

## CHAPTER 3

### FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance by the 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 thus 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 2013-14.

#### 3.1 Delay in furnishing Utilisation Certificates

State Government disburses Grants-in-Aid (GIA) to agencies, bodies and institutions such as universities, hospitals, co-operative 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.

As per Rule 182 of the Chhattisgarh Financial Code (CGFC) Vol-I, in case of an annual or a non-recurring conditional grant, the Departmental officer on whose signature or counter-signature GIA bill is drawn, shall furnish the Utilisation Certificates (UCs) to the Accountant General on or before 30 September of the year following that to which the grant is related.

The position of outstanding UCs against GIAs released to different Departments upto 2012-13 (till September 2012) is given in **Table 3.1**.

**Table 3.1: Details of Utilisation Certificates**

Year	UCs awaited for the year as on 31 March 2014	
	Number	Amount (₹ in crore)
Upto 2010-11	8347	4,792.30
2011-12	3976	2,187.01
2012-13 (upto 09/2012)	2579	1,885.07
<b>Total</b>	<b>14902</b>	<b>8,864.38</b>

(Source :Finance Accounts 2013-14)

As seen from **Table 3.1**, 14902 UCs for an aggregate amount of ₹ 8,864.38 crore were outstanding as on 31 March 2014. Details are given in **Appendix-3.1**. UCs outstanding beyond the specified periods indicates absence of assurance on utilization of the grants for intended purposes.

Large pendency in submission of UCs was mainly in respect of Compensation and Assignment to Local Bodies and Panchayati Raj Institutions (₹ 3,287.79 crore), Other Rural Development Programme (₹ 828.90 crore), Urban Development (₹ 856.30 crore), General Education (₹ 540.12 crore), Crop

Husbandry (₹ 463.70 crore ) and Social Security and Welfare (₹ 403.33 crore) Departments.

### **3.2 Submission of accounts 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/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 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, Regulations 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.

None of the departments of the Government of Chhattisgarh had furnished such details for the year 2013-14. The matter was taken up with Finance Department in July 2014. The reply was awaited as of October 2014.

41 bodies/authorities in the State which attract audit under section 14 of C&AG's (DPC) Act 1971 have been identified by Audit on the basis of information gathered from the Finance Accounts 2013-14 of which audit of three authorities/bodies have been conducted for various periods as of December 2014 as shown in *Appendix 3.2*.

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 utilized. This dilutes control in Government expenditure systems.

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

30 autonomous bodies have been set up by the State Government in the field of agriculture, legal housing, rural development etc. The audit of accounts of two autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. These are audited with regard to their transactions, operational activities and accounts, conducting regulatory/compliance audit, review of internal management and financial control, review of systems and procedures etc. The status of entrustment of audit, rendering of accounts and placing of SAR in the State Legislature 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	Period for which accounts rendered	Period upto which Separate Audit Report (SAR) is issued	Placement of SAR in the Legislature
1	Chhattisgarh State Legal Services Authority, Bilaspur	Entrustment vide Act of Parliament	2007-08 to 2011-12	2007-08	SAR was issued in July 2013. No information about status of placing SAR to the State Legislature was received (October 2014). The reminder was issued to the concerned Department in October 2014.
2	Chhattisgarh State Housing Board, Raipur	2007-08 to 2011-12	2007-08 to 2009-10	-	Accounts for the year 2007-08 to 2009-10 were received from the entity in February 2014. These accounts were audited and SAR is under preparation

As seen from the **Table 3.2**, there were inordinate delays in submission of accounts and presentation of SAR to the State Legislature resulting in delays in scrutiny of the functioning of these autonomous bodies, where Government investments are made, beside delays in initiating necessary remedial action on financial irregularities.

### 3.3 Unadjusted Abstract Contingent Bills

As per Rule 313 of the Chhattisgarh Treasury Code (CGTC), 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 concerned Controlling Officers (COs) for countersignature and transmission to the Accountant General (A&E). As per CGTC Subsidiary Rule 327, DDOs should submit monthly DC bills along with necessary certificate to the CO within fifth of the following month. The CO is required to submit the passed DC bills to Accountant General (AG), so that these may be received in AG's Office before 25<sup>th</sup> of the same month.

The year wise pendency in submission of Detailed Countersigned bills are given in **Table 3.3**.

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

Year	Opening balance		AC bills drawn during the year		DC bills submitted during the year		Outstanding AC bills	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
Upto 2012-13	0	0	206	6.22	106	1.93	100	4.29
2013-14	100	4.29	378	472.25	391	413.41	87	63.13

(Source: Finance Account 2013-14 and information compiled by the Office of the AG (A&E))

Of the total 87 pending AC bills aggregating ₹ 63.13 crore, large pendency pertains to Co-operation (₹ 52.97 crore), Forestry and Wild life (₹ 6.02 crore), Industry (₹ 1.93 crore) and Village and Small Industry (₹ 1.82 crore). The

Major Head wise details of outstanding AC bills for which DC bills were pending as on 31 March 2014, are given in **Appendix 3.3**.

**3.4 Reporting of cases of losses and defalcations etc.**

Rules 22 and 23 of the CGFC Vol-I, 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 any serious loss of immovable property such as building, roads and bridges caused by fire, flood, storm, earthquake or any other natural calamities should 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 1679 cases pending in various departments of the State Government, Government fund amounting to ₹ 18.93 crore were awaiting conclusive investigation and settlement at the end of March 2014. The department-wise and category-wise break up of pending cases are given in **Appendix 3.4**. Year-wise analysis of cases is shown in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarized in **Table 3.4**.

