

CHAPTER III

FINANCIAL REPORTING

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. The 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 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 with various financial rules, procedures and directives during the current year.

3.1 Utilization Certificates

Rule 212 (1) of General Financial Rules, 2005 read with Rule 210 provides that Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E) within 12 months from the date of their sanction, unless specified otherwise in respect of grants provided for specific purposes. However, 3560 UCs aggregating to ₹ 2185.95 crore in respect of grants were in arrears as of March 2013. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the year-wise break-up of outstanding UCs is summarized in the following table:

Table 3.1 Year-wise arrears of Utilization Certificates

(₹ in crore)

Year	Total Grant paid		Utilization Certificates outstanding	
	No. of cases	Amount	No. of certificates	Amount
2012-13	1210	773.50	1210	773.50
2011-12	751	731.39	745	727.91
2010-11	695	394.26	661	389.42
2009-10	152	105.79	144	104.12
Upto 2008-09	812	193.90	800	191.00
Total	3620	2198.84	3560	2185.95

(Source: Office of the Accountant General (A&E))

UCs were mainly pending in respect of Tribal Affairs and Hills Department (1338 UCs: ₹ 689.49 crore), Rural Development and Panchayati Raj Department (342 UCs: ₹ 347.90 crore), Planning Department (75 UCs: ₹ 225.16 crore), Forest Department (90 UCs: ₹ 193.88 crore), Medical and Family Welfare Department (29 UCs: ₹ 173.83 crore) and Municipal Administration, Housing and Urban Development (176 UCs: ₹ 150.40 crore). These six departments together accounted for 2050 UCs (57.58 *per cent*) out of 3560 outstanding UCs; involving an amount of ₹ 1780.66 crore (81 *per cent*) out of outstanding amount of ₹ 2185.95 crore. In the absence of UCs it could not be ascertained whether the recipients had utilized the grants for the purposes for which these were given.

A test check of UCs of grants-in-aid of two Department *viz.* Agriculture Department and Information Technology Department was conducted by this office during October 2013. The results of the test check are given below:

- Agriculture Department: - Grants-in-aid for the year 2008-09 was released in 31 March 2009 and deposited in Major Head -8449-Other Deposits. Though the amount was utilized in 2009-10, the amount was shown as utilized in 2008-09 in the UCs. The grants-in-aid for the year 2012-13 was given without obtaining proper sanction from the concerned authority.
- Information Technology Department: - Grants-in-aid was given to Manipur State Information Technology Society (MSITS) during the period 2010-13. The UCs for the grants-in-aid for the period 2010-13 were submitted by the Department only to Finance Department. The Department stated that UCs from the year 2013-14 onwards will be submitted to the Accountant General (Accounts & Entitlement).

Thus, the Department should ensure submission of UCs timely to the Accountant General (Accounts & Entitlements).

3.2 Non-submission/delay in submission of accounts

Under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Autonomous Bodies/Authorities are to submit their accounts to the Office of the Accountant General (Audit) within three months from the close of the financial year.

Out of 7 Autonomous Bodies/Authorities¹, annual accounts of 6² Autonomous Bodies/Authorities due upto 2012-13 had not been received (January 2014). The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in the following table.

Table 3.2 Age-wise Arrears of Annual Accounts due from Autonomous Bodies

(₹ in lakh)

Delay in Years	No. of the Bodies/Authorities	Grants Received
0 – 1	-	NF
1 – 3	3	NF
3 – 5	3	NF
5 – 7	-	NF
Total:	6	

NF-Not furnished

(Source: Departmental records)

Annual accounts of 2012-13 of Autonomous District Council, Churachandpur have been received and audit of accounts of the Authority has been completed upto March 2013. In respect of Autonomous District Councils of Ukhrul, Senapati and Tamenglong the annual accounts are outstanding for three years.

3.3 Delays in placement of Separate Audit Reports of Autonomous District Councils/Autonomous Body

Six Autonomous District Councils (ADCs) exist in the State and one Autonomous Body *i.e.* Manipur State Legal Services Authority has been set up by the State Government. These Bodies are audited by the Comptroller and Auditor General of India (CAG) with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control, review of system and procedures *etc.* The audit of accounts of these seven Bodies in the State has been entrusted to the CAG. 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**. Delay in placement of SARs in the Legislature after issuing them is summarized in the following table:

¹ Six Autonomous Districts Councils (Chandel, Churachandpur, Sardar Hills, Senapati, Tamenglong and Ukhlul) and Manipur State Legal Service Authority.

² In respect of Autonomous District Council, Churachandpur up-to-date accounts have been submitted.

