

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 interest liability

The Government has a liability to provide and pay interest on the amounts in the interest-bearing Reserve Funds and Deposits. It was observed from Statement 21 of Finance Accounts 2021-22 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.

Table 4.1: Non discharge of interest liability

(₹ in crore)

Sector	Sub-Sector	Rate of Interest	Balance at the beginning of 2021-22	Interest Payable
J-Reserve Funds	(i) Reserve Funds bearing interest (SDRF)	6.0 per cent (Overdraft rate)	768.43	46.11
	(ii) Reserve Funds bearing interest (SCAF)	3.35 per cent *	560.81	18.79
K-Deposits and Advances	(i) Deposits bearing interest MH 8342 (NPS)	8 per cent**	316.75	25.34
	(ii) MH 8336, 8338, 8342 (103 & 120)	6.0 per cent (Overdraft rate)	23.76	1.43
Total			1,669.75	91.67

Source: Finance Accounts

*As per rate notified by Government of India vide letter dated 11 January 2022.

**The State Government 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.

Non-payment of interest of ₹ 91.67 crore had resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent during the year.

4.2 Funds transferred directly to State implementing agencies

GoI has been transferring sizeable quantum of funds directly to the State Implementing Agencies (SIAs)/ 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 the quantum of fund transferred to the State implementing agencies during the last five years *i.e.*, 2017-22.

Table 4.2: 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	4,702.20	4,534.21	5,946.75	7,733.54	12,543.88	35,460.58

Source: Finance Accounts

As can be seen from the table above, transfer of funds increased by 62.20 *per cent* from ₹ 7,733.54 crore in 2020-21 to ₹ 12,543.88 crore in 2021-22. Out of the total amount of ₹ 12,543.88 crore of direct transfers, ₹ 5,354.11 crore of the Central Assistance/ Share was transferred to the intermediaries (*i.e.*, NGOs, Societies, *etc.*) and ₹ 7,189.77 crore was directly transferred to the beneficiaries. Further, out of the total amount of ₹ 12,543.88 crore of direct transfer of funds by GoI, ₹ 6,270.13 crore was transferred for implementation of Centrally Sponsored Schemes. This pertained primarily to the 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 ₹ 4,201.01 crore and ₹ 1,979.73 crore respectively represented 100 *per cent* and 88 *per cent* respectively of the total transfer under these schemes.

The direct transfer of ₹ 6,270.13 crore of CSS funds directly to implementing agencies of the State constituted 7.86 *per cent* and 21.96 *per cent* of Revenue Receipts (₹ 79,815.19 crore) and Grants-in-Aid (₹ 28,551.76 crore) respectively. The State Government accounts for the year 2021-22 depicts only ₹ 16,736.31 crore under Central share of Centrally Sponsored Schemes.

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 13,682 UCs in respect of grants aggregating ₹ 36,687.84 crore given to 52 Departments of the State Government during the period from 2001-02 to 2020-21 had not been submitted. UCs for 3,346 grants of ₹ 23,942.88 crore paid in 2021-22 would become due only in 2022-23. Age-wise details of delays in submission of UCs due up to the year 2021-22 is given in **Table 4.3**.

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

(₹ in crore)

Drawal Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	11,703	33,053.89	2,732	22,833.65	2,324	12,651.41	12,111	43,236.13
2020-21	12,111	43,236.13	2,800	21,065.58	394	3,606.64	14,517	60,695.07
2021-22	14,517	60,695.07	3,266*	19,189.62	835**	24,007.23	13,682	36,687.84

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

*During 2021-22, 3,346 grants amounting to ₹ 23,942.88 crore were disbursed. Although UCs for GIA disbursed during 2021-22 were due only during 2022-23, 80 UCs amounting to ₹ 4,753.26 crore were submitted during 2021-22 itself and hence, net figure has been shown in the 'Addition' column and has been excluded from the closing balance of 2021-22.

**Does not include 80 UCs amounting to ₹ 4,573.26 crore pertaining to grants released in 2021-22 for which UCs have been submitted before 31 March 2022 itself.

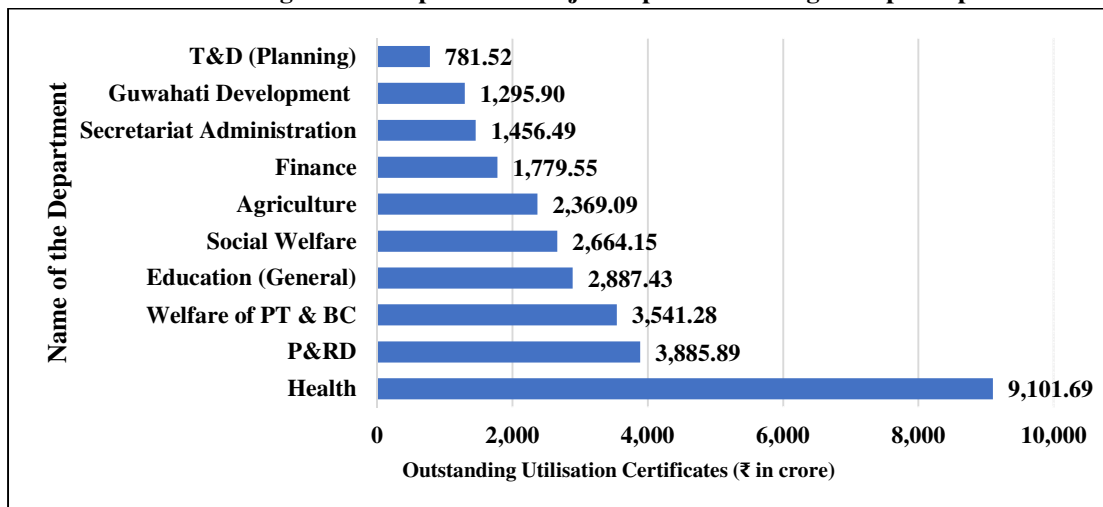
Table 4.4: Year wise break up of outstanding UCs
(₹ in crore)

