Mission, Rainfed Area Development, National Food Security Mission etc. However, DC bills against all 31 AC bills were not submitted as of October 2023 even after expiry of 17 to 19 months.

Department replied that amount drawn from AC bills was transferred to District offices through PFMS which was further transferred to subordinate offices/ institutions. Also, replied that Pendency was due to delay in receipt of vouchers from subordinate offices/ institutions and also stated that submission of DC bills to Accountant General is under process.

- **Technical Education Department** had drawn two AC bills amounting to ₹2.93 crore during year 2022-23 for implementation of *Mukhya Mantri Uchch Shiksha Rin Byaz Anudan Yojana* (MMUSRBAY). However, DC bill against one AC bill of ₹2 crore drawn in December 2022 was not submitted as of October 2023.

Department replied that pending DC bill will be submitted to Accountant General at the earliest.

Non-submission of DC 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 DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as final.

4.4 Timeliness and Quality of Accounts

The accounts of the State Government are finally compiled by the Principal Accountant General (A&E) from the initially compiled accounts rendered by 29 District Treasuries, 53 Forest Divisions, 63 Rural Engineering Services and 157 Other Divisions¹.

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

During the financial year 2022-23, there were delays in rendition of monthly accounts ranging from one to 12 days by all District Treasuries, one to eight days by 29 Public Works Divisions, one to 11 days by 35 Water Resources Divisions, one to seven days by 25 Public Health Engineering Divisions, one to 10 days by 25 Rural Engineering Services Divisions and one to 13 days by 19 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

(₹ in crore)

Major Head 8658- Suspense Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-PAO suspense	75.32	15.59	68.32	14.46	67.19	36.13
Net	Dr. 59.73		Dr. 53.86		Dr. 31.06	
102-Suspense Account-Civil	29.62	0.17	0.64	0.17	0.00	5.93
Net	Dr. 29.45		Dr. 0.47		Cr. 5.93	
109-Reserve Bank Suspense - Headquarters	1.61	0.04	-1.02	-0.18	-1.13	-0.08
Net	Dr. 1.57		Cr. 0.84		Cr. 1.05	
110-Reserve Bank Suspense -CAO	13.62	0.01	8.35	0.01	4.44	0.00
Net	Dr. 13.61		Dr. 8.34		Dr. 4.44	
112-Tax Deducted at Source	0.00	63.14	0.00	84.53	0.00	140.14
Net	Dr. 63.14		Cr. 84.53		Cr. 140.14	
113-Provident Fund Suspense	20.62	0.00	20.03	0.00	12.86	0.00
Net	Dr. 20.62		Dr. 20.03		Dr. 12.86	

123-All Service Group Scheme	India Officer's Insurance	0.00	0.27	0.00	0.31	0.00	0.46
Net		Cr. 0.27		Cr. 0.31		Cr. 0.46	
129-Material Purchase Settlement Suspense Account		0.00	81.67	0.00	81.67	0.00	81.67
Net		Cr. 81.67		Cr. 81.67		Cr. 81.67	
Major Head 8782-Cash Remittances							
102-P.W. Remittances		74.33	9.13	86.37	15.88	53.75	14.83
Net		Dr. 65.20		Dr. 70.49		Dr. 38.92	
103-Forest Remittances		50.44	5.56	39.86	6.45	44.53	5.24
Net		Dr. 44.88		Dr. 33.41		Dr. 39.29	

Source: Finance Accounts of respective years

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. As per rule 543 of Chhattisgarh Treasury Code Vol. I, Personal Deposit Accounts which are created by debit to the Consolidated Fund, the same should be closed at the end of the financial year by minus debt of the balance to the relevant service heads in the Consolidated Fund.

