

CHAPTER III

Financial Reporting

Sound internal financial reporting together with relevant and reliable information significantly contributes to efficient and effective governance by a Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances are also attributes of good governance. Reports on compliance and controls, if effective and operational, assist the 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

The Madhya Pradesh Financial Code Rules (182,229 F) provide that Utilization Certificates (UCs) for grants provided for specific purposes should be obtained by the departmental officers from the grantees and forwarded to the Accountant General after verification within 18 months from the date of their sanction unless specified otherwise. However, 2,240 UCs for an aggregate amount of ₹5,656.02 (46 per cent) crore were in arrears. Out of which 259 UCs for ₹4.97 crore were in arrears for more than five years from the departments mainly the Co-operative and Co-operative Societies. Release of further assistance despite outstanding UCs indicated lack of internal control within the departments. The department-wise break up of outstanding UCs is given in **Appendix-3.1**. Age-wise delays in submission of UCs is given in **Table-3.1**.

Table-3.1: Age-wise arrears of utilization certificates

Sl. No.	Range of delay in number of years	Total grants paid		Utilization certificates outstanding	
		Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
1.	0 - 1	1186	4,506.43	1,049	2,943.76
2.	1 - 3	2748	6,029.53	825	2,673.22
3.	3 - 5	NA	1,531.97	107	34.07
4.	5 and above	NA	170.90	259	4.97
	Total	NA	12,238.83	2240	5,656.02

3.2 Delays in submission of accounts/audit reports of autonomous bodies

The Government has set up several autonomous bodies in the field of Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of 48 autonomous bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports and their placement in the Legislature are indicated in **Appendix-3.2**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Reports (SAR) in the legislature after the entrustment of audit to CAG is summarized in **Table-3.2**.

Table-3.2: Delays in submission of accounts and tabling of Separate Audit Reports

Delays in submission of accounts (in months)	Number of autonomous bodies	Reasons for delay	Delays in submission of SARs in legislature (in years)	Number of autonomous bodies	Reasons for the delay
0 - 1	--	Non-approval of accounts by Board of Governors and non-submission of accounts by others. Correspondence with the units and at the ministry is going on for submission of accounts.	0 - 1		Accounts not received from any autonomous body.
1 - 6	--		1 - 2		
6 - 12	--		2 - 3		
12 - 18	-		3 - 4		
18 - 24	46		4 - 5		
24 & above	-		5 & above		
Total	46				

Out of 52 units, 45 units did not submit their accounts since the inception of the unit (1997-98 to 2006-07) even after the lapse of four to 12 years and three units did not submit their accounts regularly due to non-approval by the Board's of Governors and submission of account by others.

The remaining four Autonomous Bodies which are required to submit SARs have also been identified and Government is in the process of entrusting the audit of these bodies to CAG.

3.3 Misappropriations, losses, defalcations, etc.

The Government reported 3230 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹36.70 crore up to the period March 2010 on which final action was pending. The department-wise break up of pending cases of misappropriation, defalcations etc. and write-offs for 2009-10 and their age-wise analysis are given in **Appendix-3.3** and **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 and misappropriation/loss as emerging from these appendices are summarized in **Table-3.3**.

Table-3.3: Profile of misappropriations, losses, defalcations, etc.

Age-profile of the pending cases			Details of the pending cases		
Range in years	Number of cases	Amount involved (₹ in crore)	Nature of the case	Number of cases	Amount involved (₹ in crore)
0 - 5	615	23.84	Theft	264	2.46
5 - 10	458	2.76			
10 - 15	467	5.08	Misappropriation/ Loss of material	2966	34.24
15 - 20	484	1.90			
20 - 25	698	2.04	Total	3230	36.70
25 & above	508	1.08	Cases of losses written off during the year	95	13.54 lakh
Total	3230	36.70			

Ninety-five cases of losses involving an amount of ₹13.54 lakh written off during 2009-10 have been detailed in **Appendix-3.4**.

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table-3.4**.

Table-3.4: Reasons for outstanding cases of misappropriation, loss, defalcation etc.

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in crore)
(i)	Awaiting departmental and criminal investigation	44	1.64
(ii)	Awaiting orders for recovery or write off	3185	35.03
(iii)	Pending in the courts of law	1	0.03
Total		3230	36.70

3.4 Conclusion

Utilization certificates in respect of grants and loans aggregating ₹12,238.83 crore, paid up to 2009-10 were required to be issued by the State. However, certificates for an aggregate amount of ₹5,656.02 crore (46 per cent) were in arrears. There were delays in submission of Accounts by 46 autonomous bodies and consequent issuance of Separate Audit Reports despite reporting of matter to the concerned units and the Government. A total of 3230 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹36.70 crore up to the period March 2010 was pending, mainly because orders for recovery or write-off from the Government were awaited. All these deficiencies reflected lack of internal control within the departments and ineffective governance by the Government.

3.5 Recommendations

- The internal control mechanism of the departments needs to be strengthened to monitor the timely submission of utilization certificates.
- The departments should ensure that grants are released only after ascertaining proper utilisation of the grants released earlier.
- Timely submission of accounts by autonomous bodies should be ensured.
- A time-bound framework needs to be prepared for taking prompt action in cases of theft, misappropriation etc.

Gwalior
The

(B.R. KHAIRNAR)
Principal Accountant General
(Civil and Commercial Audit)
Madhya Pradesh

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India