

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. 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 (2015-16).

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 5160 UCs aggregating to ₹ 3964.78 crore in respect of grants were in arrears as of 31 March 2016 in respect of 34 departments. 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

| Year | Total Grant paid | | Utilization Certificates outstanding | |
|--------------|------------------|----------------|--------------------------------------|----------------|
| | No. of cases | Amount | No. of certificates | Amount |
| Upto 2012-13 | 3560 | 2185.95 | 2888 | 1675.92 |
| 2013-14 | 1159 | 807.62 | 961 | 644.04 |
| 2014-15 | 1415 | 1869.64 | 1311 | 1644.82 |
| Total | 6134 | 4863.21 | 5160 | 3964.78 |

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

The UCs were mainly pending in respect of (i) Development of Tribal and Other Backward Classes (2314 UCs: ₹ 1252.63 crore), (ii) Rural Development and Panchayati Raj Department (464 UCs: ₹ 988.67 crore), (iii) Planning Department (104 UCs: ₹ 353.61 crore) (iv) Medical and Health Services (40 UCs: ₹ 287.27 crore) (v) Education (Schools) Department (802 UCs: ₹ 287.04 crore) (vi) Power Department (39 UCs: ₹ 192.23 crore) (vii) Municipal Administration, Housing and Urban Development (180 UCs: ₹ 182.48 crore).

These 7 departments together accounted for 3943 UCs (76.41 *per cent*) out of 5160 outstanding UCs; involving an amount of ₹ 3,543.93 crore (89.39 *per cent*) out of outstanding amount of ₹ 3964.78 crore. In the absence of UCs it could not be ascertained whether the recipients had utilized the grants for its specific purposes.

3.2 Non-submission/pending of Annual 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 seven Autonomous Bodies/Authorities¹ due upto 2015-16 had not been received till October 2016. The details 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 | Number of Accounts pending | No. of the Bodies/Authorities | Grants Received |
|----------------|----------------------------|-------------------------------|-----------------|
| 0 – 1 | 7 | 7 | Not furnished |
| 1 – 3 | 2 | 1 | -do- |
| Total | 9 | 7* | NA |

* In respect of one Autonomous body, delay was both in (0-1) year & (1-3) year range

The Annual accounts of Autonomous District Councils of Tamenglong, Churachandpur, Senapati, Chandel, Ukhrul, Kangpokpi (Sadar Hills) are outstanding for the last one year; whereas the accounts of Manipur State Legal Service Authority are outstanding for the last three years. To exercise an effective control and management of these bodies, finalization of accounts on time needs to be ensured.

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

3.3 Delay 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 (CAG) of India under Sections 14(1) and 20(1) of CAG's (Duties, Power and Conditions of Service) Act, 1971 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**. Position of placement of Separate Audit Reports (SAR) in the Legislature is summarized in the following table:

Table 3.3: Position of placement of Separate Audit Report as on 31 March 2016

| Sl. No. | Name of the ADC/Autonomous Bodies | Year ² | Date of issue | Date of placement of SAR | Remark |
|---------|---------------------------------------|-------------------|---------------|--------------------------|--------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | ADC,Chandel | 2009-10 | 11.6.13 | 26.06.2013 | No delay- |
| 2 | ADC,Churachandpur | 2010-11 | 11.6.13 | 19.12.2013 | -do- |
| 3 | ADC,Sardar Hills | 2006-07 | 19.6.09 | 19.12.2013 | Over 4 years |
| 4 | ADC,Senapati | 2007-08 | 20.10.10 | 19.12.2013 | Over 3 years |
| 5 | ADC,Tamenglong | 2007-08 | 21.10.10 | 19.12.2013 | Over 3 years |
| 6 | ADC,Ukhrul | 2006-07 | 13.1.10 | 19.12.2013 | Over 3 years |
| 7 | Manipur State Legal Service Authority | 2010-11 | 6.12.13 | 19.12.2013 | - |

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

The above table shows that there was delay of 3 – 4 years in the placement of SARs in the legislature. The reasons for the delays were not furnished to Audit by the Government. The State Government needs to take appropriate action to place SARs in a timely manner to the State legislature.

In respect of the six ADCs, accounts upto 2014-15 have been rendered (March 2016). In respect of Manipur State Legal Service Authority accounts of 2012-13 have been rendered (March 2016). SARs of these Bodies are under preparation.