**Table 3.4: 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	264	440.29	Theft	132	51.12
5 – 10	336	490.34	Loss of property/material	1,483	1,759.30
10 – 15	203	339.14	Defalcation	64	82.53
15 – 20	220	288.26	<b>Total pending cases</b>	<b>1,679</b>	<b>1,892.95</b>
20 – 25	230	139.99			
25 & above	426	194.93			
<b>Total</b>	<b>1,679</b>	<b>1,892.95</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 3.5**.

**Table 3.5: 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	343	710.83
2	Departmental action initiated but not finalized	188	204.39
3	Criminal proceedings finalized but execution of certificate cases for recovery of the amount pending	37	28.40
4	Awaiting orders for recovery or writeoff	1,082	933.13
5	Pending in the courts of law	29	16.20
	<b>Total</b>	<b>1,679</b>	<b>1,892.95</b>

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

The above table shows that out of 1,679 outstanding cases, 1,082 cases (64 per cent) involving money value of ₹ 933.13 lakh were pending due to non issue of the orders for recovery or writeoff 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 188 cases involving ₹204.39 lakh, though the Departmental action has been initiated, but it was yet to be finalized as on 31 March 2014.

### 3.5 Personal Deposit Accounts

The Personal Deposit (PD) Accounts are Deposit Accounts kept in Treasuries in the name of the Administrators of the Accounts. The moneys are placed under 8443-Civil Deposits-106-Personal Deposit. Funds are drawn from the consolidated Fund (by debiting final heads of account) to be utilised for specific purposes.

In terms of provisions made for maintenance of PD Accounts in Subsidiary Rules 543 of Chhattisgarh Treasury Code (CGTC) Part-I, the PD Accounts which are opened by debit to the Consolidated Fund of the State should be closed at the end of the financial year by minus debit to relevant service heads. The Department of Finance, Government of Chhattisgarh also reiterated in March 2013 to close PD Accounts at the end of financial year.

The details of PD Accounts in the State are given in **Table 3.6**.

**Table 3.6: The details of PD Accounts**

(₹ in crore)

Number and amount of Accounts as on 1 April 2013		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 2014	
137	605.79	209	722.39	24	6.15	1,059.83	322	1,665.62

(Source : Finance Accounts)

The closing balance in PD Accounts indicated that the administrators did not close the PD Account by minus debit to relevant service head at the close of financial year as required under the rules. Since the amounts transferred to PD Accounts are shown as final expenditure in the Consolidated Fund of the State, non-closing of the PD Accounts at the close of the year resulted in overstatement of expenditure under Consolidated Fund during the year.

The aggregate balances in the accounts of the Personal Deposit Accounts for the period 2009-10 to 2013-14 are indicated in **Table 3.7**.

**Table 3.7: Funds in PD accounts**

(₹ in crore)

Year	Opening balance	Receipts/ Deposits	Withdrawals	Closing Balance
2009-10	434.40	400.62	337.41	497.60
2010-11	497.60	590.36	591.61	496.34
2011-12	496.34	669.96	437.08	729.22
2012-13	729.22	224.76	348.19	605.79
2013-14	605.79	1,388.51	328.68	1,665.62

(Source : Finance Accounts of the respective years)

As per the State Government instructions below Subsidiary Rule 584 to 590 of CGTC, Part-I, the Administrator of the respective PD Account, should submit a 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 2014, 268 out of 322 Administrators have not reconciled balances amounting to ₹ 1,513.12 crore. Periodical reconciliation of PD Accounts with treasury accounts is the responsibility of the Administrator concerned. It was further observed that one PD Accounts having money value of ₹ 5.11 lakh have been inoperative during the year.

### **3.6 Conclusion and Recommendations**

#### **Outstanding Utilisation Certificates against the Grants**

- Utilisation Certificates of ₹ 8,864.38 crore against the Grants-in-Aid released upto 2012-13 by different departments were outstanding as on 31 March 2014. Non-receipt of Utilisation Certificates against the Grants-in-Aid 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.

*It is recommended that the State Government should ensure timely utilisation of the grants for the intended purpose and submission of Utilisation Certificates 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 Accountant General (Audit). Status of submission of Separate Audit Report of the Autonomous Body to the Legislature has not been intimated to the Accountant General (Audit) by the Department.

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

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

- Significant amount of ₹ 63.13 crore drawn on Abstract Contingent bills during 2012-13 and 2013-14 remained outstanding as of March 2014 due to non-submission of Detailed Contingent bills.

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

#### **Cases of losses and defalcations**

- Total of 1679 loss cases amounting to ₹ 18.93 crore were pending by different departments as on 31<sup>st</sup> March 2014. Delayed action on the part of department led to non-realisation of Government fund.

*It is recommended that the Government Department should take prompt action for the disposal of pending loss cases.*

### **Funds kept in Personal Deposit Accounts**

- Personal Deposit (PD) Accounts were continued even after close of the financial year in violation of the provisions of Chhattisgarh Treasury Code. There was significant amount of closing balance aggregating to ₹ 1,665.62 crore in PD Accounts at the end of March 2014.

*The Departments should ensure closing of PD Accounts at the end of the financial year and the balance should be transferred to the Consolidated Fund of the State.*

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