

CHAPTER-VI
COMMERCIAL ACTIVITIES
FINANCE DEPARTMENT

6.1 Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by certain Government departments through undertakings, units or subordinate formations which are to prepare Proforma accounts in the prescribed format annually showing the results of financial operations so that Government can assess the results of their working. The Heads of departments in Government are to ensure that these undertakings or formations which are funded by budgetary release, prepare the accounts on timely basis and submit the same to the Accountant General for audit.

As of March 2001, there are 15 such undertakings/schemes in the Government of Orissa out of which 4 were merged with other companies/corporations, 4 remained inoperative or were closed and in respect of 2, Government has not prescribed the preparation of Proforma account. Of the 5 remaining undertakings/schemes, 1 undertaking/scheme for more than 25 years, 2 for 20 years or more and 2 undertakings/schemes for 5 years or more have not submitted accounts. In respect of 4 undertakings/schemes merged with other companies/corporation, 2 undertakings/schemes for 5 years or more and 2 undertakings/schemes for more than one year but less than 5 years did not submit their accounts till the date of their merger.

In respect of the 4 undertakings/schemes, which remained inoperative or were closed, the assets and liabilities were not fully disposed of or liquidated by Government. The details as well as reasons for non-operation or closure was not available. The State Government has invested a sum of Rs.129.98 lakh in respect of 6 undertakings/schemes at the end of financial year upto which their accounts were completed.

In respect of 2 undertakings/schemes for which Government had not prescribed the preparation of Proforma accounts, only personal ledger accounts were opened and maintained by the concerned departments of Government. The position of these personal ledger accounts at the end of

2000-01 was as follows:

Name of the Undertaking/ Unit/Scheme	Year in which the Personal Ledger accounts were opened	Accounts for 2000-2001			
		Opening Balance	Credit	Debit	Closing Balance
(Rupees in lakh)					
1. Purchase and distribution of quality seeds cultivators	1977-78 (Revenue accounts)	245.75	2759.67	2405.82	599.60
2. Poultry Development (operative)	1979-80 (Revenue accounts)	1.69	--	--	1.69

Comptroller and Auditor General has repeatedly commented in the Audit Reports of the State about the failure of the Heads of Departments and the management of the undertakings/schemes to prepare their proforma accounts in time. The delay in preparation of the proforma accounts were brought to the notice of the Government by the Accountant General (Audit) from time to time but there was little improvement in the situation and most of these undertakings/schemes have not finalised their accounts for a period of 20 years or more. The Public Accounts Committee in their 14th Report (10th Assembly) had expressed (November 1992) its distress at the state of affairs in preparation of Proforma Accounts and had desired that responsibility be fixed for failure to prepare the Accounts. Despite that, the Government neither initiated action against the defaulting management for their failure to prepare the accounts nor took any effective initiative to set right the position. As a result, accountability of the Management and Government in respect of the public funds spent by these undertakings was not ensured.

The department-wise positions of arrears in preparation of proforma accounts is as follows:

Sl. No.	Department	No. of Undertakings/ schemes under the Department	Accounts not finalised (Name of the Undertakings/schemes)	Year from which accounts are due	Investment as per last accounts (Rupees in lakh)	Remarks
1.	Forest and Environment	1	Nationalization of Kendu Leaves (maintained by Chief Conservator of Forests, Kendu Leaves, Orissa)	1996-97	70.09	
2.	Agriculture and Co-operation	7	(i) Cold Storage Plant, Kuarmunda a ii) Cold Storage Plant, Similiguda iii) Cold Storage Plant, Paralakhemundi iv) Cold Storage Plant, Bolangir v) Cold Storage Plant, Bhubaneswar	1972 1977 1981 1994 1975	11.97 16.15 5.96 7.92 17.89	Transferred to Orissa State Seeds Corporation Limited (March 1979)

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			vi) Cold Storage plant, Sambalpur	1971	NA	Transferred to Orissa State Seeds Corporation Limited (March 1979)
			vii) Purchase and distribution of quality seeds to cultivators	-	-	Proforma accounts not prescribed by the Government
3.	Food Supplies and Consumer Welfare	1	Grain purchase scheme	1977-78	NA	Transferred to Orissa State Civil Supplies Corporation Limited since September 1980. Government stated (August 2000) that the concerned collectors have been directed to fix responsibility for non-finalisation of proforma accounts and take expeditious steps for their preparation. It was added (August 2001) that steps were being taken to set right those old accounts as early as possible.
4.	Commerce and Transport	1	State Transport Service	1972-73	NA	Transferred to Orissa State Road Transport Corporation since May 1974.
5.	Fisheries and Animal Resources Development	1	Poultry Development	--	--	Proforma accounts not prescribed by Government.
	Inoperative/Closed Undertakings/Schemes					(Year from which remained closed or inoperative)
6.	--	1	Grain Supply scheme	--	--	1958-59
7.	--	1	Scheme for trading in Iron Ore through Paradeep Port	--	--	1966-67
8.	--	1	Cloth and Yarn Scheme	--	--	1954-55
9.	--	1	Scheme for exploitation and marketing of fish	--	--	1982-83

No action was taken against the management of these undertakings / schemes for such gross failure and disregard of public interest.

Two accounts relating to Nationalisation of Kendu Leaves for the years 1994-95 and 1995-96 and four accounts from Cold Storage Plant, Similiguda for 1973 to 1976 were received during September 2001. The audit comments on those accounts are yet to be finalised (October 2001).

The lack of accountability displayed by the failure to prepare the accounts by the Management of these undertakings / schemes is a matter of concern as large amount of public funds are involved in these cases. Government needs to initiate strong measures against the defaulting management for their failures,

so as to reduce the possibility of serious financial irregularities remaining undetected for long period. Government should also take a re-look at the internal system and arrangements for finalising the accounts and take up the preparation of the accounts on war footing so that the Managements are held accountable for the proper use of public funds. Government should also re-examine the justification for release of budgetary funds to the undertakings / schemes without assessing the financial performance and without finalised accounts.

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