

Chapter 3

Financial Reporting

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Subsidiary rule 330A under the West Bengal Treasury Rules stipulates that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees within one year from the date of release of grant, unless specified otherwise, and after verification, these should be forwarded to the Accountant General. However, of the 74512 grants and loans aggregating ₹ 18636.26 crore paid up to December 2009, 69470 UCs for an aggregate amount of ₹ 16421.46 crore were in arrears for more than two years. The department-wise break-up of outstanding UCs is given in *Appendix 3.1*. The age-wise analysis of delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates (Rupees in crore)

	Range of Delay in Number of Years	Total grants paid		Utilisation Certificates Outstanding	
		Number	Amount	Number	Amount
1	1 - 3	14835	5542.77	14774	5530.90
2	3 - 5	25360	5886.68	25337	5799.04
3	5 - 7	34317	7206.80	34288	7190.54

Source: VLC : Pr. Accountant General (A&E)

Of 34288 number of cases involving ₹ 7190.54 crore remaining outstanding for more than five years, 19398 number of cases involving ₹ 4956.27 crore pertained to Education Department alone. Besides, 11574 number of cases involving ₹ 1146.86 crore related to Panchayat and Rural Development Department.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. Examiner of Local accounts, West Bengal, under the Accountant General (Receipts, Works and Local Bodies Audit),

West Bengal is the statutory Auditor of Autonomous Local Bodies. 38 annual accounts of 15 bodies/authorities were received and were audited¹ during 2009-10. The accounts so audited pertained to the period from 2002-03 to 2008-09.

Four hundred forty eight (448) annual accounts of 142 autonomous bodies/authorities due up to 2008-09 had not been received as of June 2010 by the Examiner of Local accounts, West Bengal, under the Accountant General (Receipts, Works and Local Bodies Audit), West Bengal. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**

Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies

Delay in Number of Years	No. of the Bodies/ Authorities*
0 - 1	3
1 - 3	132
3 - 5	2
5 - 7	2
7 - 9	1
9 & above	2

Source: Office of the AG (RW&LBA)

*As grants released to Urban Local Bodies/Urban Development Authorities are not classified separately and since all the units are not audited in a particular year, complete picture of grants released is not readily available.

Grants aggregating ₹ 50.70 crore, meant for development and miscellaneous purposes were lying unspent with the 10 bodies (one District Primary School Council, four Municipalities, three Local Library Authorities and two other Local Bodies) whose accounts for varying periods between 2003-04 and 2008-09 were audited during 2009-10. The details are given in **Appendix 3.3**. The concerned bodies did not furnish reasons for non-utilisation and non-refund of the Government grants. There was nothing on record to show whether any action have been taken to adjust/refund the unutilised grants.

Further as of March 2010, grants aggregating to ₹ 787.21 crore had been lying unspent in respect of 18 Zila Parishads (ZPs). Out of these, Murshidabad ZP accounted for ₹ 95.99 crore, while North and South 24 Parganas accounted for ₹ 86.19 crore and ₹ 71.53 crore respectively. Reasons for non-utilisation of these grants were not furnished by most of the ZPs. The details are given in **Appendix 3.4**.

3.3 Delays in Submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in various fields namely, area development, animal resources, human rights, legal services, housing etc. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control,

¹ including transaction audit of 154 accounts

review of systems and procedures etc. The audit of accounts of 45 Bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature in respect of those bodies. SARs on whom are to be placed before the Legislature are indicated in **Appendix 3.5**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of Audit to CAG is summarised in **Table 3.3**.

Table 3.3: Delays in Submission of Accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies
0 - 1	5	0 - 1	8
1 - 6	3	1 - 2	1
6 - 12	8	2 - 3	1
12 - 18	3	3 - 4	-
18 - 24	-	4 - 5	1
24 & above	26	5 & above	1
Total	45		12

Source: Concerned Department

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame.

