
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 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 2022-23.

4.2 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 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 2022-23, Central share of ₹ 3,698.57 crore, under various Centrally Sponsored Schemes, was transferred directly to the Implementing Agencies. This constituted 4.61 and 5.55 *per cent* of the total Revenue Receipts (₹ 80,245 crore) and Revenue Expenditure (₹ 66,682 crore), respectively. Direct transfer to implementing agencies, without routing the funds through the Consolidated Fund of the State, not only contracted the

budget and expenditure of the State to that extent (₹ 3,698.57 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, where funds were directly transferred to the implementing agencies, during the year 2022-23, included schemes such as the Jal Jeevan Mission/National Drinking Water Mission, Pradhan Mantri Kisan Samman Nidhi, MPLAD *etc.*

Details of funds transferred to State implementing agencies are given in **Table 4.1.**

Table 4.1: 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 2022-23
1	Jal Jeevan Mission	Jharkhand State Water & Sanitation Mission	2,119.14
2	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture	1,358.81
3	SAMARTHYA- Gender budget research skill training	Women, Child Development & Social Security	29.27
4	MPLAD	Deputy Commissioners/ District Magistrates	67.00
5	Rashtriya Gokul Mission	Jharkhand State Implementing Agencies for Cattle & Buffalo Development	15.00
6	Others	Various agencies	109.35
Total			3,698.57

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2022-23).

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.

4.3 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 shown in **Table 4.2.**

Table 4.2: Deposits of Local Body Funds

(₹ in crore)

Year		2018-19	2019-20	2020-21	2021-22	2022-23	
Panchayati Raj Institutions	8448-109	Opening Balance	309.67	364.38	338.12	351.01	332.12
		Receipt	128.99	124.60	100.19	90.78	211.26
		Expenditure	74.28	150.86	87.30	109.67	91.04
		Closing Balance	364.38	338.12	351.01	332.12	452.33
Urban Local Bodies	8448-102	Opening Balance	1,870.03	1,959.09	2,077.75	2,341.87	1,463.14
		Receipt	915.05	1,252.93	1,204.29	543.41	656.50
		Expenditure	825.99	1,134.27	940.17	1,422.14	862.14
		Closing Balance	1,959.09	2,077.75	2,341.87	1,463.14	1,257.49

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 during the period 2018-23, except in 2021-22. The funds provided by the Government decreased significantly from 2021-22 onwards, due to less receipt of pass-through grants (Basic grants) from the Central Government.

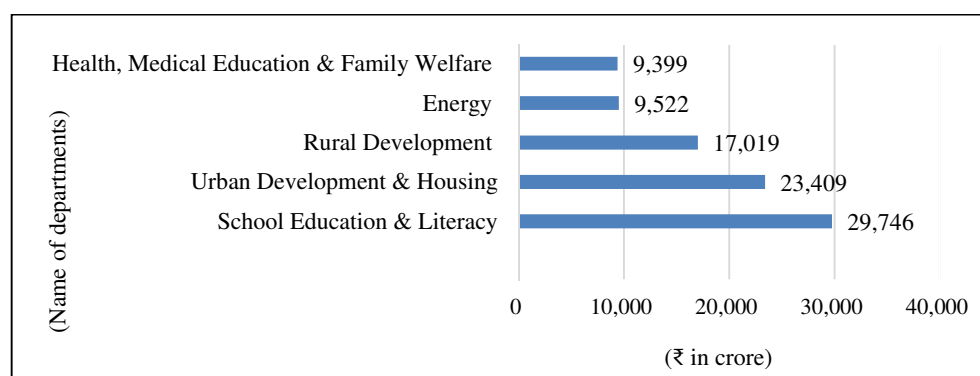
4.4 Delay in submission of Utilisation Certificates

The Jharkhand Treasury Code (JTC) stipulates that departmental officers should obtain Utilisation Certificates (UCs) from the grantees and, after verification, forward these to the Principal Accountant General (A&E), Jharkhand, within 12 months from the date of withdrawal of grants.