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

Table 4.3: Parking of funds in Personal Deposit Accounts during 2018-23

(₹ in crore)

Sl. No.	Year	Opening Balance as on 1 April		Accounts opened during the year/ Amount received		Accounts Closed during the year/ Amount Disbursed		Closing Balance as on 31 March	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2018-19	263	1,757.00	02	508.61	34	374.51	231	1,891.10
2	2019-20	231	1,891.10	Nil	272.05	08	577.89	223	1,585.26
3	2020-21	223	1,585.26	03	502.34	18	526.65	208	1,560.95
4	2021-22	208	1,560.95	02	287.56	71	444.13	139	1,404.38
5	2022-23	139	1,404.38	02	250.56	10	290.74	131	1,364.20

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

As can be seen from **Table 4.3**, during 2018-19 to 2022-23, a total of nine PD accounts were opened and 141 accounts were closed, As of 31 March 2023, 131 PD accounts were in existence and the closing balance in these accounts was ₹1,364.20 crore.

An amount of ₹12.91 crore was transferred to PD Account of Director General of Police, Chhattisgarh by debit Major Head 2055 on 31 March 2023 for purchase of transport equipments.

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.

4.6.1 Funds relating to Land Acquisition kept in PD Accounts

Out of the total 131 PD Accounts, 40 PD Accounts were related to land acquisition. The treasury wise details of funds pertaining to land acquisition lying in four PD accounts are given in **Table 4.4**.

Table 4.4: Details of funds pertaining to Land Acquisition kept in PD Accounts
(₹ in crore)

Sl No	Name of the Administrator	Year	Opening Balance as on 1 April	Receipts	Disbursement	Closing balance as on 31 March
1	Collector, Dhamtari	2018-19	8.23	4.33	0.15	12.41
		2019-20	12.41	0.49	8.09	4.81
		2020-21	4.81	2.82	0.00	7.63
		2021-22	7.63	1.26	4.04	4.85
		2022-23	4.85	0.70	1.16	4.39
2	Collector, Kanker	2018-19	12.43	0.00	0.15	12.28
		2019-20	12.28	0.00	1.38	10.90
		2020-21	10.90	1.87	3.68	9.09
		2021-22	9.09	1.58	6.92	3.75
		2022-23	3.75	0.00	0.56	3.19
3	Collector, Mahasamund	2018-19	49.37	7.80	9.43	47.73
		2019-20	43.73	7.14	25.66	29.21
		2020-21	29.21	3.49	7.67	25.03
		2021-22	25.03	14.37	10.47	28.93
		2022-23	28.93	14.86	21.83	21.96
4	Collector and Land Acquisition Officer, Ambikapur (Surguja)	2018-19	58.86	10.43	5.91	63.38
		2019-20	63.38	2.40	0.00	65.78
		2020-21	65.78	1.65	1.35	66.08
		2021-22	66.08	2.76	0.00	68.84
		2022-23	68.84	4.13	5.33	67.64

Source: Information provided by the office of respective Administrator of PD Account

Information collected from Land Acquisition Officer/ Collector of Dhamtari, Kanker, Mahasamund and Ambikapur (Surguja) revealed that the major reasons for funds lying in the PD account pertaining to land acquisition were due to delay in process of award in the court and non-claiming of amount by the concerned persons after passing of land award. Further, ₹21.84 crore were lying in PD accounts of Collector Ambikapur (Surguja) due to cancellation of power project of Chhattisgarh-Surguja Power Limited for which the advance for land acquisition was deposited.

4.6.2 Inoperative PD accounts

As per rule 543 of CG Treasury Code Vol. I, 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 should be initiated.

Audit noticed that out of a total number of 131 PD accounts, one PD account (Land Record, Ambikapur) having balance of ₹0.35 crore remained inoperative for more than three years as of 31 March 2023.

The State Government should review the PD accounts and take necessary action to close the inoperative PD accounts.

4.7 Accounting of Transactions Relating to Central Road and Infrastructure Fund

The List of Major and Minor Heads of Accounts prescribes the accounting procedure relating to Central Road and Infrastructure Fund (CRIF). In terms of the extant accounting procedure, the grants are to be initially booked as revenue receipts under Major Head “1601 Grants-in-Aid from Central Government”. Out of these amounts, the allocations other than those from reserves, are credited to Major Head “8449-Other Deposits- 103 Subvention from Central Road and Investment Fund”, by contra debit to relevant programme minor head under the functional major head.