As of June 2010, there were 20 such undertakings out of which five² had not prepared their accounts since inception. Five undertakings had their up to date accounts whereas the remaining 10 units were in arrears ranging from one to 25 years. The Comptroller and Auditor General had repeatedly commented in the Audit Reports of the State on the failure of the Heads of Departments and the management of undertakings in timely preparation of *pro forma* accounts. Principal Accountant General (Audit) had also been periodically reminding

² 1. Silk Reeling Scheme; 2. Government Sales Emporia in Calcutta & Howrah; 3. Central Lock Factory; 4. Training cum Production Centre, Mechanical Toys, Hooghly and 5. Industrial Estate, Maniktala

Principal Secretary (Finance) and the Secretaries of the concerned departments in this matter.

During the period July 2009 to June 2010, six undertakings finalised eight *pro forma* accounts (for the years 2008-09 and earlier), as against 31 *pro forma* accounts finalised during July 2008 to June 2009. Consequently, there was hardly any accountability of the Management and Government in respect of public funds spent by these undertakings.

The department-wise position of arrears in preparation of *pro forma* accounts and investment made by the Government therein are given in **Appendix 3.6**. It appears that fourteen undertakings were incurring losses continuously for more than five years. Accumulated loss as per latest accounts received up to June 2010 amounted to ₹ 1895.97 crore.

3.5 Misappropriations, losses, defalcations, etc.

As per Rule 39 of the West Bengal financial rules, any loss of public money, departmental revenue of receipts, stores or other property, caused by defalcation or otherwise, should be immediately reported to the Accountant General. On the other hand, if the irregularity is detected by Audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned.

No such intimation was, however, furnished by the State Government since 2001. As of March 2010, there were 1064 cases³ of misappropriation, defalcation, etc. involving Government money amounting to ₹ 89.76 crore on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.7** and nature of these cases is given in **Appendix 3.8**. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.4**.

Table 3.4: Profile of Misappropriations, losses, defalcations, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (Rs in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (Rs in lakh)
0 - 5	177	5922.38	Theft	329	1538.73
5 - 10	156	2012.43	Misappropriation/Loss of material	766	7448.02
10 - 15	142	591.37			
15 - 20	74	223.88			
20 - 25	73	157.84			
25 & above	442	67.62	Cases of Losses Written off during the Year	31	11.23
Total	1064	8975.52	Total Pending cases	1064	8975.52

Source: Detected by Audit and as reported by DDOs

³ Excluding cases included in the Civil audit Reports as separate audit paragraphs, progress of which are monitored separately

3.6 Non-reconciliation of Departmental figures

3.6.1 Un-reconciled Expenditure

To enable controlling officers of Departments to exercise effective control over expenditure to keep it within budget grants and to ensure accuracy of their accounts, Financial Rules (Rule 385 of West Bengal Financial Rules) stipulate that expenditure recorded in their books be reconciled every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of Departmental figures was pointed out regularly in Audit Reports, out of 185 Controlling Officers (COs) only 38 officers (21 *per cent*) reconciled either fully (15 COs) or partly (23 COs) as of March 2010. Out of ₹ 98433 crore (Receipt: ₹ 36922 crore and Expenditure: ₹ 61511 crore) only ₹ 12280 crore were reconciled leaving an amount of ₹ 86153 crore as unreconciled, ₹ 29322 crore being the amount partially reconciled by 23 COs.

3.6.2 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

Administrative Departments issue sanction orders with the concurrence of Finance Department, authorising different Drawing and Disbursing Officers (DDOs) to draw advances on Abstract Contingent (AC) bills. These AC bills are required to be adjusted by submission of Detailed Contingent (DC) bills with the countersignature of the Controlling Officer within 60 days from the respective dates of drawal from the Treasury or within one month from the date of actual utilisation of amounts drawn, so that those expenditures are subjected to check by Pr AG (A&E). Moreover, as per Sub-Rules (5) and (6) of Rule 4.138 of West Bengal Treasury Rules, 2005, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and onward transmission to the Accountant General. However, as of March 2010, 8562 AC bills for ₹ 475.35 crore remained unadjusted, of which 2568 bills for ₹ 184.46 crore pertained to 2009-10, while 5994 bills for ₹ 290.89 crore were outstanding for more than one year. This indicated that those amounts, though booked as expenditure in the accounts, remained outside the surveillance of Pr AG (A&E).

