

## 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 of 31 March 2021, 460 UCs in respect of grants aggregating ₹7,016.93 crore given to 17 Departments of the State Government during the period 2008-09 to 2019-20 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)

Grant-In-Aid released	Utilisation Certificates due	Utilisation Certificates outstanding as of 31 March 2021		
		Delay	Number	Amount
Up to 2017-18	Up to September 2018	More than two years	67	245.61
2018-19	September 2019	More than one year	155	3,445.21
2019-20	September 2020	06 months	238	3,326.11
<b>Total</b>			<b>460</b>	<b>7,016.93</b>

Considering that the Departmental authorities have not yet explained as to how an amount of ₹7,016.93 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**.

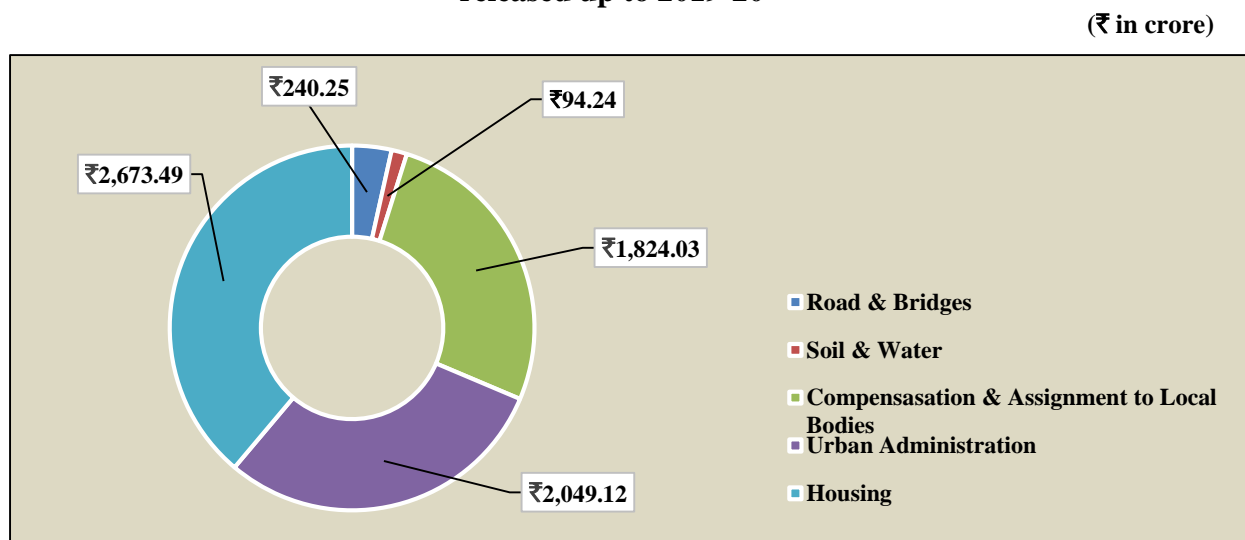
**Table 4.2: Year-wise breakup of pending UCs**

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	35	197.37
2018-19	155	3,445.20
2019-20	238	3,326.11
<b>Total</b>	<b>460</b>	<b>7,016.93</b>

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

In the absence of UCs relating to funds provided as far back as 2008-09, there is no assurance as to the utilization of funds for the purpose for which they were sanctioned and the possibility of misappropriation of these funds cannot be ruled out. **Table 4.2** reveals that 85.43 per cent of outstanding UCs pertains to the last two years *i.e.*, 2018-19 and 2019-20. Department-wise break-up of outstanding UCs for the grants paid up to the year 2019-20 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 released up to 2019-20**



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.

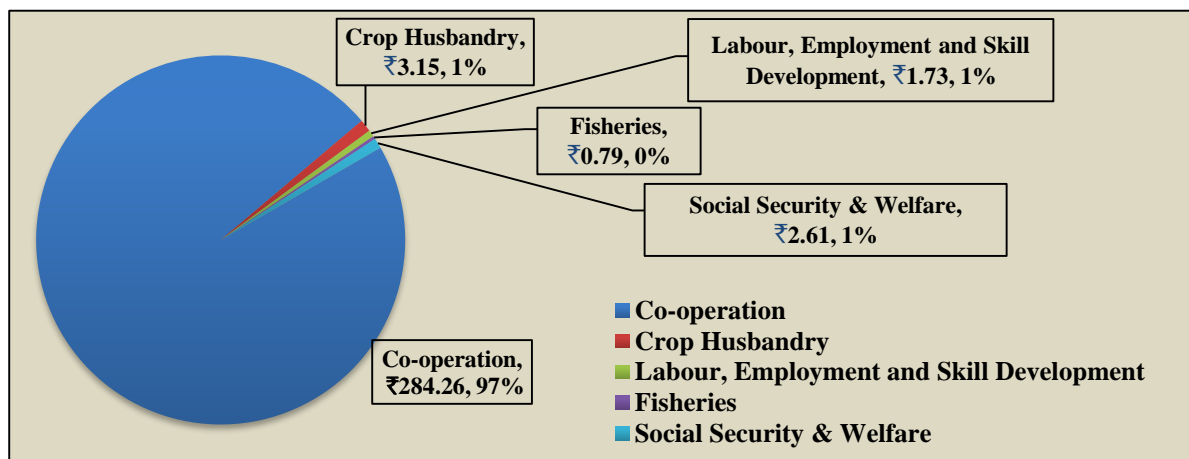
### 4.3 Pending DCC Bills

As per 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 25<sup>th</sup> of the following month in which such amounts are drawn.

