

CHAPTER-III

FINANCIAL REPORTING

A sound internal financial reporting and the availability of relevant and reliable information significantly contribute to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance also attribute to good governance. Reports on compliance and controls, if effective and operational, assist State Governments in meeting their 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 Delays in furnishing Utilisation Certificates

Rule 212 of the General Financial Rules, 2005 provide 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 their sanction unless specified otherwise. However, of the 10,297 UCs due in respect of grants and loans aggregating ₹ 1,333.33 crore paid up to 2012-13, 9,190 UCs (89 *per cent*) for an aggregate amount of ₹ 1,254.88 crore (94 *per cent*) were outstanding as on June 2014. The Department-wise break-up of outstanding UCs as on 30 June 2014 is given in **Appendix 3.1**. The age-wise position of these is in **Table 3.1**.

Table 3.1: Age-wise position of outstanding UCs as of 30 June 2014

Sl. No.	Range of delay in number of years	Utilisation certificates outstanding	
		Number	Amount (₹ in crore)
1	0 – 1	902	304.94
2	1 – 3	1771	404.16
3	3 – 5	2014	245.48
4	5 – 7	1133	131.42
5	7 and above	3370	168.88
	Total	9190	1254.88

(Source: Information compiled by Audit as per data received from Director of Accounts)

Out of 9,190 UCs amounting to ₹ 1,254.88 crore pending as on 30 June 2014, 4,687 UCs (51 *per cent*) involving ₹ 954.58 crore (76 *per cent*) were pending for periods ranging from one to five years while 4,503 UCs involving ₹ 300.30 crore were pending for more than five years.

Major cases of non-submission of UCs mainly pertained to Directorate of Art and Culture (30 *per cent*), Directorate of Panchayats (North) (19 *per cent*), Directorate of Panchayats (South) (17 *per cent*), Directorate of Municipal Administration (11 *per cent*).

The Departments listed in **Table 3.2** had not submitted UCs for funds aggregating ₹ 244.70 crore released during the period 1991-92 to 2012-13.

Table 3.2: Department wise arrears of UCs

Sl. No.	Department	Amount (₹ in crore)	UCs due from
1	Directorate of Panchayat (North)	148.19	1991-92
2	Directorate of Panchayat (South)	29.61	1991-92
3	Directorate of Women & Child Welfare	4.48	1991-92
4	Directorate of Education	53.88	1994-95
5	Directorate of Town & Country Planning	8.54	2001-02
	Total	244.70	

Non-submission of UCs in time may result in mis-utilisation of the grants. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans by the Departments.

3.2 Non-submission/delays in submission of accounts by Grantee institutions

In order to identify the institutions which attract audit under Sections 14 and 15 of the CAG's (DPC) 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 purposes of assistance granted and the total expenditure of these institutions. A total of 329 annual accounts of 53 autonomous bodies/authorities due up to 2012-13 had not been received by the Accountant General as of June 2014. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.3**.

Table 3.3: Age-wise arrears of annual accounts due from Government Bodies

Sl. No.	Delay in number of years	Number of bodies/ authorities	(₹ in crore)
			Grants received
1	0-2	8	6.27
2	2-5	9	13.94
3	5-7	36	13.58
	Total	53	33.79

(Source: Compiled by Audit from records received from various departments)

It can be seen from the above table that in respect of 36 Autonomous bodies/authorities, accounts were in arrears for more than five years. The major defaulters were educational institutions receiving Government grants for salaries, maintenance *etc.* Non-submission of annual accounts by a substantial number of autonomous bodies/authorities was in violation of the terms and conditions governing the release of grants by the Government and carried the additional risk of mis-utilisation of funds.

3.3 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 11 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 3.3**. The delay in submission of accounts to Audit and placement of SARs in the Legislature by the autonomous bodies is summarised in **Table 3.4**.

Table 3.4: Delays in submission of accounts and tabling of SARs

Delays in submission of accounts (in months)	Number of autonomous bodies	Delay in submission of SARs in the Legislature (in years)	Number of autonomous bodies
0-3	1	0-1	6
4-7	2	2-3	2
8-11	2	3-4	-
12-25	2	-	-
26 and above	4	5 and above	3

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

Out of the 11 autonomous bodies, the submissions of accounts were delayed for a period ranging from 12 to 67 months by six autonomous bodies. 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.

3.4 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 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 in all likelihood may also open the system to the risk of fraud and leakage of public money.

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 2014, there were two¹ such undertakings, both of which had heavy arrears in accounts. The department-wise positions of arrears in preparation of *proforma* accounts and investments made by the Government are given in **Appendix 3.4**.

3.5 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 27 cases of misappropriation, defalcation *etc.* involving Government money amounting to ₹ 1.98 crore up to June 2014 on which final action was pending. The Department-wise break up of pending cases is given in **Appendix 3.5**.

The age profile of the pending cases and the number of pending misappropriation cases are summarised in **Table 3.5**.

Table 3.5: 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	14	45.81	Misappropriation of cash/stores
5-10	9	104.17	
10 years & above	4	48.09	
	27	198.07	

(Source: Information furnished by concerned Departments)

The reasons for which the cases were outstanding are classified under three categories as listed in **Table 3.6** below.

