

Chapter 3

Financial Reporting

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 (WBTR) 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 Principal Accountant General. The year-wise position of non-furnishing of UCs is shown in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(Rupees in crore)

	Year	Number of UCs awaited	Amount involved
1	Up to 2007-08	143275	25439.58
2	2008-09	12460	4505.54
3	2009-10	19615	6011.77
4	2010-11	8873	5618.67
5	2011-12	9038	5538.50
	Total	193261	47114.06

Source : Finance Accounts 2011-12

Out of 193261 number of cases involving ₹ 47114.06 crore mentioned above, submission of UCs for 184223 cases involving ₹ 41575.56 crore, though became overdue, remained outstanding as of March 2012. Of these 143275 cases (₹ 25439.58 crore) remained outstanding for more than four years.

Non-submission of the UCs in time may result in mis-utilisation of the grants. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans released to the grantees by the departments.

Utilisation Certificates under West Bengal Panchayat Act

Rules framed under the West Bengal Panchayat Act, 1973 stipulates that UCs shall be furnished by the grantee to the authority sanctioning the fund, within six months from the date of receipt of grant or before applying for further grant for the same purpose, whichever is earlier. Audit scrutiny during 2011-12, however, revealed that 74 Panchayati Raj Institutions (PRIs) sub-allotted grants amounting to ₹ 246.08 crore between the years 2005 and 2011 to their lower tiers, Village Education Committee, Schools, Village Water Shed Committee, Self Help Groups and other Government departments who in turn did not furnish UCs for ₹ 199.84 crore (81 per cent) as detailed in **Appendix 3.1**. Reasons for non submission of the UCs were not found on record.

3.2 Non-submission/delay in submission of accounts by ULBs/PRI

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 for which assistance granted and the total expenditure of the institutions. Examiner of Local Accounts, West Bengal, under the Principal Accountant General (General and Social Sector Audit), West Bengal is the statutory Auditor of Autonomous Local Bodies.

As of May 2012, 524 annual accounts of 139 autonomous bodies/ authorities due up to 2010-11 had not been received by the Examiner of Local Accounts, West Bengal. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**. Due to delay in preparation of accounts, utilisation of funds for intended purpose could not be verified.

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

Delay in Number of Years	No. of the Bodies/ Authorities
0 to 1	5
Above 1 to 3	38
Above 3 to 5	95
Above 5 to 7	-
Above 7 to 9	-
Above 9	1
Total	139

Source : Examiner of Local Accounts

Audit scrutiny of the accounts of 17 bodies and authorities during 2011-12 for the period from 2004-11 revealed that grants aggregating ₹ 45.16 crore, meant for development and miscellaneous purposes were lying unspent with 17 bodies (one District Primary School Council, five Universities, two local library authorities and nine Urban Local Bodies) as of March 2011. 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. Moreover, due to non-maintenance of basic records by Bengal Engineering & Science University, the amount of unutilised grants of the same as of March 2011 could not be ascertained.

Further, scrutiny of Panchayati Raj Institutions revealed that out of total available grants of ₹ 3977.61 crore during the year 2010-11 in respect of 18 Zilla Parishads (ZPs), ₹ 868.04 crore (22 per cent) had been lying unutilised at the end of March 2011. Out of these, balances in seven ZPs¹ accounted for ₹ 479.50 crore (55 per cent). Reasons for non-utilisation of these grants were not furnished by any of the ZPs. The details are given in **Appendix 3.4**.

¹North 24 Parganas ZP : ₹ 63.19 crore, South 24 Parganas ZP: ₹ 85.53 crore, Malda ZP: ₹ 87.98 crore, Paschim Medinipur ZP: ₹ 56.21 crore, Bardhaman ZP: ₹ 57.68 crore, Birbhum ZP ₹ 75.68 crore and Purulia ZP: ₹ 53.23 crore

Similarly, in 142 PSs as of March 2011, ₹ 805.78 crore (38 per cent) remained unspent out of total available grants of ₹ 2102.63 crore as detailed in **Appendix 3.5**. Reasons for non-utilisation were not available in respect of all the PSs except Khejuri-II who stated that resolution could not be taken for utilisation of the unspent fund due to long absence of PS office bearers.

Thus, continued failure to utilise development grants by the PRIs deprived the rural people from getting the intended benefits from these grants.

