

Chapter 4
Quality of Accounts &
Financial Reporting
Practices

Chapter 4 Quality of Accounts & Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

Issues related to completeness of accounts

4.1 Non discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Reserve Funds and Deposits. It has been observed from Statement 21 of Finance Accounts 2019-20 that despite the existence of balances in these Reserve Funds and Deposits, no interest liability was discharged by the Government during the year, as detailed in the following table. This had an impact on the understatement of revenue deficit to that extent.

Table 4.1: Non discharge of interest liability towards interest bearing deposits

(₹ in crore)

Sector	Sub-Sector	Rate of Interest	Balance at the Beginning of 2019-20	Interest Payable
J-Reserve Funds	Reserve Funds Bearing Interest (SDRF)	7.5 per cent (average of Ways and Means interest rate)	603.61	45.27
K-Deposits and Advances	Deposits Bearing Interest MH 8342 (NPS)	8 per cent* (interest rate payable on balances as notified by Government)	408.22	32.66
K-Deposits	MH 8336, 8338, 8342 (103 & 120)	7.5 per cent (average of Ways and Means interest rate)	14.31	1.07
Total			1,026.14	79.00

*The State Govt. vide OM dated 06 October 2009 specified the interest rate at eight per cent as applicable to the GPF (as had been prevailing at that time). This interest rate has not been revised, though Government had revised the rate of interest for GPF from time to time.

4.2 Funds transferred directly to State implementing agencies

GoI has been transferring sizeable quantum of funds directly to the State Implementing Agencies/Non-Government Organisations (NGOs) for implementing of various central schemes/programmes. As these funds are not routed through the State budget/State Treasury

system, these are not reflected in the Accounts of the State Government.

The following table provides quantum of fund transferred to the State implementing agencies during the last five years i.e., 2015-20.

Table 4.2: Funds transferred by GoI directly to State Implementing Agencies

(₹ in crore)						
Direct transfers to State Implementing Agencies	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Funds transferred	1,277.60	2,846.20	4,702.20	4,534.21	5,946.75	19,306.96

As can be seen from above table that transfer of funds increased by 31.15 per cent from ₹ 4,534.21 crore in 2018-19 to ₹ 5,946.75 crore in 2019-20.

4.3 Delay in Submission of Utilisation 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, and 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.

State Government authorities who have received conditional grants are required to furnish formal Utilisation Certificates (UCs) about the proper utilisation of the grants, to the Accountant General (A&E) within 12 months of the closure of the financial year in which the grants have been released, unless specified otherwise.

Audit scrutiny revealed that 9,379 UCs in respect of grants aggregating ₹ 20,402.48 crore given to 52 Departments of the State Government during the period from 2001-02 to 2018-19 had not been submitted. Age-wise details of delays in submission of UCs is given in **Table 4.3**.

Table 4.3: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)								
Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	11,641	24,907.26	2,267	15,958.31	2,271	6,972.16	11,637	33,893.41
2018-19	11,637	33,893.41	2,248	13,381.83	2,182	14,221.35	11,703	33,053.89
2019-20	11,703	33,053.89	2,732*	22,833.65*	2,324	12,651.41	9,379	20,402.48

Source: Data compiled by the O/o the PAG (A&E), Assam; *UCs for grants paid in 2019-20 would become due only in 2020-21 unless otherwise specified.

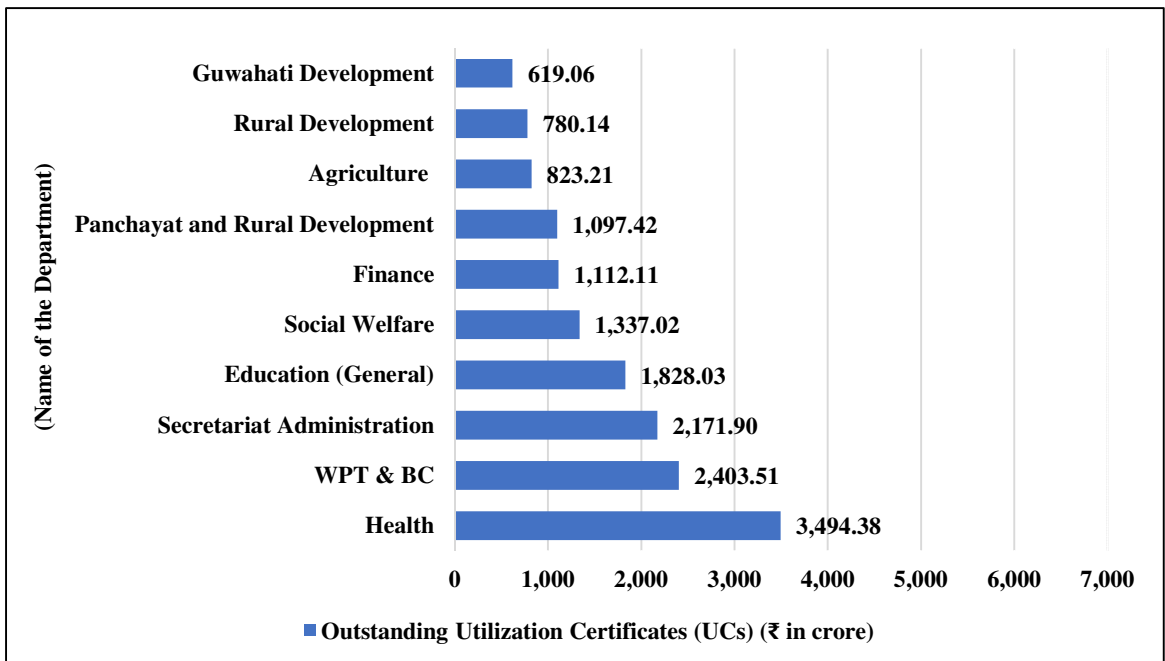
Table 4.4: Year wise break up of outstanding UCs
(₹ in crore)

Year	Number of UCs	Amount
2001-02	833	54.26
2002-03	409	36.22
2003-04	744	197.07
2004-05	949	145.80
2005-06	712	203.12
2006-07	656	198.87
2007-08	463	220.85
2008-09	342	313.25
2009-10	122	447.19
2010-11	306	395.16
2011-12	275	583.03
2012-13	289	827.68
2013-14	401	1,243.02
2014-15	793	1,593.46
2015-16	479	2,963.30
2016-17	24	1,607.23
2017-18	237	2,175.13
2018-19	1345	7,197.84
Total	9,379	20,402.48

The analysis of year-wise details of pending UCs and the amounts involved are tabulated alongside. The Departmental authorities have not yet explained as to how an amount of ₹ 20,402.48 crore was spent over the years is a matter of concern, as it involves public funds provided to them for implementation of specific programmes /schemes and there is no assurance that the intended objectives of providing these funds have been achieved. **Table 4.4** reveals that 68.34 *per cent* of outstanding UCs pertains to the last four years *i.e.*, 2015-16, 2016-17, 2017-18 & 2018-19.

