

CHAPTER-III

FINANCIAL REPORTING

A sound internal financial reporting system 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 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 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 are to be forwarded to the Director of Accounts within 12 months from the dates of their sanction unless specified otherwise. However, of the 5,060 UCs due in respect of grants and loans aggregating Rs 347.76 crore paid upto 2007-08, 4739 UCs (94 *per cent*) for an aggregate amount of Rs 285.44 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise delays in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilization Certificates

(Rupees in crore)

Sr. No.	Range of Delay in Number of Years	Utilization Certificates Outstanding	
		Number	Amount
1	0 – 1	983	83.97
2	1 – 3	1192	120.95
3	3 – 5	751	47.05
4	5 – 7	355	21.76
5	7 & Above	1458	11.71
	Total	4739	285.44

(Source: Directorate of Accounts)

Out of 4,739 UCs worth Rs 285.44 crore pending as on March 2009, 2926 UCs (62 *per cent*) involving Rs 251.97 crore (88 *per cent*) were pending for periods ranging from one to five years while 1,813 UCs involving Rs 33.47 crore were pending for more than five years. Pendency of UCs mainly pertained to the Directorate of Art & Culture (Rs 24.41 crore), Directorate of Municipal Administration (Rs 125.94 crore) and Directorate of Panchayats (Rs 68.91 crore). In the absence of the certificates, it could not be

ascertained whether the recipients had utilised the grants for the purposes for which they were given.

3.2 Non-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 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 282 annual accounts of 113 autonomous bodies/authorities due upto 2007-08 had not been received as of June 2009 by the Accountant General. The details of their 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

(Rupees in crore)

Sr. No.	Delay in Number of Years	Number of Bodies/Authorities	Grants Received
1	0-1	30	35.65
2	1-3	25	9.48
3	3-5	58	19.29
	Total	113	64.42

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

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 with regard to 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 Report 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 Separate Audit Reports 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)	No. of Autonomous Bodies	Reasons for the delay	Delays in submission of SARs in Legislature (in years)	No. of Autonomous bodies	Reasons for the delay
0-1	-	-	0-1	3	Not intimated by the autonomous bodies
1-6	3	Not intimated by the autonomous bodies	1-2	-	-
18-24	3	Not intimated by the autonomous bodies	4-5	-	-
24 & above	1	Not intimated by the autonomous body	5 & above	-	-

(Source: As per records maintained by Audit)

Out of the seven autonomous bodies, in respect of one, the submission of accounts had been delayed by more than 24 months and in respect of three cases, the delays were between 18 and 24 months. In the remaining three cases, the delays were between one and six months.

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 June 2009, there were two* such undertakings, both of which had not prepared their accounts upto 2007-08. 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 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 18 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 1.53 crore upto June 2009 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: Profile of misappropriation

Age profile and Nature of the pending cases			
Range in years	No. of cases	Amount involved (Rs in lakh)	Nature/Characteristics of the cases
0-5	8	46.95	Misappropriation of cash/stores
5-10	9	100.97	
10-15	1	4.95	
Total	18	152.87	

(Source: Information furnished by concerned departments)

Further analysis indicates 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 (Rs in lakh)
Departmental action started but not finalised	5	44.40
Pending in the courts of law	10	107.53
Awaiting orders for recovery/write off	3	0.94
Total	18	152.87

(Source : Information furnished by concerned departments)

3.6 Conclusion

Out of 4,739 UCs worth Rs 285.44 crore, pending as on March 2009, 2926 UCs (62 per cent) involving Rs 251.97 crore (88 per cent) were pending for periods ranging between one and five years. Further, 1,813 UCs, involving Rs 33.47 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 purposes for which these were given. A total of 282 Annual Accounts of 113 institutions had not been received as on 30 June 2009.

Analysis of the misappropriation cases revealed that these cases mainly related to improper maintenance of cash books and theft/loss of materials. Out of 18 cases, 10 cases involving Rs 1.08 crore were pending in courts and in five cases, involving Rs 44.40 lakh, departmental action had been started but had not yet been finalised. The remaining cases were awaiting orders for write off.

3.7 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. Internal controls in all the organisations should be strengthened to prevent such cases in future.

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