

# **CHAPTER III**

## **FINANCIAL REPORTING**

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A sound internal financial reporting system and the availability of relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting their basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the UT Government's compliance with various financial rules, procedures and directives during the current year.

#### 3.1 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the Departmental officers from the grantees within 12 months of the closure of the financial year. However, in respect of the grants paid upto March 2015, 827 UCs, for an aggregate amount of ` 225.33 crore, were not furnished by the grantees as of March 2016. Out of 994 UCs pending as of March 2014, as stated in the Audit Report on UT finances for the year 2014-15, 440 UCs were received and 554 were still pending. In addition, 273 UCs were pending for the year 2015-16 alone for which grants were released during 2014-15.

Department-wise break-up of outstanding UCs and the age-wise pendency in submission of UCs are given in **Appendix 3.1 and Table 3.1** respectively.

**Table 3.1: Age-wise arrears of Utilisation Certificates**

Sl. No.	Range of delay in number of years	Utilisation Certificates outstanding	
		Number	Amount ( in crore)
1	0 – 1	273	89.05
2	1 – 3	230	56.46
3	3 – 5	128	33.81
4	5 – 7	100	21.53
5	7 – 9	41	7.86
6	9 and above*	55	16.62
	<b>Total</b>	<b>827</b>	<b>225.33</b>

(Source: Data furnished by the Director of Accounts and Treasuries)

\* One UC for an amount of ` 116 pertaining to the period 1987-88, one UC for an amount of ` 7.13 lakh pertaining to the period 1990-91 and one UC for an amount of ` 6,000 pertaining to the period 1995-96 were some of the oldest cases, in respect of which, UCs were pending.

Out of 827 UCs, 631 UCs (76.30 per cent) involving ` 179.32 crore were pending for periods ranging from one to five years, while 196 UCs (23.70 per cent) involving ` 46.01 crore were pending for more than five years. Pendency of 630 UCs for an aggregate amount of ` 126.41 crore pertained to Adi-Dravidar Welfare Department, Hindu Religious Institutions and Wakf Board, Local Administration Department and Town and Country Planning Department.

Non-receipt of UCs indicated that the Departmental officers failed to comply with the rules to ensure accountability of the agencies that received Government funds.

### 3.2 Non-submission of Accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to the Accountant General (Audit) every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance was given and the total expenditure of these institutions.

The audit of accounts of 73 Autonomous Bodies/ Authorities in the UT of Puducherry has been entrusted to the Comptroller and Auditor General of India under Section 19 (2), 19 (3) and 20 (1) of the Comptroller and Auditor General's Duties, Powers and Conditions of Service Act, 1971. The annual accounts of 24 Autonomous Bodies/Authorities due upto 2014-15 had not been submitted to the Principal Accountant General (General and Social Sector Audit) for certification as of March 2016. The details of the accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise arrears of annual accounts due from Autonomous Bodies/Authorities**

Sl. No.	Pendency in number of years	Number of the Bodies/Authorities
1	1 – 3	9
2	4 – 5	-
3	More than five years	15
<b>Total</b>		<b>24</b>

(Source: Compiled from the information furnished by the Heads of Department)

Due to non-receipt of annual accounts from a large number of Autonomous Bodies/Authorities, which received Government assistance, the Government/Heads of Departments could not ensure that the Bodies/Authorities carried out the functions for which they were established and that they utilised the Government grants for the intended purposes.

Non-submission of accounts not only violates Rule 211 of General Financial Rules, 2005, but also leads to delay in finalisation and issue of Separate Audit Reports (SARs) for onward placement in the Legislature.

### 3.3 Non-adjustment of Temporary Advances

The Drawing and Disbursing Officers (DDOs) draw temporary advances and disburse them to Government servants for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of the UT Government. According to Rule 292 (2) of the General Financial Rules, adjustment bills along with balances, if any, should be submitted by the Government servants within 15 days of the drawal of advances, failing which the advances/balances would be recovered from the next salary of the Government servants.

