

CHAPTER-IV
QUALITY OF ACCOUNTS
AND FINANCIAL
REPORTING PRACTICES



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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. 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.

4.1 Funds kept outside the Consolidated Fund of the State

Article 266 (1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of Treasury Bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the “Consolidated Fund” of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be. Thus, funds meant to be credited to the Consolidated Fund or Public Accounts, being credited to bank accounts is violative of the Constitutional intent.

Audit observations on such funds are given below:

4.1.1 Labour Cess

In line with Section 18 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the Government of Meghalaya constituted the Meghalaya Building and Other Construction Workers’ Welfare Board (MBOCWFB) vide Government of Meghalaya, Labour Department’s Notification No.LBG.125/96/Pt/Vol.II/121 dated 2nd September 2009, to exercise the powers conferred on and perform the functions assigned to it under the said Act.

Further, Section 3(1) of the Building and Other Construction Workers’ Welfare Cess Act, 1996, provides for levy and collection of Labour Welfare 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 so define from time to time. Rule 5(1) of the Building and Other Construction Workers’ Welfare Cess Rules, 1998 states that the proceeds of the cess so collected shall be transferred by such Government office/ PSEs/ local authority/cess collector, to the Board along with the form of challan prescribed (and in the head of account of the Board), under the accounting procedures of the State, by whatever name they are known.

Audit findings revealed that labour cess collected by the Building and Other Construction Workers’ Welfare Board was being maintained by the Board and deposited in a nationalised bank and investments made in Fixed Deposits in State Bank of India and Vijaya Bank.

During 2017-18 to 2021-22, the total amount of labour cess collected was ₹ 107.07 crore while the total amount spent was only ₹34.73 crore (scheme expenses⁵⁵: ₹ 33.70 crore, administrative expenses on salary : ₹ 0.54 crore and other administrative expenses: ₹ 0.49 crore). The fund position of the Board for the last five years, *i.e.* from 2017-18 to 2021-22 is shown in **Table 4.1**.

Table 4.1: Labour Cess collected by the Meghalaya Building and Other Construction Workers' Welfare Board during 2017-22

(₹ in crore)

Year ⁵⁶	Receipts			Expenditure			
	Cess collected	Interest Earned	Total	Scheme Expenses	Administrative Expenses on Salary	Other Administrative Expenses	Total
2017-18	21.35	7.72	29.07	0.82	0.07	0.08	0.97
2018-19	17.66	8.52	26.18	1.47	0.10	0.07	1.64
2019-20	23.12	13.20	36.32	3.64	0.11	0.14	3.89
2020-21	20.81	9.92	30.73	22.25	0.13	0.14	22.52
2021-22	24.13	0.34	24.47	5.52	0.13	0.06	5.71
Total	107.07	39.70	146.77	33.70	0.54	0.49	34.73

Source: Annual Accounts Meghalaya Building and Other Construction Workers Welfare Board.

As per Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the administrative expenses of the Board in any financial year shall not exceed five *per cent* of its total expenses during that financial year. However, during the five-year period from 2017-18 to 2021-22, in 2020-21 and 2021-22, the administrative expenses of the Board was within the prescribed limit of five *per cent*.

4.1.2 Meghalaya Environment Protection and Restoration Fund (MEPRF)

Meghalaya Environment Protection and Restoration Fund (MEPRF) came into being as per Orders of the Hon'ble National Green Tribunal (NGT) in March 2015 wherein it had directed the State Government to collect 10 *per cent* of the market value of Coal per metric tonne and the amount so collected to be deposited in the account titled as 'Meghalaya Environment Protection and Restoration Fund (MEPRF)' to be maintained by the State under the direct control of the Chief Secretary of the State of Meghalaya.

Subsequently, in compliance with the orders of the Hon'ble National Green Tribunal, the Mining and Geology Department, Government of Meghalaya, had issued the Revised Guidelines of Meghalaya Environment Protection and Restoration Fund in August 2020. The Revised Guidelines which was also approved with amendments by the NGT Committee, Meghalaya, categorically stated in clause 1 that the State Government shall notify institutional mechanisms consisting of District Level Executive Committees,

⁵⁵ Financial assistance for education, death benefits, funeral assistance, maternity benefits, insurance, marriage assistance, medical assistance, *etc.*

⁵⁶ Annual accounts from 2017-18 to 2020-21 are final and figures of 2021-22 are provisional as annual account is yet to be finalised.

Technical Committee, Steering Committee and Monitoring Group to ensure utilisation of MEPRF in an efficient, effective and transparent manner, for the purpose of restoration of environment in areas affected by coal mining in the State. It also seeks necessary remedial and preventive measures with regard to environment and matter related thereto, including rehabilitation of persons affected by coal mining.

The administration of the Fund as a whole is being discharged by the Directorate of Mineral Resources (DMR), Government of Meghalaya. For this, approval had been conveyed by the Government, which has authorised the DMR to open a separate Current Bank account for the Meghalaya Environment Protection and Restoration Fund (MEPRF), under the direct control of the Chief Secretary, Government of Meghalaya.

Audit findings revealed that the cess collected by the DMR was being deposited in three nationalised banks (SBI, Axis Bank and HDFC Bank) and investments made in Fixed Deposits in Axis Bank and HDFC Bank. As such, the collected Cess to the tune of ₹ 1,193.30 crore (excluding expenditure) during 2017-18 to 2021-22 has not been routed through the Consolidated Fund of the State. The cumulative fund position of the three bank accounts for the last five years, *i.e.* from 2017-18 to 2021-22 is shown in the **Table 4.1.**

Table 4.2: Cess collected by the Directorate of Mineral Resources during 2017-22

(₹ in crore)

Year	Opening Balance	Cess collected during the year	Expenditure incurred	Closing Balance
2017-18	339.97	80.53	-	420.50
2018-19	420.50	503.50	860.00	64.00
2019-20	64.00	412.09	101.18	374.91
2020-21	374.91	7.82	182.51	200.22
2021-22	200.22	189.36	371.54	18.04

Source: Information furnished by the DMR, Shillong.

