

CHAPTER-III

FINANCIAL REPORTING

Sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance. 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 provide that for 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 Director of Accounts within 12 months from the dates of their sanction, unless specified otherwise. However, of the 5,858 UCs due in respect of grants and loans aggregating ` 406.97 crore paid up to 2008-09, 5,694 UCs (97 *per cent*) for an aggregate amount of ` 384.44 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position of delays in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilization Certificates

(` in crore)

Sl. No.	Range of Delay in Number of Years	Utilization Certificates Outstanding	
		Number	Amount
1	0 – 1	1076	120.44
2	1 – 3	1571	129.48
3	3 – 5	873	82.07
4	5 – 7	611	35.57
5	7 & Above	1563	16.88
	Total	5694	384.44

(Source: Directorate of Accounts)

Out of 5,694 UCs worth ` 384.44 crore pending as on March 2010, 3,520 UCs (62 *per cent*) involving ` 331.99 crore (86 *per cent*) were pending for periods ranging from one to five years while 2,174 UCs involving ` 52.45 crore were pending for more than five years. Pendency of UCs mainly pertained to the Directorate of Art & Culture (` 35.10 crore), Directorate of Municipal Administration (` 163.56 crore), Directorate of Panchayats (` 88.20 crore) and Directorate of Sports & Youth Affairs (` 30.92 crore). In the absence of the certificates, it could not be ascertained whether the

recipients had utilised the grants for the purposes for which these grants were given.

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/Heads of 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 446 annual accounts of 193 Autonomous Bodies/Authorities due up to 2008-09 had not been received as of June 2010 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	95	30.05
2	1-3	46	17.79
3	3-6	52	15.75
	Total	193	63.59

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

It can be seen from the above table that in respect of 52 Autonomous Bodies/Authorities, accounts were in arrears for more than three years. Of these, the accounts of 10 institutions were in arrears since 2003-04.

3.3 Delays in submission of Accounts/Audit Reports 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 seven 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
0-1	-	0-1	3
1-6	2	1-2	1
13-17	3	-	-
18-24	-	4-5	-
24 & above	2	5 & above	-
Total	7		4

(Source: As per records maintained by Audit)

Out of the seven Autonomous Bodies, in respect of two, the submission of accounts had been delayed by more than 24 months and in respect of three cases, the delays were between 13 and 17 months. In the remaining two cases, the delays were between one and six months. The reasons for delays though called for were not intimated by the respective Autonomous Bodies.

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 2010, there were two* such undertakings, both of which had not prepared their accounts up to 2009-10. The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government are given in **Appendix 3.4**.

3.5 Misappropriations, losses, defalcations, etc.

As per Rule 33 of the General Financial Rules any loss or shortage of public money/departmental revenue should be immediately reported by the subordinate authority concerned to the next higher authority as well as to the

* River Navigation Department, Chief Electrical Engineer.

Statutory Audit officer and the concerned Principal Accounts Officer. The State Government reported 26 cases of misappropriation, defalcation, etc. involving Government money amounting to ` 1.91 crore upto June 2010. Analysis of the misappropriation cases revealed that these cases mainly related to improper maintenance of cash books/loss of materials, 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 misappropriation cases pending are summarized in **Table 3.4**.

Table 3.4: 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	14	85.71	Misappropriation of cash/stores
5-10	9	59.66	
10 years & above	3	45.86	
Total	26	191.23	

(Source: Information furnished by the concerned departments)

Further analysis indicates that the reasons for which these 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	17	171.86
Pending in the courts of law	5	8.88
Awaiting orders for recovery/write off	4	10.49
Total	26	191.23

(Source: Information furnished by the concerned departments)

3.6 Conclusion and Recommendations

Conclusion

Out of 5,694 UCs worth ` 384.44 crore, pending as on March 2010, 3520 UCs (62 per cent) involving ` 331.99 crore (86 per cent) were in arrears for periods ranging between one and five years. Further, 2,174 UCs, involving ` 52.45 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 446 Annual Accounts of 193 institutions due up to 2008-09 had not been received as on 30 June 2010.

Analysis of the misappropriation cases revealed that these cases mainly related to improper maintenance of cash books/loss of materials. Out of 26 cases, five cases involving ` 8.88 lakh were pending in courts and in 17 cases,

involving ` 1.72 crore, departmental action had been started but had not yet been finalised. The remaining cases were awaiting orders for write off.

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.

**Panaji
The**

**(DEVIKA)
Accountant General, Goa**

Countersigned

**New Delhi
The**

**(VINOD RAI)
Comptroller and Auditor General of India**