As of 31 March 2021, 19 Departments of the Government of Chhattisgarh had not submitted DCC bills for ₹295.53 crore against 460 AC Bills. Department-wise pending DCC bills for the years up to 2020-21 are detailed in *Appendix-4.2*. Status of pending DCC bills in respect of five major departments is given in **Chart 4.2**.

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

(₹ in crore)



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

Year-wise details of pendency of DCC bills for the years up to 2020-21 are given in **Table 4.3**.

**Table 4.3: 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 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
2020-21	315	201.59	208	2947.73	63	2853.79	460	295.53

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

Out of 460 DCC bills worth ₹295.53 crore pending submission as of 31 March 2021, 86 DC bills (₹0.98 crore), 186 DC bills (₹191.46 crore) and 172 DC bills (₹102.89 crore) pertain to the years 2018-19, 2019-20 and 2020-21 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 29 District Treasuries, 53 Forest Divisions, 64 Rural Engineering Services and 155 Other Divisions<sup>1</sup>.

During the financial year 2020-21, there were delays in rendition of monthly accounts ranging from one to 31 days by treasuries, one day to three months by public works divisions, and one to 29 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 4.4**.

**Table 4.4: Balances under Suspense and Remittance Heads**

Major Head 8658-Suspense Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-PAO suspense	52.55	18.83	67.35	19.50	75.32	15.59
Net	<b>Dr. 33.72</b>		<b>Dr. 47.85</b>		<b>Dr. 59.73</b>	
102-Suspense Account-Civil	32.44	0.17	30.81	0.17	29.62	0.17
Net	<b>Dr. 32.27</b>		<b>Dr. 30.64</b>		<b>Dr. 29.45</b>	
109-Reserve Bank Suspense - Headquarters	2.61	3.02	0.03	0.68	1.61	0.04
Net	<b>Cr. 0.41</b>		<b>Cr. 0.65</b>		<b>Dr. 1.57</b>	
110-Reserve Bank Suspense - CAO	1.72	0.00	3.57	0.01	13.62	0.01
Net	<b>Dr. 1.72</b>		<b>Dr. 3.56</b>		<b>Dr. 13.61</b>	
112-Tax Deducted at Source	0.00	65.08	0.00	71.10	0.00	63.14
Net	<b>Cr. 65.08</b>		<b>Cr. 71.10</b>		<b>Dr. 63.14</b>	
113-Provident Fund Suspense	46.08	0.00	44.35	0.00	20.62	0.00

<sup>1</sup> 53 Public Works Divisions, 62 Irrigation Divisions (Water Resources Department), 36 Public Health Engineering Divisions and 4 Road Development Divisions.

Net	Dr. 46.08		Dr. 44.35		Dr. 20.62	
<b>123-All India Service Officer's Group Insurance Scheme</b>	0.00	0.16	0.00	0.19	0.00	0.27
Net	Cr. 0.16		Cr. 0.19		Cr. 0.27	
<b>129-Material Purchase Settlement Suspense Account</b>	0.00	84.11	0.00	84.11	0.00	81.67
Net	Cr. 84.11		Cr. 84.11		Cr. 81.67	
<b>Major Head 8782-Cash Remittances</b>						
<b>102-P.W. Remittances</b>	112.34	9.13	74.83	42.43	74.32	9.13
Net	Dr. 103.21		Dr. 32.40		Dr. 65.19	
<b>103-Forest Remittances</b>	37.83	5.22	36.20	5.44	50.44	5.56
Net	Dr. 32.61		Dr. 30.76		Dr. 44.88	

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 4.5** provides the status of funds lying in PD Accounts on the last day of the financial year during the five-year period 2016-21.

**Table 4.5: Parking of funds in Personal Deposit Accounts during 2016-21**

(₹ in crore)

Year	Opening Balance as on 1 <sup>st</sup> April		Addition during the year/receipts		Closed during the year/Disbursements		Closing Balance as on 31 <sup>st</sup> March	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
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
2020-21	223	1,585.26	03	502.34	18	526.65	208	1,560.95

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

As can be seen from **Table 4.5**, during 2016-17 to 2020-21, a total of 15 PD accounts were opened and 99 accounts were closed, as of 31 March 2021, 208 PD accounts were in existence and the closing balance in these accounts was ₹1,560.95 crore.

