
Chapter-4

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

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 of the 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 2021-22, the Government collected ₹ 54.86 crore as Labour Cess. Further, ₹ 664.19 crore collected as cess from contractors, executing government projects up to 2021-22, was not transferred to the Labour Welfare Board Fund till the end of March 2022, thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-2022). However, ₹ 154 crore was transferred by the State Government to the Board after the current financial year *i.e.*, in June 2022.

Table 4.1: Labour Cess received by the Government

(₹ 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
2021-22	54.86
Total	664.19

The Labour Welfare Board has finalised its accounts only upto 2012-13. Receipts and utilisation of funds till 2021-22, 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 Government	Cess received directly by the Board	Total receipts	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	0.00	70.26	70.26	48.33	1.29	49.62	20.64
2017-18	0.00	74.01	74.01	41.64	0.90	42.54	31.47
2018-19	0.00	90.19	90.19	59.19	0.89	60.08	30.10
2019-20	0.00	120.00	120.00	75.78	0.83	76.61	43.40
2020-21	0.00	171.65	171.65	101.30	1.60	102.90	68.75
2021-22	0.00	124.31	124.31	101.64	2.23	103.87	20.44
Total	5.08	902.58	907.66	531.96	9.40	541.36	366.36

Source: Jharkhand Building and Other Construction Workers Welfare Board

During the period 2009-10 to 2021-22, ₹ 531.96 crore was spent on welfare schemes while ₹ 9.40 crore was spent on establishment. The Board had utilised only 59.64 per cent of the 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 furnished by the State Government, no off budget borrowings were made by the State PSUs/SPVs during 2021-22.

4.3 Funds transferred directly to State implementing agencies

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

As of 31 March 2014, the Central Government had transferred a sizeable quantum of funds, directly to State implementing agencies, for implementing various schemes/ programmes in the social and economic sectors, which were recognised as critical. As these funds were not routed through the State budget/State Treasury system, the Annual Finance Accounts did not capture the flow of such funds. Thus, to that extent, the

¹ 26 schemes are running under the Welfare Board as per statement dated 10.11.2022 provided by Jharkhand Building and Other Construction Workers Welfare Board.

State's receipts and expenditure as well as other fiscal variables/parameters derived from them did not present the complete picture.

During 2014-15, GoI decided to route all assistance, pertaining to centrally sponsored schemes/ additional central assistance, through the Consolidated Fund of the State, resulting in decrease in direct transfer of funds to implementing agencies from ₹ 2,601.80 crore in 2013-14 to ₹ 130.92 crore in 2014-15. However, the quantum of funds directly transferred to implementing agencies again increased consistently, over the subsequent years.

During the financial year 2021-22, central share of ₹ 1,940.59 crore, under various Centrally Sponsored Schemes, was transferred directly to the Implementing Agencies. This constituted 2.78 and 3.09 *per cent* of the total Revenue Receipts (₹ 69,722 crore) and Revenue Expenditure (₹ 62,778 crore), respectively. Direct transfer to implementing agencies, without routing the transferred funds through the Consolidated Fund of the State, not only contracted the budget and expenditure of the State to that extent (₹ 1,940.59 crore), but also implied that the assets created and the cost of benefits extended to the public, were not reflected in the State Accounts.

Cases of schemes where funds were directly transferred to the implementing agencies, during the year 2021-22, included schemes such as the Jal Jeevan Mission/National Drinking Water Mission, Mahatma Gandhi National Rural Guarantee Programme, Intra-State movement of food grains and FPS dealers' margin under National Food Security Act (NFSA) *etc.*

Details of funds transferred to State implementing agencies are given in **Table 4.3**.

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

(₹ in crore)

S. N.	Name of the Schemes of Government of India	Name of the Implementing Agencies	GOI releases during 2021-22
1	National Rural Employment Guarantee Scheme	Jharkhand State Rural Employment Guarantee Council	720.84
2	Jal Jeevan Mission	Jharkhand State Water & Sanitation Mission	512.22
3	Intra-State movement of food grains under NFSA	Jharkhand State Food & Civil Supplies Corporation	282.50
4	Livestock health & disease control	Jharkhand State Implementing Agency for Cattle & Buffalo Development	64.16
5	SAMARTHYA- Gender budget research skill training	Women, Child Development & Society	58.39
6	MPLAD	Deputy Commissioners/ District Magistrates	39.50
7	Sugar subsidy	Jharkhand State Food & Civil Supplies Corporation	38.43
8	Others	Various agencies	224.55
Total			1,940.59

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2021-22).

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

4.4 Deposit of Local Body funds

The State Panchayati Raj Acts provides that Zila Parishads (ZP), Panchayat Samitis (PS) and Gram Panchayats (GP) would maintain ZP funds, PS funds and GP funds, respectively (under the Major Head '8448-Deposits of Local Funds-109-Panchayat Bodies Funds'). This 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 receipts 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, is kept in the Municipal Fund, under the Major Head '8448- Deposits of Local Funds-102-Municipal Funds'. Details are given in **Table 4.4**.

