
Chapter-3
FINANCIAL REPORTING

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 year 2016-17.

3.1 Outstanding Utilisation Certificates against grants

The Jharkhand Financial Rules (JFR) stipulate that departmental officers should obtain Utilisation Certificates (UC) from the grantees and after verification should forward these to the Accountant General (A&E), Jharkhand within 12 months of their sanction.

Audit observed that 17,324 UCs due in respect of grants aggregating to ₹ 29,449.52 crore paid up to 2015-16, were outstanding at the end of March 2017. A significant part of these UCs were outstanding against six Departments, viz., Education Department (800 UCs aggregating ₹ 10,850.96 crore), Urban Development Department (5,673 UCs aggregating ₹ 4,588.34 crore), Welfare Department (7,198 UCs aggregating ₹ 1,641.86 crore), Health Department (18 UCs aggregating ₹ 851.03 crore), Industry Department (504 UCs aggregating ₹ 390.10 crore) and Agriculture Department (136 UCs aggregating ₹ 275.82 crore). Department-wise break-up of outstanding UCs is given in **Appendix 3.1**.

As on 31 March 2017, the number and amount of outstanding UCs were 17,324 and ₹ 29,449.52 crore respectively as shown in **Table 3.1**.

Table 3.1: Outstanding Utilisation Certificates (as on 31.03.2017)

(₹ in crore)

Year in which GIA disbursed	Year in which UCs due	Utilisation Certificates Outstanding	
		Number	Amount
Up to 2013-14	Up to 2014-15	5,564	4,748.06
2014-15	2015-16	2,408	11,981.28
2015-16	2016-17	9,352	12,720.18
Total Number of UCs awaited		17,324	29,449.52

Source: Finance Accounts of Government of Jharkhand 2016-17

Further, the comparative status of last four years in six departments having major outstanding UCs as on 31 July 2017 is given in the Table below:

**Table 3.2: Major departments with outstanding Utilisation Certificates
(as on 31.07.2017)**

(₹ In crore)

Sl. No.	Name of Department	2012-13		2013-14		2014-15		2015-16	
		No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
1	Human Resources	2	32.00	12	404.49	103	6,642.29	557	2,509.26
2	Rural Development	0	0.00	0	0.00	01	0.90	191	1,551.57
3	Panchayati Raj and NREP	41	447.56	449	568.23	944	1,974.75	136	675.51
4	Energy	0	0.00	0	0.00	6	1,852.02	22	2,204.44
5	Urban Development	796	432.04	856	413.54	905	868.56	946	2,191.98
6	Welfare	98	166.11	152	166.77	215	226.26	6,505	1,038.08
Grand Total		937	1,077.71	1,469	1,553.03	2,174	11,564.78	8,357	10,170.84

The increase in amount and number of pending UCs after 2013-14 is a consequence of GoI's decision (July 2013) to effect transfers to State implementing agencies through the State Governments instead of directly to the agencies as was the practice earlier.

Non-receipt of UCs against the GIA bills for huge amounts of ₹ 29,449.52 crore at the end of March 2017 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. High pendency of UCs is fraught with the risk of misappropriation of funds and fraud.

It was also noticed that after relaxing the treasury code rule 329-331 by the GoJ vide letter no. 759/F dated 20.03.2015 which stopped requirement of authority letter from Pr.AG (A&E), the amount of outstanding utilisation certificates raised from ₹ 5,148.57 crore in 2014-15 to ₹ 29,449.52 crore in 2016-17.

Recommendation:

The Finance Department should prescribe a time frame within which administrative departments releasing grants, collect UCs pending for more than the time stipulated in the grant orders and also ensure that till such time, administrative departments release no further grants to defaulting grantees. The Government may initiate appropriate action against the officers who defaulted submission of UCs in time.

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

Bodies and authorities that are substantially financed by way of loans or grants from the Consolidated Fund, or those that receive such loans or grants for specific purposes are audited by the CAG. As on date, there are 75 such bodies and authorities, of which 72 have been audited, as per details in **Appendix 3.2**.

