

## Chapter 3

## Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to effective governance by the State Government.

This Chapter provides an overview and status of compliance with various financial rules, procedures and directives, in so far as financial reporting is concerned, by the State Government and its subordinate offices in 2016-17.

### 3.1 Delay in furnishing Utilisation Certificates

Rule 330A of the West Bengal Treasury Rules (WBTR) states that Utilisation Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be obtained by the departmental officers from the grantees within one year from the dates of release of the grants provided for specific purposes. After verification, these should be forwarded to the Accountant General (A&E).

Through the UC, the grantor obtains assurance about non-diversion and proper utilisation of the funds. Any delay or inaccuracy in such reporting undermines this control mechanism.

The year-wise position of outstanding UCs is shown in **Table 3.1**.

**Table 3.1: Year-wise break up of outstanding Utilisation Certificates in respect of Grants-in-Aid**

(₹ in crore)

Years	Grants-in-Aid (GIA) against which UCs are awaited as of March 2017	
	Number of UCs	Amount
Up to 2014-15	1,93,151	57,961
2015-16	18,423	26,616
2016-17 <sup>1</sup>	34,910	37,431
Total	2,46,484	1,22,008

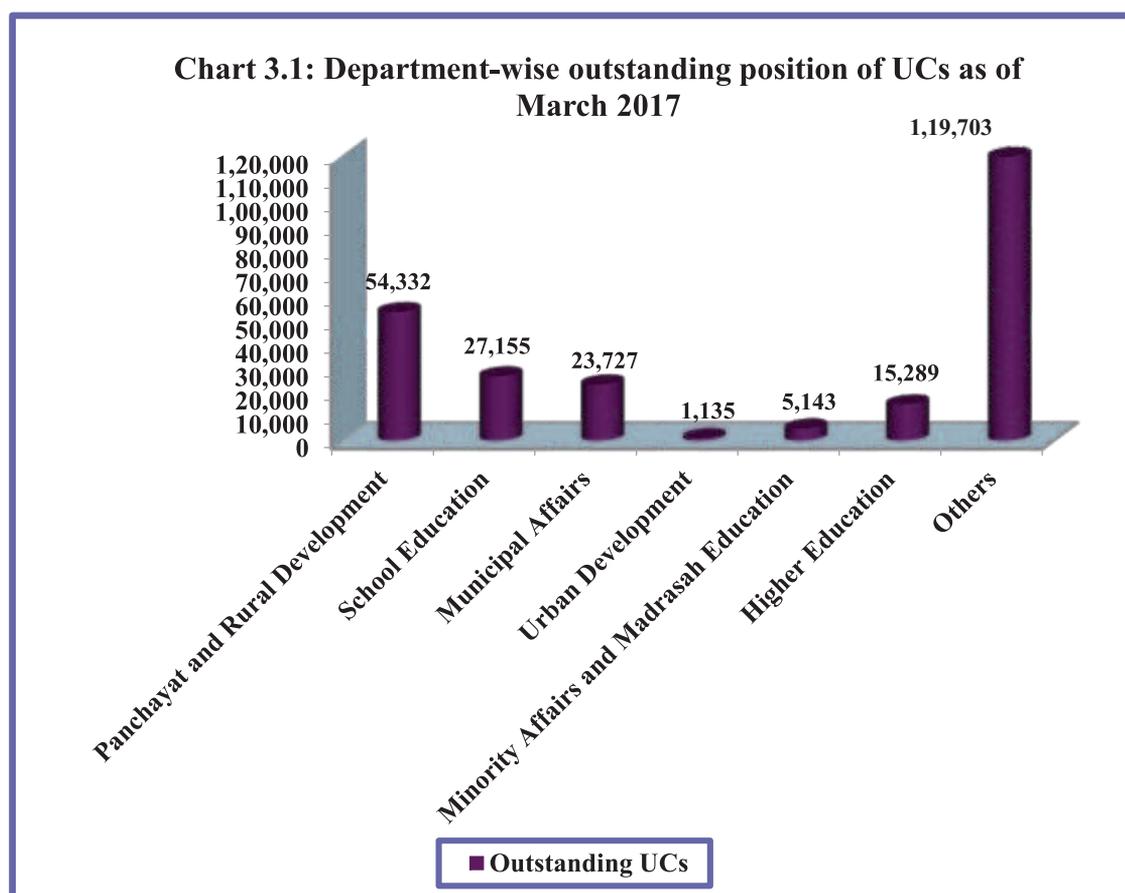
Source: Finance Accounts of Government of West Bengal (2016-17)