Drawal 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	654	194.27
2007-08	463	220.85
2008-09	341	305.75
2009-10	122	447.19
2010-11	306	395.16
2011-12	275	583.03
2012-13	289	827.68
2013-14	393	1,237.32
2014-15	793	1,590.81
2015-16	477	2,884.07
2016-17	21	104.93
2017-18	192	1,809.25
2018-19	904	4,612.69
2019-20	2,289	9,789.57
2020-21	2,516	11,048.80
Total	13,682	36,687.84

Analysis of year-wise details of pending UCs and the amounts involved tabulated alongside shows that UCs have not been submitted for an amount of ₹ 36,687.84 crore released over the years. To the extent of non-submission of UCs, there is no assurance that the amount shown in the Finance Accounts had actually been spent in keeping with the sanction and cannot be vouched as correct or final. **Table 4.4** given alongside also reveals that 75 per cent of outstanding UCs pertain to the last five years i.e., 2016-21. Department-wise break-up of outstanding UCs for the grants paid up to the year 2020-21 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 grants paid up to 2020-21



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 since 31 *per cent* of the Capital Expenditure is being incurred out of GIA, in the absence of UCs, it could not be ascertained whether the assets had been created.

During the Exit Conference (January 2023), the Secretary (Finance) informed that the Government has been taking series of review meetings along with reconciliation programmes with the Administrative Departments/ DDOs to reduce the numbers of Outstanding Utilisation Certificates.

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.

During 2021-22, 32 AC bills were drawn for an amount of ₹ 25.57 crore, of which 20 AC bills for an amount of ₹ 13.98 crore (54.67 *per cent*) were drawn in March 2022. As of 31 March 2022, 38 Departments of Government of Assam had not submitted DCC bills for ₹ 958.37 crore against 1,540 AC Bills. Year-wise details of pendency of DCC bills for the years up to 2021-22 is given in **Table 4.5**.

Table 4.5: Pendency in submission of DCC bills against the AC bills

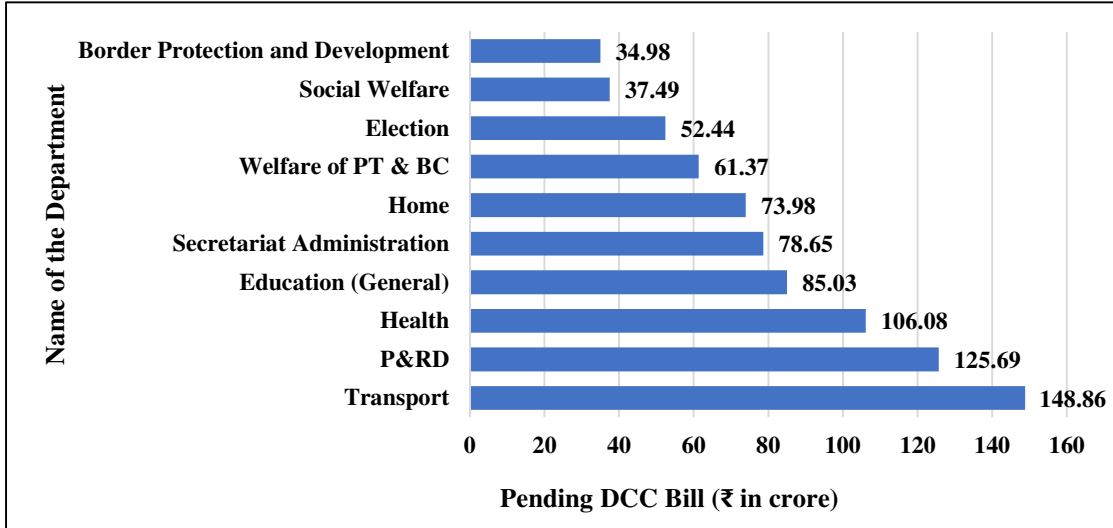
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	1,323	965.82	282	66.39	173	149.35	1,432	882.86
2020-21	1,432	882.86	249	174.89	33	6.91	1,648	1,050.84
2021-22	1,648	1,050.84	32	25.57	140	118.04	1,540	958.37

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

Department-wise pending DCC bills for the years up to 2021-22 are detailed in *Appendix 4.2* while 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



Expenditure against AC bills at the end of the year indicates poor public expenditure management. 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.

