

CHAPTER III
FINANCIAL REPORTING

FINANCIAL REPORTING

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State. 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. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including 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 as well as the previous years.

3.1 Unadjusted Abstract Contingent bills

Rule 177 of Bihar Treasury Code (BTC), 2011 provides that a certificate shall be furnished by the DDO to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC, 2011, countersigned DC bill shall be submitted within six months following the month in which the abstract bill was drawn and no abstract bill shall be cashed after the end of this period of six months unless detailed bill has submitted.

The year-wise details of drawal and adjustment of amounts of AC bills are given below:

Table 3.1: Position of outstanding AC bills

(₹ in crore)

Year	AC bills drawn		AC bills adjusted		Outstanding AC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2012-13	94017	31946.11	77325	29292.92	16692	2653.19
2013-14	1294	728.61	155	33.96	1139	694.65
2014-15(*)	2097	2040.06	40	6.48	2057	2033.58
Total	97408	34714.78	77520	29333.36	19888	5381.42

* 959 AC bills amounting to ₹ 1845.68 crore out of 2097 AC bills will be due after 31 March 2015
(Source: Notes to Accounts for the year 2014-15)

As indicated in Table 3.1 out of ₹ 34714.78 crore drawn on 97408 AC bills, only 77520 AC bills for ₹ 29333.36 crore were adjusted by the Accountant General (A&E), Bihar. However, despite of flagging this issue at regular intervals with the State Government, as of 31 March 2015, DC bills were yet to be submitted for ₹ 5381.42 crore drawn on 19888 AC bills.

Scrutiny revealed that out of ₹ 2040.06 crore drawn during 2014-15 on AC bills, a sum of ₹ 726.65 crore (35.62 per cent) was drawn in March 2015. Substantial expenditure against AC bills in March indicates that the drawal was primarily to exhaust the budget provisions and reveals inadequate budgetary control.

3.2 Delay in furnishing Utilisation Certificates

The term Grants-in-aid includes grants to local bodies, religious, charitable or educational institutions, stipend, scholarship, contributions to public exhibitions etc. Rule 341(2) of Bihar Financial Rules states that only so much of the grant should be paid during the financial year as is likely to be expended during that year, the authority signing or countersigning a bill for Grants-in-aid under Rule 431 of Bihar Treasury Code 1937 should see that money is not drawn in advance of requirement. There should be no occasion for rush for payment of these grants in the month of March. Further, Finance Department's executive order dated 16 January 1975, prescribed time of one year from the date of sanction for giving utilisation certificates. This time limit was however, revised to 18 months vide FDs executive order dated 19 October 2011.

The status of outstanding UCs as on 31 March 2015 are summarised in **Table 3.2**.

Table 3.2: Details of outstanding UCs

(₹ in crore)		
Year	Number of UCs awaited	Amount
Upto 2011-12	1194	14641.73
2012-13	404	9090.10
2013-14	112	7778.90
	295*	5414.30
2014-15	466*	22359.29
Total	2471	59284.32

* Number of UCs not due as on 31 March 2015.

(Source: Notes to Accounts for the year 2014-15)

As on 31 March 2015, 1710 UCs amounting to ₹ 31510.73 crore was due. Sixty five per cent of the amount of UCs due pertains to the Departments of Education (396 UCs amounting to ₹ 12753.40 crore) and Panchayati Raj (198 UCs amounting to ₹ 7778.41 crore). UCs outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes.

As huge amounts are lying unutilised, oversight of release/utilisation and accountability should be the priority in order to ensure that the funds are not diverted/misused.

3.3 Non-submission of the details of grants or loans paid to Bodies and Authorities

In order to identify institutions/organisations which attract audit under Section 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C &AG's DPC Act), the Government/Heads of

Department 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 the amount of assistance, the purpose for which the assistance was sanctioned and the total expenditure of the body or authority.

None of the Departments of the Government of Bihar had furnished such details for the year 2014-15. The matter was taken up with Finance Department in May 2015. The reply was awaited as of September 2015.

Twenty three bodies/authorities in the state which attract audit under Section 14 of C&AG's (DPC) Act, 1971 have been identified by Audit, of which audit of 22 authorities/bodies have been conducted for various periods as of July 2015 as shown in *Appendix 3.1*.

