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**Chapter-3**  
**FINANCIAL REPORTING**

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A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance by a 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 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 year 2015-16.

### **3.1 Compliance Audit of outstanding Utilisation Certificates against the grants**

#### **3.1.1 Introduction**

Grants-in-Aid (GIA) are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. GIA is given by the Union Government to the State Governments or Panchayati Raj Institutions, agencies, bodies and institutions. Similarly, the State governments also disburse GIA to agencies, bodies and institutions such as universities, hospitals, cooperative institutions and others. The grants so released are utilised by these agencies, bodies and institution for meeting day-to-day operating expenses and for creation of capital assets.

Rule 341 of the Jharkhand Financial Rules (JFR) provides that only so much of GIA should be paid during the financial year as is likely to be expended during that year, the authority signing or countersigning a bill for GIA should see that the money is not drawn in advance of requirement.

Rule 342 of further stipulates that if GIA are provided during a year for specific purposes, Utilisation Certificates (UCs) in form GFR-19A should be obtained by the departmental officers from the grantees and after verification these should be forwarded to the Accountant General (A&E), Jharkhand within 12 months from the date of their sanction.

It was noticed that 8,382 UCs due in respect of grants aggregating ₹ 22,325.68 crore paid up to 2014-15, were outstanding at the end of March 2016. A major part of such UCs was outstanding against five Departments, viz. Education Department (217 UCs aggregating ₹ 9,862.90 crore), Urban Development Department (4,770 UCs aggregating ₹ 2,400.98 crore), Welfare Department (693 UCs aggregating ₹ 603.78 crore), Industry Department (131 UCs aggregating ₹ 165.89 crore) and Co-operative Department (126 UCs aggregating ₹ 156.09 crore). The Department-wise break-up of outstanding UCs is given in **Appendix 3.1**.

As on 30 June 2016, the number and amount of outstanding UCs were reduced to 8,288 and ₹ 18,904.41 crore respectively as shown in **Table 3.1**.

**Table 3.1: Outstanding Utilisation Certificates (as on 30.06.2016)**

Year in which GIA disbursed	Year in which UCs due	Utilisation Certificates Outstanding	
		Number	Amount (₹ in crore)
Up to 2010-11	Up to 2011-12	2481	1138.43
2011-12	2012-13	555	438.46
2012-13	2013-14	1068	1391.03
2013-14	2014-15	1590	1979.95
2014-15	2015-16	2594	13956.54
<b>Total Number of UCs awaited</b>		<b>8288</b>	<b>18904.41</b>

Source: Finance Accounts of Government of Jharkhand 2015-16

Further, the comparative status of last four years in six departments having major outstanding UCs as on July 2016 is given in the Table below:

**Table 3.2: Major Departments having Outstanding Utilisation Certificates (as on 30.06.2016)**

(₹ In lakh)

Sl. No.	Name of Department	2011-12		2012-13		2013-14		2014-15	
		No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
1	Human Resources	4	27.20	3	42.00	12	404.49	155	9271.16
2	Rural Development	0	0.00	0	0.00	0	0.00	19	2491.55
3	Panchayati Raj and NREP	18	21.85	44	450.04	505	673.67	1129	2135.31
4	Energy	0	0.00	0	0.00	0	0.00	6	1852.02
5	Urban Development	319	117.20	810	441.35	889	432.19	950	897.67
6	Welfare	135	11.63	98	166.11	152	166.77	215	226.26
<b>Grand Total</b>		<b>476</b>	<b>177.88</b>	<b>955</b>	<b>1099.50</b>	<b>1558</b>	<b>1677.12</b>	<b>2474</b>	<b>16873.97</b>

As shown in the above table a huge amount was given as Grants-in-Aid to different agencies under Human Resources, Rural Development, Panchayati Raj & N.R.E.P. and Energy Departments during 2015-16. The main reasons for such huge increase was routing of direct transfer of funds by the Central Government to State implementing agencies through the State Budget.

Non-receipt of UCs 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 purposes.

