

A sound internal financial reporting system and the availability of 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.

Jharkhand Financial Rules provide that for the grants provided during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 12 months from the date of their sanction unless specified otherwise. However, of the 3391 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 4975.13 crore paid up to 2008-09, 3116 UCs (92 *per cent*) for an aggregate amount of Rs 4327.71 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 summarized in **Table 3.1**.

Table3.1: Age-wise arrears of Utilization Certificates

| Sl. No. | Range of Delay in Number of Years | Utilization Certificates Outstanding | |
|---------|-----------------------------------|--------------------------------------|----------------------|
| | | Number | Amount (Rs in crore) |
| | 0 – 1 | 656 | 1036.39 |
| | 1 – 3 | 1239 | 1198.23 |
| | 3 – 5 | 804 | 1052.18 |
| | 5 – 7 | 191 | 612.64 |
| | 7 – 9 | 226 | 428.27 |
| | Total | 3116 | 4327.71 |

Against the grants, provided to various departments for specific purposes, UC amounting to Rs 1040.91 crore were outstanding at the end of March 2009 for more than five years, Rs 428.27 crore were outstanding against seven to nine years old grants. Despite such a huge outstanding UC bills of Rs 4327.71 crore, fresh grants were released by the departments regularly in each year

which was indicative of failure of internal control system and may be resulted in misutilisation of government money.

Non receipt of UCs for huge amounts indicates that the departmental officers failed to comply with rules and procedures to ensure accountability of the agencies that received the Government Funds.

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. The accounts of nine bodies/authorities received for the year 2007-08, attracted audit by the Comptroller and Auditor General of India. Audit of those bodies was not taken up in 2008-09, however, it will be started in the next financial year.

A total of annual accounts of 56 autonomous bodies/ authorities due up to 2007-08 had not been received as of 31 March 2009 by the Accountant General (Audit). The details of these accounts age-wise pendency of these accounts 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 | Nil |
| 1 - 3 | 11 |
| 3 - 5 | 21 |
| 5 - 7 | 24 |
| 7 - 9 | Nil |
| Total | 56 |

As given in **Table 3.2** It can be seen from the above table than that in respect of 24 autonomous bodies/ authorities submission of accounts were delayed between five to seven years, whereas, accounts of 21 autonomous bodies/authorities were delayed between three to five years.

3.3 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 opens 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 2008-09, there were 29 such undertakings and non of them had prepared their accounts up to 2007-08. The Comptroller and Auditor General of India has repeatedly commented about the arrears in preparation of accounts in State Reports (Civil Audit) but there is no improvement so far in preparation of pro forma accounts by these undertakings.

3.4 Conclusion

Submission of utilisation certificates, annual accounts, proforma accounts etc. by the State institutions/bodies are the basic inputs of financial reporting and their timely submission and quality of reporting is necessary for effective and good governance. However, neither UCs nor any accounts were submitted by those institutions/bodies on time and in complete form which restricted the State Government to take appropriate steps required for ensuring accountability and improving efficiency.

3.5 Recommendations

Heads of department should initiate prompt action to submit Utilisation Certificates and ensure that all grantee institutions and the departmental commercial undertakings submit their annual accounts in time.

Ranchi,
The



(RAKESH KUMAR VERMA)
Principal Accountant General (Audit)
Jharkhand

Countersigned

New Delhi,
The



(VINOD RAI)
Comptroller and Auditor General of India