

Chapter 3 Financial Reporting

Sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliances are also attributes of good governance. 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 Delays 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 by the end of the subsequent financial year, unless specified otherwise. However, of the 8,273 utilization certificates (UC) due in respect of grants and loans aggregating ₹8,280 crore paid up to 2009-10, 5,322 UCs (64 per cent) for an aggregate amount of ₹5,824 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position of delays in submission of UCs is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilization Certificates

Sl. No.	Range of Delay in Number of Years	₹ in Lakh			
		Total grants paid		Utilization Certificates Outstanding	
		Number	Amount	Number	Amount
1.	0 – 1	976	2,56,924.42	966	2,56,311.19
2.	1 – 3	2545	2,28,430.12	1357	2,22,780.60
3.	3 – 5	4651	3,41,306.78	2898	1,02,027.37
4.	5 – 7	101	1,297.69	101	1,297.69
	Total	8273	8,27,959.01	5322	5,82,416.85

Out of grants amounting to ₹ 5,824 crore for which UCs were due, ₹ 0.41 crore pertained to the Urban Development and Urban Housing Department for the years 2004-05 to 2005-06. It was further seen that in the case of the Health & Family Welfare Department, 120 UCs involving grants of ₹ 16.86 crore were outstanding for the years 2003-04 to 2005-06.

➤ 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/Head of Department is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes for which assistance was given, and the total expenditure of the institutions. The accounts of 73 Autonomous Bodies/Authorities received for the year 2009-10 attracted audit by the Comptroller and Auditor General of India. The bodies/authorities, audit of which was due, were audited during 2009-10.

A total of 391 annual accounts of 139 autonomous bodies/ authorities due up to 2009-10 were not received as of 01 October 2010 by the Accountant General (Audit). 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

Sl. No.	Delay in Number of Years	No. of the Bodies/ Authorities
1	0 – 1	16
2	1 – 3	69
3	3 – 5	39
4	5 – 7	13
5	7 – 9	1
6	9 & above	1
Total		139

It can be seen from the above table that in respect of 15 Autonomous Bodies/Authorities, accounts were in arrears for more than five years. Of these, the accounts of Gujarat University were in arrears since 1999-2000 and the accounts of Gujarat Tribal Development Corporation since 2002-03.

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

Several autonomous bodies have been set up by the State Government in the various field of area development, housing etc. A large number of these bodies are audited by the CAG by verification of their transactions, operational

activities and accounts; conducting of regulatory compliance audit of transactions, review of internal management and financial control; review of systems and procedures etc. The audit of accounts of Autonomous 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 Reports (SARs) and their placement in the Legislature are indicated in **Appendix 3.3**. The frequency distribution of Autonomous Bodies according to the delays in submission of accounts to Audit and placement of SARs in the Legislature after the entrustment of Audit to CAG is summarized 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 – 6	10	0 – 1	8
6 – 12	5	1-2	3
12 – 18	-	2-3	-
18 – 24	4	3-4	-
24 & above	3	4-5	1
Total	22		12

Out of 25 Autonomous Bodies, SARs were not required to be placed before the Legislature in respect of 17 Authorities (Refer Appendix 3.3- under Section 20(1)). Only three rendered their accounts in time. For the remaining 22, the periods of delay are given in **Appendix 3.3**. With respect to submission of SARs to the Legislature, the periods of delay are given in **Table 3.3**.

➤ **3.4 Misappropriations, losses, defalcations, etc.**

The State Government reported 182 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹877.43 lakh of which five cases involving ₹16.49 lakh had been closed during the year, resulting in a balance of 177 cases with money value of ₹860.94 lakh as on 31 March, 2010, on which final action was pending. Two cases involving ₹3.72 lakh had been written off, the details of which are given in **Appendix 3.6**. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. 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**.

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 (₹ in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in lakh)
0 – 5	26	98.45	Theft	44	29.75
5 – 10	34	666.66			
10 – 15	22	24.33			
15 – 20	28	35.12			
20 – 25	11	3.92			
25 & above	56	32.46	Misappropriation/ Loss of material	133	831.19
Total	177	860.94	Total	177	860.94

Reasons for which these cases are outstanding are given in **Table 3.5**.

Table 3.5: Reasons for Outstanding Cases of Misappropriations, Losses, Defalcations, etc

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	35	342.35
ii)	Departmental action initiated but not finalised	42	29.15
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	16	4.37
iv)	Awaiting orders for recovery or write off	23	14.21
v)	Pending in the courts of law	60	467.48
vi)	Others	1	3.38
Total		177	860.94

Out of the total 177 cases involving ₹ 860.94 lakh outstanding, 35 cases amounting to ₹ 342.35 lakh were awaiting departmental action/ criminal investigation which needed to be speeded up. Sixty cases involving ₹467.48 lakh were pending with the courts of law, including a case of ₹3.43 crore pertaining to the Roads and Buildings Department.

➤ **3.5 Conclusion and Recommendations**

Conclusion

Of the 8273 utilization certificates (UCs) due in respect of grants and loans aggregating ₹8,280 crore paid up to 2009-10, 5,322 UCs (64 per cent) for an aggregate amount of ₹5,824 crore were in arrears. In respect of 139 Government Bodies/Authorities, 391 annual accounts were due upto 2009-10. Out of the above, one body's accounts were in arrears since 1999-2000 and that of another, since 2002-03. There were delays in submission of accounts of 22 out of 25 Autonomous Bodies. There were delays in placement of Separate Audit Reports in the Legislature in respect of the seven Autonomous Bodies which were required to do so. In respect of two Autonomous Bodies; the

delays were over four years. The State Government reported 177 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹8.61 crore up to the period March 2010 on which final action was pending.

Recommendation

Departmental enquiries in all misappropriation cases should be expedited to bring the defaulters to book. The internal controls in all the departments should be strengthened to prevent such cases in future. The Government should also ensure timely receipt of utilization certificates against the financial assistance provided to grantee institutions.

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