

CHAPTER III

FINANCIAL REPORTING

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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 2010, 1504 UCs for an aggregate amount of ₹ 401.41 crore were not furnished by the grantees as of September 2011. 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	544	207.23
2	1 – 3	496	95.60
3	3 – 5	244	58.35
4	5 – 7	107	17.00
5	7 – 9	55	19.30
6	9 and above	58	3.93
	Total	1504	401.41

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

Out of 1,504 UCs worth ₹ 401.41 crore pending as of September 2011, 1,284 UCs (85 *per cent*) involving ₹ 361.18 crore were pending for periods ranging from one to five years, while 220 UCs involving ₹ 40.23 crore were pending for more than five years. Pendency of 834 UCs for an aggregate amount of ₹ 142.21 crore and 189 UCs for an aggregate amount of ₹ 94.98 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 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 30 autonomous bodies/authorities due up to 2009-10 had not been submitted to the Principal Accountant General (Civil Audit) as of September 2011. 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

Serial Number	Pendency in number of years	Number of the Bodies/Authorities
1	1 – 3	19
2	3 – 5	11
3	5 – 7	Nil
Total		30

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

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 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances and disburse them to Government servants for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of the UT Government. According to Rule 292 (2) of the General Financial Rules (GFRs), adjustment bills along with balances, if any, should be submitted by the DDOs within 15 days of the drawal of advances, failing which the advances/balances would be recovered from the next salary of the Government servants.

As of 31 March 2011, advances aggregating ₹ 278.81 crore were pending for adjustment by the DDOs as per the records of the Director of Accounts and Treasuries, Puducherry. Age-wise analysis of pending advances is given in **Table 3.3**.

Table 3.3 : Age-wise Analysis of Pending Advances

Sl. No	Pendency	Number of advances	Amount (₹ in crore)
1.	More than 10 years	37	1.16
2.	More than five years but less than 10 years	275	15.60
3.	More than one year but less than five years	688	158.11
4.	Less than one year	592	103.94
Total		1,592	278.81

(Source: Data furnished by the Director of Accounts and Treasuries)

The pendency indicated laxity on the part of the departmental officers in enforcing the codal provisions regarding adjustment of the advances involving substantial amounts.

3.4 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 293 cases of misappropriation, loss, defalcation, etc., involving Government money amounting to ₹ 766.31 lakh up to March 2011, 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 3.4**.

Table 3.4 : 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	24	392.38	Theft/Loss of material	287	633.05
5 - 10	78	358.42			
10 - 15	110	9.05	Misappropriation	6	133.26
More than 15	81	6.46			
Total	2933	766.31	Total	2933	766.31

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

The reasons for the outstanding are given in **Table 3.5**.

Table 3.5: 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	252	62.67
ii)	Departmental actions initiated but not finalised	13	3.04
iii)	Awaiting orders for recovery or write off	10	3.31
iv)	Pending in Courts of law	18	697.29
	Total	2933	766.31

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

3.5 Conclusion and Recommendations

There was large scale pendency in furnishing of Utilisation Certificates by various grantee institutions for grants-in-aid of ₹ 401.41 crore. The pendency ranged from one to more than nine years. Thirty autonomous bodies/authorities had not submitted to Audit their annual accounts due for the period upto 2009-10 as of September 2011. The Union Territory Government departments reported 293 cases of misappropriation, loss, defalcation, etc., involving Government money of ₹ 7.66 crore up to March 2011. Final action

on these cases was pending for periods ranging from one to more than 15 years.

Heads of Department should ensure prompt submission of Utilisation Certificates and annual accounts by the autonomous bodies/authorities. Government/Heads of Department should expedite orders regarding recovery, write off, etc., of the outstanding cases of misappropriation, theft, loss, etc., and initiate action for speedy enquiries into the pending cases.

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