The State Government drew an amount of ₹0.86 crore from three Major Heads during March 2021 and deposited the same in PD accounts, the details of which are shown in **Table 4.6**. Such transfers at the end of the financial year indicate that the transfers were done to prevent lapse of budgetary provision.

**Table 4.6: Details of amounts transferred to Personal Deposit Accounts during March 2021**

(₹ in crore)		
Administrator	Major Head	Amount
Superintendent, Central Jail, Bilaspur	2056	0.26
Joint Director, Panchayat Welfare, Bilaspur	2235	0.08
Deputy Director, Women and Child Development, Raipur	2235	0.50
Collector, Land Records, Dhamtari	2029	0.02
<b>Total</b>		<b>0.86</b>

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

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 ₹1,560.95 crore under PD Accounts, ₹1,301.95 crore were on account of non-disbursement of amount relating to land acquisition. The treasury wise details of undisbursed funds pertaining to land acquisition are given in **Table 4.7**.

**Table 4.7: 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	293.46
2	Raipur	256.19
3	Raigarh	189.01
4	Janjgir-Champa	92.01
5	Sarguja (Ambikapur)	66.08
6	Balrampur	49.57
7	Gariyaband	41.15
8	Korba	64.93
9	Jagdalpur	26.16
10	Rajnandgaon	35.19
11	Mahasamund	25.04
12	Kabirdham	9.14
13	Jashpur	13.39
14	Korea	12.67
15	Surajpur	5.88
16	Kanker	9.09
17	Durg	1.71
18	Kondagaon	7.11
19	Dantewada	6.24
20	Balodabazar	3.13
21	Dhamtari	7.63
22	Mungeli	27.53
23	Bemetara	2.18
24	Bijapur	0.18
25	Pendra- Marwahi <sup>2</sup>	57.28
<b>Total</b>		<b>1,301.95</b>

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

<sup>2</sup> Figure of Pendra- Marwahi was counted last year under the Treasury of Bilaspur.

### 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 208 PD accounts, 16 PD accounts having a total balance of ₹13.54 crore remained inoperative for more than three years as of 31 March, 2021. 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 ₹234.92 crore to Central Road Fund during 2020-21, out of which only ₹176.63 crore was transferred by the State Government to “8449-Other Deposits-103 Subvention from Central Road Fund” in the Public Account resulting in understatement of revenue and fiscal deficit to the tune of ₹58.29 crore. The State Government has also transferred ₹119.91 crore pertaining to the year 2019-20 to Central Road Fund during 2020-21.

Details of the fund received from the Government of India and transferred by the State Government to “8449-Other Deposits-103 Subvention from Central Road Fund” in the Public Account during 2018-21 are given in **Table 4.8**.

**Table: 4.8 Details of Central Road Fund during 2018-21**

(₹ in crore)				
Year	Opening Balance	Grant released from GoI	Grant transferred by GoCG to 8449-Other Deposit-103	Closing Balance ( Amount not transferred by GoCG)
2018-19	0.00	214.02	200.00	14.02
2019-20	14.02	371.61	198.55	187.08
2020-21	187.08	234.92	296.54	125.46 <sup>3</sup>

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

### 4.7.1 Infrastructure Development Fund

Chhattisgarh (*Adhosanrachna Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005 provides that cess on land shall be levied for raising funds to implement infrastructure development projects and environment improvement projects. The Act is extended to the whole of State of Chhattisgarh and is in force since 27 May 2005. As per the Act, Infrastructure Development

<sup>3</sup> Out of total outstanding fund of ₹187.08 crore (₹14.02+₹173.06) due for transferred up to 2019-20, ₹119.91 crore was transferred to 8449-Other Deposit-103 by GoCG during 2020-21. Hence, GoCG has still not transferred ₹125.46 crore to 8449-Other Deposit-103.

Cess (IDC) shall be levied and collected on all lands on which land revenue or rent is levied. The IDC so collected should be transferred to the Infrastructure Development Fund (IDF), from which expenditure on infrastructure development projects is made. Audit scrutiny, revealed that, the State Government collected IDC of ₹219.90 crore in 2019-20 and same amount was not transferred to IDF during 2020-21. The un-transferred balance of ₹219.90 crore contributes to undischarged liability of the State Government. Such un-transferred balances resulted in understatement of the revenue deficit and fiscal deficit.

#### **4.7.2 Environment Fund**

As per provision made under Chhattisgarh (*Adhosanrachna Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005, an Environment Fund shall be established in GoCG. Environment cess so collected should be transferred to the Environment Fund for implementation of environment projects in the State. Scrutiny of the relevant records revealed that ₹219.90 crore was collected as Environment cess in 2019-20 and same amount was also not transferred to Environment Fund, during 2020-21 by GoCG. Non transfer of the collected cess to Environment Fund, resulted in understatement of the revenue deficit and fiscal deficit. Further, non-transfer of cess to Environment Fund for implementation of environment projects also defeated the purpose of creation of fund.