Audit observed that 43,469 UCs¹, due in respect of grants aggregating ₹ 1,16,153.09 crore, paid up to FY 2021-22, were outstanding at the end of March 2023.

During FY 2021-22 and 2022-23, out of the total Grants-in-aid of ₹ 19,629.95 crore and ₹ 22,194.05 crore, ₹ 5,358.62 crore and ₹ 6,051.88 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 to the Principal Accountant General (A&E). 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 departments



The number and amount of outstanding UCs, as on 31 March 2023, are shown in **Table 4.3**.

¹ As per the records of AG (A&E) which is pending reconciliation.

Table 4.3: 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 2018-19	46,502	91,661.70	8,699	36,980.77	740	6,393.31	54,461	1,22,249.16
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
2021-22*	39,064	1,03,459.14	5,194	13,979.67	789	1,285.72	43,469	1,16,153.09

*UCs for GIA disbursed during 2021-22 become due only during 2022-23.

Year-wise break up of the number and amount of outstanding UCs, is given in **Table 4.4**.

Table 4.4: Year-wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount
Up to 2012-13	3606	2,350.42
2013-14	1320	1,504.44
2014-15	2103	5,307.97
2015-16	8684	9,129.92
2016-17	4798	14,289.08
2017-18	3931	18,583.16
2018-19	4384	16,618.85
2019-20	4603	18,639.46
2020-21	4846	15,750.12
2021-22	5194	13,979.67
Total	43469	1,16,153.09

*UCs for GIA disbursed during 2021-22 become due only during 2022-23.

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 Outstanding Utilisation Certificates against grants

The JTC stipulates that departmental officers should obtain Utilisation Certificates (UCs) from the grantees and, after verification, forward these to the Principal Accountant General (A&E), Jharkhand, within 12 months from the date of withdrawal of grants.

The number and amount of outstanding UCs in Grant No 01- Agriculture, Animal Husbandry and Co-Operative Department (Agriculture Division), as on 31 March 2023, are shown in **Table 4.5**.

Table 4.5: Arrears in submission of Utilisation Certificates in Grant 1

(₹ in crore)

Head	Year	Total grants released		Clearance		Due for submission	
		No.	Amount	No.	Amount	No.	Amount
2401	Up to 2020-21	4	6.50	2	3.85	2	2.65
	2021-22	12	73.70	0	0	12	73.70
2415	Up to 2020-21	6	15.87	6	15.87	0	0
	2021-22	8	116.07	7	114.60	1	1.47
Total		30	212.14	15	134.32	15	77.82

Source: Office of the PAG (A&E) Jharkhand

Further, test-check of grants provided to three agencies revealed that out of ₹ 10.50 crore, ₹ 7.48 crore was spent during 2020-21. UCs only for ₹ 0.21 crore was submitted to the office of the PAG (A&E). Further, the balance amount of ₹ 3.02 crore were parked in Personal Ledger Accounts (PLA) as shown in **Table 4.6**.

Table 4.6: Pendency of Utilisation Certificates

(₹ in crore)

Sl. No.	Name of Agencies	Financial Year	Amounts of GIA	Expenditure as on 31.03.23	Balance	Remarks
1	Jharkhand State Agriculture Development Corporation Limited (JSADCL)	2020-21	1.15	0.21	0.94	UCs against expenditure of ₹ 0.21 crore were sent to AG (A&E) and balance amount ₹ 0.94 crore was parked in PLA.
2	Jharkhand Agriculture Machinery Test & Training Centre (JAMMTC)	2020-21	1.35	1.35	0.00	UCs were not submitted to PAG (A&E).
3	Jharkhand Agriculture and Soil Management Institute (JASMIN)	2020-21	8.00	5.92	2.08	UCs against expenditure of ₹ 5.92 crore were not sent to PAG (A&E) and the balance amount of ₹ 2.08 crore was parked in PLA.
Total			10.50	7.48	3.02	

Further, audit observed that 117 UCs, due in respect of grants aggregating ₹ 2,302.56 crore, paid up to 2021-22, were outstanding at the end of March 2023 in Drinking Water and Sanitation Department as shown in **Table 4.7**.

