

CHAPTER 4

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

This Chapter provides an overview on 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.

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.

4.1 Funds outside Consolidated Fund or Public Account Fund of State

Article 266 (1) subject to the provisions of article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances, and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State.

4.1.1 Labour Cess

As per section 5 of the Building and other Construction Workers' Welfare Cess Rules 1998, amounts collected as labour cess from contractors were required to be transferred to the Labour Welfare Board.

As per the Finance Accounts, during the year 2020-21, the Government collected ₹ 59.15 crore as Labour cess. Further, ₹ 609.33 crore was collected as cess from contractors executing government projects up to 2020-21. The amount of ₹ 609.33 crore collected as cess has not been transferred to the Labour Welfare Board Fund (October 2021) thereby inflating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-2021) and represent the unaccounted liabilities of the State.

Table 4.1: Amount of labour cess received by the Govt. and its transfer to Board

(` in crore)

Year	Amount received as Cess
Upto 2016-17	312.90
2017-18	80.77
2018-19	79.81
2019-20	76.70
2020-21	59.15
Total	609.33

Further, it was observed that the Labour Welfare Board has finalised its accounts only upto 2012-13. However, receipts and utilisation of funds till 2020-21, as furnished by the Board, is shown in **Table 4.2**.

Table 4.2: Details of amounts received by the Board and its utilisation

(₹ in crore)

Year	Amount provided by the Govt. as Grant-in-aid	Cess received directly by the Board	Total Receipt	Amount spent by the Board on schemes ¹	Amount spent on establishment	Total Expenditure	Unutilised balance amount
(1)	(2)	(3)	{(2+3)=4}	(5)	(6)	{(5+6)=7}	{(4-7)=8}
Upto 2015-16	5.08	252.16	257.24	104.08	1.66	105.74	151.50
2016-17	0	70.26	70.26	48.33	1.29	49.62	20.64
2017-18	0	74.01	74.01	41.64	0.90	42.54	31.47
2018-19	0	90.19	90.19	59.19	0.89	60.08	30.10
2019-20	0	120.00	120.00	75.78	0.83	76.61	43.40
2020-21	0	171.65	171.65	101.30	1.60	102.90	68.75
Total	5.08	778.27	783.35	430.32	7.17	437.49	345.86

Source: By Jharkhand Building and Other Construction Workers Welfare Board

During the period 2009-10 to 2020-21, ₹ 430.32 crore was spent on welfare schemes while ₹ 7.17 crore was spent on establishment. The Board had utilised only 55.85 per cent of available funds

4.2 Off budget borrowings

Off budget borrowings by the State PSUs and Special Purpose Vehicles (SPV) are either explicit payments or guarantees and are contingent liabilities of the State. As per information no off budget borrowings was made by the State PSUs/SPVs during 2020-21.

4.3 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and Programmes.

As of 31 March 2014, the Central Government had transferred a sizeable quantum of fund directly to State implementing agencies for implementing various schemes/ programmes in social and economic sectors, which were recognized as critical. These funds were not routed through State budget/ State treasury system. Expenditure of these funds was not mentioned in the Finance Accounts of the State.

During 2014-15, GOI decided to release all assistance pertaining to centrally sponsored schemes/ additional central assistance directly to the State which resulted in decrease of transfer from ₹ 2,601.80 crore in 2013-14 to ₹130.92 crore in 2014-15 which increased to ₹ 294.25 crore in 2020-21. Details of transfer along with fund transferred to some major agencies are given in **Table 4.3**.

¹ 26 schemes are running under the Welfare Board as per statement dated 23.11.2021 provided by Jharkhand Building and Other Construction Workers Welfare Board.

Table 4.3: Funds transferred by GOI directly to State implementing agencies

(₹ in crore)

Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	GOI releases during 2020-21
1	MP Local Area Development Scheme	Deputy Commissioner/ District Magistrate	37.50
2	Infrastructure Development and Capacity Building	Indo-Danish Tool Room	49.78
3	Digital India Land Records Modernisation Programme	Jharkhand Land Reform Society	25.25
4	National AIDS and STD Control Programme	Jharkhand State AIDS Control Society	23.69
5	Ongoing Programmes and Schemes- Power	Jharkhand Shiksha Pariyojna Parishad	20.25
6	Pradhan Mantri Matru Vandana Yojana	Women, Child Development & Social Security	16.27
7	Kisan urja suraksha evam utthan mahabhayan- off grid (KUSUM)	Jharkhand Renewable Energy Development Agency	16.05
8	Others	Various agencies	105.46
Total			294.25

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2020-21).