***The pendency in submission of UCs indicates lack of monitoring of utilisation of grants by the departments. This also increases the chance of misutilisation of the grants. This is not a healthy trend.***

#### ***Department-wise outstanding position of UCs***

Department-wise position of outstanding UCs as on March 2017 is shown in **Chart 3.1**.

<sup>1</sup>Only the cases where due dates for submission of UCs have been over



Source: Finance Accounts of Government of West Bengal (2016-17)

**Chart 3.1** shows that six departments accounted for 51.44 per cent of total outstanding UCs as of March 2017.

#### **Submission of UCs without utilisation**

During the period 2012-14, two DDOs<sup>2</sup> had retained Border Area Development Programme (BADP) fund of ₹ 2.16 crore in the Personal Deposit (PD) Accounts. However, UCs for the aforesaid fund had been submitted (May 2017) to the Home Department.

DM, Jalpaiguri replied (July 2017) that the absence of appropriate collation of information from all sources, prior to submission of UC was the reason behind this. Reply is not acceptable since submission of UC without its utilisation was irregular.

### **3.2 Non-submission of accounts by ULBs/PRIs**

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG's DPC Act), the Government/HODs are required to furnish to audit every year -

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

<sup>2</sup>DM, Murshidabad : ₹ 0.31 crore during 2012 -13 and ₹ 1.60 crore during 2013 -14 and DM, Jalpaiguri : ₹ 0.25 crore during 2012 -13

Audit of these institutions is conducted by the Examiner<sup>3</sup> of Local Accounts (ELA), West Bengal under the Accountant General (General and Social Sector Audit), West Bengal.

As of September 2017, 625 annual accounts of 144 bodies/authorities due up to 2016-17, had not been received by the ELA, West Bengal (**Appendix 3.1**). Therefore, utilisation of funds for the intended purposes could not be verified.

### 3.3 Delays in Submission of Accounts/Audit Reports of Autonomous Bodies

Out of 117 autonomous bodies, 52 bodies/authorities were required to submit accounts to audit as of March 2017. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature are indicated in **Appendices 3.2** and **3.3**. Out of 52 bodies/authorities, only Hooghly River Bridge Commissioner had submitted accounts up to 2016-17 while 15 had submitted accounts up to 2015-16. Eight District Legal Services Authorities (DLSAs) did not submit accounts since inception in 1998-99. The remaining 28 Autonomous bodies had submitted accounts with delays.

In respect of 28 Bodies/Authorities, the State Government did not lay the Reports before the State Legislature as detailed in **Appendix 3.2**.

### 3.4 Departmentally Managed Activities

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature were required to prepare *pro forma* accounts in the prescribed format annually. The *pro forma* accounts of departmentally managed commercial and quasi-commercial activities reflected their overall financial health and efficiency in conducting their business.

The Heads of Departments were to ensure that these units prepare such accounts and submit them to Accountant General for audit within a specified time frame.

An amount of ₹ 3,074 crore was invested by the State Government in 14 commercial and quasi-commercial undertakings, accounts of which are due from 1983-84 to 2014-15. Of these, 11 undertakings had incurred losses aggregating to ₹ 2,518 crore in 2016-17. The remaining three, viz. CEOH<sup>4</sup>, KADA<sup>5</sup> and Public Distribution System of Food Grains<sup>6</sup> reflected accumulated profit of ₹ 841 crore. The department-wise position of arrears in preparation of *pro forma* accounts and investment made by the Government therein are given in **Appendix 3.4**.

