

A 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 thus one of the attributes of good governance. The 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 Bombay Financial Rules, 1959 provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the Principal Accountant General within 12 months from the dates of their sanction.

It was, however, noticed that of the 1,32,031 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs 42,685.12 crore paid up to 2008-09, 1,30,812 UCs (99 *per cent*) for an aggregate amount of Rs 41,537.96 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**.

Non-submission of UCs in time may result in misutilisation of the grants. The pendency in submission of large number of UCs also indicates that the functioning of the machinery existing in the departments for monitoring the utilisation of grants and loans was not satisfactory.

### 3.2 Non-submission/delay in submission of accounts by the grantee institutions

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 Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The details of such assistance released to the bodies/authorities during the year were awaited from Government departments (May 2009).

According to the accounts received for the year 2007-08, 303 bodies/authorities attracted audit by the Comptroller and Auditor General of India during 2008-09. Of these, 90 were audited during 2008-09.

The annual accounts due up to 2007-08 in respect of 1,332 bodies/ authorities had not been received as of May 2009.

Due to non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them, there is a possibility of misutilisation of funds.

### 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 environment, housing, industries, irrigation, urban development and water supply and sanitation. A large number of these bodies are audited by the Comptroller and Auditor General of India with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control, review of systems and procedures *etc.* The audit of accounts of 13 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 Report and its placement in the Legislature are indicated in **Appendix 3.2**.

It was noticed that there were delays in submission of annual accounts, which ranged up to 24 months in the case of 12 autonomous bodies. The accounts of the Slum Rehabilitation Authority (SRA), Mumbai for the years 1999-2000 to 2006-07 were furnished only in June 2009. The delays were mainly due to delay in approval of the accounts by the governing bodies.

The inordinate delays in submission of accounts and thereafter presentation of the reports to the State Legislature result in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, it also delays taking necessary remedial action.

### 3.4 Departmental commercial undertakings

The departmental undertakings of certain Government departments, performing activities of quasi-commercial nature, are required to prepare *proforma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of the departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the case of delay in finalisation of accounts, the investments of the Government remain outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures required, if any, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of March 2009, there were 49 such units out of which 38 units had not prepared accounts up to 2008-09. The Comptroller and Auditor General of India has repeatedly commented about the arrears in preparation of accounts in State Reports (Civil Audit) but there is limited improvement so far in preparation of *proforma* accounts by these undertakings. The department-wise position of arrears in preparation of *proforma* accounts and investment made by the Government are given in **Appendix 3.3**. Year-wise arrears in preparation of *proforma* accounts, is given in **Table 3.1**.

**Table 3.1: Year-wise arrears in preparation of proforma accounts**

Accounts finalised upto	Arrears from	No of undertakings (number of units)	No of accounts in arrears	Total accounts in arrears
1	2	3	4	5
1985-86	1986-87	1 (1)	22	22
1994-95	1995-96	1 (1)	13	13
1995-96	1996-97	1 (1)	12	12
1996-97	1997-98	1 (1)	11	11
1998-99	1999-00	1 (1)	9	9

1	2	3	4	5
2006-07	2007-08	2 (6)	2	12
2007-08	2008-09	2(27)	1	27
<b>Total</b>				<b>106</b>

There were 106 accounts in arrears in respect of 49 units in three departments. Fourteen of these units in three undertakings did not finalise at least one year's accounts during the year 2008-09.

### 3.5 Misappropriations, losses, defalcations, etc.

The Bombay Financial Rules provide that misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the office concerned to the next higher authority as well as to the Accountant General.

State Government reported 210 cases of misappropriation, defalcation, etc., involving Rs 10.67 crore up to June 2009 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending 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 (Rs in lakh)	Nature/characteristics of the cases	Number of Cases	Amount Involved (Rs in lakh)
0-5	13	472.33	Theft	10	21.21
5 - 10	25	172.95			
10 - 15	15	167.77	Misappropriation / Loss of material	209	1,047.66
15 - 20	44	208.59			
20 - 25	54	16.65			
25 & above	59	26.18	Cases of Losses Written off during the Year	9	4.40
<b>Total</b>	<b>210</b>	<b>1,064.47</b>			

The reasons for which the cases were outstanding have been broadly categorised as under:

Reasons for the Delay / Outstanding Pending Cases	Number of Cases	Amount (Rupees in lakh)
Departmental and criminal investigation awaited	26	25.79
Departmental action initiated but not finalised	46	121.01
Criminal proceedings finalised but execution of certificate cases for the recovery of the amount was pending	21	62.49
Orders for recovery or write off awaited	49	737.68
Pending in the courts of law	68	117.50
<b>Total</b>	<b>210</b>	<b>1,064.47</b>

It can be seen from the above that out of 210 cases involving Rs 10.64 crore, 172 cases (82 per cent) involving Rs 4.19 crore (39 per cent) were pending over a period of 10 years. Further, while 46 cases involving Rs 1.21 crore were pending for final departmental action, 49 cases involving Rs 7.38 crore were awaiting for recovery or write off orders.

### 3.6 Conclusion

Non-receipt of the utilisation certificates for an aggregate amount of Rs 41,538 crore indicated weaknesses in the control system in the departments for monitoring the utilisation of grants and loans. Non-submission of the necessary information and the annual accounts by the grantee institutions is fraught with the risk of misutilisation of funds. Delay in finalisation of accounts by the autonomous bodies/commercial undertakings results in Government's investments in these organisations remaining in outside the scrutiny of Audit. Large outstanding cases of misappropriations, losses, defalcations, etc., and their non-recovery indicated that the Government had not made serious efforts to make good the losses.

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