

CHAPTER-III

FINANCIAL REPORTING

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 one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic 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 Utilization Certificates

The Chhattisgarh State Financial Code (Rules 182, 229F) provides that Utilisation Certificates (UCs) for grants provided for specific purposes should be obtained by the departmental officers from the grantees and forwarded to the Accountant General after verification within 18 months from the date of their sanction unless specified otherwise. However, of the 17,200 UCs in respect of grants aggregating ₹ 5,880.59 crore given for the period 2007-08 to 2009-10, 10888 UCs amounting to ₹ 4,264.71 crore pertaining to various major heads were pending as detailed in *Appendix-3.1*.

The departments for which UCs outstanding for more than ₹ 100 crore were Compensation and Assignments to Local Bodies and Panchayat Raj Institution (₹ 1,477.41 crore), General Education (₹ 1,187.69 crore), Other Rural Development Programmes (₹ 473 crore), Social Security and Welfare (₹ 239.59 crore), Power (₹ 125.87 crore), Crop Husbandry (₹ 115.89 crore), Water Supply and Sanitation (₹ 110.03 crore) and Welfare of SC/ST and other Backward Classes (₹ 109.36 crore).

In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given.

3.2 Misappropriations, losses, defalcations, etc.

Rules 22 and 23 of the Financial Code provide that each and every case of loss, misappropriation and defalcation should be intimated to the Accountant General. Of such cases reported by the State Government, 1,957 cases involving ₹ 46.03 crore were awaiting conclusive investigation and settlement at the year ended March 2011. Year-wise analysis of cases is shown in *Appendix-3.2*. The department-wise and category-wise break up of pending cases is given in *Appendix-3.3*. The age-profile of the pending cases and the number of cases pending in each category viz. theft and misappropriation/loss are summarized in *Table-3.1*.

Table-3.1: Profile of Misappropriations, losses, defalcations, 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 cas	Number of cases	Amount involved
0 – 5	502	30.83	Theft	158	0.81
5 – 10	367	5.95	Misappropriation/ Loss of material	1799	45.22
10 – 15	274	5.30			
15 – 20	261	2.42	Total pending Cases	1957	46.03
20 – 25	262	0.94			
25 & above	291	0.58			
Total	1957	46.03			

(Source: Cases reported by the departments of the State Government)

Further analysis indicates that the reasons for which the cases were outstanding could be classified under the five categories listed in the following table.

Table-3.2: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.

(₹ in crore)

Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	252	2.06
2	Departmental action initiated but not finalized	196	1.47
3	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	20	0.11
4	Awaiting orders for recovery or write off	1438	41.33
5	Pending in the courts of law	51	1.06
	Total	1957	46.03

(Source : Information received from the departments of the State Government)

3.3 Non-adjustment of Abstract Contingent Bills and Temporary Advances

3.3.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per Rule 313 of the Chhattisgarh State Treasury Code, every drawing officer has to certify in each Abstract Contingent (AC) bill that Detailed Countersigned Contingent (DCC) 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 transmission to the Accountant General. DCC bills for only ₹ 22.13 crore were received during the period 2006-2011 against pending AC bills of ₹ 26.66 crore, leading to an outstanding balance of AC bills for ₹ 4.53 crore as on 31 March 2011. Year-wise details are given in **Table-3.3**.

Table-3.3: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

(₹ in crore)

Year	Opening balance		AC bills received during year		DCC bills during the year		Outstanding AC bills	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2006-07	275	2.95	284	5.82	169	1.58	390	7.19
2007-08	390	7.19	98	1.43	3	0.13	485	8.49
2008-09	485	8.49	471	8.70	217	3.78	739	13.41
2009-10	739	13.41	30	0.55	-	-	769	13.96
2010-11	769	13.96	187	7.21	886	16.64	70	4.53
Total	-	-	1070	23.71	1275	22.13	-	-

(Source: Information from office of the Accountant General A&E)

Major Head-wise pending AC bills for the years up to 2010-11 are detailed in **Appendix-3.4**.