During the Exit Conference (January 2023), the Secretary, Finance Department, assured to issue instructions to all concerned Departments for early submission of DCC bills.

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 Rule 325 of Treasury Rules, 2017 of Government of Assam, 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.

The following table provides the status of funds lying in PDA on the last day of the financial year during 2017-22.

Table 4.6: Parking of funds in Personal Deposit Accounts during 2017-22

Year	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Funds parked in PDA	0.60	0.60	0.57	0.57	0.09

Source: Finance Accounts

As on 31 March 2022, there were nine PD Accounts under which ₹ 0.09 crore was lying. During the year 2021-22, no amount was transferred to these PD Accounts. The

accounts were not closed at the end of the financial year and the amount was not credited back to the Consolidated Fund of the State.

Further, in terms of Rule 324 and 333 of Treasury Rules, 2017 of Government of Assam, the Administrator of Personal Deposit Account shall make necessary verification and reconciliation of the balances with the Treasury and shall furnish a certificate to the Treasury Officer by 30th April every year. The Treasury officer shall verify the said certificate with treasury records and send a report of verification of such balances to the Accountant General (A&E) as early as possible.

During the year 2021-22, none of the 22 Administrators of Personal Deposit Accounts had reconciled and verified their balances with the treasury figures and the annual verification certificate was also not furnished to the Accountant General (A&E) Office.

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.

During 2021-22, the State Government classified receipts of ₹ 1,068.81 crore (1.34 *per cent* of total Revenue Receipts of ₹ 79,815.19 crore), pertaining to 44 Major Heads, under the Minor Head '800 - Other Receipts' while an expenditure of ₹ 16,668.59 crore was booked under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 16.23 *per cent* of the total revenue and capital expenditure of ₹ 1,02,673.79 crore.

Instances of substantial proportion (50 *per cent* or more and ₹ 100 crore or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – 'Other Expenditure', are given in **Table 4.7**.

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

(₹ in crore)

Sl. No.	Major Head	Major Schemes under Minor Head 800	Expenditure under Minor Head 800	Total Expenditure	Per cent
1	2075 - Miscellaneous General Services	Assam Infrastructure Financing Authority	357.87	377.29	94.85
2	2210 - Medical and Public Health	NHM	3,824.84	6,184.07	61.85
3	2217 - Urban Development	PMAY (Housing for All), AMRUT, GMC, City Amenities Development Fund, NULM, GMDA	817.11	1,503.09	54.36
4	2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward	One Time Special Grant for Development of OBC/ SC/ ST, Assistance to Autonomous Councils, Infrastructure Development in ITDP and	945.86	1,218.85	77.60

Sl. No.	Major Head	Major Schemes under Minor Head 800	Expenditure under Minor Head 800	Total Expenditure	Per cent
	Classes and Minorities	Outside ITDP Areas of Assam, Procurement and Distribution of Uniform Sports/ Agricultural kit, CM's Special One-time Assistance to Tai Ahom Autonomous Council			
5	2501 - Special Programmes for Rural Development	NSAP, NRLM, Indira Miri Widow Pension Achoni, Sakhi Express	936.94	1,036.42	90.40
6	2515 - Other Rural Development Programmes	General Basic Grant, General Performance Grant, PRIs & ULBs, District Development Project/ Programme	1,309.04	2,015.88	64.94
7	2801 - Power	Targeted Subsidy to APDCL, Power Purchase Subsidy, Payment of dues as per FTFRP, DDUGJY and SAUBHAGYA Scheme	1,300.77	1,300.77	100.00
8	2852 - Industries	Implementation of the Relief Package Offered to Employees and Workers of HPC Ltd.	387.86	452.33	85.75
9	3056 - Inland Water Transport	Government Transport Services working expenses - Major Ferry Services,	147.35	164.89	89.36
10	4070- Capital Outlay on Other Administrative Services	State Signature Scheme	311.79	313.79	99.36
11	4401- Capital Outlay on Crop Husbandry	Rural Infrastructure Development Fund	204.45	207.78	98.40
12	4701- Capital Outlay on Medium Irrigation	Long Term Irrigation Fund (LTIF) under NABARD	101.32	101.32	100.00
TOTAL			10,645.20	14,876.48	71.56

Source: Finance Accounts

In the case of receipts, cases where over 50 per cent of receipts and also more than ₹ one crore were classified under 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)

Sl. No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1	0029 - Land Revenue	94.07	185.02	50.84
2	0059 - Public Works	2.42	2.59	93.44
3	0070 - Other Administrative Services	59.23	113.84	52.03
4	0075 - Miscellaneous General Services	3.32	3.35	99.10
5	0217 - Urban Development	1.60	1.60	100
6	0515 - Other Rural Development Programmes	1.69	1.76	96.02
7	0552 - North Eastern Areas	114.44	114.44	100
8	0701 - Medium Irrigation	2.25	2.25	100
9	0852 - Industries	1.60	1.60	100
10	1054 - Roads and Bridges	17.11	17.68	96.78
11	1056 - Inland Water Transport	5.90	5.90	100
Total		303.63	450.03	67.47

Source: Finance Accounts

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 Heads (LMMH), for booking these transactions. This includes large Centrally sponsored schemes like *Sarva Siksha Abhiyan*, National Old Age Pension Scheme (under NSAP) and National Rural Livelihoods Mission, where an expenditure of ₹ 1,859.31 crore (11.15 per cent of total expenditure under Minor Head 800) was booked in State Finance Accounts (2021-22), as given in the table below.