Department-wise break-up of outstanding UCs for the grants paid up to the year 2018-19 is given in **Appendix 4.1**. Status of outstanding UCs in respect of 10 major departments is given in **Chart 4.1**.

Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2018-19



About 50 *per cent* of capital expenditure is being incurred out of Grants-in-Aid. In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and the assets had been created.

4.3.1 Recording of Grantee Institution as “Others”

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid from Government. These grants are also recorded in Voucher Level Computerisation (VLC) system of AG office and submission of UCs is monitored against outstanding amount against each institute. Needless to say, for this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

If Grants-in-Aid constitute a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee Institution to which it is providing funds, in the interests of transparency of accounts.

Table 4.5 indicates the extent of Grants-in-Aid shown under Others by the State Government during the last five years i.e., 2015-20.

Table 4.5: Recording of Grantee Institution as “Others”

Particulars	Grants released				
	2015-16	2016-17	2017-18	2018-19	2019-20
Total Grants	7,096.56	13,655.15	19,017.23	17,564.15	25,619.63
Grantee Institutions as “Others”	4,181.74	10,880.55	15,755.94	14,924.48	18,032.66
Grantee Institutions as “Others” (In per cent)	58.93	79.68	82.85	84.97	70.39

(₹ in crore)

(Source: Finance Accounts)

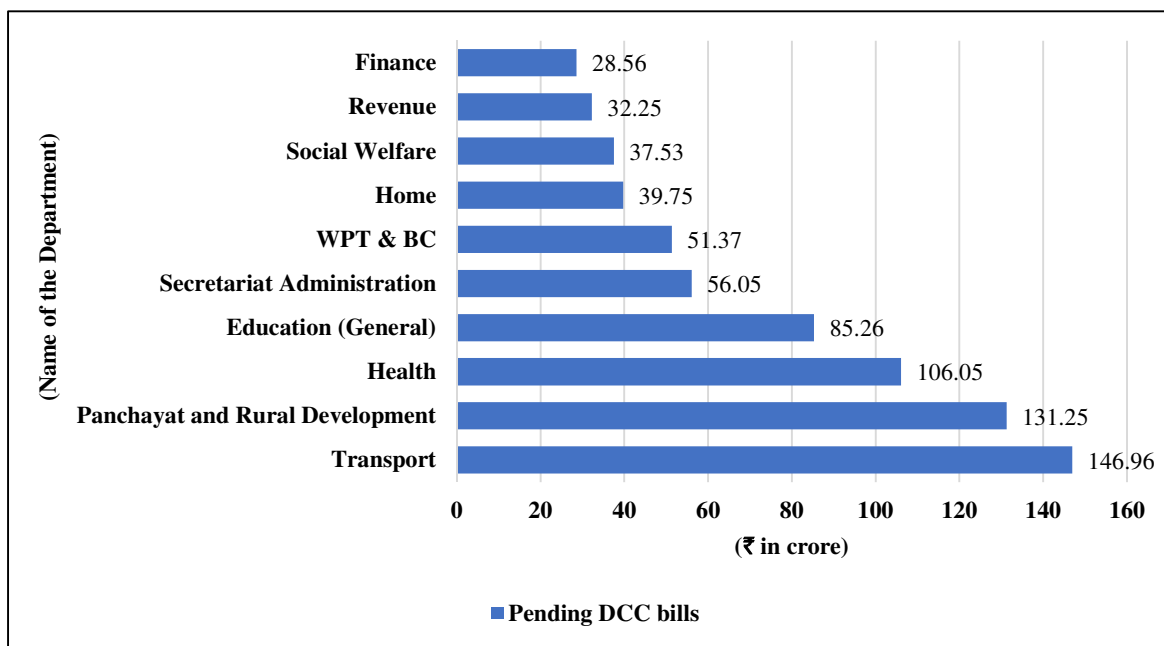
During 2015-20 total grants shown under others by the State ranged between 58.93 per cent and 84.97 per cent of the total grants paid during the period. During 2019-20, the State Government had given grants-in-aid of ₹ 18,032.66 crore to ‘Others’ which constituted 70.39 per cent of total grants given (₹ 25,619.63 crore) during the year. Due to absence of proper code, institution wise amount of grants given during 2019-20 could not be ascertained.

4.4 Abstract Contingent Bills

Under Rule 21 of the Assam Contingency Manual 1989, Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. Subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (A&E) not later than 25th of the month following the month in which such amounts are drawn.

As of 31 March 2020, 39 Departments of the Government of Assam had not submitted DCC bills for ₹ 870.10 crore against 1,432 AC Bills. Department-wise pending DCC bills for the years up to 2019-20 are detailed in **Appendix 4.2**. Status of pending DCC bills in respect of 10 major departments is given in **Chart 4.2**.

Chart 4.2: Pending DCC Bills in respect of 10 major Departments



Year-wise details of pendency of DCC bills for the years up to 2019-20 is given in **Table 4.6**.