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 C&AG under Sections 19 and 20 (1) of the C&AG's DPC Act 1971, 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, review of systems and procedures, etc. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature in respect of 34 bodies, on which SARs are to be placed before the Legislature are indicated in **Appendix 3.6**. 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 C&AG 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
1 - 6	19	0 - 1	5
6 - 12	-	1 - 2	2
12 - 18	2	2 - 3	4
18 - 24	-	3 - 4	1
24 & above	25	4 - 5	1
Total	46	5 & above	1
		Total	14

Source : Concerned departments

None of these 34 autonomous bodies (*vide Appendix 3.6*) has submitted accounts for the year 2011-12, while only 12 have submitted accounts up to 2010-11. The remaining did not submit accounts for various years starting from 1991-92 (Darjeeling Gorkha Hill Council). Further, Separate Audit Reports on 100 annual accounts of 20 bodies are yet to be tabled as of August 2012. This has diluted the basic tenet of Legislative control over expenditure of public funds.

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 the efficiency and economy of 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 render the system susceptible 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 2012, out of 16 such undertakings; five² had not prepared their accounts since inception, four undertakings had prepared their up to date accounts and the accounts of remaining seven units were in arrears ranging from one to 23 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 had also been periodically reminding the Principal Secretary (Finance) and the Secretaries of the concerned departments in this matter.

During the period July 2011 to June 2012, only five undertakings finalised five *pro forma* accounts for the years 2010-11 and earlier, as against six *pro forma* accounts finalised during July 2010 to June 2011. 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 3.7**. It appears that the 11 undertakings were incurring losses continuously for more than five years. Accumulated loss as per latest accounts received up to June 2012 amounted to ₹ 2006.38 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.

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

No such intimation was, however, furnished by the State Government since 2001. As of March 2012, there were 656 cases³ of misappropriation, defalcation, etc. involving Government money amounting to ₹ 15.75 crore on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.8** and nature of these cases is given in **Appendix 3.9**. 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 summarised 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 (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0 - 5	51	890.22	Theft	38	217.72
5 - 10	37	128.56			
10 - 15	54	391.95			
15 - 20	27	56.41			
20 - 25	44	46.09			
25 & above	443	61.86	Misappropriation/Loss of material	618	1357.37
Total	656	1575.09	Total Pending cases	656	1575.09

Source : Detected by Audit and as reported by DDOs

3.6 Non-reconciliation of departmental figures

3.6.1 Un-reconciled receipts / expenditure

To enable Controlling Officers (COs) 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 Principal Accountant General.

Out of 185 COs, 111 COs (60 per cent) did not reconcile their departmental figures for the year 2011-12, while 36 COs (19 per cent) partially reconciled their figures. As a result, only 57.09 per cent (₹ 60,166.79 crore) of total receipts and 38.20 per cent (₹ 40,432 crore) of total expenditure were only reconciled by the State Government.

Such laxity on the part of the department can potentially affect the quality of accounts.

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. Under Rule 4.138 of WBTR 2005, these AC bills are required to be adjusted within one month from the date of

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

completion of the purpose for which the same were drawn and in no case beyond 60 days from the date of drawal of the respective AC bill. Sub Rule (5) and (6) of Rule 4.138 further stipulate that 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 transmission to the Principal Accountant General.

However, in contravention of the said provisions of WBTR, ₹ 1049.07 crore⁴ drawn up to 2011-12 through 11869 AC bills remained unadjusted as of March 2012, which was substantially higher in terms of value (29 per cent) than the position as of March 2011. The position of drawal of AC bills and submission of adjustment there against were as under:

Table 3.5: Position of drawal and adjustment of AC bills (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
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
2010-11	8562	475.35	3885	405.59	1133	65.65	11314	815.29
2011-12	11314	815.29	3928	403.33	3373	169.55	11869	1049.07

Source : Records of Pr AG (A&E), WB

As against 11314 bills outstanding as on 31 March 2011, only 546 DC bills (five per cent) were submitted during 2011-12. Out of 11869 outstanding bills, 8487 bills involving ₹ 701.05 crore were outstanding for more than one year. As amounts drawn through AC bills are not subjected to Treasury check, non-adjustment of AC bills for years together indicates dilution of the basic tenet of Treasury check and Legislative control. Moreover, such long pendency of DC bills is fraught with the risk of misuse of Government funds.

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 WBTR, Personal Deposit Account or Personal Ledger Account (PLA) is 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 fund from the Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments, shall be closed at the end of financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State. As per WBTR, any PD Account not operated for two consecutive years and there is a reason to believe that the need for such accounts has ceased, the same shall be closed.

