

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 (2016-17).

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 4789 UCs aggregating to ₹ 4318.26 crore in respect of grants were in arrears as of 31 July 2017 in respect of 37 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

(₹ in crore)

Year of payment of grant	Total grants paid		Utilization certificate			
	No. of cases	Amount	Received		Outstanding	
			No. of cases	Amount	No. of cases	Amount
Upto 2013-14	4716	2993.57	1686	1282.80	3030	1710.77
2014-15	1415	1869.64	532	671.03	883	1198.61
2015-16	1211	2050.55	335	641.67	876	1408.88
Total	7342	6913.76	2553	2595.50	4789	4318.26

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

The UCs were mainly pending in respect of (i) Rural Development and Panchayati Raj Department (565 UCs: ₹ 1678.40 crore), (ii) Development of Tribal and Other Backward Classes (1681 UCs: ₹ 818.63 crore), (iii) Education (Schools) Department (873 UCs: ₹ 420.01 crore), (iv) Planning Department (118 UCs: ₹ 411.62 crore), (v) Power Department (66 UCs: ₹ 337.95 crore), (vi) Municipal Administration, Housing and Urban Development (205 UCs: ₹ 217.03 crore), (vii) Medical and Health Services (16 UCs: ₹ 84.02 crore) and (viii) Education (University) Department (158 UCs: ₹ 57.81 crore).

These eight departments together accounted for 3682 UCs (77 per cent) out of 4789 outstanding UCs; involving an amount of ₹ 4025.47 crore (93.22 per cent) out of outstanding amount of ₹ 4318.26 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. 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.

There is no account pending in respect of ADCs *i.e.* upto accounts for the year 2015-16. The grants received by the ADCs are given in **Appendix 3.2**. Annual accounts of Manipur State Legal Service Authority from 2013-14 had not been received till September 2017 and age-wise pendency is presented in the following table.

Table 3.2: Age-wise arrears of Annual Accounts due from Authority

(₹ in lakh)

Delay in Years	Number of Accounts pending	No. of the Authority	Grants Received
1 – 4	4	1	Not furnished
Total	4	1	NA

The Annual accounts of Manipur State Legal Service Authority are outstanding for the last four years.

To exercise an effective control and management of the Authority, finalization of accounts on time needs to be ensured.

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

The six Autonomous District Councils (ADCs) and one Autonomous Body *i.e.* Manipur State Legal Services Authority 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 2017

Sl. No.	Name of the ADC/Autonomous Bodies	SAR finalized and placed before Legislature			Remarks
		Year	Date of issue	Date of placement of SAR	
(1)	(2)	(3)	(4)	(5)	(6)
1	ADC, Chandel	2009-10	11.06.2013	26.06.2013	No delay
2	ADC, Churachandpur	2010-11	11.06.2013	19.12.2013	-do-
3	ADC, Sadar Hills	2006-07	19.06.2009	19.12.2013	Over 4 years
4	ADC, Senapati	2007-08	21.10.2010	19.12.2013	Over 3 years
5	ADC, Tamenglong	2007-08	21.10.2010	19.12.2013	Over 3 years
6	ADC, Ukhrul	2006-07	13.01.2010	19.12.2013	Over 3 years
7	Manipur State Legal Service Authority	2012-13	6.10.2016	5.6.2017	No delay

(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 State Legislature by the ADCs. 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 2016-17 have been rendered (June 2017). SARs of these Bodies are under preparation. In respect of the SAR of 2012-13 of Manipur State Legal Service Authority have been placed before Legislature (June 2017).

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

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 65 Departments/Autonomous Bodies/Departmental Commercial Undertakings.

Only 23 Departments⁴ furnished (May 2017 to September 2017) 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 (June 2017) 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 10 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.

⁴ (i) Forest and Environment Department, (ii) Public Works Department, (iii) Public Health Engineering Department, (iv) Irrigation and Flood Control Department, (v) Education (Adult) Department, (vi) Tribal Affairs & Hills Department, (vii) Printing & Stationery Department, (viii) Horticulture & Soil Conservation Department, (ix) Welfare of Minorities, other Backward Classes & Scheduled Caste Department, (x) Law Department, (xi) Home Guards, (xii) Vigilance Department, (xiii) Manipur Film Development Corporation Ltd., (xiv) Manipur Police Housing Corporation Ltd. (xv) Minor Irrigation Department, (xvi) Technical Education (xvii) Command Area Development Department, (xviii) Fire Services Department, (xix) Information & Publicity Department (xx) Youth Affairs & Sports Department (xxi) Autonomous District Council, Senapati (xxii) Autonomous District Council, Churachandpur and (xxiii) Autonomous District Council, Tamenglong

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 (2010-11 to 2015-16) 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
2010-11	6.7.2012	November 2011* (24.7.2014)	Recommended for regularization of excess expenditure	Action not yet taken	Only Excess over provisions was mainly discussed
2011-12	11.6.2013	14.11.13 & 15.11.13 (24.7.2014)	-do-	-do-	The report was discussed
2012-13	16.7.2014	Not yet discussed	NA**	NA	-
2013-14	29.6.2015	-do-	NA	NA	-
2014-15	02-09-2016	-do-	NA	NA	-
2015-16	21-07-2017	-do-	NA	NA	-

* Exact date of discussion of Report not readily available

** Not Available/ Not applicable

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 on the Report for the year 2010-11 and 2011-12 is given in **Appendix 3.5**. Action taken note of the Government on the recommendation is awaited till date.

3.7 Conclusion and Recommendations

Conclusion

There were 4789 Utilization Certificates aggregating to ₹ 4318.26 crore in arrears in respect of grants given to 37 Departments as of July 2017. (**para 3.1**)

The Annual accounts of Manipur State Legal Service Authority are outstanding for the last four years. There were delays in the placement of Separate Audit Reports by Autonomous District Councils in the State Legislature. Six Departmental Commercial 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 in the departments to ensure timely submission of Utilization Certificates. The State Government may also ensure timely finalization of Annual Accounts by the Manipur State Legal Services Authority and Departmental Commercial Undertakings and timely placement of Separate Audit Reports in the State Legislature.

Imphal

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