Table 4.6: Pendency in submission of DCC bills against the AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1,136	567.13	10	127.07	80	15.35	1,066	678.85
2018-19	1,066	678.85	298	289.53	41	2.56	1,323	965.82
2019-20	1,323	965.82	282	53.63	173	149.35	1,432	870.10

Source: Data compiled by O/o the PAG (A&E), Assam

Table 4.6 reveals that during 2019-20, 282 AC bills were drawn for an amount of ₹ 53.63 crore, of which, 59 AC bills for an amount of ₹ 5.73 crore (10.68 per cent) were drawn in March 2020. Out of the drawal in March 2020, one AC bill for ₹ 0.10 crore was drawn on the last day of the financial year.

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.5 Personal Deposit Accounts

Under specific circumstances, the Government may authorise the opening of Personal Deposit (PD) accounts for operation by designated Administrators. Transfer of funds to PD accounts is booked under the service major heads, as expenditure under the Consolidated Fund of the State. Under the rules, the Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the

Consolidated Fund, with the PD accounts being reopened in the next year, if necessary. Government of Assam, however, did not follow this procedure.

As on 31 March 2020, there were 22 PD Accounts and all these accounts have been inoperative for more than three years. The following table provides the status of funds lying in PDA on the last day of the financial year during 2015-20.

Table 4.7: Parking of funds in Personal Deposit Accounts during 2015-20

(₹ in crore)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Funds parked in PDA	1.00	0.60	0.60	0.60	0.57

Although the closing balance under PDA has reduced from ₹ 1.00 crore in 2015-16 to ₹ 0.57 crore during 2019-20, thereafter, these accounts were not closed at the end of the financial year and the amount credited to the Consolidated Fund of the State. The Departmental officers have not verified/ reconciled the balances with those maintained by the Office of the Accountant General (A&E), Assam.

4.6 Indiscriminate use of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (A&E) and seek advice on an appropriate classification. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of Assam had operated this Minor Head extensively during the five-year period 2015-20. The quantum of expenditure booked under this Minor Head showed a mixed trend over the years. During 2019-20, the State Government booked an expenditure of ₹ 19,036.52 crore under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 23.76 *per cent* of the total revenue and capital expenditure of ₹ 80,135.23 crore. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of Total Expenditure during 2015-20 is given in **Chart 4.3**.

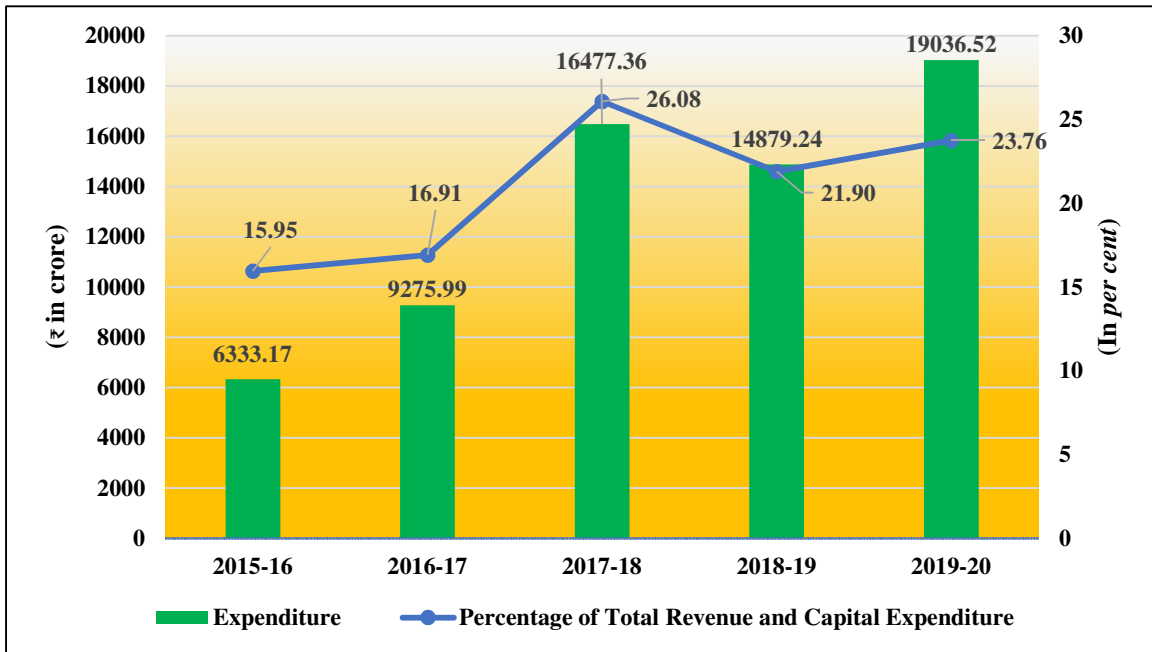
Chart 4.3: Operation of Minor Head 800 - Other Expenditure during 2015-20

Chart 4.3 shows that there has been largescale operation of 800 for Other Expenditure, with its share in total revenue and capital expenditure ranging from 15.95 per cent to 26.08 per cent during the period. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.8**.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2019-20

(₹ in crore)					
Sl. No.	Major Head	Major Schemes under Minor Head 800	Expenditure under Minor Head 800	Total Expenditure	Percentage
1.	2501- Special Programme for Rural Development	National Rural Livelihood Mission (NRLM), Financial Assistance to one lakh women SHG and National Social Assistance Programme (NSAP)	1,021.50	1,136.39	89.89
2.	2515-Other Rural Development Programmes	General Basic Grant and General Performance Grant	3,602.37	4,138.43	87.05
3.	2801 - Power	Payment of dues as per FTFRP, Targeted subsidy to APDCL and DDUGJY and SAUBHAGYA Scheme	1,384.16	2,253.56	61.42
4.	3056 - Inland Water Transport	Government Transport Services working expenses - Major Ferry Services, Subansiri River Passenger Services (Commercial)	147.86	165.56	89.31
5.	4070- Capital Outlay on Other Administrative Services	State Signature Scheme, Protection and Control of Fire Service station and Foreigners’ Tribunal	238.61	238.84	99.90