Scrutiny revealed that out of 75 bodies/authorities only four bodies/authorities had submitted their updated accounts. Out of remaining bodies/authorities three bodies/authorities have not submitted their accounts to audit since inception while delay in submission of accounts of other bodies/authorities ranged between one to 13 years even after repeated reporting.

Recommendation:

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

3.2.2 Audit under section 19 & 20 of CAG's (DPC) Act, 1971

There are five¹ Autonomous Bodies in the State which are to be audited under Sections 19 & 20 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 these autonomous bodies is given in **Table 3.3**.

Table 3.3: 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)	2015-16	2015-16	Not Intimated	Annual Accounts for the years 2016-17 have not been received so far (August 2017)
2	Jharkhand State Electricity Regularity Commission (JSERC)	2011-12	2011-12	03.03.2014	Annual Accounts for the years 2012-13 to 2015-16 have not been received so far (August 2017)
3	Rajendra Institute of Medical Sciences (RIMS)	Nil	Nil	Nil	In spite of active persuasion annual accounts for the years 2010-11 to 2016-17 have not been received as of September 2017.
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 since inception (2001). However, Compliance Audit is being conducted regularly.

¹ (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.

Placement of SARs in case of audited accounts of JHALSA has not been intimated in spite active pursuance. Further, audit pursued the matter regularly with the concerned authorities for submission of accounts of three bodies mentioned in the above table but the same has not been submitted to audit since inception. However, compliance audit of these bodies are regularly conducted.

3.2.3 Delay in submission of accounts of Public Sector Undertakings (PSUs)

Section 96(1) of the Companies Act stipulates that the financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by 30 September of the next financial year. Failure to submit accounts on time renders the officers of the company liable to penal provisions under the Act, extending the fine up to ₹ one lakh and with further fine upto ₹ 5,000 for every additional day of default. **Table 3.4** below provides the details of progress made by working PSUs in finalisation of accounts as of 31 December 2017.

Table 3.4: Position relating to finalisation of accounts of working and non-working PSUs

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs	21	3	24
2	Number of PSUs having accounts in arrears	19	3	22
3	Number of accounts in arrear	54	15	69
4(a)	Number of PSUs with arrears more than six year	2	1	3
4(b)	Number of accounts in arrear in the above PSUs	15	8	23
5(a)	Number of PSUs with arrears between three to five year	7	1	8
5(b)	Number of accounts in arrear in the above PSUs	26	6	32
6(a)	Number of PSUs with arrears between one to two year	10	1	11
6(b)	Number of accounts in arrear in the above PSUs	13	1	14
7	Extent of arrears (numbers in years)	1 to 8	1 to 8	1 to 8

Source: Data compiled from the information furnished by the company

Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of companies as stipulated in Company Act for periods up to eight years.

The above denotes failure of the concerned administrative departments and specifically of the Finance Department for their inability to ensure that the defaulting companies comply with the relevant Acts.

The State Government had extended Budgetary support of ₹ 2,658.06 crore in 11 working PSUs {Equity: ₹ 76.25 crore, Loans: ₹ 1,271.80 crore, Capital Grants: ₹ 1,310.01 crore} during the period. The State Government also extended budgetary support of ₹ 15.53 crore to one non-working Company during the period.

Recommendation:

The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.

3.2.4 Dividend not declared by PSUs

The State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, five PSUs with government equity of ₹ 75.74 crore earned an aggregate profit of ₹ 22.97 crore but did not declare any dividend.

Recommendation:

State should formulate dividend policy for return on its investments as share capital.

3.3 Audit of funds drawn on Abstract Contingent (AC) bills

The Jharkhand Treasury Code (JTC), 2016 stipulates that when contingent charges are drawn as an advance from the treasury on Abstract Contingent (AC) bills without supporting vouchers, the relevant Detailed Contingent (DC) bills supported with sub-vouchers and countersigned by the Controlling Officer (CO) are to be submitted to the Accountant General (A&E) within six months from the date of the AC bill.