The Government of India released ₹86.92 crore to Central Road and Infrastructure Fund during 2022-23. The State Government transferred ₹160.65 crore relating to the period 2021-22 to “8449-Other Deposits-103 Subvention from Central Road and Infrastructure Fund” in the Public Account but no amount was transferred for 2022-23. Thus, non-transfer of grants amounting to ₹86.92 crore to the Public Account resulted in overstatement of revenue surplus and understatement of fiscal deficit to the tune of ₹86.92 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 and Infrastructure Fund” in the Public Account during 2019-23 are given in **Table 4.5**.

Table: 4.5: Details of Central Road and Infrastructure Fund during 2019-23
(₹ in crore)

Sl. No.	Year	Opening Balance (Amount yet to be transferred by GoCG)	Grant released from GoI	Grant transferred by GoCG to 8449-Other Deposit-103	Closing Balance (Amount pending for transfer 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
4	2022-23	230.28	86.92	160.65	156.55

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

4.8 Booking under Minor Head 800

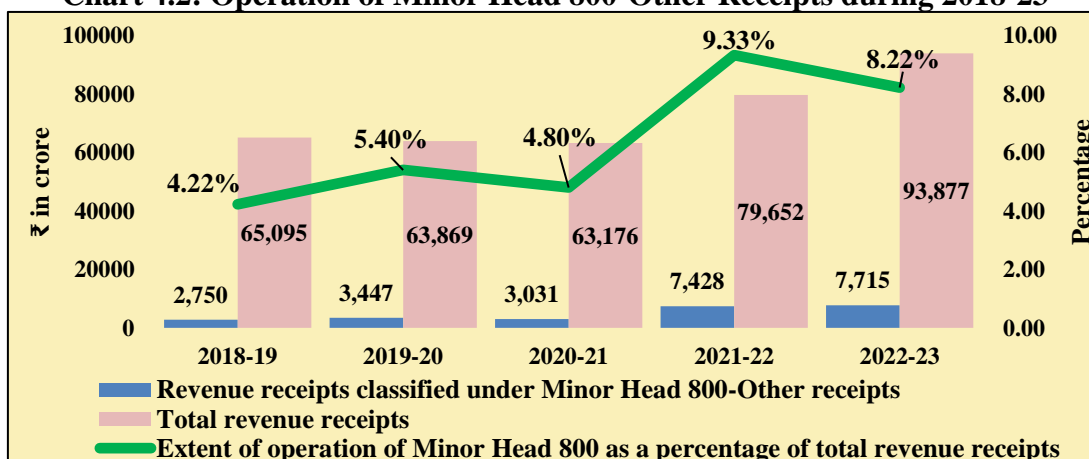
Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/programmes,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

Receipts of ₹7,715.17 crore (constituting 8.22 per cent of the total revenue receipts of ₹93,877.14 crore of the State during 2022-23), recorded under 44 revenue receipts Major Heads, were classified under the Minor Head '800-Other Receipts'.

Similarly, an expenditure of ₹539.21 crore (constituting 0.55 per cent of total revenue and capital expenditure of ₹98,605.33 crore of the State during 2022-23), recorded under 26 Revenue and Capital expenditure Major Heads, was classified under the Minor Head '800-Other Expenditure'.

