

CHAPTER- III

FINANCIAL REPORTING

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 compliance 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 Utilization Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlement) within 18 months from the date of their sanction unless specified otherwise. However, of the 787 UCs due in respect of grants and loans aggregating ₹ 430 crore as of March 2010, 586 UCs amounting to ₹ 337.56 crore were pending as of August 2010. Of these 306 UCs (52.22 *per cent*) involving ₹ 209.70 crore were pending for periods up to three years and 280 UCs involving ₹ 127.86 crore were pending for over three years. The age-wise delays in submission of UCs have been summarized in **Table 3.1**.

Table-3.1: Age-wise arrears of Utilization Certificates as on August 2010

(₹ in crore)

Sl. No.	Range of delay in number of years	Utilizaiton Certificates Outstanding	
		Number	Amount
1	0-1	23	15.93
2	1-3	283	193.77
3	3-5	280	127.86
4	5-7	-	-
5	7-9	-	-
6	9 & above	-	-
Total		586	337.56

In the absence of UCs, it could not be ascertained whether the recipients had utilized the grants for the intended purpose for which it was sanctioned.

3.2 Delay in submission of Accounts in respect of 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 finalization of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department 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 September 2010, out of three such undertakings two had not prepared accounts and their accounts were in arrears from the year 2003-2004 onwards. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in **Appendix-3.1**.

Delay in finalization of accounts carries the risk of financial irregularities going undetected and therefore, the accounts need be finalized and submitted to audit at the earliest.

3.3 Misappropriations, losses, defalcations, etc.

Audit observed 15 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 3.18 crore upto the period March 2010 on which final action was pending. The department-wise break-up of pending cases showing age wise analysis and nature of these cases is given in **Appendix-3.2** and **Appendix-3.3** respectively. The age-profile of the pending cases and the number of cases pending in each category; theft and misappropriation/loss are summarized in **Table 3.2**.

Table-3.2: Profile of cases of misappropriations, losses, defalcations etc. as on 31 March 2010

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	15	318.30	Theft	01	2.33
5 - 10	---	---			

10 - 15	---	---	Misappropriation/Loss of material	14	315.97
15 - 20	---	---			
20 - 25	---	---	Total	15	318.30
25 & above	---	---	Cases of Loss Written off during the Year	---	---
Total	15	318.30	Total Pending cases	15	318.30

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriation and loss and ensure that such cases are avoided in future.

3.4 Conclusion and Recommendation

State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilization certificates to the Accountant General (Accounts & Entitlement) against the loans and grants given to various grantee institutions. 586 UCs involving an amount of ₹ 337.56 crore were not furnished to the Accountant General (Accounts and Entitlement) and needs urgent attention by the Government.

Departmental enquiries in the cases of loss/misappropriation should be expedited to bring the defaulters to book. Internal Controls in all the organizations should be strengthened to prevent occurrence of such cases in future.

Dehradun

(ASHWINI ATTRI)

The

Principal Accountant General (Audit), Uttarakhand

Countersigned

New Delhi

(VINOD RAI)

The

Comptroller and Auditor General of India