Table 4.9: Incorrect depiction of Minor Heads in the State Accounts (2021-22)

Specified Heads in the LMMH	Actual Heads in the State Accounts		
	Detailed Appropriation Accounts	Finance Accounts (up to Minor Head)	Expenditure (₹ in crore)
2202-01-111 Sarva Shiksha Abhiyan	2202-01-800-1686- Sarva Siksha Abhiyan	2202-01-800 Other Expenditure	1,035.58
2235-03-101 National Old Age Pension Scheme	2501-01-800-0318-504 Old Age Pension Scheme	2501-01-800 Other Expenditure	450.89
2501-06-102 National Rural Livelihood Mission	2501-01-800-4921- National Rural Livelihoods Mission	2501-01-800 Other Expenditure	372.84
Total			1,859.31

Source: Finance Accounts

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 List of Major and Minor Heads of Account (LMMHA) and after consultation with the Accountant General (A&E), classify them appropriately as per existing LMMHA, or seek addition of new Minor Head, to bring transparency in Accounts.

During Exit Conference (January 2023), the Secretary, Finance Department, assured to take care of the matter from next Budget.

4.7 Central Road Fund (CRF)

Government of India provides annual grants under the CRF to the State Government to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601-08-108-Grants from Central Road Fund”. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head “8449-Other Deposits-103 Subvention from Central Road Fund”, through Revenue Expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants do not result in overstatement of Revenue Surplus or understatement of Revenue Deficit in the accounts. The expenditure on prescribed road works under CRF will first be accounted for under the relevant Capital or Revenue Expenditure section (Major Heads 5054 or 3054) and reimbursed out of the Public Account under Major Head 8449 as a deduct expenditure to the concerned Major Head (5054 or 3054 as the case may be).

During the year 2021-22, the State Government received grants of ₹ 77.51 crore towards CRF. While the receipt of fund was accounted for correctly in Revenue Receipts Major Head-1601-08-108-Grants from Central Road Fund, the accounting procedure for recording expenditure under CRF as detailed above was not followed. No budget provision was made under the Major Head - '3054-80-797 - transfer to Deposit Accounts' for transfer of funds to the Major Head - '8449-Other Deposits-103 subvention from Central Road Fund' in Public Account, nor was subsequent expenditure from CRF recorded in appropriate budget heads. However, ₹ 52.81 crore was booked under CRF during the year under the head of account 3054-03-337-1857 – Construction Expenditure Met from Central Road Fund in Grant - 64 of Appropriation Accounts. Non-transfer of the balance amount of ₹ 77.51 crore has resulted in understatement of Revenue Deficit during the year.

During the Exit Conference (January 2023), the Secretary, Finance Department, assured to follow the accounting procedure prescribed under CRF.

4.8 Misclassification of Expenditure

4.8.1 Enhancing stake under Numaligarh Refinery Limited (NRL)

Government of Assam has invested a total amount of ₹ 1,716.88 crore for enhancing stake in NRL during the financial year 2021-22. Of this amount, ₹ 500.00 crore was booked under '2052-00-090-0417-351-Enhancing Stake in NRL' and remaining ₹ 1,216.88 crore was booked under a different classification, viz. '5465-01-190-0417-351-Enhancing Stake in NRL'. Neither of these classifications were in keeping with the correct classification, as had been used to depict the investment of ₹ 10.57 crore in NRL made in earlier years, which was booked under '4885-60-190 Investment in Public Sector and Other Undertakings'. Further, in financial year 2020-21, Government had initiated the process of enhancing stake in NRL, with an investment of ₹ 500 crore, which again had been budgeted and expended under the classification: '2052-00-090-0417-351-Enhancing Stake in NRL'.

Incorrect classification has resulted in underreported Capital Expenditure in the current financial year, and also led to incorrect display of the total amount of equity investment made by the State in Numaligarh Refinery Limited.

During Exit Conference (January 2023), the Secretary, Finance Department, assured to take suitable action on the matter for correct depiction of investments.

4.8.2 Classification of Social Security Scheme

i) **Orunodoi – Nabaudita Assam** – Government of Assam had budgeted and expended ₹ 1,718.67 crore for Orunodoi Scheme during 2021-22 under the head 2052-00-090-0417-555 which falls under General Services *i.e.*, non-developmental expenditure. In this regard, it is observed that the said Scheme is a Social Security scheme for women, and accordingly, it should have been classified under Major Head 2235-Social Security and Welfare under Social Services.

ii) **Classification of Micro entrepreneurs support fund** – Similarly, the State Government budgeted and expended ₹ 1,506.63 crore during 2021-22 under the classification 2052-00-090-0417-352-Micro Entrepreneurs Support Fund for implementing the scheme - Assam Micro Finance Incentive and Relief Scheme. This is also a scheme to provide financial support to women in the form of loan waiver for micro finance loans taken in the past. It too should have been classified under Major Head 2235-Social Security and Welfare under Social Services.