Since these funds are not routed through the State Budget, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts.

Expenditure from direct transfer to implementing agencies was not provided in the accounts of the State.

4.4 Deposit of Local Funds

State Panchayati Raj Acts provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds) which would include all the money realised or realisable under the Act and all money otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of a Panchayat. The Acts also envisages that the Municipal Fund is to be held by the Municipality. All the money realised or realisable under this act and all money otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds.

Table 4.4: Deposits of Local Funds

(` in crore)

Year		2016-17	2017-18	2018-19	2019-20	2020-21	
Panchayati Raj Institutions	(8448-109)	Opening Balance	183.88	212.71	309.67	364.38	338.12
		Receipt	143.53	181.74	128.99	124.60	100.19
		Expenditure	114.7	84.78	74.28	150.86	87.30
		Closing Balance	212.71	309.67	364.38	338.12	351.01
Urban Local Bodies	(8448-102)	Opening Balance	1,535.71	2,003.17	1,870.03	1,959.09	2,077.75
		Receipt	1,159.19	1,122.21	915.05	1,252.93	4,492.16
		Expenditure	691.73	1,255.35	825.99	1,134.27	3,523.36
		Closing Balance	2,003.17	1,870.03	1,959.09	2,077.75	3,591.45

Source: Finance Accounts of the respective years.

As can be seen from the above table, expenditure by the ULBs and PRIs from these head of accounts were much less than the receipts in each year, except in 2019-21 by PRIs and in 2017-18 by ULBs. Less expenditure every year than receipts lead to accumulation of fund in these accounts.

Further, it was noticed that in 2020-21, the net addition in PRIs had slightly increased in comparison to the previous year, whereas, it increased significantly in case of ULBs.

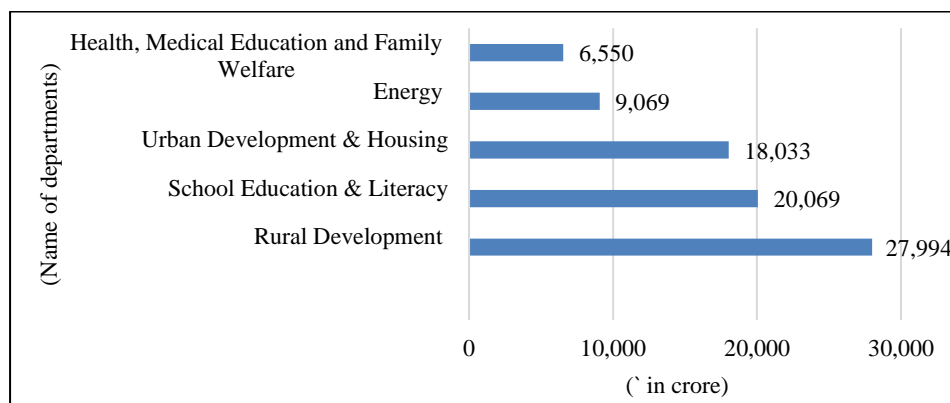
4.5 Delay in submission of Utilisation Certificates

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

Audit observed that 34,017 UCs due in respect of grants aggregating to ₹ 88,047.48 crore, paid up to 2019-20, were outstanding at the end of March 2021.

During 2019-20 and 2020-21, out of total Grants-in-Aid of ₹ 19,191.46 crore and ₹ 20,077.67 crore a sum of ₹ 7,079.39 crore and ₹ 6,369.87 crore respectively was granted for creation of capital assets to the authorities and bodies. However, UCs in respect of creation of capital assets were not submitted by the authorities hence, creation of capital assets could not be ascertained. A significant part of these UCs were outstanding against five departments which are depicted in chart below:

Chart 4.1: Outstanding UCs in respect of Major Grants



The number and amount of outstanding UCs as on 31 March 2021 are shown in **Table 4.5**.