Table 4.7: Outstanding UCs in Drinking water and sanitation department

(₹ in crore)

Major Head	Year	Grants released by the Department		UCs submitted		UCs outstanding	
		No.	Amount	No.	Amount	No.	Amount
2215	Up to 2020-21	15	339.68	03	0.66	12	339.02
	2021-22	51	544.43	Nil	Nil	51	544.43
	2022-23	45	16.84	Nil	Nil	45	16.84
4215	Up to 2020-21	Nil	Nil	Nil	Nil	Nil	Nil
	2021-22	Nil	Nil	Nil	Nil	Nil	Nil
	2022-23	9	1,402.27	Nil	Nil	09	1,402.27
Total		120	2,303.22	03	0.66	117	2,302.56

Pendency of UCs for such long periods 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 31.03.2023, are given in **Table 4.8**.

Table 4.8: Year-wise progress in submission of DC bills against the AC bills

(₹ in crore)

Year	Outstanding AC Bill		DC Bill submitted		Balance	
	Number	Amount	Number	Amount	Number	Amount
2000-2001	1,331	149.96	480	84.83	851	65.13
2001-2002	5,493	506.18	2,970	322.31	2,523	183.87
2002-2003	3,846	408.07	2,461	306.78	1,385	101.29
2003-2004	7,640	619.55	5,547	506.17	2,093	113.38
2004-2005	6,664	1,171.01	5,111	1,018.90	1,553	152.11
2005-2006	6,145	1,084.18	4,967	872.95	1,178	211.23
2006-2007	6,053	1,502.66	4,791	1,222.93	1,262	279.73
2007-2008	6,862	1,796.19	5,638	1,367.63	1,224	428.56
2008-2009	4,747	2,937.18	3,540	2,408.94	1,207	528.24
2009-2010	2,087	996.69	1,122	724.96	965	271.73
2010-2011	1,891	824.63	896	593.37	995	231.26
2011-2012	1,077	1,611.15	608	1,439.13	469	172.02
2012-2013	545	924.98	351	774.00	194	150.98
2013-2014	468	666.82	265	602.94	203	63.88
2014-2015	550	721.23	290	469.62	260	251.61
2015-2016	806	1,224.90	408	863.02	398	361.88
2016-2017	459	1,267.80	206	1,004.00	253	263.80
2017-2018	335	1,209.12	124	986.18	211	222.94
2018-2019	243	1,061.32	88	890.08	155	171.24
2019-2020	330	2,168.00	114	1,940.87	216	227.13
2020-2021	357	1,911.16	75	1,231.88	282	679.28
2021-2022	246	2,668.28	52	1,961.37	194	706.91
2022-2023*	151	302.17	7	25.67	144	276.50
Total	58,326	27,733.24	40,111	21,618.53	18,215	6,114.71

*AC bills drawn upto September 2022 has been taken into account.

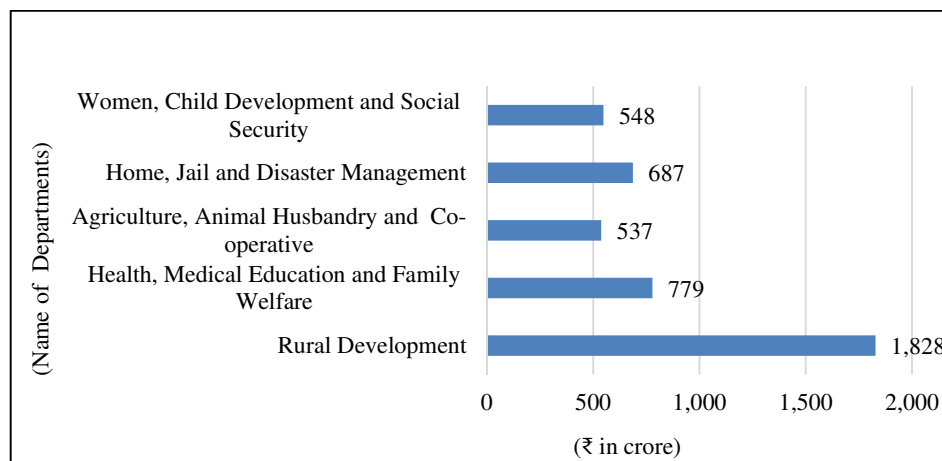
Eleven departments of the State had drawn ₹ 595.44 crore on 357 Abstract Contingent (AC) bills, during the financial year 2022-23. Out of 357 AC bills, 151 AC bills, amounting to ₹ 302.17 crore was drawn upto September 2022, for which the due date of submission was March 2023. Against these 151 AC bills, only seven DC bills, amounting to ₹ 25.67 crore, were submitted on time and 144 AC bills, amounting to ₹ 276.50 crore remained outstanding.