Sl. No.	Major Head	Major Schemes under Minor Head 800	Expenditure under Minor Head 800	Total Expenditure	Percentage
6.	4401- Capital Outlay on Crop husbandry	Rural Infrastructure Development Fund (RIDF) and Agriculture Cold Storage	46.30	48.91	94.66
7.	4405- Capital Outlay on Fisheries	Assam Rural Infrastructure Development Fund (RIDF) - NABARD's Loan component	21.21	24.52	86.54
8.	4408- Capital Outlay on Food Storage and Warehousing	Construction of Food Storage Godowns	6.63	6.63	100.00
9.	4702 - Capital Outlay on Minor Irrigation	Pradhan Mantri Krishi Sinchai Yojana- Har Khet Ko Pani and Flow Irrigation	619.80	882.75	70.21
10.	4801 - Capital Outlay on Power Projects	Externally Aided Projects (ADB), Bardikarai Small Hydro Electric Project and Replacement of existing wooden/Bamboo poles in HT/LT Network of APDCL etc.	112.37	112.37	100.00
TOTAL			7,200.81	9,007.96	79.93

In the case of receipts, the operation of Minor Head 800 has been lower compared to expenditure, and ranged between 1.34 *per cent* (2017-18) to 3.12 *per cent* (2018-19) of total revenue receipts. During 2019-20, the State Government classified receipts of ₹ 1,078.48 crore (1.67 *per cent* of Revenue Receipts), pertaining to 46 Major Heads, under the Minor Head '800 - Other Receipts'. Cases where over 50 *per cent* of receipts were classified under Minor Head 800 – 'Other Receipts', are given in **Table 4.9**.

Table 4.9: Significant receipts booked under Minor Head 800 – Other Receipts during 2019-20

(₹ in crore)

Sl. No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1	0059 - Public Works	1.68	1.70	98.82
2	0070 - Other Administrative Services	97.66	103.17	94.66
3	0215 - Water Supply and Sanitation	0.70	0.77	90.91
4	0404 - Dairy Development	0.07	0.08	87.50
5	0408 - Food Storage and Warehousing	0.39	0.39	100.00
6	0552 - North Eastern areas	203.58	203.58	100.00
7	0701 - Medium Irrigation	0.67	0.67	100.00
8	0702 - Minor Irrigation	0.30	0.32	93.75
9	0852 - Industries	2.14	2.14	100.00
10	1054 - Roads and Bridges	39.01	39.59	98.53
11	1425- Other Scientific Research	0.29	0.29	100.00
12	1456 - Civil Supplies	0.05	0.05	100.00
Total		346.54	352.75	98.24

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

Audit examined selected cases of booking under Minor Head 800, and noted that in some instances, a valid Minor Head, other than 800, was available in the List of Major and Minor Head (LMMH), for booking these transactions. This includes large centrally sponsored schemes like Sarva Siksha Abhiyan, and Mid-Day Meal scheme, where an expenditure of ₹ 2,737.84 crore (14.38 per cent of total expenditure under 800) was booked in State Finance Accounts (2019-20), as given in the following table:

Table 4.10: Incorrect depiction of Minor Heads in the State Accounts (2019-20)

Head of Account as per State Appropriation Accounts	Name of the Scheme	Classification upto Minor Head in Finance Accounts	Expenditure (₹ in crore)	Depiction in the LMMH
2202-01-800-1686	{1686}-Sarba Siksha Abhijan	2202-01-800 Other Expenditure	2,184.58	2202-01-111 Sarva Shiksha Abhiyan
2202-01-800-3844	{3844}-Mid-Day-Meal Scheme for Cooking Cost	2202-01-800 Other Expenditure	553.26	2202-01-112 National Programme of Mid Day Meals in Schools

Thus, it is imperative that the State Government should review all classifications of schemes being made under 800-Other Expenditure in the light of their depiction in the LMMH and after consultation with the Accountant General (A&E), classify them appropriately as per existing LMMH, or seek addition of new Minor Head, to bring transparency in Accounts.

During Exit Conference (February 2021) Audit pointed out that in some cases expenditures are being classified as Other Expenditure in the Finance Accounts in spite of availability of appropriate Minor Head of Accounts in the List of Major and Minor Head (LMMH). Audit also urged the Finance Department to review the depiction of all Receipts and Expenditure being made under 800 at the budget formulation stage itself.

The Commissioner and Secretary, Finance Department assured to take corrective measures at budget preparation stage.

Issues related to Measurement

4.7 Outstanding balance under major Suspense and DDR heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.11**.

Table 4.11: Balances under Suspense and Remittance Heads

(₹ in crore)

Name of Major and Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 - Suspense						
101 - PAO suspense	108.77	0.05	117.06	52.53	224.98	145.92
Net	Dr. 108.72		Dr. 64.53		Dr. 79.06	
102 - Suspense Account-Civil	965.30	11.86	1,393.36	61.40	2,322.47	531.66
Net	Dr. 953.44		Dr. 1,331.96		Dr. 1,790.81	
107 - Cash Settlement Suspense Account	82.73	15.65	82.73	15.65	82.73	15.65
Net	Dr. 67.08		Dr. 67.08		Dr. 67.08	
109 - Reserve Bank Suspense - Headquarters	(-) 331.40	3.36	(-) 297.50	(-) 0.29	(-) 226.65	(-) 10.02
Net	Cr. 334.76		Cr. 297.21		Cr. 216.63	
110 - Reserve Bank Suspense - CAO	14.37	588.02	14.30	911.52	14.30	1,050.40
Net	Cr. 573.65		Cr. 897.22		Cr. 1,036.10	
112 - Tax Deducted at Source (TDS) Suspense	---	0.02	---	---	---	0.01
Net	Cr. 0.02		---		Cr. 0.01	
123 - A.I.S Officers' Group Insurance Scheme	0.12	1.38	0.14	1.42	0.18	1.47
Net	Cr. 1.26		Cr. 1.28		Cr. 1.29	
8782-Cash Remittances						
102 - P.W. Remittances	52,082.15	51,800.35	61,358.86	61,051.00	69,526.23	69,159.54
Net	Dr. 281.80		Dr. 307.86		Dr. 366.69	
103 - Forest Remittances	4,271.31	3,998.85	4,737.65	4,454.57	5,231.80	4,884.08
Net	Dr. 272.46		Dr. 283.08		Dr. 347.72	