Year-wise details of pending DC bills are given in **Table 3.5**.

Table 3.5: Details of pending DC 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	54,563	15,172	45,692	11,576	8,871	3,596	24
2014-15	550	721	734	385	(-)184	336	47
2015-16	851	1,225	446	461	405	764	62
2016-17	459	1,268	48	313	411	955	75
Total	56,423	18,386	46,920	12,735	9,503	5,651	31

Source: Notes to Accounts of Finance Accounts of respective years

The Departments with maximum amount of pending DC bills are: 'Rural Development Department' (₹ 1,189 crore), 'Welfare Department' (₹ 628 crore), 'Health, Medical Education and Family Welfare Department' (₹ 540 crore) 'Women, Child Development and Social Security Department' (₹ 530 crore), and 'Agriculture, Animal Husbandry and Co-operative Department' (₹ 260 crore). Department-wise comparative details of outstanding DC bills are given in table below:

Table 3.6: Department-wise comparative details of outstanding DC bills

(₹ in crore)

Sl. No.	Name of Department	Outstanding DC bills as on 17.04.2018					
		upto 2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Agriculture and Sugarcane Development Department	86.96	7.00	2.07	1.16	25.66	57.00
2	Health, Medical Education and Family Welfare Department	390.27	0.24	31.71	24.28	68.44	18.05
3	Rural Development Department	489.78	30.50	26.63	82.80	163.83	214.63
4	Welfare Development	438.51	44.72	60.51	4.69	21.40	22.23
5	Women, Child Development and Social Security Department	418.49	30.12	0.18	0.10	83.72	0.00
Total		1824.01	112.58	121.10	113.03	363.05	311.91

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

Non-submission of DC bills within the prescribed time not only breaches financial discipline but also entails risk of misappropriation of public money and unhealthy practices.

3.4 Audit of funds drawn on AC bills by Road Construction Department

Audit of the funds withdrawn on AC bills during the period 2000-17 by Road Construction Department (RCD) was conducted. It was noticed in RCD, ₹ 450.15 crore was drawn through 199 AC bills under Major heads 3054 (₹ 0.39 crore) and 5054 (₹ 449.76 crore) during the period as shown in **Table 3.7.**

Table 3.7 Outstanding DC bills

(₹ in crore)

Year	AC bills drawn						DC bills submitted						Outstanding		Percentage of outstanding amount
	Head				Total		Head				Total				
	3054		5054				3054		5054						
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
2000-14	178	0.38	07	135.10	185	135.48	153	0.32	06	134.54	159	134.86	28	0.62	0.47
2014-15	00	0.00	02	9.00	02	9.00	00	0.00	01	5.26	01	5.26	01	3.74	42
2015-16	01	0.01	05	58.66	06	58.66	00	0.00	02	52.37	02	52.37	04	6.30	11
2016-17	00	0.00	06	247.00	06	247.00	00	0.00	03	207.88	03	207.88	03	39.12	16
Grand Total	179	0.39	20	449.76	199	450.15	153	0.32	12	400.05	165	400.37	36	49.78	

Source: AC/DC details report O/o the Principal Accountant General (A&E)

We observed the following during audit:

3.4.1 Un-authorised withdrawal of funds on AC bills for Capital Works

The Jharkhand Treasury Code (JTC) defines 'contingent charges' or 'contingencies' means and includes all incidental and other expenses which are incurred for the management of an office as an office, or for the technical working of a department other than those which, under prescribed rules of classification of expenditure, fall under some other head of expenditure e.g. 'works', 'stock', 'tools and plant' etc. Thus, AC bills cannot be drawn for capital works.

However, it was noticed during audit that AC bills amounting to ₹ 314.66 crore (March 2015 to December 2016) was drawn by the Under Secretary, RCD, Ranchi, Jharkhand for construction of Road and Bridges, and transferred to State Highway Authority of Jharkhand (SHAJ) for execution of the works which was contradictory to the above provisions of JTC .

