

## CHAPTER 3

### FINANCIAL REPORTING

This chapter gives an inventory of Governments compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collected from several sources in support of the findings.

#### 3.1 Delay in furnishing Utilization Certificates

Under the Chhattisgarh State Financial Code, Utilization 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 sanction, unless specified otherwise. UCs outstanding beyond the specified periods indicate absence of assurance on utilization of the grants for intended purposes. As on 31 March 2013, out of 27238 UCs involving ₹ 11,012.95 crore given for the years 2007-08 to 2011-12 (*Appendix-3.1.*), 11858 UCs involving ₹ 6,848.30 crore were pending as detailed below in **Table 3.1.**

**Table -3.1- Details of Utilisation Certificates**

(₹ in crore)

Year	Number of Utilization Certificates awaited	Amount Involved
Up to 2009-10	5727	3,013.18
2010-11	3785	2,919.60
2011-12 (Upto 9/2011)	2346	9,15.52
<b>Total</b>	<b>11858</b>	<b>6,848.30</b>

The departments from which UCs were outstanding for more than ₹ 100 crore pertaining to the period prior to 2007-08 till 31 March 2013 were Local Bodies and *Panchayati Raj* Institutions (₹ 2,361.83 crore ), General Education (₹ 980.10 crore), Other Rural Development Programme (₹ 629.00 crore), Urban Development (₹ 415.21 crore), Social Security and Welfare (₹ 337.92 crore), Crop Husbandry (₹ 306.31 crore), Food Storage and Warehousing (₹ 282.73 crore), Power (₹ 205.16 crore), Water Supply and Sanitation (₹ 195.41 crore), Roads and Bridges (₹ 167.97 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 142.43 crore), Medical and Public Health (₹ 120.97 crore ) and Animal Husbandry (₹ 120.53 crore).

#### 3.2 Non-submission/delay in submission of details of grants/loans paid

In order to identify the institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Power and Conditions of Services) Act, 1971 (CAG's DPC Act), the Government/ Heads of the Departments are required to furnish to Audit every year the detailed information about the financial assistance given to various

institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts 2007 provides that Governments and heads of departments which sanction grants and / or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and/ or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority. As of August 2013, no department of the Government had furnished such details. In absence of which audit could not provide assurance to the Legislature/Government about the manner in which the grants sanctioned/paid by them were utilized.

### 3.3 Submission of Accounts/ Audit Report of Autonomous Bodies

There are 30 Autonomous Bodies in the State of which audit of accounts of two Autonomous Bodies has been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit and rendering of accounts by the Autonomous Bodies are given in **Table 3.2**

**Table-3.2: Position of submission of accounts**

Sl. No.	Name of the Body	Period of entrustment by the entity	Year up to which accounts rendered
1	Chhattisgarh State Housing Board	2004-05 to 2009-10 and 2007-08 to 2011-12	No accounts rendered till August 2013
2	Chhattisgarh State & District Legal Service Authority	2007-08 to 2011-12	Accounts for the year 2007-08 to 2010-11 have been rendered.

Out of the 13 annual accounts due from these two bodies, four accounts of Chhattisgarh State & District Legal Service Authority (CSDLSA) were received (November 2012). Accounts of CSDLSA for the year 2007-08 was audited and Separate Audit Report (SAR) was issued (July 2013) to the authority. But no intimation about placing of the SAR in the State Legislature was received (November 2013).

The remaining nine accounts are due from Chhattisgarh Housing Board (8) and CSDLSA (1). Expeditious measures may be taken by the State Government for ensuring timely compilation of the accounts and their submission to audit within a fixed timeframe so that financial irregularities, if any, do not remain undetected. The entrustment of the audit of Chhattisgarh Housing Board and CSDLSA for the year 2012-13 was not received (November 2013).

### 3.4 Unadjusted Abstract Contingent Bills

Status of submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per Rule 313 of the Chhattisgarh Treasury Code, every Drawing and Disbursing Officer (DDO) has to certify in each Abstract Contingent (AC) Bill that Detailed Countersigned Contingent (DC) Bills for all contingent charges drawn by him prior to the first of the current month, have been forwarded to the respective Controlling Officer for countersignature and transmitted to the Accountant General. As per information furnished by the AG (A&E), no AC Bill was outstanding by the end of previous financial year (31 March 2012). During 2012-13, 206 AC bills amounting to ₹ 6.22 crore were drawn against which 106 DC bills amounting ₹ 1.93 crore were received, leading to outstanding balances of 100 AC Bills amounting ₹ 4.29 crore as on 31 March 2013. Details are given in **Table-3.3**.