Table 4.4: Deposits of Local Body Funds

Year		2017-18	2018-19	2019-20	2020-21	2021-22	
Panchayati Raj Institutions	8448-109	Opening Balance	212.71	309.67	364.38	338.12	351.01
		Receipt	181.74	128.99	124.60	100.19	90.78
		Expenditure	84.78	74.28	150.86	87.30	109.67
		Closing Balance	309.67	364.38	338.12	351.01	332.12
Urban Local Bodies	8448-102	Opening Balance	2,003.17	1,870.03	1,959.09	2,077.75	2,341.87
		Receipt	1,122.21	915.05	1,252.93	1,204.29	543.41
		Expenditure	1,255.35	825.99	1,134.27	940.17	1,422.14
		Closing Balance	1,870.03	1,959.09	2,077.75	2,341.87	1,463.14

Source: Finance Accounts of the respective years.

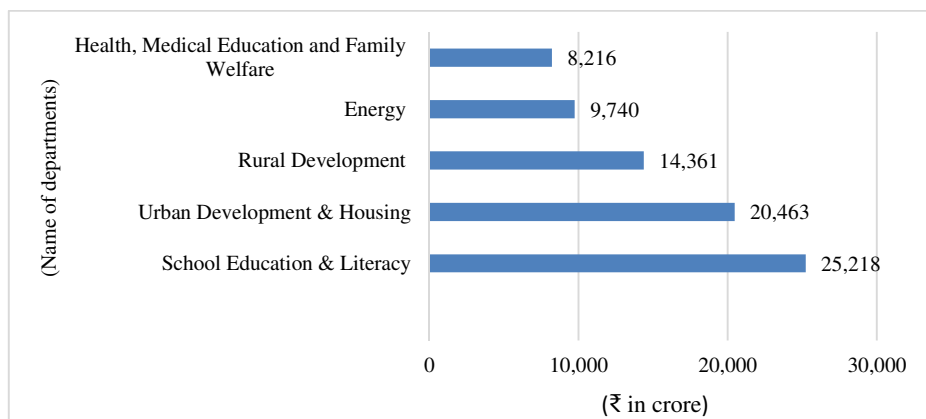
As can be seen from the above table, expenditure by the ULBs and PRIs from these head of accounts, in most of the years, was much lower than the receipts, till 2020-21. However, during 2021-22, expenditure increased, compared to the previous year, whereas the funds provided by the Government decreased significantly, leading to less balance at the end of the financial year.

4.5 Delay in submission of Utilisation Certificates

The Jharkhand Treasury Code (JTC) stipulates 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 from the date of withdrawal of grants.

Audit observed that 39,064 UCs, due in respect of grants aggregating ₹ 1,03,459.14 crore, paid up to 2020-21, were outstanding at the end of March 2022.

During 2020-21 and 2021-22, out of the total Grants-in-Aid of ₹ 20,077.67 crore and ₹ 19,629.95 crore, a sum of ₹ 6,369.87 crore and ₹ 5,358.62 crore, respectively, was granted for creation of capital assets to the authorities and bodies. However, UCs in regard to 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, as depicted in **Chart 4.1**.

Chart 4.1: Outstanding UCs in respect of Major Grants

The number and amount of outstanding UCs, as on 31 March 2022, 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
Upto 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
2020-21*	34,017	88,047.48	5,075	15,806.55	28	394.89	39,064	1,03,459.14

*UCs for the GIA disbursed during 2020-21 become due only during 2021-22.

Year-wise break up of the number and amount of outstanding UCs are given in **Table 4.6**.

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	8,902	9,573.72
2016-17	4,868	14,497.51
2017-18	3,968	18,591.87
2018-19	4,441	17,044.72
2019-20	4,735	18,710.47
2020-21	5,075	15,806.55
Total	39,064	1,03,459.14

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 utilisation 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 departments.

4.5.1 Outstanding Utilisation Certificates against grants

The JTC stipulates 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 from the date of withdrawal of grants.

During audit of the Rural Development Department (Rural Works Division), GoJ, it was observed that, under the Major Head 2515, grants-in-aid, amounting to ₹ 1,850.18 crore (₹ 1,020.12 crore upto 2019-20 and ₹ 830.06 crore during 2020-21), were drawn, for which 26 UCs were required to be submitted, as on 31 March 2021.

Further, scrutiny of 12 out of 26 grants, under the Major Head 2515, revealed that five UCs, amounting to ₹ 1,288.98 crore submitted by the Agency (JSRRDA), to the Department, were yet to be forwarded to the Principal Accountant General (A&E), after verification by the Department. UCs in respect of the remaining 21 GIA, amounting to ₹ 561.20 crore, were not submitted by the Agency to the Department. Reasons for non-submission of the UCs were not provided by the JSRRDA and the Department.