### **4.8 Funds outside Public Account of the State**

GoCG constituted Building and other construction Workers Welfare Board (September 2008). The Board collects cess at the rate of one *per cent* of cost of construction from the employers and utilizes it for the implementation of its schemes as per BOCW Welfare Cess Act 1996. 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. However, Labour Cess collected by four State Government Departments<sup>4</sup> has been directly booked under Major Head-8443-Civil Deposit-108-Public Works Deposits. Further, since Minor Head-Public Works Deposits does not have any further sub-heads below it, it is not possible to segregate the amounts paid to the Labour Welfare Board. Thus, there is no uniformity in the accounting procedures followed by Government departments and private agencies in GoCG for collection and transfer of Labour cess to Labour Welfare Board in the absence of specific rules and provisions for accounting the labour cess.

#### **4.8.1 Year-wise receipt and utilisation of Labour Cess**

The year-wise position of receipt and expenditure of cess for the period 2018-19 to 2020-21 is detailed in **Table 4.9**.

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<sup>4</sup> Public Works Department, Public Health Engineering, Water Resources Department and Panchayat & Rural Development Department.



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

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			
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
2020-21	380.80	0.73	172.34	31.39	585.26	108.10	477.16

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

Out of total expenditure of ₹108.10 crore during 2020-21, the Board incurred an expenditure of ₹105.06 crore (97.18 per cent) on welfare schemes and ₹3.04 crore (2.82 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 from 2017-18 to 2020-21 are depicted in **Table 4.10**.

**Table 4.10 Expenditure on schemes from available fund**

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
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
2020-21	585.26	22	382.68	105.06	21,15,415	1,69,239	8.00	27.45	17.95

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

The Board could utilise only 17.95 per cent of available funds and only eight per cent of registered workers were benefited under various schemes during 2020-21.

Due to non-utilisation of funds amounting to ₹477.16 crore, registered workers were deprived of the benefits of various schemes. During Covid-19 pandemic, Board incurred expenditure of ₹ 9.10 crore (₹4.92 crore to Railway Divisions/Bus Operators for transporting migrant workers, ₹3.80 crore on various contingent needs of migrant workers and ₹0.38 crore under various welfare schemes) for the welfare of migrant workers.

Audit scrutiny revealed that out of ₹35.32 crore of cess collected by four State Government departments, only an amount of ₹35.86 crore (includes balance of previous years ₹6.66 crore also) was transferred to the Board and balance of ₹6.12 crore has been kept under Public Account Major Head 8443. Details of short transfer of cess by these four departments- 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	4.73
Public Health Engineering Department	0.44
Rural Engineering Services (Panchayat and Rural Development Department)	0.16
Rural Development Division (Panchayat and Rural Development Department)	0.79
<b>Total</b>	<b>6.12</b>

#### **4.9 Booking under Minor Head 800**

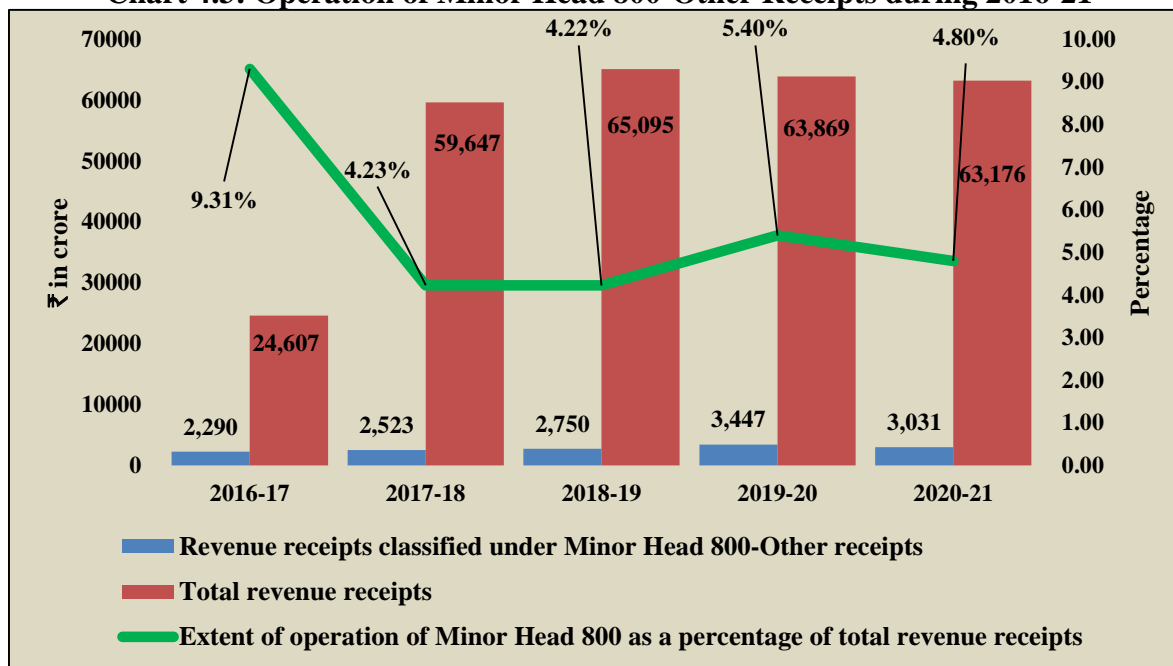
Minor Head–800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head–800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/programmes,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

