

Chapter III

Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by a Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the 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 Delay in furnishing utilisation certificates

Rule 8.14 of the Punjab Financial Rules, as applicable to Haryana, provides that utilisation certificates (UCs), for the grants provided for specific purposes, should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within a reasonable time, unless a specific time limit is fixed by the sanctioning authority. However, of the 16,698 UCs due for submission in respect of grants and loans aggregating Rs 7,868.09 crore 2,340 UCs (14 *per cent*) (2,339 UCs pertaining to the period 1996-97 to 2007-08 and one for 1993-94) for an aggregate amount of Rs 2,268.34 crore were in arrears. The department-wise break-up of UCs due, received and outstanding as on 31 March 2009 is given in *Appendix 3.1*. The age-wise delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(Rupees in crore)

Sr. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		Number	Amount	Number	Amount
1	0 - 1	1,016	1,571.60	563	996.36
2	1 - 3	2,416	1,764.00	572	885.16
3	3 - 5	5,290	1,241.30	267	302.22
4	5 - 7	3,655	1,276.26	732	60.15
5	7 - 9	2,252	923.59	201	21.83
6	9 & above	2,069	1,091.34	05	2.62
Total		16,698	7,868.09	2,340	2,268.34

Table 3.1 showed that out of 2,340 outstanding UCs, 1205 UCs (51 *per cent*) were more than three years old. Analysis of the department-wise break-up showed that outstanding UCs from Development and Panchayat, Irrigation, Non-

conventional Source of Energy, Rural Development, Social Security and Welfare, Urban Development and Village and Small Scale Industries Departments constituted 88 *per cent* of the total outstanding UCs, involving 84 *per cent* of the grants released. Despite this being pointed out in the Comptroller and Auditor General of India's Report-Civil-Government of Haryana for the year ended 31 March 2008, only 469 UCs (21 *per cent*) against the outstanding 2,246 UCs, pertaining to earlier years were furnished by the departments during 2008-09. This not only indicates lack of internal control of administrative departments but also shows the tendency on the part of the Government to go on disbursing fresh grants without ascertaining proper utilisation of the earlier ones.

3.2 Non-submission/delay 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 (CAG's 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 purpose of assistance granted and total expenditure of the institutions. On the basis of information received, 154 bodies/authorities, attracted audit under Section 14 of the Act *ibid.* Audit of 48 bodies/authorities was conducted during 2008-09.

A total of 240 Annual Accounts pertaining to 94 autonomous bodies/ authorities due up to 2008-09 had not been received in the office of the Principal Accountant General (Audit) as of July 2009. 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 bodies/authorities

Sr. No.	Delay in number of years	Number of accounts	Grants received (Rupees in crore)
1.	0-1	45	232.78
2.	1-3	75	138.12
3.	3-5	39	40.01
4.	5-7	25	32.29
5.	7-9	14	15.09
6.	9 and above	42	46.70

Table 3.2 shows that 81 Annual Accounts (34 *per cent*) involving grants of Rs 94.08 crore were in arrear for more than five years. Further scrutiny revealed that 160 Annual Accounts¹ (67 *per cent*) pertaining to 51 Municipal Committees, to whom grants amounting to Rs 428.81 crore were released between 1982-83 and 2008-09, had not been received. Annual Accounts ranging between five and 13 years involving grants of Rs 334.39 crore were in arrears against 13² bodies

¹ Sr.No. 1 to 51 of Appendix 3.2.

² Sr. No. 1, 2, 3, 4, 6, 9, 13, 14, 15, 18, 36, 39 and 71 of Appendix 3.2.

and authorities. In the absence of the Annual Accounts, it could not be ascertained whether these bodies/authorities attracted the provisions of Section 14 of the CAG's Act, 1971.

3.3 Delays in submission of accounts of autonomous bodies for certification

Several autonomous bodies have been set up by the Government in the field of, Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of 28 bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports and their placement in the Legislature are indicated in *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 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	Reasons for delay	Delays in submission of SARs in Legislature (in years)	Number of autonomous bodies	Reasons for delay
0 - 1	-	Accounts had not been prepared by autonomous bodies.	0 - 1	8	Reasons for delay not intimated by departments.
1 - 6	-		1 - 2	1	
6 - 12	-		2 - 3	-	
12 - 18	5		3 - 4	-	
18 - 24	-		4 - 5	-	
24 and above	15		5 and above	-	
Total	20			9	

It was further observed that 12³ autonomous bodies had not submitted their Annual Accounts for the last 12 years (1996-97 and onwards).