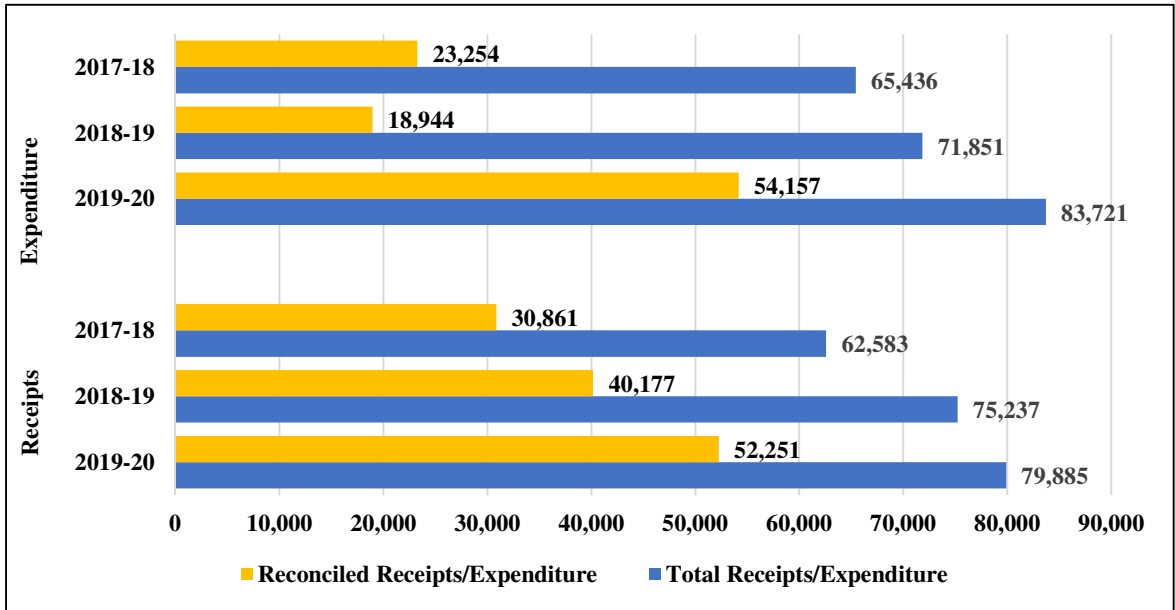
4.8 Non-reconciliation of Departmental figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

While 53 per cent of the receipts and 26 per cent of the disbursements were reconciled during 2018-19, these figures improved and reached the level of 65 per cent for both receipts and disbursements for the year 2019-20.

The status of reconciliation of receipts and expenditure figures by the COs during the three-year period 2017-20 is shown in **Chart 4.4**.

Chart 4.4: Status of reconciliation during the three years 2017-20 (₹ in crore)



The details relating to the number of COs and the extent of reconciliation during the last three years are given in **Table 4.12**.

Table 4.12: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/Expenditure (₹ in crore)	Reconciled Receipts/Expenditure (₹ in crore)	Percentage of Reconciliation
Receipts							
2017-18	54	4	3	47	62,583	30,861	49.31
2018-19	54	7	4	43	75,237	40,177	53.40
2019-20	54	6	0	48	79,885	52,251	65.41
Expenditure							
2017-18	54	14	26	14	65,436	23,254	35.54
2018-19	54	31	16	7	71,851	18,944	26.37
2019-20	54	34	0	20	83,721	54,157	64.69

Non-reconciliation of figures has been pointed out by the CAG in the Audit Reports year after year. The Committee on Public Account (PAC) in its 161st Report (Para 13) also recommended (March 2020) that the departments should reconcile their figures with the Accountant General (A&E) on monthly basis or at least quarterly basis to avoid wrong booking of figures. In spite of this, 35 *per cent* each of receipt and expenditure figures booked by the Accountant General (A&E) remained un-reconciled by the departmental authorities during 2019-20.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.9 Reconciliation of Cash Balances

As on 31 March 2020, there was a difference of ₹ 2,480.38 crore (Net debit), between the Cash Balance of the State Government, as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India. Out of this unreconciled cash balance of ₹ 2,480.38 crore, ₹ 2,613.32 crore¹ (Debit amount) pertains to the pension payments made by non-link branches and directly reported to the RBI. The remaining difference of ₹ 132.94 crore (Credit amount) was due to erroneous reporting by Agency Banks. The details is discussed in subsequent paragraph.

4.9.1 Non-Reporting of Pension Payments

Out of the discrepancy in the Reserve Bank Deposit (RBD) of ₹ 2,613.32 crore, ₹ 1,348.35 crore (51.60 *per cent*) pertains to Financial Year 2019-20 alone. The reason for the discrepancy is due to the non-receipt of accounts by the State Treasuries of the pension payments (including other state pensioners) made by non-linked bank branches.

Prior to January 2018, pension disbursed by non-linked branches of concerned Treasuries submitted their reimbursement claims on behalf of the State Government to the linked branches of the concerned Treasuries, who in turn included the pension payments made by all non-linked branches within their jurisdiction in their Date-wise Monthly Statement (DMS) and submitted the same to the Treasury. On receipt of these vouchers from linked branches, the concerned Treasury Officers included the same in their Treasury Accounts.

From January 2018, the RBI directed all agency (non-linked) bank branches to submit their claims pertaining to agency transactions directly to the RBI without routing through linked branches that act as aggregator. The RBI also directed all agency banks to send scrolls/details of such payments made by them directly to the State Government/Treasury. However, the non-linked branches making such payments have not been submitting the Date-wise Monthly Statement (DMS) and corresponding payment vouchers to the concerned Treasury, resulting in non-inclusion of such payments in accounts of the State. This has resulted in huge discrepancy between the cash balance as reflected in the Finance Accounts, and as reported by RBI, with the entire pension payments made by the non-linked branches remaining unaccounted. In 2019-20 itself, pension payments to the tune of ₹ 1,348.35 crore made by the agency bank branches were not accounted for in the Finance Accounts. Further, pension payments of ₹ 1,264.97 crore made in the two years prior to 2019-20 were also not accounted for in the State Accounts for the same reason. The details of the differences are as tabulated below:

¹ 2017-18: ₹ 112.59 crore
 2018-19: ₹ 1,152.38 crore
2019-20: ₹ 1,348.35 crore
Total: ₹ 2,613.32 crore

Table 4.13: Year wise details of non-reporting of pension payments

(₹ in crore)

Year	Amount of non-reporting of pension payments
2017-18	112.59 (Dr.)
2018-19	1,152.38 (Dr.)
2019-20	1,348.35 (Dr.)
Total	2,613.32 (Dr.)

