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# **Chapter - III**

## **Financial Reporting**

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## Chapter III Financial Reporting

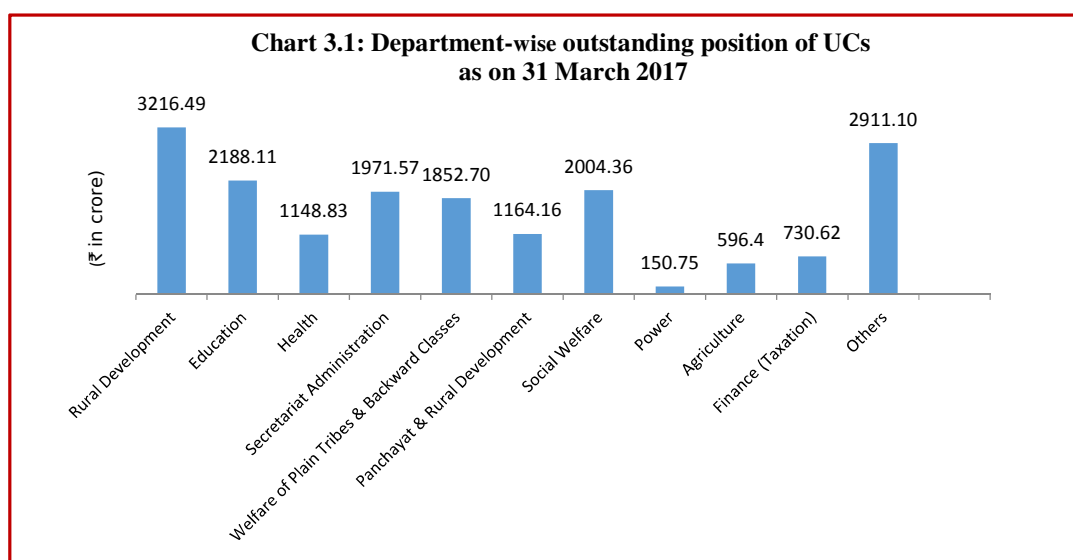
A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. This Chapter provides an overview and status of the State Government on the compliance with various financial rules, procedures and directives during the current year.

### 3.1 Delay in furnishing of Utilization Certificates

Rule 517 (Appendix 16) of Assam Financial Rules provides that every grant made for a specified object is subject to the implied conditions such as (i) the grant shall be spent for the intended purpose within a reasonable time, if no time-limit has been fixed by the sanctioning authority, and (ii) any portion of the amount which is ultimately not required for expenditure for the purpose shall be duly surrendered to the Government.

Audit observed that 9,370 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 17,935.10 crore given to 53 departments of the State Government during the period from 2001-02 to 2016-17 had not been submitted. During 2017-18, 2,267 grants worth ₹ 15,958.31 crore were given for which UCs will become due for submission in 2018-19.

The Department-wise break-up of outstanding UCs as on 31 March 2017 is given in **Appendix 3.1**. Status of outstanding UCs in respect of 10 major departments is also given in **Chart 3.1**. Further, the age-wise delays in submission of UCs is summarised in **Table 3.1**.



**Table 3.1: Age-wise Arrears of Utilisation Certificates as on 31 March 2017**

Sl. No.	Range of Delay in Number of Years	Total grants paid		Outstanding Utilisation Certificates		Percentage of outstanding amount
		Number	Amount	Number	Amount	
1	0-1	1,863	12,270.39	819	7,398.01	41.25
2	1-3	2,243	8,803.19	1,532	5,417.16	30.20
3	3 and above	18,488	10,299.05	7,019	5,119.93	28.55
<b>Total</b>		<b>22,594</b>	<b>31,372.63</b>	<b>9,370</b>	<b>17,935.10</b>	<b>--</b>

Source of data: Data compiled by O/o the Accountant General (Accounts and Entitlements), Assam

Out of 9,370 UCs worth ₹ 17,935.10 crore pending as of March 2017, 7,019 UCs involving ₹ 5,119.93 crore were pending for more than three years.

Pendency of UCs mainly pertained to Agriculture (91 UCs: ₹ 596.40 crore), Education (4,427 UCs: ₹ 2,188.11 crore), Finance (Taxation) (420 UCs: ₹ 730.62 crore), Health (123 UCs: ₹ 1148.83 crore), Planning and Development (216 UCs: ₹ 322.93 crore), Power (10 UCs: ₹ 150.75 crore), Panchayat and Rural Development (169 UCs: ₹ 1164.16 crore), Revenue (119 UCs: ₹ 208.06 crore), Rural Development (76 UCs: ₹ 3216.49 crore), Secretariat Administration (122 UCs: ₹ 1971.57 crore), Social Welfare (706 UCs: ₹ 2004.36 crore), Town and Country Planning (119 UCs: ₹ 340.29 crore), and Welfare of Plain Tribes and Backward Classes (WPT&BC) (891 UCs: ₹ 1852.70 crore).

