

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. 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 Principal Accountant General (A&E), Assam, 18,202 Utilisation Certificates (UCs) due in respect of grants aggregating ₹9,943.42 crore paid to 62 departments of the State Government during the period from 2001-02 to 2011-12 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 **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	614	1,680.81	614	1,680.81
2	1-3	815	2,492.77	815	2,492.77
3	3 and above	16,773	5,769.84	16,773	5,769.84
Total		18,202	9,943.42	18,202	9,943.42

Out of 18,202 UCs worth ₹9,943.42 crore pending as of March 2012, UCs (16,773 Numbers) involving ₹5,769.84 crore were pending for more than three years. Pendency of UCs mainly pertained to Education Department (12,477 UCs: ₹636.40 crore), Health Department (367 UCs: ₹350.57 crore), Industries and Commerce Department (391 UCs: ₹177.22 crore), Panchayat and Rural Development Department (168 UCs: ₹1,087.58 crore), Rural Development Department (165 UCs: ₹1,952.14 crore), Social Welfare Department (478 UCs: ₹838.77 crore) and Welfare of Plain Tribes and Backward Classes (724 UCs: ₹1,454.60 crore). Of the 62 departments, 24

departments even failed to submit UCs in respect of grants released to them during the period 2001-02.

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.

Mention was made in earlier Audit Reports of the Comptroller and Auditor General of India in this regard, but no efforts have been made by the State Government to ensure submission of UCs by the respective departments within the prescribed time frame. However, in a recent meeting convened by the Finance Department (November 2012), the Hon'ble Chief Minister, Assam expressed his grave concern and dissatisfaction over non-submission of UCs by the concerned administrative departments and desired that the departmental ministers and administrative heads should ensure timely submission of UCs.

Accordingly, some Departments have submitted UCs. Some of the UCs submitted were not found to be in order. Thus, the departmental authorities are required to reconcile figures etc., in consultation with the Office of the Principal Accountant General (A&E) Assam to settle outstanding UCs.

Further, a monitoring system should also be evolved by the respective Departments so that expeditious submission of UCs by the recipients is ensured.

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 nine Bodies/Authorities received (accounts for the years 2008-09 to 2010-11) during the current year attracted audit by the Comptroller and Auditor General of India. The 19 accounts, audit of which was due, were audited during 2011-12.

The Principal Accountant General (Audit) had not received 463 annual accounts of 37 Government Bodies/Authorities due up to 2011-12 as of August 2012. 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 Accounts	Grants Received
1	0-1	37	Not available
2	1-3	64	Not available
3	3-5	58	Not available
4	5-7	53	Not available
5	7-9	45	Not available
6	9 and above	206	Not available
Total		463	

Of the 37 Government Bodies/Authorities, 24 Bodies/Authorities under Health and Family Welfare Department did not furnish the accounts since their inception. In the absence of annual accounts and subsequent audit of these 37 Bodies and Authorities involving 463 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 was taken up with the concerned authorities from 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 seven 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 after the entrustment of audit to the Comptroller and Auditor General is summarized in **Table 3.3**.

Table 3.3: Delays in submission of Accounts

Delays in submission of accounts (In Months)	Autonomous Bodies		Reasons for the delay
	Number	Accounts	
0-6	--	--	Not furnished
6-12	2	2	
12-18	2	2	
18-24	1	1	
24 and above	2	2	
Total	7	7	

Out of 32 accounts (including account of current year) of seven Autonomous Bodies, seven accounts were submitted with delay for periods ranging from six to 24 months and above and remaining 25 accounts were in arrears for the periods ranging from 12 to 156 months as of June 2012.

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. Thus, there is a need to impress upon the Autonomous Bodies for the timely submission of their accounts to audit.

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.

The Heads of Department/State Government had not reported even a single case of misappropriation, defalcation etc., to the Principal Accountant General (Audit) during 2011-12 despite instructions issued (December 2009) to all Heads of Department by the Finance Department for furnishing the reports of financial loss caused to Government, if any, during the relevant financial year.

Scrutiny in audit, however, revealed 255 cases of misappropriation, defalcation etc., involving Government money amounting to ₹75.29 crore upto March 2012 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.

(₹ 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	137	2,274.15	Theft	40	117.44
5-10	87	4,978.96	Misappropriation/ Loss of material	215	7,411.38
10-15	24	269.65			
15-20	07	6.06	Total	255	7,528.82
20-25	--	--	Cases of losses written off during the year	Nil	Nil
25 and above	--	--	Total pending cases	255	7,528.82
Total	255	7,528.82			

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
(i) Non-furnishing of reply	24	1,180.94
(ii) Non-furnishing of proper reply by the Department	190	5,832.12
(iii) Final reply detailing the actions taken is awaited	41	515.76
Total	255	7,528.82

Thus, an effective mechanism needs to be put in place to ensure speedy settlement of cases relating to theft, misappropriations and losses and also to place systems in order.

3.5 Conclusion and Recommendations

State Government's compliance with various rules, procedures and directives was unsatisfactory as was evident from delays in furnishing utilization certificates against the loans and grants from various grantee institutions. Delays also figured in submission of annual accounts by some of the Autonomous bodies/authorities. Further, annual accounts in respect of a large number of Government bodies/authorities due up to 2011-12 had not been received by the Principal Accountant General (Audit), Assam. There were instances of losses and misappropriation, which remained unsettled with various departments for period ranging from one to 20 years.

(Paras-3.1 to 3.4)

Departments should submit UCs in respect of the grants released for specific purposes to the grantee institutions in time.

Government departments should take urgent action so that the Government/ Autonomous bodies submit the outstanding accounts expeditiously.

Departmental enquiries in the cases of loss and misappropriation etc., should be expedited to bring the defaulters to book. Internal controls should be strengthened to prevent occurrence of such cases.

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