

3. 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 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 one year from the date of their sanction unless specified otherwise. However, of the 26,978 utilization certificates (UC) due in respect of grants and loans aggregating Rs 886.89 crore paid up to 2008-09, 21,695 UCs (80 per cent) for an aggregate amount of Rs 675.49 crore were in arrears. The department-wise break-up of outstanding UCs is given in *Appendix 3.1* and age-wise delays in submission of UCs are summarized in Table-3.1.

Table-3.1: Age-wise arrears of Utilization Certificates

(Rupees in crore)

Sr. No.	Range of delay (In number of years)	Total grants paid		Utilization Certificates Outstanding	
		Number of Cases	Amount	Number	Amount
1.	0 – 1	15,369	466.78	14,331	340.03
2.	1 – 3	9,911	273.98	6,236	226.53
3.	3 – 5	1,072	95.97	822	77.63
4.	5 – 7	517	40.62	281	23.20
5.	7 – 9	103	7.88	22	6.44
6.	9 & above	6	1.66	3	1.66
	Total	26,978	886.89	21,695	675.49

Source: Accountant General (A&E) office

Out of 21,695 UCs worth Rs 675.49 crore pending as of March 2009, 306 UCs involving Rs 31.30 crore were pending for more than five years. Pendency of UCs mainly pertained to Education Department (15,496 UCs: Rs 193.20 crore), Rural Development Department (3,293 UCs: Rs 318.87 crore), Industries Department (1,270 UCs: Rs 6.17 crore), Art and Culture (670 UCs: Rs 4.90 crore), Social Justice and Empowerment Department (490 UCs: Rs 39.83 crore), Urban Department (18 UCs: Rs 33.18 crore), Sports and Youth (44 UCs: Rs 4.23 crore) and Tourism Department (3 UCs: Rs 1.46 crore).

In the absence of the UCs it could not be ascertained whether the recipients had utilized the grants for the purposes for which these were given.

3.2 Delays in submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinized in audit, review of internal management and financial control, review of systems and procedures etc. The audit of accounts

of 13 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its 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 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 the Delay	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies	Reasons for the Delay
0 – 1	--		0 – 1	1	Reasons not furnished by the Department
1 – 6	1	Reasons not furnished by the Department	1 – 2	--	--
6 – 12	--	--	2 – 3	1	Reasons not furnished by the Department
Total	1			2	

Only one account is in arrears from two months as of October 2009. The State Government disbursed regular funds to these autonomous bodies. In the absence of accounts and subsequent audit, it could not be verified whether the funds received and expenditure incurred had been properly accounted for and the purpose for which the funds were disbursed were achieved. Besides, delay in finalisation of accounts carries the risk of financial irregularities going undetected apart from violation of the provisions of the respective legislations under which the bodies were constituted.

Two SARs of the two Autonomous Bodies were not placed before the legislature even after delays ranging from one to three years, thereby violating the statutory responsibility of keeping the State legislature informed about the financial status of the bodies.

3.3 Misappropriations, losses, defalcations, etc.

As per the provisions of Himachal Pradesh financial rules, State Government reported 51 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 77.34 lakh up to the period June 2009 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in *Appendix-3.3* and nature of these cases is given in *Appendix-3.4*. The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss as emerged from these appendices are summarized in Table-3.3.

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

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (Rs in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (Rs in lakh)
0 – 5	9	17.49	Theft	5	3.21
5 – 10	11	37.66			
10 – 15	11	14.89			
15 – 20	3	2.10	Misappropriation/Loss of material	49	125.13
20 – 25	6	1.13			
			Total	54	128.34

25 & above	11	4.07	Cases of Losses Written off during the Year	3	51.00
Total	51	77.34	Total Pending cases	51	77.34

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

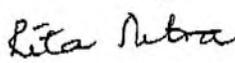
Table 3.4: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (Rs in lakh)
i)	Awaiting departmental and criminal investigation	23	51.06
ii)	Departmental action initiated but not finalized	4	3.15
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	--	--
iv)	Awaiting orders for recovery or write off	17	11.75
v)	Pending in the courts of law	--	--
vi)	Other reasons	7	11.38
	Total	51	77.34

3.4 Conclusion

Pendency of utilization certificates (UCs) (80 per cent) for an aggregate amount of Rs 675.49 crore to the Accountant General as per provision of financial rules has increased year after year and needs urgent attention of the Government. There was a delay of 1 to 3 years in submission of Separate Audit Reports (SARs) of Autonomous Bodies in Legislature thereby violating the statutory responsibility of keeping the State legislature informed about the financial status of the bodies. Out of 51 cases, involving Rs 77.34 lakh during last more than 25 years, departmental proceedings and criminal investigation were not even initiated in 23 cases involving Rs 51.06 lakh (66 per cent), indicating lack of initiative on the part of the Government. The delay is fraught with the risk of loss of Government money due to non-conviction and non-recovery as a result of loss of evidence and want of witnesses.

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