Erroneous classification of the above expenditure led to actual developmental expenditure of the State (which is the sum of Social and Economic Services) being understated. It is recommended that the Government should classify the Social Security Schemes correctly under Social Services only in the budget so that correct picture of developmental expenditure taking place in the State can be depicted in the Accounts.

During Exit Conference (January 2023), the Secretary, Finance Department, assured to take care of the matter from next Budget.

Issues related to Measurement

4.9 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 4.10**.

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Name of Major and Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 - Suspense						
101 - PAO suspense	224.98	145.92	327.29	227.41	481.71	314.04
Net	Dr. 79.06		Dr. 99.88		Dr. 167.67	
102 - Suspense Account-Civil	2,322.47	531.66	1,758.94	372.63	2,218.58	866.61
Net	Dr. 1,790.81		Dr. 1,386.31		Dr. 1,351.97	

Name of Major and Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
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	(-) 226.65	(-) 10.02	(-) 216.08	(-) 0.22	(-) 376.36	(-) 0.03
Net	Cr. 216.63		Cr. 215.86		Cr. 376.33	
110 - Reserve Bank Suspense - CAO	14.30	1,050.40	20.85	214.61	14.85	11.27
Net	Cr. 1,036.10		Cr. 193.76		Dr. 3.58	
112 - Tax Deducted at Source (TDS) Suspense	---	0.01	---	---	--	32.25
Net	Cr. 0.01		---		Cr. 32.25	
123 - A.I.S Officers' Group Insurance Scheme	0.18	1.47	0.25	1.51	0.14	1.37
Net	Cr. 1.29		Cr. 1.26		Cr. 1.23	
8782 - Cash Remittances						
102 - P.W. Remittances	69,526.23	69,159.54	76,676.11	76,290.28	85,421.80	85,034.15
Net	Dr. 366.69		Dr. 385.83		Dr. 387.65	
103 - Forest Remittances	5,231.80	4,884.08	5,873.61	5,490.72	6,236.10	5,855.60
Net	Dr. 347.72		Dr. 382.89		Dr. 380.50	
110 - Miscellaneous Remittances	---	13.21	---	12.91	---	12.91
Net	Cr. 13.21		Cr. 12.91		Cr. 12.91	

Source: Finance Accounts

Non-clearance of outstanding balances under these heads affects the accuracy of receipts/ expenditure figures and balances under different heads of accounts (which are carried forward from year to year) of the State Government.

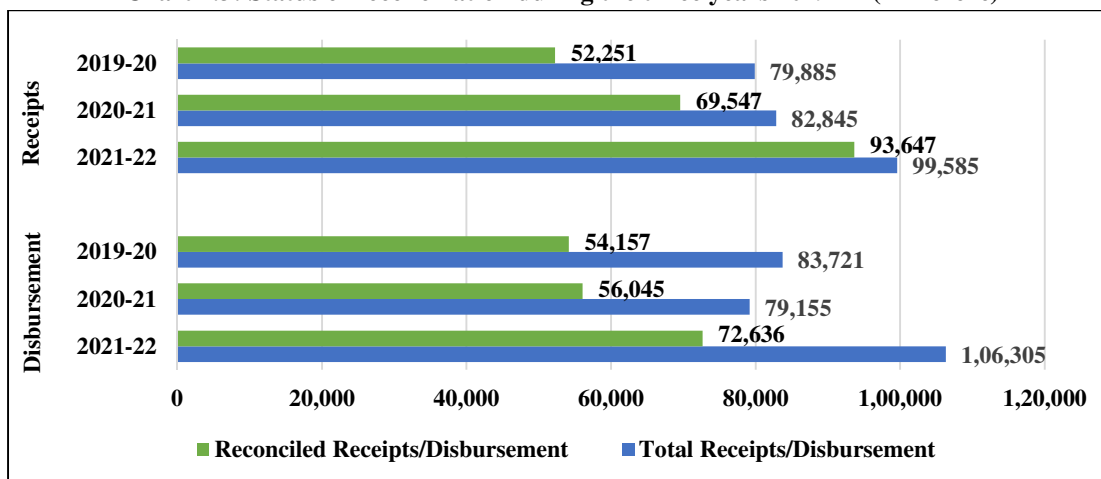
4.10 Reconciliation of Departmental figures

Financial Rules stipulate those 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 83.95 per cent of receipts and 70.80 per cent of disbursement were reconciled during 2020-21, the figure for receipts improved to 94.04 per cent, and that for disbursement reduced to 68.33 per cent for the year 2021-22.

The status of reconciliation of receipts and disbursement figures by the COs during the three-year period 2019-22 is shown in **Chart 4.3**.

Chart 4.3: Status of reconciliation during the three years 2019-22 (₹ in crore)



The details relating to the number of COs and the extent of reconciliation during the last three years are given in **Table 4.11**.