Table 4.5: 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 2016-17	17,048	28,205.67	5,019	17,481.36	668	6,571.50	21,399	39,115.53
2017-18	21,399	39,115.53	4,219	19,545.33	515	6,114.69	25,103	52,546.17
2018-19	25,103	52,546.17	4,483	17,435.44	228	278.62	29,358	69,702.99
2019-20*	29,358	69,702.99	4,749	18,734.70	90	390.21	34,017	88,047.48

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

Table 4.6: Year wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount
Up to 2010-11	2,191	966.09
2011-12	494	273.38
2012-13	936	1,135.61
2013-14	1,320	1,504.44
2014-15	2,134	5,354.78
2015-16	8,903	9,573.78
2016-17	4,869	14,497.67
2017-18	3,970	18,643.87
2018-19	4,451	17,363.16
2019-20	4,749	18,734.70
Total	34,017	88,047.48

Non receipt of UCs against the GIA Bills indicates the failure of the departmental officers to comply with the rules and procedures to ensure timely submission of utilization of the grants for the intended purpose. High pendency of UCs is fraught with the risk of misappropriation of funds and fraud. Reasons for non-submission of UCs were not provided by the department.

4.6 Abstract Contingent 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) should be submitted to the Principal Accountant General (A&E) within six months from the date of drawal of the AC bill. Year-wise details of pending DC bills as on 31.03.2021 are given in **Table 4.7**.

Table 4.7: Year wise progress in submission of DC bills against the AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2018-19	17,515	4,279.56	243	1,061.32	70	845.54	17,688	4,495.34
2019-20	17,688	4,495.34	330	2,168.00	83	1,706.66	17,935	4,956.68
2020-21	17,935	4,956.68	357	1,911.15	20	848.85	18,272	6,018.98

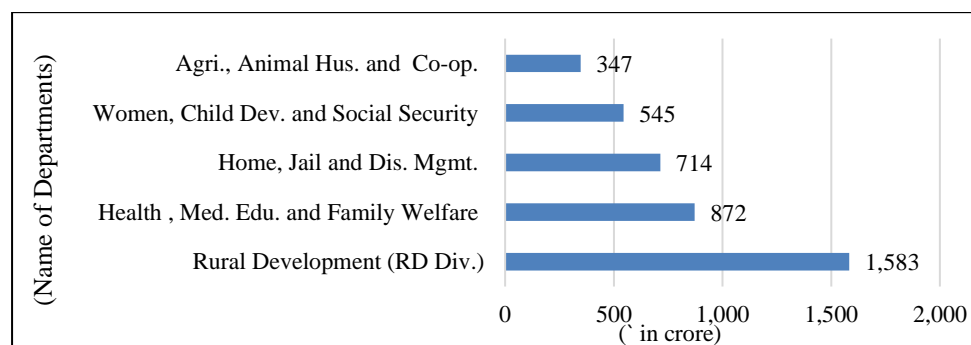
Sixteen departments of the State had drawn ` 1,911.15 crore against 357 Abstract Contingent (AC) bills during the financial year 2020-21 but did not submit 337 Detailed Contingent (DC) bills amounting to ` 1,062.31 crore before the close of the financial year. There is no assurance that the amount of ` 1,062.31 crore has actually been incurred during the financial year for the purpose for which it was sanctioned/authorised by the Legislature. This is a possible overstatement of expenditure in the year 2020-21.

In addition to this, 17,935 AC bills amounting to ` 4,956.68 crore drawn up to 2019-20 were also outstanding as on 31 March 2021. Advances drawn and not accounted for increases the possibility of wastage/misappropriation/ malfeasance etc.

Out of ` 1,911.15 crore drawn on AC bills in 2020-21, ` 44.20 crore was drawn in the month of March 2021 against ` 264 crore drawn in March 2020. Expenditure through AC bill in March indicates that the drawal was primarily to exhaust the budget and reveals inadequate budgetary control.

Departments with maximum amount of pending DC bills along with comparative details are given in **Chart 4.2**.

Chart 4.2: Pending DC Bills in respect of major Departments



During scrutiny of records of Building Construction Department, it was observed that DC bill amounting to ` 64.37 crore in respect of 60 AC Bills drawn upto the end of 2020-21 were not submitted by the departmental authorities. Details of pending DC bills in Building Construction Department are given in **Table 4.8**.