A compliance audit of outstanding Utilisation Certificates under Grant No. 48 – Urban Development and Housing (UD&H) Department was carried out for the period 2006-15.

### 3.1.2 Outstanding Utilisation Certificates against the grants

The year-wise status of outstanding UCs of ₹ 2,399.08 crore in respect of UD&H Department as on 31 March 2016 is given in Table 3.3.

**Table 3.3: Statement showing outstanding UCs as on 31 March 2016 for the GIA disbursed by the UD&H Department during 2006-15**

Year of disbursement of GIA	Head under UD & H Department (₹ in crore)							
	2215		2217		4217		Total	
	No. of UC	Amount	No. of UC	Amount	No. of UC	Amount	No. of UC	Amount
2006-07	51	7.62	98	15.77	32	0.44	181	23.83
2007-08	43	4.18	37	2.47	105	38.50	185	45.15
2008-09	138	16.91	80	5.26	121	89.85	339	112.02

Year of disbursement of GIA	Head under UD & H Department (₹ in crore)							
	2215		2217		4217		Total	
	No. of UC	Amount	No. of UC	Amount	No. of UC	Amount	No. of UC	Amount
2009-10	192	12.77	183	14.60	192	166.27	567	193.64
2010-11	296	61.96	195	69.17	3	5.00	494	136.13
2011-12	150	81.54	169	35.66	0	0.00	319	117.20
2012-13	80	65.01	597	192.47	133	183.87	810	441.35
2013-14	165	65.75	722	366.19	2	0.25	889	432.19
2014-15	255	206.01	695	691.56	0	0.00	950	897.57
<b>Total</b>	<b>1370</b>	<b>521.75</b>	<b>2776</b>	<b>1393.15</b>	<b>588</b>	<b>484.18</b>	<b>4734</b>	<b>2399.08</b>

We observed that 4,734 UCs for 2006-15 amounting to ₹ 2,399.08 crore were outstanding as on 31 March 2016 in UD&H Department. As shown in the above table, out of total outstanding ₹ 2,399.08 crore against 4,734 UCs as on 31 March 2016, ₹ 484.18 crore of 588 UCs were for Capital Creation.

Further, detailed examination of the 10 test checked ULBs revealed that 947 UCs amounting to ₹ 520.00 crore were not submitted to AG (A&E) as of September 2016 as detailed in Table 3.4.

**Table 3.4: Details of UCs not submitted to AG (A&E)**

(₹ In lakh)

Sl. No.	Name of ULB	Number of wanting UCs (2006-07 to 2014-15)	Head 2215	Head 4217	Head 2217	Total
1	Ranchi Municipal Corporation	105	1393.03	3170.10	16621.34	21184.47
2	Bundu Nagar Panchayat	59	1958.36	58.99	1205.24	3222.59
3	Sahibganj Municipal Council	96	729.55	157.25	5992.25	6879.05
4	Godda Nagar Panchayat	99	169.14	35.94	1614.43	1819.51
5	Jamtara Nagar Panchayat	100	152.23	20.12	1845.06	2017.41
6	Lohardaga Municipal Council	116	129.64	306.84	3248.54	3685.02
7	Jamshedpur Notified Area Committee	87	1506.99	124.31	4035.17	5666.47
8	Jugsalai Municipality	94	739.79	60.73	673.25	1473.77
9	Mango Notified Area Committee	98	2173.92	180.95	1820.20	4175.07
10	Adityapur Municipal Council	93	75.11	142.08	1659.40	1876.59
<b>Total</b>		<b>947</b>	<b>9027.76</b>	<b>4257.31</b>	<b>38714.88</b>	<b>51999.95</b>

During test check of units various reasons for non-submission of UCs were noticed. Some of the major reasons are as under:

### 3.1.3 Grants not utilised

During test check of following units it was observed that ₹ 4,348.53 lakh received vide 146 grants were not utilized till the end of March 2016.

