

## CHAPTER

## 3

## 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 compliance 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 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**

General Financial Rule 212 (1) provides that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, should be forwarded to the Accountant General (A&E) within 12 months. However, of the 1,247 UCs due in respect of grants aggregating Rs 457.19 crore paid during 2000-08, UCs in respect of 438 grants (35 per cent) for an aggregate amount of Rs 347.54 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix-3.1**. The age-wise position of delays in submission of UCs is summarized in Table 3.1.

**Table3.1: Age-wise arrears of Utilisation Certificates**

(Rupees in crore)

Sl. No.	Range of delay in number of years	Utilization certificates outstanding	
		Number	Amount
1	1 – 3	183	240.82
2	3 – 5	126	82.62
3	5 – 7	119	22.58
4	7 – 9	10	1.52
Total		438	347.54

Out of 438 grants amounting to Rs 347.54 crore for which UCs were due as on March 2009, UCs in respect of 309 grants (70.55 per cent) involving Rs 323.44 crore were pending for periods ranging from one to five years and UCs in respect of 129 grants involving Rs 24.10 crore were pending for more than five years. Pendency of UCs pertained to grants to the Tribal Department (94 UCs: Rs 16.60 crore), Health and Family Welfare Department (five UCs: Rs 4.90 crore) and Animal Husbandry Department (four UCs: Rs 2.32 crore) (**Appendix-3.2**).

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

### ➤ 3.2 Misappropriations, losses, defalcations, etc.

Rules 22 and 23 of the Financial Code provide that each and every case of loss, misappropriation and defalcation should be intimated to the Accountant General. The State Government reported 1,779 cases of misappropriation/loss/theft amounting Rs 21.77 crore (**Appendix-3.3**). The department-wise break up of pending cases and age-wise analysis is given in **Appendix-3.4**. The age-profile of the pending cases and the number of cases pending in each category viz. theft and misappropriation/loss are summarized in Table 3.2.

**Table 3.2: Profile of Misappropriations, losses, defalcations, etc.**

*(Rupees in crore)*

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0 – 5	514	<b>10.79</b>	Theft	140	0.57
5 – 10	261	<b>3.09</b>			
10 – 15	304	<b>5.53</b>	Misappropriation/ Loss of material	1639	21.20
15 – 20	238	<b>1.34</b>			
20 – 25	191	<b>0.50</b>			
25 & above	271	<b>0.52</b>	<b>Total pending cases</b>	<b>1779</b>	<b>21.77</b>
<b>Total</b>	<b>1779</b>	<b>21.77</b>			

*(Sources: Cases reported by the departments of the State Government)*

Further analysis indicates that the reasons for which the cases were outstanding could be classified under the five categories listed in the following table.

**Table 3.3: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.**

*(Rupees in crore)*

Sl. No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	224	1.91
2	Departmental action initiated but not finalized	184	1.13
3	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	22	0.12
4	Awaiting orders for recovery or write off	1300	17.64
5	Pending in the courts of law	49	0.97
	<b>Total</b>	<b>1779</b>	<b>21.77</b>

*(Sources : Information received from the departments of the State Government)*

➤ **3.3 Conclusion**

As on March 2009, 309 Utilisation Certificates (UCs) involving Rs 323.44 crore were pending for periods ranging from one to five years and 129 UCs involving Rs 24.10 crore were pending for more than five years. In the absence of the UCs, it could not be ascertained as to whether the recipients had utilized the grants for the purposes for which these were given. Out of 1779 cases of misappropriation, loss, defalcation etc., 224 cases involving Rs 1.91 crore were pending for want of departmental investigations.

➤ **3.4 Recommendations**

Utilisation certificates should be obtained in time by the departmental officers from the grantee institutions to ensure proper utilisation of grants. Departmental enquiries in cases involving misappropriation, loss, defalcation etc. should be expedited. Internal controls in all the organizations should be strengthened to prevent such cases.

**Raipur  
The**

**(PURNA CHANDRA MAJHI)  
Accountant General (Audit), Chhattisgarh**

*Countersigned*

**New Delhi,  
The**

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