

## 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 Utilisation Certificates

Subsidiary rule 330A under the West Bengal Treasury Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees within one year from the date of release of grant, unless specified otherwise, and after verification, these should be forwarded to the Accountant General. However, of the 64354 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 14428.60 crore paid up to December 2007, 64301 UCs (99.91 per cent) for an aggregate amount of Rs 14323.70 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise delays in submission of UCs is summarised in **Table 3.1**.

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

*(Rupees in crore)*

Sl. No.	Range of Delay in Number of Years	Total grants paid		Utilisation Certificates Outstanding	
		Number	Amount	Number	Amount
1	0 - 1	-	-	-	-
2	1 - 3	97985	16184.81	30013	7133.16
3	3 - 5	45078	8736.52	24600	4974.59
4	5 - 7	15624	3011.03	9688	2215.95

Source: VLC : Accountant General (A&E)

Of 9688 number of cases involving Rs 2215.95 crore remaining outstanding for more than five years, 5187 number of cases involving Rs 1254.99 crore pertained to Education Department alone. Besides, 1117 number of cases involving Rs 59.94 crore related to Panchayat and Rural Development Department while 1633 number of cases involving Rs 444.01 crore pertained to Municipal Affairs Department.

### 3.2 Non-submission/delay in 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 purpose of assistance granted and the total expenditure of the institutions. Examiner of Local accounts, West Bengal, under the Accountant General (Receipts, Works and Local Bodies Audit), West Bengal is the statutory Auditor of Autonomous Local Bodies. Out of 83<sup>1</sup> bodies/authorities, 87 annual accounts of 48 bodies/authorities were received and were audited<sup>2</sup> during 2008-09. The accounts so audited pertained to the period from 2002-03 to 2007-08.

<sup>1</sup> Universities : 10, District Primary School councils : 19, District library authorities : 18, Fish Farmers' Development Agencies : 18, Educational institutions : 3, Other Institutions/Bodies : 15

<sup>2</sup> including transaction audit of 154 accounts

Two hundred eleven (211) annual accounts of 45 autonomous bodies/ authorities due up to 2007-08 had not been received as of June 2009 by the Examiner of Local accounts, West Bengal, under the Accountant General (Receipts, Works and Local Bodies Audit), West Bengal. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**

**Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies**

Delay in Number of Years	No. of the Bodies/ Authorities*
0 - 1	7
1 - 3	5
3 - 5	16
5 - 7	13
7 - 9	2
9 & above	2

Source: VLC : Accountant General (A&E)

\*As grants released to Urban Local Bodies/Urban Development Authorities are not classified separately and since all the units are not audited in a particular year, complete picture of grants released is not readily available.

Grants aggregating Rs 128.05 crore, meant for development purposes were lying unspent with the 30 bodies (one University, 13 District Primary School Councils, four Fish Farmer Development Authorities and 12 District Library Authorities) whose accounts for varying periods between 2002-03 and 2007-08 were audited during 2008-09. The details are given in **Appendix 3.3**. The concerned bodies did not furnish reasons for non utilisation and non refund of the Government grants. There was nothing on record to show whether any action have been taken to adjust/refund the unutilised grants.

### 3.3 Delays in Submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in various fields namely, area development, animal resources, human rights, legal services, housing etc. A large number of these bodies are audited by the CAG 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 36 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 3.4**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of Audit to CAG is summarised in **Table 3.3**.

**Table 3.3: Delays in Submission of Accounts and tabling of Separate Audit Reports**

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies
0 - 1	4	0 - 1	1
1 - 6	7	1 - 2	4
6 - 12	4	2 - 3	-
12 - 18	2	3 - 4	-
18 - 24	-	4 - 5	1
24 & above	22	5 & above	1
Total	39		7

Source: Concerned Department

### 3.4 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 June 2009, there were 19 such undertakings out of which five had not prepared their accounts since inception and four had finalised their accounts up to 2007-08. Whereas the remaining 10 units were in arrears ranging from one to 23 years. The Comptroller and Auditor General had repeatedly commented in the Audit Reports of the State on the failure of the Heads of Departments and the management of undertakings in timely preparation of pro forma accounts. Principal Accountant General (Audit) had also been periodically reminding Principal Secretary (Finance) and the Secretaries of the concerned departments in this matter. During the period July 2008 to June 2009, nine undertakings finalised 31 pro forma accounts (for the years 2007-08 and earlier), as against 16 pro forma accounts finalised during July 2007 to June 2008. Consequently, there was hardly any accountability of the Management and Government in respect of public funds spent by these undertakings.

The department-wise position of arrears in preparation of pro forma accounts and investment made by the Government therein are given in **Appendix 3.5**. It appears that Fourteen undertakings were incurring losses continuously for more than five years. Accumulated loss as per latest accounts received up to June 2009 amounted to Rs 17990.07 crore.

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

As per Rule 39 of the West Bengal financial rules, any loss of public money, departmental revenue or receipts, stores or other property, caused by defalcation or otherwise, should be immediately reported to the Accountant General. On the other hand, if the irregularity be detected by Audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned.

No such intimation was, however, furnished by the State Government since 2001. As of March 2009, there were 1063 cases<sup>3</sup> reported of misappropriation, defalcation, etc. involving Government money amounting to Rs 97.84 crore on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.6** and nature of these cases is given in **Appendix 3.7**. 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 3.4**.

<sup>3</sup> Excluding cases included in the Civil Audit Reports as separate audit paragraphs, progress of which are monitored separately

**Table 3.4: 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	148	6120.07	Theft	275	1145.31
5 - 10	167	2634.24			
10 - 15	160	703.08	Misappropriation/ Loss of material	789	8639.26
15 - 20	67	210.25			
20 - 25	55	50.76	Total	1064	9784.57
25 & above	463	65.85	Cases of Losses Written off during the Year	1	0.32
Total	1063	9784.25	Total Pending cases	1063	9784.25

Source: Detected by Audit and as reported by DDOs

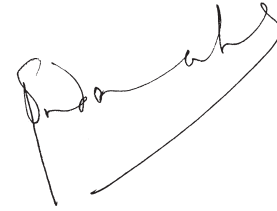
### 3.6 Conclusions

For ensuring proper utilisation of Government assistance received by autonomous bodies as well as for giving a true and fair picture of the activities/ performance of those bodies, timely submission of annual accounts assumes utmost importance. However, non receipt of 211 Annual Accounts of 45 autonomous bodies/authorities (audit of which are conducted by Examiner of Local Accounts) and delay/failure in submission of Separate Audit Reports on some of the bodies in the Legislative Assembly diluted the said control. This also indicated breach of legislative control over spending of public money. There were considerable delays in finalising pro forma accounts of departmentally managed commercial undertakings indicating laxity in the accountability mechanism of both the management and Government in respect of public funds invested in those undertakings. Thus, proper internal financial reporting, which is a tool for the Government for efficient and effective governance, was compromised.

### 3.7 Recommendations

- *Concerned Departments should take immediate steps for submission of outstanding accounts of autonomous bodies without further delay.*
- *Effective steps need to be taken to ensure timely placement of separate Audit Reports before the State Legislature.*

- *A suitable mechanism should be in place for consolidation of cases of misappropriation/ defalcation and regular intimation of the same to Accountant General in accordance with relevant provisions of West Bengal Financial Rules.*



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