Pendency of UCs for such a long period is not only indicative of an ineffective internal control mechanism and poor monitoring by the Department but also entails risk of misutilisation of public money.

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 31.03.2022, are given in Table 4.7.

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

(₹ in crore)

Year	Outstanding AC Bill		DC Bill submitted		Balance Amount	
	Number	Amount	Number	Amount	Number	Amount
2000-2001	1331	149.96	459	84.82	872	65.14
2001-2002	5493	506.18	2933	318.74	2560	187.44
2002-2003	3846	408.07	2459	306.78	1387	101.29
2003-2004	7640	619.55	5532	505.65	2108	113.90
2004-2005	6664	1,171.01	5095	1,018.00	1569	153.02
2005-2006	6145	1,084.18	4941	872.71	1204	211.47
2006-2007	6053	1,502.66	4774	1,220.40	1279	282.26
2007-2008	6862	1,796.19	5630	1,367.48	1232	428.71
2008-2009	4747	2,937.18	3529	2,369.62	1218	567.56
2009-2010	2087	996.69	1120	724.88	967	271.82
2010-2011	1891	824.63	891	589.46	1000	235.18
2011-2012	1077	1,611.15	602	1,438.20	475	172.95
2012-2013	545	924.98	351	774.00	194	150.98
2013-2014	468	666.82	263	585.10	205	81.72
2014-2015	550	721.23	285	464.12	265	257.11
2015-2016	806	1,224.90	393	831.19	413	393.71
2016-2017	459	1,267.80	190	989.93	269	277.87
2017-2018	335	1,209.12	120	980.84	215	228.28
2018-2019	243	1,061.32	82	883.15	161	178.17
2019-2020	330	2,168.00	103	1,797.41	227	370.59
2020-2021	357	1,911.16	49	1,009.05	308	902.11
2021-2022 *	88	1,121.87	10	658.70	78	463.17
Total	58,017	25,884.67	39,811	19,790.22	18,206	6,094.45

*AC Bills drawn up to September 2021 has been taken in to account.

Fourteen departments of the State had drawn ₹ 2,668.28 crore on 246 Abstract Contingent (AC) bills, during the financial year 2021-22. Out of 246 AC bills, 88 AC bills, amounting to ₹ 1,121.87 crore was drawn upto September 2021, for which the due date of submission was March 2022. Against 88 AC bills, only 10 DC bills, amounting to ₹ 658.70 crore, were submitted on time and 78 AC bills, amounting to ₹ 463.17 crore remained, outstanding.

There is no assurance that the amount of ₹ 463.17 crore has actually been spent, during the financial year, for the purpose for which it was sanctioned/authorised by the Legislature. The expenditure, during the year, may also have been overstated, to this extent.

In addition to this, 18,128 AC bills, amounting to ₹ 5,631.28 crore, drawn upto 2020-21, were also outstanding, as on 31 March 2022. Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/ malfeasance etc.

Out of the total amount drawn on AC bills in 2021-22, ₹ 171.31 crore was drawn in the month of March 2022. Drawal of funds, through AC bills, in March, indicates that the drawal was primarily to exhaust the budget and reveals inadequate budgetary control.

Departments with the maximum amount of pending DC bills, along with comparative details are given in **Chart 4.2** and **Table 4.8**.

Chart 4.2: Pending DC Bills in respect of major Departments

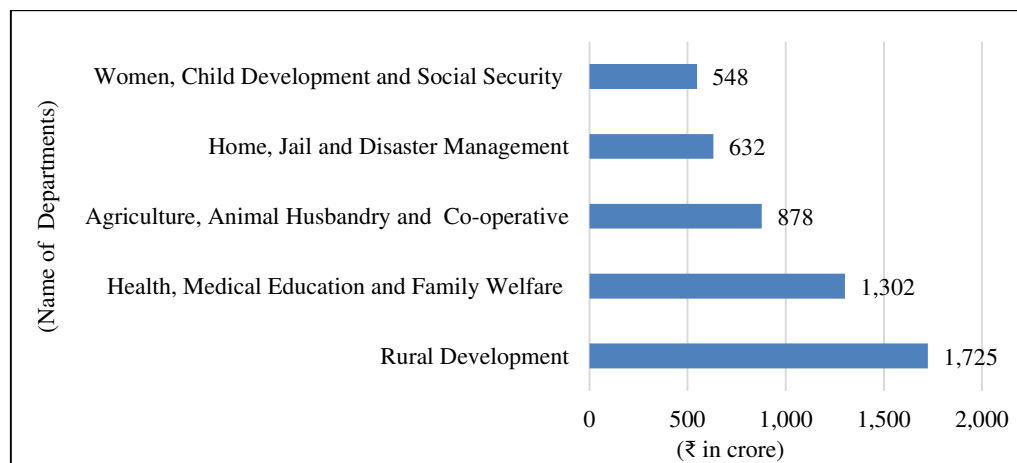


Table 4.8: Year-wise details of pending DC bills in five major departments

(₹ in crore)

