

CHAPTER III
FINANCIAL REPORTING

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State. 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of Bihar Treasury Code (BTC) 2011 provides that a certificate shall be furnished by the DDO to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year.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 that 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 2011-12	92154	30253.61	74604	27954.45	17550	2299.16
2012-13	1863	1692.49	978	913.01	885	779.48
2013-14	1294	728.61	60	5.95	1234	722.66
Total	95311	32674.71	75642	28873.41	19669	3801.30

(Source: Notes to Accounts for the year 2013-14)

As indicated in **Table 3.1** out of ₹ 32674.71 crore drawn on 95311 AC bills, only 75642 AC bills for ₹ 28873.41 crore were adjusted by the Accountant General (A&E), Bihar. However, despite of flagging this issue at regular intervals, as of 31 March 2014, DC bills were yet to be submitted for ₹ 3801.30 crore drawn on 19669 AC bills.

Scrutiny revealed that out of ₹ 728.61 crore drawn during 2013-14 on AC bills, a sum of ₹ 199.77 crore (27.42 per cent) was drawn in March 2014. Of this, ₹ 44.65 crore was drawn during the last day of the financial year. Huge drawals during the last month of financial year indicate inadequate financial management and is also fraught with the risk of misappropriation.

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 no. 573 dated 16 January 1975, prescribed time of one year from the date of sanction for giving utilisation certificate. This time limit was however, revised to 18 months vide FDs executive order no. 9736 dated 19 October 2011.

However, 2128 UCs aggregating to ₹ 59113.55 crore in respect of Grants-in-aid paid upto 2013-14 were in arrears. The age wise arrears of UCs are summarised in **Table 3.2.**

Table-3.2: Age-wise arrears of utilisation certificates

Sl. No.	Range in No. of Year	Utilisation Certificates in arrears	
		Number	Amount
1	0-1(*)	408	18935.01
2	1-2(*)	430	18748.14
3	2 and above	1290	21430.40
	Total	2128	59113.55

(₹ in crore)

(Source: Notes to Accounts for the year 2013-14)

(*) Except where the sanction order specifies otherwise, UCs in respect of grants drawn during 2012-13 (Sanctions after September 2012) and 2013-14 become due only in 2014-15.

Thirty two *per cent* of the UCs pertain to the Departments of Education (323 UCs amounting to ₹ 11994.77 crore) and Panchayati Raj (151 UCs amounting to ₹ 7125.43 crore). Non submission of UCs was fraught with the risk of the funds released for various schemes/programmes having misused or diverted for unauthorised 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 Delays in submission of Accounts/Audit Reports of authorities or bodies for certification

Section 20 (i) 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 (BSKVIB), the Bihar State Housing Board (BSHB) and the Rajendra Agriculture University (RAU), Pusa, Samastipur were entrusted to the Comptroller and Auditor General for the period 2009-10, 2004-05 onwards and 2011-12, respectively. 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 3.1*.

3.4 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 Head	2011-12		2012-13		2013-14	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658-101- Pay and Accounts Office Suspense	208.11	Nil	214.35	Nil	235.47	Nil
Net	(Dr) 208.11		(Dr) 214.35		(Dr) 235.47	
8658-102- Suspense Accounts (Civil)	1433.50	247.08	1707.43	253.37	1778.62	258.09
Net	(Dr) 1186.42		(Dr) 1454.06		(Dr) 1520.53	
8658-110- R.B. Suspense Central Accounts Office	1223.35	894.70	1237.71	894.60	1225.14	894.60
Net	(Dr) 328.65		(Dr) 343.11		(Dr) 330.54	
8782-102-Public Works Remittances	9736.93	9777.31	8624.88	8806.17	12047.47	12187.96
Net	(Cr) 40.38		(Cr) 181.29		(Cr) 140.49	
8782-103-Forest Remittance	73.45	74.61	127.82	119.95	208.11	185.49
Net	(Cr) 1.16		(Dr) 7.87		(Dr) 22.62	

(Source: Notes to Accounts for the year 2013-14)

There is net increase of ₹ 21.12 crore debit under 101-Pay and Accounts office suspense, ₹ 66.47 crore (debit) under 102-Suspense Accounts (Civil) but net decrease of ₹ 12.57 crore (debit) under 110-R.B. Suspense-Central Accounts office, as compared to 2012-13.

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.

3.5 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 Rules 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 ₹ 221.30 crore of temporary advances and imprest was drawn upto 31 March 2014 by the DDOs of eight concerned departments. Department wise analysis of advances and imprest pending upto 31 March 2014 is given in **Table 3.4**.