The non-accounting of the Pension payments to the tune of ₹ 2,613.32 crore had resulted in understatement of Revenue and Fiscal Deficit of the State during the period.

During Exit Conference (December 2020) on audit of Annual Accounts, the Principal Secretary, Finance said that the matter would be further pursued with the non-link banks and RBI, in consultation with Office of the Accountant General (A&E), and all efforts would be made to resolve the issue in Financial Year 2020-21 itself.

During Exit Conference (February 2021) on SFAR the Commissioner and Secretary, Finance informed that the Department is working on the issue in consultation with the Office of the AG (A&E), Assam and RBI and is hopeful of resolving the matter soon.

Issues related to Disclosure

4.10 Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB), set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting to enhance accountability mechanisms. As of end of March 2020, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the Government of Assam in its financial statements for the year 2019-20 are given in **Table 4.14**.

Table 4.14: Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by government – Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Partly complied	While the government has disclosed the maximum amount of guarantees given during the year, detailed information like number of guarantees for each institution was not depicted.
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Not complied	State Government made budgetary provision and classified GIA amounting to ₹ 6,225.45 crore under Capital Major Heads of Account, instead of under the Revenue Section. It did not also furnish any information regarding GIA paid in kind during the year.

IGAS	Essence of IGAS	Status	Impact of non-compliance
			Further, government budgeted and spent an amount of ₹ 345.62 crore on “Major Works” under the Revenue Section and ₹ 154.50 crore on “Minor Works” under the Capital Section. Non-compliance led to overstatement of revenue surplus and overstatement of capital expenditure.
IGAS 3 <i>Loans & Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partly complied	While the State government complied with the format prescribed by the Standard, the information in this regard is incomplete, since the details of overdue principal and interest in respect of loans and advances have not been provided to the Principal Accountant General (A&E).

4.11 Submission of Accounts of Autonomous Councils/Bodies

As per Section 19(3) of the CAG’s DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit to AG (Audit) for audit.

The CAG had not received 704 annual accounts of 138 Autonomous Councils, Development Councils and Government Bodies (due up to 2019-20) for audit as of 31 December 2020.

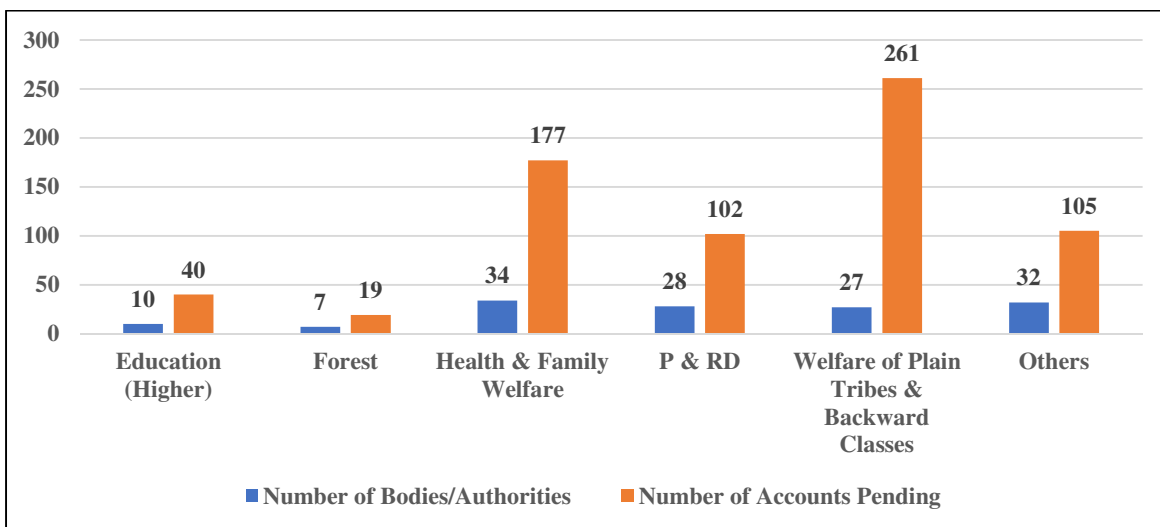
Table 4.15: Age-wise analysis of Annual Accounts due for audit but not submitted

Delay in Number of Years	No. of Accounts
0-1	138
1-3	212
3-5	114
5-10	201
More than 10	39
TOTAL	704

The Department-wise details of accounts due from Autonomous Councils, Development Councils, Government Bodies are given in **Appendix 4.3**. Age-wise pendency of these 704 accounts is given alongside.

Status of pending accounts in respect of five major departments is given in **Chart 4.5**.

Chart 4.5: Status of pending accounts of Autonomous Councils/ Bodies in respect of five major Departments



In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/ Authorities and their accounting cannot be vouched. Audit took up the matter of non-submission of accounts of the defaulting Bodies with the authorities concerned from time to time, but without perceivable improvement.

4.12 Departmental Commercial Undertakings/Corporations/Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations (including Departmental undertakings). Departmental undertakings perform activities of commercial/quasi-commercial nature. They are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

Further, Section 96 of the Companies Act, 2013, requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Section 129 of the Act stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act.

In the absence of timely finalization of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General (Audit) within a specified time frame.

