

## CHAPTER III FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. The compliance to financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government on the compliance of various financial rules, procedures and directives during the current year.

### 3.1 Delay in furnishing utilisation certificates

Rule 116 (1) of Sikkim Financial Rules provides that every grant made for a specific object is subject to the implied conditions such as (i) the grant shall be spent upon the object within a reasonable time (which should ordinarily be interpreted to mean one year from the date of issue of the letter sanctioning the grant as per note below Rule 116), if no time limit has been fixed by the sanctioning authority; and (ii) any portion of the amount which is not ultimately required for expenditure upon that object shall be duly surrendered to Government. However, of the 2,340 utilisation certificates (UC) due in respect of grants-in-aids aggregating Rs. 61.74 crore paid up to 2008-09, 713 UCs (30.47 per cent) for an aggregate amount of Rs. 13.88 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**, the age-wise delays in submission of UCs is summarised in the **Table 3.1**.

**Table 3.1: Age-wise arrears of utilisation certificates.**

*(Rupees in crore)*

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		No. of cases	Amount	Number	Amount
1	0 - 1	252	16.36	182	7.55
2	1 - 3	667	18.13	170	4.55
3	3 - 5	309	13.61	40	0.62
4	5 - 7	386	3.03	111	0.84
5	7 - 9	489	9.84	74	0.25
6	9 & above	237	0.77	136	0.07
<b>Total</b>		<b>2,340</b>	<b>61.74</b>	<b>713</b>	<b>13.88</b>

Out of 713 UCs for an amount of Rs. 13.88 crore pending as of March 2009, 321 UCs

involving Rs. 1.16 crore were pending for more than five years. Pendency of UCs mainly pertained to Co-operation Department (541 UCs: Rs. 3.53 crore), Sports and Youth Affairs Department (42 UCs : Rs. 0.33 crore), Food Security and Agriculture Department (40 UCs : Rs. 1.16 crore), Irrigation and Flood Control Department (23 UCs : Rs. 1.01 crore), Health Care, Human Services and Family Welfare Department (22 UCs : Rs. 4.89 crore) and Horticulture and Cash Crops Development Department (19 UCs : Rs. 1.68 crore).

In the absence of the UCs it could not be ascertained as to whether the recipients had utilised the grants for the purposes for which these were given.

### **3.2 Non-submission/delay in 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 departments are required to furnish to Audit every year detailed information about the financial assistance given to various Institutions, the purpose of assistance granted and the total expenditure of the Institutions. Out of 21, the accounts of two Bodies/Authorities received for the year 2007-08, attracted audit by Comptroller and Auditor General of India (CAG) and were audited during 2008-09. Besides, the accounts prior to 2007-08 were received from 13 Bodies/Authorities which were also audited during 2008-09.

The 32 annual accounts of 19 Autonomous Bodies/Authorities due up to 2007-08 had not been received as of November 2009 by the Accountant General (Audit). The details of these accounts are given in **Appendix 3.2**.

Due to the absence of annual accounts and subsequent audit of these 19 Bodies and Authorities involving 32 annual accounts, the proper accountal/ utilisation of the grants and loans disbursed to these Bodies/Authorities remained unverified. The reasons for non-preparation of the accounts were, however, not intimated.

### **3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies**

Several Autonomous Bodies have been set up by the State Government in the field of Rural Development, Urban Development, Khadi and Village Industries, State Health and Family Welfare, Science and Technology, etc. A large number of these Bodies are audited by the CAG with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in Audit, review of internal management and financial control, review of system and procedures etc. The Audit of accounts of eight Bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in **Appendix 3.3**. The frequency distribution of Autonomous Bodies according to the delay in submission of accounts to Audit and placement of Separate Audit Report in the legislature after the entrustment of

Audit to CAG is summarised in **Table 3.2**.

**Table 3.2: Delay in submission of Accounts and placement of Separate Audit Report**

Delay in submission of Accounts (In Months)	Autonomous Bodies		Reasons for the Delay	Delay in submission of SARs in Legislature (in years)	Number of Autonomous Bodies	Reasons for the delay
	No.	A/Cs				
0-1	—	—	Not furnished	0-1	Nil	Not furnished
1-6	3	4		1-2	Nil	
6-12	1	1		2-3	Nil	
12-18	1	1		3-4	1	
18-24	1	1		4-5	Nil	
24 & above	3	4		5 & above	3	
<b>Total</b>	<b>9</b>	<b>11</b>			<b>4</b>	

11 accounts of 8 Autonomous Bodies were in arrears for periods ranging from 3 to 37 months as of November 2009. The State Government disbursed regular funds to these Autonomous Bodies. In the absence of accounts and subsequent audit, it could not be verified whether the funds received and expenditure incurred had been properly accounted for and the purpose for which the funds were disbursed were achieved. Besides, delay in finalisation of accounts carries the risk of financial irregularities going undetected apart from violation of the provisions of the respective legislations under which the Bodies were constituted.

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

The Heads of departments in the Government are to ensure that the Undertakings prepare such accounts and submit the same to Accountant General for Audit within a specified time frame. As of November 2009, there were two such Undertakings out of which one had not prepared accounts for 2007-08 and the other one had prepared accounts for 2007-08 which is under audit. The department-wise position of finalisation of accounts and investment made by the Government are given in **Appendix 3.4**.

### 3.5 Misappropriation, losses, defalcation etc.

State Government reported nine cases of misappropriation, defalcation, etc. involving Government money amounting to Rs. 2.44 crore up to the period November 2009 on which final action was pending. The department-wise break up of pending cases alongwith age wise analysis is given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6**. 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 3.3**.

**Table 3.3: Profile of misappropriation, losses, defalcation, etc.**

Age-profile of the pending cases			Nature of the pending cases
Range in years	Number of cases	Amount involved (Rs. in lakhs)	
0 - 5	6	54.96*	Misappropriation/ Loss of material
5 - 10	2	176.63	
10 - 15	1	12.54	
<b>Total</b>	<b>9</b>	<b>244.13</b>	

\* In one case of SNT, amount not ascertained

A further analysis indicates the reasons for which the cases were outstanding as shown in **Table 3.4**.

**Table 3.4: Reasons for outstanding cases of misappropriation, losses, defalcation, etc.**

Reasons for the delay/outstanding pending cases		Number of cases	Amount (Rs in lakh)
i)	Awaiting departmental and criminal investigation	2	34.48*
ii)	Departmental action initiated but not finalised	2	5.10
iii)	Pending in the court of law	5	204.55
	<b>Total</b>	<b>9</b>	<b>244.13</b>

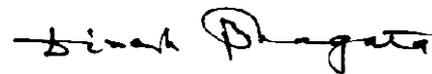
\* In one case of SNT, amount not ascertained

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriation and losses.

### 3.6 Conclusion and Recommendation

Foregoing discussion discloses deficiencies in not furnishing utilisation certificates in time against grants/loans received, non-furnishing of detailed information about financial assistances received by various Institutions and non-submission of accounts in time. There were also delays in placement of Separate Audit Reports to Legislature and huge arrears in finalisation of accounts by the Autonomous Bodies/Authorities. Besides, cases of

misappropriation and losses indicated inadequacy of controls in the departments. An effective mechanism needs to be put in place to ensure timely placement of reports, finalisation of accounts and speedy settlement of cases relating to misappropriation and losses.



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