Year	Department of Rural Development		Department of Health, Medical Education and Family Welfare		Department of Agriculture, Animal, Husbandry & Co-operative		Department of Women, Child Development and Social Security		Department of Home, Jail and Disaster Management	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2000-2001	272	15.85	86	0.04	3	0.00	0	0	57	0.11
2001-2002	297	29.43	502	15.31	159	0.70	352	12.66	205	4.64
2002-2003	218	40.45	209	2.67	134	2.81	183	14.37	131	2.84
2003-2004	206	38.90	79	5.65	105	1.56	658	26.12	215	8.28
2004-2005	163	53.86	114	27.66	102	0.89	336	20.03	102	7.19
2005-2006	101	51.14	123	20.37	98	9.06	199	51.04	136	3.42
2006-2007	109	35.37	153	50.53	66	8.80	206	87.39	140	6.02
2007-2008	184	33.97	112	116.02	60	12.92	191	64.71	90	2.64
2008-2009	205	54.50	72	82.47	56	47.35	207	54.48	147	10.22
2009-2010	188	54.90	51	64.11	18	1.08	295	45.53	142	22.77
2010-2011	183	85.68	7	0.62	21	2.04	333	37.67	68	30.75
2011-2012	97	63.85	16	0.80	40	5.93	41	5.06	32	7.88
2012-2013	85	79.55	3	0.10	9	6.95	26	30.12	6	0.16
2013-2014	106	30.30	17	30.12	6	2.07	10	0.18	6	0.56
2014-2015	138	121.68	8	18.96	7	2.47	7	0.09	13	33.77
2015-2016	195	160.70	18	39.59	80	16.51	10	83.72	29	31.08
2016-2017	120	51.40	9	8.32	16	4.72	0	0.00	24	29.65
2017-2018	121	48.79	3	2.49	8	2.01	0	0.00	24	35.89
2018-2019	122	49.99	3	4.44	1	0.00	1	0.45	8	45.10
2019-2020	134	80.86	1	0.44	5	140.00	0	0.00	65	123.69
2020-2021	260	228.26	5	356.50	9	25.73	1	0.15	17	202.48
2021-2022	166	315.20	39	454.36	9	584.05	5	14.16	3	22.67
Total	3670	1,724.63	1630	1,301.57	1012	877.65	3061	547.93	1660	631.81

As can be seen from **Table 4.8**, AC bills drawn since 2000-01 were pending for clearance after lapse of such a long period is a serious irregularity and misutilisation and misuse of government money could not be ruled out. This requires prompt action of the Government to regularize and settle the pending DC bills.

4.6.1 Drawal of funds in AC bill for Capital works

As per Rule 318 of the Jharkhand Treasury Code, AC bills can be drawn only for the purpose of expenditure of a contingent nature and drawal of funds on AC bills for Capital works is not permissible.

It was noticed during examination of the records of the Rural Development Department (Rural Works Affairs), that ₹ one crore and ₹ 114.52 crore were sanctioned for land acquisition and construction of Roads & Bridges, respectively, under the Pradhan Mantri Gram Sadak Yojana (PMGSY). The Under Secretary, Rural Development Department, Ranchi, Jharkhand, had drawn AC bills, for an amount of ₹ 115.52 crore (March 2012 to December 2015) and transferred the funds to the Jharkhand State Rural Road Development Authority (JSRRDA), for execution of work. Year-wise withdrawal details are given in **Table 4.9**.

Table 4.9: Details of AC bills for Capital works

(₹ in crore)

Financial Year	Major head	TV No	AC Bill Date	Amount of AC Bill	Outstanding DC bills
2011-2012	4515	0030	31-03-2012	10.00	0.00
2012-2013	4515	00001	01-03-2013	14.00	0.00
2012-2013	4515	00002	01-03-2013	3.50	0.00
2012-2013	4515	00003	01-03-2013	17.50	0.00
2014-2015	4515	00001	02-02-2015	10.00	0.00
2014-2015	4515	00001	10-07-2014	39.52	0.00
2014-2015	4515	00010	09-03-2015	0.50	0.50
2014-2015	4515	00001	09-03-2015	0.50	0.50
2015-2016	4515	00004	23-12-2015	10.00	10.00
2015-2016	4515	00017	23-12-2015	10.00	10.00
Total				115.52	21.00

Source: VLC Data, Office of the Pr. Accountant General (A&E) Jharkhand

Expenditure of funds drawn on AC bills for execution of capital works is against the provisions of the Treasury Code and should have been avoided by the Department. Providing huge funds as advance for completion of capital works not only entails risk of misutilisation of public money but also results in parking of huge amounts outside the government account for a long period.

It was also noticed that ₹ one crore, provided for land acquisition by the Department, in two instalments, in March 2015, which should have been transferred to the land acquisition officers for the purpose, was kept idle for more than seven years, in the bank account of JSRRDA.