Non-routing of the above receipts through the Consolidated Fund results in fissures where such Revenue Receipts of the Government escapes the notice of the Legislature while not being captured in the desired manner and also will not provide a true picture of the actual revenue *vis-a-vis* the expenditure of the State to determine the fiscal parameters.

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 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.*, 2017-22.

Table 4.3: Direct Transfer of Funds by GoI

(₹ in crore)

Direct transfers to State Implementing Agencies	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Funds transferred	472.78	704.79	944.32	1,345.76	2,192.25	5,659.90

As can be seen from the table above, transfer of funds increased by 62.20 per cent from ₹ 1,345.76 crore in 2020-21 to ₹ 2,192.25 crore in 2021-22. Out of total amount of ₹ 2,192.25 crore (*Appendix 4.1*) of direct transfer, ₹ 2,077.10 crore of Central Assistance/ Share was transferred to the intermediaries (*i.e.* Departments, NGOs, Societies, *etc.*) and ₹ 115.15 crore (PM-KISAN) was directly transferred to the beneficiaries.

Further, during the year 2021-22, Central share of ₹ 1,791.62 crore under Centrally Sponsored Schemes were transferred directly to Implementing Agencies of the State. This pertained primarily to two Centrally Sponsored schemes - Jal Jeevan Mission/ National Drinking Water Mission and Mahatma Gandhi National Rural Guarantee Programme, where the amount of direct transfer to the Implementing Agencies of ₹ 908.79 crore and ₹ 882.83 crore respectively represented 79 per cent and 73 per cent respectively of the total transfer under these schemes.

The direct transfer of ₹ 1,791.62 crore of CSS funds directly to Implementing Agencies of the State constituted 12.55 per cent and 36.80 per cent of the total Revenue Receipts (₹ 14,274.14 crore) and Grants-in-Aid (₹ 4,868.55 crore) respectively. The State Government accounts for the year 2021-22 depicts only ₹ 2,955.61 crore under Central share of Centrally Sponsored Schemes. Besides underreporting the receipt of the State Government to the extent of ₹ 1,791.62 crore, and of expenditure to the extent actually incurred, the assets created thereby, and goods and services rendered to the public by the implementing agencies remained out of the State Government Accounts rendering it incomplete.

4.3 Funds lying unutilised in the bank account of DDOs

The Drawing and Disbursing Officers (DDOs) are required to withdraw money from the Government Account/ Consolidated Fund for making payment on behalf of the Government. As on March 2022, funds to the tune of ₹ 52.06 crore were lying unutilised in the bank accounts of 8 DDOs of 8 State Government Departments (*Appendix 4.2*).

Funds to the tune of ₹ 52.06 crore were meant for incurring expenditure on different heads *inter alia*, office expenses, committed liabilities and State schemes. Even though these amounts have already been accounted for as expenditure from the Consolidated fund of the State, they are still lying idle parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as correct to that extent. Further, information from the remaining DDOs are still awaited (November 2022).

4.4 Delay in submission of Utilisation Certificates

Rule 515 (*Appendix 14*) of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a specified object is

subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant, if no time-limit has been fixed by the sanctioning authority). Grantee Institutions receiving Grants-in-Aid from Government are required to furnish Utilisation Certificates (UCs) to the Principal Accountant General (A&E) countersigned by the disbursing authority after thorough verification. The purpose for which the Grants-in-Aid were utilised can be confirmed only on receipt of UCs which would safeguard against diversion of funds for other purposes. To the extent of non-receipt of UCs, the expenditure shown in the accounts can neither be treated as final nor can it be confirmed that the amount has been utilised for the intended purposes.

Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for Capital Expenditure. The year-wise details of UCs pending for submission are given in **Table 4.4**.

Table 4.4: Age-wise arrears in submission of UCs

(₹ in crore)

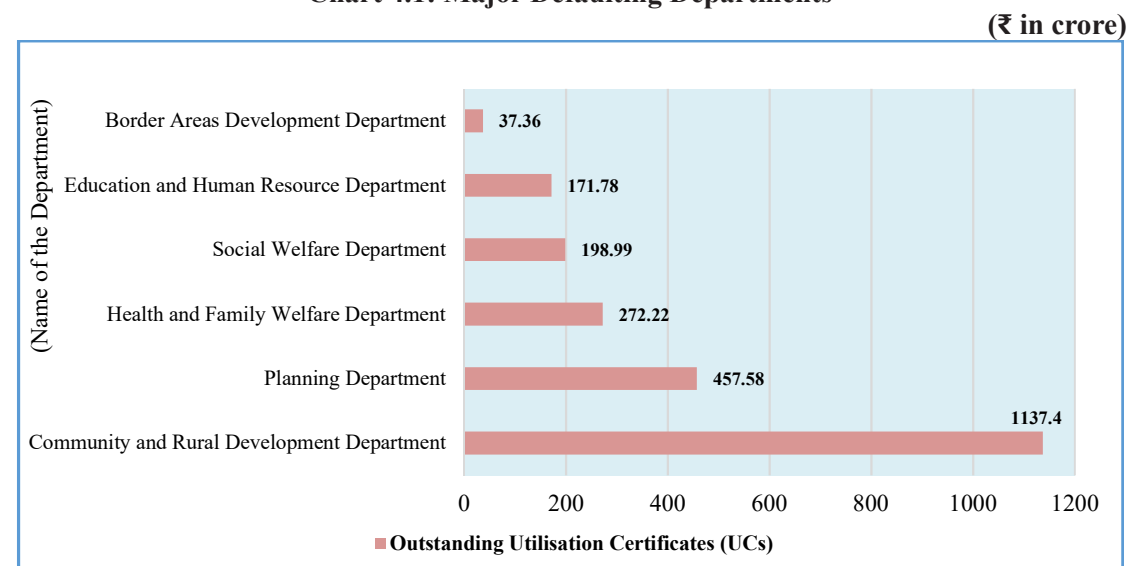
Year of Drawal	Opening Balance		Addition During the Year		Disposal		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2017-18	508	2,001.39	382	1,222.10	174	489.81	716	2,733.59
2018-19	716	2,773.59	527	1,892.51	133	326.48	1110	4,299.62
2019-20	1110	4,299.62	180	1,343.12	1075	3,876.88	215	1,765.86
2020-21	215	1,765.86	705	2,060.41	527	845.07	393	2,981.21
2021-22	393	2,981.21	419*	2,086.07*	86	607.70	307	2,373.51