Though similar observations were made in earlier Audit Reports of the Comptroller and Auditor General of India, but the State Government did not make efforts to ensure submission of UCs by the respective departments within the prescribed time frame. In the absence of the UCs, the Audit could not ascertain whether the recipients had utilised the grants for the purposes for which those were given.

Non-submission of Utilization certificates is fraught with the risk of misappropriation. A monitoring system should be evolved by the State Government so that expeditious submission of UCs by the recipients is ensured. Besides, the Government needs to take appropriate action against the persons responsible for not ensuring submission of UCs in a timely manner.

During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that State succeeded in minimising the quantum of outstanding UCs during 2017-18. Similar efforts would be made in the upcoming year also.

### **3.2 Submission of Accounts/Audit Reports of Autonomous Bodies/Councils**

Several Autonomous Bodies have been set up by the State Government in the field of Urban Development, Agriculture and Allied Services, Khadi and Village Industries, Legal Services and Sixth Schedule Areas. A large number of these Bodies are audited by the C&AG of India with regard to the verification of their

transactions, operational activities and accounts, review of internal management and financial control, review of system and procedures etc.

The audit of the accounts of 11 Autonomous Bodies and three Autonomous Councils in the State has been entrusted to the Comptroller and Auditor General. 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 3.2*. The range of delay in submission of accounts to Audit by Autonomous Bodies is summarised in **Table 3.2**.

**Table 3.2: Delays in submission of Accounts**

Delays in submission of accounts (In months)	Autonomous Bodies/Councils		Reasons for the delay
	Number	Accounts	
0-6	2	3	Accounts not finalised
6-12	4	5	
12-18	4	6	
18-24	5	5	
24 and above	8	16	
<b>Total</b>	<b>23</b>	<b>35</b>	--

Out of 93 accounts (including account of current year) of 11 Autonomous Bodies and three Autonomous Councils (*Appendix-3.2*), 13 Autonomous Bodies/Councils submitted 21 accounts with delay ranging from 18 to 24 months and above. Audit observed that 51 accounts were in arrears for periods ranging from five to 137 months as of November 2018. Assam Khadi and Village Industries Board, Guwahati had not submitted their accounts from 2006-07 onwards i.e., since last 12 years.

The State Government disbursed funds to these Autonomous Bodies regularly. In the absence of accounts and subsequent audit, it could not be verified whether the funds received and expenditure incurred had been properly accounted for and the purpose for which the funds were disbursed, were achieved.

Besides, delay in finalisation of accounts carries the risk of financial irregularities remaining undetected apart from violation of the provisions of the respective legislations under which the Bodies were constituted.

Thus, there was a need for the Autonomous Bodies/Councils to submit their accounts to Audit in a timely manner.

During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that instructions would be issued to all concerned for timely submission of Accounts.

As the position of activities of above autonomous bodies was not transparent in the absence of finalised accounts, it is recommended that the Government should put in place appropriate mechanism prescribing duties of these bodies and that of the Departments/Offices concerned to ensuring necessary reporting and compliance to guard against the repetition of such lapses. Besides, accountability mechanism also needs to be put in place to fix responsibility of persons found at fault.

### 3.3 Submission of Accounts by PSUs, Government Bodies/ Authorities

In order to identify the institutions, which attract audit under Sections 14, 19 (1), 19 (3) and 20 (1) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Departments 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 accounts of 46 Bodies/Authorities received (accounts for the years 2005-06 to 2016-17) during the current year attracted audit by the C&AG of India. Audit scrutinized 111 accounts during 2017-18 including arrear accounts of those PSUs, Bodies and Authorities which were due for audit.

The Principal Accountant General (Audit), Assam had not received 472 annual accounts of 79 PSUs, Government Bodies and Authorities (due up to 2017-18) as of December 2018. The Department-wise details of these accounts of Autonomous Bodies and PSUs are given in *Appendix 3.3 (i) and Appendix 3.3 (ii)* respectively. Further, their age-wise pendency is presented in **Table 3.3**.

**Table 3.3: Age-wise arrears of Annual Accounts due from the Government Bodies/Authorities and PSUs**

Sl. No.	Delay in Number of Years	No. of the Accounts	Reasons for delay
1	0-1	79	Accounts not finalised
2	1-3	101	
3	3-5	59	
4	5-10	75	
5	10-20	102	
6	More than 20	56	
<b>Total</b>		<b>472</b>	<b>--</b>

Of the 79 Government Bodies/Authorities, 17 Bodies/Authorities under Industries and Commerce Department did not furnish the accounts. In the absence of annual accounts and subsequent audit of those 79 Bodies and Authorities involving 472 annual accounts, the proper accountal/ utilisation of the grants and loans disbursed to those Bodies/Authorities remained unverified. Audit took up the matter of non-submission of accounts of the defaulting Autonomous Bodies with the authorities concerned from time to time, but no tangible results were achieved.