**Table-3.3: Status of submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills.**

(₹ in crore)

Year	Opening balance		AC bills received during year		DC bills during the year		Outstanding AC bills	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
Upto 2011-12	70	4.53	208	6.93	278	11.46	*	*
2012-13	0	0.00	206	6.22	106	1.93	100	4.29
<b>Total</b>			<b>206</b>	<b>6.22</b>	<b>106</b>	<b>1.93</b>	<b>100</b>	<b>4.29</b>

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

\*No DC bills upto the period of 2011-12 were outstanding.

Of the total outstanding amount of ₹ 4.29 crore of AC bills, ₹ 2.24 crore, (52 *per cent*) pertains to Village and Small Industries department, ₹ 0.89 crore (21 *per cent*), Crop Husbandry and ₹ 0.88 crore (21 *per cent*) Industries department. The department-wise details of outstanding AC bills for which DC bills were pending as on 31 March 2013 are given in **Appendix- 3.2**.

### 3.5 Personal Deposit Accounts

As per Subsidiary Rule 543 of Chhattisgarh Treasury Code, funds transferred by debiting the Consolidated Fund and crediting Personal Deposit (PD) Accounts should be transferred to the Consolidated Fund before the close of financial year and if eventually so arises, the PD Accounts may be opened next year again in the usual manner. The State Government drew an amount of ₹ 10.51 crore from Major Head 4217-Capital Outlay on Urban Development

and deposited it in the PD Account of Naya Raipur Development Authority on 31 March 2013. Such transfer on the last day of March indicates that it was primarily made to prevent lapse of the budget and reveals inadequate budgetary control. The details of PD Accounts in the State are given in **Table 3.4**.

**Table-3.4 The details of PD Accounts**

(₹ in crore)

Number and amount of Accounts as on 1 April 2012		Number of Accounts opened during the year		Number of Accounts closed during the year		Amount of transactions (Net) during the year	Number and amount of Accounts as on 31 March 2013	
143	729.22	01	25.00	07	0.72	123.43	137	605.79

(Source : Finance Accounts)

Further, as per the State Government instruction below Subsidiary Rule 543 of State Treasury Code, the Administrator of the respective PD Account, should submit an yearly certificate to the effect that the balances shown in the books of the Administrator agrees with the balances shown in the Plus and Minus Memorandum of the month of March. As on 31 March 2013, 126 out of 137 Administrators have not reconciled balances amounting to ₹ 600.29 crore. Further, it was also observed that 23 PD Accounts having money value of ₹ 3.77 crore have been inoperative for more than three years.

Parking of funds in PD Accounts and not utilizing the same for a considerable period inflated the revenue expenditure and blocking up the resources which could otherwise have been utilised for developmental purposes elsewhere.

### **3.6 Reporting of cases of losses and defalcations etc.**

Rules 22 and 23 of the Chhattisgarh Financial Code provides 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 loss of immovable property like building, roads and bridges due to fire, flood, storm and earthquake or natural reasons valuing ₹ 3,000 and above should also 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 stop recurrence.

Out of total 1586 cases reported by various departments of the State Government, Government fund amounting to ₹ 15.81 crore were awaiting conclusive investigation and settlement at the end of March 2013. Year-wise analysis of cases is shown in **Appendix-3.3**. The department-wise and

category-wise break up of pending cases are given in **Appendix-3.4**. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarized in **Table-3.5**.

**Table-3.5: Profile of losses and defalcations etc.**

(₹ in lakh)

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	293	482.15	Theft	134	61.09
5 – 10	300	332.72			
10 – 15	185	425.03	Loss of property/material	1410	1,388.77
15 – 20	232	147.18	Defalcation	42	131.01
20 – 25	246	120.77	Total pending cases	1586	1,580.87
25 & above	330	73.02			
<b>Total</b>	<b>1586</b>	<b>1,580.87</b>			

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

Further analysis indicated that the reasons for which the cases were outstanding could be classified under the five categories listed in the **Table-3.6**

**Table-3.6: Reasons for outstanding cases of loss and defalcation etc.**

(₹ in lakh)

Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	23	204.59
2	Departmental action initiated but not finalized	520	390.21
3	Criminal proceedings finalized but execution of certificate cases for recovery of the amount pending	02	0.10
4	Awaiting orders for recovery or write off	992	898.44
5	Pending in the courts of law	49	87.53
	<b>Total</b>	<b>1586</b>	<b>1,580.87</b>

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

The above table shows that out of 1586 outstanding cases, 992 cases (63 per cent) were pending due to non issue of the orders for recovery or write off by the departments/Government. This indicates that delayed action on the part of departments/Government led to non-realization or non-disposal of cases involving Government fund.