Table 3.5 shows the position of drawal of AC bills and submission of DC bills by the DDOs in the State during last five years.

Table 3.5: Position of drawal of AC bills and adjustment thereof in the State (Rupees in Crore)

Year	Opening balance		AC Bills drawn		DC Bills received		Outstanding AC Bills	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
2005-06	8486	200.38	3240	186.25	3749	138.79	7977	247.84
2006-07	7977	247.84	4026	257.65	3198	172.86	8805	332.63
2007-08	8805	332.63	3544	262.52	3356	191.19	8993	403.96
2008-09	8993	403.96	3246	101.85	3657	17.08	8582	488.73
2009-10	8582	488.73	4054	276.94	4074	290.33	8562	475.35

For detailed scrutiny of DDO level activities relating to drawal of AC bills and submission of DC bills there against, records of 29 Drawing and Disbursing Officers (DDOs), who had drawn 2717 AC bills for ₹ 681.76 crore during 2004-05 to 2009-10, were test-checked. It was observed that these DDOs submitted DC bills for ₹ 494.40 crore (1770 bills) leading to an outstanding balance of DC bills for ₹ 176.26 crore (1404 bills⁴) as on 31 March 2010. It was also noticed that out of aggregate outstanding bills for ₹ 176.26 crore, ₹ 125.28 crore (71 per cent) have been lying unadjusted for more than one year. Department-wise list of unadjusted AC bills is given in *Appendix 3.9*. Long pending bills mainly pertained to nine DDOs⁵.

Scrutiny of bills further showed the following:

- ❖ Director General of Fire Services drew advances of ₹ 4.77 crore in four AC bills between March 2008 and March 2010 for procurement of vehicles and advanced to two suppliers of chassis. As the chassis were not supplied, all the bills remained unadjusted as of June 2010 (delay of three months to more than two years from due dates for adjustment). Further, out of 22 AC bills for ₹ 12.97 crore drawn and adjusted during 2005-09, adjustment of 20 were delayed by more than three months (up to 457 days) from the due date of submission of adjustment.
- ❖ Cross check of records of DDOs *vis-à-vis* Treasury/PAO records revealed some major discrepancies as under:

⁴ Excluding bills, adjustment of which were not due on 31 March 2010

⁵ Director General, West Bengal Fire Services (Rs 4.77 crore), Commandant, SAP 2nd Battalion (Rs 9.43 crore), SP, Paschim Medinipur (Rs 23.64 crore), DM, Murshidabad (Rs 5.36 crore), Superintendent, Presidency Correctional Home (Rs 2.09 crore), Director, Animal Resources and Animal Health, West Bengal (Rs 1.56 crore), DM, South 24 Parganas (Rs 16.13 crore), Assistant Director, Primary Education (Text Book)(Rs 58.19 crore) and Commandant, SAP 6th Battalion (Rs 1.29 crore)

Table 3.6: Table showing discrepancies between treasury and DDO records (Amount in Rupees)

		<i>No of bills</i>	<i>Amount</i>
Bills adjusted in the DDOs' records but found outstanding in the Treasury records			
1	Director General of Fire Services, Kolkata	59	86882094
2	Asstt. Director of Primary Education (Text Book)	3	80000000
3	A.O, Lalbazar, Kolkata	14	33082902
4	Commandant SAP, 2 nd Battalion	3	820264
5	DM & Collector, Hooghly	1	50000
6	DM & Collector, Murshidabad	3	218500
Bills adjusted in the Treasury records but found outstanding in the DDO's records			
1	Superintendent, Presidency Correctional Home, South 24 Parganas	3	333880

- ❖ Superintendent, Presidency Correctional Home, South 24 Parganas had drawn advance of ₹ 15717000 and ₹ 5239000 (March 2009), whereas in the treasury records (Alipore Treasury-I) ₹ 157170 and ₹ 52390 were debited against the aforesaid bills respectively.

