

CHAPTER – III

FINANCIAL REPORTING

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A sound internal financial reporting and the availability of relevant and reliable information contributes to efficient and effective governance by the State Government and is important for the State Governments in meeting its basic stewardship responsibilities, strategic planning and decision-making. It also forms the basis of sound internal controls. This chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives applicable to financial reporting during the year 2018-19.

3.1 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules, 2005 provides that for grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the Departmental officers from the grantees. The certificates so obtained are to be verified by the Departmental officers and forwarded to the Director of Accounts within 12 months from the dates of sanction of grants unless specified otherwise.

At the end of 2018-19, 12,148 UCs for ₹ 2,340.66 crore were outstanding against grants disbursed up to 2017-18. The Department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position is shown in **Table 3.1**.

Table 3.1: Age-wise position of outstanding UCs as of 31 March 2019

Sl. No.	Range of delay in number of years	Utilisation certificates outstanding	
		Number	Amount (₹ in crore)
1	1-3	3905	1169.00
2	3-5	1933	588.04
3	5-7	1356	242.74
4	7 and above	4954	340.88
	Total	12148	2340.66

(Source: Compiled from information furnished by Director of Accounts)

As may be seen from **Table 3.1**, 5,838 UCs (48 per cent) involving ₹ 1,757.04 crore (75 per cent) were pending from one to five years while 6,310 UCs involving ₹ 583.62 crore were pending for more than five years. Major cases of non-submission of UCs pertained to Directorate of Art and Culture (25 per cent), Directorate of Panchayats (North) (24 per cent) and Directorate of Panchayats (South) (18 per cent).

In the absence of UCs there is no assurance that the moneys disbursed have been used for the purpose for which they have been given. High pendency of UCs was fraught with the risk of fraud and misappropriation of funds.

3.2 Delay in submission of accounts/audit reports by autonomous bodies

Several autonomous bodies have been set up by the State Government in the fields of education, irrigation, housing etc. Of these, audit of accounts of

13 bodies in the State has been entrusted to the CAG. These bodies are audited by the CAG by verification of their accounts, financial transactions, operational activities, internal management and financial control system and procedures.

The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature are indicated in the **Appendix 3.2**. The delay in submission of accounts to Audit and placement of SARs in the Legislature by the autonomous bodies is summarised in **Table 3.2**.

Table 3.2: Delays in submission of accounts and tabling of SARs

Submission of Accounts for Audit		Presentation of Report in Legislature	
Delay(in months)	Number of autonomous bodies	Delay (in years)	Number of autonomous bodies
0-3	-	0-1	2
3-6	2	1-3	1
6-9	4	3-5	1
9-25	4	5 years and above	4
25 months and above	3	-	-

(Source: Compiled from records received from various autonomous bodies)

There are 46 accounts pertaining to various periods pending submission by 13 autonomous bodies. The submission of accounts of 13 autonomous bodies was delayed by four to 76 months while presentation of four of 13 accounts in the State Legislature was delayed by more than five years. The reasons for delays though called for were not intimated by the respective autonomous bodies.

The inordinate delay in submission of accounts and presentation of the reports to the State Legislature resulted in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, necessary remedial action, if any, required to be taken by the Government was also delayed.

3.3 Departmental Commercial Undertakings

The Departmental undertakings of certain Government Departments performing activities of quasi-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 their working. The accounts of Departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of such *proforma* accounts, the viability of these undertakings remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring viability and improving efficiency cannot be taken in time.

Heads of Departments in the Government have to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified timeframe. As of October 2019, there were two¹ such undertakings, one of which had heavy arrears in accounts. The

¹ River Navigation Department and Electricity Department

Department-wise position of arrears in preparation of *proforma* accounts and investments made by the Government in these two undertakings is given in **Table 3.3**.

Table 3.3: Position of arrears as on 31 October 2019 in preparation of Proforma Accounts

Department	No. of undertakings under the Department	Name of undertaking	Year up to which accounts finalised	Investment as per last accounts (₹ in crore)
Inland Water Transport	1	River Navigation Department	2005-06	108.29
Power	1	Electricity Department	2015-16	1468.51
Total				1576.80

(Source: Information furnished by concerned Departments)

3.4 Misappropriations, losses and defalcations

Rule 33 of the General Financial Rules, 2017 provides that any loss or shortage of public money, revenue or receipts has to be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and the concerned Principal Accounts Officer. The State Government reported 33 cases of misappropriation, defalcation *etc.*, involving Government money totaling ₹ 2.66 crore up to June 2019 on which final action was pending. The Department-wise break-up of pending cases is given in **Appendix 3.3**.

