

## CHAPTER - III

### FINANCIAL REPORTING

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

#### 3.1 Delay in furnishing Utilization Certificates

Rule 155 of Gujarat Financial Rules provide that for grants provided during a year for specific purposes, Utilization Certificates (UCs) should be obtained by departmental officers from the grantees and after verification, these should be forwarded to the Accountant General by the end of the subsequent financial year, unless specified otherwise. However, of the 7,435 UCs due in respect of grants and loans aggregating Rs.5,837 crore paid up to 2008-09, 6,700 UCs (90 *per cent*) for an aggregate amount of Rs.4,937 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position of delays in submission of UCs is summarized in **Table 3.1**.

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

(Rupees in Lakh)

Sl. No.	Range of Delay in Number of Years	Total grants given		Utilization Certificates Outstanding	
		Number	Amount	Number	Amount
1.	0 – 1	1,800	17,71,07.89	1,800	1,77,107.89
2.	1 – 3	5,371	39,23,87.94	4,767	31,48,64.78
3.	3 – 5	98	13,33.64	56	839.72
4.	5 – 7	166	1,28,71.04	77	887.16
	<b>Total</b>	<b>7,435</b>	<b>58,37,00.51</b>	<b>6,700</b>	<b>49,36,99.55</b>

Out of grants amounting to Rs. 4,937 crore for which UCs were due, UCs for Rs.2,092 crore (42 *per cent*) for the years 2006-07 to 2008-09 pertained to Narmada, Water Resources and Water Supply Department. Further, UCs for Rs.1,206 crore (24 *per cent*) for the years 2003-04 to 2008-09 pertained to the Urban Development and Urban Housing Department. It was further seen that in the case of the Health & Family Welfare Department, all the 77

UCs in respect of grants of Rs.887.16 lakh were outstanding for more than five years.

### 3.2 Non-submission/delays 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) (DPC) Act, 1971, the Government/Head of the Department is required to furnish to Audit every year, detailed information about the financial assistance provided to various institutions, the purposes for which the said assistance was provided and the total expenditure of the institutions. The accounts of 69 autonomous bodies/authorities received for the year 2007-08, attracted audit by the Comptroller and Auditor General (CAG) of India. The bodies/authorities, audit of which was due, were audited during 2008-09.

A total of 216 annual accounts of 76 autonomous bodies/ authorities due up to 2007-08 were not received as of 01 August 2009 by the Accountant General (Audit). 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 arrears of Annual Accounts due from Government Bodies**

Sl. No.	Delay in Number of Years	No. of the Bodies/ Authorities
1	0 – 1	7
2	1 – 3	45
3	3 – 5	20
4	5 – 7	3
5	7 – 9	1
6	9 & above	-
<b>Total</b>		<b>76</b>

It can be seen from the above table that in respect of four autonomous bodies/ authorities, accounts were in arrears for more than five years. Of these, the accounts of Gujarat University were in arrears since 1999-2000 and the accounts of B.M. Institute of Mental Health, Tribal Development Corporation and Sardar Patel University, Vallabh Vidhyanagar were in arrears since 2002-03.

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

Several autonomous bodies have been set up by the State Government in various fields of area development, housing etc. The audit of accounts of these autonomous bodies in the State has been entrusted under section 19 and 20 of the DPC Act, 1971 to the Comptroller and Auditor General of

India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and their placement in the State Legislature are indicated in **Appendix 3.3**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of audit to the CAG is summarized in **Table 3.3**.

**Table 3.3: Delays in Submission of Accounts and tabling of Separate Audit Reports**

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies
0 – 6	12	0-1	-
6 – 12	-	1-2	3
12 – 18	7	2-3	1
18 – 24	1	3-4	1
24 & above	2	4-5	-
		5 & above	3
<b>Total</b>	<b>22</b>		<b>8</b>

Out of 24 autonomous bodies, SARs were not required to be placed before the Legislature in respect of 16 authorities (Appendix 3.3- Sr. No. 4 to 19 under Section 20 (1)). In respect of the remaining eight autonomous bodies the delays in submission of SARs ranged between one year and more than five years. Only two autonomous bodies rendered accounts in time. The periods of delay in rendering accounts in respect of 22 autonomous bodies are shown in **Table 3.3** above.

