

## Chapter Financial Reporting

# 3

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 2013, out of the total amount of ₹ 3,570.08 crore drawn, an amount of ₹ 1,219.04 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 2010-11 | 2,232.38                           | 1,219.04                            | 4,494  |
| 2011-12      | 597.33                             | 419.23                              | 480  |
| 2012-13      | 740.37                             | 740.37                              | 988  |
| <b>Total</b> | <b>3,570.08</b>                    | <b>2,378.64</b>                     | <b>5,962</b>   |

Source: Finance Accounts, Vol.-I, 2012-13

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 Re-entrustment of the Mizoram Khadi & Village Industries Board (MKVIB) for the years 2011-16 is yet to be received by 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. The annual accounts have been received (June 2013) for the year 2011-12.

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 intimated to Audit (March 2013).

### 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 March 2013, 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 reconciled figures of Accountant General. Revised accounts are awaited (March 2013). |

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

(₹ in crore)

| Sl. No. | Description           | 2010-11 | 2011-12 | 2012-13 |
|---------|-----------------------|---------|---------|---------|
| 1.      | Total revenue         | 2.32    | 2.16    | 2.02    |
| 2.      | Operating revenue     | 1.68    | 1.66    | 1.71    |
| 3.      | Total expenditure     | 15.29   | 26.28   | 19.73   |
| 4.      | Operating expenditure | 12.54   | 19.58   | 16.00   |
| 5.      | Total loss            | 12.97   | 24.12   | 17.71   |
| 6.      | Operating loss        | 10.86   | 17.93   | 14.29   |

### 3.4 Conclusion and Recommendations

#### *Conclusion*

At the end of March 2013, out of the total amount of ₹ 3,570.08 crore drawn, an amount of ₹ 1,219.04 crore remained outstanding for want of Utilisation Certificates. The annual accounts of Mizoram Khadi & Village Industries Board (MKVIB) for the year 2011-12 have been furnished (June 2013). In the absence of the annual accounts, proper account/utilisation of the grants and loans disbursed to the above mentioned Autonomous Bodies remained unverified. 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 the Principal Accountant General for audit. Departmental inquiries in misappropriation/loss cases should be expedited to bring the defaulters to book. Internal Controls in all organisations should be strengthened to prevent such cases in future.*

Aizawl  
The

(L. Tochwawng)  
Principal Accountant General (Audit), Mizoram

Countersigned

New Delhi  
The

(Shashi Kant Sharma)  
Comptroller and Auditor General of India