Table 4.11: Status of Reconciliation of Receipts and Disbursement figures

Year	Total No. of Controlling Officers	Status of reconciliation			Total Receipts/ Disbursement (₹ in crore)	Reconciled Receipts/ Disbursement	
		Fully	Partially	Not done		Amount (₹ in crore)	Per cent
Receipts							
2019-20	54	6	0	48	79,885	52,251	65.41
2020-21	58	5	3	50	82,845	69,547	83.95
2021-22	58	13	3	42	99,585	93,647	94.04
Disbursement							
2019-20	54	34	0	20	83,721	54,157	64.69
2020-21	58	36	16	6	79,155	56,045	70.80
2021-22	58	35	21	2	106,305	72,636	68.33

Source: Finance Accounts

Non-reconciliation of figures has been pointed out by the CAG in the Audit Reports year after year. The PAC in its 161st Report (Paragraph 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 the recommendations, 5.96 per cent of receipts and 31.67 per cent of disbursement figures booked by the Accountant General (A&E) were not reconciled by the departmental authorities 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 disbursement in the accounts, but also defeats the very objective of budgetary process.

4.11 Reconciliation of Cash Balances

As on 31 March 2022, Cash balance as per record of Principal Accountant General was ₹ 1,826.58 crore (Cr.) and that reported by the RBI was ₹ 1,539.19 crore (Dr.). There was a net difference of ₹ 287.39 crore (Cr.) mainly due to non-accounting of expenditure on pension payments of ₹ 262.92 crore made by non-link branches of

Agency Bank during 2021-22. Non-accounting of expenditure on pension payments led to understatement of Revenue Deficit to that extent during the year.

During the Entry Conference (October 2022), Audit suggested to convene a meeting with Regional RBI, concerned agency banks and the PAG (A&E) at the earliest to restrict further accumulation of RBD discrepancy.

Issues related to Disclosure

4.12 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 2022, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by Government of Assam in its financial statements for the year 2021-22 are given in **Table 4.12**.

Table 4.12: 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.	Partly complied	State Government made budgetary provision and classified GIA amounting to ₹ 6,168.69 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 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).

4.13 Submission of Accounts of Autonomous Councils/ Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in 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 711 annual accounts of 114 Autonomous Councils, Development Councils and Government Bodies (due up to 2021-22) for audit as of 31 October 2022. Out of 711 outstanding annual accounts, nine accounts¹⁹ pertained to three Autonomous District Councils created under sixth Schedule of the Constitution.

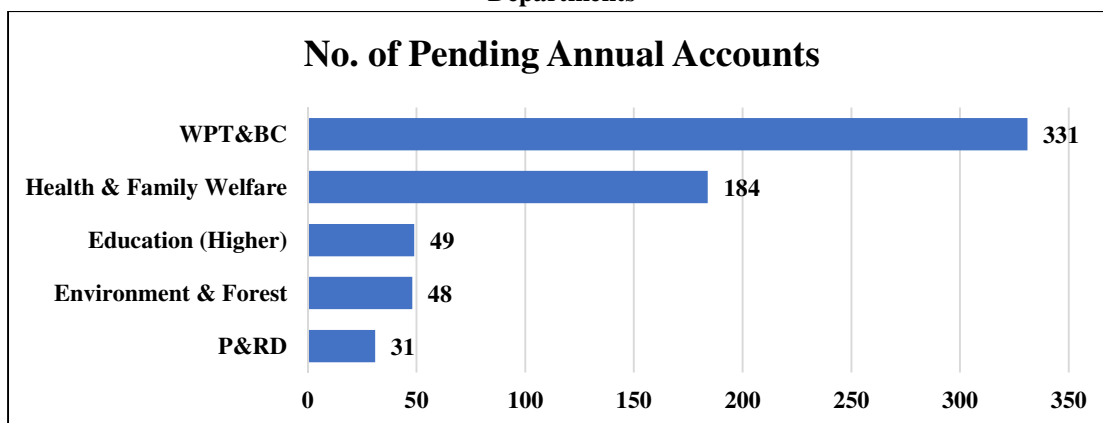
Table 4.13: Age-wise analysis of Annual Accounts due for audit but not submitted

Delay in Number of Years	No. of Accounts
0-1	114
1-3	183
3-5	111
5-10	190
More than 10	113
Total	711

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 711 accounts is given alongside. Status of pending accounts in respect of five major departments is given in **Chart 4.4**.

Chart 4.4: Status of pending accounts of Autonomous Councils/ Bodies pertaining to five major Departments



¹⁹ i) Bodoland Territorial Council, Kokrajhar: Two Annual Accounts (2020-21 & 2021-22); ii) Karbi Anglong Autonomous Council, Diphu: Four Annual Accounts (2018-19 to 2021-22); and iii) North Cachar Hills Autonomous Councils, Haflong: Three Annual Accounts (2019-20 and 2021-22)

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.

The Government may consider fixing responsibility on the officers concerned for non-submission of accounts.

During the Exit Conference (January 2023), the Secretary, Finance Department, stated that necessary instruction would be issued to concerned Departments for early submission of Accounts.

4.14 Departmental Commercial Undertakings/ Corporations/ Companies

According to Sections 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 the 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 *pro-forma* 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 finalisation of accounts, results of the investment of the Government remain outside the purview of the 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.