**Table 3.5: Units-wise detail of Grants not utilised**

Sl. No.	Name of ULB	Period	No. of grants drawn but not used	Amount (in lakh)
1	Ranchi Municipal Corporation	2006-07 to 2014-15	4	706.65
2	Bundu Nagar Panchayat		12	295.21
3	Sahibganj Municipal Council		37	730.37
4	Jamtara Nagar Panchayat		8	475.84
5	Lohardaga Municipal Council		21	687.82
6	Jamshedpur Notified Area Committee		14	1012.94
7	Jugsalai Municipality		50	439.70
<b>Total</b>			<b>146</b>	<b>4348.53</b>

It was observed that out of total ₹ 4,348.53 lakh shown in the above table a major part amounting to ₹ 1,218.32 lakh was provided for sanitation work and ₹ 2,601.35 lakh was provided for Roads in four units (Lohardagga, Jamshedppur, Bundu and Sahibganj).

### 3.1.4 Delay in submission of UCs

It was observed during test check of 10 units that 511 number of UCs amounting to ₹ 28,015.60 lakh were submitted by the implementing agencies to the Urban Development and Housing Department but the same were not submitted by the Department to the Principal Accountant General (A&E) Jharkhand even after long delays. The submission of UCs to the Department by the implementing agencies ranged between one month to 106 months as detailed in below:

**Table 3.6: Unit-wise delay in submission of UCs**

Sl. No.	Name of ULB	No of UC Submitted to Department	Amount (in lakh)	Delay(in month)
1	Ranchi Municipal Corporation	47	8037.58	1-39
2	Bundu Nagar Panchayat	30	2854.91	2-52
3	Sahibganj Municipal Council	39	5265.93	2-62
4	Godda Nagar Panchayat	27	613.23	2-37
5	Jamtara Nagar Panchayat	31	901.00	2-24
6	Lohardaga Municipal Council	82	2453.48	2-61
7	Jamshedpur Notified Area Committee	68	4213.25	1-25
8	Jugsalai Municipality	40	479.34	1-45
9	Mango Notified Area Committee	64	1424.71	1-106
10	Adityapur Municipal Council	83	1772.17	3-106
<b>Total</b>		<b>511</b>	<b>28015.60</b>	

### 3.1.5 Funds kept in PL/Bank Accounts

Further, detailed examination of the 10 test checked ULBs revealed that funds amounting to ₹ 848.44 crore were kept in PL Accounts and ₹ 263.36 crore were kept in Bank account at the end of March 2016. As detailed in the Table 3.7:

**Table 3.7 : Details of Funds kept in PL/Bank Accounts**

(₹ in crore)

Sl. No.	Name of ULBs	Balance in PL A/c as on 31.03.16	Balance in Bank A/c as on 31.03.16	Total Balance as on 31.03.16
1	Ranchi Municipal Corporation	622.77	226.11	848.88
2	Bundu Nagar Panchayat	19.93	0.25	20.18
3	Sahibganj Municipal Council	36.75	Nil	36.75
4	Godda Nagar Panchayat	12.78	Nil	12.78
5	Jamtara Nagar Panchayat	5.37	0.54	5.91
6	Lohardaga Municipal Council	16.37	10.73	27.10
7	Jamshedpur Notified Area Committee	60.66	23.09	83.75
8	Jugsalai Municipality	5.85	0.46	6.31
9	Mango Notified Area Committee	40.01	0.97	40.98
10	Adityapur Municipal Council	27.95	1.21	29.16
<b>Total</b>		<b>848.44</b>	<b>263.36</b>	<b>1111.80</b>

### 3.2 Submission of accounts and audit of Autonomous Bodies, Authorities and Grantee institutions

#### 3.2.1 Audit under Sections 14 and 15 of CAG's (DPC) Act, 1971

In order to identify institutions which attract audit under Sections 14 and 15 of the CAG's (DPC) Act, 1971, the Government/Heads of Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of such assistance and the total expenditure of the institutions. Out of Annual accounts of 74 bodies/authorities in the State, audit of 69 assisted authorities/bodies have been conducted for various periods as of August 2016 as shown in **Appendix 3.2**.