Table 4.8: Pending DC bills in Building Construction Department at the end of 2020-21

Major Head	No. of DC Bills	Amount (₹ in crore)
2052	20	0.04
2059	28	0.29
2216	9	63.15
4059	3	0.89
Total	60	64.37

Further, during scrutiny of records of Tourism, Art, Culture, Sports and Youth Affairs Department (Tourism Division), it was observed that DC bills amounting to ` 91.79 crore in respect of 325 AC Bills drawn upto the end of 2020-21 were not submitted by the departmental authorities. Details of pending DC bills in Tourism division of the department are given in **Table 4.9**.

Table 4.9: Pending DC bills in Tourism division at the end of 2020-21

Major Head	No. of DC Bills	Amount (₹ in crore)
3451	13	0.02
3452	189	51.72
5452	123	40.05
Total	325	91.79

It was noticed that in contravention of the provisions of JTC, 316 DC bills amounting to ` 126.52 crore were submitted by the authorities with a delay ranging between 01 month to 128 months. Details are given in **Appendix 4.1**.

Drawal of funds on AC bills and 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.

4.7 Personal Ledger 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 2020-21 revealed that there were 172 Personal Ledger Accounts (PLAs) operated by various agencies of the State Government as of 31 March 2021.

Year-wise details of balances in PLAs are given in **Table 4.10**.

Table 4.10: Funds in Personal Ledger Accounts

(` in crore)

Year	Opening balance	Receipts	Disbursement	Closing Balance
2016-17	5,217.97	8,406.87	4,136.44	9,488.40
2017-18	9,488.40	12,694.02	8,979.76	13,202.66
2018-19	13,202.66	9,875.32	8,730.74	14,347.24
2019-20	14,347.24	10,447.62	11,088.27	13,706.59
2020-21	13,706.59	12,279.45	9,683.19	16,302.85

It is evident from **Table 4.10** that every year, a substantial amount was added in the PLAs leading to a sharp increase in the closing balance except in 2019-20.

During 2020-21, ` 2,596.26 crore was added in the opening balance leading to a significant increase in the balance at the end of the year. A huge balance of ` 16,302.85 crore thus remained outside direct control of the Government which is against the provisions of budgetary control system.

Further, Rule 334 of JTC stipulates that the 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.

A test check of PL Accounts of 15 Administrators revealed that two Administrators did not follow the above rules and unspent fund of ` 53.52 crore was kept blocked in PL Accounts for more than three years. Details are given in **Table 4.11**.

Table 4.11: Amount blocked in PL accounts for more than three years

(` in crore)

Sl. No.	Name of Office	Closing Balance	Amount kept in PLAs more than last three years
1	Jharkhand Agency for Promotion of Information Technology	154.66	14.01
2	Police Housing Corporation Ltd.	341.84	39.51
Total		496.50	53.52

Unspent balances lying in PLAs for long periods and not transferred to the Consolidated Fund before the closure of the financial year was not only at variance with the provisions of financial rules but also entails the risk of misuse, fraud and misappropriation of public funds.

4.8 Personal Deposit Accounts

Jharkhand Treasury Code rule 328 to 330 provides that Personal Deposit (PD) accounts may be opened at the treasuries with the concurrence of the Finance department and authorised by the Accountant General (A&E). The PD accounts are opened for specific purposes to deposit funds required for specific purposes and for specified period as per authorisation of Finance department. After expiry of such period the treasury officer will close the account with prior permission of Finance department as well as AG (A&E).

Finance department directed the treasury officers of all the districts to open PD accounts in the name of District Land Acquisition Officers in December 2019. Accordingly, 24 PD accounts were opened to deposit land acquisition compensation fund. All these accounts are operational and an amount of ` 1,113.15 crore was added in the opening balance of ` 1,155.66 crore during the year 2020-21. Out of the total deposit in these PD accounts, ` 522.29 crore was disbursed during the year leaving a balance of ` 1,746.53 crore at the end of the financial year.

4.9 Indiscriminate use of 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.

Out of ` 587.12 crore received in 12 Major Heads (50 *per cent* and above), ` 541.66 crore was booked under the minor head “800-Other Receipts”, during 2020-21 which was 92 *per cent* of the total receipts under these major heads. Details are given in **Table 4.12**.