Table-3.4: Department wise analysis of pending Advances and Imprest

		(₹ in crore)
Sl. No.	Name of the Department	Total amount of unadjusted advance and imprest
1	Building Construction	12.46
2	Irrigation	30.81
3	National Highways	0.97
4	Public Health Engineering	9.40
5	Road Construction	132.96
6	Rural Works	22.78
7	Local Area Engineering Organisation	6.79
8	Tube wells and Minor Irrigation	5.13
Total		221.30

(Source: Notes to Accounts for the year 2013-14)

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.

3.6 Non-reconciliation of Receipts and Expenditure

Rule 475(viii) of the Bihar Financial Rules provides that the head 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 figure 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 possible an efficient departmental control of expenditure.

Scrutiny, however, revealed that in spite 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 officer

continued to persist during 2013-14. Against the total expenditure of ₹ 76478.23 crore (Revenue and Capital) reconciliation was completed for only ₹ 23038.68 crore (30 *per cent*) of the total expenditure during 2013-14. Out of the total receipts of ₹ 68918.65 crore (Revenue and Capital), only ₹ 55159.51 crore (80 *per cent*) was reconciled by controlling officers during 2013-14.

3.7 Operation of omnibus Minor Head-800

Booking 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 amount relates. The head accommodates expenditure which cannot be classified under the available programme minor heads.

During 2013-14, expenditure aggregating ₹ 506.16 crore under 21 Revenue and Capital Major Heads of accounts (representing functions of the Government) on expenditure side was classified under the Minor Head ‘800–Other Expenditure’ constituting 0.66 *per cent* of the total expenditure under the respective Major Heads. One Major Head¹ having expenditure of ₹ 46.47 crore classified as ‘Other Expenditure’ are detailed in *Appendix 3.2*. There is improvement from previous year but yet there is a definite scope for improvement.

Similarly, revenue receipts aggregating to ₹ 433.61 crore under 42 Revenue Major Heads of accounts on receipts side (excluding Grants–in-aid) constituting 0.63 *per cent* of the total revenue receipts was classified under the Minor Head ‘800- Other Receipts’ in the accounts under the respective Major Heads. 14 Major Heads having substantial receipt of ₹ 251.19 crore classified as ‘Other Receipts’ as detailed in *Appendix 3.3*.

Classification of large amounts under the omnibus Minor Head ‘800-Other Expenditure/Receipts’ affected transparency in financial reporting.

3.8 Reporting of cases of Defalcations

Rules 31 and 32 of the Bihar Financial Rules provide that any loss or suspicion thereof, of public money held by or on behalf of the Government caused by defalcation or otherwise should be immediately reported by the officer concerned to his immediate superior official and the Finance Department as well as to the Accountant General even when such loss has been made good by the party responsible. Subsequent to investigation, a complete report should be submitted regarding the nature, extent and reasons leading to such loss and the prospects of affecting its recovery. The officers receiving these reports must forward it forthwith to the Government along with a detailed report, after completing such departmental investigations as may be necessary or expedient, on the causes or circumstances which led to the misappropriation, loss or defalcation and mentioning the disciplinary action proposed against the responsible person.

¹ 5452-Capital outlay on tourism.

State Government had reported seven cases of Defalcation, Misappropriation, Loss etc. amounting to ₹ 11.28 crore to the Accountant General (Audit), which was pending for final settlement. The age wise/category wise break-up of the pending cases is detailed in *Appendices 3.4, 3.5 and 3.6* and summarised in **Table 3.5**.

Table 3.5: Profile of defalcation, misappropriation, loss etc.

(₹ in crore)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0-5	5	9.43	Misappropriation	-	-
5-10	1	0.01			
10-15	-	-	Loss of property/material	1	0.01
15-20	1	1.84			
20-25	-	-	Defalcation	6	11.27
25 & above	-	-			
Total	7	11.28	Total pending cases	7	11.28

(Source: Information provided by the departments)

Out of seven pending cases, six cases (₹ 11.27 crore) related to defalcation which indicates that appropriate steps for the safety of Government property as prescribed in the rules had not been taken by the concerned department.

The reason for which the cases were outstanding is provided in **Table 3.6**.

Table 3.6: Reasons for outstanding cases of defalcation, misappropriation, loss etc.

(₹ in crore)

Sl. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	-	-
2	Departmental action initiated but not finalised	6	9.44
3	Criminal proceedings finalised but execution of certificate cases for recovery of the amount pending	-	-
4	Awaiting orders for the recovery or write off	-	-
5	Pending in the courts of law	1	1.84
	Total	7	11.28

(Source: Information provided by the departments)

3.9 Conclusion and Recommendations

Unadjusted Abstract Contingent bills

- Significant amount of ₹ 3801.30 crore drawn on Abstract Contingent (AC) bills remained outstanding as of 31 March 2014 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 ₹ 59113.55 crore against the GIA bills drawn by different departments were outstanding as of 31 March 2014. 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 nine months 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 ₹ 221.30 crore drawn upto 31 March 2014 by eight Departments remained to be adjusted.

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

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