While accepting the facts, the Deputy Secretary, RCD stated (February 2018) that field offices have been directed to avoid the same.

Recommendation:

The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.

3.4.2 Withdrawal against AC bills at the end of the financial year

The Appropriation Act stipulates that funds drawn from the Treasury should be utilised within the financial year. The Jharkhand Treasury code also forbids withdrawals from the Treasury to prevent lapse of appropriation.

Details of withdrawals on AC bills during 2014-17 are given in **Table 3.8**.

Table 3.8: Withdrawal of AC bills at the end of the financial year

(₹ in crore)

Year	Total Withdrawal						Drawn in March						Percentage of withdrawal in March
	Head				Total		Head				Total		
	3054		5054				3054		5054				
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
2014-15	00	0.00	02	9.00	02	9.00	00	0.00	02	9.00	02	9.00	100
2015-16	01	0.01	05	58.66	06	58.67	00	0.00	03	13.66	03	13.66	23
2016-17	00	0.00	06	247.00	06	247.00	00	0.00	01	25.00	01	25.00	10
Total	01	0.01	13	314.66	14	314.67	00	0.00	06	47.66	06	47.66	

Source: VLC data

The Department accepted (February 2018) the facts.

3.4.3 Funds drawn on AC bills kept in Bank accounts

The Jharkhand Treasury Code stipulates that funds should not be drawn unless required for immediate disbursement. Further, the Jharkhand Financial Rules prohibit the keeping of Government money outside Government Account.

Audit observed that in contravention to rules funds amounting to ₹ 32.66 crore drawn during March 2016 to February 2017 by Under Secretary, RCD on AC bills were transferred to the implementing agency State Highways Authority of Jharkhand (SHAJ), which was parked in savings bank accounts of the agency (as of May 2017).

Recommendation:

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

3.5 Audit of Detailed Contingent (DC) bills of 2016-17

During the year 2016-17, a total 1495 DC bills valued at ₹ 684.48 crore were adjusted. Out of these 101 DC bills valued at ₹ 241.59 crore, pertaining to eleven² major heads, were test checked. The audit findings are given below:

- **DC bills not supported with Vouchers**

During Audit verification it was noticed that as required in the treasury code vouchers were not submitted with 75 DC bills amounting to ₹ 232.05 crore as detailed in **Appendix 3.3**.

In the above cases utilisation certificates and DC bill forms stating the expenditure without vouchers were submitted. Hence, authenticity of expenditure of amount drawn on AC bill could not be ascertained in audit.

² 2040- Taxes on sales, trade etc.; 2202- General Education; 2225-Welfare of SC ST OBC and Minority; 2402- Soil and Water Conservation; 2403-Animal Husbandry; 4225- Capital outlay on Welfare of SC ST OBC and Minority; 4055- Capital Outlay on Police; 4403-Capital outlay on Animal Husbandry and 5054- Capital outlay on Roads and Bridges, 2401-Crop Husbandry, 2053-District Administration.

- **Refund of unutilised amount of ₹ 0.45 crore**

In five³ out of eleven test checked major heads, a total amount of ₹ 0.76 crore in 12 cases, adjusted in DC bills during the period from 2001-02 to 2015-16, ₹ 0.45 crore was deposited into treasury after retention of funds for a period ranging between one and 15 years without utilisation.

- **Delayed submission of DC bills**

During scrutiny it was revealed that out of 101 DC bills selected for audit, 74 bills involving ₹ 78.89 crore detailed in **Appendix 3.4** were submitted with a delay up to 14 years which was much beyond the prescribed limit of six months provided in the JTC.

- **DC Bills not countersigned**

It was noticed that 60 DC bills involving ₹ 31.73 crore were submitted without countersignature of the controlling officers which was against the provision of rule 184. Thus, the DC bills were not authenticated by the controlling officer.