**Table 3.3: Delay in submission / placement of Separate Audit Reports
as on December 2013**

Sl. No.	Name of the ADC/ Autonomous Bodies	Year	Date of issue	Date of placement of SAR in the Legislature	Delay in submission of SAR to the Legislature
1	Chandel	2009-10	11.6.13	26.6.13	-
2	Churachandpur	2009-10	2.12.13	19.12.13	-
3	Sadar Hills	2006-07	19.6.09	-do-	Over 4 years
4	Senapati	2007-08	20.10.10	-do-	Over 3 years
5	Tamenglong	2007-08	20.10.10	-do-	Over 3 years
6	Ukhrul	2006-07	13.1.10	-do-	Over 3 years
7	Manipur State Legal Service Authority	2010-11	6.12.13	-do-	-

(Source: Records of Autonomous District Councils and Manipur State Legal Services Authority)

During the Public Accounts Committee (PAC) meetings held during October 2013 to December 2013, the State Government made an assurance (November 2013) that all the outstanding SARs would be placed in the ensuing Legislative Assembly session of December 2013. Accordingly, the State Government placed 40 outstanding SARs of five ADCs (Sl. No. 2 to Sl. No. 6 above) and 7 outstanding SARs of the Manipur State Legal Service Authority. Though there had been delays in placement on SARs in the past, the State Government has now taken suitable action on the assurance made to the PAC. Such action would need to be continued so that delays are avoided in placement of SARs in future.

3.4 Departmental Commercial Undertakings

Departmental undertakings of certain Government departments performing activities of commercial/quasi-commercial nature are required to prepare accounts in the prescribed format annually showing the working results of financial operations, so that the Government can assess their working. As per Section 619 of the Companies Act 1956, the accounts of these Government Undertakings are subject to supplementary audit by the C&AG. As of September 2013, there were ten such undertakings which had not prepared

their accounts upto 2012-13. The Reports of the C&AG of India have repeatedly highlighted the issues of arrears in preparation of accounts in Audit Report No. 1 (Government of Manipur). There is some improvement in preparation of accounts since last reported in the Audit Report. The Department-wise position of arrears in preparation of accounts and investment made by the Government are given in **Appendix 3.4**. Three undertakings³ have not submitted their accounts for more than twenty years. Three undertakings⁴ have not submitted their accounts for more than 10 years. In case of Manipur Tribal Development Corporation, the accounts have not been submitted for the year 1990-91 onwards and in case of Manipur Film Development Corporation, the accounts for the years 1995-96 onwards.

Delay in preparation of accounts of these Departmental undertakings increases the risk of fraud and leakage of public money.

3.5 Misappropriations, losses, defalcations etc.

Information regarding non-adjustment of temporary advances, reasons for non-adjustment, non-submission/delay in submission of accounts, cases of misappropriation, losses, defalcations, if any, were called for from 51 Departments/Autonomous Bodies/Departmental Commercial Undertakings.

However, information in respect of only eight Departments and one Corporation *viz.* Forest and Environment Department, Public Works Department, Irrigation and Flood Control Department, Horticulture and Soil Conservation Department, Art and Culture Department, Police Department, Public Health Engineering Department, Agriculture Department and Manipur Handloom & Handicrafts Development Corporation Ltd. were received (October 2013). Except for the Forest and Environment Department, all these Departments/Corporation reported (between July to September 2013) no pending cases of Advances and no cases of write-off.

Rule 33 of General Financial Rules 2005 provides that any loss of public money, Departmental revenue, or properties of the State Government shall be immediately reported to the Accountant General (Audit) even when such loss has been made good by the party responsible for it. The Forest and Environment Department reported (July 2013) loss during 2012-13. The detail of loss reported by the Forest Department is given in the following table:

³ Manipur Plantation Crop Corporation, Manipur Agro Industries Corporation and Manipur Tribal Development Corporation

⁴ Manipur Police Housing Corporation, Manipur Film Development Corporation and Manipur Pulp & Allied Products Ltd.

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

Nature of the Pending Cases		
Nature/ characteristics of the cases	Number of cases	Amount involved
Cases of loss written off during the year	1	Not stated

(Source: Departmental records)

As seen from the above table one case involving loss written off of 1677 logs of teak timber occurred in the Forest and Environment Department. However, the value of the loss written off was not furnished to Audit. Details regarding the loss written off was referred (October 2013) to the Department. No reply has yet been received (January 2014). Thus, due to non furnishing of the details, Audit could not ascertain the actual amount of loss.

3.6 Conclusion and Recommendations

- 3560 Utilization Certificates involving ₹ 2185.95 crore in respect of grants were in arrears as of March 2013.

Heads of Department may need to initiate prompt action to submit utilization certificates. Internal controls of the executing agencies need to be strengthened to utilize the funds within the stipulated time so as to avoid delays in submission of utilisation certificates.

- There were also delays and arrears in finalization of accounts by the Autonomous District Councils (ADCs), Autonomous Bodies and Departmental Commercial Undertakings. Three Departmental Undertakings have not submitted their accounts for more than 10 years and another three for more than 20 years.

The State Government may need to consider having in place appropriate mechanisms to ensure timely finalization and submission of accounts to the Office of the Accountant General (Audit) by the ADCs, Autonomous Bodies and Departmental Commercial Undertakings. It may be appropriate for the State Government to organize a special drive for expediting the submission of accounts that are in backlog for a considerable period.

- Though there had been delays in placement of Separate Audit Reports (SARs) in the past, the State Government has taken suitable action on the assurance made to the PAC and placed 47 SARs to the State Legislative Assembly on 19 December 2013.

Such action would need to be continued so that SARs are placed timely before the State Legislative Assembly.



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