3.4 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature, are required to prepare proforma accounts annually in the prescribed format showing the working results of financial operations so that the Government can assess their working. The final accounts reflect their overall financial health and efficiency in conducting their business. In

³ District Legal Services Authority: Bhiwani, Faridabad, Fatehabad, Gurgaon, Jhajjar, Kaithal, Panchkula, Panipat, Rewari, Rohtak, Sonipat and Yamunanagar.

the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay, there is open to risk of fraud and leakage of public money.

Heads of departments in the Government have to ensure that the undertakings prepare their proforma accounts and submit the same to the Principal Accountant General for audit within a specified timeframe. As of June 2009, out of five such undertakings, four had not prepared their accounts even up to 2007-08. Government funds amounting to Rs 1,762 crore stood invested in these undertakings at the end of the financial year upto which their accounts were completed. The proforma accounts of Haryana Roadways having Government investment of Rs 347.63 crore as on 31 March 2003 were in arrears from 2003-04. The CAG had repeatedly commented about the arrears in preparation of accounts in the State Reports-Civil but there was no vital improvement in this regard. The department-wise position of arrears in preparation of proforma accounts and investments made by the Government are given in **Appendix 3.4**.

3.5 Misappropriations, losses, defalcations, etc.

Rule 2.33 of the Punjab Financial Rules, as applicable to Haryana, stipulates that every Government employee should realise that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or any loss arising from fraud or negligence on the part of any other Government employee to the extent that he contributed to the loss by his own action or negligence. Further, as per rule 2.34 *ibid*, cases of defalcations and losses are required to be reported to the Principal Accountant General.

State Government reported 219 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 1.80 crore on which final action was pending as of June 2009. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6**. The age-profile of the pending cases and the number of cases pending in each category-theft, misappropriation, loss, etc. is summarised in **Table 3.4**.

Table 3.4: Profile of misappropriations, losses, defalcations, etc.

Age-profile of pending cases			Nature of pending cases		
Range in years	Number of cases	Amount involved (Rupees in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (Rupees in lakh)
0 - 5	47	43.53	Theft	136	87.03
5 - 10	60	85.84			
10 - 15	23	13.73	Misappropriation/ loss of material	83	92.57
15 - 20	41	21.58			
20 - 25	30	8.44	Total	219	179.60
25 and above	18	6.48	Cases of losses written off during the year	Nil	Nil
Total	219	179.60	Total pending cases	219	179.60

Reasons for pendency of the cases are listed in **Table 3.5**.

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

Reasons for the delays in finalisation of pending cases		Number of cases	Amount (Rupees in lakh)
i)	Departmental action initiated but not finalised	141	84.22
ii)	Awaiting orders for recovery or write off	60	55.70
iii)	Pending in the courts of law	18	39.68
Total		219	179.60

Out of the total loss cases, 62 *per cent* cases related to theft of Government money/stores which indicates that appropriate steps for the safety of Government property/cash, etc., as prescribed in the rules, had not been taken by the departments. Further, in respect of 64 *per cent* cases of losses, departmental action had not been finalised and 27 *per cent* cases were outstanding simply for want of orders of the competent authority for recovery or write off of the losses. It was further noticed that out of 219 cases of losses due to theft/misappropriation etc., 172 cases were more than five years old, of which 18 cases were more than 25 years old. The lackadaisical approach of the departments in finalisation of these cases had not only caused loss to the State exchequer but also prevented timely action against the officers/officials at fault.

3.6 Conclusion

Internal financial reporting is one of the attributes of good governance but it was not effective as there was non-compliance of financial rules, procedures and directives on several aspects. There were substantial delays in submission of utilisation certificates due to which proper utilisation of grants could not be ensured. Non-submission/delays in submission of accounts by grantee institutions resulted in non-identification of institutions for conducting of audit by CAG. A large number of autonomous bodies, the audit of which was entrusted to CAG as also departmentally run commercial undertakings were not preparing their final

accounts for long periods as a result of which, their financial position was not known to the Government. Further, there were a large number of cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc. for which departmental action was pending for long periods. For good governance, these issues need to be addressed at appropriate levels.

3.7 Recommendations

Internal Control Mechanism of the Government Departments needs to be strengthened to watch the timely submission of UCs and to ensure that the subsequent grants are released only after ascertaining the proper utilisation of earlier grants apart from timely submission of accounts by autonomous bodies, etc. A time bond frame work needs to be prepared for taking prompt action in the cases of theft and misappropriation, etc.

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