Reply of the Department was awaited (as of December 2022).

4.6.2 Non-Submission of DC Bills – ₹ 133.00 crore

As per Rule 194 of the Jharkhand Treasury Code, DC bills, supported with sub-vouchers and countersigned by the Controlling Officer, are required to be submitted to the Principal Accountant General (A & E), within six months from the date of drawal of AC bills. No AC Bill shall be cashed after the end of this period, unless detailed bill has been submitted.

As per Voucher Level Computerisation (VLC) data, available with the office of the Principal Accountant General (A&E), ₹ 133 crore was drawn through AC bills, under the Major Heads 3054 and 4515, in Grant No. 55, during the period 2012-13 to 2015-16, but DC bills for the same have not been submitted. Details are given in **Table 4.10**.

Table 4.10: Details of pending DC bills

(₹ in crore)

Financial year	Major Head	TV/ TC No	AC Bill No.	AC Bill date	AC Bill amount	DDO code
2012-13	3054	00001	52/12-13	07.02.2013	52.00	PRJSSES042
2014-15	3054	00001	02/14-15	19.12.2014	60.00	PRJORD002
2014-15	4515	00010	07/14-15	09.03.2015	0.50	PRJORD002
2014-15	4515	00001	08/14-15	09.03.2015	0.50	PRJORD002
2015-16	4515	00004	14/15-16	23.12.2015	10.00	PRJSSES042
2015-16	4515	00017	13/15-16	23.12.2015	10.00	PRJSSES042
Total					133.00	

It was observed that AC bills were drawn repeatedly, without submitting DC bills against the AC bills drawn previously. Sanction-wise expenditure incurred on the intended work could not be ascertained during audit, due to improper maintenance of records by the JSRRDA. Non-submission of DC bills for the amount of ₹ 133 crore, for such a long period, is a serious irregularity and entails the risk of misutilisation of public money.

4.6.3 Drawal of AC bills at the end of the financial year

As per provision contained in the Appropriation Act, funds drawn from the Treasury should be utilised within the financial year. Further, Rule 300 of the Jharkhand Treasury Code stipulates that no money should be withdrawn from the Treasury, unless it is required for immediate payment. Further, it is not permissible to draw advances from the Treasury, in anticipation of demand, either for the execution of work, the completion of which is likely to take a considerable time or to prevent the lapse of appropriation. Also, while drawing funds from the Treasury in the last week of March, the DDO is required to certify that all funds drawn will be paid within the financial year.

During audit of the Rural Development Department, it was observed that ₹ 48.09 crore was drawn on 26 AC bills, in the month of March, during the period 2000-15, as detailed in **Table 4.11**.

Table 4.11: Details of AC bills drawn at the end of financial year

(Amount in ₹)

S. N.	Year	Major Head	AC Bill
1	2000-01	2515	81,258
2	2003-04	2515	58,86,000
3	2005-06	2515	1,19,80,000
4	2010-11	2515	30,00,000
5	2011-12	4515	10,00,00,000
6	2012-13	4515	35,00,00,000
7	2014-15	4515	1,00,00,000
Total			48,09,47,258

Drawal of funds on AC bills in the month of March every year, to avoid lapse of funds, is not only a failure of the budgetary control system but also entails risk of misutilisation of public money. Details are given in **Appendix 4.1**.

Similarly, during audit of the Home, Jail and Disaster Management Department (Disaster Management Division), it was observed that, out of ₹ 1,225.63 crore drawn on AC bills, upto 2021-22, DC bills of ₹ 109.52 crore had not been submitted by the Department, as of October 2022. Year-wise details of pending DC bills, as on 20.06.2022, are given in **Table 4.12**.

Table 4.12: Year-wise details of pending DC bills

(₹ in crore)

Major Head	Year	No. of AC Bills	Amount	No. of DC Bills	Amount	Outstanding AC Bills	Amount
2245	Up to 2019-20	807	712.84	472	632.04	335	80.80
	2020-21	5	310.67	4	299.56	1	11.11
	2021-22	2	205.12	1	187.51	1	17.61
Total		814	1,228.63	477	1,119.11	337	109.52

Further, scrutiny of records of NDC, Bokaro, revealed that ₹ 50 lakh had been drawn on the last day of the financial year, on AC bill, in violation of provisions in the Appropriation Act. DC bill, against the AC bill drawn, had not been submitted as of October 2022.

4.7 Deposits of Local Funds

As per Rule 174 of the Jharkhand Treasury Code, money should not be withdrawn from the 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 2021-22, revealed that there were 172 Accounts, operated by various agencies of the State Government, as of 31 March 2022.

Year-wise details of balances are given in **Table 4.13**.

