

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 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 of various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 12 months from the date of their sanction unless specified otherwise. However, of the 9,167 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs.1,611 crore paid up to 2008-09, 8,894 UCs (97 per cent) for an aggregate amount of Rs.1,547 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 summarized in the Table 3.1.

Table 3.1: Age-wise Arrears of Utilisation Certificates.

Sl. No.	Range of Delay in Number of Years	Total grants paid		Utilisation Certificates	
		Number	Amount	Number	Amount
1	0 - 1	1219	816.86	1219	816.86
2.	1 - 3	1031	612.02	1026	563.29
3	3 - 5	198	94.52	185	85.86
4.	5 - 7	44	27.04	30	27.03
5	7 - 9	144	4.06	134	3.52
6.	9 & above	6531	56.01	6300	50.13
Total:		9167	1610.51	8894	1546.69

Out of 8,894 UCs worth Rs.1,546.69 crore pending as on March 2009, 6,464 UCs involving Rs.80.68 crore were pending for more than five years. Pendency of UCs mainly pertained to Elementary Education Department (6,869 UCs:Rs.236.73 crore), Municipal Administration Department (1,013 UCs:Rs.194.69 crore), Finance Department (522 UCs: Rs.30.41 crore), Health and Family Welfare Department (202 UCs:Rs.159.57 crore), Social Welfare Department (112 UCs:Rs.305.08 crore), Industries Department (72 UCs: Rs.91.75 crore) and Panchayat and Rural Development Department (20 UCs:Rs.259.30 crore).

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

3.2 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 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. The accounts of 13 Bodies/Authorities received for the year 2007-08, attracted audit by Comptroller and Auditor General of India. The 40 Bodies/Authorities (including accounts of earlier years), audit of which was due, were audited during 2008-09.

The Principal Accountant General (Audit) had not received 49 annual accounts of 27 Autonomous Bodies/Authorities due up to 2007-08 as of September 2009. The details of these accounts are given in Appendix 3.2 and their age-wise pendency is presented in Table 3.2 .

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

Sl.No.	Delay in Number of Years	No. of the Bodies/Authorities	Grants Received (Rs. in Lakh)
1	0 - 1	12	NA
2	1 - 3	13	NA
3	3 - 5	2	NA
4	5 - 7	--	NA
5	7 - 9	--	NA
6	9 and above	--	NA

In the absence of annual accounts and subsequent audit of these 27 Bodies and Authorities involving 49 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. Non-submission of accounts of the defaulting Autonomous Bodies were taken up (October 2009) with the Chief Secretary demi-officially.

3.3 Submission of Accounts/Audit Reports of Autonomous Bodies

Several Autonomous Bodies have been set up by the State Government in the field of Urban Development, Agriculture and allied services, Khadi and village Industries, Legal services and Sixth schedule areas. A large number of these Bodies are audited by the Comptroller and Auditor General with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinized in audit, review of internal management and financial control, review of system and procedures etc. The audit of accounts of nine

Bodies in the State has been entrusted to the Comptroller and Auditor General of India. 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. The frequency distribution of Autonomous Bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Report in the legislature after the entrustment of audit to Comptroller and Auditor General is summarized in Table 3.3.

Table 3.3: Delays in submission of Accounts and Placement of Separate Audit Report

Delays in submission of accounts (In Months)	Autonomous Bodies		Reasons for the delay	Delays in submission of SARs in Legislature (In Years)	Autonomous Bodies		Reasons for the Delay
	Number	Accounts			Delay	Number of SARs not placed	
0 - 1	--	--	Not furnished	0 - 1	--	--	Not furnished
1 - 6	--	--		1 - 2	1	8	
6 - 12	1	1		2 - 3	--	4	
12 - 18	7	11		3 - 4	--	8	
18 - 24	1	1		4 - 5	--	2	
24 and above	5	16		5 and above	--	2	
Total	14	29				1	

Twenty-nine accounts of nine Autonomous Bodies were in arrears for periods ranging from 1 to 16 months as of September 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.

Twenty-four SARs of the nine Autonomous Bodies were not placed before the legislature even after delays ranging from one to more than five years, thereby violating the statutory responsibility of keeping the State legislature informed about the financial status of the bodies.

3.4 Misappropriations, losses, defalcations, etc.

State Government reported 41 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs.156.46 crore up to the period March 2009 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in Appendix 3.4 and nature of these cases is given in Appendix 3.5. 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 summarized in Table 3.4.

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

Age Profile of the Pending cases			Nature of the Pending Cases		
Range in Years	Number of cases	Amount involved (Rs. in Lakh)	Nature/ characteristics of the cases	Number of cases	Amount involved (Rs. in Lakh)
0-5	25	3023.27	Theft	2	10.98
5-10	12	12611.33			
10-15	4	11.36	Misappropriation/ Loss of material	39	15634.98
15-20	--	--			
20-25	--	--	Total	41	15645.96
25 and above	--	--	Cases of losses written off during the year	Nil	Nil
Total	41	15645.96	Total pending cases	41	15645.96

A further analysis indicates that the reasons for which the cases were outstanding could be classified, for example, in the categories listed in Table 3.5.

Table 3.5: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

	Reasons for the Delay/Outstanding Pending cases	Number of Cases	Amount (Rs. in Lakh)
i)	Awaiting departmental and criminal investigation	27	15279.24
ii)	Departmental action initiated but not finalised	6	293.93
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	--	--
iv)	Awaiting orders for recovery or write off	6	65.38
v)	Pending in the courts of law	2	7.41
	Total	41	15645.96

3.5 Conclusion and Recommendations

Out of 8,894 UCs worth Rs.1,546.69 crore pending as on March 2009, 6,464 UCs (73 per cent) involving Rs.80.68 crore were pending for more than five years. In the absence of the certificate it could not be ascertained whether the recipients had utilized the grants for the purposes for which these were given. Annual accounts (49 numbers) in respect of 27 autonomous bodies/authorities due up to 2007-08 had not been received by the Principal Accountant General (Audit), Assam as of 30 September 2009.

Analysis of pending misappropriation cases revealed that the cases related mainly to theft and misappropriation/loss of materials. All the 41 cases were pending due to non-initiation of departmental and criminal investigation (27 cases), non-finalisation

of departmental action (six cases), orders for recovery/write off (six cases) and pending in the Courts of law (two cases).

Recommendation

Departmental enquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organizations should be strengthened to prevent such cases.

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