Thus, due to delay in submitting the DC bills, possibility of misuse of government funds and misappropriation thereof could not be eliminated. Moreover, discrepancies in DDOs' records and Treasury records were also matter of concern which needs immediate reconciliation.

3.6.3 Personal Deposit Accounts

Funds Transferred to Personal Deposit (PD) Accounts are booked as expenditure under the service heads from which the money was transferred.

In terms of Rule 6.09 of West Bengal Treasury Rules (WBTR) 2005 Personal Deposit (PD) Account or Personal Ledger Account created by debit to the Consolidated Fund of the State (other than those created under any law or rule having the force of law by transferring funds from the Consolidated Fund of the State for discharging liability of the Government arising out of special enactments), shall be closed at the end of the financial year by minus debit to the balance of the relevant service heads in the Consolidated Fund of State. Rule 6.08 of WBTR provides that any Personal Deposit Account, if not operated for consecutive two years or if there is reason to believe that the need for such Deposit Account has ceased, the same shall be closed.

During 2009-10, ₹ 549.84 crore was transferred to PD accounts from service heads. There were 148 PL Accounts in operation in the State as of March 2010. Total amounts remaining parked in PL Accounts of the State increased from ₹ 743.95 crore as of March 2005 to ₹ 2008.74 crore as of March 2010. This indicated that though these amounts had been booked as expenditure under the service heads, the same were not actually spent, thereby inflating the expenditure figures to that extent.

Further scrutiny revealed that 44 PL Accounts remained inoperative for more than one year. Of these, four were inoperative for one to five years, while remaining 40 were not operated for five to ten years.

Various cases of violation of the said rules as well as other irregularities were noticed during course of test-check of 33 PLAs operated by 31 DDOs. Those PLAs were opened during the period from 1968-69 to 2001-02.

Some irregularities noticed are discussed below:

- Though required under WBTR 6.09, twenty three PLAs operated by 22 DDOs (Sl. No. 1 to 22 of *Appendix 3.10*) were not closed and balance not transferred back to the respective service heads resulting in accumulation of ₹ 484.51 crore as of 31 March 2010 as detailed in *Appendix 3.10*. Of these 22 accounts, four⁶ PLAs with a balance of ₹ 1.62 crore remained in-operative for seven to 13 years.
- Twelve DDOs retained ₹ 212.80 crore relating to various development works under Border Area Development Programme (₹ 64.39 crore), Bidhayak Elaka Unnayan Prakalpa (₹ 88.52 crore), Uttarbanga Unnayan Parshad (₹ 44.67 crore), and Paschimanchal Unnayan Parshad (₹ 15.22 crore) for several years in PLAs.
- Funds are generally sanctioned for utilization within the year of sanction. Six DMs failed to utilise ₹ 5.45 crore received between 1996-97 and 2009-10 for different purposes as detailed in *Appendix 3.11* and funds were parked in PLAs for years together.

⁶ 1. DG&IG of Police, West Bengal (Rs 0.18 crore), 2. Principal, Dr. R. Ahmed Dental College and Hospital, Kolkata (₹ 0.03 crore), 3. MSVP, Calcutta National Medical College and Hospital (₹ 0.46 crore) and 4. MSVP, Medical College and Hospital, Kolkata (₹ 0.95 crore)

- For management of funds for Mid Day Meal Programme (MDM), the School Education Department instructed (October 2008) all District Magistrates (DMs) to open a saving bank account and transfer the entire fund related to MDM in that account. However, during 2009-10 six DDOs⁷ did not transfer ₹ 6.34 crore relating to Mid-Day Meal from PL Accounts to the respective Savings Bank Account leading to loss of interest of ₹ 0.22 crore.
- The unspent balance of ₹ 0.15 crore⁸ (relating to different work) received as refund from the implementing agencies was not deposited to Government account by two DDOs.
- There were discrepancies in PLA Cash Books and corresponding Treasury Pass Books of nine DDOs. Of them under six DDOs, ₹ 28.86 crore was shown in excess in treasury pass books as compared to the cash book balances. On the other hand, under three DDOs cash book balances were more than treasury balances by ₹ 6.58 lakh.

