

## Chapter III Financial Reporting

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 timeliness and quality of reporting on the status of such compliances are some 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 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, the Government/heads of the departments are required to furnish to Audit every year, detailed information about the financial assistance provided to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The accounts of 32 bodies/authorities received for the year 2007-08, attracted audit by the Comptroller and Auditor General of India and all these bodies/authorities were audited during 2008-09.

As of March 2009, 128 annual accounts of 60 autonomous bodies/authorities due up to 2007-08 had not been received by the Principal Accountant General (Audit). The details of these accounts are given in **Appendix 3.1** and their age-wise pendency is presented in **Table 3.1**.

**Table 3.1: Age-wise arrears of annual accounts due from Government Bodies**

Sl. No.	Delay in number of years	Number of Bodies/ Authorities	Grants received (Rupees in lakh)
1.	0 – 1	20	7,826.95
2.	1 – 3	12	5,229.95
3.	3 – 5	28	53,303.33

(Source: As per records maintained by Principal Accountant General (Audit))

The table disclosed that delays in submission of accounts of 28 (47 per cent) autonomous bodies/authorities ranged between three to five years.

### 3.2 Delay in submission of accounts/Audit Reports of Autonomous Bodies

There are 23 autonomous bodies in the field of legal aid, human rights, development of khadi, etc. The audit of accounts of those bodies in the State has been entrusted to the Comptroller and Auditor General of India. 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 3.2**.

### 3.3 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 Audit and the 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 Principal Accountant General for audit within a specified timeframe. As of 31 March 2009, there were three<sup>22</sup> such undertakings, which had not prepared their accounts up to 2007-08. The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government are given in **Appendix 3.3**.

### 3.4 Misappropriations, losses, defalcations, etc.

Article 297 of the Kerala Financial Code provides that cases of defalcation or loss of public money, stamps, stores or other property should be reported to the Principal Accountant General (Audit) as well as to the heads of departments.

The State Government reported 137 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 7.75 crore up to the period June 2009 on which final action was pending. The department-wise break up of pending cases and age-wise analysis are given in **Appendix 3.4** and the nature of these cases is given in **Appendix 3.5**. The pending cases in each category as emerged from these appendices are summarised in **Table 3.2**.

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

Age-profile of the pending cases			Nature of the 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	45	268.91	Theft	23	11.98
5 - 10	46	280.25			
10 - 15	19	68.53	Misappropriation/loss of material	114	762.57
15 - 20	16	143.39			
20 - 25	6	8.96			
25 and above	5	4.51	Cases of losses written off during the year	Nil	nil
<b>Total</b>	<b>137</b>	<b>774.55</b>	<b>Total pending cases</b>	<b>137</b>	<b>774.55</b>

(Source: Cases reported by departments of State Government)

<sup>22</sup> Kerala State Insurance Department, State Water Transport Department and Text Book Office.

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

**Table 3.3: Reasons for outstanding cases of misappropriations, losses, defalcations, etc.**

Sl.No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount (Rupees in lakh)
1	Awaiting departmental and criminal investigation	21	150.56
2	Departmental action initiated but not finalised	56	466.38
3	Awaiting orders for recovery or write off	36	86.65
4	Pending in the courts of law	24	70.96
	<b>Total</b>	<b>137</b>	<b>774.55</b>

(Source: Information received from Departments of State Government)

### 3.5 Conclusion

Annual accounts (128 numbers) in respect of 60 autonomous bodies/authorities due up to 2007-08 had not been received by the Principal Accountant General (Audit), Kerala as of March 2009. Out of 137 cases of misappropriation, loss, defalcation, etc., 21 cases involving Rs 1.51 crore were pending for want of departmental investigation while the others were pending for want of court decisions, write-off sanctions and finalisation of departmental action.

### 3.6 Recommendation

Departmental enquiries in cases involving misappropriation, loss, defalcation etc. should be expedited. Internal controls in all the organisations should be strengthened to prevent such cases.

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