

CHAPTER – III

FINANCIAL REPORTING

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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 Delays 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. Of the 13,123 UCs due in respect of grants aggregating ₹ 2,286.88 crore paid up to 2015-16, 12,789 UCs (97 per cent) for an aggregate amount of ₹ 2,178.23 crore (95 per cent) were outstanding as on June 2017. The Department-wise break-up of outstanding UCs as on 30 June 2017 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 2017

Sl. No.	Range of delay in number of years	Utilisation certificates outstanding	
		Number	Amount (₹ in crore)
1	0-1	1518	521.41
2	1-3	2943	481.91
3	3-5	1716	635.14
4	5-7	1649	201.34
5	7 and above	4963	338.43
	Total	12789	2178.23

(Source: Compiled from information furnished by Director of Accounts)

Of the above, 6,177 UCs (48 per cent) involving ₹ 1,638.46 crore (75 per cent) were pending for periods ranging from one to five years while 6,612 UCs involving ₹ 539.77 crore were pending for more than five years. Major cases of non-submission of UCs mainly pertained to Directorate of Art and Culture (35 per cent), Directorate of Panchayats (North) (22 per cent) and Directorate of Panchayats (South) (14 per cent).

High pendency of UCs was fraught with the risk of misappropriation and fraud.

3.2 Non-submission/delays in submission of accounts by grantee institutions

In order to identify the institutions which, attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (DPC) Act, 1971, the Government/Head 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 334 annual accounts of 93 grantees due up to 2015-16 had not been received by the Office of the Accountant General, Goa as of June 2017. 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 grantees	Grants received
1	0-3	72	110.33
2	4-6	1	0.50
3	7-11	20	7.60
	Total	93	118.43

(Source: Compiled from information furnished by various Departments)

It may be seen from the above table that in respect of 20 grantees, accounts were in arrears for more than six years. The major defaulters were educational institutions receiving Government grants for salaries, maintenance *etc.* Non-submission of annual accounts 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	1	0-1	1
3-6	1	1-3	2
6-9	2	3-5	1
9-25	7	5 years and above	4
25 months and above	2	-	-

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

The submissions of accounts of 13 autonomous bodies were delayed by one 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.

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 2017, there were two¹ such undertakings, one of which had heavy arrears in accounts. The Department-wise position of arrears in preparation of *proforma* accounts and investments made by the Government is given in **Table 3.4**.

Table 3.4: Position of arrears as on 31 October 2017 in preparation of Proforma Accounts

Department	No. of undertakings under the Department	Accounts not finalised (name of undertaking)	Year up to which accounts finalised	Investment as per last accounts (₹ in crore)
Inland Water Transport	1	River Navigation Department	2005-06	108.29
Power	1	Electricity Department, Government of Goa	2013-14	1266.53
Total				1374.82

(Source: Information furnished by concerned Departments)

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 28 cases of misappropriation, defalcation *etc.*, involving Government money totalling ₹ 2.13 crore up to June 2017 on which final action was pending. The Department-wise break up of pending cases is given in **Appendix 3.4**.

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

¹River Navigation Department and Electricity Department

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	8	47.38	Misappropriation of cash/stores
5-10	13	25.22	
10 years and above	7	140.41	
Total	28	213.01	

(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 misappropriation

Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	21	197.20
Pending in the courts of law	2	7.14
Awaiting orders for recovery/write off	5	8.67
Total	28	213.01

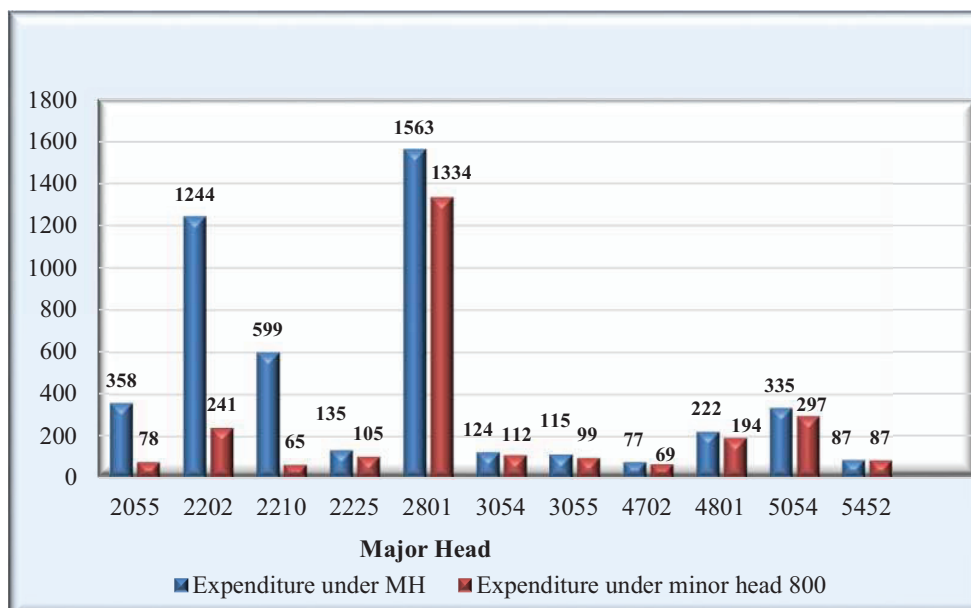
(Source: Information furnished by concerned Departments)