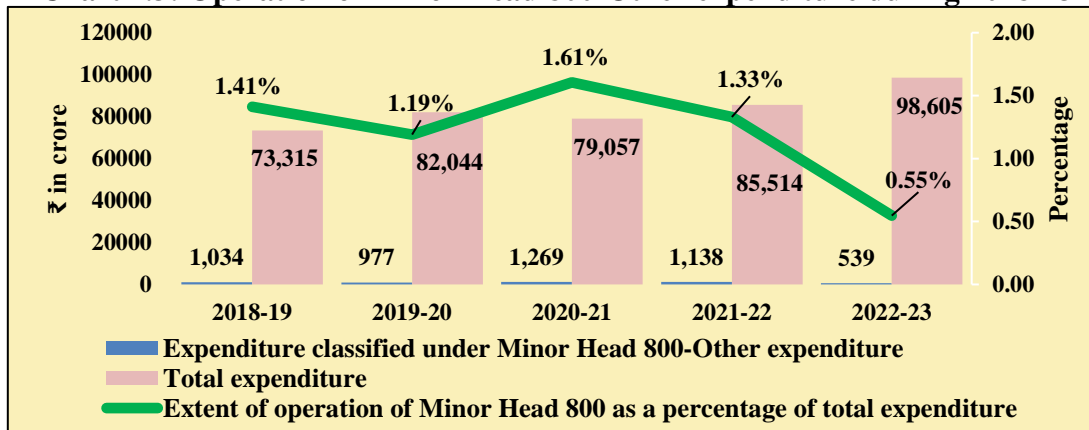
The extent of operation of Minor Head 800 for receipts and expenditure, as a percentage of Total Receipts and Expenditure during 2018-23, is given in **Charts 4.2 and 4.3**.

Chart 4.2: Operation of Minor Head 800-Other Receipts during 2018-23



Source: Finance Accounts of the respective years

Chart 4.3: Operation of Minor Head 800-Other expenditure during 2018-23



Source: Finance Accounts of the respective years

There has been a marginal decrease on receipts side from 9.33 *per cent* in 2021-22 to 8.22 *per cent* of total receipts during 2022-23. On the expenditure side, it decreased from 1.33 *per cent* in 2021-22 to 0.55 *per cent* of total expenditure during 2022-23. Booking of the receipts and expenditure under Minor Head 800 is a cause for serious concern, since it severely impacts transparency of accounts.

4.8.1 Booking of Revenue Receipts under Minor Head - 800 - other receipts

(i) Booking of Royalty and rent receipts under Minor Head 800

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 102/107- Mineral Concession fees, rents and royalties.

During test check of challans in respect of Major and Minor Head 0853-800, it was noticed that as against total revenue receipts of ₹4,397.90 crore under Major Head 0853-800 during 2022-23, receipts of royalties and rents of ₹2.72 crore was booked under Minor Head- 800-other receipts instead of Minor Head 102/107-Mineral Concession fees, rents and royalties for major and minor minerals as prescribed in the List of Major and Minor Heads of Account. The details are shown in **Table 4.6**.

Table: 4.6: Details of revenue receipts booked erroneously under Minor Head 800

Sl. No.	Name of Treasury/Bank	No. of Cases	Description of items booked	To be booked in Minor Head	Total Receipts booked under 800 (₹ in lakhs)
1.	Gariyaband	09	Receipts of royalties and rents	102 for Major Minerals/ 107 for Minor Minerals	125.61
2.	Raipur	43			23.69
3.	Ambikapur	08			26.53
4.	Gaurrella-Pendra-Marwahi	07			32.27
5.	Janjgir-Champa	07			19.50
6.	Raigarh	13			18.39
7.	Korea	13			11.99
8.	Durg	03			5.29
9.	Manendragarh-Chirmiri-Bharatpur	24			6.99
10.	Kondagaon	01			0.36
11.	Rajnandgaon	01			0.56
12.	Balod	01			0.50
Total		130			271.68

Source: Based on data/information provided 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 102/107 (Major/Minor

Mineral Concession fees rents and royalties) under Major Head 0853 (Non-Ferrous Mining and Metallurgical Industries) to 800 (Other receipts), revenue loss to the Gram Panchayat and Janpad Panchayat cannot be ruled out.

(ii) Non-use of dedicated Minor Head 600 for booking of other receipts

As per the List of Major and Minor Heads of Account of Union and States, the Major Head “600-Others” is prescribed under Major Head 0852- Industries- Sub Major Head 08- Consumer Industries. Also, there is no Minor Head 800 under Sub Major Head 08 of Major Head-0852 as per the List of Major and Minor Heads of Account.

