

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. The reports on compliance and controls, if effective and operational, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government on the compliance of various financial rules, procedures and directives during the current year.

▶ 3.1 Delay in furnishing Utilization Certificates

Financial Rules (OGFR, Rule-173) provide that for the grants in which conditions are attached to the utilization of the grants, Utilization Certificates (UCs) should be furnished by the Grantee institutions in duplicate in Form OGFR-7A so as to reach the Administrative Department by 1 June of the succeeding year. One copy of the certificate shall be retained in the Administrative Department and another copy shall be sent to Accountant General, Orissa, by 30 June of that year.

However, utilization certificates (UCs) due in respect of grants aggregating to Rs 2503.73 crore at the end of 2008-09 were in arrears in units audited during the year viz. Autonomous bodies (28), Urban Local Bodies (30) and Panchayati Raj Institutions (1329). The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and **Appendix 3.2**. The huge pendency was mainly on account of non-adherence to the existing instruction for watching timely receipt of UCs and further release of grants by them as a matter of routine without insisting on UCs for earlier grants as stipulated in the sanction orders.

▶ **3.2 Non-submission / delay in submission of details of Grants/Loan paid**

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. Besides, Regulation on Audit and Accounts 2007 provides that Governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority. As of March 2009, no department of the Government has furnished such details for the year 2008-09.

▶ **3.3 Delays in Submission of Accounts/Audit Reports of Autonomous Bodies**

As many as 210 autonomous bodies under various sectors of the Government of Orissa have been identified to be 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, review of internal management and financial control, review of system and procedures etc. Of these, 44 bodies have been identified for issue of Separate Audit Reports as per provisions of respective legislation. However only 31 of such bodies viz., State Legal Services Authority (one) and District Legal Services Authority (30) in the State have rendered their accounts to Principal Accountant General (Civil Audit), Orissa during August 2009 and the audit of their accounts is in progress (October 2009). In remaining 13 cases, State Government orders formally entrusting the audit as per prescribed terms and conditions is still awaited.

▶ **3.4 Departmentally Managed Commercial Activities**

The departmentally managed commercial activities 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 working. The finalised accounts of departmentally managed commercial and quasi-commercial activities 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 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 Department in the Government are to ensure that these units prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of March 2009, there were 14 such undertakings and none had prepared accounts up to 2008-09. Out of 14, four undertakings/activities remained inoperative or closed. Their assets and liabilities were not fully disposed of or liquidated by the Government. The details about non-operation or closure were not available. In respect of two schemes viz. (i) purchase and distribution of quality seeds to cultivators and (ii) Poultry Development, Government had not prescribed the preparation of proforma accounts; only Personal Ledger Accounts were opened during 1977-78 and 1979-80 respectively. The Comptroller and Auditor General of India have repeatedly commented about the arrears in preparation of accounts in Audit Reports (Civil) but there is no improvement so far in preparation of proforma accounts by these undertakings. The department-wise position of arrears in preparation of pro forma accounts and investment made by the Government are given in *Appendix 3.3*.

▶ 3.5 Misappropriations, losses, defalcations etc.

The Orissa General Financial Rules (Rule 19) provided that any loss of money, departmental revenue, stores or other property held by or on behalf of Government should be immediately reported by the departmental officer concerned to his/her immediate superior officer as well as to the Accountant General (Audit) even when such loss has been made good by the party responsible for it, pending enquiry. As of June 2009, 1796 cases of misappropriation, defalcation etc. involving Government money of Rs 17.17 crore were received on which departmental enquiry 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-wise profile of the pending cases and the number of cases pending under each category of theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.1**

Table 3.1: 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	57	273.28	Theft	811	428.81
5 - 10	144	309.11			
10 - 15	278	397.23	Misappropriation/Loss of material	985	1287.79
15 - 20	357	198.03			
20 - 25	243	66.11			
25 & above	717	472.84			
Total	1796	1716.60	Total Pending cases	1796	1716.60

145 cases of losses involving an amount of Rs 6.99 lakh written off during the year 2008-09 have been detailed in *Appendix 3.6*.

A further analysis indicates that the reasons for which the cases were outstanding could be classified, for example, in the categories listed in **Table 3.2**.