The age profile of the pending cases and the number of pending misappropriation cases are summarised in **Table 3.4**.

Table 3.4: Profile of misappropriation

Age profile and nature of pending cases			
Range in years	No. of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases
0-5	12	98.40	Misappropriation of cash/stores
5-10	13	24.07	
10 years and above	8	143.11	
Total	33	265.58	

(Source: Information furnished by concerned Departments)

Of the 33 cases, 10 cases pertained to Director of Panchayats, Panaji and six pertained to office of Chief Electrical Engineer, Panaji. Of these 16 cases, five cases² were pending for more than 10 years.

First information reports (FIR) were lodged in 19 of 33 cases. The remaining 14 cases pertain to six Departments (Directorate of Panchayats – 08 cases, Goa Medical College – 02 cases and one case each of Directorate of Sports

² Two cases from Director of Panchayats, Panaji and three cases from office of Chief Electrical Engineer, Panaji

and Youth Affairs; Collector North Goa, Collector South Goa and Mamletdar, Salcete). Departmental proceedings in all the 14 cases of misappropriation were under progress, and FIRs should also be filed by the concerned Departments.

The reasons for which the cases were outstanding are classified under three categories as listed in **Table 3.5** below.

Table 3.5: Reasons for outstanding cases of misappropriation

Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	24	196.01
Pending in the courts of law	4	60.90
Awaiting orders for recovery/write off	5	8.67
Total	33	265.58

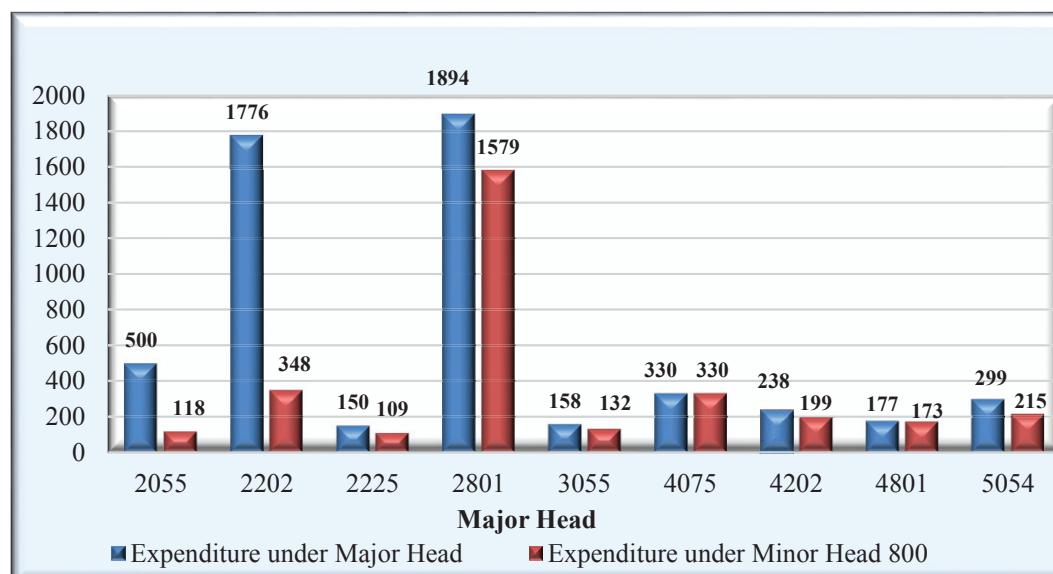
(Source: Information furnished by concerned Departments)

3.5 Booking under Minor Head ‘800- Other Expenditure’

The omnibus Minor Head 800 is intended to be operated when the appropriate Minor Head has not been provided in the accounts. Finance Accounts 2018-19 of Government of Goa disclosed that expenditure aggregating ₹ 4,039 crore constituting 31 *per cent* of the total expenditure was classified under Minor Head ‘800-Other Expenditure’ under 45 Major Heads in revenue and capital sections. 100 *per cent* of the expenditure on Capital Outlay on Other Miscellaneous General Services (Major head 4075) for ₹ 330 crore and Outlay on Urban Development (Major Head 4217) for ₹ 99 crore was classified under omnibus Minor Head 800. The cases where expenditure of more than ₹ 100 crore was booked under Minor Head -800 under a particular Major Head is shown in **Chart 3.1**.