State Government need to take appropriate measures to ensure that these accounts are compiled and submitted for audit within a fixed timeframe, so as to ensure that financial irregularities, if any, do not go undetected.

#### 3.2.2 Audit under section 19 of CAG's (DPC) Act, 1971

There are five Autonomous Bodies<sup>1</sup> in the State which are to be audited under Sections 19 of the C&AG's (DPC) Act, with regard to verification of their transactions, operational activities and accounts, conducting compliance audit of transactions, review of internal management and financial controls, review of systems and procedures, etc.

Statement showing submission of accounts and status of audit of the five autonomous bodies is given in **Table 3.8**.

**Table 3.8: Statement showing submission of accounts and status of audit of the autonomous bodies**

Sl. No.	Name of Bodies/ Authority	Year up to which accounts were rendered	Period up to which SAR was issued	Placement of SAR in the Legislature	Comments
1	Jharkhand State Legal Services Authority (JHALSA)	2010-11	2010-11	Not intimated	Annual Accounts for the years 2011-12 to 2015-16 have not been received so far (August 2016)
2	Jharkhand State Electricity Regularity Commission (JSERC)	2014-15	2011-12	Not intimated	Annual Accounts for the year 2015-16 have not been received till date.
3	Rajendra Institute of Medical Sciences (RIMS)	Not submitted since entrusted (2009)	-NA-	-NA-	In spite of active persuasion annual accounts for any year have not been submitted to Audit as of September 2016.
4	Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS), Ranchi	Nil	Nil	Nil	Annual Accounts have not been received till date. However, Compliance Audit is being conducted regularly.
5	Jharkhand Housing Board, Ranchi	Nil	Nil	Nil	Annual Accounts have not been received till date since its inception (2001). However, Compliance Audit is being conducted regularly.

<sup>1</sup> (i) Jharkhand State Legal Services Authority (JHALSA) including 22 District Legal Services Authorities (DLSAs) (ii) Jharkhand State Electricity Regulatory Commission (JSERC) (iii) Rajendra Institute of Medical Sciences (RIMS) (iv) Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS) and (v) Jharkhand Housing Board, Ranchi.

### 3.3 Audit of funds drawn on Abstract Contingent bills by Urban Development and Housing Department

#### 3.3.1 Introduction

As per Rule 318 of the Jharkhand Treasury Code (JTC) Volume-I & II, contingent charges can be drawn as an advance from the treasury on an Abstract Contingent (AC) bill (T.C. Form 38), without any supporting voucher. The expenditure is debited under the relevant service head and the Detailed Contingent (DC) bill (in T.C. Form 39)<sup>2</sup> supported with sub-vouchers and countersigned by the Controlling Officer (CO)<sup>3</sup> is required to be submitted to the Accountant General (A&E) not later than 25<sup>th</sup> of the month<sup>4</sup> following that to which they relate. A certificate to the effect that the detailed bills for the AC bills drawn in the previous month have been submitted for countersignature to the CO shall be attached to the first AC bill presented for payment after the 10<sup>th</sup> of each month (Rule 319 of the JTC).

The total amount for which DC bills were received was ₹ 11,610 crore against the total value of AC bills of ₹ 17,081 crore drawn during 2000-16, leading to an outstanding balance of DC bills worth ₹ 5,471 crore as on 16 May 2016. Year-wise details are given in **Table 3.9**.