There is no assurance that the amount of ₹ 276.50 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.

Thus, 18,215 AC bills, amounting to ₹ 6,114.71 crore, drawn upto September 2022, were outstanding, as on 31 March 2023. Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/ malfeasance etc.

Out of the total amount drawn in 2022-23, 198 AC bills, amounting to ₹ 268.89 crore, were drawn in the month of March 2023. Drawal of funds, through AC bills, in March, indicates that these drawals were 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 4.9**.

Chart 4.2: Pending DC Bills in respect of major departments**Table 4.9: 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	68	0.03	3	0.00	0	0.00	57	0.11
2001-2002	297	29.43	465	11.74	159	0.70	352	12.66	205	4.64
2002-2003	218	40.45	208	2.67	134	2.81	183	14.37	131	2.84
2003-2004	206	38.90	65	5.07	105	1.56	657	26.12	215	8.28
2004-2005	163	53.86	103	26.78	102	0.89	331	20.03	102	7.19
2005-2006	101	51.14	101	20.12	98	9.06	197	51.04	136	3.42
2006-2007	109	35.36	136	47.99	66	8.80	206	87.39	140	6.02
2007-2008	184	33.97	107	115.86	58	12.91	191	64.71	90	2.64
2008-2009	205	54.50	62	43.16	56	47.35	207	54.48	147	10.22
2009-2010	188	54.90	49	64.02	18	1.08	295	45.53	142	22.77
2010-2011	181	82.27	5	0.11	20	2.04	333	37.67	68	30.75
2011-2012	97	63.79	13	0.42	39	5.66	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	16	11.89	5	1.85	10	0.18	6	0.56
2014-2015	138	121.07	7	17.27	7	2.47	7	0.09	13	33.77
2015-2016	195	160.47	16	27.02	80	16.51	10	83.72	29	31.08
2016-2017	114	43.53	8	3.47	16	4.72	0	0.00	20	29.12
2017-2018	117	43.87	3	2.28	8	2.01	0	0.00	24	35.89
2018-2019	116	43.06	3	4.44	1	0.00	1	0.45	8	45.10
2019-2020	127	70.02	0	0.00	4	7.02	0	0.00	64	123.37
2020-2021	239	140.46	4	234.03	7	23.74	1	0.15	15	191.20
2021-2022	149	192.13	23	12.39	7	378.61	5	14.16	2	5.70
2022-2023	309	349.68	27	128.04	0	0.00	0	0.00	5	84.00
Total	3916	1828.56	1492	778.90	1002	536.74	3053	547.93	1,657	686.71

As can be seen from **Table 4.9**, AC bills drawn since 2000-01 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.

4.7 Non-Submission of DC Bills

As per Rules 186 and 187 of Jharkhand Treasury Code (JTC) DC bills, supported with sub-vouchers and countersigned by the Controlling Officers, are required to be submitted to the PAG (A&E) within six months from the

date of drawal of the AC Bill. No AC Bill shall be cashed after the end of this period unless detailed bill has been submitted.

As per the records of the Principal Accountant General (A&E), DC bills in Grant No. 1- Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division) amounting to ₹ 403.66 crore out of AC bills of ₹ 2,571.44 crore drawn during the period 2003-04 to 2016-17, was pending for submission under heads 2401, 2402, 2415 and 4401, as of September 2023. Details are given in **Appendix 4.1**.

