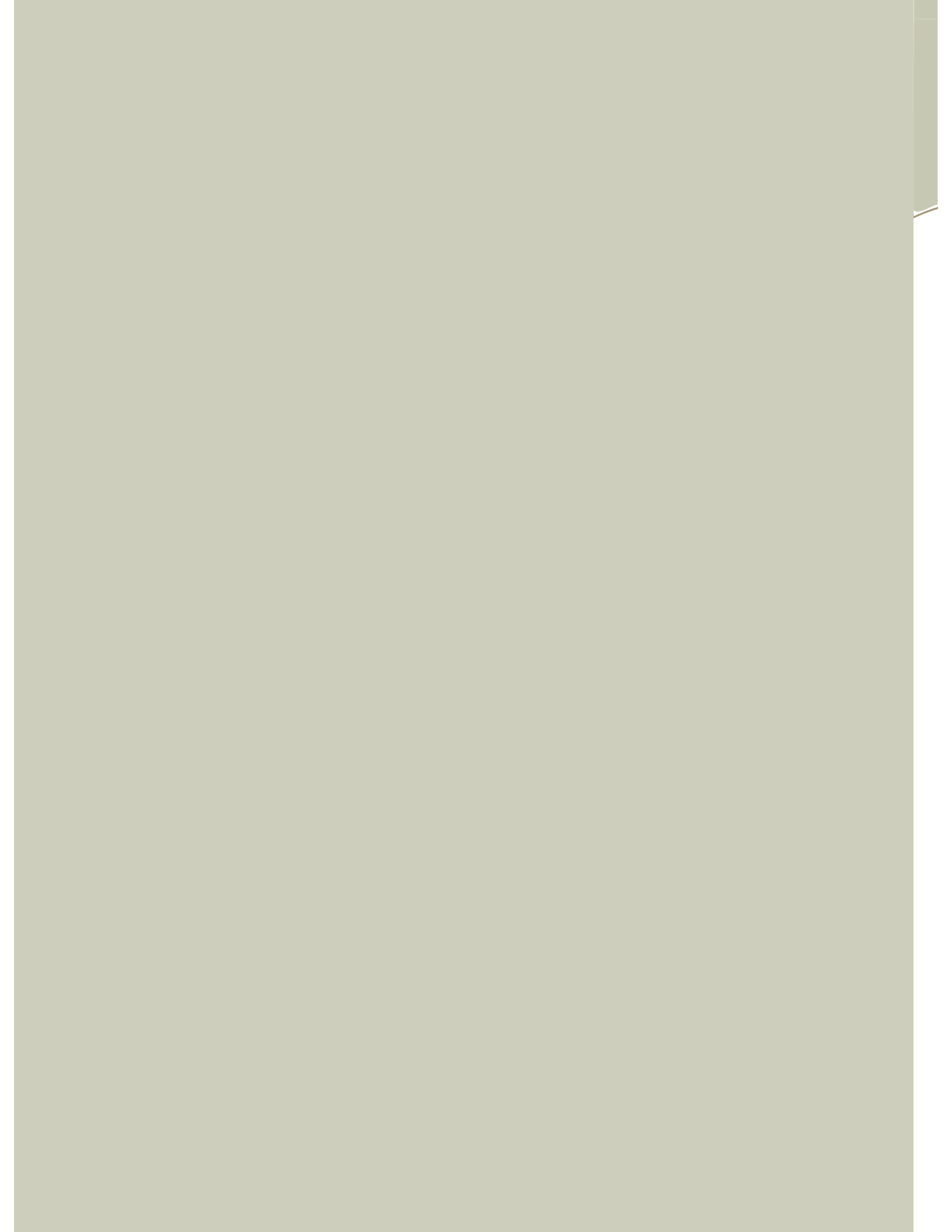


## **CHAPTER-III**

# **FINANCIAL REPORTING**



# Chapter 3 Financial Reporting

A sound internal financial reporting significantly contributes to efficient and effective governance by the State Government. The attributes of good governance consist of compliance with financial rules, procedures, directives, timeliness and quality of reporting.

