

CHAPTER III
FINANCIAL REPORTING

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. The compliance with financial rules, procedures and directives, as well as the timeliness and quality of reporting on the status of such compliances 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 with various financial rules, procedures and directives during the current year (2014-15).

3.1 Utilization Certificates

Rule 212 (1) read with Rule 20 of General Financial Rules, 2005 (GFR) read with Rule 210 provides that Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E), Manipur within 12 months from the date of their sanction, unless specified otherwise in respect of grants provided for specific purposes.

However, it was noticed that 5893 Utilization Certificates (UCs) aggregating to ₹ 4570.66 crore in respect of grants were in arrears as of 31 March 2015 in respect of 34 departments. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the year-wise break-up of outstanding UCs is summarized in the following table:

Table 3.1: Year-wise arrears of Utilization Certificates

(₹ in crore)

Year	Total Grant paid		Utilization Certificates outstanding	
	No. of cases	Amount	No. of certificates	Amount
Up to 2010-11	1605	684.54	1492	551.85
2011-12	745	727.91	694	644.97
2012-13	1210	773.5	1152	709.04
2013-14	1159	807.62	1140	795.16
2014-15	1415	1869.64	1415	1869.64
Total	6134	4863.21	5893	4570.66

(Source: Office of the Accountant General (A&E))

The Utilization Certificates were mainly pending in respect of Development of Tribal and Other Backward Classes (2660 UCs: ₹ 1395.76 crore), Rural Development and Panchayati Raj Department (543 UCs: ₹ 1094.58 crore), Medical and Health Services (59 UCs: ₹ 447.40 crore) Planning Department (104 UCs: ₹ 353.61 crore), Education (S) Department (947 UCs: ₹ 324.00 crore), Power Department (62 UCs: ₹ 314.75 crore) and Municipal Administration, Housing and Urban Development (196 UCs: ₹ 196.63 crore). These seven departments together accounted for 4571 UCs (77.57 per cent) out of 5893 outstanding UCs; involving an amount of ₹ 4126.73 crore (90.30 per cent) out of outstanding amount of ₹ 4570.66 crore. In the absence of UCs it could not be ascertained whether the recipients had utilized the grants for the purposes for which these were given.

An audit check of UCs of Grants-in-Aid of Fisheries Department and Science and Technology Department was conducted by this office during September to October 2015. The results of the test check are given below:

Fisheries Department: During 2014-15, the Department paid (July 14 to March 15) a total amount of ₹ 1.99 crore as Grants-in-Aid to eight Fish Farmer's Development Agencies (FFDA). Of these, ₹ 72 lakh was paid as salary and other administrative expenses of these Agencies. The remaining amount of ₹ 1.27 crore was meant for implementation of the scheme "Development of Fresh Water Aquaculture and Cold water Fisheries and Aquaculture". Out of ₹ 1.99 crore, an amount of ₹ 1.66 crore was given by the Government of India as central share in March 2014. However, the amount was released late by one year by the State Government in March 2015, reasons of which have not been furnished (October 2015) by the Department.

Science and Technology Department: An amount of ₹ 1.31 lakh was spent (March 2015) for Fish Feed, Medicines *etc.*, and Aquarium Exhibition-cum-Flower Show. However, the bills for these expenditure and other details were not made available to Audit. Further, the Department paid (March 2015) ₹ 1.69 lakh to Manipur Remote Sensing Application Centre (MARSAC) for purchase of office furniture like Executive table, Storwels *etc.* The purchase was made without inviting tender or rate quotation.

Information regarding delay in submission of UCs, short release of next installment, curtailment of further grants or imposition of penalty *etc.* have not been intimated by both the Departments.

3.2 Non-submission/delay in submission of Annual accounts

Under Section 19 (3) of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971, Autonomous Bodies/Authorities are to submit their accounts to the Office of the Principal Accountant General (Audit) within three months from the close of the financial year. Annual accounts of seven Autonomous Bodies/Authorities¹ due upto 2014-15 had not been received (August 2015). The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in the following table.

Table 3.2: Age-wise Arrears of Annual Accounts due from Autonomous Bodies

(₹ in lakh)

Delay in Years	Number of Accounts pending	No. of the Bodies/Authorities	Grants Received
0 – 1	7	7	Not furnished
1 – 3	4	2	-do-
3 – 5	3	2	-do-
Total:	14		

(Source: Departmental records)

The Annual accounts of Autonomous District Councils of Tamenglong are outstanding for the last five years. In respect of Manipur State Legal Service Authority the Annual Accounts are outstanding for the last four years.