Further in 520 cases involving ₹ 390.21 lakh, though the departmental action has been initiated, but it was yet to be finalized as on 31 March 2013.

### 3.7 Adjustment of Miscellaneous Public Works Advances

#### 3.7.1 Introduction

Para 13.4 of Central Public Works Account Code provides for maintaining Miscellaneous Public Works Advances (MPWA) account by works departments. MPWA is a suspense head of account intended to record transactions on account of (i) sales on credit<sup>1</sup>, (ii) expenditure incurred on Deposit Works in excess of deposits received, (iii) losses, retrenchment, errors, etc.<sup>2</sup> and (iv) other items of expenditure<sup>3</sup>. Recoverable amounts which may become irrecoverable should not be so transferred until ordered to be written off. No charges should be debited to this head on the ground of absence or insufficiency of sanction or appropriation except on deposit work. The expenditure debited to MPWA should be allocated under Major Head 2059-799-Suspense and the detailed account of MPWA should be kept in Form 67 "Suspense Register" For items falling under the class "Expenditure incurred on Deposit Works in excess of deposits received", details are not necessary, as these are recorded in the Schedule of Deposit Works, Form 65. For each of the other three classes of items, a separate set of folios should be reserved, and all the items under each class should be detailed, so that their clearance may be watched individually. An abstract should be prepared to show the totals of all the classes and all the items under each class should be detailed, so that their clearance may be watched individually.

#### 3.7.2 Status of unadjusted Miscellaneous Public Works Advances

As per Monthly Accounts submitted to AG (A&E) by the three<sup>4</sup> departments, total of ₹133.01 crore<sup>5</sup> were lying unadjusted as on 31 March 2013 under MPWA. Detailed scrutiny of records of test checked six divisions revealed that advances amounting to ₹ 24.02 crore (275 cases) were lying unadjusted as detailed in **Table 3.7**

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<sup>1</sup> Sales on credit- When stores of any kind are sold on credit, their value plus if recoverable, the supervision charges should be debited to Misc. Works Advances under the head "sales on credit" so that the accounts of stock or works from which the materials are issued may be kept correctly, and (2) the recovery of the value from the local body or individual concerned may be watched through the regular accounts.

<sup>2</sup> "Losses, retrenchments, errors etc." appear in the cases of: a) deficiencies in cash or stock, b) actual losses of cash or stock, c) errors in accounts awaiting adjustment and d) retrenchments and losses of other kinds recoverable from Government Servants.

<sup>3</sup> Other Items of expenditure- The items of expenditure, not known or required to be recovered or settled.

<sup>4</sup> Public Works Department, Water Resources Department and Public Health Engineering Department.

<sup>5</sup> Public Works Department (₹ 61.61 crore) , Water Resources Department (₹ 31.85 crore) and Public Health Engineering Department (₹ 39.56 crore)



**Table 3.7 : Table showing age-wise pendency under MPWA accounts in test checked six divisions***(₹ in crore)*

Pending for number of years	Total number of cases	Total amount involved
0 to 5 year	30	8.58
5 to 10 year	34	6.96
10 to 15 year	23	1.91
15 to 20 year	39	0.93
20 to 25 year	33	1.56
25 to 30 year	18	0.83
More than 30 year	19	0.76
Cases where month and year of transaction not mentioned	79	2.49
<b>Total</b>	<b>275</b>	<b>24.02</b>

Three works departments failed to take necessary action to clear the suspense head notwithstanding the fact that position of outstanding balances under MPWA were brought to the notice of the departments/divisions concerned through Audit Inspection Reports for prompt recovery/settlement of the cases.

A review of outstanding balances under the head MPWA in six selected divisions revealed the followings:

- ***Irregular booking of expenses of ₹ 2.17 crore***

As per note below Para 13.4 of CPWA code, no charges should be debited to MPWA head on the ground of absence or insufficiency of sanction or appropriation except excess expenditure incurred on deposit works. However, during scrutiny of MPWA records of two<sup>6</sup> selected Public Works Divisions, it was observed that contrary to the above rule provision, the expenditure of ₹ 2.17 crore (21 cases) (*Appendix-3.5*) was incurred on account of VVIP/VIPs visit, *Rajyotsav* and for various purposes by Collectors, Raipur and Bilaspur and the expenditure was debited to MPWA head. The amount were neither adjusted nor recovered from the agencies concerned even after lapse of period ranging from four to more than 30 years. No efforts were made by the divisions to recover/adjust the above balances.

