

## CHAPTER-III

### FINANCIAL REPORTING

A sound internal financial reporting and the availability of relevant and reliable information significantly contribute to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance also attribute to 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 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

Rule 212 of the General Financial Rules, 2005 provide that for grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees. The certificates so obtained are to be verified by the departmental officers and forwarded to the Director of Accounts within 12 months from the dates of their sanction unless specified otherwise. However, of the 10,995 UCs due in respect of grants and loans aggregating ₹ 1,515.54 crore paid up to 2013-14, 10,436 UCs (95 *per cent*) for an aggregate amount of ₹ 1,449.05 crore (96 *per cent*) were outstanding as on June 2015. The Department-wise break-up of outstanding UCs as on 30 June 2015 is given in **Appendix 3.1**. The age-wise position of these is in **Table 3.1**.

**Table 3.1: Age-wise position of outstanding UCs as of 30 June 2015**

Sl. No.	Range of delay in number of years	Utilisation certificates outstanding	
		Number	Amount (₹ in crore)
1	0-1	1387	205.44
2	1-3	1893	538.93
3	3-5	1792	284.21
4	5-7	1275	192.83
5	7 and above	4089	227.64
	<b>Total</b>	<b>10436</b>	<b>1449.05</b>

(Source: Information compiled by Audit as per data received from Director of Accounts)

Out of 10,436 UCs amounting to ₹ 1,449.05 crore pending as on 30 June 2015, 5,072 UCs (49 *per cent*) involving ₹ 1,028.58 crore (71 *per cent*) were pending for periods ranging from one to five years while 5,364 UCs involving ₹ 420.47 crore were pending for more than five years.

Major cases of non-submission of UCs mainly pertained to Directorate of Art and Culture (30 *per cent*), Directorate of Panchayats (North) (21 *per cent*), Directorate of Panchayats (South) (16 *per cent*), Directorate of Municipal Administration (nine *per cent*).

Non-submission of UCs in time may result in mis-utilisation of the grants. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans by the Departments.

### 3.2 Non-submission/delay in submission of accounts by Grantee institutions

In order to identify the institutions which attract audit under Sections 14 and 15 of the CAG's (DPC) Act, 1971, the Government/Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purposes of assistance granted and the total expenditure of these institutions. A total of 317 annual accounts of 101 autonomous bodies/authorities due up to 2013-14 had not been received by the Accountant General as of June 2015. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise arrears of annual accounts due from bodies and authorities**

(₹ in crore)

Sl. No.	Delay in number of years	Number of bodies/ authorities	Grants received
1	0-2	68	73.39
2	2-5	3	1.70
3	5-9	30	17.09
	<b>Total</b>	<b>101</b>	<b>92.18</b>

(Source: Compiled by Audit from records received from various departments)

It can be seen from the above table that in respect of 30 autonomous bodies/authorities, accounts were in arrears for more than five years. The major defaulters were educational institutions receiving Government grants for salaries, maintenance *etc.* Non-submission of annual accounts by a substantial number of autonomous bodies/authorities was in violation of the terms and conditions governing the release of grants by the Government and carried the additional risk of mis-utilisation of funds.

### 3.3 Delay in submission of accounts/audit reports by autonomous bodies

Several autonomous bodies have been set up by the State Government in the fields of education, irrigation, housing *etc.* Of these, audit of accounts of 13 bodies in the State has been entrusted to the CAG. These bodies are audited by the CAG by verification of their accounts, financial transactions, operational activities, internal management and financial control system and procedures. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature are indicated in the **Appendix 3.3**.

The delay in submission of accounts to Audit and placement of SARs in the Legislature by the autonomous bodies is summarised in **Table 3.3**.

**Table 3.3: Delays in submission of accounts and tabling of SARs**

Delays in submission of accounts (in months)	Number of autonomous bodies	Delay in submission of SARs in the Legislature (in years)	Number of autonomous bodies
0-3	-	0-1	2
3-6	1	1-3	8
6-9	2	3-5	2
9-25	6	-	-
25 and above	4	5 and above	-

(Source: Compiled by Audit from records received from various autonomous bodies)

Out of the 13 autonomous bodies, the submissions of accounts were delayed for a period ranging from 4 to 69 months. The reasons for delays though called for were not intimated by the respective autonomous bodies.

The inordinate delay in submission of accounts and presentation of the reports to the State Legislature resulted in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, necessary remedial action, if any, required to be taken by the Government was also delayed.

### 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 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 open the system to the risk of fraud and leakage of public money.

Heads of Departments in the Government have to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified timeframe. As of October 2015, there were two<sup>1</sup> such undertakings, both of which had heavy arrears in accounts. The department-wise positions of arrears in preparation of *proforma* accounts and investments made by the Government are given in **Appendix 3.4**.