Table 3.6: Reasons for outstanding cases of misappropriations

Reasons for the delay/outstanding pending cases	No. of cases	Amount (₹ in lakh)
Departmental action started but not finalised	19	181.37
Pending in the courts of law	5	15.25
Awaiting orders for recovery/write off	3	1.45
Total	27	198.07

(Source: Information furnished by concerned Departments)

¹ River Navigation Department, Chief Electrical Engineer

3.6 Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

The Controlling and Disbursing Officers of the Department of Goa are authorised to draw sums of money by preparing Abstract Contingent (AC) bills, by debiting service heads and are required to present Detailed Contingent (DC) bills (vouchers in support of final expenditure) to the Director of Accounts (DoA), Goa within one month from the date of drawal of funds on AC bill. The Government vide circular dated 25.7.2012 relaxed the time limit for submission of DC bills to three months from the date of drawal of funds on AC bill. If previous AC bills are outstanding over one/three months for want of DC bills, the proposal for drawal of further AC bills would require the sanction of Finance Department. At the end of June 2014, 1,036 AC bills aggregating ₹178.08 crore, drawn by 72 Departments were pending due to non submission of DC bills. Year wise details of pending DC bills are given in **Table 3.7**.

Table 3.7: Year wise details of pending AC bills

(₹ in crore)

Year	Outstanding number of AC bills	Amount
Up to 2009-10	313	46.53
2010-11	315	76.71
2011-12	57	18.31
2012-13	126	10.61
2013-14	225	25.92
Total	1036	178.08

(Source: Finance Accounts of the State)

The withdrawal of money on an AC bill is accounted against the functional major head in the consolidated fund. Unless the accounts are settled by submitting the DC bills within the time allotted, there is a possibility that the expenditure stands inflated if the amount drawn on AC bills is not fully expended for the intended purpose. This impacts the fiscal indicators of the Government (Revenue surplus/fiscal deficit).

A Review of the pending AC bills drawn by the Directorate of Sports and Youth Affairs (DSYA), from the Major Head of account-2204, conducted in September-October 2014 revealed that though the DSYA submitted DC bills for all the AC bills drawn, 23 AC bills for ₹ 1.85 crore were pending for approval from DoA as at the end of June 2014, as detailed in **Table 3.8**.

Table 3.8: Pending Abstract Contingent bills

(₹ in lakh)

Year	Abstract Contingent bills drawn		Detailed Contingent bills rendered		Outstanding Abstract Contingent bills as on 30.06.2014	
	No. of Bills	Amount	No. of bills	Amount	No. of bills	Amount
Up to 2009-10	33	146.13	19	60.08	4	38.78
2010-11	42	796.17	28	151.72	1	18.50
2011-12	43	626.39	47	1155.34	4	32.61
2012-13	37	218.09	36	271.93	5	54.77
2013-14	18	64.24	35	172.43	9	41.17
2014-15 (DC bills up to June 2014)			6	38.57		
Total	173	1851.02	171	1850.07	23	185.83

(Source: Directorate of Accounts, Government of Goa)

The pendency in AC bills was mainly due to inordinate delays in submission of DC bills by the DSYA to DoA. Further, delay in submission of compliance to queries raised by the DoA also effected the timely approval of DC bills.

The AC bills were drawn mainly for sports events; land acquisition, AMC for computers, Republic day/Independence day celebrations *etc.* The Department regularly sought extension to settle all the previous AC bills. However, such exorbitant delay in submission of DC bills was unjustifiable.

Scrutiny also revealed that as of June 2014, in the case of 115 AC bills involving ₹ 718.97 lakh there were delays ranging from one to 36 months in forwarding DC bills to the Director of Accounts by DSYA during 2009 -14 as detailed in **Table 3.9**.

Table 3.9: Delay in submission of DC bills

(₹ in lakh)

Delay upto	Number of AC bills	Amount
One month	11	25.14
Six months	59	322.27
One year	30	212.14
Two years	14	141.70
Three years	1	17.72
Total	115	718.97

According to existing instructions, if due to unforeseen causes, the advance drawn cannot be disbursed immediately, the amount or unspent portion of it shall be refunded to the Treasury forthwith. It was seen that there were delays in remittance of unspent balances amounting to ₹ 21.31 lakh for the periods ranging from one month to 16 months in respect of 23 pending AC bills.

3.7 Conclusion and Recommendations

Out of 9,190 UCs amounting to ₹ 1,254.88 crore pending as on June 2014, 4,687 UCs (51 *per cent*) involving ₹ 954.58 crore (76 *per cent*) were in arrears for periods ranging between one and five years, while 4,503 UCs involving ₹ 300.30 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 may evolve a mechanism to ensure that utilisation certificates in respect of grants released for specific purposes are furnished by the grantee institution in time.

Out of the 11 autonomous bodies, the submission of accounts were delayed for a period ranging from 12 to 67 months by six autonomous bodies.

The controlling Departments may identify the reasons for delay in finalisation of accounts of autonomous bodies and take remedial measures to ensure that the arrears in accounts are cleared in a time bound manner.

The State Government reported 27 cases of misappropriations, losses and defalcations *etc.* involving Government money amounting to ₹ 1.98 crore up to June 2014 on which final action was pending. Out of 27 cases, Departmental action had been initiated in 19 cases and five cases were pending in courts of law. The remaining three cases were awaiting orders for recovery/write off.

Departmental enquiries in respect of all the defalcation and misappropriation cases may be expedited to bring defaulters to book. Internal controls may also be strengthened to prevent such cases in future.

Panaji
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The 7 MAY 2015

Countersigned

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