

Chapter–IV: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system with relevant and reliable information significantly contributes 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 compliance 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 strategic planning and decision-making. This Chapter provides an overview of the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

4.2 Delay in Submission of Utilisation Certificates

Rule 182 of Chhattisgarh Financial Rules stipulates that where grants-in-aid (GIA) are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to Accountant General (A&E) on or before 30 September of the following year to ensure that the funds have been fully utilised for the intended purposes.

Audit scrutiny revealed that as on 31 March 2020, 256 UCs in respect of grants aggregating ₹3,770.86 crore given to 15 Departments of the State Government during the period from 2008-09 to 2018-19 had not been submitted. Age-wise details of delays in submission of UCs are given in **Table 4.1**.

Table 4.1: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1,407	5,016.79	299	2,318.51	1,389	4,921.89	317	2,413.41
2018-19	317	2,413.41	257	4,651.19	40	45.26	534	7,019.33
2019-20	534	7,019.33	305*	5,042.69*	278	3,248.47	256	3,770.86

*UCs for the GIA disbursed during 2019-20 become due only during 2020-21

Considering that the Departmental authorities have not yet explained as to how an amount of ₹3,770.86 crore was spent over the years is a matter of concern, as it involves public funds provided to them for implementation of specific programmes/schemes and there is no assurance that the intended objectives of providing these funds have been achieved.

The year-wise details of pending UCs and the amounts involved are tabulated in **Table 4.2**.

Table 4.2: Year-wise breakup of pending UCs

(₹ in crore)

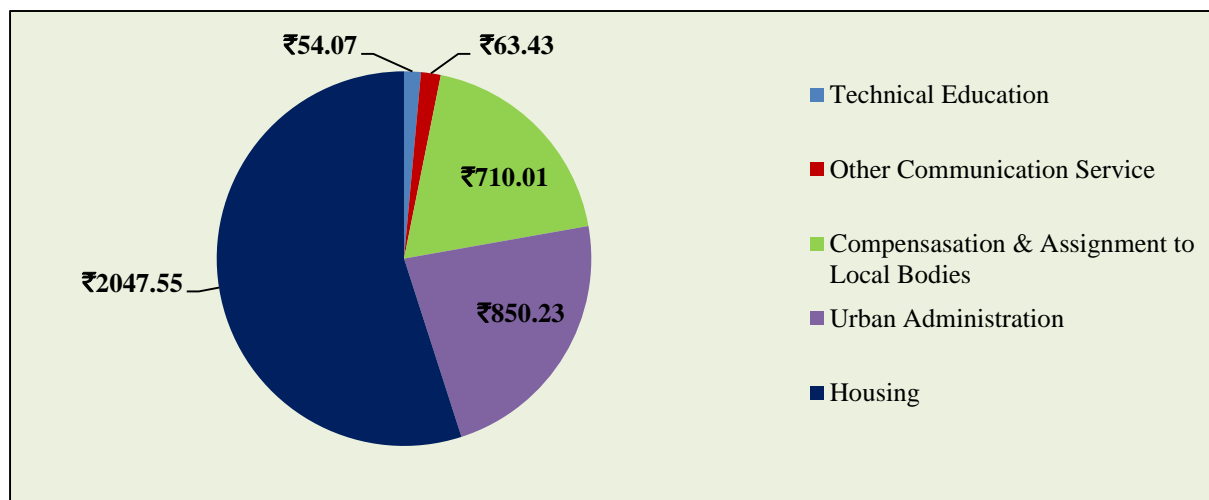
Year	Number of Utilisation Certificates	Amount
2008-09	01	0.01
2009-10	02	0.99
2010-11	00	0.00
2011-12	00	0.00
2012-13	15	21.86
2013-14	14	25.39
2014-15	00	0.00
2015-16	00	0.00
2016-17	00	0.00
2017-18	45	229.20
2018-19	179	3493.41
Total	256	3,770.86

Source: Data compiled by O/o the AG (A&E), Chhattisgarh

In the absence of accountability for expenditure relating to funds provided as far back as 2008-09, the possibility of misappropriation of these funds cannot be ruled out. **Table 4.2** reveals that 87.50 per cent of outstanding UCs pertains to the last two years *i.e.*, 2017-18 and 2018-19. Department-wise break-up of outstanding UCs for the grants paid up to the year 2018-19 is given in **Appendix 4.1**. Status of outstanding UCs in respect of five major departments is given in **Chart 4.1**.

Chart 4.1: Outstanding UCs in respect of 5 major Departments for the grants paid up to 2018-19

(₹ in crore)



Source: Data compiled by O/o the AG (A&E), Chhattisgarh

Non-receipt of UCs against GIA indicates failure of the departmental officers to comply with the rules and procedures to ensure timely submission of UCs for the grants obtained for implementation of specific developmental programmes. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

4.2.1 Parking of Grants-in-Aid funds outside the Government Account

The State Government provides funds to State/District Level Agencies/autonomous Bodies and Authorities, societies, Non-Governmental Organizations *etc.*, as grants for implementation of Central Sector schemes, centrally sponsored Schemes and State Schemes.

During 2019-20, an amount of ₹22,268.35 crore¹ was given by the State Government to various implementing agencies for implementation of Government schemes/works/programmes. Since the funds are not being fully spent by the implementing agencies in the financial year, substantial amounts remained unspent and were kept in the bank accounts of these implementing agencies.

