

CHAPTER-III

FINANCIAL REPORTING

A sound internal financial reporting and the availability of relevant and reliable information significantly contribute to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance are also attributes of good governance. Reports on compliance and controls, if effective and operational, assist State Governments in meeting their 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 Delays in furnishing Utilization Certificates

Rule 212 of the General Financial Rules, 2005 provide that for grants provided for specific purposes, Utilization 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 their sanction unless specified otherwise. However, of the 6,972 UCs due in respect of grants and loans aggregating ₹ 529.46 crore paid upto 2009-10, 6,708 UCs (96 per cent) for an aggregate amount of ₹ 464.41 crore were outstanding. The department-wise break-up of outstanding UCs is given in Appendix 3.1. The age-wise position of outstanding UCs as on 31 March 2011 is in Table 3.1.

Table 3.1: Age-wise position of outstanding UCs as of 31 March 2011

(₹ in crore)

Sl. No.	Range of Delay in Number of Year	Utilization Certificates Outstanding	
		Number	Amount
1	0 – 1	1239	144.12
2	1 – 3	1843	138.39
3	3 – 5	1114	107.98
4	5 – 7	723	40.76
5	7 & Above	1789	33.16
	Total	6708	464.41

(Source: Directorate of Accounts)

Out of 6,708 UCs worth ₹ 464.41 crore pending as on March 2011, 4,196 UCs (63 per cent) involving ₹ 390.49 crore (84 per cent) were pending for periods ranging from one to five years while 2,512 UCs involving ₹ 73.92 crore were pending for more than five years. Pendency of UCs mainly pertained to the Municipal Administration (₹ 208.25 crore), Directorate of Panchayats (₹ 110.41 crore), Directorate of Art & Culture (₹ 46.89 crore), Directorate of Sports & Youth Affairs (₹ 25.27 crore) and Directorate of Education (₹ 22.02 crore).

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

Non-submission of UCs in time may result in misutilisation of the grants. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans by the departments.

3.2 Non-submission/delays in submission of accounts by Grantee institutions

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 Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes of assistance granted and the total expenditure of these institutions. A total of 583 annual accounts of 190 autonomous bodies/authorities due upto 2009-10 had not been received as of June 2011 by the Accountant General. The details of these accounts 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 Government Bodies

(₹ in crore)

Sl. No.	Delay in Number of Years	Number of Bodies/Authorities	Grants Received
1	0-1	3	25.82
2	1-3	121	43.31
3	3-6	66	24.09
	Total	190	93.22

(Source: Compiled by Audit from records received from various departments)

It can be seen from the above table that in respect of 66 Autonomous Bodies/Authorities, accounts were in arrears for more than three years. Due to non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them, there was a risk of misutilisation of funds.

3.3 Delays in submission of Accounts/Audit Report of 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 six bodies in the State has been entrusted to the Comptroller and Auditor General of India. 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 3.3**. The frequency distribution of Autonomous Bodies according to the delays in submission of accounts to Audit and placement of SARs in the Legislature after the entrustment of Audit to CAG is summarised in **Table 3.3**.

Table 3.3: Delays in submission of accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (in months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in years)	Number of Autonomous Bodies
0-3	1	0-1	4
4-7	1	1-2	1
8-10	1	-	-
11-25	2	-	-
26 & above	1	5 & above	-
Total	6		

(Source: As per records maintained by Audit)

Out of the six Autonomous Bodies, in respect of one, the submission of accounts had been delayed by more than 26 months and in respect of two cases, the delays were between 11 and 25 months. In the remaining three cases, the delays were between one and 10 months. The reasons for delays though called for were not intimated by the respective Autonomous Bodies.

The inordinate delays 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, it also delays the taking of necessary remedial action.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually, showing the working results of financial operations so that the Government can assess their working. The finalised 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 accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

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 September 2011, there were two* such undertakings, both of which had not prepared their accounts up to 2010-11. The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government are given in **Appendix 3.4**.

* River Navigation Department, Chief Electrical Engineer.

3.5 Misappropriations, losses, defalcations, etc.

Rule 33 of the General Financial Rules, 2005 provides that any loss or shortage of public money, department 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 25 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.90 crore upto June 2011 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 3.5**.

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

Table 3.4: Age Profile of misappropriations

Age profile and nature of the pending cases			
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/Characteristics of the cases
0-5	12	44.63	Misappropriation of cash/stores
5-10	10	99.34	
10 years & above	3	45.96	
Total	25	189.93	

(Source: Information furnished by the concerned departments)

Further analysis indicated that the reasons for which the cases were outstanding could be classified under the three categories listed in **Table 3.5**.

Table 3.5: Reasons for outstanding cases of misappropriations

Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	15	176.02
Pending in the courts of law	5	5.70
Awaiting orders for recovery/write off	5	8.21
Total	25	189.93

(Source: Information furnished by the concerned departments)

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

Rules 309 and 310 of Central Treasury Rules provides that Detailed Contingent (DC) bills are to be submitted against Abstract Contingent (AC) bills within one month from the date of drawal.

It was observed that 816 AC bills involving an amount of ₹ 141.73 crore drawn by various departments up to March 2011 were pending adjustment as on 31 March 2011. Year-wise details are given in **Table 3.6**.

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

Year	No. of AC bills Pending	Amount (₹ in crore)
Up to 2008-2009	128	41.05
2009-2010	282	14.57
2010-2011	406	86.11
Total	816	141.73

(Source: Directorate of Accounts)

3.7 Non-adjustment of temporary advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure, travelling allowances, leave travel concessions etc. As of June 2011, advances aggregating ₹ 6.24 crore were pending adjustments by DDOs in the records of the Director of Accounts. An age-wise analysis of pending advances is given in **Table 3.7**.

Table 3.7: Age-wise Analysis of pending advances

(₹ in lakh)

Sl. No.	Year	No. of pending advances	Amount
1	Upto 2006-07	246	77.60
2	2007-08	59	52.13
3	2008-09	76	70.78
4	2009-10	118	340.09
5	2010-11	110	83.60
	Total	609	624.20

(Source: Directorate of Accounts)

3.8 Conclusion

Out of 6,708 UCs worth ₹ 464.41 crore, pending as on 31 March 2011, 4,196 UCs (63 per cent) involving ₹ 390.49 crore (84 per cent) were in arrears for periods ranging between one and five years. Further, 2,512 UCs, involving ₹ 73.92 crore were pending for more than five years. In the absence of the certificates, it could not be ascertained whether the recipients had utilised the grants for the purpose for which these were given. A total of 583 annual accounts of 190 institutions due up to 2009-10 had not been received as of 30 June 2011.

The State Government reported 25 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.90 crore upto June 2011 on which final action was pending. Out of 25 cases, five cases involving ₹ 5.70 lakh were pending in courts and in 15 cases, involving ₹ 1.76 crore,

departmental action had been started but had not yet been finalised. The remaining five cases were awaiting orders for recovery/write off.

3.9 Recommendations

The Government should ensure timely receipt of utilization certificates against the financial assistance provided to grantee institutions. Departmental enquiries in respect of all misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all organisations should be strengthened to prevent such cases in future.

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