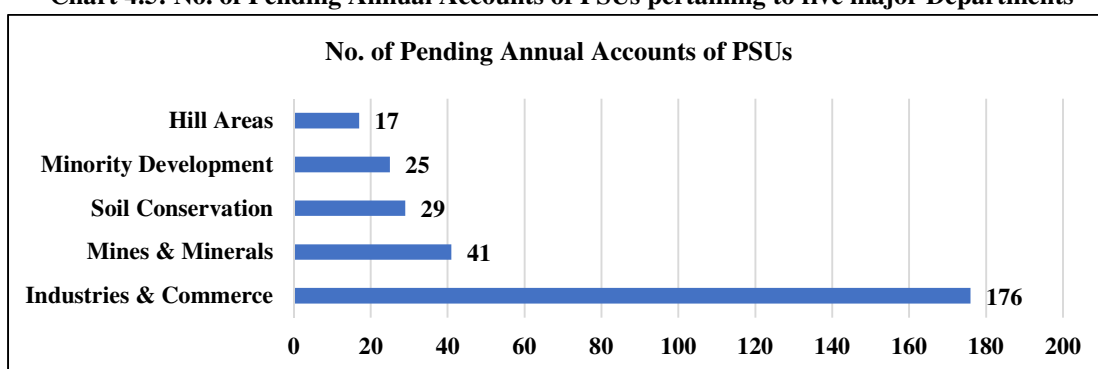
However, the CAG has not received 372 annual accounts of 41 Public Sector Undertakings (due up to 2021-22) for audit as of November 2022. Age-wise pendency of these 372 accounts is given in **Table 4.14** and status of pending accounts in respect of five major departments is given in **Chart 4.5**.

Table 4.14: Age-wise analysis of Annual Accounts due for audit but not submitted

Delay in Number of Years	No. of Accounts
0-1	41
1-3	68
3-5	47
5-10	70
More than 10	146
Total	372

Department-wise details of accounts due from Public Sector Undertakings (due up to 2021-22) are given in **Appendix 4.4**.

Chart 4.5: No. of Pending Annual Accounts of PSUs pertaining to five major Departments



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.

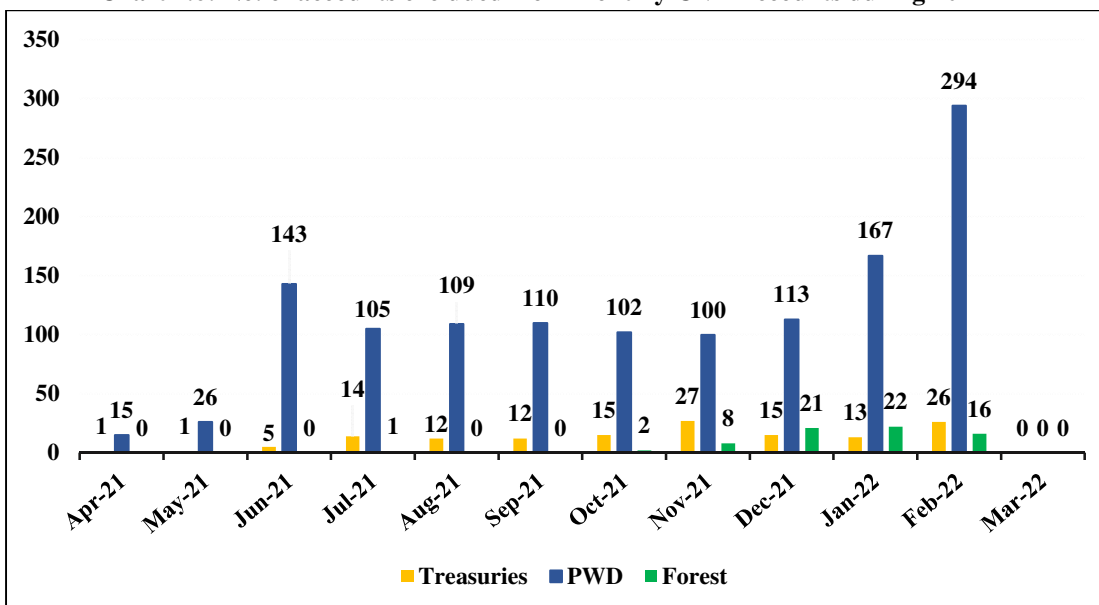
During the Exit Conference (January 2023), the Secretary, Finance Department, stated that necessary instructions would be issued to concerned Departments for early submission of Accounts.

4.15 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, 50 Sub-Treasuries, Assam House (New Delhi), Cyber Treasury (Dispur), 43 Public Works (Building) Divisions, 90 Public Works (Road) Divisions, 03 Inland Water Transport Division, 69 Irrigation Divisions, and 47 Public Health Engineering Divisions, 36 Water Resources Divisions, 146 Forest Divisions, 55 Pay and Accounts Offices and Advices of the Reserve Bank of India.

During the financial year 2021-22, significant number of monthly accounts of Treasuries, Public Works Divisions and Forest Divisions were not submitted in time by the concerned authorities of Government of Assam. As a result, during the year 2021-22, monthly Civil Accounts were closed by Office of the PAG (A&E), Assam by excluding accounts of certain treasuries/ 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 2021-22



The above chart indicates that public works divisions were the major units that delayed 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 2021-22, except for March 2022. 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, planned pacing of expenditure on developmental programmes, provides intended benefits to the targeted beneficiaries, functioning of departments, *etc.* during the year. The State Government therefore 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.