As per Finance Accounts 2022-23, ₹13.53 crore were booked under Major Head 0852-08-800 during 2022-23 instead of Minor Head 600-Others. Audit test checked 279 challans amounting to ₹5.73 crore (42 percent of total booking) and noticed use of Minor Head 800 for booking of other receipts such as lease rent, land allotment fee, security deposit, land transfer fee etc instead of prescribed Minor Head 600 below Major and Sub-Major Head 0852-08.

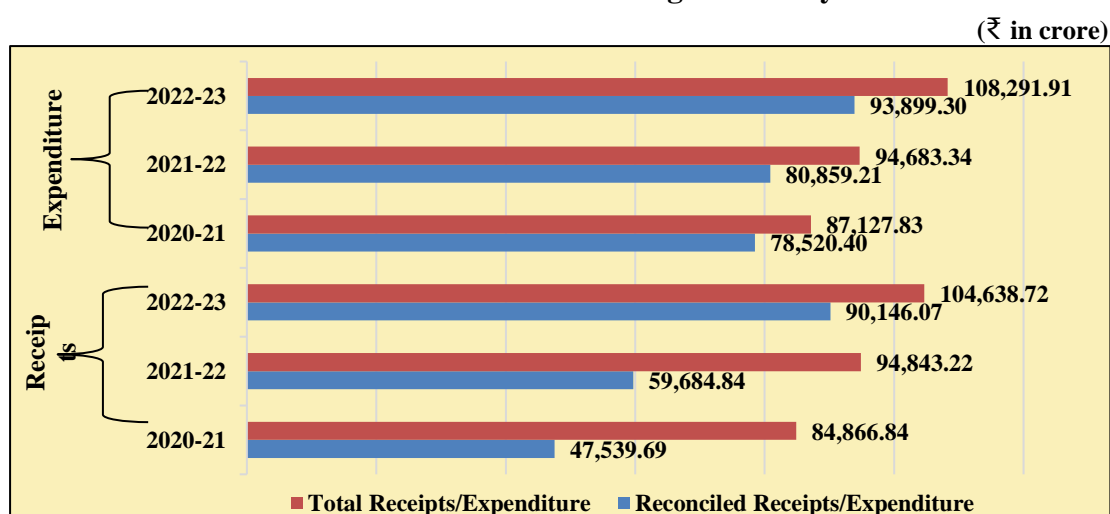
4.9 Non-Reconciliation of Departmental Figures

Rule 6.7.1 of MP Budget Manual Vol-I (as adopted by Chhattisgarh) 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 62.93 per cent of the receipts and 85.40 per cent of the disbursements were reconciled during 2021-22, these figures were 86.14 per cent for receipts and 86.70 per cent in respect of disbursements for the year 2022-23.

The status of reconciliation of receipts and expenditure by the COs during the three-year period 2020-23 is shown in **Chart 4.4**.

Chart 4.4: Status of reconciliation during the three years 2020-23



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 4.7**.

Table 4.7: 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 Consolidated-Receipts/Expenditure	Reconciled Receipts/Expenditure	Percentage of Reconciliation
Receipts							
2020-21	40	00	24	16	84,866.84	47,539.69	56.02
2021-22	40	03	31	06	94,843.22	59,684.84	62.93
2022-23	54	52	00	02	104,638.72	90,146.07	86.14
Expenditure							
2020-21	94	43	27	24	87,127.83	78,520.40	90.12
2021-22	94	42	48	04	94,683.34	80,859.21	85.40
2022-23	94	87	00	07	108,291.91	93,899.30	86.70

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.

4.10 Reconciliation of Cash Balances

As of 31 March 2023, there was a difference of ₹0.32 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 reconciled and found that 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.

4.11 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 2023, 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 2022-23 are given in **Table 4.8**.

