

## CHAPTER-III

### FINANCIAL REPORTING

A sound internal financial reporting and the availability of relevant and reliable information contributes to efficient and effective governance by the State Government and is important for the State Governments in meeting its basic stewardship responsibilities, strategic planning and decision-making. It also forms the basis of sound internal controls. This chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives applicable to financial reporting during the year 2017-18.

#### 3.1 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules, 2005 provides 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 sanction of grants unless specified otherwise.

At the end of 2017-18, 12,236 UCs for an amount of ₹ 1,914.70 crore were outstanding for grants disbursed upto 2016-17. The Department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise position is shown in **Table 3.1**.

**Table 3.1: Age-wise position of outstanding UCs as of 31 March 2018**

Sl. No.	Range of delay in number of years	Utilisation certificates outstanding	
		Number	Amount (₹ in crore)
1	1-3	2583	601.24
2	3-5	2329	654.65
3	5-7	1422	279.77
4	7 and above	5902	379.04
	<b>Total</b>	<b>12236</b>	<b>1914.70</b>

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

As may be seen from **Table 3.1**, 4,912 UCs (40 per cent) involving ₹ 1,255.89 crore (66 per cent) were pending from one to five years while 7,324 UCs involving ₹ 658.81 crore were pending for more than five years. Major cases of non-submission of UCs pertained to Directorate of Art and Culture (34 per cent), Directorate of Panchayats (North) (23 per cent) and Directorate of Panchayats (South) (15 per cent).

In the absence of UCs there is no assurance that the moneys disbursed have been used for the purpose for which they have been given. High pendency of UCs was fraught with the risk of misappropriation and fraud.

#### 3.2 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 3.2**. The delay in submission of accounts to Audit and placement of SARs in the Legislature by the autonomous bodies is summarised in **Table 3.2**.

**Table 3.2: Delays in submission of accounts and tabling of SARs**

Submission of Accounts for Audit		Presentation of Report in Legislature	
Delay(in months)	Number of autonomous bodies	Delay (in years)	Number of autonomous bodies
0-3	1	0-1	3
3-6	2	1-3	-
6-9	4	3-5	1
9-25	3	5 years and above	4
25 months and above	3	-	-

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

The submission of accounts of 13 autonomous bodies was delayed by one to 69 months while presentation of four of 13 accounts in the State Legislature was delayed by more than five years. 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.

### **3.3 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 such *proforma* accounts, the viability of these undertakings remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring viability and improving efficiency cannot be taken in time.

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 2018, there were two<sup>1</sup> such undertakings, one of which had heavy arrears in accounts. The Department-wise position of arrears in preparation of *proforma* accounts and

<sup>1</sup> River Navigation Department and Electricity Department

investments made by the Government in these two undertakings is given in **Table 3.3**.

**Table 3.3: Position of arrears as on 31 October 2018 in preparation of Proforma Accounts**

Department	No. of undertakings under the Department	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	2014-15	1357.52
<b>Total</b>				<b>1465.81</b>

(Source: Information furnished by concerned Departments)

### 3.4 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 29 cases of misappropriation, defalcation *etc.*, involving Government money totaling ₹ 2.30 crore up to June 2018 on which final action was pending. The Department-wise break-up of pending cases is given in **Appendix 3.3**.

The age profile of the pending cases and the number of pending misappropriation cases are summarised in **Table 3.4**.

**Table 3.4: 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	62.33	Misappropriation of cash/stores
5-10	13	24.07	
10 years and above	8	143.11	
<b>Total</b>	<b>29</b>	<b>229.51</b>	

(Source: Information furnished by concerned Departments)

Of the 29 cases, 10 cases pertained to Director of Panchayats, Panaji and six pertained to office of Chief Electrical Engineer, Panaji. Of these 16 cases, five cases<sup>2</sup> were pending for more than 10 years.