Other Issues

4.16 Misappropriations, losses, thefts, *etc.*

Audit observed 339 cases of theft, misappropriation and losses involving Government money amounting to ₹ 142.99 crore (up to March 2022) 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 4.5*.

Table 4.15 summarises age-profile of pending cases and the number of cases pending in each category *i.e.*, theft, misappropriation and loss of Government material, *etc.*

Table 4.15: Profile of cases of theft, misappropriation and loss

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
0 to 5	78	2,540.55	Theft	20	97.55
5 to 10	149	8,588.94			
10 to 15	64	1,788.11	Misappropriation/ Loss of material, <i>etc.</i>	319	14,201.22
15 to 20	35	1,192.92			
20 to 25	9	177.10	Total	339	14,298.77
25 and above	4	11.15	Cases of loss written off during the year	0	0.00
Total	339	14,298.77	Total cases as on 31 March 2022	339	14,298.77

Source: Inspection Reports

Further analysis indicated that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 4.16**.

Table 4.16: 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	103	2,695.67
(ii) Non-submission of specific/ proper/ appropriate/ final/ relevant/ authentic reply by Department	236	11,603.10
Total	339	14,298.77

Source: Inspection Reports

Of the 339 cases above, the First Information Report (FIR) in respect of only 22 cases involving ₹ 6.63 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.

4.17 Short transfer of Labour Cess to Labour Welfare Board

Government of India enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess for providing benefits to the workers. The Act, *inter alia*, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government to exercise the powers conferred under the Act. Accordingly, Government of Assam had framed Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2007 under the Act and constituted Assam Building & Other Construction Workers Welfare Board on 12 February 2008. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

During the period 2008-09 to 2021-22, Government of Assam realised ₹ 1,867.76 crore as Labour Welfare Cess and transferred ₹ 1,850.37 crore to the Assam Building and Other Construction Workers Welfare Board leaving a liability of ₹ 17.39 crore under the scheme. On this being pointed out, the Deputy Labour Commissioner stated (September 2022) that difference between the cess collected and cess deposited pertained to the years 2015-16 and 2016-17 only and steps have been taken by the Board for reconciliation with the bank.

4.18 Follow up action on State Finances Audit Report

4.18.1 *Suo-motu* Action Taken Notes

In the Audit Reports on the Finances of 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.

4.18.2 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 (October 2022).

Further, the PAC discussed on two separate occasions (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, asking the departments to furnish Action Taken Report (ATR) in three cases. But only two Action Taken Reports have been submitted as of October 2022.

4.19 Conclusion

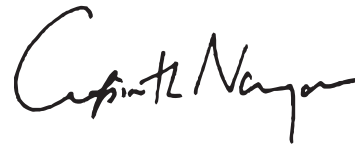
- Utilisation Certificates in respect of grants aggregating ₹ 36,687.84 crore (13,682 UCs) given to 52 Departments of the State Government during the period from 2001-02 to 2020-21 had not been submitted. In absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and the assets had been created.

- As of 31 March 2022, 38 State Departments had not submitted DCC bills for ₹ 958.37 crore against 1,540 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.
- During 2021-22, the State Government classified receipts of ₹ 1,068.81 crore (1.34 *per cent* of total Revenue Receipts of ₹ 79,815.19 crore), pertaining to 44 Major Heads, under the Minor Head '800 - Other Receipts' while an expenditure of ₹ 16,668.59 crore was booked under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 16.23 *per cent* of the total revenue and capital expenditure of ₹ 1,02,673.79 crore. Further, an expenditure of ₹ 1,859.31 crore (11.15 *per cent* of total expenditure booked under Minor Head 800 - Other Expenditure) under *Sarva Siksha Abhiyan*, National Old Age Pension Scheme (under NSAP) and National Rural Livelihood Mission was booked under Minor Head 800 despite availability of appropriate Minor Head.
- During the year, expenditure amounting to ₹ 72,636 crore (68 *per cent* of total expenditure of ₹ 1,06,305 crore) and receipts of ₹ 93,647 crore (94 *per cent* of the total receipts of ₹ 99,585 crore) were reconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard may entail the risk of misclassification and incorrect booking of both receipts and expenditure in the accounts.
- As on 31 March 2022, there were 711 annual accounts of 114 Autonomous Councils, Development Councils and Government Bodies and 372 annual accounts of 41 Public Sector Undertaking (due up to 2021-22) 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.
- Out of total Cess of ₹ 1,867.76 crore realised by the State Government under the Building and Other Construction Workers' Welfare Cess Act, 1996 during the period from 2008-09 to 2021-22, an amount of ₹ 1,850.37 crore was transferred to the Other Construction Workers Welfare Board leading to the shortfall in transfer of Cess of ₹ 17.39 crore to the Board.

4.20 Recommendations

- 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.*
- 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.*

- iii. *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 Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.*
- iv. *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.*



(K. S. GOPINATH NARAYAN)
Principal Accountant General (Audit), Assam

Guwahati
The 18 March 2023

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 20 March 2023