However, the balances were not reconciled.

- An amount of ₹ 0.22 crore relating to the scheme/project 'Forest Department to different bodies' had been lying in the PL Account of DM, Bardhaman, the source and purpose of which could not be explained by the DM. Similarly, a sum of ₹ 4.63 crore was lying in the PL Account of Special LAO, South 24-Parganas which was deposited into PL Account during the years 1986-91 from the then 'P-Bodies' accounts maintained by Special LAO. The Special LAO, South 24 Parganas could not clarify about the source and the purpose for which it was to be utilised.
- Special LAO, Murshidabad deposited ₹ 0.60 crore during 2006-10 in PL Account of DM, Murshidabad, which was irregular, as the Special LAO Murshidabad maintained a statutory PL Account specifically for the purpose of land acquisition. Moreover, the surplus of the administrative cost was required to be deposited in the appropriate revenue head of account of the PL Account.

⁷ 1. DM, Murshidabad (₹ 0.11 crore), 2. DM, Bankura (₹ 0.81 crore), 3. DM, Jalpaiguri (₹ 0.74 crore), 4. DM, Howrah (₹ 0.28 crore), 5. DM, Cooch Behar (₹ 3.25 crore) and 6. DM, North 24-Parganas (₹ 1.15 crore)

Name of the DDO	Scheme/purpose for which fund received	Amount lying in PL Account (Rs)
DM, North 24 Parganas	BADP	76425
	BEUP	666093
DM, Bankura	Construction of Bye-Pass Road	34124
	Extension of Motor vehicle Building	28030
	Construction of morgue fund	704341
	Total	1509013

Thus, such parking of funds in PL account not only distorted figure of expenditure incurred during the financial year but also parking of funds meant for developmental work indicated delayed implementation/ non-implementation of works.

3.6.4 Other topics of concern

During 2009-10, ₹3404.33 crore under 78 major heads of account was classified under the minor head "800-other expenditure" in the accounts and this amount constituted eight *per cent* of the total expenditure under the various major heads. The major schemes, such as "Kolkata Municipal Corporation / Howrah Municipal Corporation for adjustment of energy bills to Calcutta Electric Supply Corporation", "Assistance to Urban Local Bodies, as recommended by TwFC", "New Incentive Scheme for encouraging setting up of new Industrial units", etc. are not depicted distinctly in the Finance Accounts. ₹ 4661.94 crore under 52 major heads of accounts was classified under "800-other receipts" in the accounts and these amounts constituted 19 *per cent* of the total receipts recorded. As a result of review during 2008-09, booking of expenditure under minor head "800-other expenditure" reduced by 70 *per cent* during 2009-10.

A comprehensive review in this regard for the year 2009-10 is in progress.

3.7 Conclusion and Recommendations

For ensuring proper utilisation of Government assistance received by autonomous bodies as well as for giving a true and fair picture of the activities/ performance of those bodies, timely submission of annual accounts assumes utmost importance. However, non-receipt of 448 Annual Accounts of 142 autonomous bodies/ authorities (audit of which are conducted by Examiner of Local Accounts) and delay/ failure in submission of Separate Audit Reports on some of the bodies in the Legislative Assembly diluted the said control. There were also considerable delays in placement of Separate Audit Reports in respect of 12 institutions before the State Legislature. All these indicated breach of legislative control over spending of public money. There were considerable delays in finalising *pro forma* accounts of departmentally managed commercial undertakings indicating laxity in the accountability mechanism of both the management and Government in respect of public funds invested in those undertakings. Thus, proper internal financial reporting, which is a tool for the Government for efficient and effective governance, was compromised.

- *Concerned Departments should take immediate steps for submission of outstanding accounts of autonomous bodies without further delay.*

- *The issue of huge accumulation of unadjusted abstract contingent bills should be looked into and a target date should be stipulated by each controlling officer for submission of outstanding detailed contingent bills by his subordinate DDOs.*
- *Immediate steps need be taken for review of status of PL Accounts and closure of inoperative ones.*

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