### 3.5 Un-reconciled receipts/expenditure

Rule 385 of West Bengal Financial Rules (WBFR) stipulates that expenditure recorded in books of departments be reconciled every month with the books of the Accountant General (A&E). The Public Accounts Committee also recommended (December 2011) to follow the stipulations of the WBFR.

Out of 67 departments, 10 departments did not reconcile their figures for the year 2016-17. Nine departments had partly reconciled their figures.

<sup>3</sup> Appointed by State Government as the Statutory Auditor of Local Bodies.

<sup>4</sup> Central Engineering Organisation, Howrah

<sup>5</sup> Kanchrapara Area Development Authority

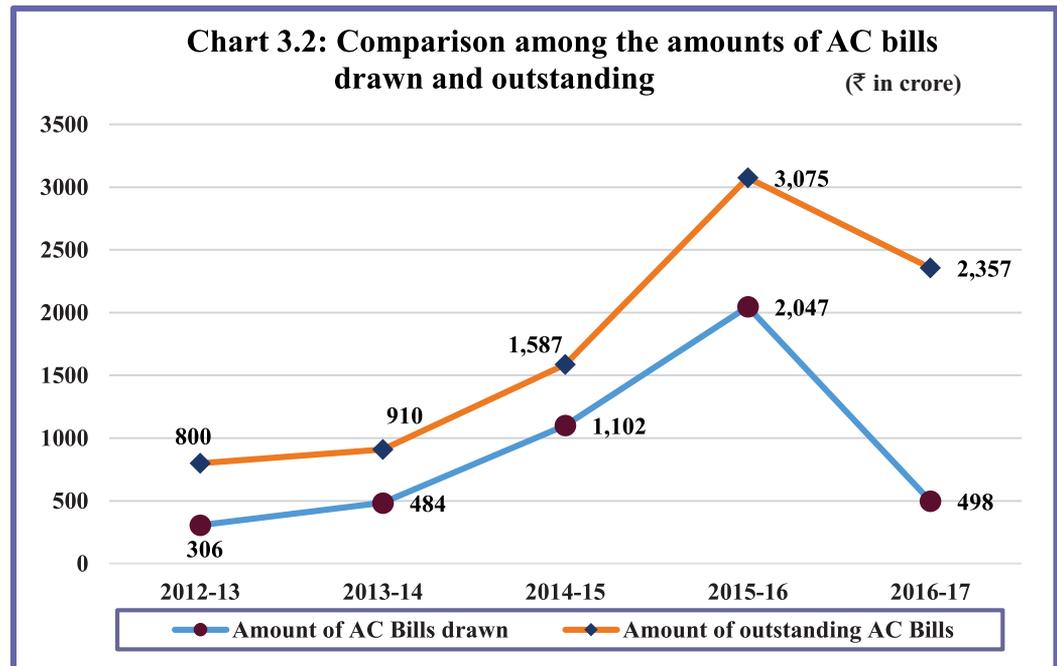
<sup>6</sup> Subsidy received from Government was shown as profit in its account

### 3.6 Pendency in adjustment of Abstract Contingent Bills

Controlling and Disbursing Officers were authorised to draw money through Abstract Contingent (AC) bills, by debiting service heads. They were required to present Detailed Contingent (DC) bills to the Accountant General (A&E) through treasuries.

In terms of Rule 4.138(5) of WBTR 2005, AC bills were required to be adjusted within one month from the date of completion of the purpose. In no case, this could exceed 60 days from the date of drawal of the AC bill.

A profile on the AC bills drawn and the outstanding position of AC bills during 2012-17 is shown in **Chart 3.2**.



Source: Finance Accounts of Government of West Bengal (2012-13 to 2016-17)

It was noticed that up to 2016-17, ₹ 2,357 crore<sup>7</sup> drawn through 11,005 AC bills remained unadjusted as of March 2017. Pendency in submission of AC bills was regularly mentioned in the previous Reports on State Finances<sup>8</sup>.

