

Financial Reporting

Sound internal financial reporting 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 compliances 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 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

The Madhya Pradesh Financial Code Rules (182,229 F) provide that for grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and forwarded to the Accountant General after verification within 18 months from the date of their sanction unless specified otherwise. However, 3108 UCs for an aggregate amount of Rs 4,521.81 crore (21 per cent) were in arrears, of which 141 UCs for Rs 20.59 crore were in arrears for more than five years with major defaulting departments, the Co-operative and Co-operative societies in which 58 UCs for Rs 19.16 crore were outstanding. Release of further assistance despite outstanding UCs indicated lack of internal control within the departments.

The department-wise break up of outstanding UCs is given in **Appendix 3.1**.

Age-wise delays in submission of UCs is given in **Table 3.1**.

Table 3.1 : Age-wise arrears of utilisation certificates

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)
1	0 - 1	163	3,783.89	1,396	3,525.55
2	1 - 3	2843	6,496.77	1,343	936.02
3	3 - 5	N.A.	3,271.33	228	39.65
4	5 and above	N.A.	7,934.14	141	20.59
	Total	-	21,486.13	3,108	4,521.81

3.2 Delays in submission of Accounts / Audit Reports of Autonomous Bodies

The State Government has set up several autonomous bodies. The audit of accounts of 48 autonomous 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 Report and their placement in the legislature are indicated in **Appendix 3.2**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Report in the legislature after the entrustment of audit to CAG is summarised in **Table 3.2**.

Table 3.2: 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 the delay
0 - 1	--	Non-approval of accounts by Board of Governors and non - submission of accounts by others. Correspondence with the units and at the ministry is going on for submission of accounts.	0 - 1		Accounts not received from any autonomous body.
1 - 6	--		1 - 2		
6 - 12	--		2 - 3		
12 - 18	1		3 - 4		
18 - 24	--		4 - 5		
24 & above	46		5 & above		
Total	47				

3.3 Misappropriations, losses, defalcations, etc.

The State Government reported 966 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 8.45 crore up to the period March 2009 on which final action was pending. The department-wise break up of pending cases and write-offs for 2008-09 and their age-wise analysis are given in **Appendix 3.3** and **Appendix 3.5** and nature of these cases is given in **Appendix 3.4**. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerging from these appendices are summarised in **Table 3.3**.

Table 3.3: Profile of Misappropriations, losses, defalcations, etc.

Age-profile of the pending cases			Details of the pending cases		
Range in years	Number of cases	Amount involved (Rupees in lakh)	Nature of the case	Number of cases	Amount involved (Rupees in lakh)
0 - 5	402	460.55	Theft	184	140.29
5 - 10	143	100.53			
10 - 15	93	108.11	Misappropriation/ Loss of material	782	705.05
15 - 20	110	64.26			
20 - 25	94	59.98	Total	966	845.34
25 & above	124	51.91	Cases of losses written off during the year	31	4.32
Total	966	845.34	Total Pending cases	966	845.34

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.4**.

Table 3.4: Reasons for outstanding cases of misappropriation, losses, defalcations, etc.

Reasons for the delay/outstanding pending cases		Number of cases	Amount (Rupees in lakh)
i)	Awaiting departmental and criminal investigation	Nil	Nil
ii)	Departmental action initiated but not finalised	Nil	Nil
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	Nil	Nil
iv)	Awaiting orders for recovery or write off	965	842.59
v)	Pending in the courts of law	1	2.75
Total		966	845.34

3.4 Conclusion

Utilisation certificates in respect of grants and loans aggregating Rs 21,486.13 crore, paid up to 2008-09 were required to be issued by the State. However, certificates for an aggregate amount of Rs 4,521.81 crore (21 per cent) were in arrears. There were delays in submission of Accounts by 47 autonomous bodies and consequent issuance of Separate Audit Reports despite reporting of matter to the concerned units and the State Government. A total of 966 cases of misappropriation, defalcation, etc. involving Government money

amounting to Rs 8.45 crore up to the period March 2009 were pending, mainly because orders for recovery or write-off from the State Government were awaited. All these deficiencies reflected lack of internal control within the departments and ineffective governance by the State Government.

3.5 Recommendations

- The internal control mechanism of the departments needs to be strengthened to monitor the timely submission of utilisation certificates.
- The departments should also ensure that grants are released only after ascertaining proper utilisation of the grants released earlier apart from timely submission of accounts by autonomous bodies etc.
- A time-bound framework needs to be prepared for taking prompt action in the cases of theft, misappropriation etc.

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