3.3.2 Non-adjustment of temporary advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. According to the Rule 271 of Chhattisgarh State Financial Code, if any temporary advance is pending for more than three months, the Treasury Officer and Accounts Officer are required to write to the Head of Department concerned for adjustment within a month duly supported with vouchers. An advance pending for more than five months should be brought to the notice of the Government.

As of 31 March 2011, details of temporary advances pertaining to various Civil Departments were not available for the year 2010-11. However, year-wise advances pending for adjustment are given in **Table-3.4**.

Table-3.4: Year-wise details of Temporary advances pending (Civil Departments)

(₹ in lakh)

Sl.No	Advances pertaining to year	No. of Advances	Amount
1	2006-07	07	5.35
2	2007-08	16	23.22
3	2008-09	47	9.03
4	2009-10	12	0.48
5	2010-11	Not available	
Total		82	38.08

(Source: Information from office of the Accountant General A&E)

In addition to the above, 118 cases of temporary advances aggregating ₹ 1.10 crore in Public Works, Public Health and Engineering and Water Resources Departments were pending adjustment by DDOs as on 31 March 2011. Year-wise details of advances were not available.

3.4 Advances from Contingency Fund

The Contingency Fund of the State has been established in pursuance of clause (1) of Articles 267 and 283 (2) of the Constitution of India. Advances from the Fund are to be given only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 40 crore. The following instance was observed where expenditure, though foreseeable in nature, incurred from the Contingency Fund.

- An amount of ₹ 1.50 crore was sanctioned (28 May 2010) as advance for purchase of furniture in the High Court building situated at Bodri, Bilaspur.

3.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 153 PD Account holders in 19 district treasuries and sub treasuries involving ₹ 496.34 crore as of March 2011. Of which, 59 PD Accounts involving ₹ 24.03 crore were not operated for more than three years. This included one PD account with a balance of ₹ 16.02 crore lying unchanged since August 1996. The amount lying in these inoperative accounts was not transferred back to their respective Service Heads as pointed out by Accountant General (A&E) during treasuries inspections. Details of age-wise inoperative PD accounts are given below:

Year	No. of PD accounts inoperative	Amount (₹ in crore)
3 – 5	3	0.26
5-10	16	7.35
10-15	33	0.33
15 years and above	7	16.09
Total	59	24.03

Parking of funds in PD Accounts adversely affected the transparency of State accounts as inflated the revenue expenditure and locked up of resources which could have been utilised elsewhere for development.

3.6 Conclusion

Non-submission of 10,888 UCs amounting to ₹ 4,264.71 crore by recipients of grant-in-aid (GIA) indicated lack of a proper monitoring mechanism in the concerned departments. This also implies release of GIA by the departments in successive years without receiving UCs of the previous years. Out of 1,957 pending cases of misappropriation, loss, defalcation etc., 252 cases involving ₹ 2.06 crore were pending for want of initiation of departmental and criminal investigations and of the total pending cases, 553 cases involving ₹ 1.52 crore were pending for more than 20 years.

DCC bills for only ₹ 22.13 crore were received during the period 2006-2011 against pending AC bills of ₹ 26.66 crore, leading to an outstanding balance of

AC bills for ₹ 4.53 crore as on 31 March 2011. As on 31 March 2011, 200 cases of temporary advances amounting ₹ 1.48 crore were pending for adjustment. Advance of ₹ 1.50 crore was sanctioned (May 2010) from Contingency Fund for purchase of furniture in the High Court Building at Bodri, Bilaspur. 59 Personal Deposit accounts involving ₹ 24.03 crore were not operated for more than three years.

3.7 Recommendations

- Departments should keep a strict vigil on the receipt of UCs from grantee institutions.
- Departmental enquiries in cases involving misappropriations, losses, defalcations etc., should be initiated promptly and completed expeditiously. Internal controls in all the organizations should be strengthened to prevent such cases.
- Outstanding AC bills and Temporary Advances should be adjusted in a timely manner.
- Advances from Contingency Fund should be given only for meeting expenses of an unforeseen and emergent character.
- Personal Deposit accounts should be closed at the end of the financial year and amount lying in non-operative PD accounts should be transferred back to their respective service heads.

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