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 Utilisation Certificates

General Financial Rules provide that the Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees and after verification, these should be forwarded to the Accountant General within 12 months of the closure of the financial year by the institution or the department concerned unless specified otherwise. At the end of March 2018, UCs involving ₹ 34.72 crore were yet to be received from the grantees as detailed in **Table-3.1**.

**Table-3.1: Year-wise arrears of Utilisation Certificates**

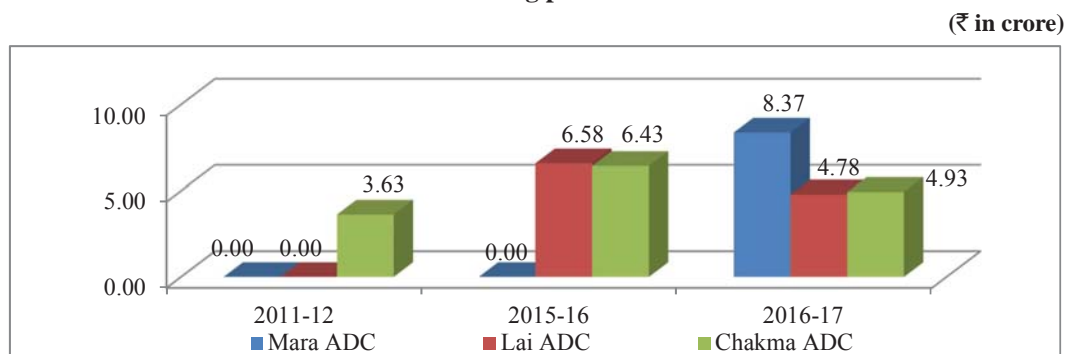
Year	Opening balance		Sanction during the year		UCs submitted during the year		Outstanding UCs	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
2013-14	5,962	2,378.64	1,658	892.15	10	87.03	7,610	3,183.76
2014-15	7,610	3,183.76	401	261.48	3,134	354.48	4,877	3,090.76
2015-16	4,877	3,090.76	28	41.02	4,867	3,040.01	38	91.77
2016-17	38	91.77	1,614	142.76	11	28.60	1,641	205.93
2017-18	1,641	205.93	<b>1,750*</b>	<b>1,656.83*</b>	1,603	171.21	<b>38</b>	<b>34.72</b>

Source: Finance Accounts, 2013-14 to 2017-18

\*These UCs were due for submission during 2018-19

These UCs were pending against Mara (₹ 8.37 crore), Chakma (₹ 14.98 crore) and Lai (₹ 11.37 crore) Autonomous District Councils (ADCs) as shown in **Chart-3.1** below:

**Chart-3.1: ADCs-wise outstanding position of UCs as on March 2018**



The State Government has managed to drastically bring down the number of outstanding UCs over the years which is appreciated, yet, pendency in submission of UCs indicates lack of monitoring of utilisation of grants by departments due to which it cannot be ensured that expenditure has actually been incurred for the purpose for which it was given.

Non-submission of UCs is fraught with the risk of misappropriation. Thus, a monitoring system should also be evolved by the respective Departments so that expeditious submission of UCs by the recipients is ensured.

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*The Government needs to enforce strict compliance to the timelines for submission of the UCs by the recipients and failure to comply with the timelines should be scrupulously dealt with.*

### 3.2 Submission of Accounts by ADCs to the AG

The Government needs to provide annual inputs to Audit on financial assistance provided to various institutions, the purpose for which the assistance was granted and the expenditure of these institutions to enable the Accountant General to assess audit requirement under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Mizoram Autonomous District Council Fund Rules state that Annual Finance Accounts and Appropriation Accounts shall be prepared and forwarded to the Accountant General (Audit) by 30<sup>th</sup> June each year. Scrutiny of Annual Accounts submitted by three ADCs (Lai, Mara and Chakma) showed that all the District Councils submitted their annual accounts with delays ranging between one and thirteen months as detailed in **Table-3.2**.