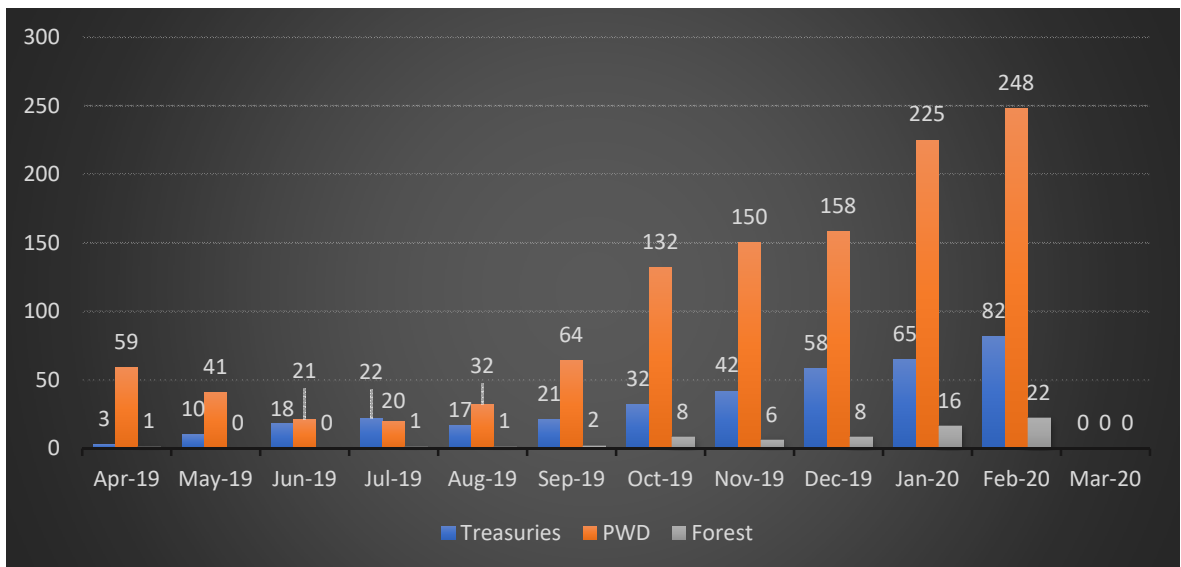
However, the CAG has not received 392 annual accounts of 45 Public Sector Undertakings (due up to 2019-20) for audit as of 31 December 2020. Financial performance of all State PSUs along with the status of pendency in submission of their accounts is detailed in Chapter 5 of this Report.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of State PSUs under their control are finalised and adopted by the SPSEs within the stipulated period.

4.13 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by 33 District Treasuries, 48 Sub-Treasuries, Assam House (New Delhi), Cyber Treasury (Dispur), 265 Public Works Divisions (including 69 Irrigation and 44 Public Health Engineering and 36 Water Resources Divisions) and 146 Forest Divisions, apart from the RBI advices. During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from 01 to 356 days by Treasuries, 01 to 296 days by Public Works Divisions and 01 to 135 days by Forest Divisions. Details of accounts excluded from the monthly Civil Accounts are given in Chart 4.6.

Chart 4.6: No. of accounts excluded from monthly Civil Accounts during 2019-20



As can be seen from *Chart 4.6*, public works divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in the Civil Accounts of the respective month of the occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the monthly Civil Accounts by the Principal Accountant General (A&E) throughout the year 2019-20, except for March 2020. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (A&E) to the State Government were incomplete in all the months, except for the month of March.

Exclusion of accounts not only distorts the financial picture presented in the monthly accounts of the Government, but also impacts the monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, provide intended benefits to the targeted beneficiaries, functioning of departments, *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General (A&E) on a timely basis, to manage its own budget more effectively.

Other Issues

4.14 Misappropriations, losses, thefts, *etc.*

Audit observed 529 cases of theft, misappropriation, and losses involving Government money amounting to ₹ 228.67 crore (up to March 2020) on which final action was pending. The Department-wise breakup of pending cases and age-wise analysis and nature of those cases is given in *Appendix 4.4*.

Table 4.16 summarises age-profile of pending cases and the number of cases pending in each category *i.e.*, theft, misappropriation and losses of Government material *etc.*

Table 4.16: Profile of cases of theft, misappropriation and loss

(₹ in lakh)

Age Profile of the Pending cases			Nature of the Pending Cases		
Range in Years	Number of cases	Amount involved	Nature/ characteristics of the cases	Number of cases	Amount involved
0-5	193	9,853.60	Theft	36	1196.10
5-10	196	9,657.54			
10-15	104	2,970.13	Misappropriation/ Loss of material <i>etc.</i>	493	21671.08
15-20	24	302.65			
20-25	10	72.73			
25 and above	2	10.53	Total	529	22867.18
			Cases of loss written off during the year	34	2,514.52
Total	529	22,867.18	Total cases as on 31 March 2020	495	20352.66

Source: *Inspection Reports*

Further analysis indicated that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 4.17**.

Table 4.17: Reasons for outstanding cases of theft, misappropriation and losses

Reasons for the Delay of Outstanding Pending cases	Number of cases	Amount (₹ in lakh)
(i) Non-receipt of reply or want of reply from Department	168	8188.91
(ii) Non-submission of specific/ proper/ appropriate reply by Department	361	14678.27
Total	529	22867.18

Source: Inspection Reports

Of the 529 cases above, the First Information Report (FIR) in respect of only 38 cases involving ₹8.59 crore was lodged where the investigation was in process. Government may take necessary action in all the remaining cases also, and logically conclude the misappropriation cases. Besides, Government should consider putting in place an effective mechanism to ensure monitoring and speedy settlement of cases relating to theft, misappropriation and losses, in their own financial interests.

4.15 Short transfer of Labour Cess to 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 Gazette, from time to time, specify. As per Rule 5(3) of the Building and Other Construction Workers Welfare Cess Rules, 1998, the amount collected is to be transferred to the Building and Other Construction Workers' Welfare Board within thirty days of its collection.

Data collected from Assam Building and Other Construction Workers' Welfare Board² (ABOCWWB) revealed that out of total Cess of ₹ 1,243.15 crore collected by the State Government under the Building and Other Construction Workers' Welfare Cess Act 1996 during the period from 2008-09 to 2019-20, an amount of ₹ 1,224.37 crore was transferred to the Board leading to the shortfall in transfer of Cess of ₹ 18.78 crore to the Board. Year-wise details of collection of Cess and their transfer are detailed in **Table 4.18**.