To exercise an effective control and management of these bodies, finalization of accounts in time is compulsory. Therefore, it should be ensured that accounts are finalized on time.

¹ Six Autonomous Districts Councils (Chandel, Churachandpur, Sardar Hills, Senapati, Tamenglong and Ukhrul) and Manipur State Legal Service Authority

3.3 Delays in placement of Separate Audit Reports of Autonomous District Councils/Autonomous Bodies

Six Autonomous District Councils (ADCs) exist in the State and one Autonomous Body *i.e.* Manipur State Legal Services Authority has been set up by the State Government. These Bodies are audited by the Comptroller and Auditor General of India (C&AG) 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 these seven Bodies in the State has been entrusted to the C&AG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature are indicated in **Appendix 3.3**. Delay in placement of Separate Audit Reports (SAR) in the Legislature after issuing them is summarized in the following table:

Table 3.3: Delay in submission / placement of Separate Audit Report as on October 2015

Sl. No.	Name of the ADC/Autonomous Bodies	Year	Date of issue	Date of placement of SAR	Delay in placement of SAR
1	Chandel	2009-10	11.6.13	26.06.13	-
2	Churachandpur	2009-10	2.12.13	19.12.13	-
3	Sardar Hills	2006-07	19.6.09	19.12.13	Over 4 years
4	Senapati	2007-08	20.10.10	19.12.13	Over 3 years
5	Tamenglong	2007-08	20.10.10	19.12.13	Over 3 years
6	Ukhrul	2006-07	13.1.10	19.12.13	Over 3 years
7	Manipur State Legal Service Authority	2010-11	6.12.13	19.12.13	-

(Source: Records of Autonomous District Councils and Manipur State Legal Services Authority)

The above table shows that Separate Audit Reports pertaining to the period 2006-07 in respect of ADC Sadar Hills was placed in the Legislature after a lapse of over four years while SARs for the period 2007-08 in respect of ADC Senapati, Tamenglong and Ukhrul were placed after a lapse of over three years. The reasons for the delay in submission/placement of the Separate Audit Reports in the Legislature were not furnished by the Government.

The State Government may need to take appropriate action to place the SAR in a timely manner to the State Legislative Assembly.

3.4 Departmental Commercial Undertakings

Departmental undertakings of certain Government departments performing activities of commercial/quasi-commercial nature are required to prepare accounts in the prescribed format annually showing the working results of financial operations, so that the Government can assess their working. As per Section 619 of the Companies Act 1956, the Annual accounts of these Government Undertakings are subject to supplementary audit by the C&AG. As of September 2015, there were 11 such undertakings which had not prepared their Annual accounts upto 2014-15. The Reports of the C&AG have repeatedly highlighted the issues of arrears in preparation of accounts.

The Department-wise position of arrears in preparation of accounts and investment made by the Government are given in **Appendix 3.4**. Four undertakings² have not submitted their accounts for more than twenty years. Two undertakings³ have not submitted their accounts for more than 10 years. In case of Manipur Tribal Development Corporation, the accounts have not been submitted from 1990-91 onwards. The delay in preparation of Annual accounts of these Departmental undertakings is fraught with the risk of misappropriations of public money.

² Manipur Plantation Crop Corporation, Manipur Agro Industries, Manipur Tribal Development Corporation and Manipur Pulp & Allied Products Ltd

³ Manipur Police Housing Corporation and Manipur Handloom & Handicrafts Development Corporation.

3.5 Misappropriations, losses, defalcations etc.

Rule 33 of GFR provides that any loss of public money, Departmental revenue, or properties of the State Government shall be immediately reported to the Principal Accountant General (Audit), Manipur even when such loss has been made good by the party responsible for it.

Information regarding non-adjustment of temporary advances, reasons for non-adjustment, non-submission/delay in submission of accounts, cases of misappropriation, losses, defalcations, if any, were called for from 51 Departments/Autonomous Bodies/Departmental Commercial Undertakings. Only 17 Departments⁴ furnished information (April 2015 to July 2015) that there are no pending cases of Advances and no cases of write-off was reported, except for Science & Technology Department.

Science and Technology Department reported (May 2015) one case of misappropriation. The detail of case of misappropriation reported by the Directorate of Science and Technology Department is given in the following table:

Table 3.4: Profile of misappropriations, losses, defalcations, etc.