Table 4.8: 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.	11 institutions for which Government gave guarantee have not disclosed information in prescribed format of IGAS-1.	Due to non-compliance with IGAS-1, amount of guarantee given during the year along with additions during the year, discharged, invoked and outstanding as of March 2023, for the institutions could not be ascertained.
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.	The State Government has disbursed GIA amounting to ₹2,883.76 crore during year 2022-23 for creation of capital Assets and accounted as Capital Expenditure instead of Revenue Expenditure.	Non compliance to IGAS-2 resulted in overstatement of Revenue Surplus by ₹2,883.76 crore.
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	38 Budget Controlling officers have not provided 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.

4.12 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

The State Government has set up several Autonomous Bodies (ABs), out of which audit of 32 Autonomous Bodies has been entrusted to the Comptroller & Auditor General of India. The status of pending accounts of 28 Autonomous Bodies as of June 2023 is given in **Table 4.9** and detailed information shown in **Appendix 4.2**.

Table: 4.9: Arrears of accounts of Autonomous Bodies/Authorities

Sl. No.	Name of the Body/Authority	Number of accounts pending up to Financial Year 2022-23
1.	Chhattisgarh State Human Right Commission	22
2.	Chhattisgarh State and District Legal Services Authority	82 ²
3.	Chhattisgarh State Electricity Regulatory Authority	01
4.	State CAMPA, Chhattisgarh	01

² Accounts of 23 District Legal Services Authorities and Chhattisgarh High Court Legal Services Committee included.

4.13 Cases of losses and defalcation, etc.

Rules 22 and 23 of the CG Financial Code 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 2023, a total of 2,168 cases amounting to ₹124.92 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 4.3*. Year-wise analysis of cases is shown in *Appendix 4.4*. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarised in **Table 4.10**.

Table 4.10: 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	270	2.14	Theft	123	0.54
5 – 10	242	50.90	Loss of property/material	1,982	119.10
10 – 15	446	53.03	Defalcation	63	5.28
15 – 20	281	7.73	Total pending cases	2,168	124.92
20 – 25	194	4.39			
25 & above	735	6.73			
Total	2,168	124.92			

Source: Cases reported by the departments of the State Government

Out of 2,168 cases, the Forest Department and School Education Department had 609 and 39 cases respectively which were pending for more than 25 years. First Information Reports were lodged in 297 cases out of 2,168 cases.

Further, it was also observed that in six cases, various departments had recovered ₹2.16 lakh during 2022-23 as detailed in *Appendix 4.5*.

4.14 Off Budget Borrowing

The State PSUs/Corporations/Other bodies may take loans to implement various schemes/programmes of the Government. The State Government may also takeover loans/liabilities of PSUs or other entities. 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. 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 2023. The State Government has repaid interest and principal of ₹472.14 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 2023 against the maximum guaranteed amount of ₹800 crore. The State Government has repaid Principal and interest of ₹273.95 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 December 2024). Out of which, SUDA availed loan of ₹1,525 crore up to 31 March 2023. The State Government has made repayment of ₹318.60 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 ₹1,500.87 crore³ during the year 2022-23. The State Government has repaid interest of ₹53.67 crore through budget on the above loans.
- 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 repaid interest and principal of ₹567.27 crore up to 31 March 2023 through budget on the above loans.

³ Besides opening balance of ₹126.39 crore availed in previous year.