Test-check of pending DC bills of the Department in the test-checked districts, revealed the following:

(i) ₹ 3,05,54,000.00² (₹ 1,81,89,000.00 and ₹ 1,23,65,000) was drawn during 2008-09 and transferred to Project Manager, ATMA, Palamu, after 10 months, of which ₹ 2,74,72,274.00 was spent and the balance amount of ₹ 30,81,726.00 was parked at bank account.

(ii) ₹ 21,40,000.00 was drawn (31.03.2012) on AC bill by the District Soil Conservation Officer (DSCO), Palamu, for 'Development of waste land and fallow land'. Out of this, ₹ 20,70,000.00 was transferred³ (20.04.2012) to the Soil Conservation Officer (SCO), Palamu. Detailed expenditure report/updated status of the amount transferred (₹ 20,70,000.00) to SCO, Palamu, was not available with DSCO.

(iii) As per Rule 168 of JTC, the term 'contingent charges' or 'contingencies' means and includes all incidental and other expenses which are incurred for the management of an office other than those which, under prescribed rules of classification of expenditure, fall under some other head of expenditure e.g. 'works', 'stock', 'tools & plants' etc.

During verification of records, it was noticed that ₹ 1,16,33,720 was drawn (08.12.2016) on AC bills by the District Agriculture Officer, Sahibganj for capital work *i.e.* construction of Joint District Agriculture Building, Sahibganj and transferred to Special Division, Sahibganj, which was against the JTC rule.

(iv) ₹ 75,00,000.00 was drawn (24.10.2016) on AC bill by the District Agriculture Officer, Sahibganj, for 'Single Window Operation'. Out of this, DC bills amounting to ₹ 46,64,836.00 was submitted (07.12.2018) and the balance amounting to ₹ 28,35,164.00 was parked in the bank account (SB Account at SBI, Sahibganj) .

(v) ₹ 6,27,270 and ₹ 70,833 were drawn (31.03.2016 and 31.03.2016) respectively by the District Agriculture Officer, Dhanbad, on AC Bill for contingent expenditure. Against this, an amount of ₹ 2.06 lakh was not utilised and parked in the bank account.

Similarly, as per the records of the Principal Accountant General (A&E), ₹ 3,464.73 crore was drawn through AC bills, under the Major Head 2215, in Grant No. 36- Drinking Water & Sanitation Department, during the period 2007-08 to 2013-14. Against this, DC bills for an amount to ₹ 307.04 crore was

² vide cheque No. 335048 dated 27.01.2010

³ vide cheque no. 436665

submitted leaving a balance of ₹ 3,157.69 crore due, as of September 2023 as shown in **Table 4.10**.

Table 4.10: Details of pending DC bills

(₹ in crore)

Major Head	Year	AC bills		DC bills submitted		Outstanding DC bills	
		No.	Amount	No.	Amount	No.	Amount
2215	2007-08	08	2,984.80	03 ⁴	307.04	08	2,677.76
2215	2012-13	01	407.43	00	00	01	407.43
2215	2013-14	01	72.50	00	00	01	72.50
Total		10	3,464.73	03	307.04	10	3,157.69

It was observed that AC bills were drawn repeatedly, without submitting DC bills against the AC bills drawn previously. Non-submission of DC bills for such a long period, is a serious irregularity and entails the risk of misutilisation of public money.

4.8 Delay in submission of DC Bills

Rule 186 and 187 of JTC stipulates that DC bill, supported with sub-vouchers and countersigned by the Controlling Officer, is required to be submitted to the Principal Accountant General (A&E) within six months from the date of drawal of the AC bill. No Abstract Bill shall be cashed after the end of this period, unless detailed bill has been submitted.

In the test-checked districts and as per records maintained by the Principal Accountant General (A&E), it was noticed that AC bills, amounting to ₹ 723.50 crore, were drawn by the Grant No. 1- Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division) under major heads 2401, 2402 and 4402. It was noticed that the funds were utilised and DC bills were submitted with delays ranging from 03 months 19 days to 09 years 09 months 22 days to the office of the Principal Accountant General (A&E) by the DDOs, as detailed in **Appendix 4.2**.

