

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 by a State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist State Governments in meeting their basic stewardship responsibilities, including strategic planning and decision-making. This chapter provides an overview of the State Government's compliance with some of the financial rules, procedures and directives during 2012-13.

3.1 Delay in furnishing of Utilisation Certificates

Article 210A of the Tamil Nadu Financial Code provided that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the organisations to whom grants were given and after verification, the UCs should be forwarded to the Principal Accountant General (Accounts & Entitlements) (PAG (A&E)) within 18 months from the date of release of the grants, unless specified otherwise.

It was found that in respect of grants released up to 2011-12, 38 UCs for ₹ 203.52 crore were not furnished by the grantees as of September 2013. Department/Chief Controlling Officer-wise break-up of outstanding UCs is given in **Appendix 3.1** and the year-wise analysis of delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Year-wise position of the Utilisation Certificates

Period	Utilisation certificates outstanding	
	Number	Amount (₹ in crore)
2011-12	25	136.49
2007-11	13	67.03
Total	38	203.52

(Source: Compiled from the information furnished by the Principal Accountant General (A&E), Tamil Nadu)

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

Further, it was noticed in the following cases (**Table 3.2**) that utilisation certificates were issued by State Government departments to GoI, based on transfer of funds to implementing agencies, even before actual expenditure was incurred.

Table 3.2: UCs given before incurring expenditure

Sl. No.	Department	Name of the Scheme	Sanctio ned by GoI in	UC given in	Amount involved (₹ in lakh)
1	Commissioner of Civil Supplies and Consumer Protection	Consumer Awareness Programme - Training programmes for women SHGs	July 2010	March 2012	52.50
2	Adi Dravidar and Tribal Welfare Department (in respect of District Adi Dravidar and Tribal Welfare Officer, Kancheepuram)	Development of Particularly Vulnerable Tribal Groups	August 2011	September 2012	27.45
Total					79.95

(Source: Departmental figures)

3.2 Non-reconciliation of Receipts and Expenditure

As per Rules 124 and 127 of the Tamil Nadu Budget Manual, departmental accounts maintained by the Chief Controlling Officers (CCOs) and the progressive actual month by month are required to be reconciled with those entered in the books of the PAG (A&E), so as to ensure that the departmental accounts are sufficiently accurate to secure departmental financial control and also to ensure accuracy of the accounts maintained by the PAG (A&E) from which final published accounts are compiled. As per Rule 128 of the Tamil Nadu Budget Manual, the CCO is required to send a reconciliation certificate to the PAG (A&E) after necessary adjustments are made either in the accounts of the CCO or in the books of the PAG (A&E).

However, it was seen that out of 209 CCOs in the State, three CCOs for expenditure and one CCO for receipts did not reconcile their accounts with PAG (A&E) as detailed in **Table 3.3**.

Table 3.3: Lists of CCOs who have not reconciled accounts

Sl. No.	Department	Major Head
Expenditure		
1	Forests Department	2225, 2501 and 2551
2	Commissioner of Land Reforms	2515
3	Secretary to Government, Finance Department	2049
Receipts		
1	Secretary to Government, Finance Department	0049

(Source: Finance Accounts 2012-13)

3.3 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 heads of 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 granted and the total expenditure of these institutions.

The annual accounts of 361 autonomous bodies/authorities due up to 2012-13 were not received (July 2013) by the Principal Accountant General (General and Social Sector Audit). The details are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.4**.

Table 3.4: Age-wise arrears of Annual Accounts due from Autonomous Bodies/Authorities

Sl. No.	Delay in Number of Years	Number of the Bodies/Authorities
1.	Up to one year	104
2.	More than one year and upto three years	115
3.	More than three year and upto five years	65
4.	Five years and above	77
Total		361

(Source: Data compiled by audit from information furnished by the Head of Departments)

The major defaulters were educational institutions receiving Government grants for salaries, maintenance, etc. The heads of department failed to ensure that the bodies/authorities submit their accounts to Audit.

3.4 Non-adjustment of Temporary Advances

The Drawing and Disbursing Officers draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanctions of the State Government. According to Article 99 of the Tamil Nadu Financial Code, the advances should be adjusted by presenting detailed bills and vouchers as soon as possible.

