

CHAPTER III

FINANCIAL REPORTING

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A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance by a State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting are some of the 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 Delay in furnishing of Utilisation Certificates

Article 210A of the Tamil Nadu Financial Code provided that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of release, unless specified otherwise. However, in respect of grants and loans paid up to 2009-10, 279 UCs for an aggregate amount of ₹ 1,620.87 crore were in arrears as of September 2011. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the year-wise analysis of delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Year-wise arrears of Utilisation Certificates

Period	Utilisation certificates outstanding	
	Number	Amount (₹ in crore)
2009-10	90	831.61
2007-09	93	782.75
2005-07	2	3.44
2003-05	Nil	Nil
2001-03	Nil	Nil
2000 and earlier years	94	3.07
Total	279	1,620.87

(Source: Principal Accountant General (A&E), Tamil Nadu)

Out of the above, 39 UCs for an aggregate amount of ₹ 490.70 crore were due from the Revenue Administration Department, 18 UCs for an aggregate amount of ₹ 487.13 crore were due from the Commissioner of Land Reforms

and 106 UCs for an aggregate amount of ₹ 407.34 crore were due from the Rural Development and Panchayat Raj Department and 28 UCs for an aggregate amount of ₹ 102.26 crore were due from the Director of Social Welfare. Non-receipt of UCs for huge amounts indicates that the departmental officers failed to comply with rules and procedures to ensure accountability of the agencies that received Government funds.

3.2 Non-submission/delays 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/head of a department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance granted and the total expenditure of these institutions. As per the information furnished to Audit, a total of 608 autonomous bodies/authorities attracted audit by the Comptroller and Auditor General of India.

The annual accounts of 206 autonomous bodies/ authorities due up to 2010-11 had not been received as of July 2011 by the Principal Accountant General (Civil Audit). The details 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.	Delay in Number of Years	Number of the Bodies/ Authorities
1.	0 – 1	34
2.	1 – 3	112
3.	3 – 5	40
4.	5 & above	20
Total		206

(Source: Compiled from annual accounts received from autonomous bodies/authorities)

The major defaulters were educational institutions receiving Government grants for salaries, maintenance etc. Non-submission of annual accounts by a substantial number of autonomous bodies/authorities was in violation of the terms and conditions governing the release of grants by the Government.

3.3 Non-reconciliation of Departmental figures

Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. According to Article 99 of the Tamil Nadu Financial Code, the advances should be adjusted by presenting detailed bills and vouchers as soon as possible.

However, 3,580 temporary advances drawn upto 31 March 2011 by six Pay and Accounts officers and 31 District Treasury Officers amounting to ₹ 166.39 crore were remaining unadjusted as on 30 June 2011. Age-wise analysis of advances pending is given in **Table 3.3**.

Table 3.3 Age-wise Analysis of Advances Pending

Sl. No	Pendency	No of Advances	Amount (₹ in crore)
1	More than 10 years	69	3.93
2	More than five years upto 10 years	115	1.99
3	More than one year but less than five years	1,121	83.13
4	Less than one year	2,275	77.34
Total		3,580	166.39

(Source: Office of Principal Accountant General (A&E), Tamil Nadu)

The above instances would prove that laxity in enforcing codal provisions has resulted in pendency of a large number of advances involving substantial amounts.

3.4 Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for parking of funds by debit to the Consolidated Fund of the State and are required to be closed at the end of the financial year by minus debit to the relevant service heads. There were 1,214 PD accounts in 31 District Treasuries and five Pay and Accounts Offices in operation. Of these accounts, 915 PD accounts were not closed as of March 2011 and the balance of ₹ 309.41 crore with these accounts was not transferred back to the respective service heads. Out of 915 accounts, 390 accounts with a balance of ₹ 16.13 crore were not operated during 2010-11.

3.5 Misappropriations, losses, defalcations, etc.

Article 294 of the Tamil Nadu Financial Code stipulates that heads of offices should report all cases of defalcations or loss of public moneys, stores or other movable or immovable properties to the Accountant General. Further, the Financial Code prescribes the principles and procedures to be followed for enforcing responsibility for losses and disposal of such cases.

The State Government reported 540 cases of misappropriation, shortages, theft and loss involving a total amount of ₹ 20.26 crore up to March 2011, on which final action was pending. The department-wise break-up of pending cases and the nature of these cases are given in **Appendix 3.3**. The age-profile of the pending cases and the number of cases pending in each category—misappropriation, defalcation, loss, theft etc., are summarised in **Table 3.4**.

Table 3.4: Profile of Misappropriations, defalcations, thefts, losses, etc.

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)
0 - 5	60	839.93	Theft, loss etc.	66	24.20
5 - 10	42	362.27	Misappropriation / defalcation	474	2,002.10
10 - 15	82	506.18	Total	540	2,026.30
15 - 20	102	65.34	Cases of losses, written off during the year	Nil	Nil
20 - 25	96	166.78			
25 and above	158	85.80			
Total	540	2,026.30	Total pending cases	540	2,026.30

(Source: Compiled from information received from heads of departments)

A further analysis indicates that the reasons for which the cases were outstanding could be classified under the categories listed in **Table 3.5**.

Table 3.5: Reasons for outstanding cases of misappropriation, defalcation, theft, loss etc.

Reasons for the Delays		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	259	729.24
(ii)	Departmental action initiated but not finalised	167	828.09
(iii)	Criminal proceedings finalised but recovery of the amount still pending	66	229.52
(iv)	Awaiting orders for recovery or write off	24	32.19
(v)	Pending in courts of law	24	207.26
Total		540	2,026.30

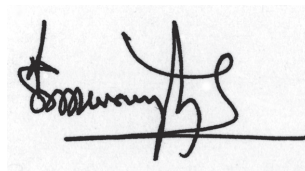
(Source: Compiled from information received from heads of departments)

3.6 Conclusion

Some departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates and annual accounts by the grantee institutions. The State Government reported 540 cases of misappropriation, shortage, theft and loss involving a total amount of ₹ 20.26 crore up to March 2011, on which final action was pending.

3.7 Recommendations

- Heads of department need to initiate prompt action to submit the utilisation certificates and ensure that all grantee institutions submit their Annual Accounts in time.
- Government should initiate action to clear the pendency in adjustment of temporary advances.
- All Personal Deposit Accounts should be closed and the unspent balances be credited to the Head of Account concerned at the end of every financial year.
- Government/heads of department need to expedite issuance of orders relating to recovery/write off of the outstanding cases of misappropriations, theft, loss etc.



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