Table 4.12: Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year

(₹ in crore)

Sl. No.	Major Head	Description	Total Receipts	Booked in '800'	Per cent of total receipts
1	0057	Supplies and Disposals	0.08	0.08	100.00
2	0059	Public Works	5.80	5.80	100.00
3	0220	Information and Publicity	0.01	0.01	100.00
4	0700	Major Irrigation	31.57	31.57	100.00
5	0701	Medium Irrigation	26.52	26.52	100.00
6	0801	Power	160.38	160.38	100.00
7	1456	Civil Supplies	137.05	137.04	99.99
8	1054	Roads and Bridges	31.11	31.11	100
9	0702	Minor Irrigation	0.73	0.72	98.63
10	0215	Water Supply and Sanitation	9.10	8.40	92.31
11	0075	Miscellaneous General Services	171.11	131.42	76.80
12	0515	Other Rural Development Programmes	13.66	8.61	63.03
Total			587.12	541.66	92.25

4.10 Outstanding balance under major Suspense and Debt, Deposits and Remittance heads

Suspense heads are operated when transactions of receipts and payments 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 remaining uncleared 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 4.13**.

Table 4.13: Position of balances under Suspense Head - 8658

(` in crore)

Name of the Minor Head	2017-18		2018-19		2019-20		2020-21	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101- Pay and Accounts Office Suspense	70.90	45.38	150.67	138.66	307.17	309.99	437.28	438.51
Net	Dr. 25.52		Dr. 12.01		Cr. 2.82		Cr.1.23	
102 - Suspense Account (Civil)	196.54	17.27	28.67	23.33	34.22	26.72	41.87	40.83
Net	Dr. 179.27		Dr. 5.34		Dr. 7.50		Dr. 1.04	

Table 4.14: Position of balances under Remittances Head - 8782

(` in crore)

Major Head 8782-Cash Remittances								
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
102 - P.W. Remittances	26,822.84	26,889.20	37,102.27	37,220.48	47,673.35	47,785.76	55,208.80	55,332.72
Net	Cr. 66.36		Cr. 118.21		Cr. 112.41		Cr. 123.92	
103 - Forest Remittances	974.89	975.36	1,291.04	1,291.68	1,831.09	1,832.93	2,394.30	2,404.06
Net	Cr. 0.47		Cr. 0.64		Cr. 1.84		Cr. 9.76	

Source: Finance Accounts of Government of Jharkhand

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 cleared 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 PAG (A&E) is yet to adjust. It was noticed that the net balance changed from debit ` 25.52 crore in 2017-18 to credit balance of ` 1.23 crore in 2020-21. On settlement of the net credit balance under this head (` 1.53 crore), the cash balance of the State Government will decrease upto that level.

• **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. The net balance under this suspense head fluctuated between debit ` 1.04 crore to debit ` 179.27 crore during 2017-18 to 2020-21.

Scrutiny of Cash Remittances and adjustments between officers rendering accounts to the same accounts' officers revealed that a credit balance of ` 133.68 crore was in transit at the end of March 2021.

4.11 Non-reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

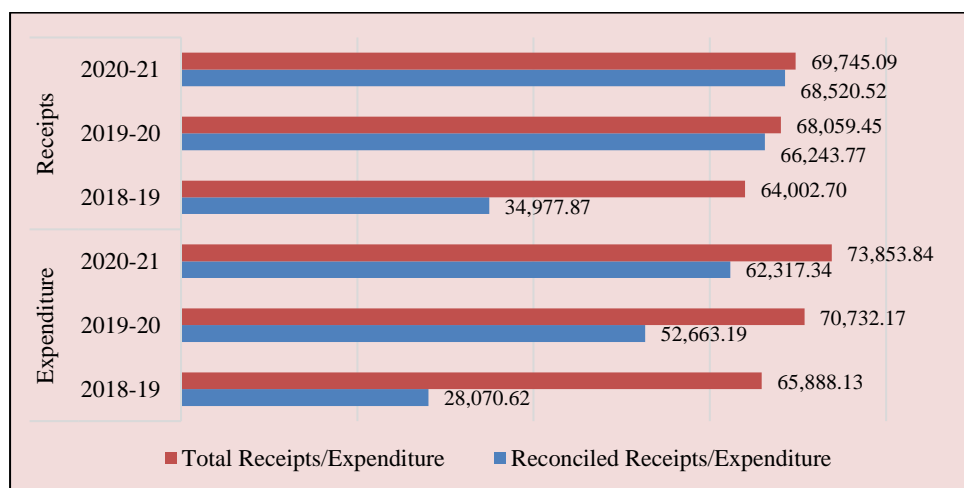
Rule 134 of Budget Manual requires that Controlling Officer should arrange to reconcile departmental accounts with the books of the Principal Accountant General (A&E) on a monthly basis to avoid misclassification of expenditure and receipts.