As per the information received from the implementing agencies, the details regarding the utilisation of Grant-in Aid and unspent amount kept in Bank accounts are shown in **Table 4.3.**

Table 4.3: Parking of Grant-in-Aid funds outside the Government Account

(₹ in crore)

Sl. No.	Name of the Implementing Agency	Total GIA received during the year 2019-20	Total expenditure during the year 2019-20	Balance kept in Bank Account
1.	Zila Panchayat, Dhamtari	59.60	57.95	1.65
2.	Nagar Palika Parishad, Sarangarh	16.48	14.18	2.30
3.	CEO, Zila Panchayat, Mahasamund	117.07	111.19	5.88
4.	State Urban Development Agency, Chhattisgarh (Amrut Yojana)	311.01	275.81	35.20
5.	State Urban Development Agency, Chhattisgarh (Day Nulm)	45.00	18.14	8.86
6.	Zila Panchayat, Bilaspur	174.45	160.51	13.94
7.	Zila Panchayat, Raipur	182.88	148.34	34.54
8.	Nagar Palika Parishad, Katghora	4.19	1.57	2.62
9.	Zila Panchayat, Pharsagaon	5.41	4.88	0.53
10.	CHiPS	1.50	0.00	1.50
11.	IIIT, Raipur	25.00	22.44	2.56
12.	Nagar Palika Parishad, Champa	20.86	16.86	4.01
13.	Nagar Panchayat, Bemetara	1.37	0.61	0.76
14.	Nagar Panchayat, Palari	6.98	6.10	0.88
15.	Sickle Cell Institute, Raipur	5.25	2.74	2.51
16.	Sickle Cell Project, Raipur	1.25	0.59	0.66
17.	Ayush Science University	5.0	4.73	0.27
18.	Nagar Panchayat, Koonra, Raipur	8.65	6.88	1.76
19.	Chhattisgarh Van Vikash Nigam, Raipur	1.0	0.60	0.40
20.	Human Rights Commission, Chhattisgarh	2.92	2.49	0.43
21.	Directorate Urban Administration and Development, Durg	4.60	1.90	2.70
22.	Zila Panchayat, Bijapur	78.57	45.31	33.26
23.	Narag Panchyat, Dongargoun	1.15	0.10	1.05
24.	Nagar Panchayat, Pusaur	6.14	5.87	0.27
25.	Nagar Panchayat, Pandaria	11.24	9.54	1.70
26.	Nagar Panchayat, Kharaud	4.43	3.15	1.28
27.	Nagar Panchayat, Bodri	7.58	4.47	3.11
28.	Nagar Palika Parishad, Kumhari	19.31	15.42	3.89
29.	NRHM, Raipur	1,194.84	1,149.38	45.46
30.	Shri B. R. Kashyap Sasakiya Chikitsa Mahavidyalaya, Jagadapur	5.80	5.31	0.49
Total		2,329.53	2,097.06	214.47

Source: Information received from various implementing agencies

¹ Includes expenditure on Grant-in-Aid ₹20,328.74 crore and Grants-in-Aid for creation of Capital Assets ₹1,939.61 crore.

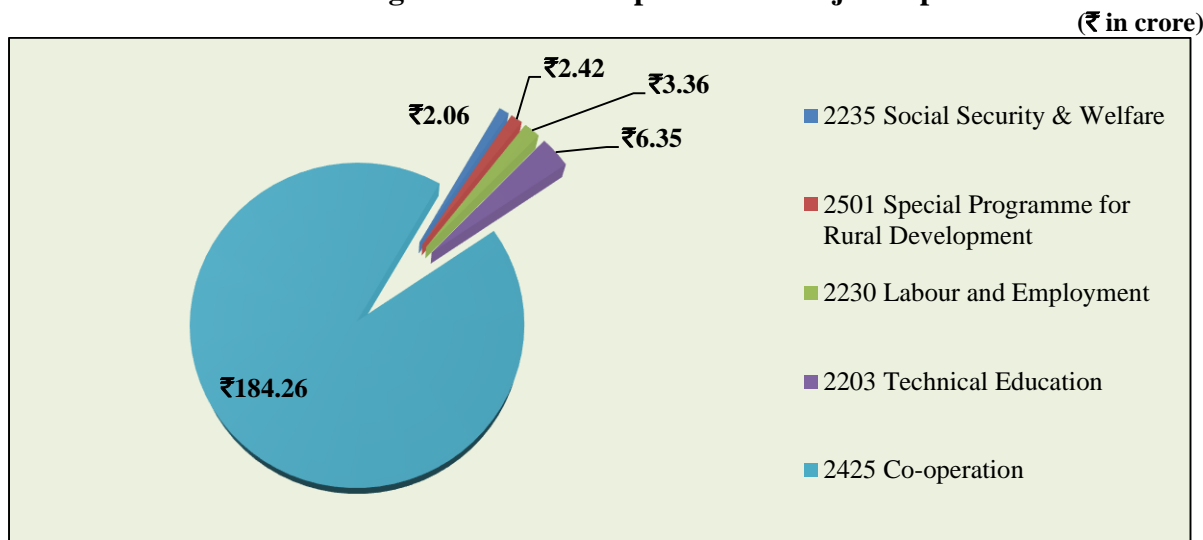
Non utilisation or meagre utilisation of GIA resulted in non-achievement of the intended objective for which GIA were released.

4.3 Pending DC Bills

Under Rule 327 of the Chhattisgarh Financial Rules, Drawing and Disbursing Officers (DDOs) are authorized to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. Subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (A&E) not later than 25th of the month following the month in which such amounts are drawn.

As of 31 March 2020, 18 Departments of the Government of Chhattisgarh had not submitted DCC bills for ₹201.59 crore against 315 AC Bills. Department-wise pending DCC bills for the years up to 2019-20 are detailed in *Appendix-4.2*. Status of pending DCC bills in respect of 5 major departments is given in **Chart 4.2**.

Chart 4.2: Pending DCC Bills in respect of five major Departments



Source: Data compiled by O/o the AG (A&E), Chhattisgarh

Year-wise details of pendency of DCC bills for the years up to 2019-20 are given in **Table 4.4**.

Table 4.4: Pendency in submission of DCC bills against AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	115	25.19	1,387	3,846.56	1,342	3,738.80	160	132.95
2018-19	160	132.95	911	1,304.50	783	1,252.80	288	184.65
2019-20	288	184.65	277	3,275.53	250	3,258.59	315	201.59

Source: Data compiled by O/o the AG (A&E), Chhattisgarh

Out of 315 DCC bills worth ₹201.59 crore pending submission as of 31 March 2020, 19 DC bills (₹0.23 crore), 96 DC bills (₹1.14 crore) and 200 DC bills (₹200.22 crore) pertain to the years 2017-18, 2018-19 and 2019-20 respectively.

