

## 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 541 grants in respect of six departments aggregating ₹ 2081.92 crore paid up to 2012-13, 141 Utilisation Certificates (UCs) (26.06 *per cent*) for an aggregate amount of ₹ 255.91 crore were in arrears<sup>21</sup>. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and 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	14	76.49	8	51.41
2	1 - 3	240	668.13	70	161.09
3	3 - 5	287	1337.29	63	43.41
<b>Total</b>		<b>541</b>	<b>2081.91</b>	<b>141</b>	<b>255.91</b>

In the absence of the Utilisation 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

<sup>21</sup> Grants-in-aid paid during 2012-13, although not due for submission of UCs within 2012-13, were in arrears.

detailed information about the financial assistance given to various Institutions, the purpose of assistance granted and the total expenditure of the Institutions.

35 annual accounts of 15 Autonomous Bodies/Authorities due up to 2012-13 had not been received as of October 2013 by the Accountant General (Audit). The details of those 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 Lakhs)
1	1 – 3	13	Not Available
2	>3 – 5	2	Not Available
3	>5 – 7	-	Not Available

It is seen from the table above that delay in submission of accounts ranged between one and five years in respect of the Autonomous Bodies/Authorities.

Due to the absence of annual accounts and subsequent audit of those 15 Bodies and Authorities involving 35 annual accounts, the proper accounting/utilisation of the grants and loans disbursed to those 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 2013-14 was entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the DPC Act. However, the annual accounts of the Board for the period 2011-12 and 2012-13 had not been furnished (October, 2013). The status of entrustment of audit, issuance of SAR and its placement in respect of NKVIB in the Legislature is 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)
2009-10	2009-14	31-10-12	NA	-
2010-11	2009-14	10-01-13	NA	-
2011-12	2009-14	Accounts not yet received.	NA	-
2012-13	2009-14	Accounts not yet received.	NA	-

Nagaland Electricity Regularity Commission and Nagaland Hospital Authority were established under the State Legislative Act 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. However, though the annual accounts of those

Authorities/Bodies were due for submission to the Accountant General (Audit) every year, the Accounts had not been furnished since their inception.

### **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 were not finalised in those undertakings are given in **Appendix 3.3**. It was noticed that:

As on 31 March 2013, 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 2011-12 about delay in preparation of Proforma accounts of those undertakings. Despite this, accounts were in arrears for periods ranging from 3 to 33 years as of March 2013.

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 Balances lying unspent in Civil Deposits and Bank Account**

The Government provides State's share to various Departments/Agencies for implementation of centrally sponsored/State schemes. Those Departments/Agencies retain such funds, outside the Government account in their bank accounts. As the funds are generally not spent fully by the implementing agencies in the financial year of their receipt, there remain unspent balances in bank accounts and in civil deposits.

The details of funds drawn, its utilisation and funds kept in civil deposit/current bank accounts in respect of 19 Departments/Agencies are presented in the table below:

**Table 3.4: Non-utilisation of funds during the year 2012-13**

(Rupees in crore)

Sl No	Name of Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in civil deposit	Amount kept in Bank Account
1	CAWD	23.57	0.00	23.57	0.00
2	Directorate of Fisheries	1.83	0.00	1.83	0.00
3	Directorate of Treasuries and Accounts	5.65	2.48	3.17	0.00
4	Directorate of Prisons	3.00	0.00	3.00	0.00
5	Directorate of Youth Resources and Sports	12.86	0.00	12.86	0.00
6	Directorate of Rural Development	74.90	6.49	68.41	0.00
7	Directorate of Sericulture	2.35	0.00	0.00	2.35
8	Directorate of Employment and Craftsmen Training	2.98	0.00	0.76	2.22
9	Directorate of Veterinary and Animal Husbandry	19.16	0.00	0.00	19.16
10	Directorate of New & Renewable Energy	6.69	5.37	0.00	1.32
11	Directorate of Information Technology and Communication	3.90	1.42	0.00	2.48
12	Directorate of Land Resources	3.35	0.00	0.00	3.35
13	Nagaland State Transport	5.10	0.00	5.10	0.00
14	Directorate of Underdeveloped Areas	2.57	1.79	0.78	0.00
15	PWD (R&B)	82.89	0.00	82.89	0.00
16	Election Department	16.36	13.40	0.00	2.96
17	Directorate of Technical Education	1.28	0.00	1.28	0.00
18	Transport Commissioner	5.31	2.58	0.00	2.73
19	Planning & Coordination	10.98	0.00	10.98	0.00
<b>Total</b>		<b>284.73</b>	<b>33.53</b>	<b>214.63</b>	<b>36.57</b>

The above table shows that an amount of ₹ 284.73 crore was drawn by 19 departments during the year 2012-13 for implementation of different schemes. Out of the amount drawn, the departments utilised only an amount of ₹ 33.53 crore (11.78 per cent) during the financial year. The remaining amount was kept in Civil Deposit ₹ 214.63 crore (75.38 per cent) and

current Bank Account ₹ 36.57 crore (12.84 per cent). In addition to the above, information furnished by two banks revealed that an aggregate amount of ₹666.82 crore was lying in the respective bank accounts of 91 DDOs as on 31 March 2013.

### 3.6 Misappropriation, loss, defalcation, etc.

There were 15 cases of misappropriation, loss etc. involving Government money amounting to ₹ 6748.76 lakh up to the period 31 March 2013 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 the cases are given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category are summarised in **Table 3.5**.

**Table 3.5: Profile of Misappropriation, losses, defalcation, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (rupees in crore)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (Rupees in crore)
0 - 5	13	Bifurcation amount of range in years were not provided by the Depts..Hence, only the consolidated total is shown	Theft	-	-
5 - 10	1		Misappropriation	14	62.88
10 - 15	1		Defalcation	1	4.61
15 - 20	-		-	-	-
<b>Total</b>	<b>15</b>			<b>15</b>	<b>67.49</b>

A further analysis indicates the reasons for which the cases were outstanding as detailed in **Table 3.6**.

**Table 3.6: Reasons for Outstanding cases of Misappropriation, loss, defalcation, etc.**


Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (Rupees in crore)
i)	Awaiting departmental and criminal investigation	9	33.00
ii)	Departmental action initiated but not finalised	4	16.93
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	2	17.56
Vi)	Others	-	-
<b>Total</b>		<b>15</b>	<b>67.49</b>

Three Departments (School Education, Health & Family Welfare and Treasuries & Accounts) reported recovery amounting to ₹0.21 crore. The highest amount of misappropriation and loss amounting to ₹25.37 crore involving one case of misappropriation occurred in Department of Industries & Commerce, where final action had not been taken by the State Government.

### **3.7 Conclusion**

Timely submission of utilisation certificates is a major area of concern. At the end of March 2013, 141 UCs involving an aggregate amount of ₹ 255.91 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, those accounts were not submitted to Audit. Non-submission of accounts in time disclosed non-compliance with the financial rules. As on 31 March 2013, 15 cases of misappropriation, defalcation etc. involving ₹ 67.49 crore involving 10 Departments were pending finalisation.

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