

# Chapter 3

## Financial Reporting

A sound financial reporting system based on compliance with financial rules is one of the attributes of good governance. This Chapter provides an overview and status of the Government's compliance with various financial rules during the current year.

### ▶ 3.1 Delay in furnishing utilisation certificates (UCs)

Paragraph 369-H of the Financial Rules provides that the departmental officers should obtain UCs from the grantees in respect of the grants provided for specific purposes and forward these to the Accountant General not later than 18 months from the date of sanction of the grant.

However, 1,909 UCs for an aggregate amount of Rs. 1,013 crore (paid up to 2007-08) were in arrears as of September 2009. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1* and the age-wise delay in their submission is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of UCs**

(Rupees in crore)

Sl. No.	Range of delay in number of years	Total grants paid		UCs outstanding	
		Number	Amount	Number	Amount
1	0 - 1	4,684	14,801.02	1,376	898.83
2	1 - 3	1,085	560.89	443	101.55
3	3 - 5	438	44.60	NA	5.00
4	5 - 7	NA	NA	89	6.79
5	7 - 9	Nil			
6	9 & above	2	0.74	01	0.49
Total		6,209	15,407.25	1,909	1,012.66

Source: Concerned departments

Sugar Commissioner, Uttar Pradesh, Lucknow paid grants aggregating Rs 6.79 crore to the Sugar Mills during 2001-02. However, UCs were in arrears even after seven years. UC for Rs 60 crore which was transferred to the *Shakkar Vishesh Nidhi* in 2005-06 under Sugar Industries Promotion Policy was in arrear even after three years. Transport Department paid a grant of Rs 49 lakh to the UP State Road Transport

Corporation for construction of Nanakmatta Bus Depot (now in Uttaranchal) in 1998-99. However, UC was awaited even after ten years. Other major departments in default were Medical Education and Training (Rs 316.58 core), Urban Development (Rs 238.83 core), Fisheries (Rs 199.42 core), Industries (Rs 40.20 core) and Cooperative Societies (Rs 15.74 core).

### ▶ 3.2 Delays in submission of Accounts/ Audit Reports of autonomous bodies

The audit of accounts of eight autonomous bodies<sup>1</sup> has been entrusted to the C&AG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature are given in **Appendix 3.2**. The delay in submission of accounts to Audit is summarised in **Table 3.2**.

**Table 3.2: Delays in submission of accounts**

Delays in submission of accounts (In months)	No. of autonomous bodies	Reasons for the delay
1 - 6	4	Jal Sansthan at Jhansi, Allahabad, Varanasi and Chitrakoot have not submitted their accounts for 2008-09 despite reminders.
12 - 18	2	Jal Sansthan at Kanpur and Lucknow have not submitted their accounts for 2007-08 and 2008-09 despite reminders.
24 & above	2	Jal Sansthan, Agra has not submitted its accounts for 2005-06, 2006-07, 2007-08 and 2008-09 despite reminders. Khadi and Gramodyog Board, Lucknow has not submitted its account for 2006-07, 2007-08 and 2008-09 despite reminders.
<b>Total</b>	<b>8</b>	

Delayed submission of accounts is fraught with risk of fraud and leakage of funds.

### ▶ 3.3 Departmental commercial/quasi commercial undertakings

Departmental commercial undertakings prepare *pro forma* accounts in prescribed format annually showing the working results of financial operations and efficiency in their business. The accounts should be submitted to the Accountant General for audit within three months from the month of closure of accounts.

As of March 2009, there were ten such undertakings in the State. Five of these had not prepared their *pro forma* accounts up to 2007-08. The department-wise position of arrears of accounts is given in **Appendix 3.3**. The State Pharmacy of Ayurvedic and Unani Medicine and Criminal Tribes Settlement Tailoring Factory with a Government investment of Rs 13 lakh (as per their latest accounts), had not prepared their accounts

<sup>1</sup>Jal Sanasthan at Jhansi, Allahabad, Agra, Varanasi, Kanpur, Chitrakoot Dham Banda, Lucknow and Khadi Gramodyog Board, Lucknow

since 1988-89 and 1980-81 respectively. Similarly, *pro forma* accounts of the Public Distribution System with a Government investment of Rs 531.10 crore were not prepared since 2006-07. As a result, Government investments remained beyond the scrutiny of Audit/State Legislature. Non- preparation of accounts also exposed the system to risk of fraud and leakage of funds.

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

As per Paragraph 82 of the Financial Rules, defalcation or loss should be immediately reported to the Accountant General even though made good by the person responsible for it.

Till 2008-09, 159 such cases involving Rs 7.19 crore were reported. The department-wise break up of pending cases and their age wise analysis is given in *Appendix 3.4*. The nature of these cases is given in *Appendix 3.5*. The age-profile of the pending cases under each category i.e theft and misappropriation/loss 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			Nature of the pending cases		
Range in years	Number of cases	Amount involved (Rs in lakhs)	Nature/Characteristics of the cases	Number of cases	Amount involved (Rs in lakhs)
0 - 5	30	221.10	Theft	87	33.41
5 - 10	17	27.15			
10 - 15	44	77.22	Misappropriation/Loss of material	72	685.77
15 - 20	22	25.64			
20 - 25	31	26.72	Total	159	719.18
25 & above	14	340.94	Cases written off during the year	1	0.41
<b>Total</b>	<b>158</b>	<b>718.77</b>	<b>Total pending cases</b>	<b>158</b>	<b>718.77</b>

Source: Concerned departments

Out of 159 cases involving Rs 7.19 crore, one case (*Appendix 3.6*) involving Rs 41 thousand was written off during 2008-09 and remaining 158 cases were pending as of March 2009 for various reasons as listed in **Table 3.4**.

**Table 3.4: Reasons for pending cases of misappropriations, losses, defalcations, etc.**

Reasons for the delay/outstanding cases		Number of cases	Amount (Rs in lakh)
i	Awaiting departmental and criminal investigation	15	99.32
ii	Departmental action initiated but not finalised	99	109.51
iii	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	1	0.67
iv	Awaiting orders for recovery or write off	9	6.69
v	Pending in the courts of law	34	502.58
<b>Total</b>		<b>158</b>	<b>718.77</b>


### ▶ 3.5 Conclusion

The Government's compliance with various financial rules and procedures relating to submission of UCs, accounts by autonomous bodies and Government undertakings and disposal of cases of losses, misappropriations, etc. was deficient. The UCs in respect of huge amount were not obtained from the grantees. One Departmental Commercial Undertaking had not prepared its *pro forma* accounts for over twenty five years. Besides, a large number of cases of misappropriations, etc., involving huge amount of Government money were pending either for recovery or write off.

### ▶ 3.6 Recommendations


Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc. should be expedited to bring the defaulters to book. For this purpose, the internal controls in the various departments should be strengthened to prevent recurrence of such cases. Besides, the Government should issue instructions to all the grantees emphasising the timely submission of the utilisation certificates.

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