Receipts of ₹3,030.67 crore (constituting 4.80 *per cent* of the total revenue receipts of ₹63,176.18 crore of the State during 2020-21), recorded under 43 revenue receipts Major Heads, were classified under the Minor Head ‘800-Other Receipts’. Further, under *thirteen* Major Heads of accounts (revenue receipts) the percentage of booking in the Minor Head 800 ranged from 55.93 to 106.95 *per cent* of total revenue receipts under the respective Major Heads. Details are given in **Appendix 4.3**. In the *thirteen* Major Head of Accounts out of total receipts of ₹497.94 crore, ₹440.26 crore (88.42 *per cent*) was classified under ‘800-Other Receipts’.

Similarly, an expenditure of ₹1,268.92 crore (constituting 1.61 *per cent* of total expenditure of ₹79,057.03 crore of the State during 2020-21), recorded under 47 Revenue and Capital expenditure Major Heads, was classified under the Minor Head ‘800-Other Expenditure’. Out of the total expenditure of ₹1,156.95 crore booked under twelve Major Heads of accounts (revenue and capital), an amount of ₹1,127.82 crore (97.48 *per cent*) was classified under the Minor Head of account ‘800-Other Expenditure’ and the percentage of such expenditure under the Minor Head ranged from 47.21 to 100 *per cent* of total expenditure under the respective Major Heads reflecting the incongruity of classification, as shown in **Appendix 4.4**.

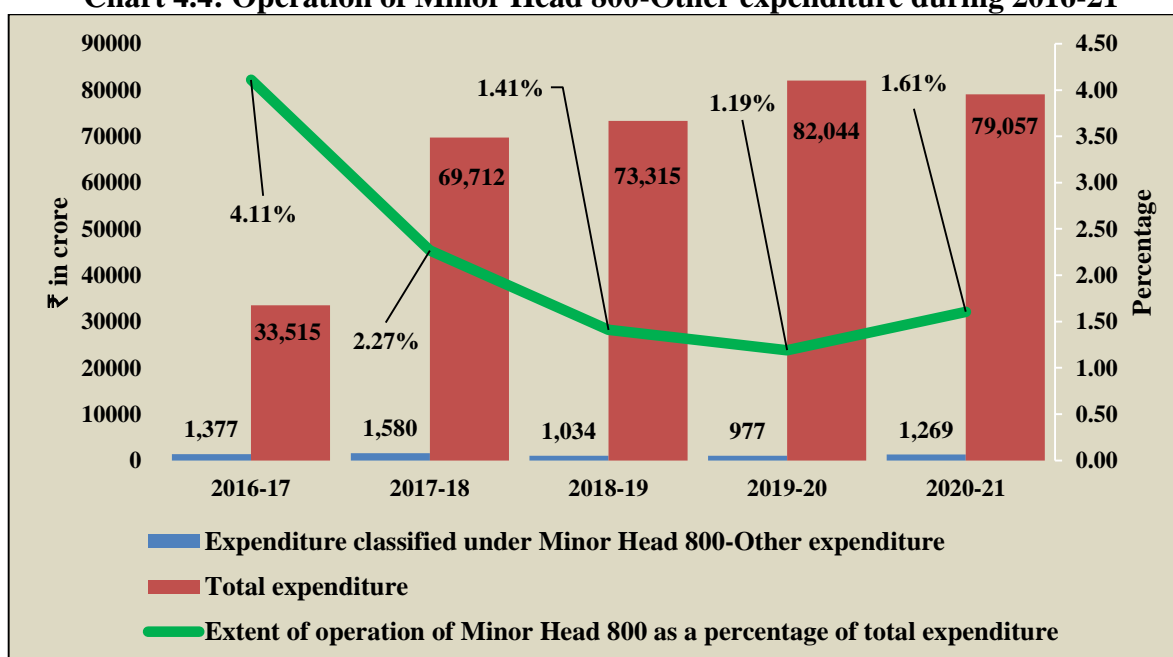
The extent of operation of Minor Head 800 for receipts and expenditure, as a percentage of Total Receipts and Expenditure during 2016-21, is given in **Charts 4.3 and 4.4**.

