

CHAPTER III

FINANCIAL REPORTING

A sound internal financial reporting system 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 one of the attributes of good governance. 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 Delays in furnishing Utilization Certificates

Bihar Financial Rules provide that the first two quarterly instalments or first half-yearly instalments of grants-in-aid may be sanctioned without insisting upon the production of utilization certificates (UC) in respect of the last grants /instalments. However, for sanctioning the balance amount of the grants, UCs on the basis of the audited accounts of the previous grants should be obtained by the administrative departments and sent to the Accountant General (A&E).

It was observed that 21142 UCs aggregating Rs 4557.81 crore were due from various administrative departments, in respect of grants and loans paid up to October 2007. Details of outstanding UCs are given in **Appendix 3.1**.

3.2 Departmental Commercial Undertakings

Departmental undertakings 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 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 finalization of accounts, the investments of the Government remain outside the scrutiny of Audit and the State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency, cannot be taken in time. Besides, such the delays, in all likelihood, may 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 time frame. As of March 2009, departmental commercial undertakings of the State had not prepared accounts up to 2007-08 as detailed in **Table-3.1**.

Table 3.1: Details of Departmental Commercial undertakings

Sl. No.	Name of the Undertaking	No. of Units
1	Adarsh Iron Workshop	12
2	Hasthkargha Weaver's Training Centres	06
3	Salt Petre Refinery Centre, Maheshi, East Champaran	01
4	Handicrafts Complex, Madhubani	01
5	Polyster Weavers Training Centres, Barari, Bhagalpur	01
6	Upendra Maharashi Crafts Investigation Institute, Digha, Patna	01
7	Central Design Centre, Rajendra Nagar, Patna	01
	Total	23

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

The CAG has repeatedly commented about the arrears in preparation of accounts in State Reports (Civil) but there has been no improvement as far as the preparation of proforma accounts by these undertakings is concerned.

3.3 Misappropriations, losses, defalcations, etc.

The Bihar Financial Rules provided that any loss or suspicion thereof, of public money held by or on behalf of Government due to defalcation or otherwise should be immediately reported by the officer concerned to his immediate superior official, the Finance Department as well as the Accountant General. Subsequent to investigation, a complete report should be submitted regarding the nature, extent reasons leading to such loss and recovery if any. The officer receiving the report should forward it to the State Government along with departmental investigations as may be necessary.

Altogether 890 cases of defalcation, misappropriation and loss have been pending as of March 2009. The age-wise profile of the pending cases detailed in *Appendix 3.2* is summarized in **Table 3.2**.

Table 3.2
Age-wise profile of pending cases

(Amount: Rupees in crore)		
Range in Years	Number of Cases	Amount Involved
Up to 5	813	247.81
5 - 10	77	133.18
Total	890	380.99

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

The number of cases pending in each category of defalcation, misappropriation and loss detailed in *Appendix 3.3* are summarized in **Table 3.3**.

Table 3.3**Nature of the pending cases**

(Amount: Rupees in crore)

Nature of Cases	Number of Cases	Amount involved
Misappropriation	562	304.56
Loss	175	64.80
Defalcation	153	11.63
Total Pending cases	890	380.99

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

The amounts relating to cases of misappropriation, loss, defalcations were pending for settlement but no action had been taken to fix responsibility on the erring officials.

3.4 Conclusion

Submission of utilization certificates, annual accounts, proforma accounts etc. by State institutions/undertakings are the basic inputs of financial reporting and their timely submission and quality of reporting are necessary for effective and good governance. However, utilization certificates and accounts were not submitted by these institutions/undertakings on time and in complete form, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency.

3.5 Recommendations

- Heads of departments should initiate prompt action to submit utilization certificates on time.
- It should be ensured that all departmental commercial undertakings submit their Annual Accounts within the prescribed period.

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