Source: Office of the Principal Accountant General (A&E), Meghalaya, Shillong.

*UCs would be due in 2022-23.

It was seen that at the close of March 2022, 307 UCs amounting to ₹ 2,373.51 crore remained outstanding in the books of the Principal Accountant General (A&E), Meghalaya.

Chart 4.1: Major Defaulting Departments



Major defaulting departments which have not submitted UCs and their percentage out of total outstanding amount under Grants-in-Aid are Community and Rural Development Department (₹ 1137.40 crore, 47.92 per cent), Planning Department (₹ 457.58 crore, 19.28 per cent), Health and Family Welfare Department (₹ 272.22 crore, 11.47 per cent), Social Welfare Department (₹ 198.99 crore, 8.38 per cent), Education and Human Resource Department (₹ 171.78 crore, 7.24 per cent) and Border Areas Development Department (₹ 37.36 crore, 1.57 per cent).

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were disbursed. Further, it is likely that the funds received were not spent and were being held in the bank accounts of the respective departments. In the absence of UCs being submitted by the department it is impossible to gauge the implementation status of the scheme for which funds have been received.

Since huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds, it is imperative that the State Government should monitor this aspect closely and not only hold the concerned persons accountable for submission of UCs in a timely manner to the Finance Department as well as PAG (A&E) but review disbursement of further Grants to defaulting Departments.

4.5 Abstract Contingent bills

According to the Meghalaya Treasury Rules, 1985, the Controlling Officers are required to submit Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Principal Accountant General (PAG) within a month from the date of receipt of such bills in his office. As of March 2022, 35 DCC bills amounting of ₹ 4.50 crore were outstanding as shown in the table below. Major defaulter in this regard is the Election Department where AC bills for ₹ 3.25 crore (72.22 per cent) remained outstanding as of March 2022.

Table 4.5: Year-wise progress in submission of DCC bills against AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	Amount	No.	Amount	No.	Amount	No.	Amount	No.
2017-18	-	-	35.60	10	-	-	35.60	10
2018-19	35.60	10	54.25	66	1.76	06	88.09	70
2019-20	88.09	70	28.04	233	22.18	227	93.95	76
2020-21	93.95	76	7.00	56	37.92	71	63.03	61
2021-22	63.03	61	4.94	109	63.47	135	4.50	35

Source: PAG (A&E), Meghalaya.

Non-adjustment of advances 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.

4.6 Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for discharging the liabilities of the Government arising out of special enactment. As per Rule 392 of the Meghalaya

Treasury Rules, 1985, if PD accounts are created by transferring funds from the Consolidated Fund for discharging liabilities of the Government arising out of the special enactment, such accounts should be closed at the end of the financial year and the unspent balance should be transferred to the Consolidated Fund. The amount credited to these accounts will be debited to the Consolidated Fund of the State and booked as expenditure of the year. Further, if a PD Account is not operated for a considerable period and there is reason to believe that the need for deposit account has ceased, the same should be closed in consultation with the officer in whose favour the deposit account had been opened.

During 2021-22, an amount of ₹ 6.11 crore was transferred to the PD Accounts. This includes ₹ 0.20 crore transferred in March 2022, of which, ₹ 0.02 crore was transferred on the last working day of March 2022. Administrators of Personal Deposit Accounts had not reconciled and verified their balances with the treasury figures. Details of PD accounts as on 31 March 2022 are given in **Table 4.6**.

Table 4.6: Details of PD accounts as on 31 March 2022

(₹ in crore)

Opening Balance as on April 2021		Addition during the year 2021-22		Closed/Withdrawal during the year 2021-22		Closing Balance as on 31 March 2022	
Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount
17	17.27	00	6.11	00	5.36	17	18.02

Source: PAG (A&E), Meghalaya.

Further, scrutiny of the transactions for the year 2021-22 revealed that there are no operative PD accounts.

Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund entails the risk of misuse of public fund, fraud and misappropriation.

4.7 Indiscriminate use of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in case 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 Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions and renders the accounts opaque.

During the year 2021-22, ₹ 2,858.39 crore under 42 Major Heads of accounts, constituting 17.46 *per cent* of the total Revenue and Capital expenditure (₹ 16,372.02 crore) was classified under the Minor Head 800-Other Expenditure in the accounts.

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 below:

Table 4.7: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2021-22

(₹ in crore)

Major Head	Description	Details of Expenditure		Per cent
		Total Expenditure	Expenditure Booked under 800	
2225	Welfare of Scheduled Caste, Scheduled Tribe, Other Backward Classes and Minorities	110.34	109.91	99.61
2552	Special Programmes for Rural Development	24.71	18.09	73.21
2853	Non Ferrous Mining and Metallurgical Industries	145.01	127.81	88.14
3451	Secretariat- Economic Services	451.31	426.73	94.55
4235	Capital Outlay on Social Security and Welfare	15.89	11.33	71.30
4401	Capital Outlay on Crop Husbandry	2.61	2.61	100
4885	Other Capital Outlay on Industries and Minerals	0.14	0.14	100
5053	Capital Outlay on Civil Aviation	0.46	0.46	100
5054	Capital Outlay on Roads and Bridges	120.72	117.90	97.66
	Total	871.19	814.98	

Source: PAG (A&E), Meghalaya.