Every year, the Principal Accountant General (Accounts & Entitlements) reiterates to Budget Controlling Officers, the requirements of the Bihar Budget Manual (as adopted by Jharkhand) to reconcile their monthly and quarterly figures of receipts and expenditure with the books of the Principal Accountant General (A&E).

After regular reporting of non-reconciliation of receipts and disbursements of the State with the books of PAG (A&E) a change was noticed to some extent and during 2020-21, 98.27 per cent (₹ 68,520.52 crore) of the total receipts of the State (₹ 69,745.09 crore) was reconciled by the departmental officers with the books of PAG (A&E) against 97.33 per cent in 2019-20. Similarly, out of total expenditure of ₹ 73,853.84 crore, 84.38 per cent (₹ 62,317.34 crore) was reconciled during 2020-21 by the departmental officers against 74.45 per cent in 2019-20.

Since reconciliation of amount is a major source of obtaining reasonable assurance of the receipt and expenditure figures in annual accounts the target of 100 per cent reconciliation is still to be achieved. Year wise status of reconciliation shown in **Chart 4.3**.

Chart 4.3: Status of reconciliation during the three years 2018-21



4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Pr. Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a difference of ₹ 168.09 crore (net debit) between the figures reflected in the accounts { ₹ 160.55 crore (debit)} and that intimated by the RBI { ₹ 7.54 crore (debit)}. The difference of ₹ 168.09 crore (net debit) for the year 2020-21 has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

Table 4.15: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: Guarantees Given by the Government – Disclosure requirements	The objective of this Standard is to set out disclosure norms in respect of Guarantees given by the Union, the State Governments and Union Territory Governments (with legislature) in their respective Financial Statements to ensure uniform and complete disclosure of such Guarantees	Complied (Statements 9 and 20 of Finance Accounts)	No deficiency
2.	IGAS-2: Accounting and Classification of Grants-in-Aid	This Standard is to prescribe the principles for accounting and classification of Grants-in-aid in the Financial Statements of Government both as a grantor as well as a grantee. This Standard aims to prescribe appropriate principles of accounting and classification of Grants-in-aid by way of appropriate disclosures in the Financial Statements of Government.	Complied (Statement 10 of Finance Accounts)	No deficiency
3.	IGAS-3: Loans and Advances made by Government	This Standard aims to lay down the norms for Recognition, Measurement, Valuation and Reporting of Loans and Advances made by the Union and the State Governments in their respective Financial Statements to ensure complete, accurate, and uniform accounting practices, and to ensure adequate disclosure on Loans and Advances made by the Governments consistent with best international practices.	Partially complied (Statement 7 and 18 of Finance Accounts). Disclosure regarding cases of loans sanctioned as loan in perpetuity and extraordinary transactions was not provided.	Exact amount of overdue loans and the time by which loans are to be paid could not be ascertained.

4.14 Submission of Accounts/SARs of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any authority or body has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Arrears of accounts of bodies or authorities

Submission of accounts and status of audit regarding 10 reported Autonomous Bodies in the State, auditable under Sections 19 & 20 of the C&AG's (DPC) Act, 1971 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. are given in **Table 4.16**.

Table 4.16: Details of submission of accounts and status of audit of autonomous bodies

Sl. No.	Name of Bodies/ Authority	Year up to which accounts submitted	SAR was issued upto	Placement of SAR in the Legislature	Comments
1	Jharkhand State Legal Services Authority (JHALSA)	2018-19	2018-19	Not intimated	Annual Accounts for the years 2019-20 and 2020-21 have not been received.
2	Jharkhand State Electricity Regularity Commission (JSERC)	2018-19	2011-12	03.03.2014	Audit of the accounts for the year 2012-13 to 2014-15 is pending for want of reply of audit observation from JSERC. Further, audit of accounts for the year 2015-16 to 2018-19 has not been conducted on technical issues.
3	State Highway Authority of Jharkhand (SHAJ)	2020-21	2017-18	Not intimated	After entrustment audit completed and SAR for the period 2011-12 to 2017-18 issued on 6 March 2020.
4	Rajendra Institute of Medical Sciences (RIMS)	2002-03 to 2009-10			Audit of accounts has not been started yet for want of entrustment under Section 19(3) of DPC Act, 1971.
5	National University of Study and Research in Law (NUSRL), Ranchi	2016-17			Entrustment received, but no account has been received till date.
6	Birsa Agriculture University	No account submitted			Entrustment received, but no account has been received till date.
7	Ranchi Institute of Neuro-Psychiatry & Allied Sciences(RINPAS), Ranchi	No account submitted			Neither entrustment nor account has been received till date.
8	Jharkhand Housing Board, Ranchi	No account submitted			Neither entrustment nor account has been received till date.

