

CHAPTER-VI
COMMERCIAL ACTIVITIES
FINANCE DEPARTMENT

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

Activities of quasi-commercial nature are performed by certain Government departments through undertakings, units or other subordinate formations which are to prepare Proforma accounts annually showing the results of financial operations so that Government can assess the functioning of the undertakings. The Heads of departments in Government are to ensure that the accounts are prepared on time and submitted to the Accountant General for audit.

As of March 2002, there are 11 such undertakings of the Government of Orissa out of which 4 remained inoperative or were closed and Government was yet to prescribe Proforma accounts for 2 undertakings. Of the 5 remaining undertakings 2 had not submitted accounts for 25 years or more, 1 for more than 20 years and 2 for more than 5 years. In respect of 4 undertakings merged with other companies/corporations, 2 undertakings/schemes had not submitted their accounts for 5 years or more and 2 undertakings/schemes for more than one year but less than 5 years.

In respect of the 4 undertakings/schemes, which remained inoperative or were closed, the assets and liabilities were not fully liquidated by Government. The details as well as reasons for non-operation or closure were not available. The State Government invested Rs.129.98 lakh in these 6 undertakings/schemes.

In respect of 2 undertakings/schemes for which Government had not prescribed the preparation of Proforma accounts, only Personal Ledger accounts were maintained by the concerned departments. The position of these Personal Ledger accounts at the end of 2001-02 was as follows:

Name of the Undertaking/Unit/Scheme	Year in which the Personal Ledger accounts were opened	Accounts for 2001-2002			
		Opening Balance	Credit	Debit	Closing Balance
		<i>(Rupees in lakh)</i>			
1. Purchase and distribution of quality seeds to cultivators	1977-78 (Revenue accounts)	599.60	3708.42	3209.70	1098.32
2. Poultry Development	1979-80 (Revenue accounts)	1.69	--	--	1.69

Comptroller and Auditor General repeatedly commented on the failure to prepare proforma accounts in time, but there was little improvement. The Public Accounts Committee in their 14th Report (10th Assembly) had expressed (November 1992) its distress at the state of affairs and had desired

that responsibility be fixed for failure to prepare the Accounts. Thus, accountability in these public undertakings was not ensured and not reporting the facts and figures of these undertakings/schemes amounted to breach of legislative control.

The department-wise position 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	Nationalisation 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 ii) Cold Storage Plant, Similiguda iii) Cold Storage Plant, Paralakhemundi iv) Cold Storage Plant, Bolangir v) Cold Storage Plant, Bhubaneswar vi) Cold Storage plant, Sambalpur vii) Purchase and distribution of quality seeds to cultivators	1972 1977 1981 1994 1975 1971 -	11.97 16.15 5.96 7.92 17.89 Not available -	Transferred to Orissa State Seeds Corporation Limited (March 1979) Transferred to Orissa State Seeds Corporation Limited (March 1979) Proforma accounts not prescribed by the Government
3.	Food Supplies and Consumer Welfare	1	Grain purchase scheme	1977-78	Not available	Transferred to Orissa State Civil Supplies Corporation Limited since September 1980. Government stated (December 2001) that concerned Collectors were moved in August 1999 to fix up responsibility for non-preparation of upto date proforma accounts. The latest reminders were issued in August 2001.
4.	Commerce and Transport	1	State Transport Service	1972-73	Not available	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
	In operative/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 the gross failure and disregard of public interest.

During the year, two accounts relating to Nationalisation of Kendu Leaves (KL) for the years 1994-95 and 1995-96 and four accounts relating to Cold Storage Plant, Similiguda for the years 1973 to 1976 (calendar year) were received and audited. The following irregularities were observed in audit on the accounts relating to Nationalisation of Kendu Leaves.

(i) Inclusion of Rs.124.47 lakh being accumulated balances on re-organisation of KL divisions (Rs.65.58 lakh) and inter divisional transfers (Rs.58.89 lakh) which were purely internal in nature and did not represent any liability, in "Current Liabilities and Provisions" as well as in "Current Assets" resulted in overstatement of both Liabilities and Assets.

(ii) A sum of Rs.187.95 lakh representing withheld vouchers submitted by Range Officers towards KL expenses for the period from 1973-96 was exhibited as receivable as well as payable under the head "Account payable ARAA". This is unethical accounting practice.

The lack of accountability abets financial irregularities. Since these are departmentally run commercial units, responsibility for failure to ensure accountability of public funds should be fixed on the Heads of the Departments. Government should also re-examine the justification of continued release of budgetary funds to units, without finalised accounts and without assessing their financial performance.

BHUBANESWAR
THE

(UTPAL BHATTACHARYA)
ACCOUNTANT GENERAL (AUDIT) I
ORISSA

COUNTERSIGNED

NEW DELHI,
THE

(VIJAYENDRA N. KAUL)
COMPTROLLER AND AUDITOR
GENERAL OF INDIA