With regard to receipts, ₹ 137.68 crore under 33 Major Heads of Account, constituting 0.96 per cent of the total Revenue Receipts (₹ 14,274.14 crore) was classified as Receipts in the accounts.

Instances of substantial proportion (50 per cent or more) of the Receipts within a given Major Head, classified under the Minor Head 800 – ‘Other Receipts’, are given in Table 4.8.

Table 4.8: Significant Receipts booked under Minor Head 800 – Other Receipts during 2021-22

(₹ in crore)

Major Head	Description	Details of Receipts		Per cent
		Total Receipts	Receipts booked under 800	
0049	Interest Receipts	24.65	14.92	60.53
0059	Public Works	6.34	4.35	68.55
0075	Miscellaneous General Services	95.17	95.09	99.92
0210	Medical and Public Health	2.35	1.25	53.06
0217	Urban Development	0.01	0.01	100
0230	Labour and Employment	4.99	3.82	76.60
0702	Minor Irrigation	0.17	0.17	100
0801	Power	3.09	3.09	100
1055	Road Transport	0.21	0.21	100
1456	Civil Supplies	0.02	0.02	100
	Total	137.00	122.93	

Source: PAG (A&E), Meghalaya.

During detailed analysis of booking of expenditure under Minor Head-800, Audit observed that:

- In respect of the above Major Heads where use of Minor Head-800 for booking of expenditure exceeded 50 per cent, Audit observed that the State Government

provisioned for Minor Head-800 in the State Budget as well as approved Supplementary Grants and Re-appropriations as detailed in **Table 4.9**.

Table 4.9: Provisioning for Minor Head-800 in the State Budget

(₹ in crore)							
Major Head	Description	Original Budget provision under Minor Head-800	Supp. Grant under Minor Head-800	Re-appropriation/ Surrender under Minor Head-800	Final provision under Minor Head-800	Actual expenditure under Minor Head-800	% of actual expenditure against budget provision
2225	Welfare of SCs, STs, OBCs and Minorities	135.71	0.00	-25.80	109.91	109.91	100.00
2575	Other Special Area Programmes	54.72	0.00	-36.04	18.68	18.09	96.84
2853	Non-ferrous Mining and Metallurgical Industries	51.04	76.99	-0.22	127.81	127.81	100.00
3451	Secretariat Economic Services	492.09	0.00	-30.03	462.06	436.73	94.52
4235	Capital Outlay on Social Security and Welfare	13.34	6.10	-8.11	11.33	11.33	100.00
4401	Capital Outlay on Crop Husbandry	3.35	0.00	-0.54	2.81	2.61	92.88
4885	Other Capital Outlay on Industries and Minerals	0.31	0.00	-0.17	0.14	0.14	100.00
5053	Capital Outlay on Civil Aviation	2.00	0.00	-1.54	0.46	0.46	100.00
5054	Capital Outlay on Roads and Bridges	965.95	277.00	-62.53	1,180.42	1,178.96	99.88
Total		1,718.51	360.09	-164.98	1,913.63	1,886.04	98.56

Source: Annual Financial Statement, GoM, 2021-22.

As is evident from the table above, the State Government provisioned for Minor Head-800 to the tune of ₹ 1,913.63 crore in the State Budget as well as approved Supplementary Grants and Re-appropriations. Against the budget provision of ₹ 1,913.63 crore, the State Government incurred an expenditure of ₹ 1,886.04 crore (98.56 per cent) under 9 Major Heads which clearly indicates indiscriminate use of Minor Head-800 in a routine and planned manner.

- ii. Audit further observed that in spite of the availability of suitable Minor Head, booking of expenditure to the tune of ₹ 1,323.22 crore was done under Minor Head-800 as detailed in **Table 4.10**.

Table 4.10: Booking of expenditure under Minor Head-800 in spite of available suitable Minor Head

Sl. No.	Name of the Department	Major Head	Sub-Major Head	Minor Head	Sub Head Code	Sub-Head Code	Amount (₹ in crore)	Available Minor Heads
1.	Governor	2012	3	800	4	(04) Maintenance of other residential/non-residential buildings	2.84	103-Household establishment
2.	Transport	2070	0	800	1	(01) Operation of Helicopter Services	7.44	114-Purchase and Maintenance of transport
3.	Education	2202	2	800	25	(25) Upgradation of existing Educational Infrastructure/Setting of residential school in the pattern of Navodaya Vidyalaya	10.00	053-Maintenance of building

Sl. No.	Name of the Department	Major Head	Sub-Major Head	Minor Head	Sub Head Code	Sub-Head Code	Amount (₹ in crore)	Available Minor Heads
4.	Health & Family Welfare	2210	80	800	23	(23) Meghalaya Health Insurance Scheme	75.19	101-PMJAY
			80	800	24	(24) Assistance to Tribal Sub-Scheme	3.85	2225-02-794-Special Central Assistance for Tribal sub-Plan
5.	District Council Affairs	2225	2	800	9	(09) Special Problems Recommended by the Twelfth/Thirteen Finance Commission in Tribal Administration	109.20	
6.	Mining & Geology	2853	2	800	1	(1) Minerals	127.60	102-Mineral exploration
7.	Food and Civil Supplies	3456	0	800	26	(26) Scheme on End-to-End Computerisation of TPDS Schemes	1.00	102-Civil supplies scheme
8.	Public Works	5054	4	800	3	(03) Construction of Rural Roads	484.42	337-Road Works
			4	800	7	(7) PMGSY	457.99	337-Road Works
			4	800	41	(41) Improvement of Critical feeder road and missing Gap (SPA 2013-14)	0.15	337-Road Works
			4	800	42	(42) Replacement of SPT bridges (SPA 2013-14)	3.56	101-Bridges
			4	800	43	(43) Strengthening and Upgradation of link roads under Mahendraganj Town (SPA 2013-14)	0.12	337-Roads Works
			4	800	44	(44) New road connecting Jongchelpara village with ODR Salmanpara-Mellim road (SPA 2013-14)	0.36	337-Road Works
9.	Transport	5055	0	800	1	(01) Capital contribution to Meghalaya Transport Corporation	5.00	190-Investment in Public Sector and other Undertakings
Total							1,080.20	

Source: PAG (A&E), Meghalaya and LMMH of CGA, GoI.