**Table 3.9: Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills**

(₹ in crore)

Year	AC bills drawn		DC bills submitted		Outstanding DC bills		Percentage of outstanding amount of DC bills
	Number	Amount	Number	Amount	Number	Amount	
Upto 2013-14	54563	15135	44352	11235	10211	3900	26
2014-15	550	721	534	316	16	405	56
2015-16	851	1225	95	59	756	1166	95
<b>Total</b>	<b>55964</b>	<b>17081</b>	<b>44981</b>	<b>11610</b>	<b>10983</b>	<b>5471</b>	<b>32</b>

Source: Notes to Accounts of Finance Accounts of respective years

As given in **Table 3.9**, the amount for which DC bills were outstanding against the total AC bill amount drawn during 2000-16 was 32 *per cent* up to 16 May 2016. Major defaulting departments were 'Rural Development Department' (₹ 1,357 crore), 'Welfare Department' (₹ 893 crore), 'Women, Child Development and Social Security Department' (₹ 536 crore), 'Health, Medical Education and Family Welfare Department' (₹ 525 crore) and 'Home Department' (₹ 497 crore). Non-submission of DC bills was 95 *per cent* of the amount drawn in AC bills during 2015-16, as compared to 56 *per cent* for the previous year. Due to non-submission of DC bills by the Controlling Officers, the expenditure of the State during the respective years was overstated to the extent of the advance drawn on AC bills. Department-wise comparative outstanding DC bills is given in table below:

<sup>2</sup> Rule 320 of JTC

<sup>3</sup> If there is no Controlling Officer, it may be signed by the Head of the office and directly sent to the Accountant General (A&E).

<sup>4</sup> Rule 322 of JTC

**Table 3.10: Department-wise comparative details of outstanding DC bills**

Sl. No.	Name of Department	Outstanding DC bills as on 02.12.16 (₹ in crore)				
		2011-12	2012-13	2013-14	2014-15	2015-16
1	Rural Development Department	47.38	34.86	37.08	111.72	260.94
2	Home, Jail and Disaster Management Department (Disaster Management Division)	3.57	0.08	0.27	0.11	221.71
3	Women, Child Development and Social Security Department	5.26	30.12	0.18	0.10	83.72
3	Welfare Development	30.63	95.45	114.48	8.01	77.36
5	Health, Medical Education and Family Welfare Department	0.97	0.34	32.21	24.89	71.94
<b>Total</b>		<b>87.81</b>	<b>160.85</b>	<b>184.22</b>	<b>144.83</b>	<b>715.67</b>

As shown in the above table a huge amount of DC bills was outstanding against Rural Development and Home Department which increased significantly year after year.

A compliance audit of the funds withdrawn on AC bills by Urban Development and Housing (UD&H) Department was conducted. We observed that no AC bill was drawn after the year 2013-14. Position of AC bills drawn upto March 2014 is shown in Table 3.11

**Table 3.11: Pending in submission of Detailed Contingent (DC) Bills against Abstract Contingent (AC) Bills**

(₹ in lakh)

Major Head	AC Bill Drawn		DC Bills submitted		Outstanding DC Bills	
	No. of AC Bill	Amount	No. of DC Bills	Amount	No. of DC Bills	Amount
2215	3	0.41	2	0.34	1	0.07
2217	50	703.27	26	471.37	24	231.90
2251	29	7.89	17	5.79	12	2.10
4217	19	2880.04	5	35.97	14	2844.07
<b>Total</b>	<b>101</b>	<b>3591.61</b>	<b>50</b>	<b>513.47</b>	<b>51</b>	<b>3078.14</b>

- It was evident from the above table that out of AC bills amounting to ₹ 3,591.61 lakh drawn upto March 2014, Detailed Contingent bills amounting to ₹ 3,078.14 lakh (85.71 per cent) has not been submitted by the UD&H Department. Out of ₹ 3,078.14 lakh outstanding as on July 2016, ₹ 2,844.07 lakh was provided for Capital creation. Further, ₹ 75.83 lakh was given as Grants-in-Aid but shown as drawn under eight AC bills which was under consideration.
- It was noticed during the test check that out of ₹ 3,591.61 lakh drawn on AC bills in UD&H Department during 2004-14, an amount of ₹ 3,465.72 lakh i.e. 96 per cent was drawn in the month of March which indicates that the fund was drawn on AC bills to avoid the lapse of budgetary grant at the end of the financial year.