On this being pointed out, the Executive Engineer (EE), Public Works Department (PWD), Raipur stated (May 2013) that the concerned records are not traceable at present. Hence, reply would be furnished afterwards. EE, PWD, Bilaspur stated (May 2013) that due to non-availability of records, it is not possible to initiate any action on the matter after lapse of 30 years and some records were damaged due to rains.

Replies are indicative of the fact that the department did not initiated any action, due to non-availability of the basic records for a long period and in absence of which the possibility of recovery/adjustment of the above balances appear to the remote.

<sup>6</sup> EE, PWD, Division No.I, Raipur and EE, PWD, Division No.I, Bilaspur

- ***Non-recovery of advances from contractors and suppliers***

Scrutiny of records of test checked six divisions revealed that advances amounting to ₹ 10.37 crore (70 cases) (***Appendix-3.6***) was booked against the private parties like contractors, suppliers, oil companies, cement companies etc. and the advances were lying unadjusted since 1970. The advances should have been recovered /adjusted from the security deposit (SD), bank guarantee (BG) and running bills before final payments. However, it was noticed that the advances were neither adjusted against the SD and BG of the contractors and suppliers nor the departments have any SD, BG or any outstanding payments available with them to recover the balances. Further, the reasons for debiting the balances into MPWA, voucher number and date, authority to debit the amount into MPWA etc. were not mentioned in the MPWA registers.

On this being pointed out,

- The EE, PWD, Division-I, Raipur stated (May 2013) that reply would be furnished afterwards subject to availability of records.
- The EE, PHE Division, Raipur stated (June 2013) that notices were issued to the contractors concerned from time to time but the same were not furnished to audit for verification. As regards furnishing of information regarding the reasons for debiting the balances into MPWA, voucher number, date and authority to debit the amount into MPWA, EE, stated that the details were to be found out from the old records and on availability, the same would be intimated to audit.
- The EE, PWD, Division-I, Bilaspur stated (May 2013) that periodic correspondences are being made by the division to recover the advances.
- The EE, Water Management Division, Rudri stated (June 2013) that due to non-availability of whereabouts/correct address of the concerned contractors, correspondence could not be made. It was also stated that recovery of balance amount is not possible due to non-availability of any SD/BG from the contractor concerned.
- The EE, PHE Division, Jagdalpur stated (June 2013) that the advances were pending for adjustment due to non-availability of revised estimate and allotment. The recovery would be made from the contractors bills on receipt of allotment. Regarding old cases, it was stated that correspondence are being made to recover the balances.

The replies furnished by the EEs are the acceptance of the facts.

- ***Non-recovery/adjustment of advances from departmental officers***

Advances amounting to ₹ 4.55 crore (57 cases) (***Appendix-3.7***) were debited against departmental officers like EE, SDO, Sub-Engineers etc. The advances were lying unadjusted for a long period since 1972 onwards. Neither the outstanding advances were shown in the officers Last Pay Certificate nor any efforts were made for recovery/ adjustment of advances by the department after debiting the amount into MPWA against the officers.



On this being pointed out,

- The EE, PWD Division-I, Raipur stated that since the particular records are not traceable, the reply would be furnished afterwards.
- The EE, PHE Division, Raipur stated that being old cases, the records are currently not available due to frequent shifting of the division and it is not possible to trace out its origin. However, further efforts will be made to trace it out.
- The EE, PWD Division No.I, Bilaspur stated that two officers have since expired and the recovery against them has been waived off by order of the Government. For those cases whose whereabouts are not known, it is not possible to recover as the cases are very old. It was also stated that some cases were pending due to non availability of revised sanction and on receipt of the same; action would be initiated for adjustment.
- The EE, Water Management Division, Rudri stated that the whereabouts of the employee viz. present postings, retirements etc. were not available with the division and efforts would be made to trace out the whereabouts of the employees.
- The EE, PHE Division, Jagdalpur stated that correspondence are being made for recovery. In one case (item no.102), recovery of ₹ 12.77 lakh was made but adjustment was awaited due to technical problem.

Thus, it is evident from the above replies that in most of the divisions due to non-availability of the basic records and non-availability of the whereabouts of the employees there is remote possibility of recovery.

● ***Non-adjustment of advances from other divisions and departments***

Scrutiny of six works division revealed that ₹ 6.95 crore (130 cases) (***Appendix-3.8***) was lying unadjusted against other divisions, sub-divisions and departments. The advances were owing to supply of materials like iron, cement etc. to other divisions and on account of deposit works. The cases were pending for period ranging from six years and more than 30 years. The detailed particulars like reasons for debiting to MPWA account and authority to debit the amount, voucher number and date were also not available in most of the divisional records except recent cases. This indicates that efforts were not made by the divisions to clear the above advances.