### **3.4 Misappropriations, losses, defalcations, etc.**

The State Government reported 182 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs.874.36 lakh, of which four cases involving Rs.1.60 lakh had been written off during the year (**Appendix 3.6**) resulting in a balance of 178 cases with money value of Rs.872.76 lakh as on 31 March 2009, on which final action was pending. The department-wise break-up of pending cases and age-wise analysis are given in **Appendix 3.4** and the nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category – theft, misappropriation, defalcation and losses are summarized in **Table 3.4**.

**Table 3.4: Profile of Misappropriations, Losses, Defalcations, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of cases	Amount Involved (Rs. in lakh)	Nature/Characteristics of the cases	Number of cases	Amount Involved (Rs. in lakh)
0 – 5	34	545.07	Theft	45	41.47
5 – 10	30	243.30			
10 – 15	27	21.68	Misappropriation/Loss of material	137	832.89
15 – 20	26	29.85			
20 – 25	13	4.30	Total	182	874.36
25 & above	48	28.56	Cases of Losses Written off during the Year	4	1.60
<b>Total</b>	<b>178</b>	<b>872.76</b>	<b>Total Pending cases</b>	<b>178</b>	<b>872.76</b>

Reasons for which these cases are outstanding are given in **Table 3.5**.

**Table 3.5: Reasons for Outstanding cases of Misappropriations, Losses, Defalcations, etc.**

Reasons for the Delays		Number of cases	Amount (Rs. in lakh)
i)	Awaiting departmental and criminal investigation	33	342.27
ii)	Departmental action initiated but not finalised	49	45.04
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	16	4.36
iv)	Awaiting orders for recovery or write off	13	6.35
v)	Pending in courts of law	66	471.36
vi)	Others	1	3.38
<b>Total</b>		<b>178</b>	<b>872.76</b>

Out of the total 178 cases, in 33 cases involving an amount of Rs.342.27 lakh the departmental action/criminal investigation was awaited, which needed to be speeded up.

An analysis of three major cases of misappropriation involving more than Rs. 50 lakh revealed the following :

A First Information Report was filed in August 2004 in respect of a case of misappropriation in the Industries and Mines Department involving Rs. 76.94 lakh. Further, in respect of misappropriation in District Commandant Home Guards, Amreli involving Rs. 59.46 lakh Police complaint was lodged in April 2005. Action taken/ further progress called for from the departments was awaited.

In Roads and Buildings Department, in a case of misappropriation of Rs.343.27 lakh during 2003-04, departmental enquiry is in progress and the case is also pending in court of law. Further progress of the case as called for from the departments was awaited (November 2009).

### 3.5 Conclusion and Recommendations

#### Conclusion

Of the 7,435 UCs due in respect of grants and loans aggregating Rs.5,837 crore paid up to 2008-09, 6,700 UCs (90 *per cent*) for an aggregate amount of Rs.4,937 crore were in arrears. 216 annual accounts which were due up to 2007-08 from 76 autonomous bodies/authorities were not received by the Accountant General. Out of these, in the case of Gujarat University, Ahmedabad, accounts since 1999-2000 and in three other cases, accounts since 2002-03 were in arrears. There were delays in placement of Separate Audit Reports in the Legislature in respect of all the eight autonomous bodies which were required to do so. In respect of three autonomous bodies, the delay was for over five years. The State Government reported 178 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs.8.73 crore up to the period March 2009 on which final action was pending.

#### Recommendations

Departmental enquiries in all misappropriation cases should be expedited. Internal controls in all the organizations should be strengthened to prevent such cases in future.



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