First information reports (FIR) were lodged in 18 of 29 cases. The remaining 11 cases pertain to three Departments (Directorate of Panchayats – 08 cases, Goa Medical College – 02 cases and Directorate of Sports and Youth Affairs – 01 case). Departmental proceedings in all the 11 cases of misappropriation are under progress, and FIRs should also be filed by the concerned Departments.

The reasons for which the cases were outstanding are classified under three categories as listed in **Table 3.5** below.

<sup>2</sup> Two cases from Director of Panchayats, Panaji and three cases from office of Chief Electrical Engineer, Panaji

Table 3.5: Reasons for outstanding cases of misappropriation

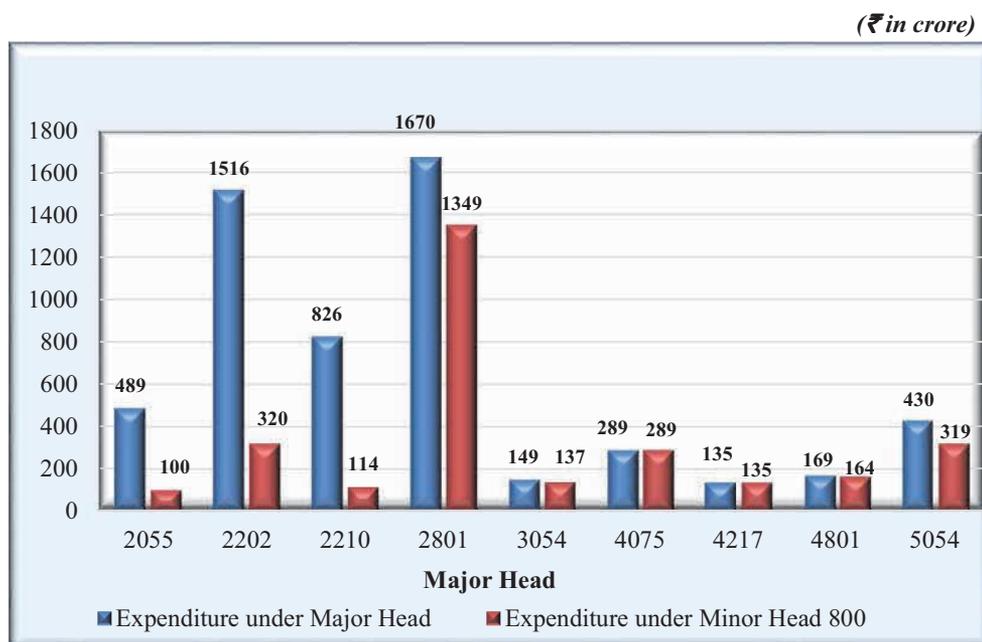
Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	21	175.10
Pending in the courts of law	3	45.74
Awaiting orders for recovery/write off	5	8.67
<b>Total</b>	<b>29</b>	<b>229.51</b>

(Source: Information furnished by concerned Departments)

### 3.5 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 2017-18 of Government of Goa disclosed that expenditure aggregating ₹ 3,820.68 crore constituting 30 per cent of the total expenditure was classified under Minor Head '800-Other Expenditure' under 45 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 ₹ 289 crore, Capital Outlay on Urban Development (Major Head 4217) for ₹ 135 crore and Capital Outlay on Other Scientific and Environmental Research (Major Head 5425) for ₹ 35 crore were classified under omnibus Minor Head 800. The cases where expenditure of more than ₹ 100 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 ₹ 100 crore was booked under Minor Head 800



(Source: Finance Accounts, 2017-18)

Similarly, revenue receipts aggregating ₹ 352.80 crore, constituting 3.19 per cent of total revenue receipts, were classified under omnibus Minor Head '800-Other Receipts' in 22 Major Heads under revenue section.

The cases of receipts of more than ₹ 50 crore classified under Minor Head 800 were under MH 0070-Other Administrative Services (₹ 128 crore) and MH 0853- Non-Ferrous Mining and Metallurgical Industries (₹ 56 crore).

Accounting 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.