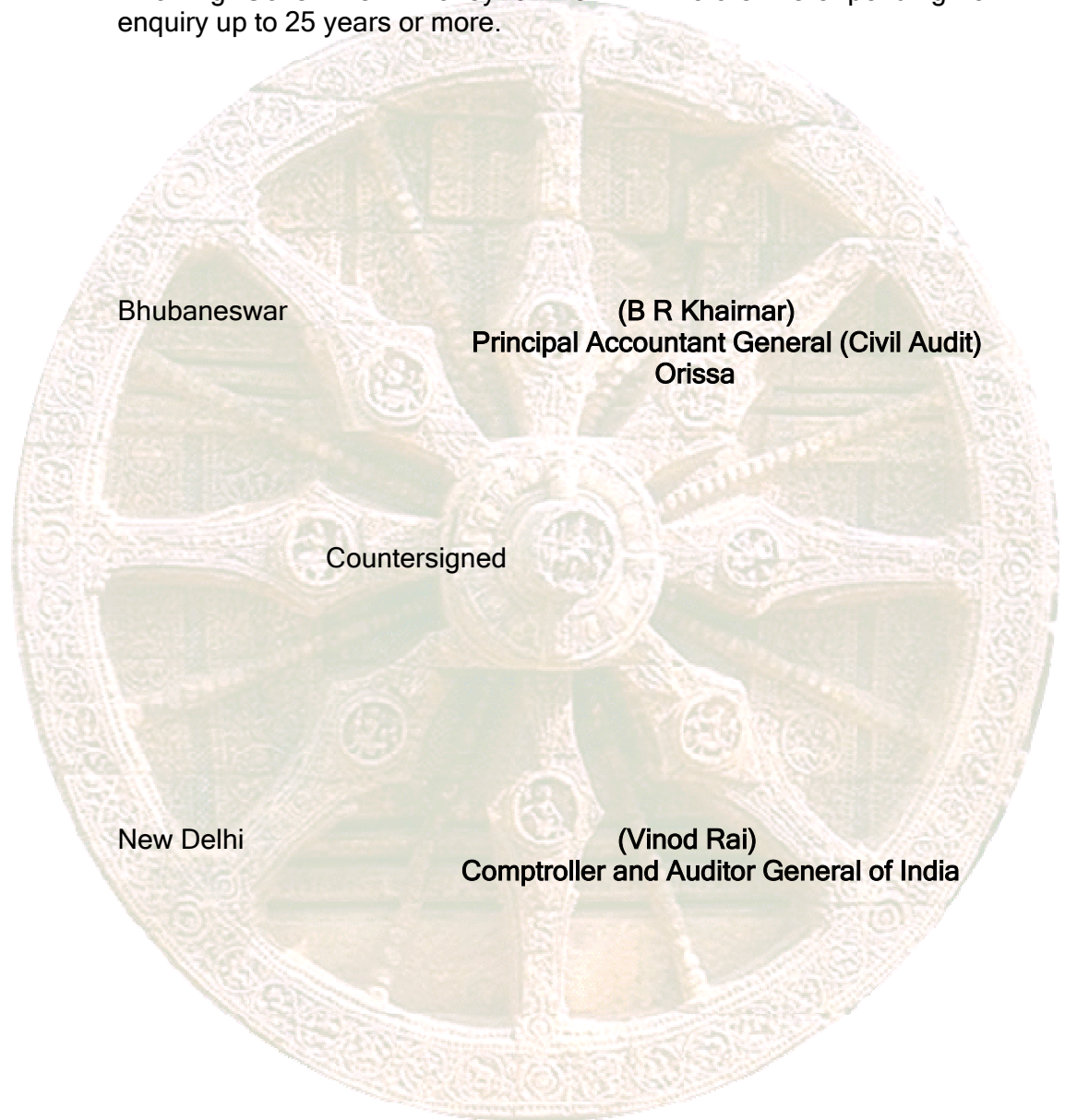
Table 3.2: Category wise cases of misappropriations, losses, defalcations etc. pending finalization

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (Rs in lakh)
i	Awaiting departmental and criminal investigation	488	495.38
ii	Departmental action initiated but not finalised	623	708.04
iii	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	33	20.34
iv	Awaiting orders for recovery or write off	501	198.97
v	Pending in the courts of law	151	293.87
Total		1796	1716.60

▶ 3.6 Conclusions and Recommendations

Audit of different Autonomous bodies, Panchayati Raj institutions and Urban Local Bodies during 2008-09 revealed that these bodies did not furnish Utilisation Certificates to the Administrative Departments by the stipulated date as required by the Orissa General Financial Rules. Administrative Departments did not furnish to the Principal Accountant General (Civil Audit) the information containing the list of

bodies/authorities, to whom grants and/or loans was paid, the purpose for which such assistance was paid and position of utilization of such assistance. Despite repeated comments in the earlier Audit Reports as many as 14 departmentally managed commercial entities did not prepare accounts up to 2008-09. As per reports of different departmental offices, 1796 cases of misappropriation, defalcation involving Government money of Rs 17.17 crore were pending for enquiry up to 25 years or more.



Bhubaneswar

(B R Khairnar)
Principal Accountant General (Civil Audit)
Orissa

Countersigned

New Delhi

(Vinod Rai)
Comptroller and Auditor General of India