⁴ Of the unadjusted amounts, pendency of the bills is as under: upto 2008-09: ₹ 248.75 crore, 2009-10: ₹ 111.22 crore, 2010-11: ₹ 341.08 crore and 2011-12: ₹ 348.02 crore.

In West Bengal, the closing balance under 8443- 106 - PD Accounts at the end of 2011-12 was ₹ 2383.20 crore. The balances as well as receipt and disbursement for the last three years are shown below:

Table 3.6: Amounts received and disbursed in PD accounts during last three years

	Opening balance	Receipt	Disbursement	Closing balances
Rupees in crore				
2009-10	1697.47	1299.92	988.65	2008.74
2010-11	2008.74	1600.93	1179.10	2430.57
2011-12	2430.57	912.84	960.21	2383.20

Source : Finance Accounts

There were 148 PL Accounts in operation in the State as of March 2012. Total amounts remaining parked in PL Accounts of the State increased from ₹ 743.95 crore as of March 2005 to ₹ 2383.20 crore as of March 2012. During 2008-09, 2009-10, 2010-11 and 2011-12, amounts transferred to 8443-106-Personal Deposits Accounts (PL Accounts) by debit to Consolidated Fund stood at ₹ 304.63 crore, ₹ 549.87 crore, ₹ 655.94 crore and ₹ 552.59 crore, respectively. Given the fact that these amounts have been booked as final expenditure under service heads and final expenditures would not be subjected to Treasury checks, this trend assumes seriousness.

Test-check of 31 PLAs maintained by 30 DDOs revealed the following irregularities:

- As of March 2012, amount parked in the PLAs of seven DMs stood at ₹ 281.45 crore⁵ resulting in over-statement of expenditure to the same extent. Further, DM, Nadia had discrepancy of ₹ 4.83 crore (between PLA Cash Book balance and Pass Book balance pertaining to Border Area Development Fund) due to non-reconciliation.
- As per order (October 2008) of School Education department, all funds relating to cooked Mid-Day Meal Programme should be transferred to the savings bank account to be opened exclusively for transacting funds meant for this programme. However, two DMs⁶ retained Mid Day Meal programme funds of ₹ 0.14 crore as of March 2012 in their PL Accounts instead of transferring the same to the respective savings bank accounts.
- No effective steps were taken by District Magistrates of Paschim Medinipur, Murshidabad and South 24 Parganas to utilise funds amounting to ₹ 43.84 crore received between 2002-03 and 2011-12 under Bidhayak Elaka Unnayan Prakalpa. Similarly, funds amounting to ₹ 2.37 crore under Chash-o-Basobaser Janya Bhumidan Prakalpa remained parked in the PLAs of the DMs of Murshidabad and South 24 Parganas.

⁵ DM, Murshidabad (₹ 63.50 crore), DM, Nadia (₹ 43.83 crore), DM, Burdwan (₹ 34.70 crore), DM, Paschim Medinipur (₹ 30.39 crore), DM, Purba Medinipur (₹ 20.14 crore), DM, Malda (₹ 43.31 crore), DM, South 24 Parganas (₹ 45.58 crore).

⁶ DM, Nadia (₹ 7.84 lakh) and DM, Purba Medinipur (₹ 6.47 lakh).

- As of March 2012, five District Magistrates retained various funds amounting to ₹ 35.29 crore under Centrally Sponsored Schemes and other purposes without utilisation as detailed in *Appendix 3.10*.
- Where the landlord does not accept any rent from the tenant, the tenant may remit rent to the custody of the Rent Controller. The said rent is reflected in PLA of the Rent Controller.

However, failure of the Rent Controller, Kolkata to disburse the collected rent to the respective Land Lords led to accumulation of ₹ 110.15 crore in the PLA of the Rent Controller.

3.6.4 Bookings under Minor Head 800: Other Receipts and 800: Other Expenditure

With increasing range and diversification of Government activities and programmes, existing Minor heads often fall short in accommodating all transactions under some projects. In case of non-availability of accurate classification, the residuary Minor head 800: Other Expenditure or 800: Other Receipts are used to book transactions in the Accounts.

During 2011-12, ₹ 3187.38 crore under 76 Major Heads of Account (representing functions of the Government) was classified under the Minor Head “800-Other Expenditure” in the accounts and this amount constituted 5.69 *per cent* of the total expenditure recorded under the corresponding Major Heads. The major Schemes such as, Backward Region Grant Fund (Central Share), Grants to WBSEDCL for “Sabar Ghare Alo” under BRGF, Bidhayak Elaka Unnayan Prakalpa, New Incentive Scheme for encouraging the setting up of New Industrial Units, Incentive to Industrial Units in lieu of Power Tariff Concession, Grants to CMC/HMC for adjustment of Energy Bills of CESC, etc, are not depicted distinctly in the Finance Accounts, though the details of these expenditure are depicted at the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts.

