

**CHAPTER III**  
**FINANCIAL REPORTING**



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### FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contributes to efficient and effective governance. This Chapter provides an overview and status of UT Government's compliance with various financial rules, procedures and directives during the current year.

#### 3.1 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the Departmental Officers from the grantees within 12 months of the closure of the financial year. UCs amounting to ` 477.17 crore in respect 1,250 cases were outstanding as of March 2018. Department-wise break-up of outstanding UCs and age-wise pendency in submission of UCs are given in **Appendix 3.1** and **Table 3.1** respectively.

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

Sl. No.	Range of delay in number of years	Utilisation Certificates outstanding	
		Number	Amount (₹ in crore)
1	More than 9 years	296	26.75
2	9-7	210	17.35
3	7-5	154	29.32
4	5-3	102	40.76
5	3-1	266	170.03
6	Less than one year	222	192.96
<b>Total</b>		<b>1,250</b>	<b>477.17</b>

(Source: Data furnished by the Director of Accounts and Treasuries)

- Out of 1,250 UCs, 296 UCs involving ` 26.75 crore (5.61 per cent) were pending for more than nine years.
- 364 UCs involving ` 46.67 crore (9.78 per cent) were pending for more than five years.
- 368 UCs involving ` 210.79 crore (44.18 per cent) were pending for periods ranging from five years to one year.

Pendency of 920 UCs for an aggregate amount of ` 198.09 crore pertained to departments of Adi-Dravidar Welfare, Co-operative, Local Administration and Town and Country Planning.

Non-receipt of UCs indicated that the Departments failed to comply with the rules to ensure accountability of the agencies that received Government funds. The trend was fraught with high risks of misappropriations and frauds.

### 3.2 Non-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 the Principal Accountant General (General and Social Sector Audit) every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance was given and the total expenditure of these institutions.

The audit of accounts of 71 autonomous bodies are conducted under Sections 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The audit of accounts of two autonomous bodies/authorities in UT of Puducherry are conducted under Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The details of the accounts which were due 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.	Pendency in number of years	Number of the Bodies/Authorities
1	More than five years	16
2	5-3	11
3	3-1	14
<b>Total</b>		<b>41</b>

(Source: Compiled from the information furnished by the Heads of Department)

Due to non-submission of annual accounts by autonomous bodies/authorities, the utilisation of Government grants for the intended purposes could not be ensured. Non-submission of accounts violates Rule 211 of General Financial Rules, 2005. The delay in finalisation and submission of accounts would hamper audit in assuring the legislature that the grants were being utilised for the intended objective.

### 3.3 Non-adjustment of Temporary Advances

The Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of UT Government. According to Rule 292 (2) of the General Financial Rules, 2005, adjustment bills along with balances, if any, should be submitted by the Government servants within 15 days of the drawal of advances, failing which, the advances/balances would be recovered from the next salary of the Government servants.

As of 31 March 2018, advances aggregating ` 152.83 crore were pending adjustment as per the records of the Director of Accounts and Treasuries, Puducherry. Age-wise analysis of the pending advances is given in **Table 3.3**.

**Table 3.3: Age-wise analysis of pending advances**

Sl. No	Pendency	Number of advances	Amount
			(₹ in crore)
1	More than 10 years	248	28.13
2	More than five years but less than 10 years	281	29.16
3	More than one year but less than five years	633	41.27
4	Less than one year	710	54.27
<b>Total</b>		<b>1,872</b>	<b>152.83</b>

(Source: Data furnished by the Director of Accounts and Treasuries)

The pendency in respect of 248 advances involving ` 28.13 crore for more than 10 years indicated laxity on the part of the departments in enforcing the provisions regarding adjustment of the advances. Non-adjustment of advances within prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices.

### 3.4 Misappropriation, loss, theft and defalcation

Rule 33 and 34 of the General Financial Rules, 2005, stipulate that Heads of offices should report any loss or shortage of public moneys and property, due to misappropriation, loss, theft and defalcation to the next higher authority as well as to the Statutory Audit Officer.

The Departments of UT Government reported 311 cases of misappropriation, loss and defalcation upto March 2018, involving Government money amounting to ` 26.92 crore, on which final action was pending. The Department-wise break-up of the pending cases and the nature of these cases were given in **Appendix 3.3**. The Electricity Department accounted for large number of cases (255) involving an amount of ` 25.74 crore. The age-profile

of the pending cases and the number of cases pending in each category – theft and misappropriation/loss are summarised in **Table 3.4**.

**Table 3.4: Profile of misappropriation, loss, defalcation**

Age-Profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
More than 25	29	0.92	Misappropriation	13	100.11
20-25	81	3.04			
15-20	98	27.94			
10-15	43	213.11	Theft/Loss of material	298	2,591.66
5 - 10	27	2,426.84			
0 - 5	33	19.92			
<b>Total</b>	<b>311</b>	<b>2,691.77</b>	<b>Total</b>	<b>311</b>	<b>2,691.77</b>

(Source: Compiled from the information furnished by the Heads of Department)

In respect of all the above 311 cases of misappropriation, theft/loss of materials, FIRs were lodged but results of the investigations are awaited. The reasons for outstanding cases of misappropriation, loss and defalcation are given in **Table 3.5**.

**Table 3.5: Reasons for outstanding cases of misappropriation, loss, defalcation**

Reasons for the pendency		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	276	103.67
(ii)	Departmental actions initiated but not finalised	3	0.25
(iii)	Awaiting orders for recovery or write-off	13	30.15
(iv)	Pending in Courts of Law	19	2,557.70
<b>Total</b>		<b>311</b>	<b>2,691.77</b>

(Source: Compiled from the information furnished by the Heads of Department)

While 19 cases involving ` 25.58 crore were pending in Courts of Law, 292 cases involving ` 1.34 crore were pending finalisation in various Departments.

### 3.5 Conclusion

- There was pendency in furnishing of UCs by various grantee institutions in respect of Grants-in-aid of ` 477.17 crore. The pendency ranged from more than nine years to one year.
- As of March 2018, 41 Autonomous Bodies/Authorities did not submit their annual accounts due for the period upto 2016-17 to the Principal Accountant General (G&SSA).

- Temporary advances aggregating to ` 152.83 crore, were pending adjustment by Drawing and Disbursing Officers.
- The Departments of UT Government reported 311 cases of misappropriation, loss, theft and defalcation upto March 2018 involving Government money of ` 26.92 crore. Final action on these cases was pending for periods ranging between more than 25 years and one year.

### 3.6 Recommendations

- The Departments releasing grants should ensure collection of UCs for the grants released before releasing subsequent grants to the grantee institutions.
- Government should expedite completion of departmental action as warranted and exercise more checks to prevent or reduce recurrence of misappropriation, loss, theft and defalcation cases.

Chennai  
The 5<sup>th</sup> February 2020



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The 7<sup>th</sup> February 2020



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