### **3.4 Reporting of cases on misappropriation, losses etc.**

Rule 31 of the Jharkhand Financial Rules, provides that loss of public money, government revenue, stores or other property by defalcations or otherwise should be immediately reported by the office to the higher authority, Finance Department as well as to the Accountant General (Audit), Jharkhand even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as a suspicion arises that there has been a loss; these must not be delayed while enquiries are made.

In reply to the audit request (14 July 2016 and 04 October 2016) for providing information in this regard, no information has been received from the Finance Department as of October 2016.

### **3.5 Classification between Revenue and Capital**

Revenue expenditure is recurring in nature and is intended to be met from revenue receipts. Capital expenditure is defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. However, the Government has incorrectly provided and incurred an amount of ₹ 7.80 crore towards “Major Works” under the Revenue Section during the year as indicated in **Appendix 3.3**. Consequently, the Revenue Surplus and assets of the State Government for the financial year 2015-16 is understated to this extent.

Expenditure relating to Grants-in-Aid as per the Indian Government Accounting Standard (IGAS)-2 is to be classified as Revenue expenditure. The State Government made budget provision and classified ₹ 8.15 crore under capital major head 4702-Capital outlay on Minor Irrigation. Consequently, the Revenue Surplus and Capital outlay of the State Government for the financial year 2015-16 stood overstated to this extent. The matter has been brought to the notice of State Government but remained uncorrected.

### **3.6 Funds drawn and kept in Personal Ledger (PL)/Bank Accounts**

As per rule 300 of Jharkhand Treasury Code money should not be withdrawn from Treasury unless it is required for immediate payment. It is not permissible to draw advances, in anticipation of demands, from the treasury for prosecution of works, the completion of which is likely to take a considerable time to prevent lapse of appropriation. Rule 552 of Jharkhand Treasury Code states that all balances unclaimed for more than three complete account years shall, at the close of March in each year, be credited to the Government. Further, financial rules prohibit keeping of Government money outside Government accounts.

Review of Finance Accounts and Voucher Level Computerisation (VLC) data related to the transactions in the minor heads under the Major Head of accounts 8448-Civil Deposits for the year 2015-16 revealed that there were 107 Personal Ledger Accounts of the State as of 31 March 2016.

The closing balances under the PL Accounts continuously increased from the year 2012-13 to 2015-16 except 2013-14. During 2015-16, it increased to ₹ 5,217.97 crore (56.70 per cent) over the previous year, as shown in **Table 3.12**.

**Table 3.12: Funds in Personal Ledger Accounts**

(₹ in crore)

Year	Opening balance	Receipts	Disbursement	Closing Balance
2012-13	2193.14	3110.78	2349.49	2954.43
2013-14	2954.43	2613.93	2970.86	2597.50
2014-15	2597.50	5155.09	4422.64	3329.95
2015-16	3329.95	12054.22	10166.20	5217.97

It may be seen from **Table 3.12** that funds amounting to ₹ 5,217.97 crore were kept in PL Accounts at the end of March 2016. Some Major Service heads from which budget was transferred to PL accounts are 2203 (Technical Education), 2217 (Urban Development), 2415 (Agriculture Research and Education), 2515 (Other Rural Development Program), 2851 (Village and Small Industries), etc.

Thus, drawal of government money to prevent it from being lapsed and keeping it in PL Accounts for its expenditure in the years other than in which it was approved by the Legislature not only violated the Financial Rules but also led to the failure of budgetary control by the State. Further, Rule 331 of Jharkhand Treasury Code requires that at the close of 31<sup>st</sup> day of March every year all deposits unclaimed for more than three complete account years shall be credited to the Government. Thus, State Government overstated its expenditure figures by ₹ 5,217.97 crore as the services claimed to be provided were not delivered.

During test check of vouchers in Financial Attest Wing, it was observed that a sum of ₹ 129.71 lakh was provided under head 2053-00-796-11 (United Fund for State Plan) against the schemes approved by District Planning Committee (DPC), Dumka. No plan was sanctioned till March 2016, but the entire amount was deposited into Deposit Head-8782 of Executive Engineer, Rural Development Special Block, Dumka to avoid lapse of the fund in anticipation of approval of schemes by DPC in future.