² Accounts of the Autonomous Bodies finalized upto the year as mentioned in the column.

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 CAG. As of 31 October 2016, there were 13 such undertakings (including 3 non-working companies) which had not prepared their Annual accounts upto 2015-16. The details of which are shown in the table below:

Table 3.4: Status of accounts of Undertakings as on 2015-16

| Sl. No. | Name of the Undertaking | Prepared upto | No. of years of account not prepared |
|------------------------------|--|---------------|--------------------------------------|
| 1 | Manipur Electronic Development Corporation | 2014-15 | 1 year |
| 2 | Manipur State Power Company Ltd. | 2013-14 | 2 years |
| 3 | Manipur State Power Distribution Company Ltd. | 2013-14 | 2 years |
| 4 | Manipur Industrial Development Corporation | 2009-10 | 6 years |
| 5 | Manipur Food Industries Corporation | 2009-10 | 6 years |
| 6 | Manipur Police Housing Corporation | 1997-98 | 18 years |
| 7 | Manipur Handloom & Handicrafts Development Corporation | 2004-05 | 11 years |
| 8 | Manipur Tribal Development Corporation | 1987-88 | 28 years |
| 9 | Manipur IT SEZ Project Development Company Ltd. | Nil * | 2 years |
| 10 | Tourism Corporation of Manipur Ltd. | Nil ** | - |
| Non-Working Companies | | | |
| 11 | Manipur Pulp & Allied Product Ltd. | 1997-98 | 18 years |
| 12 | Manipur Agro Industries | 1988-89 | 27 years |
| 13 | Manipur Plantation Crop Corporation | 1983-84 | 32 years |

* Established on 30.12.2013 & accounts of 2014-15 & 2015-16 yet to be prepared

** Newly established company on 13.7.2016

Amongst the working companies, two companies viz. Manipur Industrial Development Corporation and Manipur Food Industries Corporation had not finalized their accounts for six years. The delay was much more in respect of three companies viz. Manipur Police Housing Corporation, Manipur Handloom and Handicraft Development Corporation and Manipur Tribal Development Corporation which had arrears in accounts ranging from 11 years to 28 years. The three non-working companies had arrears of accounts ranging from 18 years to 32 years. The Reports of the CAG have repeatedly highlighted the issues of arrears in preparation of accounts.

The position of preparation of accounts and investment made by the Government in departmental undertakings are given in **Appendix 3.4**. The delay in preparation of annual accounts of these Departmental undertakings is fraught with the risk of misappropriations of public money.

3.5 Misappropriations, losses, defalcations etc.

Rule 33 of GFR provides that any loss of public money, departmental revenue or receipts, stamp, stores or other property of the State Government shall be immediately reported to the Accountant General (Audit), Manipur even when such loss has been made good by the party responsible for it.

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 64 Departments/Autonomous Bodies/Departmental Commercial Undertakings.

Only 22 Departments³ furnished (May 2016 to July 2016) the information. No pending cases of Advances and no cases of write-off was reported, except by Manipur Police Housing Corporation Limited (MPHCL). The MPHCL reported (May 2016) one case of misappropriation. The detail of case of misappropriation reported by the Directorate of Manipur Police Housing Corporation Limited is given in the following table:

Table 3.5: Profile of misappropriations, losses, defalcations, etc.

| Name of Department | Nature of the Pending Cases* | | |
|--|--------------------------------------|-----------------|-----------------------------|
| | Nature/ characteristics of the cases | Number of cases | Amount involved (₹ in lakh) |
| Manipur Police Housing Corporation Limited | Cases of misappropriation | 1 | 31.88 |
| Total | | 1 | 31.88 |

* Year of occurrence of the case had not been mentioned
(Source: Departmental record)

Misappropriation involving ₹ 31.88 lakh was pending for about 8 years in the Directorate of Manipur Police Housing Corporation Limited. The department, however, stated that the reason for the delay in settlement of cases of misappropriation was due to waiting for departmental and criminal investigation report.

Without completion of departmental enquiry, recovery of the misappropriated amount from the concerned officers would be difficult. Therefore, the department should ensure that enquiry is expedited so that appropriate action can be initiated against the concerned officers.