Non-submission of DCC bills within the prescribed time not only breaches financial

discipline but also increases the possibility of wastage/misappropriation/malfeasance etc. and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.4 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Accountant General (A&E) from the initial accounts rendered by 28 District Treasuries, 53 Forest Divisions, 29 Rural Engineering Services and 155 Other Divisions².

During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from 01 to 15 days by treasuries, 01 to 80 days by public works divisions, and 01 to 20 days by forest divisions.

The State Government needs to monitor closely, and ensure the rendition of accounts by all the account rendering authorities to the Accountant General (A&E) timely to manage its own budget more effectively.

4.5 Outstanding balances under Suspense and DDR Heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account, and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

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. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The Minor Head-wise position of balances under major suspense and remittance heads for the last three years are given in **Table 4.5**.

Table 4.5: Balances under Suspense and Remittance Heads

Major Head 8658-Suspense Minor Head	2017-2018		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-PAO suspense	54.38	0.14	52.55	18.83	67.35	19.50
Net	Dr. 54.24		Dr. 33.72		Dr. 47.85	
102-Suspense Account-Civil	19.26	0.98	32.44	0.17	30.81	0.17
Net	Dr. 18.28		Dr. 32.27		Dr. 30.64	
109-Reserve Bank Suspense-Headquarters	(-)0.67	(-)0.08	2.61	3.02	0.03	0.68
Net	Cr. 0.59		Cr. 0.41		Cr. 0.65	

² 53 Public Works Divisions, 62 Irrigation Divisions (Water Resources Department), 36 Public Health Engineering Divisions and 4 Road Development Divisions.

110-Reserve Bank Suspense-CAO	0.14	0.00	1.72	0.00	3.57	0.01
Net	Dr. 0.14		Dr. 1.72		Dr. 3.56	
112-Tax Deducted at Source	0.00	84.04	0.00	65.08	0.00	71.10
Net	Cr. 84.04		Cr. 65.08		Cr. 71.10	
113-Provident Fund Suspense	42.58	0.00	46.08	0.00	44.35	0.00
Net	Dr. 42.58		Dr. 46.08		Dr. 44.35	
123-All India Service Officer's Group Insurance Scheme	0.00	0.17	0.00	0.16	0.00	0.19
Net	Cr. 0.17		Cr. 0.16		Cr. 0.19	
129-Material Purchase Settlement Account	0.00	85.40	0.00	84.11	0.00	84.11
Net	Cr. 85.40		Cr. 84.11		Cr. 84.11	
Major Head 8782-Cash Remittances						
102-P.W. Remittances	18.29	11.50	112.34	9.13	74.83	42.43
Net	Dr. 6.79		Dr. 103.21		Dr. 32.40	
103-Forest Remittances	10.84	7.11	37.83	5.22	36.20	5.44
Net	Dr. 3.73		Dr. 32.61		Dr. 30.76	

Source: Data compiled by O/o the AG (A&E), Chhattisgarh

If the amounts under these suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments. Further, non-clearance of outstanding balances under these heads affects the accuracy of receipt/expenditure figures and balances under different heads of Accounts (which are carried forward from year to year) of the State Government.

4.6 Personal Deposit (PD) Accounts

Under specific circumstances, the Government may authorise the opening of PD accounts for operation by designated Administrators. Transfer of funds to PD accounts is booked under the service major heads, as expenditure under the Consolidated Fund of the State. Under Rule 543 of Treasury Code Vol. I, the Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Consolidated Fund, with the PD accounts being reopened in the next year, if necessary. Government of Chhattisgarh, however, did not comply with this procedure.

Table 4.6 provides the status of funds lying in PD Accounts on the last day of the financial year during the five-year period 2015-20.

Table 4.6: Parking of funds in Personal Deposit Accounts during 2015-20

(₹ in crore)

Year	Opening Balance as on 1 st April		Addition during the year/receipts		Closed during the year/Disbursements		Closing Balance as on 31 st March	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2015-16	312	1,630.82	05	669.18	25	603.54	292	1,696.46
2016-17	292	1,696.46	08	918.64	19	722.63	281	1,892.47
2017-18	281	1,892.47	02	643.80	20	779.27	263	1,757.00
2018-19	263	1,757.00	02	508.61	34	374.51	231	1,891.10
2019-20	231	1,891.10	Nil	272.05	08	577.89	223	1,585.26

Source: Data compiled by O/o the AG (A&E), Chhattisgarh in respective years

As can be seen from Table 4.6, during 2015-16 to 2019-20, a total of 17 PD accounts were

opened and 106 accounts were closed; as of 31 March 2020, 223 PD accounts were in operation and the closing balance in these accounts was ₹1,585.26 crore.

The State Government drew an amount of ₹0.27 crore from Major Head 2056 during March 2020 and deposited the same in PD accounts, the details of which are shown in **Table-4.7**. Such transfers at the end of the financial year indicate that the transfers were done to prevent lapse of budgetary provision.

Table 4.7: Details of amounts transferred to Personal Deposit Accounts during March 2020

(₹ in crore)		
Administrator	Major Head	Amount
Superintendent, Central Jail, Bilaspur	2056	0.27
Total		0.27

Non-transfer of unspent balances lying in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation. Further, the Departmental officers have not verified/ reconciled the balances with those maintained by the Office of the Accountant General (A&E), Chhattisgarh.

4.6.1 Funds relating to Land Acquisition kept in PD Accounts

Out of the closing balance of ₹1,585.26 crore under PD Accounts, ₹1,280.15 crore were on account of non-disbursement of amount to the concerned beneficiaries relating to land acquisition. The treasury wise details of undisbursed funds pertaining to land acquisition are given in **Table 4.8**.