Chart 4.3: Operation of Minor Head 800-Other Receipts during 2016-21



Source: Finance Accounts of the respective years

Chart 4.4: Operation of Minor Head 800-Other expenditure during 2016-21



Source: Finance Accounts of the respective years

This issue has been flagged in the SFAR every year. There has been a minor decrease in the amount classified under this Minor Head on the Receipts side during 2020-21 (4.80 per cent) as compared to the previous year (5.40 per cent). On the expenditure side, it increased from 1.19 per cent in 2019-20 to 1.61 per cent of total expenditure during 2020-21. The fact that such substantial proportion of the receipts and expenditure 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 under Minor Head - 800 - other receipts

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 ₹5,538.49 crore under Major Head 0853-800 during 2020-21, receipts of royalties of ₹5.50 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 under 800
1.	Raipur	43	0.91
2.	Gariyaband	05	0.77
3.	Baikhunthpur & Korea	40	1.14
4.	Ambikapur	06	0.15
5.	Bilaspur	15	0.63
6.	Raigarh	15	1.02
7.	Jashpur	10	0.11
8.	Dongargaon	08	0.58
9.	Bemetara	02	0.19
<b>Total</b>		<b>144</b>	<b>5.50</b>

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

Rule 56(2) of Chhattisgarh Minor Minerals Rules, 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, due to misclassifications of Minor Head 102 (Mineral Concession fees rents and royalties) under Major Head 0853 (Non-Ferrous Mining and Metallurgical Industries) to 800 (Other receipts), a substantial revenue loss to the *Gram Panchayat* and *Janpad Panchayat* cannot be ruled out.

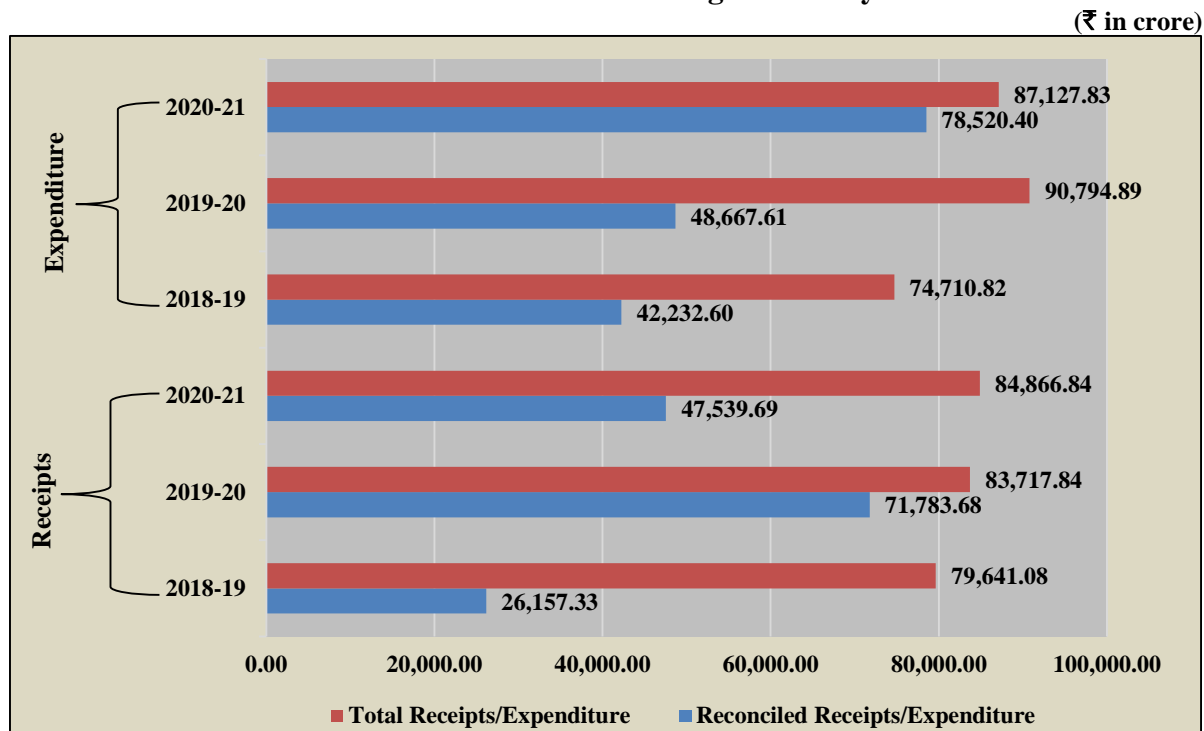
#### 4.10 Non-Reconciliation of Departmental Figures

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 85.74 *per cent* of the receipts and 53.60 *per cent* of the disbursements were reconciled during 2019-20, these figures are 56.02 *per cent* for receipts and 90.12 *per cent* in respect of disbursements for the year 2020-21.

The status of reconciliation of receipts and expenditure by the COs during the three year period 2018-21 is shown in **Chart 4.5**.