- **Other irregularity**

Director, Agriculture withdrew ₹ 6.82 crore under Major Head 2401-Crop Husbandry through three AC bills which was remitted into treasury after a gap of three months and DC bills were submitted after a period of five and half years in March 2017.

The audit observations were forwarded to the Finance Department, Government of Jharkhand and the other concerned departments in December 2017 and January 2018. No reply has been received from them so far.

3.6 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 (10 July 2017 and 25 August 2017) no information has been received from the Finance Department as of September 2017.

However, in previous years in reply to audit request FD directed the departments to provide the information and departments in turn instructed the DDOs to provide the same to audit which indicates that FD has no data base as required under rule 31 to monitor such cases. Thus, FD is unable to know the number of such cases and its status at any point of time.

³ 2202- General Education; 2225- Welfare of SC ST OBC and Minority; 4225- Capital outlay on Welfare of SC ST OBC and Minority; 2402- Soil and Water Conservation and 2403-Animal Husbandry

Recommendation:

Finance Department should develop a mechanism in the light of financial rule 31 so that the state will be aware of number of such cases, amount involved in it and its status as on date.

3.7 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 expenditure of ₹ 1.16 crore towards “Major Works” under the Revenue Section during the year as indicated in **Appendix 3.5**. Consequently, the Revenue Surplus and assets of the State Government for the financial year 2016-17 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 ₹ 105.00 crore under capital major head 4235-Capital outlay on social security and welfare (₹100.00 crore) and 4702-capital outlay on Minor Irrigation (₹ 5.00 crore) for construction/ Maintenance/ Upgradation of Angan Wadi Centre under ICDS and grant for pay to Jharkhand state water society and JHALCO respectively. Further, ₹ 583.79 crore was spent during 2016-17 from capital head on Salary, maintenance, office expenses, travelling allowances etc., which was revenue in nature. Consequently, the Revenue Surplus and Capital Outlay of the State Government for the financial year 2016-17 stood overstated to this extent. The matter has been brought to the notice of State Government but remained uncorrected.

3.8 Funds drawn and kept in Personal Ledger (PL) Accounts

As per rule 174 of Jharkhand Treasury Code money should not be withdrawn from Treasury unless it is required for immediate payment.

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-Deposits of Local Funds for the year 2016-17 revealed that there were 155 Personal Ledger Accounts of the State as of 31 March 2017.

During 2016-17, ₹ 8,406.87 crore were added in the opening balance of ₹ 5,217.97 crore leading to accumulation of ₹ 13,624.84 crore in PLAs. Further, ₹ 4,136.44 crore spent during the year leaving a balance of ₹ 9,488.40 crore at the end of 2016-17 in the PLAs. Year wise details of balances in PLAs are given below:

Table 3.9: Funds in Personal Ledger Accounts

(₹ in crore)				
Year	Opening balance	Receipts	Disbursement	Closing Balance
2013-14	2,954.43	2,613.93	2,970.86	2,597.50
2014-15	2,597.50	5,155.09	4,422.64	3,329.95
2015-16	3,329.95	12,054.22	10,166.20	5,217.97
2016-17	5,217.97	8,406.87	4,136.44	9,488.40

It is evident from **Table 3.9** that every year a huge amount was added in PLAs while the expenditure incurred was very less during the year leading to sharp increase in closing balance. Thus, a huge fund was created outside the consolidated fund beyond direct control of Government which is against the provisions of budgetary control system. The expenditure of the State Government was also overstated to the extent of ₹ 9,488.40 crore at the end of 2016-17.

Three treasuries (Doranda, Project Bhawan and Ranchi) in Ranchi district were selected for test check of PL accounts. There are 60 PLAs operated in these treasuries out of which 14 PL accounts have been selected for test checks based on the quantum of balance in those treasuries. Audit of balances in treasury records and the concerned units of these PLAs revealed that:

- As per provisions in JTC Rule 334, the deposit administrator shall review all Personal Deposit Accounts at the end of each financial year. Money lying unspent after two consecutive financial years should not be spent any further and balance should be transferred as reduction of expenditure to the concerned service head from which the money was withdrawn.