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.

4.8 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. During 2021-22 there was an accretion of ₹ 1,419.64 crore under suspense 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)

Major Head 8658-Suspense Accounts						
Name of Minor Head	2019-20		2020-21		2021-22	
	Dr	Cr	Dr	Cr	Dr	Cr
101- Pay and Accounts Office -Suspense	65.53	22.41	101.61	41.27	122.05	70.95
Net	Dr 43.12		Dr 60.34		Dr 51.10	
102- Suspense Account (Civil)	4.36	0.09	3.98	0.09	4.44	0.073
Net	Dr 4.27		Dr 3.89		Dr 4.367	
109- Reserve Bank Suspense -Headquarters	29.12	6.99	25.69	7.79	28.04	8.30
Net	Dr 22.13		Dr 17.90		Dr 19.74	
110-Reserve Bank Suspense -Central Accounts Office	133.23	133.84	135.42	128.46	120.82	47.92
Net	Cr 0.61		Dr 6.96		Dr 72.90	
112-Tax Deducted at source (TDS) Suspense	0.04	3.43	0.04	0.18	0.00	8.83
Net	Cr 3.39		Cr 0.14		Cr 8.83	
123- A.I.S Officers' Group Insurance Scheme	0.30	0.36	0.30	0.37	0.3048	0.383
Net	Cr 0.06		Cr 0.07		Cr 0.0782	
	Dr	Cr	Dr	Cr	Dr	Cr
102- Public Works Remittances	23321.16	23460.11	26180.05	26320.01	29447.34	29586.87
Net	Cr 138.95		Cr 139.96		Cr 139.53	
103-Forest Remittances	3290.42	3246.95	3569.75	3509.33	3896.69	3838.61
Net	Dr 43.47		Dr 60.42		Dr 58.08	

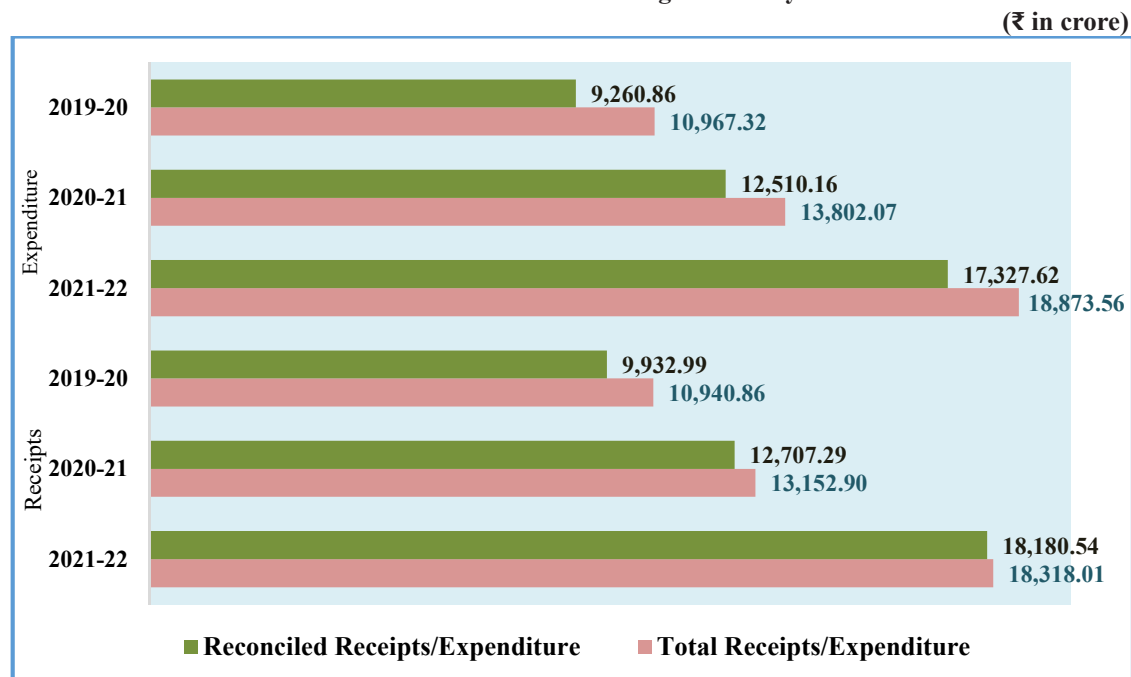
Source: Finance Accounts.

4.9 Non-reconciliation of Departmental figures

To enable Controlling Officers (COs) of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Principal Accountant General (A&E).

The status of reconciliation of receipts and expenditure figures by the COs during the three years' period 2019-22 is shown in **Chart 4.2** and **Table 4.12**.

Chart 4.2: Status of reconciliation during the three years 2019-22



Source: Information furnished by PAG (A&E), Meghalaya.

Table 4.12: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Expenditure/ Receipts	Percentage of reconciliation
Expenditure						
2019-20	62	9,260.86	Nil	1,706.46	10,967.32	84
2020-21	62	12,510.16	Nil	1,291.91	13,802.07	91
2021-22	63	17,327.62	Nil	1,545.94	18,873.56	92
Receipts						
2019-20	62	9,932.99	Nil	1,007.87	10,940.86	91
2020-21	57	12,707.29	Nil	445.61	13,152.90	97
2021-22	56	18,180.54	48.96	137.47	18,318.01	99

Source: Information furnished by PAG (A&E), Meghalaya.