Table 4.13: Year wise breakup of deposits of local Funds

(₹ in crore)

Year	Opening balance	Receipts	Disbursement	Closing Balance
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
2021-22	16,302.85	10,246.04	11,022.02	15,526.87

It is evident from **Table 4.13** that expenditure was less than receipts in the Accounts during 2017-18, 2018-19 and 2020-21, leading to increase in the closing balances during these years.

During 2021-22, disbursements exceeded receipts by ₹ 775.98 crore leading to a decrease in the balance at the end of the year. Further, it is evident from the above table that, as of March 2022, a huge amount of ₹ 15,526.87 crore remained outside the direct control of the Government.

Further, Rule 343 of the Jharkhand Financial Rules provides that, if the time limit for spending any grant has not been fixed by the sanctioning authority, then that amount should be spent on the prescribed purpose within a reasonable time. It has also been provided that, if any part of the grant is not required for immediate expenditure, then it should be surrendered to the government.

A test-check of accounts of the Zila Parishads revealed that six Administrators did not follow the above rules and unspent funds, amounting to ₹ 51.83 crore, were kept blocked in “109-Panchayat Bodies funds under 8448-Deposit of local funds”, for more than three years, as detailed in **Table 4.14**.

Table 4.14: Amount blocked for more than three years

(₹ in crore)

S. N.	Name of office	Unspent amount for more than three years
1	Zila Parishad, Latehar	6.25
2	Zila Parishad, Hazaribag	20.59
3	Zila Parishad, Garhwa	8.32
4	Zila Parishad, Lohardaga	4.73
5	Zila Parishad, Godda	8.07
6	Zila Parishad, Khunti	3.87
	Total	51.83

Unspent balances lying in accounts for long periods and not transferred to the Consolidated Fund before the closure of the financial year was not in consonance with the provisions of financial rules and also entailed the risk of misuse, fraud and misappropriation of public funds.

4.8 Personal Deposit Accounts

Rule 328 to 330 of the Jharkhand Treasury Code provides that Personal Deposit Accounts (PDA) may be used for special cases, by a government servant, where public interest requires a speed of expenditure, which is not possible through the normal treasury procedure. No personal deposit accounts are to be opened at the Treasury, without the concurrence of the Finance Department and authorisation by the Accountant General. The Finance Department is to specify a date in its authorisation letter for which an account is to be opened. On expiry of such date, the treasury officer is to close the account, without the prior permission of Finance Department, as well as Accountant General. The balance outstanding at the time of closure is to be deposited in the Treasury, by the Treasury Officer, in the respective head, under intimation to the account holder *i.e.* the Administrator of the Account, the Finance Department, as well as the Accountant General.

The 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 the land acquisition compensation fund. All these accounts are operational and an amount of ₹ 606.52 crore was added in the opening balance of ₹ 1,746.53 crore during the year 2021-22. Out of the total deposits in these PD accounts, ₹ 334.91 crore was disbursed during the year, leaving a balance of ₹ 2,018.13 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 the total receipts of ₹ 30,187.86 crore under 37 Major Heads, ₹1,414.30 crore (4.68 *per cent*) was booked under the Minor Head "800-Other Receipts". Further, as shown in **Table 4.15**, during 2021-22, in 13 major heads, 60 *per cent* and above receipts, amounting to ₹ 819.17 crore, was booked under '800' against the total receipts of ₹ 864.93 crore under these heads.

Table 4.15: Significant receipts booked under Minor Head 800 – ‘Other Receipts’ during the financial year

(₹ in crore)

Sl. No.	Major Head	Description	Total Receipts	Booked in ‘800’	Per cent of total receipts
1	0801	Power	47.91	47.91	100.00
2	0059	Public Works	16.69	16.69	100.00
3	0852	Industries	9.67	9.67	100.00
4	0220	Information and Publicity	0.02	0.02	100.00
5	0075	Miscellaneous General Services	482.68	482.39	99.94
6	0071	Pension and other retirement benefits	3.32	3.31	99.70
7	1456	Civil Supplies	131.76	130.74	99.23
8	0702	Minor Irrigation	1.6	1.55	96.88
9	0215	Water Supply and Sanitation	9.69	9.04	93.29
10	0701	Medium Irrigation	42.21	37.89	89.77
11	0070	Other Administrative Services	107.39	72.66	67.66
12	0210	Medical and Public Health	8.78	5.35	60.93
13	0235	Social Security and Welfare	3.21	1.95	60.75
Total			864.93	819.17	94.71

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 the 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 4.16**.