### 3.7 Booking under Minor Head “800”

Bookings of receipts or expenditure under the minor head “800 – Other Receipts” and “800 – Other Expenditure” is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes, etc., to which the amounts relate. These minor heads normally accommodate the receipts/expenditure which cannot be classified under the available programme minor heads or due to incorrect identification of expenditure under the available heads of account at the stage of budget preparation.

During 2015-16, a sum of ₹ 1,155.07 crore was booked under the minor head “800-Other Expenditure” in 15 Major Heads of which under 10 major heads in the Revenue and Capital section, expenditure (more than 10 per cent of total expenditure in each case) aggregating ₹ 691.54 crore (21.59 per cent of the

total expenditure of ₹ 3,203.79 crore in these heads) was classified under the minor head “800 – Other Expenditure” as indicated in **Appendix 3.4**.

Similarly, a sum of ₹ 1,425.54 crore was booked under the minor head “800-Other Receipts” in 47 Major Heads of which under 31 major heads, revenue receipts (more than 40 *per cent* of total receipts in each case) aggregating ₹ 1,244.37 crore (79.98 *per cent* of the total receipt of ₹ 1,555.79 crore), were classified under minor head “800 – Other Receipts”. The entire receipts in 11 major heads were classified under the omnibus minor head “800 – Other Receipts” as indicated in **Appendix 3.5**.

Classification of large amount under the omnibus minor head “800 – Other Expenditure/Receipts” reflected lack of transparency in financial reporting.

### **3.8 Variation in Cash Balance**

The difference of ₹ 10.94 crore (net credit) between the cash balance of the State Government, as worked out by the Principal Accountant General (A&E) and as reported by the Reserve Bank of India (as on 31.03.2016), is mainly due to non-reconciliation of figures by the Agency Banks. Out of ₹ 10.94 crore (net credit), ₹ 9.33 crore is with the Reserve Bank of India, Patna for reconciliation while ₹ 1.61 crore pertaining to period prior to October 1987 is under discussion between the State Government and the RBI for settlement/write off.

### **3.9 Important factors affecting accuracy of accounts**

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government account, the receipts and payments of which cannot at once, be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information. Debt, Deposit and Remittances (DDR) heads account for such transactions where the Government as a custodian of public money, receives and holds such money in trust.

The accuracy of Finance Accounts 2015-16 has been adversely affected by the factors that large number of transactions under suspense head are awaiting final classification.

- **Outstanding balances under major suspense accounts**

Certain intermediary/adjusting heads of accounts known as ‘Suspense heads’ are operated in Government accounts to reflect transactions of receipts and payments which cannot be booked to a final head of account due to lack of information as to the nature or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when amounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government’s receipt and expenditure accurately. The balances under certain major suspense heads of accounts, as reflected in the Finance Accounts of the State are indicated in the **Table 3.13**.

**Table 3.13: Position of balances under Suspense Head (8658)**

(₹ in crore)

Name of the Minor Head	2013-14		2014-15		2015-16	
	Debit	Credit	Debit	Credit	Debit	Credit
<b>101 Pay and Accounts Office Suspense</b>	10.56	---	11.47	---	19.10	---
<b>Net</b>	<b>Dr. 10.56</b>		<b>Dr. 11.47</b>		<b>Dr. 19.10</b>	
<b>102 Suspense Account (Civil)</b>	1.86	0.92	1.10	0.00	6.72	5.76
<b>Net</b>	<b>Dr. 0.94</b>		<b>Dr. 1.10</b>		<b>Dr. 0.96</b>	

Source: Finance Accounts of Government of Jharkhand 2015-16

The Finance Accounts reflects the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed below:

- **Pay and Accounts Office (PAO) Suspense**

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAO and Principal Accountant General (A&E). Transactions under this minor head represent either recoveries effected or payments made by an accounts officer on behalf of another Accounts Officer, against whom the minor head “PAO Suspense” has been operated. Credit under the head is cleared by minus credit when cheque is issued by the Accounts Officers in whose books, initial recovery was accounted for. Debit under PAO Suspense is cleared by minus debit on receipt and realization of cheque from the Accounts Officer on whose behalf payment was made. Outstanding debit balance under this head would mean that payments have been made by the Principal Accountant General (A&E) on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the Principal Accountant General on behalf of a PAO, which were yet to be paid. The net debit balance under this head (₹19.10 crore) indicates that on clearance/settlement of this, the cash balance of the State Government will increase.