3.6 Booking under Minor Head '800- Other Expenditure'

The omnibus Minor Head 800 is intended to be operated when the appropriate minor head has not been provided in the accounts. Finance Accounts 2016-17 of Government of Goa disclosed that expenditure aggregating ₹ 3,328.20 crore constituting 31.67 per cent of the total expenditure was classified under Minor Head 800-other expenditure under 39 Major Heads in revenue and capital sections. 100 per cent of the expenditure on capital outlay on other miscellaneous general services (Major Head 4075) for ₹ 150 crore, capital outlay on civil aviation (MH 5053) for ₹ 35.49 crore and capital outlay on Other scientific and Environmental research (MH 5425) for ₹ 37.87 crore were classified under omnibus Minor Head – 800. The cases where expenditure of more than ₹ 50 crore was booked under Minor Head -800 under a particular Major Head is shown in **Chart 3.1**.

Chart 3.1: Major Heads where expenditure of more than ₹ 50 crore was booked under Minor Head 800

(₹ in crore)



(Source: Finance Accounts, 2016-17)

Similarly, revenue receipts aggregating ₹ 418.45 crore, constituting 3.73 per cent of total receipts were classified under omnibus Minor Head ‘800-Other Receipts’ in 22 Major Heads under Revenue Section. 100 per cent receipts of Roads and Bridges (Major Head 1054) for ₹ 44.04 crore was classified under omnibus Minor Head-800.

The cases of receipts of more than ₹ 50 crore classified under Minor Head - 800 were under MH 0070-Other Administrative Services (₹ 108 crore) and MH 0217- Urban Development (₹ 66 crore).

Budgeting of large amounts under the omnibus Minor Head 800-Other Expenditure/Receipts affects the transparency in financial reporting, as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

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. They 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.

As per the records maintained by DoA, 492 AC bills involving ₹ 95.97 crore remained unadjusted as of March 2017 due to non-receipt of DC bills. The

details of submission of DC bills against AC bills drawn up to March 2017 are given in **Table 3.7**.

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

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
Up to 2014-15	6887	1098.50	6758	1081.90	129	16.60
2015-16	892	803.70	796	792.87	96	10.83
2016-17	802	770.51	535	701.97	267	68.54
Total					492	95.97

(Source: Finance Accounts of the State)

Non-submission of DC bills within prescribed time breaches financial discipline and entails risk of misappropriation and fraud.

3.8 Investment in Shares of Other Joint Stock Companies

The Hospicio Hospital at Margao was taken over by the State Government with effect from January 1977. Vide notification No. PHD/2(7)/73-Bills dated 24 December 1976 published in the Gazette of Government of Goa, Daman and Diu, all assets and liabilities of the said hospital became the assets/liabilities of the State. Consequently, shares of 77 Joint Stock Companies (Companies) held by the erstwhile institute were taken over by the State Government. These are shown in the Finance Accounts of the Government of Goa as investments in other joint stock companies under Statement No 19. The face value of the shares shown is ₹ 3.60 lakh (Statement No 19 and 16 and finally incorporated in Statement No 5).

Audit examined the title of the Government to these shares. The Directorate of Health Services (DHS) furnished share certificates of 63 companies valued ₹ 2.90 lakh. No proof of investment in respect of 14 companies valued ₹ 0.70 lakh could be produced by DHS.

The scrutiny revealed that none of these shares are in the name of the Government. Shares of eight companies valuing ₹ 0.24 lakh were still in the name of erstwhile Hospicio and shares of 41 companies valued at ₹ 2.29 lakh were in the name of other entities. Fourteen companies with shares valuing ₹ 0.37 lakh had been liquidated/dissolved or were out of India.

Despite passage of 40 years, the Government has not managed to get the shares transferred and registered in their name and thus, the Government's claim over these shares has not yet been established legally. This fact has not been disclosed in the Finance Accounts of the State Government.