Due to non-submission of information about the financial assistance given by the Government, the purpose of assistance granted and the total expenditure of such bodies/authorities, it was not possible to provide assurance to Legislature/Government about the manner in which the grants sanctioned/paid by them has been utilised. This dilutes control in Government expenditure systems.

3.4 Delay in submission of Accounts/Audit Reports of Authorities or Bodies for certification

Section 20 (1) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, provides for the audit of accounts of any body or authority, if entrusted to the Comptroller and Auditor General by any law or if requested to do so by the Governor of a State having a Legislative Assembly. Such audit could be undertaken on such terms and conditions as may be agreed upon between Comptroller and Auditor General and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of the bodies and authorities.

The audit of accounts of the Bihar State Legal Services Authority was entrusted to the Comptroller and Auditor General permanently. Further, the audit of accounts of the Bihar State Khadi and Village Industries Board (upto 2009-10), the Bihar State Housing Board (upto 2003-04) and the Rajendra Agriculture University (upto 2011-12), Pusa, Samastipur were entrusted to the Comptroller and Auditor General. The position of submission of accounts by these bodies, issuance of Separate Audit Reports (SARs) by the Comptroller and Auditor General and their placement in the State Legislature are indicated in *Appendix 3.2*

3.5 Outstanding balances under major suspense and remittance heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of gross figures under some of major Suspense and Remittance heads to the end of last three years is indicated in **Table 3.3**.

Table 3.3: The position of Suspense and Remittance balances

Name of Minor Head	2012-13		2013-14		2014-15	
	Dr	Cr	Dr	Cr	Dr	Cr
8658-101 - Pay and Accounts Office Suspense	214.35	0.00	235.47	0.00	245.63	0.00
Net	(Dr) 214.35		(Dr) 235.47		(Dr) 245.63	
8658-102 - Suspense Accounts (Civil)	1707.43	253.37	1778.62	258.09	3423.16	282.10
Net	(Dr) 1454.06		(Dr) 1520.53		(Dr) 3141.06	
8658-110 – Reserve Bank Suspense - Central Accounts Office	1237.71	894.60	1225.14	894.60	1235.26	894.60
Net	(Dr) 343.11		(Dr) 330.54		(Dr) 340.66	
8782-102-Public Works Remittances	8624.88	8806.17	12047.47	12187.96	11913.94	11994.34
Net	(Cr) 181.29		(Cr) 140.49		(Cr) 80.40	
8782-103-Forest Remittance	127.82	119.95	208.11	185.49	248.82	227.19
Net	(Dr) 7.87		(Dr) 22.62		(Dr) 21.63	

(Source: Notes to Accounts for the year 2014-15)

There is net increase of ₹ 10.16 crore debit under 101-Pay and Accounts office suspense, ₹ 1620.53 crore (debit) under 102-Suspense Accounts (Civil) and ₹ 10.12 crore (debit) under 110-Reserve Bank Suspense-Central Accounts office, as compared to 2013-14.

If these amounts remain un-cleared, the balances under the Suspense Heads would accumulate and would not reflect true and fair picture of Government's expenditure. Thus, clearance of outstanding balances under Suspense Heads would require to be vigorously pursued.

3.6 Non-adjustment of Temporary Advances and Imprest

As per Rule 176 of Bihar Treasury Code 2011, no money should be withdrawn from the treasury unless it is required for immediate payment. Further, as per Rule 177, it is not permissible to draw advances in anticipation of expenditure from the Treasury either for the execution of works, completion of which is likely to take a considerable time or to prevent the lapse of appropriation. If under

special circumstances, money is drawn in advance, the unspent balance of the amount so drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest possible opportunity and in any case before the end of the financial year in which the amount is drawn.

It was noticed that ₹ 186.08 crore of temporary advances and imprest was drawn upto 31 March 2015 by the DDOs of eight concerned departments/organisation. Department/Organisation wise analysis of advances and imprest pending upto 31 March 2015 is given in **Table 3.4**.