Chart 4.5: Status of reconciliation during the three years 2018-21



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
<b>Receipts</b>							
2018-19	40	13	00	27	79,641.08	26,157.33	32.84
2019-20	40	14	14	12	83,717.84	71,783.68	85.74
2020-21	40	04	31	05	84,866.84	47,539.69	56.02
<b>Expenditure</b>							
2018-19	94	44	20	30	74,710.82	42,232.60	56.53
2019-20	94	19	39	36	90,794.89	48,667.61	53.60
2020-21	94	61	23	10	87,127.83	78,520.40	90.12

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 of 31 March 2021, there was a difference of ₹194.71 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 the 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 2020-21 are given in **Table 4.14**.

**Table 4.14: Compliance with Indian Government Accounting Standards**

<b>IGAS</b>	<b>Essence of IGAS</b>	<b>Status</b>	<b>Impact of non-compliance</b>
<b>IGAS 1- Guarantees given by government— Disclosure requirements</b>	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.	Partially Complied	State Government disclosed about 11 out of 13 guarantee institutions i.e. (Eighty Five <i>per cent</i> ) related to guarantees in prescribed format of IGAS-1 during the year 2020-21, along with additions during the year, discharged, invoked and outstanding as of end of March 2021.
<b>IGAS 2- Accounting and Classification of Grants-in-Aid</b>	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.	Partially complied	State Government has disbursed GIA amounting to ₹1,837.67 crore for creation of capital Assets and accounted as Capital Expenditure instead of Revenue Expenditure. Further, 13 out of 94 Budget Controlling Officers i.e. 14 <i>per cent</i> have furnished the information relating to GIA in prescribed format of IGAS-2. Non-compliance led to understatement of revenue deficit and overstatement of Capital Expenditure.
<b>IGAS 3- Loans &amp; Advances made by Government</b>	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	Partially complied	53 out of 94 Budget Controlling Officers i.e. 57 <i>per cent</i> have furnished the information relating to loans and advances made by the Government in prescribed format of IGAS-3. Non-compliance of IGAS-3 leads to opaqueness in accounting practices.

#### **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 June 2021 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, 1971	2014-15 onwards	2019-20 <sup>5</sup>	SAR for the year 2016-17 issued to the State Government on 04-06-2021.	36 (2017-18) 24 (2018-19) 12 (2019-20) 00 (2020-21)
02	Chhattisgarh State & District Legal Services Authority	19 (2) of DPC Act, 1971	2009 and onwards	2012-13 to 2014-15 <sup>6</sup>	SARs issued to the State Government.	60 (2015-16) 48 (2016-17) 36 (2017-18) 24 (2018-19) 12 (2019-20) 00 (2020-21)
03	Chhattisgarh State Housing Board	19 (3) of DPC Act, 1971	2007-08 to 2011-12	2007-08 to 2011-12	SARs issued to the State Government.	Not entrusted from 2011-12 onwards (i.e. from 2012-13)
04	Chhattisgarh Real Estate Regulatory Authority	19 (2) of DPC Act, 1971	2019-20 onwards	2019-20	--	06 (2019-20) 00 (2020-21)

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 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 2021, a total of 2,138 cases amounting to ₹125.73 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 4.5**. Year-wise analysis of cases is shown in **Appendix 4.6**. The age-profile of the pending cases and the number of cases pending in each category viz. theft and loss are summarised in **Table: 4.16**.

<sup>5</sup> Accounts for the year 2017-18 to 2019-20 received on 05-07-2021 and audit would be taken up shortly.

<sup>6</sup> Accounts of District Legal Services Authority, Mahasamund and Janjgir Champa has been received up to 2018-19 & Accounts of District Legal Services Authority, Balod has been received for the year 2013-14 to 2017-18. Further, SARs of all three District Legal Services Authorities have already been issued up to the period of accounts received respectively.

**Table 4.16: 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	291	9.81			
5 – 10	510	91.13	Theft	137	0.58
10 – 15	256	11.41	Loss of property/material	1,933	119.83
15 – 20	204	3.52	Defalcation	68	5.32
20 – 25	222	4.48			
25 & above	655	5.38			
<b>Total</b>	<b>2,138</b>	<b>125.73</b>	<b>Total pending cases</b>	<b>2,138</b>	<b>125.73</b>

Source: Cases reported by the departments of the State Government

Out of 2,138 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 345 cases out of 2,138 cases.

Further, it was also observed that in five cases, various departments had recovered ₹1.04 lakh during 2020-21 as detailed in *Appendix 4.7*.