Table 4.8: Details of funds pertaining to Land Acquisition kept in PD Accounts

(₹ in crore)		
Sl. No.	Name of the Treasury	Amount pertains to Land Acquisition
1	Bilaspur	355.37
2	Raipur	259.89
3	Raigarh	186.14
4	Janjgir-Champa	78.73
5	Ambikapur	65.78
6	Balrampur	51.79
7	Gariyaband	42.07
8	Korba	41.44
9	Jagdalpur	35.90
10	Rajnandgaon	34.74
11	Mahasamund	29.22
12	Kabirdham	13.48
13	Jashpur	13.40
14	Korea	12.94
15	Surajpur	11.21
16	Kanker	10.90
17	Durg	6.79
18	Kondagaon	6.61
19	Dantewada	6.44
20	Balodabazar	5.30
21	Dhamtari	4.81
22	Mungeli	4.54
23	Bemetara	2.48
24	Bijapur	0.18
Total		1,280.15

Source: Data compiled by O/o the AG (A&E), Chhattisgarh

4.6.2 Inoperative PD accounts

PD Accounts, which are inoperative for three years continuously, should be closed by the Treasury Officer by giving notice to the Administrator of the PD account and action for transfer of balance amount as Revenue deposit credit to Government Account should be initiated.

Audit noticed that out of a total number of 223 PD accounts, 11 PD accounts having a total balance of ₹0.96 crore remained in-operative for more than three years as of 31 March, 2020. However, no action has been taken for closing these accounts by the concerned Treasuries.

4.7 Accounting of Transactions Relating to Central Road Fund

The List of Major and Minor Heads of Accounts prescribes the accounting procedure relating to Central Road Fund (CRF). In terms of the extant accounting procedure, the grants are to be initially booked as revenue receipts under Major Head “1601 Grants-in-Aid”, and an equivalent amount is to be transferred to the Public Account under Major Head “8449-Other Deposits- 103 Subvention from Central Road Fund”, by contra debit to revenue expenditure Major Head “3054 Roads and Bridges”.

As against the aforesaid procedure prescribed by the Central Government, the Government of India released ₹371.61 crore from Central Road Fund during 2019-20, out of which only ₹198.55 crore was transferred by the State Government to “8449-Other Deposits-103 Subvention from Central Road Fund” in the Public Account.

4.8 Funds outside Consolidated Fund or Public Account of the State

Labour Cess collected by Government Departments has been directly booked under MH-8443-Civil Deposit-108-Public Works Deposits without routing the same through the Consolidated Fund of Chhattisgarh, as required under Article 266 (1) of the Constitution of India. Further, since Minor Head-Public Works Deposits does not have any further sub-heads below it, it has not been possible to segregate the amounts paid to the Labour Welfare Board.

4.8.1 Year-wise receipt and utilisation of Labour Cess

Scrutiny of records of the Chhattisgarh Building and Other Construction Workers Welfare Board revealed that cess collected by various agencies were sent through cheques/drafts to the Board or deposited in the savings bank account of the Board opened for the purpose through District Labour Offices. The year-wise position of receipt and expenditure of cess for the period 2017-18 to 2019-20 is detailed in **Table 4.9**.

Table 4.9: Year-wise receipt and utilisation of Labour Cess

(₹ in crore)

Year	Opening Balance	Receipts			Total fund available	Expenditure (including establishment charges)	Closing balance
		Registration charges and Other Receipt	Labour cess received in Board accounts	Interest on deposits			
2017-18	282.49	0.22	185.93	13.91	482.55	209.10	273.45
2018-19	273.45	0.95	199.71	19.99	494.10	193.57	300.53
2019-20	300.53	9.93	163.62	21.81	495.89	115.09	380.80

Source: Information received from the CG Construction & Labour Welfare Board

Out of total expenditure of ₹115.09 crore during 2019-20, the Board incurred an expenditure of ₹112.62 crore (97.85 per cent) on welfare schemes and ₹2.47 crore (2.15 per cent) on establishment charges.

The State Government has operated various schemes/activities like pensions, maternity benefits, advance for construction of houses, funeral assistance, medical assistance, assistance for encouragement in sports for students, financial assistance for education/marriage/skill development, distribution of LPG gas connection and stove *etc.* for beneficiaries from the Building and Other Construction Workers' Welfare Fund (BOCWWF). Details of expenditure on these schemes during the period 2016-17 to 2019-20 are depicted in **Table 4.10**.

Table 4.10 Expenditure on schemes from available fund

(₹ in crore)

Year	Available fund	Schemes operated		Actual expenditure on schemes	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotment of Fund				Workers covered	Fund utilised against allotment	Fund utilised against availability
2016-17	466.41	36	273.13	180.83	10,13,018	9,57,190	94.49	66.21	38.77
2017-18	482.55	36	308.38	202.66	14,13,021	4,82,901	34.17	65.72	42.00
2018-19	494.10	27	342.51	166.98	19,17,281	9,92,847	51.78	48.75	33.79
2019-20	495.89	21	367.32	96.57	20,00,567	3,90,818	19.54	26.29	19.47

Source: information received from the CG Construction & Labour Welfare Board

The Board could utilise only 19.47 per cent of available funds and only 19.54 per cent of registered workers were benefited under various schemes during 2019-20.

Due to non-utilisation of funds amounting to ₹380.80 crore, registered workers were deprived of the benefits of various schemes.

Audit scrutiny revealed that out of ₹33.48 crore of Cess collected by different State Government departments, only an amount of ₹31.71 crore (includes balance of previous years also) was transferred to the Board and balance of ₹6.66 crore has been kept under Public Account Major Head 8443. Details of departments-wise short transfer are shown in **Table 4.11**.

