

CHAPTER III

FINANCIAL REPORTING

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist State or Union Territory Governments in meeting their basic stewardship responsibilities, including strategic planning and decision making. This chapter provides an overview and status of the Union Territory Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees within 12 months of the closure of the financial year. However, in respect of the grants paid up to March 2009, 1629 UCs for an aggregate amount of ₹ 354.13 crore were not furnished by the grantees as of September 2010. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise pendency in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

Sl. No.	Range of delay in number of years	Utilisation Certificates Outstanding	
		Number	Amount (₹ in crore)
1	0 – 1	608	166.63
2	1 – 3	510	106.70
3	3 – 5	249	49.58
4	5 – 7	129	15.32
5	7 – 9	53	13.55
6	9 and above	80	2.35
	Total	1,629	354.13

(Source: Compiled by Audit from the information furnished by the heads of departments)

Out of 1629 UCs worth ₹ 354.13 crore pending as of September 2010, 1367 UCs (84 *per cent*) involving ₹ 322.91 crore were pending for periods ranging from one to five years while 262 UCs involving ₹ 31.22 crore were pending for more than five years. Pendency of 957 UCs for an aggregate amount of ₹ 147.80 crore and 198 UCs for an aggregate amount of ₹ 33.18 crore

pertained mainly to the Director of Local Administration and the Chief Town Planner respectively.

Non-receipt of UCs for huge amounts indicated that the departmental officers failed to ensure adherence to the terms and conditions governing release of grants by the grantee institutions. Further, in the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which they were given.

3.2 Non-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 purposes for which the assistance was required and the total expenditure of these institutions.

The annual accounts of 31 autonomous bodies/authorities due up to 2008-09 had not been submitted to the Principal Accountant General (Civil Audit) as of September 2010. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**. In addition, the list of bodies/authorities, from whom the accounts were not at all received since their inception, are given in **Appendix 3.3**.

Table 3.2: Age-wise arrears of Annual Accounts due from Autonomous Bodies/Authorities

Sl. No.	Pendency in number of years	Number of the Bodies/ Authorities
1	0 – 1	14
2	1 – 3	16
3	3 – 5	Nil
4	5 – 7	1
Total		31

(Source: Compiled from the information furnished by the heads of departments)

Due to non-receipt of annual accounts from a substantial number of autonomous bodies/authorities which received Government assistances, the Government/heads of departments could not ensure that the bodies/authorities carried out the functions for which they were established and that they utilised the Government grants for the intended purposes.

3.3 Misappropriation, loss, defalcation, etc.

General Financial Rules 33 and 34 stipulate that heads of offices should report any loss or shortage of public moneys, property, etc., due to defalcation, misappropriation and theft to the next higher authority as well as to the Statutory Audit Officer.

The Union Territory Government departments reported 299 cases of misappropriation, loss, defalcation, etc., involving Government money amounting to ₹ 747.63 lakh up to the period March 2010, on which final action was pending. The department-wise break-up of the pending cases and the nature of these cases are given in **Appendix 3.4**. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss etc., are summarised in **Table 3.3**.

Table 3.3: Profile of misappropriation, loss, defalcation, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
0 - 5	34	439.83	Theft	291	635.58
5 - 10	88	296.92			
10 - 15	111	9.17	Misappropriation / Loss of material	8	112.05
15 - 20	66	1.71			
Total	299	747.63		299	747.63

(Source: Compiled from the information furnished by the heads of departments)

Further analysis of these cases indicates the reasons for outstanding as given in **Table 3.4**.

Table 3.4: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.

Reasons for the pendency		Number of cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	259	46.14
ii)	Departmental actions initiated but not finalised	13	4.64
iii)	Awaiting orders for recovery or write off	10	3.31
iv)	Pending in Courts of law	17	693.54
	Total	299	747.63

(Source: Compiled from the information furnished by the heads of departments)

3.4 Conclusion and Recommendations

Heads of department failed to ensure that the bodies/authorities carried out the functions for which they were established and that they utilised the Government grants for the intended purposes and furnished utilisation certificates and annual accounts in time.

Heads of Department should ensure prompt submission of utilisation certificates and annual accounts by the autonomous bodies/authorities.

Long pendency in settlement of cases of misappropriation, loss, etc., pointed to deficiencies in financial reporting and follow up.

Government/Heads of Department should expedite orders regarding recovery/write-off of outstanding cases of misappropriation, defalcation, theft, loss, etc., and initiate action for speedy completion of enquiries into pending cases.

Chennai
The

(REVATHI BEDI)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India