

CHAPTER III

FINANCIAL REPORTING

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A sound internal financial reporting system and the availability of relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance are some of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting their basic stewardship responsibilities, including strategic planning and decision making. 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

Rule 212 of the General Financial Rules stipulates that for grants released during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the Departmental Officers from the grantees within 12 months of the closure of the financial year. However, in respect of the grants paid upto March 2016, 1,412 UCs, for an aggregate amount of ₹ 438.23 crore, were not furnished by the grantees as of March 2017, out of which, 300 UCs involving money value of ₹ 145.55 crore were pending for the year 2016-17 alone for which grants were released during 2015-16.

Department-wise break-up of outstanding UCs and the age-wise pendency in submission of UCs were 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	0 – 1	300	145.55
2	1 – 3	531	176.13
3	3 – 5	370	71.47
4	5 – 7	81	13.91
5	7 – 9	71	13.88
6	9 and above*	59	17.29
	Total	1,412	438.23

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

* One UC for an amount of ₹ 116 pertaining to the period 1987-88, one UC for an amount of ₹ 7.13 lakh pertaining to the period 1990-91, one UC for an amount of ₹ 4.24 lakh pertaining to the period 1993-94 and one UC for an amount of ₹ 6,000 pertaining to the period 1995-96 were some of the oldest cases, in respect of which, UCs were pending.

Out of 1,412 UCs, 901 UCs (63.81 *per cent*) involving ₹ 247.60 crore were pending for periods ranging from one to five years, while 211 UCs (14.94 *per cent*) involving ₹ 45.08 crore were pending for more than five years. Pendency of 1,030 UCs for an aggregate amount of ₹ 200.12 crore pertained to Adi-Dravidar Welfare Department, Hindu Religious Institutions and Wakf Board, Local Administration Department and Town and Country Planning Department.

Non-receipt of UCs indicated that the Departments failed to comply with the rules to ensure accountability of the agencies that received Government funds. The trend was fraught with high risks of misappropriations and frauds.

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 73 Autonomous Bodies/Authorities in UT of Puducherry is entrusted to the Comptroller and Auditor General of India under Section 19 (2), 19 (3) and 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The annual accounts of 58 Autonomous Bodies/Authorities due upto 2015-16 were not submitted to the Principal Accountant General (General and Social Sector Audit) for certification as of March 2017. The details of the accounts were given in **Appendix 3.2** and their age-wise pendency was 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	1 – 3	37
2	4 – 5	6
3	More than five years	15
Total		58

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

Due to non-receipt of annual accounts from Autonomous Bodies/Authorities, which received Government assistance, the Government/Heads of Departments could not ensure that the Bodies/Authorities carried out the functions for which these were established. Further, utilisation of Government

grants for the intended purposes could also not be ensured. Non-submission of accounts not only violates Rule 211 of General Financial Rules, 2005, but also leads to delay in finalisation and issue of Separate Audit Reports (SARs) for subsequent placement in the Legislature.

3.3 Non-adjustment of Temporary Advances

The Drawing and Disbursing Officers (DDOs) draw temporary advances and disburse them to Government servants 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 292 (2) of the General Financial Rules, 2005, 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 2017, advances aggregating ₹ 357.25 crore were pending adjustment in respect of 381 out of 653 DDOs as per the records of the Director of Accounts and Treasuries, Puducherry. Age-wise analysis of the pending advances was 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	247	11.41
2	More than five years but less than 10 years	314	37.69
3	More than one year but less than five years	1,025	267.82
4	Less than one year	668	40.33
	Total	2,254	357.25

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

The pendency, involving substantial amounts, indicated laxity on the part of the departments in enforcing the provisions regarding adjustment of the advances.

3.4 Misappropriation, loss, theft, defalcation, etc.

Rule 33 and 34 of the General Financial Rules, 2005, stipulate that Heads of offices should report any loss or shortage of public moneys, property, etc., due to misappropriation, loss, theft, defalcation etc., to the next higher authority as well as to the Statutory Audit Officer.

The Departments of UT Government reported 338 cases of misappropriation, loss, defalcation, etc., upto March 2017, involving Government money amounting to ₹ 44.98 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 (266) involving an amount of ₹ 43.81 crore. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss etc., were summarised in **Table 3.4**.

Table 3.4: Profile of misappropriation, loss, defalcation, etc.

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)
0 - 5	49	109.19	Theft/Loss of material	325	4,398.05
5 - 10	21	3,657.56			
10-15	69	701.12			
15-20	99	27.13	Misappropriation	13	100.10
20-25	79	2.63			
More than 25	21	0.52			
Total	338	4,498.15	Total	338	4,498.15

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

The reasons for outstanding cases of misappropriation, loss, defalcation, etc., were given in **Table 3.5**.

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

Reasons for the pendency		Number of cases	Amount (₹ in lakh)
(i)	Awaiting departmental and criminal investigation	286	158.78
(ii)	Departmental actions initiated but not finalised	5	1.97
(iii)	Awaiting orders for recovery or write off	23	9.45
(iv)	Pending in Courts of law	24	4,327.95
	Total	338	4,498.15

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

While 24 cases involving ₹ 43.28 crore were pending in Courts of Law, 314 cases involving ₹ 1.70 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 ₹ 438.23 crore. The pendency ranged from one to more than nine years. Fifty eight Autonomous Bodies/Authorities did not submit to Principal Accountant General (G&SSA) their annual accounts due for the period upto 2015-16 as of March 2017. Fifteen Autonomous Bodies/Authorities did not submit their accounts since 2008-09. Temporary

advances aggregating to ₹ 357.25 crore, were pending adjustment by Drawing and Disbursing Officers. The Departments of UT Government reported 338 cases of misappropriation, loss, theft, defalcation, etc., upto March 2017 involving Government money of ₹ 44.98 crore. Final action on these cases was pending for periods ranging between one and 25 years and above.

3.6 Recommendations

The pendency in submission of Utilisation Certificates should be cleared by addressing the Departmental Officers to obtain Utilisation Certificates from the organisation to whom grants were given.

In respect of outstanding cases of misappropriation, loss, theft, defalcation, etc., UT Government should finalise cases where departmental action has been initiated and the cases awaiting orders for recovery or write off.



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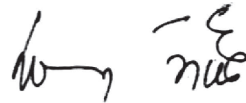
Accountant General

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Tamil Nadu and Puducherry

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The 16 March 2018

Countersigned



(RAJIV MEHRISHI)

Comptroller and Auditor General of India

New Delhi
The 21 March 2018