Table 4.11: Departments-wise short transfer of Welfare Cess to the Board

(₹ in crore)

Name of the Department	Short transfer
Public Works Department	5.22
Public Health Engineering Department	0.31
Rural Engineering Services (<i>Panchayat</i> and Rural Development Department)	0.25
Rural Development Division (<i>Panchayat</i> and Rural Development Department)	0.88
Total	6.66

4.9 Booking under Minor Head 800

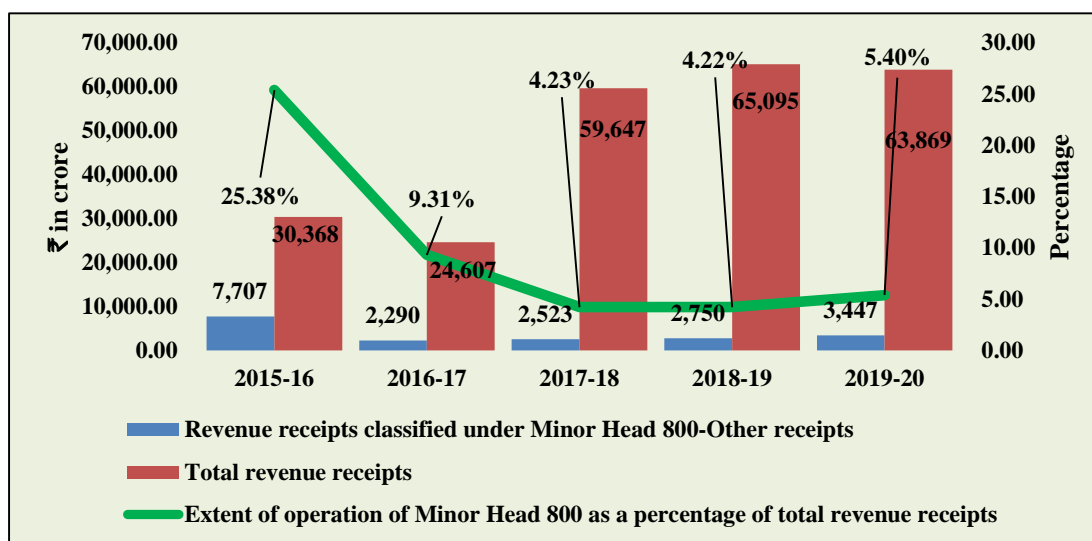
Minor Head–800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head–800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/ programmes, etc. to which it relates.

Receipts of ₹3,447.19 crore (constituting 5.40 *per cent* of the total revenue receipts of ₹63,868.70 crore of the State during 2019-20), recorded under 41 Revenue Heads, were classified under the Minor Head ‘800-Other Receipts. Further, out of total receipts of ₹450.28 crore booked under 15 Major Heads of accounts (revenue receipts), ₹450.63 crore (100 *per cent*) was classified under ‘800-Other Receipts’. Receipts under the Minor Head ranged from 52.38 to 106.46 *per cent* of total revenue receipts under the respective Major Heads. Details are given in *Appendix 4.3*.

Similarly, an expenditure of ₹976.82 crore (constituting 1.19 *per cent* of total expenditure ₹82,043.70 crore of the State during 2019-20), recorded under 34 Revenue Heads and 12 Capital Heads, was classified under the Minor Head ‘800-Other Expenditure’. Out of the total expenditure of ₹837.97 crore booked under *nine* Major Heads of accounts (revenue and capital), an amount of ₹603.64 crore (72.04 *per cent*) was classified under the Minor Head of account ‘800-Other Expenditure’. Such expenditure under the Minor Head ranged from 52 *per cent* to 100 *per cent* of total expenditure under the respective Major Heads reflecting the incongruity of classification, as shown in *Appendix 4.4*.

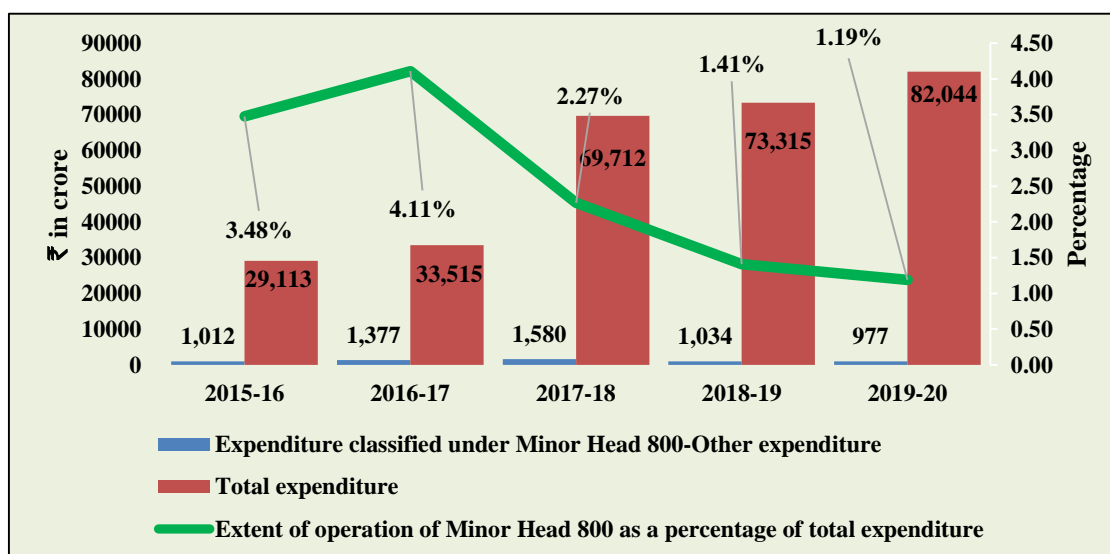
The extent of operation of Minor Head 800 for receipts and expenditure, as a percentage of Total Receipts and Expenditure during 2015-20, is given in **Charts 4.3 and 4.4**:

Chart 4.3: Operation of Minor Head 800-Other Receipts during 2015-20



Source: Finance Accounts of the respective years

Chart 4.4: Operation of Minor Head 800-Other expenditure during 2015-20



Source: Finance Accounts of the respective years

This issue has been flagged in the SFAR every year. There has been a minor increase in the amount classified under this Minor Head on the Receipts side during 2019-20 (5.40 per cent) compared to the previous year (4.22 per cent). On the expenditure side, it decreased from 1.41 per cent in 2018-19 to 1.19 per cent of total expenditure during 2019-20. The fact that such substantial proportion of the Receipts and Expenditure under the Major Head concerned are booked under Minor Head 800 is a cause for serious concern, since it severely impacts transparency of accounts.

