

CHAPTER-III

FINANCIAL REPORTING

A sound internal financial reporting system 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 compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic 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

The Chhattisgarh State Financial Code (Rules 182, 229F) provides that Utilisation Certificates (UCs) for grants provided for specific purposes should be obtained by the departmental officers from the grantees and forwarded to the Accountant General after verification within 18 months from the date of their sanction unless specified otherwise. However, of the 11849 UCs due for grants aggregating ₹ 4,054.19 crore paid for the years 2007-08 and 2008-09, 11553 UCs amounting to ₹ 3,983.55 crore pertaining to various major heads were pending as detailed in *Appendix-3.1*.

In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given.

3.2 Misappropriations, losses, defalcations, etc.

Rules 22 and 23 of the Financial Code provide that each and every case of loss, misappropriation and defalcation should be intimated to the Accountant General. Of such cases reported by the State Government, 1828 cases amounting to ₹ 24.75 crore were pending for final action at the year ended March 2010. Year-wise analysis of cases is shown in *Appendix-3.2*. The department-wise and category-wise break up of pending cases is given in *Appendix-3.3*. The age-profile of the pending cases and the number of cases pending in each category viz. theft and misappropriation/loss are summarized in *Table-3.1*.

Table-3.1: Profile of Misappropriations, losses, defalcations, etc.

(₹ in crore)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature of the case	Number of cases	Amount involved
0 – 5	457	11.65	Theft	160	0.74
5 – 10	337	4.79	Misappropriation/ Loss of material	1668	24.01
10 – 15	275	5.60			
15 – 20	253	1.57	Total pending cases	1828	24.75
20 – 25	226	0.60			
25 & above	280	0.54			
Total	1828	24.75			

(Source: Cases reported by the departments of the State Government)

Further analysis indicates that the reasons for which the cases were outstanding could be classified under the five categories listed in the following table.

Table-3.2: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.

(₹ in crore)

Sl. No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount
1	Awaiting departmental and criminal investigation	253	1.98
2	Departmental action initiated but not finalized	199	1.19
3	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	20	0.11
4	Awaiting orders for recovery or write off	1305	20.50
5	Pending in the courts of law	51	0.97
	Total	1828	24.75

(Source : Information received from the departments of the State Government)

3.3 Conclusion

Non-submission of 11553 UCs amounting to ₹ 3,983.55 crore by recipients of grant-in-aid (GIA) indicated lack of a proper monitoring mechanism in the concerned departments. This also indicates release of GIA by the departments in successive years without receiving UCs of the previous years. Out of 1828 pending cases of misappropriation, loss, defalcation etc., 199 cases involving ₹ 1.19 crore were pending for want of finalization of departmental investigations and of the total pending cases, 506 cases involving ₹ 1.14 crore were pending for more than 20 years.

3.4 Recommendations

Departments should keep a strict vigil on the receipt of UCs from grantee institutions. Departmental enquiries in cases involving misappropriations, losses, defalcations etc., should be expedited. Internal controls in all the organizations should be strengthened to prevent such cases.

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