Table 4.16: Position of balances under Suspense Head - 8658

(₹ in crore)

Name of the Minor Head	2018-19		2019-20		2020-21		2021-22	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101- Pay and Accounts Office Suspense	150.67	138.66	307.17	309.99	437.28	438.51	557.75	557.26
Net	Dr. 12.01		Cr. 2.82		Cr.1.23		Dr. 0.49	
102 - Suspense Account (Civil)	28.67	23.33	34.22	26.72	41.87	40.83	93.21	122.57
Net	Dr. 5.34		Dr. 7.50		Dr. 1.04		Cr. 29.36	

Table 4.17: 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	37,102.27	37,220.48	47,673.35	47,785.76	55,208.80	55,332.72	62,735.61	62,817.53
Net	Cr. 118.21		Cr. 112.41		Cr. 123.92		Cr. 81.92	
103 - Forest Remittances	1,291.04	1,291.68	1,831.09	1,832.93	2,394.30	2,404.06	3,035.51	3,078.97
Net	Cr. 0.64		Cr. 1.84		Cr. 9.76		Cr. 43.46	

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 represent payments 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 credit balance of ₹ 12.01 crore in 2018-19 to debit balance of ₹ 0.49 crore in 2021-22. On settlement of the net debit balance under this head (₹ 0.49 crore), the cash balance of the State Government will increase to that extent. However, the remaining suspense balance under this head was insignificant.

• **Suspense Accounts (Civil)**

The Suspense Account minor head is used for booking of receipts (credit) and expenditure incurred (debit), which are to be cleared on receipt of supporting documents by the PAG (A&E). Clearance of these items have no impact on cash balance. The net balance under this suspense head fluctuated between debit of ₹ 5.34 crore to credit of ₹ 29.36 crore, during 2018-19 to 2021-22.

Scrutiny of Cash Remittances and adjustments between officers rendering accounts to the same accounts' officers revealed that a credit balance of ₹ 125.38 crore was in transit at the end of March 2022.

4.11 Non-reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over expenditure, 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 Principal Accountant General (A&E).

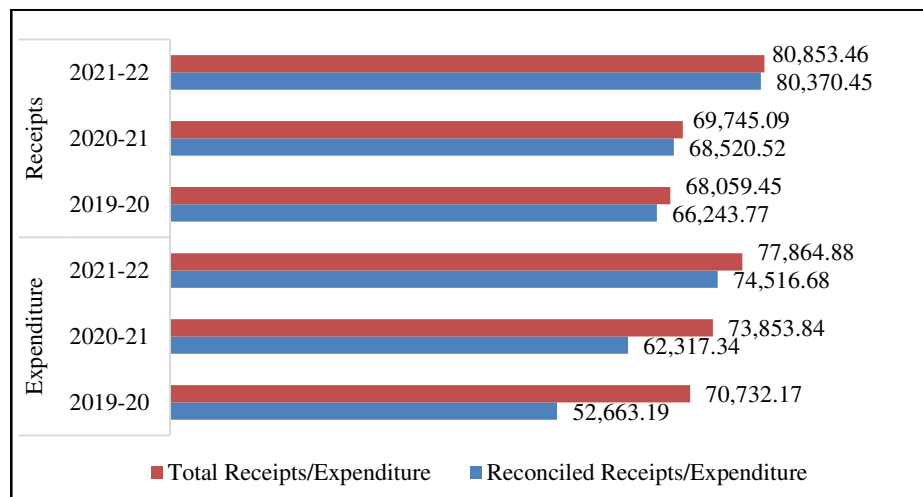
Rule 134 of the Budget Manual requires that the Controlling Officer should arrange to reconcile departmental accounts with the books of the Principal Accountant General (A&E) on a monthly basis to avoid misclassification of expenditure and receipts.

Every year, the Principal Accountant General (Accounts & Entitlements) reiterates to the Budget Controlling Officers, the requirements of the Jharkhand Budget Manual 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 during 2021-22, where 99.40 *per cent* (₹ 80,370.45 crore) of the total receipts of the State (₹ 80,853.46 crore) was reconciled by the departmental officers with the books of PAG (A&E) against 98.24 *per cent* in 2020-21. Similarly, 95.70 *per cent* of the total expenditure (₹ 77,864.88 crore) amounting to ₹ 74,516.68 crore was reconciled during 2021-22 by the departmental officers against 84.38 *per cent* in 2020-21.

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

Chart 4.3: Status of reconciliation during the three years 2019-20 to 2021-22



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 Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a difference of ₹ 162.42 crore (net debit) between the figures reflected in the accounts {₹ 149.37 crore (debit)} and that intimated by the RBI {(₹ 13.05 crore (debit))}. The difference of ₹ 162.42 crore (net debit) for the year 2021-22 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 4.18: 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 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

Details related to submission of accounts and status of audit regarding 11 reported Autonomous Bodies in the State, auditable under Sections 19 & 20 of the C&AG's (DPC) Act, 1971, are given in **Table 4.19**.