Test check of PL Accounts of seven institutions⁴ revealed that ₹ 285.82 crore remained unutilised for more than three to eight years and not surrendered as of 31 march 2017 by the Administrators of the respective institutions.

- As per JTC Rule 343, the balances at credit of each local fund shall be reconciled at the end of the month with the Treasury Officer and the Bank, by the authority administering the fund. In the event of failure to verify the balance with the Treasury for three consecutive months, no cheque of the administrator shall be en faced by the Treasury Officer without special permission from the Deputy Commissioner.

It was revealed in audit that in three test checked institutions⁵, balances of PLAs as furnished by the institutions was more than that of the balances shown in the accounts of the concerned treasuries whereas in four institutions the balances were less than the balances shown in the treasuries.

Unspent balances lying in personal ledger accounts, which were neither reconciled periodically nor transferred to the Consolidated Fund, before the closure of the financial year entails the risk of misuse, fraud and misappropriation of public funds.

Recommendation:

The Finance Department is required to review all PL accounts and ensure that all amounts unnecessarily lying in these PL accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department is required to reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.

⁴ JHARKRAFT, JREDA, Zila Parishad Ranchi, GRDA, JSSCDC, RMC Ranchi and JAPIT

⁵ JREDA, RMC Ranchi and SAMETI

3.9 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 2016-17, a sum of ₹ 1,139.59 crore was booked under the minor head “800-Other Expenditure” in 14 Major Heads of which under seven Major Heads, expenditure (more than 10 *per cent* of total expenditure in each case) aggregating ₹ 1,072.07 crore (25.41 *per cent* of the total expenditure of ₹ 4,218.34 crore in these heads) was booked under the minor head “800-Other Expenditure” as indicated in **Appendix 3.6**.

Further scrutiny revealed that major schemes involving huge amount like ₹ 325.12 crore in Energy Department on Atal Gram Jyoty Yojna, Rural Electrification, Tilka Manjhi Krishi Pump Yojna etc. and ₹ 192.84 crore in Water Resource Department on Restoration of Irrigation Schemes, Construction of ongoing schemes under Chhotanagpur and Santhal Pargana etc. were executed under “800- Minor Heads”

Similarly, a sum of ₹ 1,335.62 crore was booked under the minor head “800-Other Receipts” in 47 Major Heads of which under 27 major heads, revenue receipts (more than 40 *per cent* of total receipts in each case) aggregating ₹ 1,085.02 crore (76.11 *per cent* of the total receipt of ₹ 1,425.67 crore in these heads), 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 3.7**.

Recommendation:

The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.

3.10 Variations in Cash Balance

The difference of ₹ 24.05 crore (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 31.03.2017), is mainly due to non-reconciliation of figures by the Agency Banks. Out of ₹ 24.05 crore (credit), ₹ 1.61 crore pertaining to period prior to October 1987 is under discussion between the State Government and the RBI for settlement/ write off.

3.11 Important factors affecting accuracy of accounts

- **Outstanding balances under major suspense accounts**

Suspense heads are operated when 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. Suspense balances remain unclear at the end of the year adversely affect the accurate reflection of the Government's receipt and expenditure of the year. The position of Suspense balances of the State are indicated in **Table 3.10**.

Table 3.10: Position of balances under Suspense Head (8658)

(₹ in crore)

Name of the Minor Head	2014-15		2015-16		2016-17		As on September 2017	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101 Pay and Accounts Office Suspense	11.47	---	19.10	---	46.06	24.77	17.90	0.00
Net	Dr. 11.47		Dr. 19.10		Dr. 21.29		Dr. 17.90	
102 Suspense Account (Civil)	1.10	0.00	6.72	5.76	160.19	11.59	58.78	0.00
Net	Dr. 1.10		Dr. 0.96		Dr. 148.60		Dr. 58.78	

Source: Finance Accounts of Government of Jharkhand 2016-17

The implications of the balances under these heads are stated below:

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

Outstanding debit balances under this head represents payments that have been made by the PAG (A&E) Jharkhand on behalf of PAOs of Central Government departments, which are yet to be recovered. Outstanding credit balances represent payments made by PAOs on behalf of the State Government which the AG (A&E) is yet to reimburse. On settlement of the net debit balance under this head (₹21.29 crore), the cash balance of the State Government will increase.