4.9.1 Booking of Royalty in unspecified Heads of Account

As per the List of Major and Minor Heads of Account of Union and States, the royalties realised from mines should be classified under Major Head 0853 Non-Ferrous Mining and Metallurgical Industries-Minor Head 102- Mineral Concession fees, rents and royalties.

During audit test check of challans in respect of Major and Minor Head 0853-800, it was noticed that as against total revenue receipts of ₹1,386.47 crore under Major Head 0853-800 during 2019-20, receipts of royalties of ₹1.85 crore was booked under Minor Head- 800-other receipts instead of Minor Head 102-Mineral Concession fees, rents and royalties as prescribed in the List of Major and Minor Heads of Account. The details are shown in **Table 4.12**.

Table: 4.12: Details of revenue receipts booked erroneously under Minor Head 800

(₹ in crore)

Sl. No.	Name of Treasury/Bank	No. of Cases	Total Receipts booked erroneously under 800
1	Raipur	89	0.51
2	Mungeli	2	0.41
3	Baikhunthpur	18	0.36
4	Rajnandgaon	5	0.32
5	Kondagaon	4	0.08
6	Raigarh	4	0.06
7	Dhamtari	2	0.04
8	Balodabazaar	3	0.03
9	Korba	12	0.03
10	Bemetara	1	0.01
11	Keshkal	2	#0.00
12	Jagdarpur	1	*0.00
Total		143	1.85

Source: Data furnished by O/o the AG (A&E), Raipur
₹34,932.00 and * ₹21,935.00

Rule 56(2) of Chhattisgarh Minor Minerals, 1996 read with Chhattisgarh Minerals Resources Department's order (October, 2012) states that 33 *per cent* of total royalty revenue shall be disbursed to the Panchayat and Rural Development Department and remaining 67 *per cent* of total royalty revenue shall be disbursed to the concerned individual *Panchayat* and *Janpad Panchayat*. Considering the above stated provisions, the misclassifications of Minor Head 102 (Mineral Concession fees rents and royalties) under Major Head 0853 (Non-Ferrous Mining and Metallurgical Industries) to Minor Head 800 (Other receipts), a substantial revenue loss to the *Gram Panchayat* and *Janpad Panchayat* cannot be ruled out.

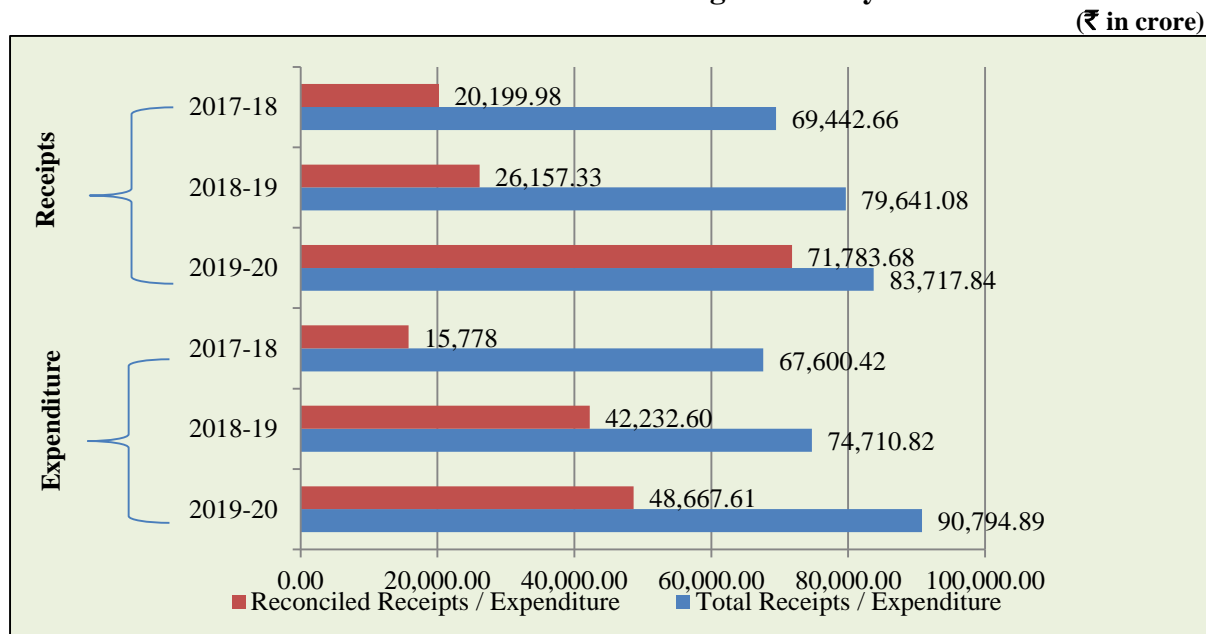
4.10 Non-Reconciliation of Departmental Figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

While 32.84 *per cent* of the receipts and 56.53 *per cent* of the disbursements were reconciled during 2018-19, these figures are 85.74 *per cent* for receipts and 53.60 *per cent* in respect of disbursements for the year 2019-20.

The status of reconciliation of receipts and expenditure by the COs during the three year period 2017-20 is shown in **Chart 4.5**.

Chart 4.5: Status of reconciliation during the three years 2017-20



Source: Data compiled by O/o the AG (A&E), Chhattisgarh

The details relating to the number of COs and the extent of reconciliation during the last three years are given in Table 4.13.

Table 4.13: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/ Expenditure	Reconciled Receipts/ Expenditure	Percentage of Reconciliation
Receipts							
2017-18	40	12	00	28	69442.66	20199.98	29.09
2018-19	40	13	00	27	79641.08	26157.33	32.84
2019-20	40	14	14	12	83717.84	71783.68	85.74
Expenditure							
2017-18	94	24	01	69	67600.42	15778.00	23.34
2018-19	94	44	20	30	74710.82	42232.60	56.53
2019-20	94	19	39	36	90794.89	48667.61	53.60

Source: Data compiled by O/o the AG (A&E), Raipur

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the objective of budgetary process.

