

Chapter 3

Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. Compliance with the financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances are 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 with various financial rules, procedures and directives during the current year (2008-09).

3.1 Delay in furnishing utilization certificates

Rule 8.14 of the Punjab Financial Rules Vol. I stipulates that for the grants given for specific purposes, utilization certificates (UCs) should be obtained by the departmental officers from the grantees and after verification these should be forwarded to the Accountant General within a reasonable time from the date of their sanction unless specified otherwise. It was noticed that out of the 281 UCs due in respect of grants and loans aggregating to Rs 282.66 crore paid upto 2007-08, 40 UCs for an aggregate amount of Rs 111.85 crore were in arrears as on 31 March 2009. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1*. The age-wise period from which UCs are outstanding is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of utilization certificates

Range of delay in number of years	Total grants paid upto 31 March 2008		Utilization certificates outstanding as on 31 March 2009	
	Number of sanctions	Amount (Rs in crore)	Number	Amount (Rs in crore)
1 - 3	278	279.22	37	108.41
3 - 5	2	0.38	2	0.38
5 - 7	-	-	-	-
7 - 9	1	3.06	1	3.06
TOTAL	281	282.66	40	111.85

The UCs for Rs 3.06 crore pertaining to the Rural Development and Panchayats, was outstanding for more than five years in the absence of which it is difficult to know whether the money had been spent for the purpose for which it was given.

3.2 Status of Accounts/Audit Reports of Autonomous bodies

Several autonomous bodies have been set up by the State Government in the field of Legal Services, Science, Human Rights, Labour Welfare and Industries. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities, accounts, internal management and financial control and review of systems and procedures etc. The audit of accounts of five Autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the State Legislature is indicated in *Appendix 3.2*. The frequency distribution of delays in submission of accounts by the Autonomous bodies to Audit and placement of the SARs in the Legislature is summarized in **Table 3.2**.

Table 3.2: Delays in submission of Accounts and tabling of Separate Audit Reports in Legislature

Delays in submission of Accounts (in months)	Number of Autonomous bodies	Reasons for the delay	Delays in submission of SARs in Legislature (in years)	Number of Autonomous bodies	Reasons for the delay
1 - 6	1	NA	1 - 2	1	NA
6 - 12	1	-do-	2 - 3	-	-do-
12 - 18	-	-do-	3 - 4	-	-do-
18 - 24	-	-do-	4 - 5	-	-do-
24 & above	3	-do-	5 & above	3	-do-
TOTAL	5			4	

NA-Not available

Table 3.2 shows that there was a delay ranging between 1–24 months and more in submission of accounts of five Autonomous bodies and also delay ranging between 1-5 years and above in submission of four Separate Audit Reports to the Legislature. The accounts of Punjab State Human Rights Commission, Punjab Labour Welfare Board and Punjab Khadi and Village Industries Board were pending from 2001-02/2002-03 onwards.

3.3 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of 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

the 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 may also open the system to the risk of fraud and leakage of public money.

The Heads of departments in the Government are to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for Audit within a specified time frame. As of 31 March 2009, Punjab Roadways (Transport Department) had not prepared accounts since 2000-01. The Comptroller and Auditor General of India has repeatedly commented about the arrears in preparation of accounts, but there is no improvement so far in preparation of the proforma accounts by this undertaking.

3.4 Misappropriations, thefts, losses, etc.

Detailed instructions have been laid down in the Punjab Financial Rules regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property, report to the Police thereof and cases of defalcations and losses reported to the Accountant General.

The State Government reported 79 cases of misappropriation, theft, loss of material etc. involving Rs 21.85 lakh during 2005-09 on which final action was pending. Out of 79 cases, 75 cases involving Rs 17.02 lakh pertained to the Police Department and 4 cases involving Rs 4.83 lakh pertained to the Departments of Animal Husbandry, Election, Medical and Technical Education. Four cases of theft involving Rs 10.43 lakh were pertaining to the Departments of Animal Husbandry, Election, Police and Technical Education and 75 cases of misappropriation/ loss of material for Rs 11.42 lakh were pertaining to the Departments of Police and Medical. Nature of these cases are given in **Table 3.3**.

Table 3.3: Department wise /category wise number of pending cases of theft, misappropriations and losses to the Government

Name of Department	Theft cases		Misappropriation/ Loss of Government material		Total	
	Number of cases	Amount (Rs in lakh)	Number of cases	Amount (Rs in lakh)	Number of cases	Amount (Rs in lakh)
Animal Husbandry	1	0.04	-	-	1	0.04
Election	1	0.21	-	-	1	0.21
Medical	-	-	1	0.40	1	0.40
Police	1	6.00	74	11.02	75	17.02
Technical Education	1	4.18	-	-	1	4.18
TOTAL	4	10.43	75	11.42	79	21.85

The age-profile of the pending cases and the number of cases pending for final action in each category of theft and misappropriation/loss are summarized in **Table 3.4**.

Table 3.4: Profile of misappropriations, thefts and losses, etc.

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (Rs in lakh)	Nature of the cases	Number of cases	Amount involved (Rs in lakh)
0 - 5	79	21.85	Theft	4	10.43
			Misappropriation/loss of material	75	11.42
TOTAL	79	21.85	Total pending cases	79*	21.85

* = There was no case of losses written off during the year.

The reasons for the delay in finalisation of outstanding cases of misappropriations, losses, defalcations, etc. are given in **Table 3.5**.

Table 3.5: Reasons for the delay in finalisation of outstanding cases of misappropriations, thefts and losses, etc.

Reasons	Number of cases	Amount (Rs in lakh)
Awaiting departmental and criminal investigation	6	10.62
Departmental action initiated but not finalised	4	0.95
Awaiting orders for recovery or write off	66	9.88
Pending in the courts of law	3	0.40
TOTAL	79	21.85

3.4.1 Write off of losses, etc.

As reported to Audit, losses due to death of animal, fire and irrecoverable advances etc. amounting to Rs 1.50 crore in 63 cases were written off during 2008-09 by the competent authorities in the Department of Home Affairs and Justice. The relevant details are given in **Appendix 3.3**.

3.5 Conclusions and recommendations

Utilisation certificates in respect of grants paid for Rs 111.85 crore upto March 2008 were outstanding as on 31 March 2009. There were significant delays in submission of accounts of the Autonomous bodies as well as in submission of their Separate Audit Reports in the Legislature. Punjab Roadways had not prepared its proforma accounts since 2000-01. The Government reported 79 cases of misappropriations, theft, losses etc. involving Rs 21.85 lakh between 2005-09 and all these cases were outstanding for want of final action by the Government. Government need to take action for expediting issue of the utilization certificates and submission of the pending accounts by the Autonomous bodies and Punjab Roadways.

Departmental enquiries in cases of mis-appropriation and theft should be expedited and the control system strengthened to prevent such cases.

The matter was referred to the Government (November 2009); reply has not been received (January 2010).

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