³ (i) Horticulture & Soil (ii) Autonomous District Council (ADC), Tamenglong (iii) ADC, Churachandpur (iv) ADC, Kangpokpi (v) ADC, Senapati (vi) Police Department (vii) Forest Department (viii) Manipur State Power Company Ltd. (ix) PWD (x) PHED (xi) Manipur State Power Distribution Com. Ltd. (xii) Dir. of Adult Edn. (xiii) MOBC (xiv) Family Welfare Services (xv) Dir. of Consumer Affairs (xvi) Food and Public Distribution Dept. (xvii) Dir. of Agriculture Dept. (xviii) Horti. & Soil Conservation Dept. (xix) Tourism Dept. (xx) Law Dept. (xxi) Technical Edn. (xxii) Vigilance Department.

3.6 Follow up on Audit Report on State Finances

As per Article 151 (2) of the Constitution of India, Audit Reports of the CAG of India on State Finances are submitted to the Governor of the State for placing the Reports to the State Legislative Assembly. Audit Reports placed to the Legislative Assembly stands referred to the Public Accounts Committee (PAC). The details of placing of Audit Reports of the last six years (2009-10 to 2014-15) to the Legislative Assembly and their discussion by the PAC are shown in the following table:

Table 3.6: Discussion of Audit Report on State Finances by PAC

| State Finance Reports (SFR) | Date of placing SFR to the Legislature Assembly | Date of discussion of SFR by PAC (Date of placing recommendation of PAC) | Gist of Recommendation | Action taken notes | Remarks |
|-----------------------------|---|---|--|-----------------------|--|
| 2009-10 | 24.3.2011 | 27.7.11 & 28.7.11 (11.7.2012) | Recommended for regularization of excess expenditure | Regularized on 6.9.13 | Only Excess over provisions was mainly discussed |
| 2010-11 | 6.7.2012 | November 2011* (24.7.2014) | -do- | Action not yet taken | The report was discussed |
| 2011-12 | 11.6.2013 | 14.11.13 & 15.11.13 (24.7.2014) | -do- | -do- | - |
| 2012-13 | 16.7.2014 | Not yet discussed | - | - | - |
| 2013-14 | 29.6.2015 | -do- | - | - | - |
| 2014-15 | 02-09-2016 | -do- | - | - | - |

* Exact date of discussion of Report not readily available

In case of 2009-10, the excess of expenditure over provisions made during 2009-10 have been regularized (September 2013) by the State Government on the recommendation of PAC. Excess of expenditure over provision as reported in 2010-11 and 2011-12 were recommended (July 2014) for regularization by the PAC. However, the State Government has not taken action in this regard.

The PAC discussed (November 2013) the Report on State Finance for the year 2011-12. A comprehensive recommendation on the finances of State Government was published on July 2014. Important points of recommendation of the PAC are as follows:

- Deduction of VAT/Sales Tax and Agency Charges while releasing funds is to be avoided;
- Follow a pragmatic approach to open up other avenues of revenue;
- Make matching contribution of the contribution made by the subscribers of the New Pension scheme and to maintain a format of accounting; and
- Maintain a transparent accounting system of deposits in MH-8449 or other heads of deposits. A format of accounting was recommended by the PAC.

The recommendation of the PAC is given in **Appendix-3.5**. Action taken note of the Government on the recommendation is awaited till date. (October 2016).

3.7 Conclusion and recommendations

Conclusion

There were 5160 Utilization Certificates aggregating to ₹ 3964.78 crore in arrears in respect of grants given to 34 Departments as of March 2016. **(para 3.1)**

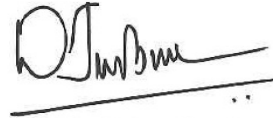
There were also delays and arrears in finalization of accounts by the Autonomous District Councils (ADCs), Autonomous Bodies and Departmental Commercial Undertakings and in the placement of SARs in the legislature. Six Undertakings have not submitted their accounts for more than 10 years, out of which three are non-working companies. **(paras 3.2, 3.3 and 3.4)**

Recommendations

The State Government may strengthen internal controls of the departments to ensure timely submission of utilization certificates. The State Government may also ensure timely finalization of Annual Accounts by the Autonomous District Councils, Autonomous Bodies and Departmental Commercial Undertakings and timely placement of Separate Audit Reports in the State legislature.

Imphal

Dated: 10 JAN 2017



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Dated: 23 JAN 2017



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