

CHAPTER III
FINANCIAL REPORTING

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Financial Reporting

A sound internal financial reporting system and the availability of relevant and reliable information significantly contribute to efficient and effective governance. This Chapter provides an overview and status of UT Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delays in furnishing Utilisation Certificates

The financial rules¹ stipulate that where grants-in-aid are given for specific purposes, concerned departmental offices should obtain Utilisation Certificates (UCs) from grantees within 12 months of the closure of the financial year, which, after verification, should be forwarded to the Directorate of Accounts and Treasuries (DAT), to ensure that the funds have been utilised for intended purpose.

As of March 2019, UCs amounting to ₹ 331.93 crore in respect 601 cases were outstanding. Department-wise break-up of outstanding UCs and age-wise pendency in submission of UCs are given in **Appendix 3.1** and **Table 3.1** respectively.

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	More than 9 years	187	34.03
2	9-7	70	19.85
3	7-5	48	17.70
4	5-3	89	55.52
5	3-1	206	201.53
6	Less than one year	1	3.30
Total		601	331.93

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

- Out of 601 UCs, 187 UCs involving ₹ 34.03 crore (10.25 per cent) were pending for more than nine years.
- 118 UCs involving ₹ 37.55 crore (11.31 per cent) were pending for more than five years.

¹ Rule 238 of the General Financial Rules, 2017

- 295 UCs involving ₹ 257.05 crore (77.44 per cent) were pending for periods ranging from five years to one year.

Pendency of 438 UCs for an aggregate amount of ₹ 256.82 crore pertained to departments of Adi-Dravidar Welfare, Local Administration and Town and Country Planning.

Non-receipt of UCs indicated that the Departments failed to comply with the rules to ensure accountability of the agencies that received Government funds. Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

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 the Principal Accountant General (General and Social Sector Audit) every year, detailed information about the financial assistance given to various institutions, the purposes for which the assistance was given and the total expenditure of these institutions.

The audit of accounts of 71 autonomous bodies is conducted under Sections 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The audit of accounts of two autonomous bodies/authorities in UT of Puducherry is conducted under Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The details of the accounts which were due 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 Autonomous Bodies/Authorities

Sl. No.	Pendency in number of years	Number of the Bodies/Authorities
1	More than five years	15
2	5-3	03
3	3-1	27
Total		45

(Source: Compiled from the information furnished by the Heads of Department)

Due to non-submission of annual accounts by autonomous bodies/ authorities, the utilisation of Government grants for the intended purposes could not be ensured. Non-submission of accounts violates Rule 236 of General Financial Rules, 2017. The delay in finalisation and submission of accounts would hamper audit in assuring the legislature that the grants were being utilised for the intended objective.

3.3 Non-adjustment of Temporary Advances

The Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of UT Government. According to Rule 323 of the General Financial Rules, 2017, adjustment bills along with balances, if any, should be submitted by the Government servants 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 2019, advances aggregating ₹ 118.39 crore were pending adjustment as per the records of the Director of Accounts and Treasuries, Puducherry. Age-wise analysis of the 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	240	11.84
2	More than five years but less than 10 years	236	18.19
3	More than one year but less than five years	427	24.85
4	Less than one year	694	63.51
Total		1,597	118.39

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

The pendency in respect of 240 advances involving ₹ 11.84 crore for more than 10 years indicated laxity on the part of the departments in enforcing the provisions regarding adjustment of the advances. Non-adjustment of advances within prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices.

3.4 Misappropriation, loss, theft and defalcation

Rule 33 and 34 of the General Financial Rules, 2017, stipulate that Heads of offices should report any loss or shortage of public moneys and property, due to misappropriation, loss, theft and defalcation to the next higher authority as well as to the Statutory Audit Officer.

The Departments of UT Government reported 317 cases of misappropriation, loss and defalcation upto March 2019, involving Government money amounting to ₹ 27.74 crore, on which final action was pending. The Department-wise break-up of the pending cases and the nature of these cases were given in **Appendix 3.3**. The Electricity Department accounted for large number of cases (255) involving an amount of ₹ 26.55 crore. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss are summarised in **Table 3.4**.

Table 3.4: Profile of misappropriation, loss, defalcation

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)
More than 25	29	0.92	Misappropriation	12	99.65
20-25	82	6.93			
15-20	99	6.08			
10-15	47	336.44	Theft/Loss of material	305	2,674.00
5 - 10	28	2,388.27			
0 - 5	32	35.01			
Total	317	2,773.65	Total	317	2,773.65

(Source: Compiled from the information furnished by the Heads of Department)

In respect of all the above 317 cases of misappropriation, theft/loss of materials, FIRs were lodged, but results of the investigations are awaited. The reasons for outstanding cases of misappropriation, loss and defalcation are given in **Table 3.5**.

Table 3.5: Reasons for outstanding cases of misappropriation, loss, defalcation

Reasons for the pendency		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	286	127.76
(ii)	Departmental actions initiated but not finalised	4	0.95
(iii)	Awaiting orders for recovery or write-off	13	30.14
(iv)	Pending in Courts of Law	14	2,614.80
Total		317	2,773.65

(Source: Compiled from the information furnished by the Heads of Department)

While 14 cases involving ₹ 26.15 crore were pending in Courts of Law, 303 cases involving ₹ 1.59 crore were pending finalisation in various Departments.

3.5 Conclusion

- There was pendency in furnishing of UCs by various grantee institutions in respect of Grants-in-aid of ₹ 331.93 crore. The pendency ranged from more than nine years to one year.
- As of March 2019, 45 Autonomous Bodies/Authorities did not submit their annual accounts due for the period upto 2017-18 to the Principal Accountant General (General & Social Sector Audit).
- Temporary advances aggregating to ₹ 118.39 crore, were pending adjustment by Drawing and Disbursing Officers.

- The Departments of UT Government reported 317 cases of misappropriation, loss, theft and defalcation upto March 2019 involving Government money of ₹ 27.74 crore. Final action on these cases was pending for periods ranging between more than 25 years and one year.

3.6 Recommendations

- The Departments releasing grants should ensure collection of UCs for the grants released before releasing subsequent grants to the grantee institutions.
- Government should expedite completion of departmental action as warranted and exercise more checks to prevent or reduce recurrence of misappropriation, loss, theft and defalcation cases.

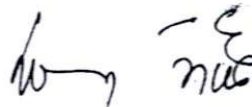
Chennai,
The 24 July 2020



(DEVIKA NAYAR)
Principal Accountant General
(Audit - I)

Countersigned

New Delhi,
The 28 July 2020



(RAJIV MEHRISHI)
Comptroller and Auditor General of India