

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 (2013-14).

3.1 Utilization Certificates

Rule 212 (1) read with Rule 20 of General Financial Rules, 2005 (GFR) 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), Manipur within 12 months from the date of their sanction, unless specified otherwise in respect of grants provided for specific purposes. However, it was noticed that 4611 UCs aggregating to ₹ 2770.18 crore in respect of grants were in arrears as of March 2014. 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
2013-14	1159	807.62	1159	807.62
2012-13	1210	773.50	1186	736.39
2011-12	745	727.91	719	653.78
Upto 2010-11	1605	684.54	1547	572.39
Total	4719	2993.57	4611	2770.18

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

The Utilization Certificates were mainly pending in respect of Tribal Affairs and Hills Department (1946 UCs: ₹ 994.10 crore), Rural Development and Panchayati Raj Department (402 UCs: ₹ 492.08 crore), Planning Department (88 UCs: ₹ 279.16 crore), Medical and Health Services Department (35 UCs:

₹ 255.26 crore), Municipal Administration, Housing and Urban Development (217 UCs: ₹ 191.92 crore) and Education (S) Department (747 UCs: ₹ 149.34 crore). These six departments together accounted for 3435 UCs (74.50 per cent) out of 4611 outstanding UCs; involving an amount of ₹ 2361.86 crore (85.26 per cent) out of outstanding amount of ₹ 2770.18 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.

An audit check of UCs of grants-in-aid of Education (School) Department was conducted by this office during August to September 2014. The results of the test check are given below:

- Submission of Utilisation certificate not in prescribed format: As per rule 212 (1) of General Financial Rules, 2005 utilisation certificate for grants in aid should be provided in GFR Form 19-A. However, it was noticed that UCs submitted by Zonal Education Office (ZEO)-I, ZEO-II, Zone-III, ZEO-Wangoi and ZEO-Jiribam in respect of Aided Secondary School (Plan) during the year 2011-12 was not in GFR form 19-A.
- UCs does not shows the check undertaken by the concerned authority: Utilization Certificate in respect of grants-in-aid should incorporate the check that was undertaken by the concerned authority. Utilization Certificates in respect of grants-in-aid for the year 2011-12 in respect of Aided Secondary School (Plan) submitted by the ZEO-IV and ZEO-Kakching does not show the check that was undertaken by the concerned authority.
- Unspent balance not shown in the UCs: Utilization certificate in respect of grants-in-aid must show the unspent balance. It should also show whether the unspent balance has been return to the grantor or not. It was seen that there was a total unspent balance of ₹ 32,670/- for Aided Secondary school (Plan) during the year 2011-12. However, the UCs submitted by the ZEO did not specify whether the balance has been returned to the grantor, or it has been utilised in the subsequent year.

The Department may ensure submission of UCs in prescribed format timely to the Accountant General (Accounts & Entitlements), Manipur.

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. Annual accounts of 7 Autonomous Bodies/Authorities¹ due upto 2013-14 had not been received (September 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	4	Not furnished
1 – 3	2	-do-
3 – 5	1	-do-
Total:	7	

(Source: Departmental records)

The Annual accounts of Autonomous District Councils of Tamenglong are outstanding for four years. In respect of Autonomous District Councils of Chandel and Manipur State Legal Service Authority the annual accounts are outstanding for the last three years.

To exercise an effective control and management of these bodies, finalization of accounts is a primary need. Non-finalisation of accounts undermines of such exercise. Therefore, it needs to be ensure that accounts are finalized on time.

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

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 (C&AG) 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 Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and

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

its placement in the Legislature are indicated in **Appendix 3.3**. Delay in placement of Separate Audit Reports in the Legislature after issuing them is summarized in the following table:

Table 3.3: Delay in submission / placement of Separate Audit Reports as on August 2014

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	19.12.13	Over 4 years
4	Senapati	2007-08	20.10.10	19.12.13	Over 3 years
5	Tamenglong	2007-08	20.10.10	19.12.13	Over 3 years
6	Ukhrul	2006-07	13.1.10	19.12.13	Over 3 years
7	Manipur State Legal Service Authority	2010-11	6.12.13	19.12.13	-

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

The above table shows that Separate Audit Reports pertaining to the period 2006-07 in respect of ADC Sadar Hills was placed in the Legislature after a lapse of over four years while SAR for the period 2007-08 in respect of ADC Senapati and Tamenglong were placed after a lapse of over three years. Further SAR pertaining to the period 2006-07 in respect of ADC Ukhrul was placed in the Legislature after a lapse of over 3 years respectively. The reasons for the delay in submission/placement of the Separate Audit Reports in the Legislature were not on record.

