

## CHAPTER III

### FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance by a State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting are some 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 of Utilization Certificates

Article 210A of the Tamil Nadu Financial Code provided that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of release, unless specified otherwise. However, in respect of grants and loans paid up to 2007-08, 556 UCs for an aggregate amount of Rs 1,329.77 crore were in arrears as of September 2009. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise analysis of delays in submission of UCs is summarised in **Table 3.1**.

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

Sl. No.	Range of Delay in Number of Years	Utilization Certificates Outstanding	
		Number	Amount (Rs in crore)
1	0 - 1	189	676.73
2	1 - 3	79	621.48
3	3 - 5	2	0.54
4	More than five years	286	31.02
<b>Total</b>		<b>556</b>	<b>1,329.77</b>

(Source: Accountant General (Accounts & Entitlements), Chennai)

Out of the above, 113 UCs for an aggregate amount of Rs 783.87 crore were due from the Commissioner of Revenue Administration and 46 UCs for an aggregate amount of Rs 492.76 crore were due from the Commissioner of Rehabilitation of the Disabled. Non-receipt of UCs for huge amounts indicates that the departmental officers failed to comply with rules and procedures to ensure accountability of the agencies that received Government funds.

### 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) Act, 1971, the Government/head of a department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance granted and the total expenditure of these institutions. As per the information furnished to Audit, a total of 1,175 autonomous bodies/authorities attracted audit by the Comptroller and Auditor General of India.

The annual accounts of 228 autonomous bodies/ authorities due up to 2007-08 had not been received as of July 2009 by the Principal Accountant General (Civil 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 Autonomous Bodies/Authorities**

Sl. No.	Delay in Number of Years	Number of the Bodies/ Authorities
1.	0 - 1	43
2.	1 - 3	75
3.	3 - 5	9
4.	5 - 7	78
5.	7 - 9	19
6.	9 & above	4
<b>Total</b>		<b>228</b>

(Source: Compiled from annual accounts received from autonomous bodies/authorities)

The major defaulters were educational institutions receiving Government grants for salaries, maintenance etc. Non-receipt of annual accounts from a substantial number of autonomous bodies/authorities was in violation of the terms and conditions governing the release of grants by the Government.

### 3.3 Misappropriations, losses, defalcations, etc.

Article 294 of the Tamil Nadu Financial Code stipulates that heads of offices should report all cases of defalcations or loss of public moneys, stores or other movable or immovable properties to the Accountant General. Further, the Financial Code prescribes the principles and procedures to be followed for enforcing responsibility for losses and disposal of such cases.

The State Government reported 255 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 7.17 crore and 277 cases of shortage, theft and loss involving a total amount of Rs 2.39 crore up to March 2009, on which final action was pending. Twenty nine of the above cases involving Rs 0.09 crore were cleared subsequent to March 2009. The department-wise break-up of pending cases and the nature of these cases are given in **Appendix 3.3**. The age-profile of the pending cases and the number

of cases pending in each category – misappropriation, defalcation, loss, theft etc., are summarised in **Table 3.3**.

**Table 3.3: Profile of Misappropriation, Defalcation, Theft, Loss 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	51	260.60	Theft, loss etc.	253	232.20
5 - 10	60	480.09			
10 - 15	89	89.39	Misappropriation/defalcation	250	715.03
15 - 20	86	46.50			
20 - 25	217	70.65			
<b>Total</b>	<b>503</b>	<b>947.23</b>	<b>Total Pending cases</b>	<b>503</b>	<b>947.23</b>

(Source: Compiled from information received from heads of departments)

Reasons for which these cases are outstanding are given in **Table 3.4**.

**Table 3.4: Reasons for Outstanding cases of Misappropriation, Defalcation, Theft, Loss etc.**

Reasons for the Delays		Number of cases	Amount (Rs in lakh)
i)	Awaiting departmental and criminal investigation	244	482.21
ii)	Departmental action initiated but not finalised	11	133.27
iii)	Criminal proceedings finalised but recovery of the amount still pending	6	9.09
iv)	Awaiting orders for recovery or write off	237	214.96
v)	Pending in courts of law	5	107.70
<b>Total</b>		<b>503</b>	<b>947.23</b>

(Source: Compiled from information received from heads of departments)

As seen from the above, the number of cases awaiting departmental/criminal investigations was 244 with an amount of Rs 4.82 crore, indicating the need for speeding up of departmental/criminal investigations.

### 3.4 Conclusion

Departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates and annual accounts by the grantee institutions. The State Government reported 250 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 7.15 crore and 253 cases of shortage, theft and loss involving a total amount of Rs 2.32 crore up to March 2009, on which final action was pending.

### **3.5 Recommendations**

- Heads of departments should initiate prompt action to submit utilisation certificates and ensure that all grantee institutions submit their Annual Accounts in time.
- Government/heads of departments should expedite orders regarding recovery/write off of outstanding cases of misappropriation, defalcation, theft, loss etc., and initiate action for speedy completion of enquiry into pending cases.

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