Audit reviewed the procedure of adjustment of AC bills of BCW<sup>9</sup> and TETSD<sup>10</sup> departments for the period 2013-17. The following irregularities were observed (October 2017):

- Two DDOs<sup>11</sup> of BCW department submitted adjustment of 36 bills<sup>12</sup> of ₹ 36.61 crore, with delays of 36 days to two years and eleven months. West Bengal Treasury Rules 2005 provides that no money shall be drawn from the treasury in anticipation of demands or to prevent the lapse of budget allotment.

<sup>7</sup> Pendency up to 2014-15: ₹ 1170 crore ₹ 2015-16: 912 crore and 2016-17: ₹ 325 crore

<sup>8</sup> Paragraph 3.6.2 of Reports of 2012-13, 2013-14, 2014-15 and Paragraph 3.5.2 of Report of 2015-16 on State Finances

<sup>9</sup> Backward Classes Welfare

<sup>10</sup> Technical Education, Training and Skill Development

<sup>11</sup> PAO cum District Welfare Officer, South 24 Parganas and Directorate of BCW

<sup>12</sup> Drawn between January 2014 and March 2015

- BCW and TETSD departments had withdrawn amounts of ₹ 33.83 crore and ₹ 8.15 crore respectively during 2013-17 through AC bills at the end of the financial year. This drawal of fund to prevent lapse of budget was in contravention to the provisions of WBTR, 2005.

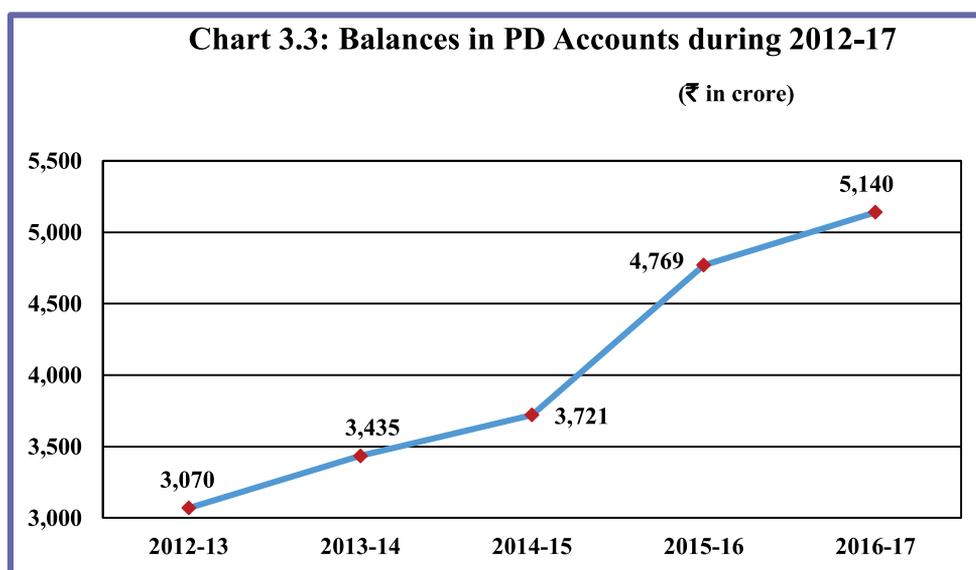
*In the absence of DC bills it is not possible to ascertain whether expenditure has taken place or not. Non-adjustment of AC Bills for long periods in violation of prescribed rules and regulations was fraught with the risk of embezzlement and unhealthy practices. Responsibility needs to be fixed in this regard and a time bound programme needs to be evolved by the State Government to settle these outstanding AC bills*

### 3.7 Personal Deposit (PD) Accounts

Rule 4.115 of WBTR provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. Further, Rule 6.09 of WBTR stipulates that the PD accounts are to be closed at the end of the financial year. Parking of funds in PD accounts adversely affects the transparency of State accounts as it inflates the Revenue Expenditure to that extent and locks up resources which otherwise can be utilised elsewhere for development.

