

## CHAPTER III

### FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance by a State or Union Territory Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist State or Union Territory Governments in meeting their basic stewardship responsibilities, including strategic planning and decision making. This chapter provides an overview and status of the Union Territory Government's compliance with various financial rules, procedures and directives during the current year.

#### 3.1 Pendency in submission of Utilisation Certificates

Rule 212 of the General Financial Rules stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by departmental officers from the grantees within 12 months of the closure of the financial year. However, in respect of the grants paid up to March 2008, 1363 UCs for an aggregate amount of Rs 394.12 crore were not furnished by the grantees as of September 2009. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise pendency in submission of UCs is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of Utilisation Certificates**

Sl. No.	Pendency in number of years	Utilisation Certificates Outstanding	
		Number	Amount (Rs in crore)
1	0 – 1	467	131.80
2	1 – 3	488	209.91
3	3 – 5	183	25.13
4	5 – 7	94	19.66
5	7 – 9	72	5.58
6	9 and above	59	2.04
	<b>Total</b>	<b>1,363</b>	<b>394.12</b>

(Source: Compiled by Audit from the information furnished by the heads of departments)

Out of the above, 820 UCs for an aggregate amount of Rs 104.30 crore and 177 UCs for an aggregate amount of Rs 45.85 crore were not obtained by the Director of Local Administration and the Chief Town Planner respectively.

Non-receipt of UCs for huge amounts indicated that the departmental officers failed to ensure adherence to the terms and conditions governing release of grants by the grantee institutions.

### 3.2 Non-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 department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance was required and the total expenditure of these institutions.

The annual accounts of 37 autonomous bodies/authorities due up to 2007-08 had not been submitted to the Principal Accountant General (Civil Audit) as of October 2009. The list of bodies/authorities, from whom the accounts were not received, are given in **Appendix 3.2**. The list of bodies/authorities, from whom the accounts were not at all received since their inception, are given in **Appendix 3.3**. The age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise arrears of Annual Accounts due from Autonomous Bodies/Authorities**

Sl. No.	Pendency in number of years	Number of the Bodies/ Authorities
1	1 – 3	25
2	3 – 5	1
3	5 - 7	2
4	7 - 9	1
5	9 & above	8
<b>Total</b>		<b>37</b>

(Source: Compiled from the information furnished by the heads of departments)

Due to non-receipt of annual accounts from a substantial number of autonomous bodies/authorities which received Government assistances, the Government/heads of departments could not ensure that the bodies/authorities carried out the functions for which they were established and that they utilised the Government grants for the intended purposes.

### 3.3 Misappropriation, loss, defalcation, etc.

General Financial Rules 33 and 34 stipulate that heads of offices should report any loss or shortage of public moneys, property, etc., due to defalcation, misappropriation and theft to the next higher authority as well as to the Statutory Audit Officer.

The Union Territory Government departments reported 301 cases of misappropriation, loss, defalcation, etc., involving Government money amounting to Rs 746.86 lakh up to the period March 2009, on which final action was pending. The department-wise break-up of the pending cases and the nature of these cases are 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 etc., are summarised in **Table 3.3**.

**Table 3.3: Profile of Misappropriation, Loss, Defalcation, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved (Rupees in lakh)	Nature of the cases	Number of cases	Amount involved (Rupees in lakh)
0 - 5	41	441.76	Theft	290	630.91
5 - 10	84	297.97			
10 - 15	110	5.42	Misappropriation / Loss of material	11	115.95
15 - 20	66	1.71			
<b>Total</b>	<b>301</b>	<b>746.86</b>		<b>301</b>	<b>746.86</b>

(Source: Compiled from the information furnished by the heads of departments)

Reasons for which these cases are outstanding are given in **Table 3.4**.

**Table 3.4: Reasons for Outstanding Cases of Misappropriation, Loss, Defalcation, etc.**

Reasons for the pendency		Number of cases	Amount (Rupees in lakh)
i)	Awaiting departmental and criminal investigation	272	32.12
ii)	Departmental actions initiated but not finalised	4	2.75
iii)	Awaiting for orders for recovery or write off	8	18.45
iv)	Pending in Courts of law	17	693.54
	<b>Total</b>	<b>301</b>	<b>746.86</b>

(Source: Compiled from the information furnished by the heads of departments)

### 3.4 Conclusion

Heads of departments failed to ensure that the bodies/authorities carried out the functions for which they were established and that they utilised the Government grants for the intended purposes and furnished utilisation certificates and annual accounts in time.

Long pendency in settlement of cases of misappropriation, loss, etc., pointed to deficiencies in financial reporting and follow up.

### **3.5 Recommendations**

- Heads of departments should ensure prompt submission of utilisation certificates and annual accounts by the autonomous bodies/authorities.
- Government/heads of departments should expedite orders regarding recovery/write off of outstanding cases of misappropriation, defalcation, theft, loss etc., and initiate action for speedy completion of enquiries into pending cases.

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