**Table-3.2: Delay in Submission of Annual Accounts by ADCs**

Name of ADC	Year of Accounts	Grants received (₹ in crore)	Date of submission of Accounts		Delay (in months)
			Due	Actual	
Chakma	2016-17	66.70	30.06.2017	13.08.2018	13
	2017-18	85.65	30.06.2018	13.08.2018	1
Mara	2016-17	115.28	30.06.2017	06.08.2018	13
	2017-18	131.09	30.06.2018	06.08.2018	1
Lai	2017-18	154.24	30.06.2018	15.11.2018	4

The reasons for delay in preparation of the accounts were not intimated. The annual accounts of the Mara and Chakma ADCs have been audited up to 2017-18. The annual accounts of Lai ADC for 2017-18 have been received (November 2018).

*The delay in submission of annual accounts defeats the very purpose of preparation of accounts and undermines the accountability mechanism.*

### 3.3 Departmental Commercial Undertakings

The departmental undertakings of Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually. The accounts depict the working results of financial operations of the departmental undertakings indicating their performance and efficiency in conducting business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of State Legislature and Audit. Consequently, corrective measures, if any, needed for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

There are three Government departments in the State (Food, Civil Supplies and Consumers Affairs Department, Transport Department and Power and Electricity Department) performing activities of quasi-commercial nature. The Head of these departments were to ensure that

these undertakings prepare such accounts and submit the same to the Accountant General for audit by 30 June each year. The proforma accounts for 2016-17 in respect of Food, Civil Supplies and Consumers Affairs Department were submitted in December 2018; while the proforma accounts in respect of Transport Department had not been submitted since 2007-08. The proforma accounts in respect of Power and Electricity Department were not submitted since its inception in the year 1979.

### 3.4 End use of Cess under Building and Other Construction Workers Welfare Act, 1996

The GoI had levied a Cess under Building and Other Construction Workers Welfare (Regulation of Employment and Conditions of Service) Act, 1996 at the rate of one *per cent* of the cost of construction incurred by an employer or any executing agency as the case may be. Rule 5 of the Cess Rule, 1996 provides that the proceeds of the Cess collected shall be transferred by such Government office/ Establishment, as the case may be, to the Mizoram Building and Other Construction Workers Welfare Board.

Accordingly, the State Government notified<sup>1</sup> (May 2012) enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The levy and collection of such cess will be at the rate of one *per cent* on the cost of construction works/ projects undertaken by all building and other contractors in Mizoram State. In compliance of this notification, it was directed that the DDOs will ensure that deduction of cess as prescribed is made against all civil construction works involving employment of labour and deposit the same in the account of the Secretary, Mizoram Building and Other Construction Workers Welfare Board (MBOCWB) through Account Payee Cheque/ Bank Draft.

Details of amount collected and actual expenditure incurred during the period from 2013-14 to 2017-18 are given in **Table-3.3**.

**Table-3.3: Fund Position of MBOCW Board for the period 2013-18**

(₹ in crore)						
Year	Opening Balance	Receipt during the year	Others/ Misc. Receipt*	Available Fund	Total Expenditure	Closing Balance
2013-14	4.06	7.18	4.69	15.93	10.99	4.94
2014-15	4.94	8.48	2.06	15.48	11.18	4.30
2015-16	4.30	10.50	0.60	15.40	2.83	12.57
2016-17	12.57	14.75	0.87	28.19	13.34	14.85
2017-18	14.85	15.08	2.81	32.74	8.15	24.59
<b>Total</b>		<b>55.99</b>	<b>11.03</b>	<b>107.74</b>	<b>46.49</b>	<b>--</b>

Source: Information furnished by the Board

\* Others and Miscellaneous Receipt includes Labour Registration Fee/ Monthly Subscription Fee, Bank interest, Fixed Deposit (Principal and Interest), Recovery of soft loan and sale of vehicle, etc.

It can be seen from the table above that the fund position of the MBOCWB in respect of receipt for the year 2017-18 is ₹ 17.89 crore (₹ 15.08 crore + ₹ 2.81 crore) and Expenditure is ₹ 8.15 crore. However, as per statement of Receipt and Expenditure submitted (March 2019) by the Board for 2017-18, total Receipt is ₹ 17.89 crore and Expenditure is ₹ 8.42 crore. Hence

<sup>1</sup> Vide Office Memorandum No. B-16012/2/2011-LE&IT dated 29 May 2012

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there was a difference of ₹ 0.27 crore (₹ 8.42 crore *minus* ₹ 8.15 crore), which is required to be reconciled. Further, out of total expenditure of ₹ 8.42 crore depicted in the accounts for the year 2017-18, ₹ 6.30 crore was shown as an unauthorised transaction deducted by the bank. Hence, the actual expenditure of the Board for 2017-18 would be ₹ 2.12 crore (₹ 8.42 crore *minus* ₹ 6.30 crore), which needs to be rectified by the Board.