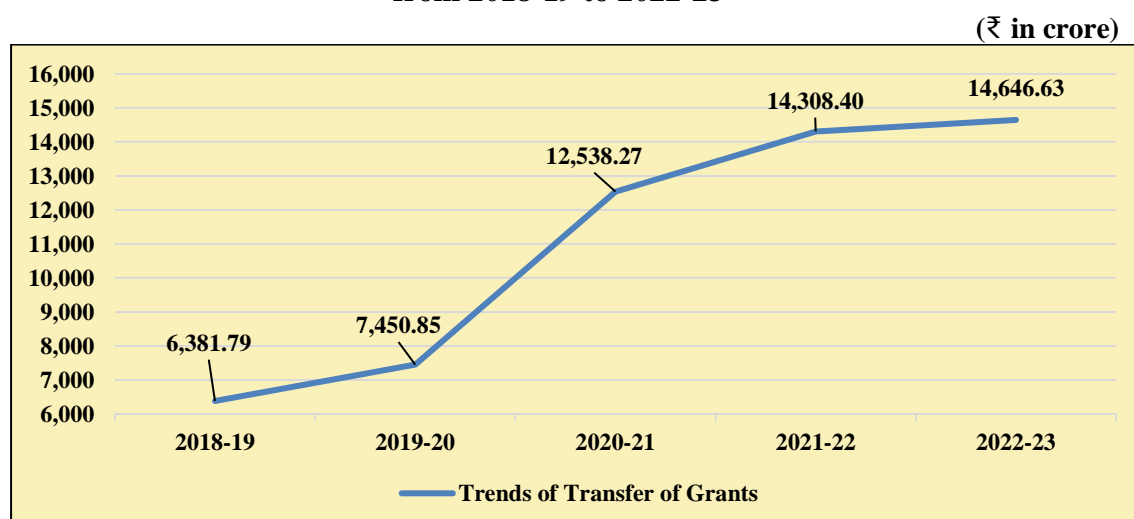
- f) Chhattisgarh Government has assured to repay the liabilities (Principal along with interest thereon) of Chhattisgarh Power Generation Company (CSPGCL) (₹1,000 crore) and Chhattisgarh Power Transmission Company (CSPTCL) (₹500 crore) as of 31 March 2022 in the succeeding years by making provision in the annual budget. Accordingly, the State Government has repaid interest and principal of ₹183.45 crore and ₹116.55 crore of CSPGCL and CSPTCL respectively up to 31 March 2023 through budget.

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 ₹7,161.32 crore (7.04 per cent of total budgeted liabilities) in addition to the total budgeted liabilities of ₹1,01,696.43 crore outstanding as of 31 March 2023. Thus, the total liability of the State stood at ₹1,08,857.75 crore. Budget documents of the State Government for the year 2018-19 to 2022-23 did not disclose any off-budget borrowings.

4.15 Funds transferred directly to State implementing agencies

During the year 2022-23, an amount of ₹14,646.63 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 2022-23 is shown in **Chart 4.5**.

Chart 4.5: Trends of transfer of Grants directly to state implementing agencies from 2018-19 to 2022-23



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 ₹338.23 crore (2.36 per cent).

4.16 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 (November 2023).

4.17 Conclusion

As of 31 March 2023, 471 DC bills worth ₹306.67 crore were pending for submission. Non-submission of DC bills by Departments for funds drawn for specific developmental programmes/ projects and non-submission of accounts by public sector entities were violation of prescribed financial rules and directives. This points to inadequate internal controls and deficient monitoring mechanism of the State Government and increases the risk/possibility of wastage/misappropriation/malfeasance etc.

As of 31 March 2023, 131 PD Accounts were in existence with a closing balance of ₹1,364.20 crore. Out of the total PD Accounts, 40 PD accounts were relating to land acquisition. 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.

Operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹7,715.17 crore constituting 8.22 per cent of total revenue receipts of ₹93,877.14 crore) and ‘Other Expenditure’ (₹539.21 crore constituting 0.55 per cent of total revenue and capital expenditure of ₹98,605.33 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Misclassification in booking under Minor Head 800 was observed, instead of booking of ₹2.72 crore and ₹5.73 crore under their classified Minor Head 102/107- Mineral Concession fees, rents and royalties for Major/Minor minerals and Minor Head 600- Others of respective Major Head 0853 and 0852 respectively. Misclassification renders the accounts opaque and does not disclose the schemes/programmes, etc. to which it relates.

For the financial year 2022-23, only 86.14 per cent for receipts and 86.70 per cent of expenditure were reconciled. 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.

The State Government has a net off-budget liabilities of ₹7,161.32 crore in addition to total budgeted liabilities of ₹1,01,696.43 crore outstanding as of March 2023. Government of Chhattisgarh has not disclosed in its budget, its liabilities with regard to the loans obtained by various public sector entities at its behest for implementation of various socio-economic developmental programmes for which the State Government had given the guarantee to repay the principal and interest.

4.18 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 DC 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.