

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 compliance 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

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within 12 months from the date of their sanction unless specified otherwise. However, of the 781 utilisation certificates (UC) in respect of eight departments aggregating ₹ 1584.34 crore paid up to 2010-11, 81 UCs (10.37 per cent) for an aggregate amount of ₹ 88.16 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**, the age-wise delay in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of utilisation certificates

(Rupees in crore)

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		Number of cases	Amount	Number of cases	Amount
1	0 - 1	154	183.90	16	41.76
2	1 - 3	328	1140.07	62	45.55
3	3 - 5	299	260.37	3	0.85
	Total	781	1584.34	81	88.16

In the absence of the certificates it could not be ascertained whether the recipients had utilised the grant for the purpose 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/Head of the Departments 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.

46 annual accounts of 15 autonomous bodies/authorities due up to 2010-11 had not been received as of September 2011 by the 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	No. of the Bodies/ Authorities	Grants received (Rupees in Lakh)
1	1 – 3	8	Not Available
2	3 – 5	4	Not Available
3	5 – 7	3	Not Available

It is seen from the above table that delay in submission of accounts ranged between one and three years in respect of eight bodies/authorities, three and five years in respect of four Bodies/Authorites and between five and seven years in respect of three Bodies/Authorities.

Due to the absence of annual accounts and subsequent audit of these 15 bodies and authorities involving 46 annual accounts, the proper accounting/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.

3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Several Autonomous Bodies have been set up by the State Government in the field of development of Khadi and Village Industries, State Legal activities, Power and pollution regulations etc. Of these, the audit of accounts of the Nagaland Khadi and Village Industries Board (NKVIB) up to 2010-11 was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the DPC Act. However, the annual account of the Board for the year 2009-10 and 2010-11 due for submission by June 2010 and June 2011 respectively had not been furnished (October, 2011). The status of entrustment of audit, issuance of SAR and its placement in the Legislature are indicated in **Table 3.3**.

Table 3.3: Delay in submission of Accounts and tabling of Separate Audit Reports

Year of SAR	Period of entrustment	Date of issue of SAR	Date of placement in the Legislature	Delay in placement in the Legislature (Years)
2004-05	2000-01 to 2004-05	23.09.09	25.03.2010	-
2005-06	2005-06 to 2009-10	23.09.09	25.03.2010	-
2006-07 to 2007-08	2005-06 to 2009-10	18.12.09	25.03.2010	-
2008-09	--do--	02.08.11	Under process	-
2009-10 to 2010-11	2009-10 to 2013-14	Accounts still awaited from NKVIB despite reminder issued from time to time	-	-

Nagaland Electricity Regularity Commission and Nagaland Hospital Authority was established under the State Legislative Act¹² and the audit of accounts entrusted to the Comptroller and Auditor General of India under Section 104 and 105 of Central Electricity Act 2003 and Rule 14 of notification issued under section 22 of Hospital Authority Bill 2003 by the Government of Nagaland, Health and Family Welfare Department. However, though the annual accounts of these Authorities/Bodies were due for submission to the Accountant General (Audit) every year these had not been furnished despite pursuance.

Further, though five¹³ authorities/bodies furnished their annual accounts upto 2009-10, the same could not be audited due to non receipt of audit entrustment from the State Government.

3.4 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the year up to which proforma accounts is yet to be finalised in these undertakings are given in **Appendix 3.3**. It was noticed that:

As on 31 March 2011, there were eight departmentally managed Government commercial undertakings.

A mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year 2009-10 about delay in preparation of Proforma accounts of these undertakings. Despite this, accounts were in arrears for periods ranging from three to 31 years as of January 2011.

¹² Nagaland Electricity Regularity Commission (04.03.08), Nagaland Hospital Authority (18.12.03).

¹³ Nagaland Legal Services Authority 2009-10, Nagaland State Pollution Control Board 2007-08, Nagaland State Agricultural Marketing Board 2009-10, Development Authority 2009-10 and Nagaland Board of School Education 2007-08.

The finalised accounts of departmentally managed commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently corrective measures, if any, required could not be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.

3.5 Misappropriation, loss, defalcation, etc.

Rule 20 of General Financial and Accounts Rules Part-I provides that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government, caused by misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the office concerned to the next higher authority as well as to the Accountant General. An attempt was made to collect the information regarding misappropriation, loss, defalcation etc. in all the departments of the State Government. In response, the State Vigilance Commission and the Department of Underdeveloped Areas (DUDA) reported 27 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 92.46 crore and 5 theft cases amounting to ₹ 0.17 crore up to the period March 2011 on which final action was pending. The department-wise break up 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 the pending cases and the number of cases pending in each category - theft and misappropriation/loss as emerged from these appendices are summarised in **Table 3.4**.

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

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (Rupees in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (Rupees in lakh)
0 - 5	28	Bifurcation amount of range in years were not provided by the depts. Hence, only the consolidated total is shown	Theft	5	17.19
5 - 10	3		Defalcation	1	460.88
10 - 15	-		Misappropriation/	26	8784.98
15 - 20	1		Loss of material		
Total	32	9263.05	Total Pending cases	32	9263.05

A further analysis indicates the reasons for which the cases were outstanding as detailed in **Table 3.5**.

Table 3.5: Reasons for Outstanding cases of Misappropriation, loss, defalcation, etc.

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (Rupees in lakh)
i)	Awaiting departmental and criminal investigation	-	-
ii)	Departmental action initiated but not finalised	20	8609.94
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	-	-
iv)	Awaiting orders for recovery or write off		
v)	Pending in the courts of law	10	641.42
vi)	Others	2	11.69
Total		32	9263.05

Out of ₹ 92.63 crore, an amount of ₹ 0.31 crore was recovered by three departments. The highest amount of misappropriation and loss amounting to ₹ 54.14 crore involving 9 cases occurred in Education Department, where final action is yet to be taken by the State Government.

3.6 Conclusion

Timely submission of utilisation certificates is a major area of concern. At the end of March 2011, 81 UCs involving an aggregate of ₹ 88.16 crore were pending for submission even after a lapse of one to five years from various departments. Though the accounts of the State Autonomous Bodies and Departmental Commercial Undertakings were over due, these accounts are yet to be submitted. Non-submission of accounts in time disclosed non-compliance of the financial rules. As on 31 March 2011, 27 cases of misappropriation, defalcation etc. involving ₹ 92.46 crore and 5 theft cases involving ₹ 0.17 crore in 16 Departments were pending for finalisation. Cases of misappropriation, defalcation, and theft indicated inadequacy of controls in the departments.



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