

## CHAPTER – III : 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 with various financial rules, procedures and directives during the current year.

### 3.1 Delay in furnishing Utilization Certificates

Financial Rules (specify) provide that for the grants provided 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 18 months) from the date of their sanction unless specified otherwise.

The utilisation certificates in respect of 2362 items amounting to ₹ 1815.29 crore were outstanding as of March 2010. No utilisation certificates were received during 2009-10.

**Table3.1: Age-wise arrears of Utilization Certificates**

Range of delay (in number of years)	Total grants paid		Utilisation Certificates Outstanding	
	Number	Amount	Number	Amount
0 - 1	504	35452.80	504	35452.80
1 - 3	1129	107176.80	1129	107176.80
3 - 5	729	38899.61	729	38899.61

Evidently, there has been laxity on part of the departments as a result, utilisation certificates for ₹ 1815.29 crore in respect of 2362 items was pending submission as of March 2010.

### 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. 245 accounts of 29 bodies were awaited in audit (*Appendix-3.1*).

Seven Autonomous bodies covered under section 19(3) and 20(1) of the Duties and Powers Act had also not furnished the annual accounts as tabulated below:

**Table 3.2**

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2008-09 (₹ In lakh)
Sheri Kashmir University for Science and Technology , Jammu	1-4	4	5442.18
Sheri Kashmir University for Science and Technology, Srinagar	1-4	2	8058.00

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2008-09 (₹ In lakh)
Jammu & Kashmir Khadi Village Industries Board, Srinagar	1-3	3	932.47
Ladakh Autonomous Hill District Council, Leh	1-15	13	19330.75
Ladakh Autonomous Hill District Council, Kargil	1-5	6	19461.17
Jammu & Kashmir Legal Services Authority, Srinagar	1-13	13	331.63
Provient Fund Orginasation, Srinagar	1-10	11	Not received during the year
		<b>52</b>	<b>53556.20</b>

The bodies have not prepared/submitted there accounts despite receipt of considerable grants. Non submission/delay in submission of accounts by these bodies indicated non-seriousness on part of these bodies as well administrative departments. Reasons for non preparation of Accounts were not intimated by the Departments.

### **3.3 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies**

Four Autonomous Bodies in the State are audited by Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of separate Audit Reports and its placement in Legislature are indicated in the table below:

**Table 3.3**

Name of the body	Period of entrustment	Year up to which accounts rendered	Period up to which SAR issued	Placement of SAR in the Legislature	Delay in submission of accounts	Period of delay in years
Ladakh Autonomous Hill District Council, Leh	Standing	-	-	-	1995-96 to 2009-10	1-15
Ladakh Autonomous Hill District Council, Kargil	Standing	-	-	-	2004-05 to 2009-10	1-6
Jammu & Kashmir State Legal Services Authority, Srinagar	Upto 2008-09	-	-	-	1997-98 to 2009-10	1-13
Jammu & Kashmir Khadi Village Industries Board, Srinagar	Upto 2009-10	2006-07	2004-05	NA	2007-08 to 2009-10	1-3

Ladakh Autonomous Hill District Councils, Leh and Kargil and Jammu and Kashmir Legal Authority, Srinagar have not rendered their accounts since their inception despite the issue being taken up with the competent authorities.

### **3.4 Departmental Commercial Undertakings**

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess the working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect that their overall

financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency can not be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of 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 September 2010, there were five such undertakings and none of them had prepared accounts up to 2009-10. The Comptroller & Auditor General of India has repeatedly commented about the arrears in preparation of accounts but there is no improvement so far in preparation of proforma accounts by these undertakings. The department wise position of arrears in preparation of proforma accounts and investment made by the Government are given in (*Appendix 3.2*). Despite the matter being taken up with the undertaking the accounts were not finalized which were in arrears for a period ranging between 26 to 35 years.

### **3.5 Conclusion**

The Bodies/Authorities/Departments have failed to provide their final annual accounts as a result, true financial health of the Bodies/Authorities/Departments could not be ascertained. Non-preparations of accounts have also left the final accounts of respective bodies un-audited. There was huge pendency in submission of utilisation certificates which was bound to affect flow of funds to these agencies in future. This was also pointed out in the Report of Comptroller and Auditor General of India on State Finances ended 31 March 2009, but no effective steps were taken to address the issues.

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