

FINANCIAL REPORTING

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 Utilization Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise. However, out of the 590 UCs due in respect of grants and loans aggregating to Rs.281.86 crore were in arrears till 2008-09. The age-wise delays in submission of UCs have been summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilization Certificates

Sl. No.	Range of Delay in Number of Years	Total grants paid		Utilization Certificates Outstanding	
		Number	Amount	Number	Amount
1.	0 - 1	-	-	-	-
2	1 – 3 (2008-09)	394	176.82	394	176.82
3	3 – 5 (2007-08)	196	105.04	196	105.04
4	5 - 7	-	-	-	-
5	7 - 9	-	-	-	-
6	9 & above				
Total		590	281.86	590	281.86

3.2 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare pro forma 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 undertakings 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 the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of September 2009, there were three such undertakings out of which two had not prepared accounts up to 2007-08. The department-wise position of arrears in preparation of pro forma accounts and investment made by the Government are given in **Appendix 3.1**

3.3 Misappropriations, losses, defalcations, etc.

State Government reported 8 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs.0.43 crore up to the period August 2008 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.2** and nature of these cases is given in **Appendix 3.3**. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarized 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	08	43.38	Theft	01	2.33	
5 - 10	---	---				
10 - 15	---	---	Misappropriation/Loss of material	07	41.05	
15 - 20	---	---				
20 - 25	---	---				
25 & above	---	---	Total	08	43.38	
			Cases of Losses Written off during the Year	---	---	
Total	08	43.38	Total Pending cases	08	43.38	

3.4 Conclusion

State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilization certificates against the loans and grants from various grantee institutions.

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