It may be seen from the above table that the percentage of reconciliation of expenditure has increased from 84 per cent during 2019-20 to 92 per cent during 2021-22. Similarly, the percentage of reconciliation of receipts has also increased from 91 per cent during 2019-20 to 99 per cent during 2021-22.

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 the budgetary process.

4.10 Reconciliation of Cash Balances

As on 31 March 2022, there was a difference of ₹ 111.46 crore (credit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India. The difference was due to misclassification by bank/treasury and non-receipt of details of adjustment made by RBI as shown in Table 4.13.

Table 4.13: Details of difference between the figures reflected in the accounts and RBI

1.	Misclassification by Bank/Treasury	Dr. ₹ 45.71 crore
2.	Non-receipt of details of adjustments made by RBI	Cr. ₹ 157.17 crore
Total		Cr. ₹ 111.46 crore

As on 31 August 2022, there was a difference of ₹ 44.32 crore (debit) between the figures reflected in the accounts (₹ 20.25 crore debit) and the figures intimated by the RBI (₹ 24.07 crore debit).

4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The details of these standards and the extent of compliance with these by the Government of Meghalaya in its financial statements for the year 2021-22 are given in **Table 4.14**.

Table 4.14: Compliance with Indian Government Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: <i>Guarantees Given by the 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.	Complied	Both sector-wise details as well as class-wise details have been disclosed in the Finance Accounts (Statements 9 and 20) of the State of Meghalaya.
2.	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.	Partly Complied	During the year 2021-22, Government of Meghalaya incorrectly booked expenditure of ₹ 18.11 crore received as GIA under Capital Section instead of Revenue Section. Detailed information in respect of Grants-in-Aid in kind has not been furnished by the Government of Meghalaya.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
3.	IGAS-3: Loans and Advances made by Government	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	The State government has not furnished figures in respect of certain loans and advances for which they maintain detailed accounts. None of the Loanees have confirmed the balances.

4.12 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour, *etc.* The position of annual accounts of four of the autonomous bodies whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19 & 20 of DPC Act is given in **Table 4.15**.

Table 4.15: Position of outstanding annual accounts

Name of Autonomous Body	Section of DPC Act under which audit is conducted	Due date for submission of Annual Accounts	Year of Annual Accounts received	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board	19(3)	June every year	2019-20	2020-21 to 2021-22
Meghalaya Building and Other Construction Workers' Welfare Board	19(2)	- do -	2020-21	2021-22
Meghalaya State Legal Services, Authority	19(2)	- do -	2020-21	2021-22
Special Purpose Vehicle Society	20(1)	-do-	2019-20	2020-21 to 2021-22

Source: Information furnished by AMG-I, II and III.

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. The Administrative Departments may take steps to clear the arrears in accounts of these bodies.

4.13 Arrears in finalisation of Accounts of Public Sector Undertakings (PSUs)

The financial statements of the companies are required to be finalised within six months after the end of the financial year *i.e.* by September end in accordance with the provisions of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As on 30 September 2022, 35 accounts of 20 working PSEs were in arrears for one to six years (**Appendix 4.3**). Out of the total arrears of 35 accounts for 2021-22, Meghalaya Transport Corporation (MTC) and Forest Development Corporation of Meghalaya Ltd. has maximum accounts in arrears for six and five years respectively.

In addition to the above, there were arrears of four accounts (2018-19 to 2021-22) as on 30 September 2022 in respect of the sole non-working PSE (Meghalaya Electronics

Development Corporation Limited), which became defunct in 2006 and has been in the process of liquidation since June 2011. The State Government needs to expedite the liquidation process to wind up the above mentioned non-working PSE. The Committee of Public Undertakings (COPU) in its Tenth report which was presented to the Legislature on 05 November 2020 also recommended that the process of liquidation of the non-working PSE should be completed forthwith, within six months.

4.14 Non-submission of details of grants / loans given to bodies and authorities

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), the Government/ Heads of the Department 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.

Further, Regulation on Audit and Accounts (Amendments), 2020 provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

The annual accounts of 51 bodies/authorities due up to 2021-22 had not been received (November 2022) by the Principal Accountant General (Audit). The details of these accounts are given in *Appendix 4.4* and their age-wise pendency is presented in **Table 4.16**.

Table 4.16: Age-wise arrears of Annual Accounts due from Government Bodies

Sl. No.	Delay in number of years	Total No. of Accounts
1.	0 to 1 year	07
2.	Above 1 year to 3 years	09
3.	Above 3 years to 5 years	08
4.	Above 5 years to 7 years	31
5.	Above 7 years to 9 years	158
6.	Above 9 years	201
Total		414

Source: Information furnished by AMG-I, II and III.

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those bodies and their accounting cannot be vouched. The concerned Administrative Departments may advise these bodies to clear the arrears in accounts.

4.15 Autonomous District Councils (ADCs)

The United Khasi and Jaintia Hills District Council was set up in June 1952 under Article 244(2) read with the Sixth Schedule to the Constitution of India. The Council was bifurcated in 1967 and the Jowai District Council was carved out of it. In 1973, the United Khasi and Jaintia Hills District Council and the Jowai District Council were renamed as Khasi Hills Autonomous District Council (KHADC) and Jaintia Hills Autonomous District Council (JHADC) respectively. The Garo Hills Autonomous

District Council (GHADC) was set up in June 1952 under Article 244(2) read with the Sixth Schedule to the Constitution of India.

Non-submission of Annual Accounts

As per the Fund Rules of JHADC and GHADC, the Annual Accounts were to be submitted to the PAG (Audit) by 30th June of each year but no prescribed date was mentioned in the Fund Rules of the KHADC. The annual accounts of the ADCs were in arrears for two to six years, as indicated in **Table 4.17**.

