

## 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 Utilisation Certificates

General Financial Rules provides that Utilisation Certificates (UC) should be obtained by the departmental officers from the Grantees and after verification these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise in respect of grants provided for specified purposes. At the end of March 2011, out of the total amount of ₹ 2,232.38 crore drawn, an amount of ₹ 1,188.46 crore remained outstanding for want of Utilisation Certificates. Details are given in **Table-3.1**.

**Table-3.1: Year-wise arrears of Utilisation Certificates**

(₹ in crore)

Year	Total Amount drawn during the year	Utilisation Certificate outstanding	No. of GIA Sanction awaiting Utilisation Certificate
Upto 2003-2004	107.48	107.48	879
2004-05	138.12	138.12	948
2005-06	167.87	167.87	1128
2006-07	245.08	245.08	1371
2007-08	254.82	254.82	1298
2008-09	295.10	275.09	1108
<b>Total Upto 2008-09</b>	<b>1208.47</b>	<b>1188.46</b>	<b>6703</b>
2009-10	447.23	414.70	1076
2010-11	576.68	544.80	1036
<b>Total</b>	<b>2232.38</b>	<b>2147.96</b>	<b>8815</b>

Source : Finance Accounts, Vol.-I, 2010-11

In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purpose 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 audit of accounts of the Mizoram Khadi Village Industries Board (MKVIB) upto 2010-11 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 for the year 2009-10, due for submission by June 2010, had not been furnished (March 2012).

In the absence of the annual accounts, proper account/utilisation of the grants and loans disbursed to the above mentioned Autonomous Body remained unverified. Reasons for non preparation/ submission of the accounts were, however, not been intimated to Audit (January 2012).

### 3.3 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, needed for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit by 30 June each year. The proforma accounts in respect of State Trading Scheme and Mizoram State Transport were not prepared. As of January 2012, the position of arrears in preparation of proforma accounts of these two bodies and working results of Mizoram State Transport for the last three years is given in **Table-3.2 and 3.3**.

**Table-3.2: Finalisation of Accounts and Government Investments**

(₹ in crore)

Sl. No.	Name of the Undertakings	Accounts finalised up to	Investment as per the last accounts finalised	Remarks/Reasons for Delay in preparation of accounts
<b>Department: Food, Civil Supplies and Consumer Affairs</b>				
1.	State Trading Scheme	2003-04	54.20	In spite of repeated reminders, reply from the Department is awaited. Also no information regarding working result was furnished.
<b>Department: Transport</b>				
2.	Mizoram State Transport	2001-02	16.40	Proforma accounts for the period 2002-03 to 2006-07 furnished by the department had been returned as the accounts did not tally with the reconcile figures of Principal Accountant General. Revised accounts are awaited (January 2012).

**Table-3.3: Working Results of Mizoram State Transport**

(₹ in crore)

Sl. No.	Description	2008-09	2009-10	2010-11
1.	Total revenue	2.08	1.98	2.31
2.	Operating revenue	1.91	1.82	2.06
3.	Total expenditure	13.08	12.89	20.96
4.	Operating expenditure	10.46	10.85	14.12
5.	Total loss	11.00	10.91	18.65
6.	Operating loss	8.55	9.03	12.06

### 3.4 Misappropriation, losses, defalcations etc.

Information regarding cases of misappropriation, losses, defalcations, if any, were called from the State Government. However, no cases of misappropriation were reported by the State Government (January 2012).

In course of test check of records during local audit, five cases of temporary misappropriation/non-accounting of Government Money were detected to the tune of ₹ 178 lakh as shown in **Table-3.4**.

**Table-3.4: Cases of Misappropriation**

(₹ in lakh)

Sl. No.	Department	Period of Accounts	Amount of temporary misappropriation	Remarks
1.	Principal, Government Zirtiri Residential Science College, Aizawl	01.04.2005 to 30.06.2010	11.59	Reply not yet received
2.	Director, Health Services, Aizawl	01.04.2007 to 31.03.2009	130.00	Reply not yet received
3.	Principal, Mizoram Polytechnic, Lunglei	01.04.2005 to 31.03.2010	10.01	Reply not yet received
4.	Principal, Government Hrangbana College, Aizawl	01.04.2003 to 31.10.2011	12.41	Reply received but not tenable
5.	Sr. Liaison Officer, Mizoram House, Kolkata	01.10.2001 to 31.12.2009	13.99	Reply not yet received
<b>Total</b>			<b>178.00</b>	

Sources: Local Audit Inspection Report

### 3.5 Conclusion and Recommendations

#### Conclusion

At the end of March 2011, out of the total amount of ₹ 2,232.38 crore drawn, an amount of ₹ 1,188.46 crore remained outstanding for want of Utilisation Certificates. The annual accounts of Mizoram Khadi Village Industries Board (MKVIB) for the year 2009-10, due for submission by June 2010, had not been furnished (March 2012). In the absence of the annual accounts, proper account/utilisation of the grants and loans disbursed to the above mentioned Autonomous Bodies remained unverified. Reasons for non-preparation/submission of the accounts were, however, not intimated to Audit (January 2012).

In spite of repeated comments about the arrears in preparation of accounts of two Commercial Undertakings by the Comptroller and Auditor General of India in previous State reports, no improvement has been reported by the undertakings. In the absence of timely finalisation of accounts, the investment of the Government remained outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any, needed for ensuring accountability could not be taken in time

#### Recommendations

- ❖ *Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms. The State Government should undertake regular monitoring and issue necessary instructions to the concerned*

*Departments for furnishing timely Utilisation Certificates. The Heads of Departments should ensure that the departmental undertakings prepare proforma accounts and submit the same to Accountant General for audit. Departmental inquiries in misappropriation/ loss cases should be expedited to bring the defaulters to book. Internal Control in all organisations should be strengthened to prevent such type of cases in future.*



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