

## **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 compliances 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 Utilisation Certificates**

According to Rule 515 (Appendix 14) of the Meghalaya Financial Rules, 1981, unless otherwise rules by the State Government, every grant made for a specified object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning authority), if no time limit has been fixed by the sanctioning authority.

Department-wise position of utilisation certificates for the grants provided for specific purposes, though called for (October 2009) from the State Finance Department, had been received only in respect of one department, viz., Tourism Department. As per information furnished by the Director of Tourism, utilisation certificates for Rs. 12.14 crore provided as grants for 'Development of Circuit Tourism, Laitlyngkot-Pynursla-Pongtung-Mawlynnong-Pomshutta-Dawki' (Rs. 5.71 crore) and 'Development of Circuit Tourism, Barangapara-Gasuapara-Rongara-Mahadeo-Balpakram' (Rs. 6.43 crore) were outstanding for one year.

#### **3.2 Non-submission/delay in 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 (DPC Act), 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. Information for the year 2008-09 called for in January 2009 from 19<sup>1</sup> departments was awaited as of November 2009.

The annual accounts of 17 autonomous bodies/ authorities due up to 2008-09 had not been received as of November 2009 by the Accountant General (Audit). The details of these accounts are given in **Appendix 3.1** and their age-wise pendency is presented in **Table 3.1**.

**Table 3.1 : Age-wise arrears of Annual Accounts due from Government Bodies**

(Rupees in lakh)

Sl. No.	Delay in Number of years	Number of the Bodies/Authorities	Grants Received		
			Year	Number of the Bodies/Authorities	Amount
1..	0 - 1	4	2007-08	3	25.72
2.	1 - 3	3	2005-06	1	4.64
			2006-07	2	86.86
3.	3 - 5	3	2008-09	2	7.39
4.	5 - 7	2	-	-	-
5.	7 - 9	1	2000-01	1	0.94
6.	9 & above	4	2007-08	2	2.75
		<b>17</b>		<b>11</b>	<b>128.30</b>

Out of 17 bodies/authorities, annual accounts in respect of four organisations, viz., Economic Development Society, Tura, Project Executive, District Rural Development Agency, Shillong, Meghalaya Supervision and Cadre Management Co-operative and Registrar of Co-operative Societies, Meghalaya were outstanding for the period ranging from 11 to 16 years.

### **3.3 Delay in submission of Accounts**

Several autonomous bodies have been set up by the State Government in the field of khadi and village industries, urban development, etc. Of these, the audit of accounts of the Meghalaya Khadi and Village Industries Board (MKVIB) up to 2009-10 was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the DPC Act. However, the annual accounts of the MKVIB for the year 2008-09, due for submission by June 2009, had not been furnished (December 2009).

<sup>1</sup> Agriculture, Education, Arts & Culture, Health & Family Welfare, Election, Co-operation, Industries, Fisheries, Border Areas Development, Information & Public Relation, Printing & Stationery, Sports & Youth Affairs, Mining & Geology, Housing, Finance, Municipal Administration, Community & Rural Development, Forest & Environment and Power Departments.

### 3.4 Misappropriations, losses, defalcations, etc.

According to Rule 112 of the Meghalaya Financial Rules, 1981 any defalcation or loss of public money or other property discovered in Government Treasury or other office or department, which is under the audit of the Accountant General, should be immediately reported to the Accountant General, even when such loss has been made good by the person responsible for it.

State Government reported 83 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs. 1.66 crore up to the period March 2009 on which final action was pending. Break up of pending cases and age-wise analysis is given in **Appendix 3.2** and department-wise break up of pending cases is given in **Table 3.2**.

**Table 3.2 : Department-wise break up of pending cases**

(Rupees in lakh)

Name of Department	Theft		Misappropriation		Loss of Government material		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Education	-	-	-	-	1	0.03	1	0.03
General Administration	-	-	1	0.05	-	-	1	0.05
Public Works	4	4.20	1	0.22	2	0.75	7	5.17
Health & Family Welfare	1*	NA	1	0.26	1*+2	5.21	5	5.47
Home (Police)	-	-	2	0.21	-	-	2	0.21
Agriculture	1	0.23	1	0.44	-	-	2	0.67
Public Health Engineering	55	6.99	-	-	-	-	55	6.99
Legislative Assembly	-	-	1	3.34	-	-	1	3.34
Finance	1	1.20	1	0.92	2	102.24	4	104.36
Forest & Environment	1	2.14	-	-	-	-	1	2.14
Mining & Geology	-	-	1	16.55	-	-	1	16.55
Soil Conservation	1	2.17	-	-	-	-	1	2.17
Community & Rural Development	1	3.03	-	-	-	-	1	3.03
Printing & Stationery	1	15.76	-	-	-	-	1	15.76
<b>Total</b>	<b>65+1*</b>	<b>35.72</b>	<b>9</b>	<b>21.99</b>	<b>1*+7</b>	<b>108.23</b>	<b>83</b>	<b>165.94</b>

\* Amount not intimated.

Age-profile of pending cases and the number of cases pending in each category (theft and misappropriation/loss) are summarised in **Table 3.3**.

**Table 3.3 : Profile of Misappropriations, losses, defalcations, etc.**

(Rupees in lakh)

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved	Nature/characteristics of the cases	Number of cases	Amount involved
0 - 5	2	1.40	Theft	68	38.79
5 - 10	3	1.28			
10 - 15	37	129.36	Misappropriation/loss of material	22	135.00
15 - 20	20	13.57			
20 - 25	10	0.63	<b>Total</b>	<b>90</b>	<b>173.79</b>
25 & above	11	19.70	Cases of losses written off during the year	1	0.10
			Recovery during the year	6	7.75
<b>Total</b>	<b>83</b>	<b>165.94</b>	<b>Total Pending Cases</b>	<b>83</b>	<b>165.94</b>

A further analysis indicates that the reasons for which the cases were outstanding could be classified, for example, in the categories listed in **Table 3.4**.

**Table 3.4 : Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.**

(Rupees in lakh)

Reasons for the Delay/Outstanding Pending Cases		Number of cases	Amount
1.	Awaiting departmental and criminal investigation	54	27.27
2.	Departmental action initiated but not finalised	8	3.79
3.	Awaiting orders for recovery or write off	18	115.27
4.	Pending in the courts of law	3	19.61
<b>Total</b>		<b>83</b>	<b>165.94</b>

Out of Rs. 1.66 crore, the highest amount of theft, misappropriation and losses was Rs. 1.04 crore in Finance Department involving four cases, while the highest number of theft cases (55 cases) involving Rs. 6.99 lakh were pending in Public Health Engineering Department.

### 3.5 Conclusion

*State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delay in furnishing utilisation certificates for grants given by Tourism Department and also non-submission of information regarding utilisation certificates by the Finance Department. There were instances of losses and misappropriations, which remained unsettled with various departments for period ranging from one to over 25 years. Departmental enquiries in such cases should be*

*expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases in future.*



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