#### 4.15 Off Budget Borrowing

The State Government PSUs/Corporations/Other bodies may take loans to implement various schemes/programmes of the Government. The repayment of such loans may be the responsibility of the State Government from its budgetary resources. Such borrowings will impact the revenue deficit and fiscal deficit of the State Government. Creating such liabilities without disclosing them in the budget, raises questions both on transparency and inter-generational equity. Such off-budget borrowings are not taken into the disclosure Statements in the budget documents, nor do these have Legislative approval. Three instances of off-budget liabilities have been discussed below:

a.) Government of Chhattisgarh issued guarantees to Chhattisgarh Housing Board (CHB) for availing loans of ₹800 crore from Canara Bank for construction of 6,424 residential buildings for Government Officials and ₹195.00 crore in 2017-18 from Allahabad Bank for purchasing 728 flats. Against the total guaranteed amount, CHB availed loan of ₹751.95 crore and ₹195 crore respectively upto 31 March 2021. The State Government has repaid interest and principal of ₹203.20 crore through budget on the above loans.

b.) Similarly, 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 Officials in June/July 2017 (Valid up to 2027).CPHCL has availed total loan of ₹562.03 crore up to March 2021 against the maximum guaranteed amount of ₹ 1200 crore. The State Government has repaid interest of ₹ 115.03 crore through budget on the above loans.

c.) Further, Government issued guarantee to State Urban Development Agency (SUDA) for availing loans of ₹3,357 crore from financial institutions for payment of State share in “Pradhan Mantri Awaas Yojana” (PMAY-Urban) in February 2018 (Valid up to 2022). Out of



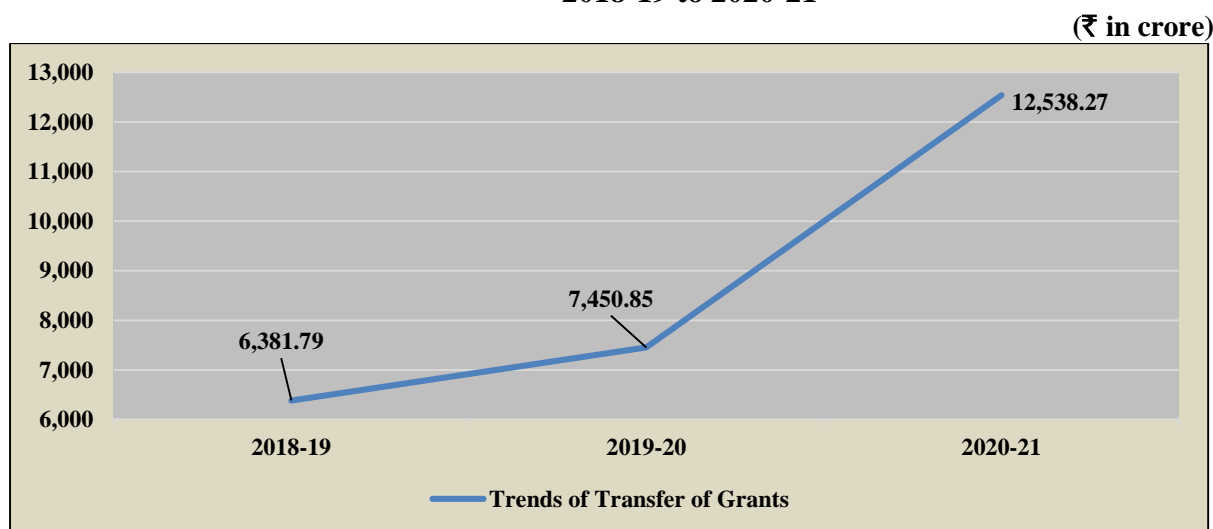
which, SUDA availed loan of ₹825 crore up to 31 March 2021. The State Government has made repayment of ₹ 103.83 crore towards interest and principal of above loan from the Budget.

It is evident from the above instances that use of borrowed funds raised through other entities for financing the expenditure of the State Government not only led to understatement of revenue/capital expenditure and revenue/fiscal deficit but also ensured that borrowings remains outside the computation of debt in the accounts of the State Government. The burden of current expenditure would get shifted to future generations to the extent of service of debt through budgetary support in subsequent years. The State Government has a net off budget liability of ₹2,309.79 crore<sup>7</sup> (2.49 per cent of total budgeted liabilities) in addition to the total budgeted liabilities of ₹92,714.22 crore outstanding as of 31 March 2021. Budget documents of the State Government for the year 2017-18 to 2020-21 did not disclose any off-budget borrowings.

#### **4.16 Funds transferred directly to State implementing agencies**

During the year 2020-21, an amount of ₹12,538.27 crore was transferred directly to the implementing agencies in Chhattisgarh as per Public Financial Management System Portal of Controller General of Accounts (CGA). The trends of transfer of such amount from 2018-19 to 2020-21 is shown in **Chart 4.6**.

**Chart 4.6 Trends of transfer of Grants directly to state implementing agencies from 2018-19 to 2020-21**



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

As compared to previous year the direct transfer of fund to the implementing agencies has increased during this year by ₹5,087.42 crore (68.28%).

#### **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 Legislative Assembly is yet to take up these reports for discussion (September 2021).

<sup>7</sup> Total loan availed (₹2333.98 crore) - repayment of principal (₹24.19 crore) as on March 2021.

#### **4.18 Conclusion**

*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’ (₹3,030.67 crore) and ‘Other Expenditure’ (₹1,268.92 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 the budget, its off budget borrowing 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. The 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. The State Government should disclose all its liabilities, including off budget 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.