Table 4.17: Arrears in submission of Annual Accounts

Name of the ADCs	Due date for submission of Annual Accounts	Year of Annual Accounts received	Outstanding Annual Accounts
KHADC	30 June	2019-20	2020-21 to 2021-22
GHADC	30 June	2015-16	2016-17 to 2021-22
JHADC	30 June	2018-19	2019-20 to 2021-22

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected. The State Government may advise the ADCs to finalise the arrear accounts and submit them to the Principal Accountant General (Audit).

Utilisation of grants

During the period 2017-18 to 2021-22, the ADCs received grants (Central and State) for implementation of various development schemes. The details of utilisation of such grants are as given in **Table 4.18**.

Table 4.18: Utilisation of Central grants

(₹ in crore)				
Name of the ADCs	Year	Name of the Central Grant	Amount Sanctioned	Amount for which UCs submitted
KHADC	2017-18	Grant for Areas not included in Pt. IX & IXA of the Constitution from the Ministry of Finance	32.25	32.09
	2018-19		50.18	Nil
	2019-20		50.18	Nil
	2020-21	Recommendation of the 15 th Finance Commission	20.48 (tied)	Nil
	2021-22		20.48 (untied)	Nil
JHADC	2017-18	Grant for Areas not included in Pt. IX & IXA of the Constitution from the Ministry of Finance	10.75	6.40
	2018-19		16.73	Nil
	2019-20		16.73	Nil
	2020-21	Recommendation of the 15 th Finance Commission	6.83 (tied)	Nil
	2021-22		6.83 (untied)	Nil
GHADC	2017-18	Grant for Areas not included in Pt. IX & IXA of the Constitution from the Ministry of Finance	28.66	24.01
	2018-19		44.60	27.52
	2019-20		44.61	39.61
	2020-21	Recommendation of the 15 th Finance Commission	18.20 (tied)	Nil
	2021-22		18.20 (untied)	Nil
Total			385.71	129.63

Source: Information furnished by Under Secretary to the GoM, DCAD.

Table 4.19: Utilisation of State grants

(₹ in crore)				
Name of ADCs	Year	Name of State Grant	Amount Sanctioned	Amount for which UCs submitted
KHADC	2017-18	Financial assistance to District Council for financing their own plan schemes	9.67	9.67
		Financial assistance for Rural Road communication, Inspection Bungalows, Repairs <i>etc.</i> , to be done by District Council	0.18	0.18
		Special Problems Recommended by the Twelfth/ Thirteen Finance Commission in Tribal Administration	32.25	32.25
	2019-20		27.60	27.60
	2020-21		43.05	0
	2021-22		40.95	0
JHADC	2017-18	Special Problems Recommended by the Twelfth/ Thirteen Finance Commission in Tribal Administration	10.75	10.75
JHADC	2018-19		11.63	0
	2019-20		14.30	0
	2020-21		14.35	0
	2021-22		13.65	0
GHADC	2017-18	Financial assistance for Rural Road communication, Inspection Bungalows, Repairs <i>etc.</i> , to be done by District Council	0.16	0
		Special Problems Recommended by the Twelfth/ Thirteen Finance Commission in Tribal Administration	28.66	28.66
	2018-19		31.00	0
			58.21	0
	2020-21	Financial assistance to the District Council for Special Purposes	12.50	0
	2021-22	Special Problems Recommended by the Twelfth/ Thirteen Finance Commission in Tribal Administration	54.60	0
Total			403.51	109.11

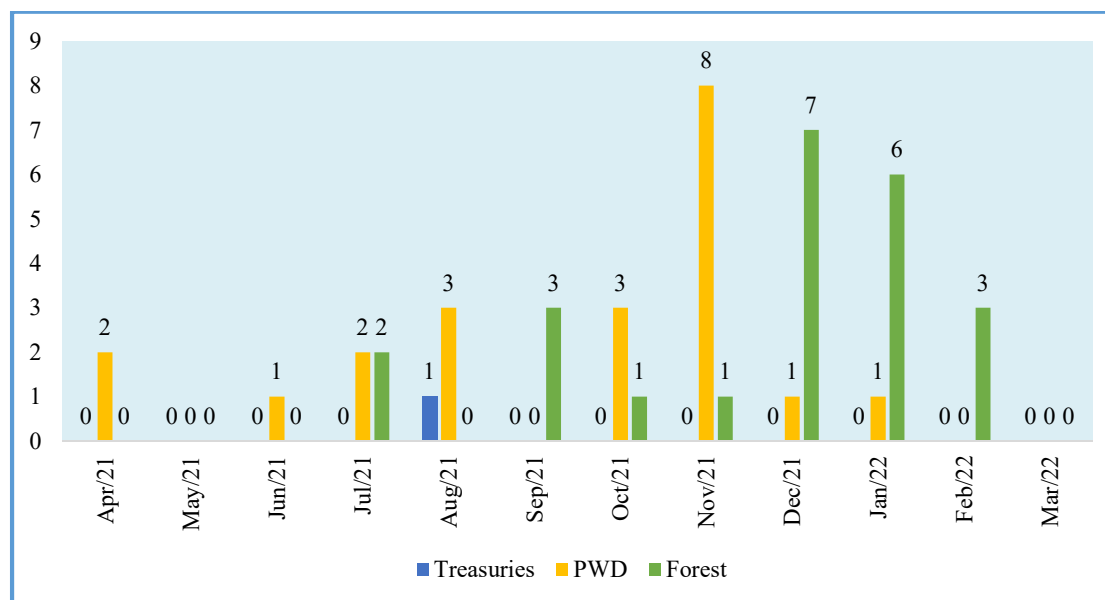
Source: Information furnished by PAG (A&E), Meghalaya.

