

CHAPTER III

Financial Reporting

A sound internal financial reporting system 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 with respect to financial reporting.

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 (July 2013) from various departments, have been received only in respect of three departments viz., Registrar of Co-operatives Societies, Director of Housing and Director of Food & Civil Supplies.

As revealed from the records of 10 departments/organisations and information furnished by the Registrar of Co-operative Societies, 1,518 UCs for an aggregate amount of ₹ 69.63 crore were in arrears as of March 2013. 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

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation Certificates Outstanding as on 31 March 2013	
		Number	Amount	Number	Amount
1	0 to 1 year	844	51.62	699	48.09
2	Above 1 year to 3 years	1000	55.94	352	14.70
3	Above 3 years to 5 years	1392	12.55	410	5.75
4	Above 5 years to 7 years	732	9.21	56	0.43
5	Above 7 years to 9 years	01	0.69	01	0.66
	Total	3969	130.01	1518	69.63

(₹ in crore)

Out of 1,518 UCs involving ₹ 69.63 crore pending as on 31 March 2013, 1,326 UCs pertaining to Registrar of Co-operative Societies (RCS) involving ₹ 17.42 crore were pending for one year to seven years. This was stated (August 2013) by the RCS to be due to non-submission of UCs by the district officers.

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.

The annual accounts of 27 autonomous bodies/ authorities due up to 2012-13 had not been received (November 2013) 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 Bodies/ Authorities	Grants Received		
			Year	No. of Bodies/ Authorities	Amount
1	0 to 1 year	06	2011-12	06	36.11
2	Above 1 year to 3 years	10	2008-09	10	170.55
3	Above 3 years to 5 years	01	2007-08	01	74.11
4	Above 5 years to 7 years	06	2006-07	06	16.17
5	Above 7 years to 9 years	01	2004-05	01	6.67
6	Above 9 years	03	1989-90 to 91-92	03	24.79
Total		27		27	328.40

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) 2009-10 onwards 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 2012-13, due for submission by June 2013, had not been furnished (November 2013).

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 81 cases of misappropriation, defalcation etc. involving Government money amounting to ₹ 2.14 crore up to the period March 2013 on which final action was pending. A 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

(₹ in lakh)

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	2	3.76	1	0.22	2	4.53	5	8.51
Health & Family Welfare	1*+1	4.94	-	-	1*+2	0.92	2*+3	5.86
Agriculture	1	0.23	1	0.44	-	-	2	0.67
Public Health Engineering	57	7.41	-	-	1	0.18	58	7.59
Legislative Assembly	-	-	2	44.09	-	-	2	44.09
Finance	1	86.50	-	-	1	15.74	2	102.24
Forest	1*+1	2.14	-	-	-	-	1*+1	2.14
Mining	-	-	1	16.55	-	-	1	16.55
Community & Rural Development	1	3.03	-	-	-	-	1	3.03
Labour	-	-	-	-	1	0.66	1	0.66
Land Record & Survey	1	1.56	-	-	-	-	1	1.56
Horticulture	-	-	-	-	1	21.06	1	21.06
Total	67	109.57	5	61.30	9	43.09	81	213.96

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	6	63.06	Theft	67	109.57
5 - 10	6	93.79			
10 - 15	35	10.55	Misappropriation/loss of material	14	104.39
15 - 20	5	24.08			
20 - 25	23	3.29			
25 & above	6	19.19			
Total	81	213.96	Total Pending Cases	81	213.96

During 2012-13, one theft case in respect of Finance Department involving ₹ 1.20 lakh and one fraud case in respect of Public Works Department involving ₹ 0.20 lakh were written off.

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	58	83.65
2.	Departmental action initiated but not finalised	8	3.79
3.	Awaiting orders for recovery or write off	14	109.97
4.	Pending in the courts of law	1	16.55
	Total	81	213.96

Out of ₹ 2.14 crore, the highest amount of theft, misappropriation and losses of ₹ 1.02 crore pertained to the Finance Department involving two cases, while the highest number of theft cases and losses (58 cases) involving ₹ 7.59 lakh were pending in Public Health Engineering Department (PHED).

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 81 cases were pending due to non-initiation of departmental and

criminal investigation (58 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 (one case). 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.

Shillong
The



(Rajesh Singh)
Accountant General (Audit)
Meghalaya

Countersigned



New Delhi
The

(Shashi Kant Sharma)
Comptroller and Auditor General of India