There were 153 PD accounts in operation in the State as of March 2017. During 2016-17, ₹ 1,933 crore were transferred from Consolidated Fund of the State to these PD accounts. Out of this, ₹ 896 crore was transferred during March 2017, of which ₹ 185 crore was transferred on 31 March 2017. Drawals from PD accounts in subsequent years were not subject to legislative control.

The balances in PD accounts during 2012-17 is shown in **Chart 3.3**.



Source: Finance Accounts of Government of West Bengal (2012-13 to 2016-17)

*During 2016-17, the State Government raised an amount of ₹ 34,431 crore as market loans bearing interest rates ranging between 6.88 per cent and 8.09 per cent. The State also borrowed ₹ 1,367 crore from Financial Institutions and ₹ 519 crore from GoI. However, as on 31 March 2017, ₹ 5,140 crore was parked in Personal Deposit Accounts. Paying interest at higher rates on market loans while keeping huge amounts in Personal Deposit Accounts showed poor cash and financial management by the State Government.*

Test-check of PD Accounts maintained by nine DDOs<sup>13</sup> disclosed an aggregate balance of ₹ 908 crore as of March 2017. Following deficiencies were observed in scrutiny of this balance:

**Table 3.2: Deficiencies in PD Accounts**

Deficiencies	Criteria	Observations
Discrepancies between treasury pass books and PD cash books	WBTR stipulated that the holder of the PD Account shall, immediately after end of the financial year, make necessary verification and reconciliation of the balances with the treasury.	PD Accounts cash book balances overstated by ₹ 0.31 crore in respect of two DDOs and understated by ₹ 42.69 crore in respect of five DDOs due to non-reconciliation ( <i>Appendix 3.5</i> ).
Unauthorised transfer to PD Accounts	As per notification of GoWB (January 2017), funds under Kanyashree Prakalpa were to be kept in savings bank account.	Three DDOs transferred ₹ 51.84 crore to PD Accounts between February 2017 and March 2017 resulting in loss of interest of ₹ 31.81 lakh up to July 2017.
	In terms of Rule 4.138(5) of WBTR 2005, AC bills are required to be adjusted within 60 days from the date of drawal of the AC bill.	Three DDOs had transferred ₹ 4.20 crore from ICDS to PD Accounts during 2016-17. This transfer of fund was to avoid submission of adjustment bills within 60 days.
Unauthorised retention of fund	In view of Finance Department's order (July 2015), unspent fund for 'Distribution of bicycles amongst the girl students of recognised and aided Madrasahs' was required to be surrendered.	Six DDOs held ₹ 3.42 crore in PD Accounts as of July 2017 to avoid surrender of funds.
	As per para 2.1 of the Bidhayak Elaka Unnayan Prakalpa guidelines, no MLA shall be entitled to recommend any scheme under this Prakalpa after the dissolution of the term of that Assembly.	As of March 2017, four DDOs retained unutilised funds of ₹ 7.75 crore in PD Accounts after the dissolution of the Assembly ( <i>Appendix 3.6</i> ).

### 3.8 Bookings under Minor Head 800: Other Receipts and Other Expenditure

The receipts and expenditure accounts of the Government were presented to the Legislature. The receipt and expenditure on all major activities of the Government were presented in a manner to meet the basic information needs of all the stakeholders.

Booking under Minor Head '800: Other Receipts and 800: Other Expenditure' does not disclose the schemes, programmes, etc., to which they relate to.

Status of expenditure booked under '800: Other Receipts and 800: Other Expenditure' is shown below in **Table 3.3**.