- **Suspense Accounts (Civil)**

This minor head is credited for recording receipts and debited for expenditure incurred and is cleared on receipt of supporting documents by the PAG (A&E). There is no impact on cash balance on clearance of this item

3.12 Apportionment of balances as on reorganisation of the State

Balances amounting to ₹ 7,443.90 crore under Public Accounts heads along with balance under Capital Section ₹ 11,935.23 crore and Loans and Advances ₹ 6,583.36 crore remained to be apportioned between the successor States Bihar and Jharkhand, almost two decades after the reorganisation of the erstwhile State of Bihar with effect from November 2000.

Recommendation:

The State Government is required to expedite the apportionment of balances under Deposits and Advances between the two successor States.

3.13 Follow up on Audit Report on State Finances

Public Accounts Committee (PAC) 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 on the recommendation of PAC. No excess expenditure over provisions was regularised after that date till 2016-17 as no recommendation has been made by the PAC in this regard.

3.14 Impact on Revenue surplus and Fiscal deficit

The impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of Revenue Surplus by ₹ 258.54 crore and understatement of Fiscal Deficit to the tune of ₹ 154.70 core as depicted in the Finance Accounts is given in **Table 3.11** below:

Table 3.11: Impact on Revenue Surplus and Fiscal Deficit as per Accounts

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over statement	Under statement	Over statement	Under Statement
GIA booked under Capital section instead of Revenue	105.00	0	0	0
Major construction booked under Revenue Section instead of Capital Section	0	1.16	0	0
Partial Contribution to Consolidated Sinking Fund	82.65	0	0	82.65
Non-contribution to Guarantee Redemption Fund	0.79	0	0	0.79
Non-credit of interest under interest bearing Reserve Fund and Deposits	71.26	0	0	71.26
Total	259.70	1.16	0	154.70
Net Impact	Over Statement of ₹ 258.54		Under Statement of ₹ 154.70	

However, as discussed in various places in the report, the impact of incorrect booking/accounting of expenditure and revenue as worked by Audit are discussed in **Table 3.12** below:

Table 3.12: Impact on Revenue Surplus and Fiscal Deficit as per Audit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit		Impact on outstanding liabilities
	Over statement	Under statement	Over statement	Under statement	Under statement
GIA booked under Capital section instead of Revenue	105.00	0	0	0	0
Major construction booked under Revenue Section instead of Capital Section	0	1.16	0	0	0
Expenditure on salary, maintenance, office expenses and travelling allowances etc. booked under Capital section instead of the Revenue section	583.79	0	0	0	0
Non-transfer of Labour Cess to the Board	312.90	0	0	312.90	312.90
Non- transfer to the Sinking Fund	282.65	0	0	282.65	282.65
Non-credit of interest bearing Reserve Funds and Deposits	75.64	0	0	75.64	75.64
Non- contribution to Guarantee Redemption Fund	0.79	0	0	0.79	0.79
Total	1,360.77	1.16	0	671.98	671.98
Net Impact	Over Statement of ₹ 1,359.61		Under Statement of ₹ 671.98		

In view of the above, the Revenue Surplus and Fiscal Deficit of the State which are ₹ 1,964.89 crore and ₹ 10,192.38 crore as projected in the Finance Accounts would actually be ₹ 605.28 crore and ₹ 10,864.36 crore respectively due to overstatement of revenue surplus by ₹ 1,359.61 crore and understatement of fiscal deficit to the tune of ₹ 671.98 crore as given in **Table 3.12**. It is also evident from above table that the liabilities of the State was understated to the extent of ₹ 671.98 crore.



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