During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that instructions would be issued to all concerned for submission of outstanding Accounts.

As the position is not very encouraging, there is need to put in place necessary mechanism prescribing duties of persons/authorities concerned for ensuring timely submission of accounts.

### **3.4 Funds disbursed to Autonomous Councils (other than Sixth Schedule areas), Development Councils and Development Authorities**

In addition to the Autonomous Bodies/Councils/ Government Bodies mentioned in the preceding **Para-3.2** and **Para-3.3** respectively, the Government of Assam (GOA), through various Acts passed by the Legislature/ Ordinances of the Government, created six Autonomous Councils (other than in Sixth Schedule Areas), 31 Development Councils and 24 Development Authorities. The State Government disbursed substantial funds to the extent of ₹ 615.56 crore<sup>1</sup> to such Councils and Authorities from the Consolidated fund of the State during last three years i.e., 2015-18.

The State Government entrusted the audit of six Autonomous Councils and 19 Development Councils to the C&AG of India in October 2013. The C&AG however, could not take up audit due to non-finalisation of the terms and conditions of the entrustment as well as non-submission of annual accounts. Besides, the Government had not entrusted the audit of remaining 12 Development Councils and 24 Development Authorities to C&AG of India (December 2018).

During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that since these Councils/Authorities were not preparing the Accounts, the Department would consider applying pre-condition for release of further funds only after submission of Accounts.

It is recommended that release of further grants may be made only after submission of accounts pertaining to previous grants. Appropriate penal provisions may also be prescribed for failure to ensure compliance.

<sup>1</sup> Six Autonomous Councils	: ₹ 605.49 crore (2015-16 to 2017-18)
31 Development Councils	: ₹ 9.07 crore (2015-16 to 2017-18)
24 Development Authorities	: ₹ 1.00 crore (2015-16 to 2017-18)
<b>Total</b>	<b>: ₹ 615.56 crore</b>

### 3.5 Money kept out of Government Account

Assam Treasury Rules & Subsidiary Orders (Rule 16, SO 50) read with Rules 62 and 63 of Assam Financial Rules stipulate that no money shall be drawn from the treasury unless it is required for immediate disbursement.

Government of Assam introduced (19 November 2005) a system of payment of salaries and wages of the State Government employees through bank account for the purpose of avoiding Banking Cash Transaction Tax (BCTT). Under the above order, DDOs opened Current Bank Accounts in respective Treasury Bank branches for deposit of salaries, wages and personal claims etc., of employees to be disbursed through bank instruments or by way of transfer to employee's bank accounts.

In May 2013, the State Government ordered for closure of all such Bank Accounts by 30 September 2013 directing to (1) deposit the funds remaining unutilised during last three years or more to the State Exchequer under appropriate Head of Accounts and (2) utilise and disburse the balance amount for the purpose for which the money was drawn and to deposit the remaining undisbursed amount to State Exchequer.

The Government further directed (September 2013) to keep funds against the committed liabilities (due for disbursement) in Civil Deposit subject to the condition that the same would be disbursed within a period of three months i.e., latest by 31 December 2013.

The issue of non-compliance with above Government's directions by the different DDOs was mentioned repeatedly in the earlier Audit Reports of CAG on State Finances. This issue was also taken up (April 2015) by the CAG with the Chief Minister of Assam for taking remedial measures, but the required action had not been taken.

Audit further verified the status of such funds during April-September 2018 and found that the current account balances was ₹ 73.63 crore as on 31 March 2018 in respect of 10 DDOs as detailed in *Appendix 3.4*. Further, unspent balances lying in different bank instruments in respect of 17 DDOs were ₹ 1072.90 crore as on 31 March 2018 as detailed in *Appendix 3.5*.

Thus, it was evident that the basic principle of Government finances, that money has to be withdrawn only when it is required, had been violated. Especially in States where financial resources are scarce, premature withdrawal places stress on the fiscal system and puts burden on exchequer by way of higher interest costs. Moreover, it misleads the Legislature and other stakeholders as amounts withdrawn though not actually disbursed are reported as expenditure. Once out of Government control, there is scope for misuse and misappropriation of money.



During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that the Finance Department would issue appropriate directions to the authorities concerned to close such accounts.

It is recommended that Government must ensure that the Government money is not kept out of Government Account in an un-authorized manner and that strict action should be taken for violation of such directions/provisions.