**Table 3.3: Booking under Minor Head '800-Other Receipts' and 'Other Expenditure'**

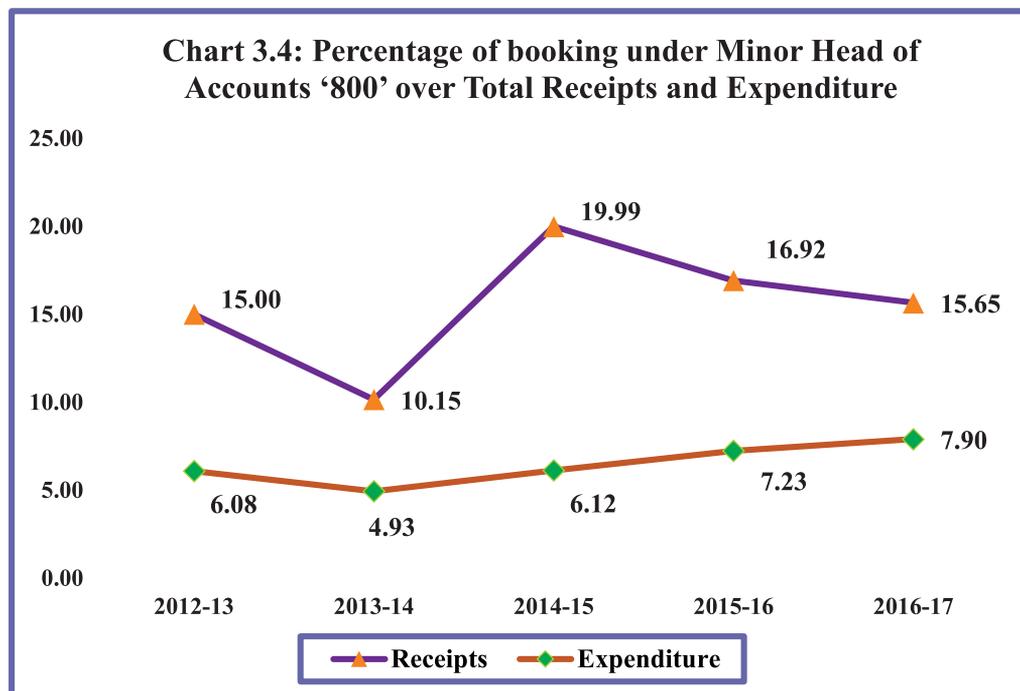
(₹ in crore)

Financial Year	Expenditure booked under Minor Head 800	Percentage to total Expenditure	Receipts booked under Minor Head 800	Percentage to total Receipts
2012-13	3,932	6.08	6,984	15.00
2013-14	4,865	4.93	7,396	10.15
2014-15	6,951	6.12	17,293	19.99
2015-16	9,486	7.23	18,563	16.92
2016-17	11,481	7.90	18,444	15.65
<b>Total</b>	<b>36,715</b>		<b>68,680</b>	

Source: Finance Accounts of Government of West Bengal (2012-13 to 2016-17)

<sup>13</sup>DMs of Hooghly: ₹ 48.72 cr., North 24 Pgs: ₹ 235.94 cr., Howrah: ₹ 88.86 cr., Jalpaiguri: ₹ 62.67 cr., Coochbehar: ₹ 75.39 cr., Bardhaman: ₹ 58.66 cr., Murshidabad: ₹ 146.79 cr., Purulia: ₹ 142.88 cr. & Paschim Medinipore: ₹ 47.69 cr.

The trend of growth of 800-Other Receipts and 800-Other Expenditure during 2012-17 is shown in **Chart 3.4**.



Source: Finance Accounts of Government of West Bengal (2012-13 to 2016-17)

An amount of ₹ 11,481 crore (7.90 per cent) of total expenditure of ₹ 1,45,254 crore was classified under the Minor Head of Account “800-Other Expenditure”. This was under 75 Major Heads of Account (both Revenue and Capital). Similarly, ₹ 18,444 crore (16 per cent), out of total revenue receipts of ₹ 1,17,832 crore was classified under “800-Other Receipts”.

High incidence of transactions under minor head ‘800’ affects the transparency of the accounts.

### 3.9 Analysis of balances of Suspense and Remittance

Accounts of the Government were kept on cash basis. Certain transactions of receipts and payments, which could not immediately be taken to a final head of receipt or expenditure were to be held temporarily under Suspense heads. Accumulation of balances under these heads affected the cash balances and thus distorted the financial reporting.