During test-check, it was noticed that out of ₹ 2.53 crore, ₹ 1.06 crore was not utilised for the purpose for which it was drawn and was remitted back to the Treasury. Against this, DC bills were submitted for adjustment to the Principal Accountant General (A&E), Jharkhand. Details are given in **Appendix 4.3**.

4.9 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 174 of JTC stipulates that no money shall be drawn from the treasury in anticipation of demand or to prevent lapse of budget grants. 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.

As per the records maintained by the Principal Accountant General (A&E), ₹ 239.64 crore was drawn, under Grant No. 1- Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division), on AC bills at the end of

⁴ Settled partially.

financial year during the period 2004-05 to 2017-18 under major heads 2401, 2402 and 4402. Out of this, DC bills for an amount of ₹ 11.63 crore was outstanding, as of March 2023, as detailed in **Appendix 4.4**.

4.10 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 the Finance Accounts and Voucher Level Computerisation (VLC) data, related to the transactions in the minor heads under the Major Head of Account 8448-Deposits of Local Funds, for the year 2022-23, revealed that there were 204 Accounts, operated by various agencies of the State Government, as of 31 March 2023. Year-wise details of balances are given in **Table 4.11**.

Table 4.11: Year-wise breakup of deposits of local Funds

(₹ in crore)				
Year	Opening balance	Receipts	Disbursement	Closing Balance
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
2022-23	15,526.87	17,023.16	14,162.63	18,387.40

It can be seen from **Table 4.11** that expenditure was less than receipts in the Accounts during the period 2018-23 except in 2019-20 and 2021-22, leading to increase in the closing balances during these years.

During 2022-23, disbursements was less than receipts by ₹ 2,860.53 crore leading to significant increase in the balance at the end of the year. As of March 2023, a huge amount of ₹ 18,387.40 crore remained outside the budgetary control of the Government.

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.

Test-check of accounts of Zila Parishads (ZPs), mentioned in **Table 4.12**, revealed that six Administrators did not adhere to the above rules and unspent funds, amounting to ₹ 102.72 crore, was kept in “109-Panchayat Bodies funds under 8448-Deposit of local funds”, for more than three years. Further test-check revealed that the purpose of receipt of ₹ 3.27 crore, lying in the accounts of ZP, Ranchi (₹ 2.25 crore) and ZP, East Singhbhum (₹ 1.02 crore), was not known to the officers of the Zila Parishad. Details of funds lying unspent with the ZPs is shown in **Table 4.12**.

Table 4.12: Amount lying unspent for more than three years

(₹ in crore)

Sl. No.	Name of office	Unspent amount for more than three years
1	Zila Parishad, East Singhbhum	1.02
2	Zila Parishad, Sahibganj	25.28
3	Zila Parishad, Chatra	3.47
4	Zila Parishad, Ranchi	48.08
5	Zila Parishad, Kharsawan	6.26
6	Zila Parishad, Garhwa	8.88
7	Zila Parishad, Ramgarh	0.54
8	Zila Parishad, Jamtara	0.85
9	Zila Parishad, Dhanbad	8.34
Total		102.72

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

4.11 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 operational. On expiry of such date, the treasury officer is to close the account, without the prior permission of the Finance Department, as well as the 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 funds. All these accounts are operational and an amount of ₹ 850.24 crore was added in the opening balance of ₹ 2,018.13 crore during the year 2022-23. Out of the total deposits in these PD accounts, ₹ 499.58 crore was disbursed during the year, leaving a balance of ₹ 2,368.79 crore, at the end of the financial year.

4.12 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 ₹ 80,245.22 crore under 47 Major Heads, ₹ 2,324.60 crore (2.90 *per cent*) was booked under the Minor Head "800-Other Receipts". Further, as shown in **Table 4.13**, during 2022-23, in 14 major heads,

81 per cent and above receipts, amounting to ₹ 1,451.98 crore, was booked under '800' against the total receipts of ₹ 1,471.33 crore under these heads.