Sl. No.	Name of Bodies/ Authority	Year up to which accounts submitted	SAR was issued upto	Placement of SAR in the Legislature	Comments
9	Compensatory Afforestation Management and Planning Authority	No account submitted	Neither entrustment nor account has been received till date.		
10	Baba Baidhyanathdham-Basukinath Shrine Area Development Authority	No account submitted	Neither entrustment nor account has been received till date.		

Information regarding placement of SARs in respect of audited accounts of JHALSA has not been intimated despite active pursuance. Further, though audit pursued the matter regularly with the concerned authorities for submission of accounts of the bodies mentioned in the above table, the same has not been submitted to audit since inception. However, Compliance Audit of these bodies is being regularly conducted.

4.15 Non-submission of details of grants / loans given to bodies and authorities

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 76 such reported bodies and authorities in the State.

Scrutiny revealed that out of 76 bodies/authorities, no body/authority had submitted their latest accounts as of October 2021, whereas four² bodies/authorities have not submitted their accounts to audit since inception. Audit of 72 bodies and authorities have been completed as detailed in **Appendix 4.2**.

Further, under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 the Government / HODs are required to furnish to Audit:

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

However, no department of the State had furnished any such data to the Principal Accountant General (Audit) as of October 2021.

4.16 Misappropriations, losses, thefts, 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 (A&E), 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. PAG (A&E) has informed that no such information was forwarded to A&E office by the State Government in this regard.

² (i) Jharkhand State Hindu Religion Trust Council (ii) Executive Director, Waste Land Development Board, Jharkhand, (iii) CAMPA and (iv) Forest Development Authority

4.17 Follow up action on State Finances Audit Report

In every State, the PAC/Finance Department requires the line Departments to provide a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Public Accounts Committee (PAC) had 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 ` 8,120.12 crore out of ` 8,120.63 crore was regularised (13.01.2014) on the recommendation of PAC. No excess expenditure over provisions was regularised after that date as no recommendation has been made by the PAC in this regard. Further, 159 paragraphs of SFARs on incomplete projects, advance from contingency fund, excess over provision, substantial surrender of funds etc. pertaining to the period 2008-09 to 2018-19 were outstanding for discussions in PAC as on 31 October 2021. During 2020-21, no discussions were held on SFARs.

4.18 Conclusions

Labour cess amounting to ` 609.33 crore collected up to March 2021 was not transferred to the Labour Welfare Board Fund (October 2021) thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-21).

As on 31 March 2021, 34,017 Utilisation Certificates (UCs) amounting to ₹ 88,047.48 crore were outstanding in the State up to 2020-21 by different departments.

Drawal of funds on AC bills and 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. As of 31 March 2021, a huge number of DC bills (18,272) amounting to ₹ 6,018.98 crore were not submitted against the AC bills drawn up to 2020-21.

Unspent balances lying in PLAs for long periods and not transferred to the Consolidated Fund before the closure of the financial year was not only at variance with the provisions of financial rules but also entails the risk of misuse, fraud and misappropriation of public funds. Moreover, a huge amount parked in these accounts could not be utilised on other works.

4.19 Recommendations

- *GoJ should ensure transfer of Labour Cess to the Labour Welfare Board as early as possible so that the Board can fulfil its objectives of improving the working conditions of building and other construction workers and providing adequate financial assistance to them.*
- *The Finance Department should take initiatives for submission of outstanding UCs within a prescribed time frame. The administrative departments releasing the grants should be held responsible for collection of UCs pending beyond the time stipulated in the grant*

orders. FD should ensure that no further grants should be released to the defaulting grantees. The Government may initiate appropriate action against officers who defaulted in submission of UCs in time.

- *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.*
- *The Finance Department should 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.*