Significant balances under Suspense and Remittance heads as of March 2017 are shown in **Appendix 3.7**

Net Debit balances under 8658-Suspense Accounts decreased to ₹ 574 crore in 2016-17 from ₹ 615 crore in 2015-16. However, under 8782-Cash Remittances and Adjustments, etc., debit balance of ₹ 469 crore remained exactly the same compared to that of the previous year.

The Suspense minor head “Reserve Bank Suspense, Central Accounts Office (8658-00-110-CAORB Suspense)” was operated in the books of the State Government regarding transactions in respect of (i) Grants, (ii) Loans and Advances from Central Government and (iii) other transactions accounted through RBI, Central Accounts Section, Nagpur. Under this Suspense Head, the

debit balance stood at ₹ 493 crore and the credit balance at ₹ 20 crore and the net balance was ₹ 473 crore (Debit) as on 31 March 2017.

Of these, two un-cleared Suspense Accounts are discussed below:

**(A) Maintenance cost of National Highways**

The expenditure on maintenance of National Highways (Agency Charges) incurred by the State PWD was reimbursable by the RPAO<sup>14</sup>, National Highways. The GoWB had to ensure that the claims raised were duly reimbursed through submission of vouchers and connected documents.

It was observed that agency charges of ₹ 97 crore pertaining to the period 1979-2016 was outstanding in the Suspense Accounts for want of documents. Out of this, the claims of ₹ 79 crore (81 *per cent*) had not been reimbursed for more than 10 years.

**(B) Court case recoveries**

During the period 2004-17, on the basis of advices issued by RBI, Kolkata, recoveries of ₹ 125 crore towards court cases were made through RBI, Nagpur. Out of this, ₹ 21 crore (17 *per cent*) was outstanding for more than 10 years. In absence of necessary Government Orders from the various departments of GoWB, booking of the said amount under the appropriate functional heads could not be effected.

### 3.10 Follow up action on Audit Reports

Rules of procedure of the Committee on Public Accounts of the West Bengal Assembly, promulgated in 1977, provides that after tabling the Report in State Legislature, the State Government departments are required to submit replies to the audit observation within one month.

**Table 3.4: Status of laying of Audit Report on State Finances**

Year of Report	Submission of Audit Report on State Finances for placement in the Legislative Assembly	Date of laying of Audit Report
2011-12	22.01.2013	10.07.2014
2012-13	10.03.2014	
2013-14	03.03.2015	04.07.2016
2014-15	25.02.2016	
2015-16	30.01.2017	07.03.2018

No response was furnished by the State Government on the above Audit Reports. Such lack of responsiveness is a matter of serious concern. Moreover, this practice not only dilutes financial discipline, but also goes against the basic tenet of legislative control over expenses from public exchequer and undermines the importance of the Legislature.

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<sup>14</sup> Regional Pay and Accounts Office

### 3.11 Significant Findings

- There was pendency in submission of annual accounts of autonomous bodies/authorities. Eight District Legal Services Authorities (DLSAs) did not submit accounts since inception in 1998-99 (*Paragraph 3.3*).
- There were delays in finalising *pro forma* accounts of 14 departmentally managed commercial undertakings. Out of these, 11 had incurred losses aggregating to ₹ 2,518 crore in 2016-17. The remaining three reflected accumulated profit of ₹ 841 crore (*Paragraph 3.4*).
- Out of 67 departments, 10 departments did not reconcile the expenditure/receipt figures with those recorded in the books of the Accountant General (A&E) for the year 2016-17 (*Paragraph 3.5*).
- Failure in submission of DC bills led to accumulation of unadjusted AC bills. ₹ 2,357 crore drawn through 11,005 AC bills remained unadjusted as of March 2017 (*Paragraph 3.6*).

Kolkata  
The  
21 MAR 2018



(NAMEETA PRASAD)  
Accountant General  
(General and Social Sector Audit)  
West Bengal

Countersigned

New Delhi  
The  
23<sup>rd</sup> March 2018



(RAJIV MEHRISHI)  
Comptroller and Auditor General of India