

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

Rule 515 (Appendix 14) of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled 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 the grant), if no time-limit has been fixed by the sanctioning authority.

Department-wise position of Utilisation Certificates (UC) for the grants provided for specific purposes, though called for (May 2011) from various departments, have been received only in respect of two departments, viz., Registrar of Cooperative Societies and Community and Rural Development. No UC is outstanding in respect of Community and Rural Development.

As revealed from the records of 10 departments/organisations and information furnished by the Registrar of Co-operative Societies, 773 UCs for an aggregate amount of ₹ 36.21 crore were in arrears as of March 2011. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. Age-wise delay in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(₹ in lakh)

Sl. No.	Range of Delay	Total grants paid		Utilisation Certificates Outstanding as on 31 st March 2011	
		Number	Amount	Number	Amount
1	Up to 1 year	457	1399.74	314	1196.05
2	Above 1 year to 3 years	1244	2018.87	373	1330.92
3	Above 3 years to 5 years	705	1284.56	63	432.07
4	Above 5 years to 7 years	07	2657.54	7	491.01
5	Above 7 years to 9 years	03	6.70	03	6.70
6	Above 9 years	22	1569.77	13	164.72
	Total	2438	8937.18	773	3621.47

Out of 754 UCs involving ₹ 35.81 crore pending as on March 2011, five UCs pertaining to Directorate of Commerce and Industries involving ₹ 26.96 lakh were pending for more than 10 years.

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

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, 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 2010-11 called for in June 2010 from 21 departments/organisations¹ was awaited as of March 2011.

The annual accounts of 35 autonomous bodies/ authorities due up to 2010-11 had not been received (June 2011) by the Principal Accountant General (Audit). 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 Government Bodies

Sl. No.	Delay in number of years	Number of Bodies/Authorities	Grants received (₹ in crore)		
			Year	Number of Bodies/Authorities	Amount
1.	Up to 1 year	03	2009-10	02	29.93
2.	Above 1 year to 3 years	10	2007-08	03	33.54
			2008-09	05	35.60
			2009-10	01	8.54
			2010-11	01	5.75
3.	Above 3 years to 5 years	08	2006-07	03	87.02
			2006-10	05	3.98
4.	Above 5 years to 7 years	04	2003-04	01	12.41
			2008-09	02	7.87
5.	Above 9 years	10	200-01	01	17.90
			2007-08	03	7.05
			2008-09	01	4.50
		35			254.09

Out of 35 bodies/authorities, annual accounts in respect of eight organisations, viz., Managing Director Economic Development Society, Tura, Project Executive, District Rural Development Agency, Shillong, Meghalaya State Housing Board, Secretary Meghalaya Supervision and Cadre Management Co-operative, Registrar of Co-

¹ Housing, Fisheries, Education (Higher & Technical), Community & Rural Development, Programme Implementation, Power, Agriculture, Health & Family Welfare, Social Welfare, Animal Husbandry & Veterinary, Soil Conservation, Printing & Stationery, Mining & Geology, Arts & Culture and Forest & Environment Departments/ Meghalaya State Co-operative Marketing & Consumers Federation Limited, Meghalaya Non-Conventional & Rural Energy Development Agency, Meghalaya Eco Development Society, Meghalaya Aids Control Society, Science & Technology Society and Inspectorate of Electricity.

operative Societies Meghalaya Shillong, Director of Industries, Director of Health Services (MI) and Special Commissioner and Special Secretary to the Government of Meghalaya (Power Department) were outstanding for the period of 15 years and more.

3.3 Delay in submission of Accounts of Autonomous Bodies

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 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. However, the annual accounts of the MKVIB for the year 2009-10, due for submission by June 2010, had not been furnished (September 2011).

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 86 cases of misappropriation, defalcation, *etc.* involving Government money amounting to ₹ 1.78 crore up to the period March 2011 on which final action was pending. Break up of pending cases and age-wise analysis is given in **Appendix 3.3** and department-wise break up of pending cases is given in **Table 3.3**.

Table 3.3: Department-wise break-up of pending cases

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
Public Works	4	4.20	1	0.22	2	4.53	7	8.95
Health & Family Welfare	1*	NA	--	--	4	5.86	5	5.86
Home (Police)	-	-	1	0.18	-	-	1	0.18
Agriculture	1	0.23	1	0.44	-	-	2	0.67
Public Health Engineering	56	7.41	-	-	1	0.18	57	7.59
Legislative Assembly	-	-	1	3.34	-	-	1	3.34
Finance	1	1.20	1	0.92	2	102.24	4	104.36
Forest & Environment	2	2.14	-	-	-	-	2	2.14
Mining & Geology	-	-	1	16.55	-	-	1	16.55
Soil Conservation	1	2.17	-	-	-	-	1	2.17

* Amount not intimated.

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
Community & Rural Development	1	3.03	-	-	-	-	1	3.03
Printing & Stationery	1	0.25	-	-	-	-	1	0.25
Labour	--	--	--	--	1	0.66	1	0.66
Land Record & Survey	1	1.56	--	--	--	--	1	1.56
Horticulture	--	--	--	--	1	21.06	1	21.06
Total	69	22.19	6	21.65	11	134.53	86	178.37

Age-profile of pending cases and the number of cases pending in each category (theft and misappropriation/loss) are summarised in **Table 3.4**.

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

(₹ 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	9	29.53	Theft	69	22.19
5 - 10	6	88.23			
10 - 15	35	27.10			
15 - 20	6	10.62	Misappropriation/loss of material	17	156.18
20 - 25	24	3.58	Total	86	178.37
25 & above	6	19.31	Cases of losses written off during the year	Nil	--
			Recovery during the year	Nil	--
Total	86	178.37	Total Pending Cases	86	178.37

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.

(₹ in lakh)

Reasons for the Delay/Outstanding Pending Cases		Number of cases	Amount
1.	Awaiting departmental and criminal investigation	61	55.57
2.	Departmental action initiated but not finalised	8	3.79
3.	Awaiting orders for recovery or write off	14	99.40
4.	Pending in the courts of law	3	19.61
Total		86	178.37

Out of ₹ 1.78 crore, the highest amount of theft, misappropriation and losses was ₹ 1.04 crore in Finance Department involving four cases, while the highest number of theft cases (56 cases) involving ₹ 7.41 lakh were pending in Public Health Engineering Department.

3.5 Conclusion and Recommendation

State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delay in furnishing utilisation certificates for grants given by various authorities/organisations and also delays in submission of accounts by various autonomous bodies. Analysis of pending misappropriation cases revealed that the cases related mainly due to theft and loss of Government material which remained unsettled with various departments for period ranging from one to over 25 years. All the 86 cases were pending due to non-initiation of departmental and criminal investigation (61 cases), non-issue of orders for recovery or write off (14 cases), non-finalisation of departmental action (eight cases) and cases pending in the court of law (three cases). Departmental enquiries in all misappropriation/defalcation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.



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