Table 4.18: Workers' Welfare Cess collected and transferred to the Board

(₹ in crore)

Financial Year	Amount of Cess collected	Amount transferred to the Board	Short transfer
2008-09	3.91	3.91	Nil
2009-10	11.79	11.79	Nil
2010-11	53.71	53.71	Nil
2011-12	58.88	58.88	Nil
2012-13	76.82	76.82	Nil
2013-14	97.88	97.28	0.60
2014-15	94.15	93.51	0.64
2015-16	91.94	85.55	6.39
2016-17	141.39	130.39	11.00
2017-18	160.15	160.15	Nil
2018-19	212.93	212.78	0.15
2019-20	239.60	239.60	Nil
Total	1,243.15	1,224.37	18.78

² The Board was created on 12 February 2008.

The Labour Commissioner, ABOCWBB stated (November 2020) that short transfer was mainly due to return/rejection of some instruments by the bank due to various reasons and the matter is regularly pursued with the SBI, West Guwahati Branch.

It is evident from the table above that the short transfer of Cess mainly pertained to the period 2013-14 to 2016-17 which remained unsettled even after a lapse of more than six to three years. Thus, the State Government needs to take necessary steps for early transfer of full Cess amount collected to the Building and Other Construction Workers' Welfare Board for its intended utilisation.

4.16 Follow up action on State Finances Audit Report

4.16.1 Suo-motu Action Taken Notes

In the Audit Reports on the Finances of the Government of Assam, the Comptroller and Auditor General of India has been flagging issues of concern relating to various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations, *etc.* by the State Government departments/ authorities. These 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 with regard to the issues contained in the Audit Reports, the Public Accounts Committee (PAC) 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. However, this is not being complied with by most Departments.

4.16.2 Discussion of SFAR and Appropriation Accounts by the PAC

The PAC discussed the audit observations that featured in the State Finances Audit Report for the year ended 31 March 2018 with the Principal Secretary of the Finance Department on 19 November 2019 and obtained a written response from him in this regard. The Report of the PAC thereon is awaited (February 2021).

Further, the PAC discussed twice (February 2020 and February 2021) the issue of Excess Expenditure reported in Appropriation Accounts of different years and issued 13 recommendations vide its 161st and 169th Reports placed before the State Legislature on 24 March 2020 and 11 February 2021 respectively, thereby asking the departments to furnish Action Taken Report (ATR) in three cases. But only one Action Taken Report has been submitted as of February 2021.

4.17 Conclusions

- Audit scrutiny revealed that 9,379 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 20,402.48 crore given to 52 Departments of the State Government during the period from 2001-02 to 2018-19 had not been submitted. In absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and the assets had been created.

- During 2019-20, the State Government had given grants-in-aid of ₹ 18,032.66 crore to 'Others' which constituted 70.39 *per cent* of total grants given (₹ 25,619.63 crore) during the year. In absence of specific accounting code, institution wise amount of grants given during 2019-20 could not be ascertained.
- As of 31 March 2020, 39 State Departments had not submitted DCC bills for ₹ 870.10 crore against 1,432 AC Bills. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills.
- As on 31 March 2020, balances of ₹ 0.57 crore were lying in 22 PD Accounts, which had been inoperative for more than three years.
- During 2019-20, the State Government booked an expenditure of ₹ 19,036.52 crore under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 23.76 *per cent* of the total revenue and capital expenditure of ₹ 80,135.23 crore. Further, the State Government classified receipts of ₹ 1,078.48 crore (1.67 *per cent* of Revenue Receipts), pertaining to 46 Major Heads, under the Minor Head '800 - Other Receipts'. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- During the year, expenditure amounting to ₹ 54,157.10 crore (64.69 *per cent* of total expenditure of ₹ 83,720.65 crore) was reconciled leaving expenditure of ₹ 29,563.55 crore (35.31 *per cent* of total expenditure) unreconciled. Further, receipts of ₹ 52,250.97 crore (65.41 *per cent* of the total receipts of ₹ 79,885.22 crore) were reconciled leaving receipts for ₹ 27,634.25 crore (34.59 *per cent* of the total receipts) unreconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard resulted in misclassification and incorrect booking of receipts and expenditure in the accounts.
- Due to non-reporting of pension payments by the Agency Banks to the State Government/Treasuries, Pension payments of ₹ 1,348.35 crore during the year were not accounted for in the State Accounts. This resulted in understatement of Revenue expenditure and Fiscal Deficit of the State during the year.
- As on 31 March 2020 there were 704 annual accounts of 138 Autonomous Councils, Development Councils and Government Bodies (due up to 2019-20) pending for submission to CAG for audit. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management and diluted accountability of these Bodies.
- During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from 01 to 356 days by Treasuries, 01 to 296 days by Public Works Divisions and 01 to 135 days by Forest Divisions. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management. Further, non- furnishing of requisite missing details by the treasuries and public works divisions and other account

rendering units delayed clearance of suspense and remittances transactions in the books of accounts.

- Out of total Cess of ₹ 1,243.15 crore collected by the State Government under the Building and Other Construction Workers' Welfare Cess Act 1996 during the period from 2008-09 to 2019-20, an amount of ₹ 1,224.37 crore was transferred to the Other Construction Workers Welfare Board leading to the shortfall in transfer of Cess of ₹ 18.78 crore to the Board.

4.18 Recommendations

- i.) State Government may institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs, DCC bills and accounts for audit.
- ii.) All the accounts rendering units need to be instructed to submit the complete accounts as per the prescribed time schedule and furnish the missing/incomplete details to enable clearance of suspense and remittances transactions in a time bound manner.
- iii.) State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.
- iv.) State Government should resolve the issue of non-accountal of pension disbursed by non-linked branches in Government Accounts in consultation with RBI and Principal AG(A&E) at the earliest to address the large discrepancy in State's cash balance, and incorrect reporting of pension expenditure.
- v.) Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.
- vi.) The State Government may draw up a concrete plan to clear arrears in Accounts of persistently delaying/defaulting Autonomous District Councils (ADCs) and other Government bodies. Disbursal of financial assistance to ADCs/Autonomous Bodies of the State be linked to improvement in finalisation of their Accounts.