As of 31 March 2016, advances aggregating ` 402.14 crore were pending for adjustment in respect of 276 out of 607 DDOs as per the records of the Director of Accounts and Treasuries, Puducherry. Age-wise analysis of the pending advances is given in **Table 3.3**.

**Table 3.3: Age-wise analysis of pending advances**

Sl. No	Pendency	Number of advances	Amount
			(` in crore)
1	More than 10 years	194	7.68
2	More than five years but less than 10 years	332	38.84
3	More than one year but less than five years	731	97.27
4	Less than one year	838	258.35
	<b>Total</b>	<b>2,095</b>	<b>402.14</b>

(Source: Data furnished by the Director of Accounts and Treasuries)

The pendency, involving substantial amounts, indicated laxity on the part of the Departmental officers in enforcing the provisions regarding adjustment of the advances.

### 3.4 Misappropriation, loss, theft, defalcation, etc.

General Financial Rules 33 and 34 stipulate that Heads of offices should report any loss or shortage of public moneys, property, etc., due to misappropriation, loss, theft, defalcation etc., to the next higher authority as well as to the Statutory Audit Officer.

The Departments of UT Government reported 334 cases of misappropriation, loss, defalcation, etc., involving Government money amounting to ` 44.78 crore up to March 2016, on which final action was pending.

The Department-wise break-up of the pending cases and the nature of these cases are given in **Appendix 3.3**. The Electricity Department accounted for bulk of the cases (266) involving an amount of ` 43.81 crore. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss etc., are summarised in **Table 3.4**.

**Table 3.4: Profile of misappropriation, loss, defalcation, etc.**

Age-Profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved ( ` in lakh)	Nature of the cases	Number of cases	Amount involved ( ` in lakh)
0 - 5	51	3,710.98	Theft/Loss of material	323	4,315.46
5 - 10	27	393.77			
10 - 15	72	357.65			
More than 15	184	15.30	Misappropriation	11	162.23
<b>Total</b>	<b>334</b>	<b>4,477.70</b>	<b>Total</b>	<b>334</b>	<b>4,477.70</b>

(Source: Compiled from the information furnished by the Heads of Department)

The reasons for outstanding cases of misappropriation, loss, defalcation, etc., are given in **Table 3.5**.

**Table 3.5: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.**

Reasons for the pendency		Number of cases	Amount ( ` in lakh)
(i)	Awaiting Departmental and criminal investigation	303	162.33
(ii)	Departmental actions initiated but not finalised	2	1.58
(iii)	Awaiting orders for recovery or write off	8	7.69
(iv)	Pending in Courts of law	21	4,306.10
	<b>Total</b>	<b>334</b>	<b>4,477.70</b>

(Source: Compiled from the information furnished by the Heads of Department)

While 21 cases involving ` 43.06 crore were pending in Courts of law, 313 cases involving ` 1.72 crore were pending finalisation in various Departments.

### 3.5 Conclusion

There was pendency in furnishing of UCs by various grantee institutions for Grants-in-aid of ` 225.33 crore. The pendency ranged from one to more than nine years. Twenty four Autonomous Bodies/Authorities did not submit to Accountant General (Audit) their annual accounts due for the period upto 2014-15 as of March 2016. Fifteen Autonomous Bodies / Authorities had not

submitted their accounts since 2008-09. Temporary advances aggregating to ₹ 402.14 crore, were pending for adjustment by 276 Drawing and Disbursing Officers. The Departments of UT Government reported 334 cases of misappropriation, loss, theft, defalcation, etc., involving Government money of ₹ 44.78 crore upto March 2016. Final action on these cases was pending for periods ranging from one to more than 15 years.

### 3.6 Recommendations

The pendency in submission of Utilisation Certificates should be cleared by addressing the Departmental officers to obtain Utilisation Certificates from the organisation to whom grants were given.

In respect of outstanding cases of misappropriation, loss, theft, defalcation, etc., the UT Government may finalise cases where Departmental action has been initiated and the cases awaiting orders for recovery or write off.

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