

CHAPTER III
FINANCIAL REPORTING

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by a State Government. Compliance with financial rules, procedures and directives, timeliness and quality of reporting on the status of such compliances are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist a 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 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 Department are required to furnish detailed information about the financial assistance provided to various institutions, the purpose of assistance granted and the total expenditure of the institutions to audit every year.

As of March 2015, the annual accounts of 12 autonomous bodies/authorities due up to 2013-14 was not furnished to the Principal Accountants General (General and Social Sector Audit)/(Economic and Revenue Sector Audit), Kerala as detailed in **Appendix 3.1**.

3.2 Delay in submission of accounts/Audit Reports of Autonomous Bodies

The audit of accounts of 24 autonomous bodies in the field of legal aid, human rights, development of khadi, etc., in the State has been entrusted to the Comptroller and Auditor General of India under Sections 19 (2), 19 (3) and 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SAR) and their placement in the Legislature are indicated in **Appendix 3.2**.

The accounts for 2013-14 are due from 11 bodies out of the above 24 bodies including two bodies (District Legal Services Authority, Palakkad and District Legal Services Authority, Kannur) due from 2010-11 onwards and three bodies (District Legal Services Authority, Ernakulam, District Legal Services Authority, Wayanad and District Legal Services Authority, Kasaragod) are due from 2011-12 onwards.

3.3 Departmentally managed Commercial Undertakings

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

operations so that the Government can assess the overall financial strength and efficiency of these departments in conducting their business. Non-finalisation of accounts in time prevents the above scrutiny and also puts the investment of the Government outside the scrutiny of Audit.

Heads of Department in the Government are also required to ensure that the undertakings prepare such accounts and submit to the Principal Accountants General (General and Social Sector Audit)/(Economic and Revenue Sector Audit), Kerala within the specified timeframe.

The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government in respect of three³⁰ such undertakings, is given in **Appendix 3.3**. Out of the three, two are running in loss (State Water Transport Department and Text Book Office) and accounts of Text Book Office are in arrears from 2003-04. In the absence of up-to-date accounts, financial status of Text Book Office could not be ascertained.

3.4 Misappropriations, losses, defalcations, etc.

Article 297 of the Kerala Financial Code provides that cases of defalcation or loss of public money, stamps, stores or other property should be reported to the Principal Accountant General (General and Social Sector Audit)/Principal Accountant General (Economic and Revenue Sector Audit), Kerala as well as to the Heads of Department.

The final action on 114 cases of misappropriation, defalcation, etc., involving Government money amounting to ₹7.15 crore reported to State Government for the period up to June 2015 was pending as detailed in **Appendix 3.4** and **Appendix 3.5**. The pending cases in each category as emerged from these appendices are summarised in **Table 3.1**.

Table 3.1: Profile of misappropriations, losses, defalcations, etc.

A. Age-profile of the pending cases			B. Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹in lakh)
Less than 5 years	15	116.15	Theft	15	4.30
5 – 10	16	32.12	Misappropriation/ loss of material	99	710.84
10 – 15	40	477.00			
15 – 20	19	62.94			
20 – 25	9	11.16			
25 and above	15	15.77			
Total	114	715.14	Total	114	715.14
			Total pending cases	114	715.14

Source: Cases reported by departments of the State Government

The reasons for delay in finalisation of outstanding cases were analysed and summarised in **Table 3.2**.

³⁰Kerala State Insurance Department, State Water Transport Department and Text Book Office

Table 3.2: Reasons for outstanding cases of misappropriations, losses, defalcations, etc.

Sl. No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount (₹ in lakh)
1.	Awaiting departmental and criminal investigation	21	214.22
2.	Departmental action initiated but not finalised	45	223.43
3.	Awaiting orders for recovery or write off	28	80.95
4.	Pending in the courts of law	20	196.54
Total		114	715.14

Source: Information received from Departments of the State Government

3.5 Conclusion

The accounts from 12 autonomous bodies/authorities who received grant-in-aid during the year 2013-14 are due for submission at the end of March 2015. Finalisation of accounts of Text Book office is in arrears from 1987-88 onwards and hence the financial status of the undertakings could not be ascertained in Audit.

3.6 Recommendation

Government may set specific time frame for finalisation of accounts of Text Book Office as there is huge arrears.

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