Table 3.4: Department/Organisation wise analysis of pending Advances and Imprest

(₹ in crore)

Sl. No.	Name of the Department/ Organisation	Total amount of unadjusted advances and Imprest		
		Temporary advance	Imprest	Total
1	Building Construction	5.69	2.15	7.84
2	Irrigation	36.93	10.86	47.79
3	National Highways	0.82	0.12	0.94
4	Public Health Engineering	8.38	3.33	11.71
5	Road Construction	67.52	0.24	67.76
6	Rural Works	9.95	9.65	19.60
7	Local Area Engineering Organisation	16.49	9.66	26.15
8	Tube wells and Minor Irrigation	2.08	2.21	4.29
Total				186.08

(Source: Notes to Accounts for the year 2014-15)

The pending cases of advances and imprest indicated laxity on the part of departmental officers in enforcing the codal provisions regarding adjustment of the advances involving substantial amount.

3.7 Non-reconciliation of Receipts and Expenditure

Rule 475 (viii) of the Bihar Financial Rules provides that the Heads of departments and the Accountant General (A&E), Bihar will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the Head of the department with those of the figures appearing in the books of the Accountant General (A&E). The main object of reconciliation is to ensure that the departmental accounts are sufficiently accurate to render an efficient departmental control of expenditure.

Scrutiny however revealed that, inspite of cases of non-reconciliation of departmental accounts being pointed out in the earlier Reports and pursuance by the Accountant General (A&E), such lapses on the part of controlling officers continued to persist during 2014-15. Against the total expenditure of ₹ 90720.39 crore, reconciliation was completed for only ₹ 35942.61 crore (39.62 per cent) of the total expenditure during 2014-15. Out of the total receipts of ₹ 78417.54 crore, only ₹ 58378.97 crore (74.45 per cent) was reconciled. Only 2492 (12.18 per cent) Drawing and Disbursing Officers (DDOs) out of 20465 DDOs have reconciled their accounts upto 31 March 2015.

3.8 Operation of omnibus Minor Head-800

Booking of receipts or expenditure under the Minor Head ‘800 – Other Receipts’ and ‘800 – Other Expenditure’ is considered as opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes etc., to which the amount relates. The head accommodates expenditure which cannot be classified under the available programme minor heads.

During 2014-15, ₹ 461.55 crore under 25 Revenue and Capital Major Heads of accounts on the expenditure side, constituting 0.51 *per cent* of the total expenditure was classified under Minor Head ‘800 Other Expenditure’ below the respective Major Heads. Similarly, ₹ 470.52 crore under 43 Revenue Major Heads of accounts on the receipts side (excluding Grants-in-aid), constituting about 0.60 *per cent* of the total revenue receipts were classified under the Minor Head ‘800- Other Receipts’ below the respective Major Heads. Instances where a substantial proportion (more than 50 *per cent* of the total under the related Major Head) of receipts were classified under Minor Head 800- Other Receipts are given in **Appendix 3.3**. As the amount of expenditure under Minor Head 800– Other expenditure was below 50 *per cent* under the concerned MH, no separate Annexure has explicitly appended.

3.9 Conclusion and Recommendations

Unadjusted Abstract Contingent bills

- Significant amount of ₹ 5381.42 crore drawn on Abstract Contingent (AC) bills remained outstanding as of March 2015 due to non-submission of Detailed Contingent (DC) bills.

The State Government should ensure timely submission of DC bills as per extant rules and provisions.

Delay in furnishing Utilisation Certificates

- Utilisation certificates (UCs) of ₹ 31510.73 crore against the Grant-in-aid (GIA) bills drawn by different departments were outstanding as of 31 March 2015. Non-receipt of UCs against the GIA bills for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of the grants for the intended purpose.

The State Government should ensure timely utilisation of the grants for the intended purpose and submission of UCs there against.

Delay in submission of Accounts/Audit Reports of authorities or bodies for certification

- There was delay of one year one month to over three years in submission of Accounts/Audit Reports by all the four authorities or bodies for certification.

Government Departments should ensure timely submission of the Accounts of authorities or bodies to the Accountant General (Audit).

Non-adjustment of Temporary advances and Imprest

- Temporary advances and Imprest of ₹ 186.08 crore drawn upto 31 March 2015 by eight Departments/Organisation remained to be adjusted.

Government Departments/Organisation should ensure timely recovery/adjustment of Temporary advances and Imprest at the end of the year.

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COUNTERSIGNED

New Delhi
The 19 January 2016


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