### 3.6 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.

The details of submission of DC bills against AC bills drawn up to March 2018 are given in **Table 3.6**.

**Table 3.6: Pendency in submission of DC bills against AC 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 2015-16	7779	1902.20	7621	1876.80	158	25.40
2016-17	802	770.51	749	756.38	53	14.13
2017-18	869	698.92	731	645.23	138	53.69

(Source: Finance Accounts of the State)

As may be seen from **Table 3.6** above, the Departments had drawn 869 AC bills for an amount of ₹ 698.92 crore in the financial year 2017-18 and submitted 731 DC bills for an amount of ₹ 645.23 crore. Thus, 138 DC bills amounting to ₹ 53.69 crore were not submitted for AC bills drawn in 2017-18. Therefore, there is no assurance that the expenditure of ₹ 53.69 crore has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature. There is a possible overstatement of expenditure in the year 2017-18 by the same amount. In addition, 158 DC bills amounting to ₹ 25.40 crore for the years up to 2015-16 and 53 DC bills amounting to ₹ 14.13 crore pertaining to the year 2016-17 were yet to be submitted by the Departments. Thus, at the end of March 2018, 349 DC bills amounting to ₹ 933.22 crore were pending settlement. Advances drawn and not accounted for increases the possibility of wastage/misappropriation/malfeasance etc.

Audit observed that majority of AC bills (85 AC bills for ₹ 16.88 crore) pertained to Collectorate, North Goa which were drawn between August 2008 to May 2017 and pending settlement as of 31 March 2018. Similarly, 16 AC bills for ₹ 10.24 crore drawn by Collectorate, South Goa between

December 1991 and August 2017 were pending settlement as of 31 March 2018.

Audit further observed that office of the Commissioner of Commercial Taxes (Department) drew seven AC bills for ₹ 15.40 lakh during 2017-18 for holding various events such as, trainings/workshops/seminars *etc.* However, scrutiny of DC bills submitted by the Department revealed the following:

- While the Department spent ₹ 8.27 lakh on various events during the year, it submitted the corresponding DC bills after time lapse of one to six months, along with the unutilised funds of ₹ 7.13 lakh. In effect, the Department held excess cash of ₹ 7.13 lakh for one to six months instead of refunding the same immediately.
- In four of seven cases, the Department drew AC bills (₹ 9.96 lakh) after conclusion of events, which was irregular.
- The cash drawn by the Department on AC bills was not entered/recorded in the cash book and thus, susceptible to fraud/misappropriation of public money.

The Department attributed (July 2019) delay in settlement of AC bills to late receipt of event bills. The reply is factually incorrect as the Department had delayed the submission of DC bills up to five months even after receipt of supporting event bills.

### **3.7 Conclusion and Recommendations**

Out of 12,236 Utilisation Certificates amounting to ₹ 1,914.70 crore pending as on 31 March 2018, 4,912 UCs involving ₹ 1,255.89 crore were pending from one to five years. Remaining 7,324 UCs involving ₹ 658.81 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/concerned Departments may evolve a mechanism to gather UCs promptly, verify their genuineness, including by way of sample inspection, and look into the delays in submission to identify the bottlenecks and address them for sound internal control and financial reporting. Unspent balances lying with the grantee institutions for long periods need review.*

158 DC bills amounting to ₹ 25.40 crore for the years up to 2015-16 and 53 DC bills amounting to ₹ 14.13 crore pertaining to the year 2016-17 were not submitted by the Departments as of March 2018. Further, 138 DC bills amounting to ₹ 53.69 crore were not submitted before close of the financial year 2017-18.

*The sanctioning authorities may ensure that amounts drawn on AC bills are settled expeditiously through submission of DC bills within the prescribed time limits. The Finance Department may also ensure that the pendency of AC bills is brought down.*



**Panaji**  
**The 27 November, 2019**

**(ASHUTOSH JOSHI)**  
**Principal Accountant General**

**Countersigned**



**New Delhi**  
**The 29 November, 2019**

**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**