Similarly, ₹ 9980.65 crore under 52 Major Heads of Account, constituting more than 25 *per cent* of total recorded receipts under the corresponding Major Heads, was classified under “800-Other Receipts” in the accounts.

High incidence of transactions under minor head 800 is fraught with the risk of affecting the transparency of the accounts.

3.6.5 Analysis of balances of Suspense and Remittance

Clearance of Suspense and Remittance balance depends on the details furnished by the Government Departments/Works and Forest Divisions/ Central Ministries / PAOs /RBI, etc.

In West Bengal, net Debit balances under 8658-Suspense Accounts⁷ increased from ₹ 615.33 crore in 2010-11 to ₹ 1406.90 crore in 2011-12. Credit balances under Suspense head 8658⁸ decreased from ₹ 153.91 crore in 2010-11 to ₹ 138.74 crore in 2011-12. However, under 8782-Cash Remittances and Adjustments, etc.⁹ there was an increase in credit balance from ₹ 212.64 crore during the previous year to ₹ 539.16 crore in the current year.

Further, significant balances under Suspense and Remittance heads as of March 2012, which may impact the cash balances are shown in the table below:

Table 3.7: Suspense and Remittance Balances that impact the cash balance

A		Suspense Balance			(Rupees in crore)
Sl. No.	Head of Account Ministry/Department with which pending	Balance as on 31 March 2012		Impact of outstanding on cash balance	
		Dr.	Cr.		
	8658-Suspense Account-				
1	101 PAO Suspense (a) Ministry of Transport and Highways	75.80	(-) 0.32	Cash balance to increase on settlement	
2	102-Suspense Account (Civil) Account with Defence CDAP Allahabad	185.83	177.39		
3	109-Reserve Bank Suspense-Headquarters	(-) 1.94	(-) 0.45		
4	102-Suspense Account (Civil) Account with Railway ER	2.83	2.79		
5	102-Suspense Account (Civil) Account with Railway SER	13.97	15.20	Cash balance will decrease on settlement	
6	112-Tax Deducted at Source Suspense	-	62.67		
7	129-Material purchase settlement Suspense Account	-	76.07		

⁷ 101 – PAO Suspense, 102- Suspense Account (Civil), 107-Cash Settlement Suspense Account and 110-RB Suspense CAO

⁸ 112 TDS suspense and 129 MPSSA

⁹ 102-PW Remittances and 103-Forest Remittances

B Remittance Balances

(Rupees in crore)

Sl. No.	Head of Account Ministry/Department with which pending	Balance as on 31 March 2012		Impact of outstanding on cash balance
		Dr.	Cr.	
	8782- Cash Remittances and adjustments between officers rendering account to the same Accounts Officer			
1	102-PW Remittances I-Remittances into Treasuries	8441.77	8339.67	Cash balance to increase on clearance
2	103-Forest Remittances I-Remittances into Treasuries	1749.18	1423.14	
3	102-PW Remittances II- PW Cheques	31732.77	32833.18	Cash balance to decrease on clearance
4	103-Forest Remittances II-Forest Cheques	3427.84	3785.16	
5	8793-Inter State Suspense Account	(-) 3.76	(-) 12.92	Cash balance to increase on clearance

Source : Finance Accounts

Sustained efforts are needed to clear the balances so as to depict true and fair picture of the State accounts.

3.7 Conclusion and Recommendations

Pendency in submission of annual accounts of autonomous bodies/authorities coupled with delay in placement of Separate Audit Reports in the State Legislative Assembly diluted the financial control. 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.

Accumulation of unadjusted AC bills and the trend of parking of developmental funds in PL Accounts were also major areas of concern, as substantial amounts were drawn from treasury or transferred out of the Consolidated Fund of the State without proper treasury checks and Legislative control. Some departments were negligent in reconciling the expenditure / receipt figures with those of the Principal Accountant General.

The following suggestions are made

- ***Controlling Officers should ensure submission of outstanding accounts of autonomous bodies within the stipulated period.***

- *Controlling Officers should ensure timely submission of adjustment bills against the advances drawn by DDOs on Abstract Contingent (AC) bills.*
- *Immediate steps need to be taken for review of the status of Personal Ledger Accounts and closure of the inoperative ones.*



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