

CHAPTER-III
FINANCIAL REPORTING

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A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the 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

Financial Rules provide that utilisation certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlement), Himachal Pradesh within one year from the date of their sanction unless specified otherwise. However, of the 38,273 UCs due in respect of grants and loans aggregating ₹ 4,543.56 crore upto March 2016, 2,944 UCs (8 per cent) for an aggregate amount of ₹ 2,225.40 crore (49 per cent) were pending as of March 2016. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and age-wise delays in submission of UCs are summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates as on 31 March 2016

Sr. No.	Range of delay (in number of years)	Total grants paid		Utilisation certificates outstanding	
		Number of Cases	Amount (₹ in crore)	Number of Cases	Amount (₹ in crore)
1.	0 – 1	22,734	2,156.18	1,706	1,343.18
2.	1 – 3	13,222	1,715.00	1,028	657.90
3.	3 – 5	983	307.38	204	205.03
4.	5 – 7	1,102	324.64	6	19.29
5.	7 – 9	232	40.36	--	--
	Total	38,273	4,543.56	2,944	2,225.40

Source: Accountant General (Accounts and Entitlement)

Pendency of UCs mainly pertained to the Rural Development (1,411 UCs: ₹ 1,357.06 crore), Social Justice and Empowerment (443 UCs: ₹ 36.18 crore), Medical and Public Health (202 UCs: ₹ 116.83 crore), Art and Culture (147 UCs: ₹ 1.01 crore), Forests (112 UCs: ₹ 11.86 crore), Education (104 UCs: ₹ 43.85 crore), Co-operation (104 UCs: ₹ 1.72 crore), Agriculture (103 UCs: ₹ 232.73 crore), Animal Husbandry (71 UCs: ₹ 86.28 crore), Industries (57 UCs: ₹ 18.50 crore), Urban Development (46 UCs: ₹ 203.76 crore), Tourism (37 UCs: ₹ 55.26 crore). In the

absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purpose for which these were given.

3.2 Delay in submission of Accounts/Separate Audit Reports (SARs) of Autonomous Bodies and placement of SARs before the State Legislature

Several Autonomous Bodies have been set up by the State Government. The audit of accounts of 14 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 3.2**.

HP Building and Construction Workers Welfare Board, Shimla has not rendered their accounts for the year 2014-15, whereas the delay in respect of other bodies ranged between one month and six months. The accounts for the year 2015-16 in respect of all the 14 bodies had not been furnished as of August 2016. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

Separate Audit Report (SAR) of District Legal Service Authority, Shimla has been issued by Audit for the year 2012-13 and SARs for all other autonomous bodies (except State Veterinary Council, Shimla) for 2013-14 have been issued. SAR of State Veterinary Council, Shimla has been issued for 2014-15. SARs for all 14 bodies for 2015-16 are pending due to non-furnishing of accounts.

3.3 Non-submission of details of grants/loans paid

To identify institutions/organisations 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 departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulations on Audit and Accounts, 2007 provide that governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

Four Departments/autonomous bodies⁹ (out of a total of 20 department/autonomous bodies) had furnished such details for the year 2015-16 upto August 2016. Due to this, audit in remaining cases could not provide assurance to legislature/government

⁹ *Education Department (Himachal Pradesh School Education Society); Language, Art and Culture Department (HP Art, Culture and Language Academy, Shimla); Technical Education Department (Vocational and Industrial Training) and Health Safety and Regulation (Society for the implementation of ESI scheme).*

about the manner in which the grants sanctioned/paid by them have been utilised, specifically on the issue of non-diversion and proper utilisation.

Due to non-furnishing of the above details to the office of the Principal Accountant General (Audit), Himachal Pradesh, the bodies/institutions could not be identified to bring them under audit purview, as a result of which the accuracy and propriety of expenditure out of such loans and grants given out of Consolidated Fund of the State could not be examined in audit.

3.4 Misappropriation/loss, theft, etc.

Mention was made in previous years Audit Reports regarding cases of misappropriation, losses, theft, etc. In spite of that no action has been taken on the cases by the State Government as of September 2016. The position remained the same during 2015-16.

State Government reported 47 cases of misappropriation/losses, theft, etc., involving government money amounting to ₹ 78.70 lakh upto June 2015 on which final action was still pending. Out of these, 41 cases were more than five years old. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.3** and nature of these cases is 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' as emerged from these appendices are summarised in **Table 3.2**.

Table 3.2: Profile of misappropriation/losses and theft

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0 – 5	06	6.08	Theft	12	12.09
5 – 10	07	10.48			
10 – 15	10	42.97			
15 – 20	09	12.51	Misappropriation/ loss of material	35	66.61
20 – 25	02	3.12			
25 and above	13	3.54			
Total	47	78.70	Total	47	78.70

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.3**.

Table 3.3: Reasons for outstanding cases of misappropriation/losses, theft, etc.

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	15	17.37
(ii)	Awaiting orders for recovery or write off	14	8.05
(iii)	Pending in the courts of law	06	27.30
(iv)	Recovery made/written off but awaiting final disposal from PAC	12	25.98
	Total	47	78.70

3.5 Non-adjustment of temporary advances

The Himachal Pradesh Financial Rules 2009 provide that Head of the Office or any other authorized officer may sanction advances to a Government servant for purchase of goods or for hiring services or for any other special purpose subject to the condition that the adjustment bill, along with balance if any, shall be submitted by the concerned Government servant within fifteen days of the drawal of advance.

Test-check of records and information furnished by the various departments revealed that as on 31 March 2016, 104 cases of temporary advances relating to the period 2011-12 to 2015-16 aggregating ₹ 34.38 crore were pending for adjustment by six departments in their records due to non-submission of adjustment vouchers in the same financial year. Age-wise analysis of advances pending is given in **Table 3.4**.

Table 3.4: Age-wise analysis of cases of advances pending as of March 2016

Sr. No.	Department	Pending year	No. of cases	Amount (₹ in lakh)
1.	Director, Ayurveda	2011-12	09	349.08
		2012-13	14	413.74
		2013-14	12	485.78
		2014-15	18	348.13
		2015-16	18	312.50
2.	Youth Services and Sports (Director, Atal Bihari Vajpayee Institute of Mountaineering and Allied Sports, Manali)	2012-13	01	0.29
3.	Director, Women and Child Development	2014-15	01	0.20
4.	Director, Food Civil Supplies and Consumer Affairs	2013-14	01	0.50
5.	Director, Health and Family Welfare	2012-13	01	35.00
		2013-14	09	66.37
		2014-15	13	1398.33
6.	Director, Language, Art and Culture	2014-15	01	18.20
		2015-16	06	9.60
Total			104	3,437.72

Non-recovery/adjustment of advances indicated absence of effective internal controls in the concerned departments.

3.6 Conclusion

Substantial delays in submission of utilisation certificates occurred and as a result proper utilisation of grants could not be ensured. Further, Government's compliance towards disposal of 47 cases of theft of government money misappropriation/loss, etc., amount to ₹ 78.70 lakh was pending for long period. Adjustment against the temporary advances of ₹ 34.38 crore were still awaited as of September 2016.

3.7 Recommendation

The State Government may ensure timely submission of utilisation certificates in respect of the grants released to grantee institutions and timely preparation and submission of Annual Accounts by the Autonomous Bodies to facilitate auditing. An effective and time bound mechanism needs to be put in place to ensure speedy settlement of cases relating to theft, misappropriation and losses.

Shimla

Dated: 02 December 2016



(RAM MOHAN JOHRI)

Principal Accountant General (Audit)

Himachal Pradesh

Countersigned

New Delhi

Dated: 13 December 2016



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India