<sup>1</sup>River Navigation Department, Chief Electrical Engineer

### 3.5 Misappropriations, losses and defalcations

Rule 33 of the General Financial Rules, 2005 provides that any loss or shortage of public money, revenue or receipts has to be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and the concerned Principal Accounts Officer. The State Government reported 21 cases of misappropriation, defalcation *etc.* involving Government money amounting to ₹ 1.68 crore up to June 2015 on which final action was pending. The Department-wise break up of pending cases is given in **Appendix 3.5**.

The age profile of the pending cases and the number of pending misappropriation cases are summarised in **Table 3.5**.

**Table 3.5: Profile of misappropriation**

Age profile and nature of pending cases			
Range in years	No. of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases
0-5	4	2.54	Misappropriation of cash/stores
5-10	11	23.66	
10 years & above	6	141.92	
	<b>21</b>	<b>168.12</b>	

(Source: Information furnished by concerned Departments)

The reasons for which the cases were outstanding are classified under three categories as listed in **Table 3.6** below.

**Table 3.6: Reasons for outstanding cases of misappropriations**

Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	11	148.38
Pending in the courts of law	5	4.35
Awaiting orders for recovery/write off	5	15.39
<b>Total</b>	<b>21</b>	<b>168.12</b>

(Source: Information furnished by concerned Departments)

### 3.6 Booking under Minor Head '800- Other Expenditure'

One crucial component of a transparent system of accounting is that the forms of account in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure on all major activities of the Government in a transparent manner to meet the basic information needs of all the important stakeholders. Minor Head '800-Other Expenditure' is intended to be operated when the appropriate minor head has not been provided in the accounts. Scrutiny of Finance Accounts 2014-15 of Government of Goa disclosed that ₹ 2,810.12 crore, constituting

33 per cent of total expenditure (Revenue and Capital) recorded under 51 major heads were classified under Minor Head ‘800-Other Expenditure’, which is alarming.

Since large amounts are booked under Minor Head ‘800-Other Expenditure’ which affects transparency in financial reporting, this practice should be avoided.

### 3.7 Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

The Controlling and Disbursing Officers of the Departments are authorised to draw sums of money by preparing Abstract Contingent (AC) bills, by debiting service heads and are required to present Detailed Contingent (DC) bills (vouchers in support of final expenditure) to the Director of Accounts (DoA), Goa within three months from the date of drawal of funds on AC bill. If previous AC bills are outstanding over three months for want of DC bills, the proposal for drawal of further AC bills would require the sanction of Finance Department.

It was observed that 1,309 AC bills involving ₹ 189.68 crore, drawn by various departments up to March 2015 were pending adjustment as on 30 June 2015. Year wise details are given in Table 3.7.

**Table 3.7: Pendency in submission of Detailed Contingent bills against Abstract Contingent bills**

Year	Outstanding number of AC bills	Amount (₹ in crore)
Up to 2012-13	796	140.61
2013-14	177	20.36
2014-15	336	28.71
<b>Total</b>	<b>1309</b>	<b>189.68</b>

(Source: Finance Accounts of the State)

### 3.8 Conclusion and Recommendations

Out of 10,436 UCs amounting to ₹ 1,449.05 crore pending as on June 2015, 5,072 UCs (49 per cent) involving ₹ 1,028 crore (71 per cent) were in arrears for periods ranging between one and five years, while 5,364 UCs involving ₹ 420.47 crore were pending for more than five years. In the absence of the requisite certificates, it could not be ascertained in audit whether the recipients had utilised the grants for the purpose for which these were given.

*The sanctioning Authorities may evolve a mechanism to ensure that utilisation certificates in respect of grants released for specific purposes are furnished by the grantee institution in time.*

Out of the 13 autonomous bodies, the submission of accounts were delayed for a period ranging from four to 69 months.

***The controlling Departments may identify the reasons for delay in finalisation of accounts of autonomous bodies and take remedial measures to ensure that the arrears in accounts are cleared in a time bound manner.***

The State Government reported 21 cases of misappropriations, losses and defalcations *etc.* involving Government money amounting to ₹ 1.68 crore up to June 2015 on which final action was pending. Out of 21 cases, departmental action had been initiated in 11 cases and five cases were pending in courts of law. The remaining five cases were awaiting orders for recovery/write off.


***Departmental enquiries in respect of all the defalcation and misappropriation cases may be expedited to bring defaulters to book. Internal controls may also be strengthened to prevent such cases in future.***

***Adjustment of Abstract Contingent bills within stipulated time, as required under the extant rules should be ensured.***

Panaji  
The 30 May 2016

  
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The 02 June 2016

Countersigned  
  
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