4.11 Reconciliation of Cash Balances

As on 31 March 2020, there was a difference of ₹8.96 crore (Net credit), between the Cash Balance of the State Government, as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India. This difference was due to erroneous reporting by accredited Banks to the Central Accounts Section, Reserve Bank of India, Nagpur which is responsible for maintaining the cash balance of the State Government.

4.12 Compliance with Indian Government Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor General of India in the year 2002 has been formulating Standards for Government accounting and financial reporting, to enhance accountability mechanisms. As at end of March 2020, three Indian Government Accounting Standards (IGAS) have been notified. The details of these Standards and the extent of compliance with these by the Government of Chhattisgarh in its financial statements for the year 2019-20 are given in **Table 4.14**.

Table 4.14: Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by government—Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Complied	State Government disclosed in final accounts the maximum amount guaranteed during the year 2019-20, along with additions during the year, discharged, invoked and outstanding as of end of March 2020
IGAS 2- <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use	Not complied	State Government made budgetary provision and classified GIA amounting to ₹1,939.61crore under Capital section without obtaining the concurrence of Accountant General. It did not also furnish any information regarding GIA paid in kind during the year. Non-compliance led to understatement of revenue deficit and overstatement of Capital Expenditure
IGAS 3- <i>Loans & Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its financial statements to ensure complete, accurate and uniform accounting practices	Complied	All the disclosures as mentioned in this Standard have been included in the Finance Accounts. Information relating to additional disclosure <i>i.e.</i> arrear of loans have been received from the State Government in prescribed format of IGAS 3.

4.13 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

The State Government has set up several Autonomous Bodies (ABs), out of which audit of only four Autonomous Bodies has been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit, rendering of accounts to audit and issuance of Separate Audit Reports as on September 2020 is given in **Table 4.15**.

Table: 4.15: Position of submission of accounts

Sl. No.	Name of the Body	Section	Period of entrustment	Year to which accounts rendered	Status of SAR	Delay in rendering of accounts (in months)
01	State CAMPA, Chhattisgarh State	20(1) of DPC Act,	2014-15 onwards	2016-17	SAR for the years 2014-15 & 2015-	30 (2017-18) 18 (2018-19)

		1971			16 issued to the State Government	06 (2019-20)
02	Chhattisgarh State & District Legal Services Authority	19(2) of DPC Act, 1971	2009 and onwards	2012-13 to 2014-15	SARs issued to the State Government.	54 (2015-16) 42 (2016-17) 30 (2017-18) 18 (2018-19) 06 (2019-20)
03	Chhattisgarh State Housing Board	19(3) of DPC Act, 1971	2007-08 to 2012	2007-08 to 2011-12	SARs issued to the State Government.	Not entrusted from 2011-12 onwards
04	Chhattisgarh Real Estate Regulatory Authority	19(2) of DPC Act, 1971	2019-20 onwards	2019-20 ³	--	06 (2019-20)

The audit of accounts of Chhattisgarh Real Estate Regulatory Authority under Section 19 (2) of the C&AG's (DPC) ACT, 1971 was entrusted in March 2019 after more than three years following the enactment of Real Estate (Regulation and Development), Act, 2016 (March 2016).

4.14 Delay in finalization of accounts of Public Sector Undertakings

The Companies Act, 2013 stipulates that the annual financial statements of companies are to be finalised within six months from the end of the relevant financial year, i.e. September end for the year. Failure to do so may attract penal provisions under which every officer of the concerned defaulting Company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ₹ 50,000 but which may extend to ₹5,00,000 or with both. **Table 4.16** below provides the details of progress made by Public Sector Undertakings (PSUs) in finalisation of accounts as of 1st October 2020.

Table 4.16: Position relating to finalisation of accounts of PSUs

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs	28	2	30
2	Number of PSUs having accounts in arrears	27	1	28
3	Number of accounts in arrears	44	3	47
4(a)	Number of PSUs with arrears between two to five years	7	1	8
4(b)	Number of accounts in arrears in the above PSUs	22	3	25
5(a)	Number of PSUs with arrears up to one year	20	0	20
5(b)	Number of accounts in arrears in the above PSUs	22	0	22
6	Extent of arrears (numbers in years)	1 to 4	1-3	1 to 4

Source: Data compiled from information furnished by the company

The State Government provided budgetary support (grants & subsidies) and accepted liability (guarantee) for ₹17,610.71 crore in fourteen PSUs during the period for which their accounts were in arrears up to 31 March 2020. These PSUs have not finalised their accounts for the last one to four years in violation of the provisions of the Companies Act, as given in **Appendix 4.5**. However, no budgetary support had been extended to the non-working PSUs. Due to non-finalisation of accounts, the C&AG has been unable to discharge his responsibilities with regard to certification of accounts of these PSUs as required under CAG's DPC Act, 1971 and the Companies Act.

³ Annual account for the year 2019-20 has been received on 23rd October, 2020.

The above position reflects the failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies comply with the relevant Acts.

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

4.15 Cases of losses and defalcation, etc.

Rules 22 and 23 of the CGFC Vol.-I, provide 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 buildings, roads and bridges caused by fire, flood, storm, earthquake or any other natural calamity 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 prevent recurrence.

As of 31st March 2020, a total of 2,112 cases amounting to ₹125.74 crore pending in various departments of the State Government, were awaiting conclusive investigation and settlement. The department-wise and category-wise break-up of pending cases is given in *Appendix 4.6*. Year-wise analysis of cases is shown in *Appendix 4.7*. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarised in **Table: 4.17**.

Table 4.17: Profile of losses and defalcation, 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	258	9.71			
5 – 10	510	91.13	Theft	138	0.55
10 – 15	262	11.52	Loss of property/material	1,904	119.78
15 – 20	203	3.52	Defalcation	70	5.41
20 – 25	222	4.48			
25 & above	657	5.38			
Total	2,112	125.74	Total pending cases	2,112	125.74

Source: Cases reported by the departments of the State Government

Out of 2,112 cases, Forest Department and School Education Department had 524 and 39 cases respectively which were pending for more than 25 years. First Information Reports were lodged in 357 cases out of 2,112 cases.