(₹ in lakh)

Name of Department	Nature of the Pending Cases		
	Nature/ characteristics of the cases	Number of cases	Amount involved
Science & Technology	Cases of misappropriation	1	12.02
Total			12.02

(Source: Departmental records)

As seen from the above table, one case of misappropriation involving ₹ 12.02 lakh was pending for about 10 years in the Directorate of Science and Technology. The Department stated (May 2015) that delay in settlement of cases of misappropriation was due to non completion of Departmental enquiry and criminal investigation.

Without completion of departmental enquiry, recovery of the misappropriated amount from the concerned officers would be difficult. Therefore, the

⁴ Horticulture and Soil Conservation, Autonomous District Council (ADC), Ukhrul, Police Department, Art and Culture Department, Deputy Commissioner (DC), Churachandpur, Forest Department, Fire Service Department, Directorate of Adult Education, DC Imphal West, Directorate of Science & Technology, Manipur Tribal Development Corporation, Directorate of Settlement & Land Records, Manipur Electronics Development Corporation Ltd., Department of Taxes, Department of Command Area Development, Department of Agriculture, and Directorate of Family Welfare Services.

Departments should ensure that enquiries are expedited so that appropriate action can be initiated against the concerned officers.

3.6 Follow up on Audit Report on State Finances

As per Article 151 (2) of the Constitution of India, Audit Reports on State Finances *i.e.* State Finance Reports (SFR) are submitted to the Governor of the State for placing the Reports to the State Legislative Assembly. Audit Reports placed to the Legislative Assembly stands referred to the Public Accounts Committee (PAC). The details of placing of Audit Reports of last five years (SFRs 2009-10 to 2013-14) to the Legislative Assembly and their discussion by the PAC are shown as below:

Table 3.5: Discussion of State Finance Report by PAC

State Finance Reports (SFR)	Date of placing SFR to the Legislature Assembly	Date of discussion of SFR by PAC (Date of placing recommendation of PAC)	Gist of Recommendation	Action taken notes	Remarks
2009-10	24.3.2011	27.7.11 & 28.7.11 (11.7.2012)	Recommended for regularization of excess expenditure (Details given in Appendix 3.5)	Regularized on 6.9.13	Only Excess over provisions was mainly discussed
2010-11	6.7.2012	November 2011* (24.7.2014)	-do-	Action not yet taken	-do-
2011-12	11.6.2013	14.11.13 & 15.11.13 (24.7.2014)	-do-	-do-	The report was discussed
2012-13	16.7.2014	Not discussed	-	-	-
2013-14	29.6.2015	-do-	-	-	-

* Exact date of discussion of Report is not readily available

In case of SFR 2009-10, the excess of expenditure over provisions made during 2009-10 have been regularized (September 2013) by the State Government on the recommendation of PAC. Excess of expenditure over provision as reported in SFR 2010-11 and SFR 2011-12 were discussed (March 2014) by PAC and the excess of expenditure was recommended (July

2014) for regularization. However, the State Government has not taken action in this regard.

PAC discussed (November 2013) the whole SFR of 2011-12. A comprehensive recommendation on the finances of State Government was published (July 2014). Important points of recommendation of the PAC are as follows:

- Deduction of VAT/Sales Tax and Agency Charges while releasing funds is to be avoided;
- Follow a pragmatic approach to open up other avenues of revenue;
- Make matching contribution of the contribution made by the subscribers of the New Pension scheme and to maintain a format of accounting; and
- Maintain a transparent accounting system of deposits in MH-8449 or other heads of deposits. A format accounting was recommended by the PAC.

The recommendations of the PAC are given in **Appendix 3.5**. Action Taken Note of the Government on the recommendation is awaited (October 2015). SFRs for the years 2012-13 and 2013-14 are yet to be discussed by the PAC.

3.7 Conclusion and recommendations

Conclusion

There were 5893 Utilization Certificates aggregating to ₹ 4570.66 crore in arrears in respect of grants to 34 Departments as of March 2015. **(para 3.1)**.

There were also delays and arrears in finalization of accounts by the Autonomous District Councils (ADCs), Autonomous Bodies and Departmental Commercial Undertakings. Four Undertakings have not submitted their accounts for more than 20 years. **(paras 3.2 and 3.4)**.

Recommendations

The State Government may consider to:

- *strengthen internal controls of the executing agencies to utilize the funds within the stipulated time so as to avoid delays in submission of utilization certificates.*

- *put in place an appropriate mechanism to ensure timely finalization and submission of Annual Accounts by the Autonomous District Councils, Autonomous Bodies and Departmental Commercial Undertakings to the Office of the Principal Accountant General (Audit), Manipur and take special drive to expedite the submission of pending Annual Accounts and Utilization Certificates.*



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