It was noticed that 6,060 temporary advances drawn up to 31 March 2013 by Drawing and Disbursing Officers through Pay and Accounts offices/District Treasury Offices amounting to ₹ 617.65 crore were remaining unadjusted as on 30 June 2013. Age-wise analysis of the advances pending is given in **Table 3.5**.

Table 3.5: Age-wise analysis of advances pending

Sl. No	Pendency	No of Advances	Amount (₹ in crore)
1	More than 10 years	141	10.86
2	More than five years up to 10 years	310	41.73
3	More than one year but less than five years	1,936	282.00
4	Less than one year	3,673	283.06
Total		6,060	617.65

(Source: Data furnished by the Principal Accountant General (A&E), Tamil Nadu)

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

A review of advances pending in Transport Department showed that an amount of ₹ 43.23 lakh drawn (March 2006) from Road Safety Fund for the display of road safety slogans in the rear side of 800 State Express Transport Corporation buses have not been adjusted for want of original vouchers although utilisation certificate was furnished (November 2006).

3.5 Operation of the Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for specific purposes by debit to service heads in the Consolidated Fund of the State and are required to be closed by the administrators of PD Accounts at the end of the financial year by minus debit to the relevant service heads. There were 928 PD accounts in operation in 31 District Treasuries and five Pay and Accounts Offices (PAOs). Out of 928 accounts, 527 accounts with a balance of ₹ 27.75 crore were not operated at all during 2012-13. The PAOs/District Treasuries having huge closing balances are indicated in **Table 3.6**.

Table 3.6: PAOs/District Treasuries having huge closing balances

Sl. No.	Name of the PAO/District Treasury	Number of accounts	Amount (₹ in crore)
1.	Thanjavur	44	1.11
2.	Chengalpattu	39	1.04
3.	PAO, East	18	6.24
4.	Tirunelveli	23	1.91
5.	Nagapattinam	6	1.19
6.	Coimbatore	26	6.43
7.	Erode	11	1.05
8.	Villupuram	30	1.16
	Total	197	20.13

(Source: Information furnished by PAOs/District Treasuries)

There were negative balances as on 31 March 2013 in respect of 54 PD accounts aggregating to ₹ 15.09 crore.

Further, 15 PD Accounts whose closing balance turned negative in 2011-12 were reviewed and reasons for negative balances were called for. Replies in respect of three Administrators were received wherein the closing balance stated by them did not tally with the closing balances as per the figures of the PAG (A&E) which were compiled from the figures furnished by District Treasuries/PAOs. This showed non-reconciliation of the PD Accounts by the administrators with the Office of the PAG (A&E).

In reply, the Government stated (October 2013) that necessary instructions for reconciliation of the PD accounts have been issued to the administrators of the PD accounts and the administrators are instructed to follow the correct procedures while operating PD.

3.6 Misappropriations, losses, defalcations, etc.

Article 294 of the Tamil Nadu Financial Code stipulates that heads of office should report all cases of defalcations or loss of public moneys, stores or other movable or immovable properties to the Accountant General. Further, the Financial Code prescribes the principles and procedures to be followed for enforcing responsibility for losses and disposal of such cases.

The State Government departments reported to audit, 488 cases of misappropriation, shortages, theft and loss involving a total amount of ₹ 22.01 crore up to March 2013 on which final action was pending. The department-wise break-up of pending cases and the nature of these cases are given in **Appendix 3.3**. The age-profile of the pending cases and the number

of cases pending in each category – misappropriation, loss, theft, etc., are summarised in **Table 3.7**.

Table 3.7: Profile of misappropriations, defalcations, thefts, losses, 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	56	1,176.77	Theft, loss and shortages	209	284.41
5 - 10	50	428.26	Misappropriation	279	1,917.06
10 - 15	46	215.70	Cases of losses, written off during the year	Nil	Nil
15 - 20	92	114.03			
20 - 25	92	164.75			
25 and above	152	101.96			
Total	488	2,201.47	Total pending cases	488	2,201.47

(Source: Information received from Heads of Departments)

The reasons for the outstanding cases could be classified under the categories listed in **Table 3.8**.

Table 3.8: Reasons for the outstanding cases of misappropriations, defalcations, thefts, losses etc.

