

Chapter 3

Financial Reporting

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance of various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Financial Rules¹ provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise. However, of the 2944 UCs due in respect of grants and loans aggregating Rs 560.72 crore paid up to 2006-07, 2943 UCs for an aggregate amount of Rs 560.35 crore (99.93 per cent) were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise delay in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(Rupees in lakh)

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation Certificates outstanding	
		Number	Amount	Number	Amount
1	0 - 1	--	--	--	--
2	1 - 3	1	36.74	--	--
3	3 - 5	--	--	--	--
4	5 - 7	1	0.12	1	0.12
5	7 - 9	36	2134.77	36	2134.77
6	9 & above	2906	53900.09	2906	53900.09
	Total	2944	56071.72	2943	56034.98

3.2 Non-submission/delay in 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 Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The accounts of 120 bodies/authorities received during 2008-09 attracted audit by the Comptroller and Auditor General of India (CAG). The 53 bodies/authorities, audit of which was due, were audited during 2008-09.

¹ Note below Article 211-A(2) of Andhra Pradesh Financial Code

The 1276 annual accounts due up to 2008-09 were not submitted to the Principal Accountant General (Audit) by 321 autonomous bodies/ authorities as of 30 June 2009. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

Table 3.2: Age-wise pendency of Annual Accounts

Sl. No.	Delay in number of years	No. of Bodies/ Authorities	No. of accounts due
1	0 - 1	321	321
2	1 - 3	125	375
3	3 - 5	35	175
4	5 - 7	16	112
5	7 - 9	12	108
6	9 & above	31	185
Total			1276

Submission of 405 annual accounts by 85 bodies/authorities was delayed by more than five years.

3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of Education, Social Welfare, Tribal Welfare, Panchayat Raj and Rural Development etc. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control, review of systems and procedures etc. The audit of accounts of eight bodies in the State has been entrusted to the CAG of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in **Appendix 3.3**. The frequency distribution of autonomous bodies according to the delay in submission of accounts to Audit and placement of Separate Audit Report in the Legislature after the entrustment of Audit to CAG is summarised in **Table 3.3**.

Table 3.3: Delay in submission of accounts and placement of Separate Audit Reports

Delay in submission of Accounts (in months)	No. of Autonomous Bodies	Reasons for the delay	Delay in submission of SAR in Legislature (in years)	No. of Autonomous Bodies	Reasons for the delay
0 - 1	--	--	0 - 1	1	Reasons for the delay were not stated by the Autonomous Bodies.
1 - 6	6	Non- finalisation of accounts by Autonomous Bodies.	1 - 2	--	
6 - 12	--	--	2 - 3	2	
12 - 18	4	Non- finalisation of accounts by Autonomous Bodies.	3 - 4	2	
18 - 24	--	--	4 - 5	--	
24 & above	2	Non- finalisation of accounts by Autonomous Bodies.	5 & above	--	
Total	12			5	

The Andhra Pradesh Vaidya Vidhana Parishad had not submitted the accounts for the years 2005-06 to 2008-09, Visakhapatnam Urban Development Authority for 2006-07 to 2008-09 and Tirupathi Urban Development Authority and Kakatiya Urban Development Authority for the years 2007-08 and 2008-09. Also there was a delay ranging from one to four years in placement of Separate Audit Reports in the Legislature.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare pro-forma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood is fraught with the risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As on 31 July 2009, all nine undertakings have not prepared accounts up to 2007-08. The CAG has repeatedly expressed concern about the arrears in preparation of accounts in the Audit Reports (Civil) but there is no improvement so far in preparation of pro-forma accounts by these undertakings. The department-wise position of arrears in preparation of pro-forma accounts and investment made by the Government are given in **Appendix 3.4**.

It could be seen from the appendix that the accounts of six departmental undertakings² were in arrears for more than 10 years.

² (i) Andhra Pradesh Government Text Book Press, Hyderabad, (ii) Government Central Press, Hyderabad, (iii) Government Regional Press, Kurnool, (iv) Government Regional Press, Vijayawada, (v) Government Distillery, Narayanaguda, Hyderabad and (vi) Fish Seed Farm, Tungabhadra Dam.

3.5 Misappropriations, losses, defalcations, etc.

Financial Rules³ lay down the responsibilities of Government servants in dealing with Government money, the procedure to fix responsibility for any loss sustained by the Government, the procedure to be followed and the action to be initiated for recovery.

State Government reported 483 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 34.84 crore (up to August 2009) on which final action was pending. The department-wise break up of pending cases and year-wise analysis is given in **Appendix 3.5**. The highest amount misappropriated was Rs 24.30 crore in Social Welfare (including Tribal Welfare) Department in 26 cases while the highest number of misappropriation cases (263) involving Rs one crore were pending in Revenue Department.

3.6 Overpayment of pension/family pension

A test check of records relating to payment of pension and family pension in six District Treasuries and 73 Sub-Treasuries during 2008-09 revealed excess payment of Rs 62.44 lakh in 222 cases as given in **Table 3.4** below:

Table 3.4: Overpayment of pension/family pension

(Rupees in lakh)

Nature of irregularity	No. of cases	Amount involved
Irregular sanction of Dearness Relief	63	27.10
Excess payment of Enhanced Family Pension	23	11.26
Incorrect computation of pension consequent on revision of pension from time to time	9	5.73
Non-reduction of commuted portion of pension	3	0.62
Excess payment due to payment of Interim Relief	111	1.93
Excess payment due to payment of full share instead of half share	5	5.07
Irregular payment of Financial Assistance	4	5.97
Incorrect raising of political pension to a minimum pension under RPS 1980	2	2.91
Incorrect restoration of commuted portion of pension	1	0.26
Excess payment due to payment of Family Pension after attaining 25 years of age	1	1.59
Total	222	62.44

³ Articles 5, 273, 294, 300 to 302 of The Andhra Pradesh Financial Code

3.7 Conclusion

Out of 2944 UCs due in respect of grants/loans amounting to Rs 560.72 crore paid up to 2006-07, 2943 UCs for an amount of Rs 560.35 crore were in arrears for one to nine years and above. The submission of 1276 annual accounts by 321 autonomous bodies/authorities to the Principal Accountant General (Audit) was delayed by one to nine years and above. Similarly, delay in submission of accounts of 12 autonomous bodies ranged from six to 24 months and above due to non-finalisation of accounts. Also, delay in submission of Separate Audit Reports in the State Legislature ranged from one to four years in respect of five autonomous bodies. Finalisation of pro-forma accounts was in arrears in respect of all the nine Departmental Commercial Undertakings. State Government reported 483 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 34.84 crore. Excess payment of pension/family pension amounting to Rs 62.44 lakh was also noticed.



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