Table 4.13: 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	0059	Public Works	13.84	13.84	100
2	0075	Miscellaneous General Services	1,171.73	1,171.73	100
3	0215	Water Supply and Sanitation	9.54	9.49	99
4	0070	Other Administrative Services	51.08	45.29	89
5	0235	Social Security and Welfare	81.11	81.11	100
6	0425	Co-operation	4.39	3.64	83
7	0515	Other Rural Development	17.20	14.01	81
8	0700	Major Irrigation	35.70	35.70	100
9	0701	Medium Irrigation	43.06	39.50	92
10	0702	Minor Irrigation	5.60	5.60	100
11	0801	Power	0.46	0.46	100
12	1054	Roads and Bridges	44.58	40.61	91
13	1456	Civil Supplies	19.65	19.65	100
Total			1,497.94	1,480.63	99

4.13 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 and Remittances balances of the State, are indicated in **Table 4.14** and **Table 4.15**, respectively.

Table 4.14: Position of balances under Suspense Head - 8658

(₹ in crore)

Name of the Minor Head	2020-21		2021-22		2022-23	
	Debit	Credit	Debit	Credit	Debit	Credit
101- Pay and Accounts Office Suspense	437.28	438.51	557.75	557.26	694.40	696.42
Net	Cr.1.23		Dr. 0.49		Cr. 2.02	
102 - Suspense Account (Civil)	41.87	40.83	93.21	122.57	174.66	181.52
Net	Dr. 1.04		Cr. 29.36		Cr. 6.86	

Table 4.15: Position of balances under Remittances Head - 8782

(₹ in crore)

	2020-21		2021-22		2022-23	
	Debit	Credit	Debit	Credit	Debit	Credit
102 - P.W. Remittances	55,208.80	55,332.72	62,735.61	62,817.53	71,182.33	71,254.68
Net	Cr. 123.92		Cr. 81.92		Cr. 72.35	
103 - Forest Remittances	2,394.30	2,404.06	3,035.51	3,078.97	4,024.04	4,039.04
Net	Cr. 9.76		Cr. 43.46		Cr. 15.01	

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 debit balance of ₹ 0.49 crore in 2021-22 to credit balance of ₹ 2.02 crore in 2022-23. On settlement of the net credit balance under this head (₹ 2.02 crore), the cash balance of the State Government will decrease to that extent.

• **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 ₹ 29.36 crore to credit of ₹ 6.86 crore, during 2021-22 and 2022-23.

Scrutiny of Cash Remittances and adjustments between officers rendering accounts to the same accounts' officers revealed that a credit balance of ₹ 87.36 crore was in transit at the end of March 2023.

4.14 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.

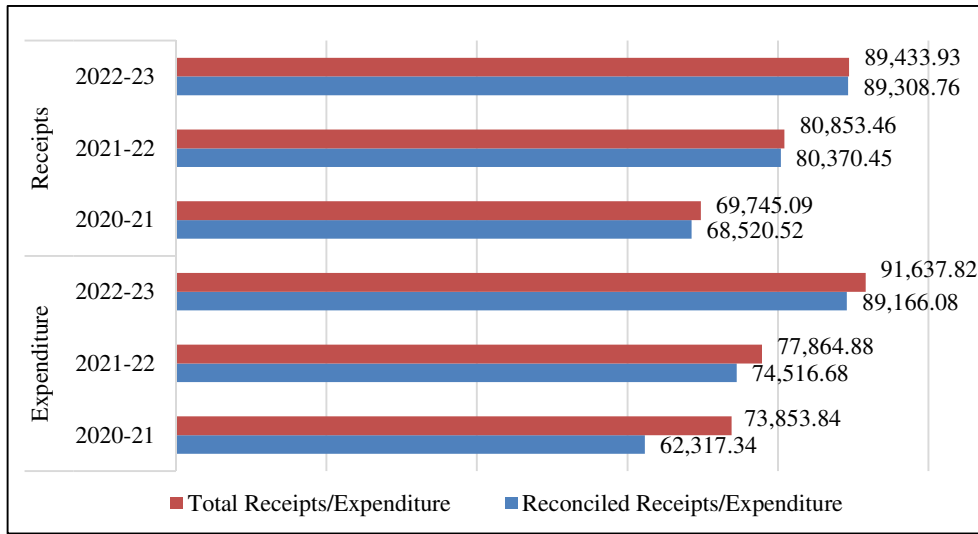
Every year, the Principal Accountant General (Accounts & Entitlements) reiterates to the Budget Controlling Officers, the requirements of the Jharkhand Budget Manual to reconcile their monthly and quarterly figures of receipts and expenditure with the books of the Principal Accountant General (A&E).