Reasons for the delays		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	237	917.30
(ii)	Departmental action initiated but not finalised	149	814.42
(iii)	Criminal proceedings finalised but recovery of the amount still pending	20	174.00
(iv)	Awaiting orders for recovery or write off	54	78.63
(v)	Pending in courts of law	28	217.12
Total		488	2,201.47

(Source: Information received from Heads of Department)

3.7 Deficiencies noticed in the Pay and Accounts Offices

Accumulation of uncashed cheques

Paragraph 92 (iii) of the Pay and Accounts Office Manual and Rule 49 of Tamil Nadu Treasury Code specify that in cases where cheques are not cashed within three months after the month of their issue, the payees should be advised by the PAO of the fact of those cheques having become time-barred and should be requested to obtain fresh cheques surrendering the time-barred cheques. If no reply is received from the payee within a month after the issue of intimation by the PAO/Treasury and the fact of non-payment of cheque is also certified by the bank, action should be taken to cancel the cheque.

It was noticed from the details of uncashed cheques furnished by PAOs that 56,693 cheques for ₹ 70.06 crore remained uncashed (March 2013) for periods up to 30 years. The age-wise profile of the number of cases and the value of cheques depicted as uncashed as per the books of PAOs are summarised in **Table 3.9**.

Table 3.9: Details of uncashed cheques

Delay in number of years	Number of cases	Value of cheques (₹ in crore)
0 - 5 years	5,855	11.39
5 - 10 years	24,824	28.14
10 - 15 years	12,458	19.18
15 - 20 years	11,337	8.10
20 - 25 years	2,027	3.22
25 - 30 years	192	0.03
Total	56,693	70.06

(Source: Information furnished by PAOs)

Information furnished by the PAOs on the pendency of huge number of such cheques for a long period reflects that the PAOs failed to exercise the required action and in the process some of the payees might have lost the payment due to them.

3.8 Large scale booking under Minor Head “800”

Booking of receipts or expenditure under the minor head – “800 - Other Receipts” and “800 - Other Expenditure” is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes, etc., to which the amounts relate. These minor heads normally accommodate the receipts/expenditure which cannot be classified under the available programme minor heads or due to incorrect identification of expenditure under the available heads of account at the stage of budget preparation.

During 2012-13, under 10 major heads in the Revenue and Capital sections, expenditure aggregating ₹ 7,464.98 crore (69.36 *per cent* of the total expenditure of ₹ 10,763.37 crore in these heads) was classified under the minor head – 800 – Other Expenditure. The entire expenditure under “Flood Control and Drainage” and “Capital Outlay on Other Administrative Services” were classified under the omnibus minor head 800-Other Expenditure, instead of depicting the same under relevant minor heads below the functional major heads as indicated in **Appendix 3.4**.

Similarly, under eight major heads, revenue receipts aggregating ₹ 1,374.60 crore (93.21 *per cent* of the total receipt of ₹ 1,474.76 crore), were classified under minor head – 800 – Other Receipts. The entire receipts under “Family Welfare”, “Urban Development” and “Other Rural Development Programmes” were classified under the omnibus minor head 800 – Other Receipts as indicated in **Appendix 3.5**.

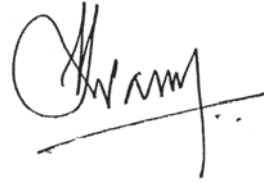
Classification of the large amount under the omnibus minor head “800 – Other Expenditure/Receipts” reflected lack of transparency in financial reporting.

3.9 Conclusion

Some departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates in respect of grants released. Similarly, 361 autonomous bodies did not submit their accounts due up to 2012-13 to audit. Temporary advances drawn up to 31 March 2013 by the Drawing and Disbursing Officers involving an amount of ₹ 617.65 crore in 6,060 cases remained unadjusted. The State Government departments reported 488 cases of misappropriation, defalcation, etc., involving a total amount of ₹ 22.01 crore up to March 2013 on which final action was pending.

3.10 Recommendations

- The internal control mechanism of the Government departments needs to be strengthened to watch timely submission of the utilisation certificates by the organisations to whom grants were given.
- Timely submission of accounts by the autonomous bodies to Audit should be ensured.
- Action to clear the pendency in adjustment of temporary advances and recovery/write off of the outstanding cases of misappropriation, thefts, losses, etc., needs to be initiated by the Government.



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