Table 4.19: 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 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 to 2021-22 have not been received.
2	Jharkhand State Electricity Regularity Commission (JSERC)	2011-12	2011-12	03.03.2014	Audit of accounts have been stopped due to non finalisation of Fund Rules and Format of Accounts.
3	State Highway Authority of Jharkhand (SHAJ)	2020-21	2020-21	Not intimated	After entrustment, audit completed and SAR for the period 2011-12 to 2020-21 issued on 26 November 2021.
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 for the period 2012-16, but audit has not been started as the accounts received were not certified accounts.
6	Birsa Agriculture University	No account submitted			Entrustment received, but no accounts has been received till date.
7	Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS), Ranchi	No account submitted			Neither entrustment nor accounts has been received till date.
8	Jharkhand Housing Board, Ranchi	No account submitted			Neither entrustment nor accounts has been received till date.
9	Compensatory Afforestation Management and Planning Authority	No account submitted			Neither entrustment nor accounts has been received till date.
10	Baba Baidhyanath Dham-Basukinath Shrine Area Development Authority	No account submitted			Entrustment has been accorded on 29/11/2022 for five accounting years. Accounts awaited.
11	Jharkhand Renewable Energy Development Agency	No account submitted			Neither entrustment nor accounts has been received till date.

Information regarding placement of SARs in respect of audited accounts of JHALSA has not been intimated, despite active pursuance. Though Audit pursued the matter regularly with the concerned authorities for submission of accounts of the bodies (Sl. No. 6 to 11) mentioned in the above table, the same has not been submitted to Audit since inception. However, regular Compliance Audit of these bodies is being conducted.

Further, number of accounts due for submission of 11 reported Autonomous Bodies in the State shown above are as detailed in **Table 4.20:**

Table 4.20: Number of accounts due for submission as on 31 March 2022

Sl. No.	Name of body and authority	Accounts pending since	Number of accounts pending upto F.Y. 2021-22
1	State Highway Authority of Jharkhand (SHAJ)	2021-22	01
2	Jharkhand Sate Legal Service Authority (JHALSA)	2019-20	03
3	Jharkhand State Electricity Regulatory Authority	2012-13	10
4	Rajendra Institute of Medical Sciences (RIMS), Ranchi	2010-11	12
5	National University of Study and Research in Law (NUSRL)	2010-11	12
6	Birsa Agriculture University	2006-07	16
7	Jharkhand State Housing Board	2001-02	20
8	Compensatory Afforestation for Management and Planning Authority (CAMPA)	2009-10	13
9	Jharkhand Renewable Energy Development Authority (JREDA)	2016-17	6
10	Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS), Ranchi	Entrustment is awaited from State Government.	
11	Baba Baidyanath-Basukinath Shrine Area Development Authority	Entrustment has been accorded on 29/11/2022 for five accounting years.	

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 75 such reported bodies and authorities in the State.

Scrutiny revealed that out of 75 bodies/authorities, no body/authority had submitted their latest accounts, as of October 2022, whereas five² bodies/authorities have not submitted their accounts to Audit since inception. Audit of 70 bodies and authorities has 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 Accountant General (Audit) as of October 2022.

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 defalcation 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

² (i) Jharkhand State Hindu Religion Trust Council (ii) Executive Director, Waste Land Development Board, Jharkhand, (iii) Jharkhand Shiksha Pariyojana Parishad, Ranchi (iv) Government Press and (v) Forest Development Authority

responsible for it. Such reports must be submitted as soon as a suspicion arises that there has been a loss and 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.

4.17 Follow-up action on the State Finances Audit Report

In every State, the PAC/Finance Department requires the line Departments to provide a *suo moto* 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 Accountant General (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Excess expenditure over provisions amounting to ₹ 8,120.12 crore (relating to previous years) reported in paragraph 2.4.4 of Audit Report on State Finances for the year 2011-12 was regularised by the State Legislature (13.01.2014) on the recommendations of the Public Accounts Committee (PAC). Thereafter, excess expenditure over provisions has not been regularised, as no recommendation has been made by the PAC. No other paragraph featured in the SFARs was discussed in PAC as of December 2022.

4.18 Conclusion

Labour cess, amounting to ₹ 664.19 crore, collected up to March 2022, was not transferred to the Labour Welfare Board Fund during 2021-22, thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-22). An amount of ₹ 154 crore was transferred to the Board by the State in June 2022, *i.e.*, after the financial year.

As on 31 March 2022, 39,064 Utilisation Certificates (UCs) for an amount of ₹ 1,03,459.14 crore, were outstanding.

As of 31 March 2022, DC bills, against 18,206 AC bills amounting to ₹ 6,094.45 crore, were outstanding.

Unspent balances (₹ 2018.13 crore) lying in PD accounts for long periods and not transferred to the Consolidated Fund was not in consonance with the provisions of financial rules and entailed the risk of misuse, fraud and misappropriation of public funds.

4.19 Recommendations

- *GoJ may ensure complete 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 may take steps for ensuring that outstanding UCs are submitted within a prescribed time frame. The administrative departments releasing the grants may be held responsible for collection of UCs pending beyond the time stipulated in the grant orders. The Finance Department may also ensure that no further grants are*

released to the defaulting grantees. Government may initiate appropriate action against officers who have defaulted in submission of UCs in time.

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