On this being pointed out,

- The EE, PWD Raipur stated (May 2013) that the correspondence files are not traceable in the division. Hence, reply will be furnished after availability of records.
- The EE, PHE division, Raipur stated that Miscellaneous Advance against deposit work is adjusted frequently. The balances will be adjusted at the earliest. For other advances, several reminders were issued in the past and efforts are being made. But no such correspondence files were produced to audit.

- The EE, PWD, Bilaspur stated that the periodic correspondences were made by the then authorities, cases being very old the detailed particulars were not available.
- The EE, PHE, Jagdalpur stated that some of the advances were pending due to non-availability of revised allotment and on receipt of allotment major advances would be cleared. Regarding old cases, it was stated that regular correspondence were being made.

Besides the above six selected divisions, similar observations were also noticed during regular audit (May 2013 to October 2013) of the 13 works divisions of the Public Works Department. Scrutiny of the MPWA records revealed that advances amounting to ₹ 21.42 crore (*Appendix-3.9*) was lying unadjusted against contractors, suppliers, departmental officers and other divisions/departments.

On this being pointed out during audit of the EEs, it was stated that action/efforts are being taken for recovery/adjustment.

### **3.7.3 Other points**

As per para 13.4.7 of Central Public Works Account (CPWA) Code, the detailed account of MPWA should be kept in Form 67 "Suspense Register" and each item should be watched individually.

Scrutiny of records of six test checked divisions revealed that detailed account showing the particulars like nature of transactions, voucher number, authority for debiting into MPWA, reasons for non-recovery etc. were not entered in the Suspense Register. Thus, due to non-maintenance of basic records and non-adjustment/clearance for prolonged period, the possibility of recovery/adjustment appear to be remote.

Note below in Form-70, Part-II of CPWA Code provides that the schedules<sup>7</sup> relating to the month of September and March are required to be accompanied with a list of items outstanding for more than six months. Scrutiny of the monthly accounts revealed that the same were not prepared and only abstracts were enclosed in the monthly accounts by almost all the works divisions barring a few (13 out of 153 divisions submitted detailed account). Thus, due to non-maintenance of basic records, the purpose for watching each and every item and efforts for clearing the items from suspense account were not done which resulted in accumulation of transactions under MPWA for prolonged period.

## **3.8 Conclusion**

Utilisation Certificates (11858) in respect of grants amounting to ₹ 6,848.30 crore paid during the period 2007-08 to 2011-12 were pending. No Accounts of the autonomous body viz. Chhattisgarh Housing Board were rendered to audit as of 31 March 2013. Detailed Contingent Bills for ₹ 4.29 crore out of

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<sup>7</sup> Schedule on Misc. Public Works Advances enclosed with the monthly accounts of Work Department.

₹ 6.22 crore drawn on Abstract Contingent Bills were outstanding at the end of 31 March 2013. Funds amounting to ₹ 605.79 crore were lying in the PD Accounts at the end of 31 March 2013. As many as 23 PD Accounts involving ₹ 3.77 crore were not operated for more than three years. Out of 1586 pending cases of loss and defalcation etc., 576 cases involving ₹ 193.79 crore were pending for more than 20 years. Miscellaneous Public Works Advances amounting to ₹ 133.01 crore were pending against contractors, suppliers, departmental staffs and other departments/divisions for adjustment as of 31 March 2013. Non-clearance of MPWA accounts not only resulted in accumulation of large amount under suspense account but also resulted in extension of undue financial benefits to the contractors and suppliers.

### 3.9 Recommendations

***The Government should ensure that***

- *Departments should keep a strict vigil on the receipt of Utilisation Certificates from the grantees.*
- *A monitoring mechanism should be in place for timely adjustment of outstanding Abstract Contingency Bills.*
- *Personal Deposit accounts should be closed at the end of financial year and amounts lying in non-operative PD accounts should be transferred back to their respective service heads.*
- *The practice of booking transactions into MPWA without valid reason and in violation of CPWA code by the divisions should be avoided.*
- *Effective and timely action should be taken to settle the pending cases of Miscellaneous Public Work Advances against the private parties and departmental officers.*

**Raipur  
The**

**(PURNA CHANDRA MAJHI)  
Accountant General (Audit), Chhattisgarh**

**Countersigned**

**New Delhi  
The**

**(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India**