### **3.6 Discrepancy of ₹ 52.63 crore due to non-reconciliation between bank balance and cash book balance**

Rule 95 (3) of Assam Financial Rules provides that every Drawing and Disbursing Officer (DDO) should satisfy himself by way of periodical examination, at least once in three months that the actual cash corresponds with the book balance.

Audit found that in 17 sample DDOs, there was a difference of ₹ 52.63 crore (**Appendix 3.6**) between the balances in cash book and bank pass books during 2017-18. Thus, 17 DDOs did not reconcile the discrepancy in contravention of the above Rule. Due to this, actual amount of unspent balances was not ascertainable.

Thus, it is recommended that DDOs concerned should reconcile the balances of cash book with those recorded in bank pass books periodically to ensure the correctness of accounts.

### **3.7 Short-transfer of Labour Cess to the Labour Welfare Board**

Under Section 3 of the Building and Other Construction Workers' Welfare Cess Act 1996, there shall be levied and collected a cess at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer as the Government may, by notification in the Official Gazettee, from time to time specify. As per rule 5(3) of the Building and Other Construction Workers Welfare Cess Rule 1998, the amount collected shall be transferred to the Building and Other Construction Workers' Welfare Board within thirty days of its collection.

Audit, however, noticed that an amount of ₹ 18.64 crore was not transferred to the Board, which was in violation of the Rule. Year-wise details of collection of cess and their transfer are detailed in the **Table 3.4**.

**Table 3.4: Collection of Workers' Welfare Cess and their transfer to the Building and Other Construction Workers' Welfare Board**

(Amount in ₹)

Sl. No.	Financial Year	Amount of Cess collected in the State of Assam under the Building and Other Construction Workers' Welfare Cess Act' 1996 from 2007-08 to 2017-18	Amount of Cess transferred to the Building and Other Construction Workers' Welfare Board	Short transfer
1	2007-2008	Nil	Nil	Nil
2	2008-2009	3,91,02,961.00	3,91,02,961.00	Nil
3	2009-2010	11,79,37,485.00	11,79,37,485.00	Nil
4	2010-2011	53,70,77,253.00	53,70,77,253.00	Nil
5	2011-2012	58,87,60,125.36	58,87,60,125.36	Nil
6	2012-2013	76,81,48,788.99	76,81,48,788.99	Nil
7	2013-2014	97,87,98,381.20	97,27,87,138.23	60,11,242.97
8	2014-2015	94,15,04,459.69	93,50,59,483.84	64,44,975.85
9	2015-2016	91,94,39,592.14	85,55,44,417.48	6,38,95,174.66
10	2016-2017	141,38,78,553.00	130,38,75,543.47	11,00,03,009.53
11	2017-2018	160,15,16,792.00	160,15,16,792.00	Nil
<b>Total</b>		<b>7,906,164,391.38</b>	<b>7,719,809,988.37</b>	<b>18,63,54,403.01</b>

Thus, the Departments concerned should transfer the full Cess amount so collected to the Building and Other Construction Workers' Welfare Board immediately for its end utilization.

### **3.8 Follow-up on Audit Reports**

The Reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Assam have been commenting upon Government's finances since 2008-09. These Audit Reports can achieve the desired results only when they evoke positive and adequate response from the Government/administration itself. To ensure accountability of the executive about the issues contained in the Audit Reports, the Public Accounts Committee of Assam Legislative Assembly issued instructions (September 1994) for submission of *suo motu* Action Taken Notes (ATNs) by the administrative departments concerned within three months of presentation of the Audit Reports to the State Legislature.

Audit Reports on State Finances for the years from 2008-09 to 2016-17 were placed before the State Legislature on 02 March 2010, 07 February 2011, 30 March 2012, 04 April 2013, 04 August 2014, 31 March 2015, 18 July 2016, 10 March 2017 and 06 April 2018 respectively. But *suo motu* ATNs on the observations made in the Audit Reports had not been submitted by various departments.

### 3.9 Significant Findings

State Government's compliance with various rules, procedures and directives was unsatisfactory as 9,370 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 17,935.10 crore paid to 53 departments of the State Government during the period from 2001-02 to 2016-17 were in arrears. Non-submission of Utilization certificates is fraught with the risk of misappropriation.

Delays also occurred in submission of annual accounts by some of the Autonomous Bodies/ Councils and Authorities. Further, 79 Government Bodies/Authorities and PSUs did not submit 472 annual accounts due up to 2017-18 to the Principal Accountant General (Audit), Assam.

**The recommendations are:**

*Departments should submit UCs timely in respect of the grants received for specific purposes.*

*Government departments should take urgent action so that the Government/Autonomous Bodies and PSUs submit their outstanding accounts expeditiously.*



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The 31 May 2019

*Countersigned*



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The 04 June 2019

