

## CHAPTER 3

### FINANCIAL REPORTING

A sound internal financial reporting system based on compliance with financial rules is one of the attributes of good governance. This Chapter provides an overview and status of compliance of the departments of the State Government to various financial rules, procedures and directives during the current year.

#### 3.1 Non-submission of utilization certificates

Financial rules provide that for the 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 Accountant General within 18 months from the date of their sanction unless specified otherwise. However, 2658 UCs for an aggregate amount of Rs 1,042.28 crore due in respect of grants paid upto 2007-08 were in arrears. Details of outstanding UCs are given in **Appendix 3.1**.

The age-wise arrears of UCs is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of utilization certificates**

(Rupees in crore)

Number of years	Number of UCs	Amount
<b>9 &amp; above</b>	344	49.56
<b>7 – 8</b>	75	10.86
<b>5 – 6</b>	135	106.74
<b>3 – 4</b>	263	482.69
<b>1 – 2</b>	1,463	310.87
<b>Less than 1</b>	378	81.56
<b>Total</b>	<b>2,658</b>	<b>1042.28</b>

*Source: Information furnished by AG(A&E)*

Out of 2658 UCs for Rs 1,042.28 crore outstanding at the end of 2008-09, 2582 UCs for Rs 1,021.02 crore (98 *per cent*) pertained to grants released under the major heads of account 2515- Other Rural Development Programmes, 2217-Urban Development and 2205-Art and Culture. Details are given in **Table 3.2**.

**Table 3.2: Age-wise arrears of UCs under three heads of accounts**

(Rupees in crore)

Number of years	Outstanding UCs					
	Other rural development programmes		Urban Development		Art & Culture	
	No.	Amount	No.	Amount	No.	Amount
9 & above	229	30.80	6	2.71	89	3.07
7 - 8	62	9.25	0	0	4	0.02
5 - 6	109	92.38	7	9.32	0	0
3 - 4	126	85.74	38	440.61	154	8.48
1 - 2	49	38.37	28	151.90	1317	67.27
Less than one year	60	28.27	0	0	304	52.83
<b>Total</b>	<b>635</b>	<b>284.81(27)</b>	<b>79</b>	<b>604.54(58)</b>	<b>1868</b>	<b>131.67(13)</b>

Figures in parenthesis represent percentage of outstanding UCs to total.

Source: Information furnished by AG(A&E)

### **3.2 Non-receipt of information pertaining to institutions substantially financed by the Government**

To identify the institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of service) Act, 1971, heads of the Government departments are required to furnish to Audit every year information about the institutions to which financial assistance of Rs 25 lakh or more was given, the purpose of assistance granted and the total expenditure of the institutions.

Sixteen departments did not furnish the information pertaining to 348 institutions receiving grants aggregating Rs 25 lakh or more for the period ranging from one year to more than 10 years, as detailed in **Appendix 3.2**.

### **3.3 Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature**

Several autonomous bodies have been set up by the State Government in the field of village and small industries, urban development, etc. The audit of accounts of nine bodies in the State has been entrusted to the CAG. These are audited with regard to their transactions, operational activities and accounts, conducting regulatory compliance audit, review of internal management and financial control, review of systems and procedures, etc.

Separate audit reports of one autonomous body for the years 2006-07 and 2007-08 and of eight autonomous bodies for the year 2007-08 were yet to be placed in the Legislature.

The status of entrustment of audit, rendering of accounts, issuance of audit reports and their placement before the State Legislature are indicated in **Appendix 3.3**.

### 3.4 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of commercial and 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 finalized 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 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 risk of fraud and leakage of public money.

The heads of departments in the Government are to ensure that the undertakings prepare and submit such accounts to Accountant General for audit within a specified time frame. Out of the nine undertakings which have been closed/transferred to co-operative federation, *pro forma* accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of *pro forma* accounts by the undertakings is given in **Appendix 3.4**.

### 3.5 Misappropriations, losses, etc.

There were 217 cases of misappropriation, losses, etc. involving Government money amounting to Rs 10.07 crore as at the end of 2008-09 on which final action was pending. 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 with the number of cases pending in each category - theft and misappropriation is given in **Table 3.3**.

**Table 3.3: Profile of pending cases of misappropriations and theft**

(Rupees in crore)

Age-profile of the pending cases			Nature of the cases	Number of cases	Amount involved
Range in years	Number of cases	Amount involved			
Above 25	62	0.30	Theft	34	0.17
21 - 25	10	0.03			
16 - 20	40	1.61	Misappropriation	183	9.90
11 - 15	77	6.21			
06 - 10	25	1.65			
0 - 05	3	0.27			
<b>Total</b>	<b>217</b>	<b>10.07</b>	<b>Total</b>	<b>217</b>	<b>10.07</b>

Around 76 per cent of the amount involved pertained to departments of Forest, Environment and Ecology (Rs 2.70 crore), Water Resources (Rs 2.56 crore) and Public Works (Rs 2.40 crore).

### **3.6 Non- receipts of stores and stock accounts**

The annual accounts of stores and stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly accounts of Public Works, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts was commented upon in successive audit reports. The Public Accounts Committee in its first report (sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the departments. The submission of stores and stock accounts by 91 officers of 10 departments was in arrears for periods ranging from six months to seven years as of September 2009, as detailed in **Appendix 3.7**.

### **3.7 Conclusion**

The Government's compliance with various financial rules and procedures relating to information of UCs, submission of accounts by autonomous bodies and Government undertakings and disposal of cases of losses, misappropriations, etc. was deficient. The UCs amounting to Rs 1,042 crore were not obtained from the grantees.

**3.8 Recommendations**

Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc., should be expedited to bring the defaulters to book. For this purpose, the internal controls in various departments should be strengthened to prevent recurrence of such cases. Besides, the Government should issue instructions to all the grantees emphasising timely submission of the utilisation certificates.

The above points were referred (December 2009) to the Government; reply had not been received (January 2010).

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