From **Table 4.18** above it is seen that out of the grants of ₹ 385.71 crore received as Central Grant during 2017-22, the ADCs could submit UCs for only ₹ 129.63 crore (34 *per cent*) of the total fund allotted. Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years or they were not spent. The ADCs may be advised to submit the pending UCs.

4.16 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 district treasuries, sub-treasuries, Resident Commissioner (New Delhi), cyber treasury, public works divisions (PWD) and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General (A&E). The position of exclusion of monthly Civil Accounts during 2021-22 is shown in **Chart 4.3**.

Chart 4.3: Number of accounts excluded from monthly Civil Accounts during 2021-22



As can be seen from the above, zero to one account of treasury divisions, zero to eight accounts of PWD and zero to seven accounts of forest divisions were excluded from monthly Civil Accounts during the year (*Appendix 4.5*). Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments *etc.* during the year. The State Government needs to monitor the position 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.

4.17 Misappropriations, losses, thefts, etc.

According to Rule 112 of the Meghalaya Financial Rules, 1981, any defalcation or loss of public money or other property discovered in Government Treasury or other office or department, which is under the audit of the Principal Accountant General, should be immediately reported to the Principal Accountant General, even when such loss has been made good by the person responsible for it. Further, in all cases of theft, misappropriation, fraud and loss involving Government money, the First Information Report (FIRs) should invariably be lodged with the Police Department.

The State Government reported 72 cases of theft, misappropriation and loss involving Government money amounting to ₹ 1.14 crore up to March 2022 on which final action was pending. A break up of pending cases and age-wise analysis is given in **Table 4.20**.

Table 4.20: Pending cases of misappropriation, losses, theft, etc.

(₹ in lakh)

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.							
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending		Pending in the Court of Law	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Public Works	5	17.52	1	-	-	-	4	17.52	-	-
Horticulture	1	21.06	-	-	-	-	1	21.06	-	-
Community & Rural Development	1	3.03	-	-	1	3.03	-	-	-	-
Legislative Assembly	2	44.09	-	-	-	-	1	3.34	1	40.74
Land Record and Survey	1	1.56	-	-	-	-	1	1.56	-	-
Mining & Geology	1	16.55	-	-	-	-	-	-	1	16.55
Finance	1	1.94	-	-	1	1.94	-	-	-	-
Health	3	0.65	-	-	-	-	3	0.65	-	-
Public Health Engineering	57	7.47	46	0.036	6	0.36	5	3.54	-	-
Total	72	113.87	47	0.036	8	5.33	15	47.67	2	57.29

Source: Information furnished by the respective departments.

Out of ₹ 113.87 lakh, the highest amount of misappropriation of ₹ 44.09 lakh pertained to Meghalaya Legislative Assembly involving two cases.

4.18 Follow up action on State Finances Audit Report

The 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 the Audit Reports, the Public Accounts Committee of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature.

The State Finances Audit Report for the years from 2008-09 to 2020-21 have been placed before the State Legislature. However, *suo motu* explanatory notes on the observations made in those Audit Reports were not furnished by the Departments. Some departments have submitted partial replies on certain portions of Appendices to these Reports after placing of these Reports in the Legislative Assembly.

The PAC took up the SFAR for the year ending 31 March 2021 for discussion during September 2022.

4.19 Conclusion

Audit observed various instances of non-observance of financial rules and procedures and absence of financial controls.

As on 31 March 2022, 307 UCs for ₹ 2,373.52 crore were outstanding for submission. Since huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds, the State Government should monitor this aspect closely and not only hold the concerned persons accountable for submission of UCs in a timely manner to the Finance Department as well as PAG (A&E) but review disbursement of further Grants to defaulting Departments.

As of March 2022, 35 DCC bills amounting to ₹ 4.50 crore were outstanding. Major defaulter in this regard is the Election Department where AC bills of ₹ 3.25 crore (72.22 per cent) remained outstanding as of 31 March 2022.

During 2021-22, the State Government booked an expenditure of ₹ 2,858.39 crore under Minor Head 800 under 42 Revenue and Capital Major Heads of Accounts, constituting 17.46 per cent of the total Revenue and Capital Expenditure of ₹ 16,372.02 crore. It was further observed that the State Government was providing budget provision/SGs /re-appropriations and booked expenditure under Minor Head-800 in spite of availability of suitable Sub-Heads. 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.

In the absence of annual accounts and their audit, proper utilisation of grants and loans disbursed to bodies and authorities and their accounting cannot be assured. It is observed that annual accounts of three autonomous bodies were outstanding since 2016-17 and accounts of ADCs for two to six years. Similarly, as on 30 September 2022, 35 accounts of 20 working PSEs were in arrears for one to six years. Out of the total arrears of 35 accounts for 2021-22, Meghalaya Transport Corporation (MTC) and Forest Development Corporation of Meghalaya Ltd. has maximum accounts in arrears for six and five years respectively. This requires urgent intervention at the highest level in order to have a realistic and timely assessment of their financial position and review of financial assistance to these bodies, authorities and PSUs due to arrears in their accounts.

There were also 72 instances of theft, misappropriation and loss involving Government money amounting to ₹ 113.87 lakh.

4.20 Recommendations

- 1. An accountability framework for submission of UCs in a timely manner to the Finance Department and PAG (A&E) may be put in place. Further disbursal of grants to Departments may strictly be linked to submission UCs.*

2. *The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.*
3. *Finance Department should consider evolving a system to expedite the process of compilation and submission of Annual Accounts by Government Bodies, Authorities, Autonomous Bodies and PSUs in order to have a realistic and timely assessment of their financial position. They should review further financial assistance to those entities who are in arrears of their Annual Accounts.*



Shillong
The: 06 March 2023

(Shefali Srivastava Andaleeb)
Principal Accountant General (Audit), Meghalaya

Countersigned



New Delhi
The: 06 March 2023

(Girish Chandra Murmu)
Comptroller and Auditor General of India

