

A sound internal financial reporting system and the availability of relevant and reliable information significantly contributes to efficient and effective governance by a 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

The Jharkhand Financial Rules provide that if grants are 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. However, 2802 UCs due in respect of grants and loans aggregating ₹ 3920.49 crore paid up to 2008-09, were in arrears at the end of March 2010. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The year-wise delay in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Year-wise arrears of Utilisation Certificates

| Sl. No. | Year | Utilisation Certificates Outstanding | |
|---------|---|--------------------------------------|---------------------|
| | | Number | Amount (₹ in crore) |
| 1 | Upto to 2007-08 (GIA sanctioned upto 2006-07) | 1441 | 2093.66 |
| 2 | 2008-09 (GIA sanctioned during 2007-08) | 566 | 649.09 |
| 3 | 2009-10 (GIA sanctioned during 2008-09) | 795 | 1177.74 |
| | Total no of UCs awaited | 2802 | 3920.49 |

Non-receipt of UCs for huge amounts indicates that the departmental officers failed to comply with the rules and procedures to ensure accountability of the agencies that received 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 annual accounts of a total of 60 autonomous bodies/ authorities due up to 2008-09 had not been received as of 31 March 2010 by the Principal Accountant General (Audit). The 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 | 20 |
| 1 – 3 | 8 |
| 3 – 5 | 31 |
| 5 – 7 | 1 |
| 7 – 9 | Nil |
| Total | 60 |

As given in **Table 3.2**, it can be seen that in respect of 28 autonomous bodies/ authorities submission of accounts were delayed between one to three years, whereas the accounts of 32 autonomous bodies/authorities were delayed by three to seven years.

3.3 Grants-in-aid

Rule 340 of Jharkhand Financial Rules enjoins that grants-in-aid can be given to a person or a body which is independent of the Government. One department of the Government cannot give grants-in-aid to another department of the same Government. However, it was noticed that out of grants-in-aid paid from the Consolidated Fund of Jharkhand amounting to ₹ 2332.94 crore in financial year 2009-10, a sum of ₹ 934.64 crore was drawn by officers of Government departments, instead of making payments to the grantee bodies directly.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma 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 leave the system vulnerable to risk of fraud and leakage of public money.

Heads of Departments in the Government are to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified time frame. As of 2009-10, there were 31 such undertakings, none of whom had submitted their accounts up to 2008-09 to the Principal Accountant General (Audit). The Comptroller and Auditor General of India has repeatedly commented on the arrears in preparation of accounts in State Audit Reports but there had been no improvement so far in preparation and submission of pro forma accounts by these undertakings.

3.5 Conclusion

Utilisation certificates and accounts were not submitted by State institutions/bodies on time and in complete form, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations. Departmental commercial undertakings did not submit their annual accounts in time

3.6 Recommendations

Heads of departments 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. Grants-in-aid should be given to grantee bodies directly to provide assistance in time

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