Further, it was also observed that in 40 cases, various departments had recovered ₹8.78 lakh during 2019-20 as detailed in *Appendix 4.8*.

4.16 Off Budget Borrowing

Government of Chhattisgarh issued guarantees to Chhattisgarh Housing Board (valid up to 2031) for availing loans of ₹800 crore from Canara Bank for construction of 6,424 residential buildings for Government Officers and Employees. Government also issued guarantees to

Chhattisgarh Police Housing Corporation Limited (CPHCL) for availing loans of ₹800 crore from two financial institutions i.e. Allahabad Bank (₹400 crore) and Canara Bank (₹400 crore) for construction of 10,000 residential houses for Police Officers and Employees. Further, Government issued block guarantees to State Urban Development Authority (SUDA) for availing loans of ₹3,357 crore from financial institutions for payment of State share in “Pradhan Mantri Awaas Yojana” (PMAY-Urban).

Chhattisgarh Housing Board (CHB) availed of a loan of ₹ 82.58 crore from Canara Bank for construction of 6,424 residential houses of Government officials in various districts of Chhattisgarh during 2019-20. Similarly, during 2019-20 CPHCL also availed loans of ₹ 54.35 crore from Allahabad Bank and ₹ 57.33 crore from Canara Bank for construction of 10,000 residential houses for police officials. Further, SUDA availed loan of ₹ 500 crore from State Bank of India during 2019-20 for payment of State share for implementation of PMAY-Urban.

The State Government during the period from 2017-18 to 2019-20, released an amount of ₹90.77 crore to CHB, ₹77.90 crore to CPHCL and ₹13.83 crore to SUDA towards interest on these loans. The total repayment made by the entities to the banks was ₹ 208.10 crore (CHB: ₹111.32 crore as interest, CPHCL: ₹64.69 as interest and ₹6.42 crore as principal and SUDA: ₹25.67 crore as interest). Provision has been made for the repayment of interest in the Budget. The details in this regard are given below in **Table 4.18**:

Table 4.18: Budget provision made, amount released and paid to banks by entities.

(₹ in crore)

Year	Name of the entity	Budget estimates	Released to entity/ Expr.	Amount paid to Bank by entity
2017-18	CHB (₹800 crore)	0.00	0.00	2.59
2018-19		32.00	0.00	33.63
2019-20		70.00	67.66	50.80
Total		102.00	67.66	87.02
2017-18	CHB (₹195 crore)	17.25	0.00	0.00
2018-19		3.00	0.00	7.68
2019-20		27.01	23.11	16.61
Total		47.26	23.11	24.29
2017-18	CPHCL	20.00	6.00	5.79
2018-19		34.00	23.60	22.50
2019-20		50.00	48.30	42.83
Total		104.00	77.90	71.12
2017-18	SUDA	0.00	0.00	0.00
2018-19		34.14	0.00	0.00
2019-20		90.00	13.83	25.67
Total		124.14	13.83	25.67

Source: Information provided by entities and budget documents

Budget documents of the State Government for the year 2017-18 to 2019-20 did not disclose any Off-Budget borrowings. Further, in the FRBM disclosures prepared as per the FRBM Act, with regard to the details in Form D2 – ‘Components of Liabilities of State Government’ under the category ‘Principal and Interest paid from State Budget for loan availed by PSUs and SPV’, the State Government has reported ‘Nil’.

4.16.1 Post audit liabilities

Table 4.19 depicts the assessment of the actual liabilities after taking into account the off-budget borrowings by State Public Sector Companies, Special Purpose Vehicle (SPV) and other equivalent instruments on behalf of the State Government where the principal and/or interest were to be serviced out of the State Budgets during 2019-20.

Table 4.19: Overall liabilities, post examination in Audit

Details	Under statement of Liabilities (₹ in crore)
Chhattisgarh Housing Board	82.58
Chhattisgarh Police Housing Corporation Limited	111.68
State Urban Development Authority	500.00
Total	694.26

Source: Finance Accounts of 2019-20

The outstanding liabilities of the State which have been depicted as ₹ 78,712.46 crore (23.91 per cent of GSDP) in the Finance Accounts would actually be ₹ 79,406.72 crore (24.12 per cent of GSDP) if the above detailed off-budget borrowings are taken into consideration.

4.17 Follow-up on Audit Reports

State Finances Audit Report is being presented to the State Legislature from 2008-09 onwards. However, the Public Accounts Committee (PAC) of Chhattisgarh State Assembly is yet to take up these reports for discussion (December 2020).

4.18 Conclusion

Significant amounts provided by the State Government to various agencies for implementation of developmental schemes were parked in bank accounts, which resulted in non-achievement of the intended objectives of providing such funds.

Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/ projects and non-submission of accounts by public sector entities was violative of prescribed financial rules and directives. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.

Operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹3,447.19 crore) and ‘Other Expenditure’ (₹976.82 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.


Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

Government of Chhattisgarh has not disclosed in its budget, its liabilities with regard to the loans obtained by various public sector entities at its behest for implementation of various socio-economic developmental programmes.

4.19 Recommendations


- i. State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs and DCC bills to the Accountant General (A&E) within the stipulated timeframe.
- ii. All the accounts rendering units need to be instructed to submit the complete accounts as per the prescribed time schedule and furnish the missing/incomplete details to enable clearance of suspense and remittances transactions in a time bound manner.
- iii. State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe, in consultation with the Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.
- iv. State Government should disclose all its liabilities, including extra-budgetary borrowings transparently while presenting its budget, to enable proper appreciation of its financial position.
- v. Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.

Raipur
The 17 JUN 2021


(DINESH R. PATIL)
Principal Accountant General (Audit)
Chhattisgarh

Countersigned

New Delhi
The 23 JUN 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India