- **Suspense Accounts (Civil)**

This transitory minor head is operated for accounting of transactions, which for want of certain information/ documents viz., voucher, challan etc., cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/ documents etc., the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned Major/ Sub-major/ minor heads of accounts. Outstanding debit balance under this head would mean payments were made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean that amounts were received which could not be credited to the final receipt head for want of details. The net debit balance (₹ 0.96 crore) under this head has substantially decreased during the year. There is no impact on cash balance on clearance of this item.

### **3.10 Follow up on Audit Report on State Finances**

Public Accounts Committee had already discussed paragraph 2.4.4 (Excess over provisions relating to previous years) of the Audit Report on State Finances for the year 2011-12 and regularised the excess expenditure over provisions amounting to ₹ 8,120.12 crore out of ₹ 8,120.63 crore on 13.01.2014. Further, no excess expenditure over provisions was regularised during 2015-16.

### **3.11 Conclusion and Recommendations**

#### **Outstanding Utilisation Certificates against the grants**

- As on 31 March 2016, Utilisation Certificates (UCs) of ₹ 22,325.68 crore were outstanding in the State against the GIA bills drawn during 2000-15 by different departments, of which ₹ 2,399.08 crore was outstanding in UD&H Department. 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 submission of utilisation of the grants for the intended purpose.

It is recommended that the State Government should ensure timely utilisation of the grants for the intended purpose and submission of UCs there against.

#### **Submission of Accounts and Audit of Autonomous Bodies, Authorities and Grantee Institutions**

- Government departments have not timely submitted the accounts of grantee bodies to the Principal Accountant General (Audit). Status of submission of Separate Audit Reports of the Autonomous Bodies to the Legislature has not been intimated to the Principal Accountant General (Audit) by the departments.

It is recommended that Government Departments should ensure timely submission of the accounts of Autonomous Bodies to the Principal Accountant General (Audit).

#### **Drawal of funds on Abstract Contingent Bills**

- Significant amount of ₹ 5,471 crore drawn on Abstract Contingent (AC) bills during 2000-16 remained outstanding as on 16 May 2016 in the State due to non-submission of Detailed Contingent (DC) bills.

It is recommended that State Government should ensure timely submission of DC bills as per extent rules and provisions.

#### **Funds kept in Personal Ledger Accounts**

- There was huge balance of ₹ 5,217.97 crore in Personal Ledger Accounts at the end of March 2016. Transfer of budgeted funds passed by the Legislature for the current year to Personal Ledger Accounts for expenditure in future years was in contravention of Financial Rules and weakened the budgetary control of the State.

It is recommended that taking advantage of the computerization of treasuries, the State Government may consider evolving a system of automatic closure of

Personal Ledger Accounts after their validity period and the transferring of unutilised balances to the Consolidated Fund.

**Booking under Minor Head “800”**

- Large amount (₹ 2,580.61 crore) of Receipts and Expenditure were classified under the omnibus minor head “800 – Other Expenditure/Receipts” which reflected lack of transparency in financial reporting.

It is recommended that receipts/expenditure which cannot be classified under the available program minor heads was only be booked under the minor head “800-Other Receipts/ Expenditure”.

**Ranchi**  
**The 30 January 2017**



**(C. NEDUNCHEZHIAN)**  
**Accountant General (Audit), Jharkhand**

**Countersigned**



**New Delhi**  
**The 01 February 2017**

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