3.9 Understatement of the Capital Head ‘4215 Capital Outlay on Water Supply and Sanitation’

In order to augment the water supply and sanitation in Goa, the State Government took a loan of 22,806 million Japanese Yen (₹ 847.50 crore as per the then prevailing exchange rate) from Japan International Cooperative Agency (JICA) in September 2007. The tripartite loan agreement between the Government of Goa, GoI and Japan Bank for International Cooperation (JBIC) was signed in September 2007.

As per Appendix IV of the Finance Accounts the amount received and expenditure incurred under the JICA project was shown as ₹ 898.39 crore up to 31 March 2017. Whereas the progressive expenditure booked under Major Head 4215 Capital Outlay on Water Supply and Sanitation in Statement No 16 of the Finance Accounts was only ₹ 94.88² crore. The difference of ₹ 803.51 crore was mainly due to non-accountal of loan amount released directly by JBIC to the contractors on execution of the project works.

Hence, the expenditure of capital nature met out for asset creation was understated.

3.10 Misclassification of expenditure between General, Social and Economic Services under relevant Capital Heads

The Goa State Infrastructure Development Corporation (GSIDC), a special purpose vehicle of the State Government carries out infrastructure development projects for the Departments of State Government/Local bodies *etc.*

During the period 2012-17, the State Government financed total amount of ₹ 775 crore³ to GSIDC for executing various infrastructure projects⁴ which were finally taken over by various Departments of the State Government. While releasing the amount the expenditure was booked under Major Head 4075-00-800-01“Capital Outlay on Other Miscellaneous General Services, contribution to GSIDC” under General sector. As the money is used for asset created for various Government Departments, the expenditure incurred should have been booked under respective capital major heads of the Departments, which was not done.

This resulted in understatement of capital expenditure under major heads under Social and Economic Services and overstatement of capital expenditure under Capital outlay on Miscellaneous General Services.

3.11 Non-accounting of Expenses/Commission on Sale of Stamps in Finance Accounts

As per Government Accounting procedure, the receipts of the State Government on account of ‘Stamp and Registration fees’ is accounted for under the Major Head 0030-01-102 Sale of Stamps – Judicial and

²MH-4215-01-101-xiii External assistance for water supply ₹ 55.37 crore and MH-4215-02-106-v External assistance for sewage and sanitation ₹ 39.51 crore

³2012-13-₹ 75 crore, 2013-14-₹ 150 crore, 2014-15-₹ 240 crore, 2015-16-₹ 160 crore, 2016-17-₹ 150 crore

⁴Office buildings, school buildings, hospitals, auditoriums, roads, bridges *etc.*

Major Head 0030-02-102 Sale of Stamps (Non-Judicial). The commissions/discounts paid for stamps sold by the vendors, Post offices *etc.* are accounted under the Major Head 2030-01-101-02-‘commission to authorised vendor’(Judicial) and under MH 2030-02-101-02-‘commission to authorised vendor’ (Non-judicial).

Audit scrutiny of the Finance Accounts revealed that the budget provision for the portion of amount debitible on account of commission/discount for stamps and registration sold by the authorised vendors, Post offices *etc.* was not provided in the budget documents of the State Government for the year 2016-17. Consequently, the DoA booked the net amount of ₹ 365.11 crore (after deducting the commission of ₹ 3.12 crore paid to the vendors) instead of gross amount in the Finance Accounts under receipts head Major Head 0030-01-102 Sale of Stamps – Judicial and under Major Head 0030-02-102 Sale of Stamps (Non-Judicial).

Non-accountal of entries of commission/discount figures in the expenditure head of Finance Accounts was violation of accounting procedure and resulted in understatement of revenue receipts and revenue expenditure by ₹ 3.12 crore under the respective heads.

3.12 Conclusion and Recommendations

Out of 12,789 Utilisation Certificates amounting to ₹ 2,178.23 crore pending as on June 2017, 6,177 UCs involving ₹1,638.46 crore were pending for periods ranging from one to five years. Remaining 6,612 UCs involving ₹ 539.77 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 institutions in time.

The accounts of the 13 autonomous bodies were submitted with delays ranging from one 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 final action in 28 cases of misappropriations, losses and defalcations *etc.*, involving ₹ 2.13 crore was pending as on June 2017. Out of these 28 cases, Departmental action had been initiated in 21 cases and two cases were pending in court 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.

As of March 2017, 492 Abstract Contingent bills involving ₹ 95.97 crore were pending adjustment due to non-receipt of Detailed Contingent bills.

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

Panaji
The 07 May 2018



(ASHUTOSH JOSHI)
Accountant General

Countersigned

New Delhi
The 07 May 2018



(RAJIV MEHRISHI)
Comptroller and Auditor General of India