After regular reporting of non-reconciliation of receipts and disbursements of the State with the books of PAG (A&E), a change was noticed where more than 99 *per cent* of the total receipts and nearly 96 *per cent* of total expenditure of the State was reconciled by the departmental officers with the books of PAG (A&E).

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 2020-21 to 2022-23



4.15 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 ₹ 186.36 crore (net debit) between the figures reflected in the accounts {₹ 91.07 crore (debit)} and that intimated by the RBI {₹ 95.29 crore (debit)}. The difference of ₹ 186.36 crore (net debit) for the year 2022-23 has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

4.16 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 4.16: 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.

4.17 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, number of accounts due for submission 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 4.17**.

Table 4.17: Details of submission of accounts and status of audit of autonomous bodies

Sl. No.	Name of Bodies/ Authority	Accounts submitted upto	No. of accounts pending upto F.Y. 2022-23	SAR issued upto	Placement of SAR in the Legislature	Comments
1	Jharkhand State Legal Services Authority (JHALSA)	2022-23	NIL	2018-19	Not intimated	SAR for the period 2019-20 to 2022-23 is under preparation.
2	Jharkhand State Electricity Regularity Commission (JSERC)	2011-12	11	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	13	2002-3 to 2009-10	Not intimated	Entrustment for 2010-11 has not been provided.
5	National University of Study and Research in Law (NUSRL), Ranchi	2016-17	6			Audit of accounts for the period 2010-11 to 2016-17 is under process.
6	Birsa Agriculture University	2007-08 to 2010-11	12			Audit not started due to non-submission of balance sheet
7	Jharkhand Housing Board, Ranchi	No account submitted	22			Neither entrustment nor accounts has been received till date.
8	Compensatory Afforestation Management and Planning Authority	2015-16	7			Annual accounts for the year 2010-11 to 2015-16 have been received in August 2023 and under scrutiny.
9	Jharkhand Renewable Energy Development Agency	No account submitted	7			Neither entrustment nor accounts has been received till date.
10	Ranchi Institute of Neuro-Psychiatry & Allied Sciences (RINPAS), Ranchi	No account submitted				Neither entrustment nor accounts has been received till date.
11	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.

Information regarding placement of SARs in respect of audited accounts of JHALSA has not been intimated, despite active pursuance.

4.18 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 77 such reported bodies and authorities in the State.

Scrutiny revealed that out of 77 bodies/authorities, no body/authority had submitted their latest accounts, as of September 2023, whereas four⁵ bodies/authorities have not been audited since inception. Audit of 73 bodies and authorities has been completed, as detailed in **Appendix 4.5**.

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 September 2023.

⁵ (i) Jharkhand State Hindu Religion Trust Council (ii) Executive Director, Waste Land Development Board, Jharkhand, (iii) Government Press and (iv) Forest Development Authority

4.19 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 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.

4.20 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 September 2023.

4.21 Conclusion

As on 31 March 2023, 43,469 Utilisation Certificates (UCs) for an amount of ₹ 1,16,153.09 crore, were outstanding for submission to the Principal Accountant General (A&E).

As of 31 March 2023, DC bills, against 18,215 AC bills amounting to ₹ 6,114.71 crore, were outstanding for submission to the Accountant General (A&E).

4.22 Recommendations

- *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 take steps to 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.*

