

## 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

Rule 517 (Appendix 16) of Assam Financial Rules provides that every grant made for a specified object is subject to the implied conditions such as (i) the grant shall be spent upon the object within a reasonable time (one year from the date of issue of the letter sanctioning the grant), and (ii) any portion of the amount which is ultimately not required for expenditure upon the object shall be duly surrendered to the Government. According to the information furnished by the Accountant General (A&E), Assam 17,025 utilisation certificates due in respect of grants aggregating ₹7,015 crore paid to 49 departments of the State Government during the period from 2001-02 to 2009-10 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	252	1,245.27	252	1,245.27
2	1 - 3	5,633	3,196.24	5,633	3,196.24
3	3 - 5	6,143	1,587.31	6,143	1,587.31
4	5 - 7	3,529	696.71	3,529	696.71
5	7 - 9	1,468	289.58	1,468	289.58
6	9 & above	-	-	-	-
<b>Total</b>		<b>17,025</b>	<b>7,015.11</b>	<b>17,025</b>	<b>7,015.11</b>

Out of 17,025 UCs worth ₹7,015.11 crore pending as on March 2010, 4,997 UCs involving ₹986.29 crore were pending for more than five years. Pendency of UCs mainly pertained to Education Department (12,444 UCs: ₹598.35 crore), Health

Department (360 UCs: ₹263.28 crore), Sericulture Department (322 UCs: ₹93.93 crore), Social Welfare Department (448 UCs: ₹480.89 crore) and Welfare of Plain Tribes and Other Backward Classes (530 UCs: ₹1,038.36 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 41 Bodies/Authorities received (accounts for the years 2002-03 to 2008-09) during the current year attracted audit by Comptroller and Auditor General of India. The 54 Bodies/Authorities (including accounts of earlier years), audit of which was due, were audited during 2009-10.

The Principal Accountant General (Audit) had not received 143 annual accounts of 67 Autonomous Bodies/Authorities due up to 2009-10 as of August 2010. 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 (₹ in lakh)
1	0-1	65	Not available
2	1-3	56	Not available
3	3-5	15	Not available
4	5-7	5	Not available
5	7-9	2	Not available
6	9 and above	-	Not available
<b>Total</b>		<b>143</b>	

In the absence of annual accounts and subsequent audit of these 67 Bodies and Authorities involving 143 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 with the concerned authorities time to time.

### 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 six Bodies and three District Councils 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)	Number of Autonomous Bodies	Reasons for the Delay
	Number	Accounts				
0-1	-	-	Not furnished	0-1	2	Not furnished
1-6	5	5		1-2	1	
6-12	-	-		2-3	3	
12-18	3	3		3-4	2	
18-24	-	-		4-5	-	
24 and above	3	14		5 and above	3	
<b>Total</b>	<b>11</b>	<b>22</b>			<b>11</b>	

Twenty-two accounts of six Autonomous Bodies were in arrears for periods ranging from two to 121 months as of August 2010. 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.

11 SARs of the six Autonomous Bodies and three District Councils 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/Councils informed about the financial status of the bodies.

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

According to Rule 103 of Assam Financial Rules, 1983 any defalcation or loss of public money or other property discovered in Government Treasury or office or department, which is under the audit of the Principal Accountant General, should be immediately reported to the Principal Accountant General even when such loss has been made good by the person responsible for it.

During 2009-10, the State Government had not reported a single case of misappropriation, defalcation etc. to the Principal Accountant General (Audit). The non-reporting was communicated to the Chief Secretary and Principal Secretary to the Government of Assam, Finance Department on July 2010 with a request to instruct all the Departments to furnish the reports of financial loss caused to Government if any, during the year. Reply is however, awaited as of August 2010.

Scrutiny in audit however, revealed 366 cases of misappropriation, defalcation etc. involving Government money amounting to ₹208.40 crore upto March 2010 on which final action was pending. The Department-wise breakup 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 pending cases and the number of cases pending in each category *i.e.*, theft and misappropriation/loss of Government material etc. 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 (₹ in lakh)	Nature/ characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	280	18,194.93	Theft	61	380.83
5-10	71	2,515.72			
10-15	15	129.09	Misappropriation/ Loss of material	305	20,458.91
15-20	-	-			
20-25	-	-	Total	366	20,839.74
25 and above	-	-	Cases of losses written off during the year	Nil	Nil
<b>Total</b>	<b>366</b>	<b>20,839.74</b>	<b>Total pending cases</b>	<b>366</b>	<b>20,839.74</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 3.5**.

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

	Reasons for the Delay/Outstanding Pending cases	Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	205	12,917.64
ii)	Departmental action initiated but not finalised	6	106.79
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	8	149.30
iv)	Awaiting orders for recovery or write off	145	7,659.96
v)	Pending in the courts of law	2	6.05
	<b>Total</b>	<b>366</b>	<b>20,839.74</b>

### 3.5 Conclusion and Recommendations

Out of 17,025 UCs worth ₹7,015.11 crore pending as on March 2010, 4,997 UCs (29 per cent) involving ₹986.29 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 (143 numbers) in respect of 67 autonomous bodies/authorities due up to 2009-10 had not been received by the Principal Accountant General (Audit), Assam as of 31 August 2010.

(Paras-3.1 and 3.2)

Analysis of pending misappropriation cases revealed that the cases related mainly to theft and misappropriation/loss of materials. All the 366 cases were pending due to non-initiation of departmental and criminal investigation (205 cases), non-finalisation of departmental action (six cases), criminal proceedings finalized but recovery of the amount pending (eight cases), orders for recovery/write off (145 cases) and pending in the Courts of law (two cases).

(Para-3.4)

#### Recommendations

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

Guwahati  
The

(Mukesh P. Singh)  
Principal Accountant General

Countersigned

New Delhi  
The

(Vinod Rai)  
Comptroller and Auditor General of India