Section 24 (3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five *per cent* of its total expenses during the financial year.

Scrutiny of the Receipt and Payment details of MBOCWB for 2017-18 revealed that out of the total expenditure of ₹ 2.12 crore, an expenditure of ₹ 0.56 crore (26.42 *per cent* of the total expenditure) was incurred towards administrative expenses in contravention of Section 24 (3). The remaining expenditure of ₹ 1.56 crore was incurred by the Board on training programmes, disability pension, death benefit, children educational assistance, medical assistance, *etc.*

As per rule 5(3) of the Building and Other Construction Workers Welfare Cess Rule, 1998, the amount collected would be transferred to the Board within thirty days of its collection.

Scrutiny of the records of the MBOCWB and the District Labour and Employment Officer (DLEO), Aizawl for 2017-18 showed that there was a delay in remission of collected cess to bank account of the MBOCWB which ranged between 13 and 225 days during the period from 23 June 2017 to 05 March 2018 as shown in **Table-3.4**.

**Table-3.4: Delay in deposit of collected cess to MBOCWB by DLEO, Aizawl**

Sl. No.	Date of:		Amount (₹ in crore)	Period of delay (in days)
	Receipt of cess by the DLEO	Transfer of cess to the Board		
1.	10.05.2017	23.06.2017	0.31	13
2.	23.06.2017	05.03.2018	1.00	225
<b>Total</b>			<b>1.31</b>	<b>--</b>

*Source: Information furnished by the Board*

It was noticed that out of ₹ 3.19 crore received by the DLEO for 2017-18, an amount of ₹ 1.31 crore of cess was transferred with a delay between 13 and 225 days in violation of instruction laid in the Cess Rule.

***The State Government should introduce appropriate mechanism so that the cess amount would be deposited in time to bank account of the MBOCWB. Further, the Government may take appropriate action against the defaulting officers who violates the codal formalities of the Cess Rule.***

### 3.5 Follow up action on Audit Reports

The Audit Reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Mizoram have been commenting upon the Government's finances since 2008-09. These Audit Reports can achieve the desired results only if they evoke positive and adequate response from the administration itself. To ensure accountability of the executive about the issues contained in these Audit Reports, the Public Accounts Committee

of Mizoram Legislative Assembly issued instructions (April 2010) for submission of *suo-moto* explanatory notes, by the administrative departments concerned, within one month of presentation of the Audit Reports to the State Legislature.

Though, the Audit Reports on State Finances were placed before the State Legislature in April 2010 (2008-09), March 2011 (2009-10), July 2012 (2010-11), July 2013 (2011-12), July 2014 (2012-13), July 2015 (2013-14), March 2016 (2014-15), March 2017 (2015-16) and June 2018 (2016-17) *suo-moto* explanatory notes on the observations made in these Audit Reports had not been received from any of the departments concerned which defeats the purpose of C&AG's report. Besides, the Government is also losing opportunity to improve its system and working in the interest of State and people.

*The State Government should ensure follow up action on the audit observations pointed out in the Audit Reports in a time bound manner.*

### 3.6 Conclusion

At the end of March 2018, 38 UCs involving ₹ 34.72 crore were yet to be submitted by the grantees. Submission and finalisation of proforma accounts pertaining to Power and Electricity Department was pending since 1979. In spite of repeated comments about the arrears in preparation of accounts of three Government Departments performing activities of quasi-commercial nature by the Comptroller and Auditor General of India in his earlier reports, no improvement in this regard was noticed.

Aizawl  
The 19 August 2019

  
(LALRAMTHANGA TOCHHAWNG)  
Principal Accountant General, Mizoram

Countersigned

New Delhi  
The 20 August 2019

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India