The State Government may need to take appropriate action to place the SAR in a timely manner to the State Legislative Assembly.

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 Annual accounts of these Government Undertakings are subject to supplementary audit by the Comptroller and Auditor General of India. As of September 2014, there were 10 such undertakings which had not prepared their Annual accounts upto

2013-14. The Reports of the Comptroller and Auditor General of India of India have repeatedly highlighted the issues of arrears in preparation of accounts. There is improvement in preparation of accounts in respect of Manipur Electronic Development Corporation. As per last year Audit Report (2012-13), the accounts of the Corporation were finalized upto 2005-06. However, in 2013-14 the Corporation has finalized their accounts upto 2011-12.

The Department-wise position of arrears in preparation of accounts and investment made by the Government are given in **Appendix 3.4**. Three undertakings² have not submitted their accounts for more than twenty years. Three undertakings³ 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. The delay in preparation of Annual accounts of these Departmental undertakings increases the risk of fraud, with the risk of misappropriations 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 sixteen Departments *viz.* Horticulture and Soil Conservation, Public Works Department, Autonomous District Council (ADC), Senapati, Police Department, Art and Culture Department, ADC, Churachandpur, Printing and Stationery Department, Irrigation & Flood Control Department, Forest Department, Minorities and Other Backward Classes, Fire Department, Adult Education Department, Social Welfare Department, Youth Affairs & Sports Department, Deputy Commission, Thoubal, Science & Technology. Except for Social Welfare Department and Science and Technology Department all these Departments/Corporation reported (between May to September 2014) no pending cases of Advances and no cases of write-off.

Rule 33 of GFR provides that any loss of public money, Departmental revenue, or properties of the State Government shall be immediately reported to the Principal Accountant General (Audit), Manipur even when such loss has

² Manipur Plantation Crop Corporation, Manipur Agro Industries Corporation and Manipur Tribal Development Corporation

³ Manipur Police Housing Corporation, Manipur Film Development Corporation and Manipur Pulp & Allied Products Ltd.

been made good by the party responsible for it. The Social Welfare Department and Science and Technology Department reported (July 2014) cases of misappropriation. The detail of cases of misappropriation reported by the Social Welfare Department and Science and Technology Department are given in the following table:

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

(₹ in lakh)

Name of Department	Nature of the Pending Cases		
	Nature/ characteristics of the cases	Number of cases	Amount involved
Social Welfare	Cases of misappropriation	2	159.05
Science & Technology	Cases of misappropriation	1	12.02
Total			171.07

(Source: Departmental records)

As seen from the above table, two cases of misappropriation involving ₹ 159.05 lakh was pending for about five years in Social Welfare Department. Further, one case of misappropriation involving ₹ 12.02 lakh was pending for about 10 years in Science and Technology Department. Both the Departments stated (July 2014) that delay in settlement of cases of misappropriation was due to non completion of Departmental enquiry and criminal investigation.

Without completion of departmental enquiry, recovery of the misappropriated amount from the concerned officers would be difficult. Therefore, the Departments should ensure that enquiries are expedited so that appropriated action can be initiated against the concerned officers.

3.6 Conclusion and recommendations

Conclusion

There were 4611 Utilization Certificates involving ₹ 2770.18 crore in respect of grants to 34 Departments in arrears as of 31 March 2014. **(para 3.1)**

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. **(paras 3.2 and 3.4)**

Recommendations

The State Government may consider to:

- *strengthen internal controls of the executing agencies to utilize the funds within the stipulated time so as to avoid delays in submission of utilization certificates.*
- *put in place an appropriate mechanism to ensure timely finalization and submission of Annual accounts by the Autonomous District Councils, Autonomous Bodies and Departmental Commercial Undertakings to the Office of the Principal Accountant General (Audit), Manipur, and take special drive to expedite the submission of pending Annual accounts and utilization certificates.*



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