Chart 3.1: Major Heads where expenditure of more than ₹ 100 crore was booked under Minor Head 800

(₹ in crore)



(Source: Finance Accounts, 2018-19)

Similarly, revenue receipts aggregating ₹ 657 crore, constituting six *per cent* of total revenue receipts, were classified under omnibus Minor Head ‘800-Other Receipts’ in 18 Major Heads under revenue section.

The cases of receipts of more than ₹ 50 crore classified under Minor Head -800 were under MH 0070-Other Administrative Services (₹ 438 crore); MH 0217- Urban Development (₹ 80 crore) and MH 1054- Roads and Bridges (₹ 52 crore).

Accounting of large amounts under the omnibus Minor Head 800-Other Expenditure/Receipts affects the transparency in financial reporting, as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

3.6 Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

The Controlling and Disbursing Officers of the Departments are authorised to draw sums of money by preparing Abstract Contingent (AC) bills, by debiting service heads. They are required to present Detailed Contingent (DC) bills (vouchers in support of final expenditure) to the Director of Accounts (DoA), Goa within three months from the date of drawal of funds on AC bill. If previous AC bills are outstanding over three months for want of DC bills, the proposal for drawal of further AC bills would require the sanction of Finance Department.

The details of submission of DC bills against AC bills drawn up to March 2019 are given in **Table 3.6**.

Table 3.6: Pendency in submission of DC bills against AC bills

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
Up to 2016-17	8581	2672.71	8414	2638.95	167	33.76
2017-18	869	698.92	840	684.53	29	14.39
2018-19	719	738.23	538	644.53	181	93.70

(Source: Finance Accounts of the State)

As may be seen from **Table 3.6** above, the Departments had drawn 719 AC bills for an amount of ₹ 738.23 crore in the financial year 2018-19 and submitted 538 DC bills for an amount of ₹ 644.53 crore. Thus, 181 DC bills amounting to ₹ 93.70 crore were not submitted before close of the financial year 2018-19. Therefore, there is no assurance that the expenditure of ₹ 93.70 crore had actually been incurred during the financial year for the purpose for which it was sanctioned/authorised by the Legislature. This is a possible overstatement of expenditure in the year 2018-19. In addition, 167 DC bills amounting to ₹ 33.76 crore for the years up to 2016-17 and 29 DC bills amounting to ₹ 14.39 crore for the year 2017-18 were yet to be submitted by the Departments. Thus, at the end of March 2019, 377 DC bills amounting to ₹ 141.85 crore were pending settlement. Advances drawn and not accounted for increase the possibility of wastage/misappropriation/malfeasance etc.

3.7 Conclusion and Recommendations

Out of 12,148 Utilisation Certificates amounting to ₹ 2,340.66 crore pending as on 31 March 2019, 5,838 UCs involving ₹ 1,757.04 crore were pending from one to five years. Remaining 6,310 UCs involving ₹ 583.62 crore were pending for more than five years. In the absence of the requisite certificates, it could not be ascertained in audit whether the recipients had utilised the grants for the purpose for which these were given.

The sanctioning authorities/concerned Departments may evolve a mechanism to gather UCs promptly, verify their genuineness, including by way of sample inspection, and look into the delays in submission to identify the bottlenecks and address them for sound internal control and financial reporting. Unspent balances lying with the grantee institutions for long periods need review.

167 DC bills amounting to ₹ 33.76 crore for the years up to 2016-17 and 29 DC bills amounting to ₹ 14.39 crore pertaining to the year 2017-18 were not submitted by the Departments as of March 2019. Further, 181 DC bills amounting to ₹ 93.70 crore were not submitted before close of the financial year 2018-19.

The sanctioning authorities may ensure that amounts drawn on AC bills are settled expeditiously through submission of DC bills within the prescribed

time limits. The Finance Department may also ensure that the pendency of AC bills is brought down.

Panaji
The 21 July 2020


(ANANTA KISHORE BEHERA)
Accountant General

Countersigned

New Delhi
The 23 July 2020


(RAJIV MEHRISHI)
Comptroller and Auditor General of India