# CHAPTER IV QUALITY OF ACCOUNTS & FINANCIAL REPORTING PRACTICES



## **CHAPTER IV**

# QUALITY OF ACCOUNTS AND 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. Thus, compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

### 4.1 Funds transferred directly to State implementing agencies

Government of India (GoI) has been transferring sizeable quantum of funds directly to the State Implementing Agencies/Beneficiaries for implementing various central schemes. Through Budget Circular 2023-24, the GoI issued the following instructions:

- (a) Central Sector Schemes (CS) includes those schemes which entirely funded and implemented by the Central Agencies under Union Government Ministries/Departments. In few cases (as an exception and with the specific prior consent of the Department of Expenditure), implementation of Central Sector Schemes may be permitted through designated State Implementing Agencies.
- (b) Centrally Sponsored Scheme (CSS) includes those schemes, which are funded and implemented by both the Centre and the States as per the approved sharing pattern. The Central share for the schemes will be routed entirely through the State/UT treasuries, except Direct Benefit Transfers, where the functional heads could be used. In such cases, mapping of allocations under Centrally Sponsored Schemes not routed through State treasuries will be required to calculate the total quantum of resource transfers to States within Centrally Sponsored Schemes.

**Table 4.1** depicts quantum of funds directly transferred to the State implementing agencies/beneficiaries during the last five years *i.e.*, 2019-24.

Table 4.1: Direct Transfer of Funds by GoI

(₹ in crore)

Direct transfers to State Implementing Agencies	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Funds transferred	944.29	1,345.76	2,192.25	2,036.90	2,511.68	9,030.88

Source: Finance Accounts 2023-24.

**Table 4.1** shows 23.31 *per cent* jump in direct fund transfers by the GoI, increasing from ₹ 2,036.90 crore in 2022-23 to ₹ 2,511.68 crore in 2023-24. The fund directly transferred during 2023-24 comprised ₹ 2,159.70 crore for Centrally Sponsored Schemes (CSS) and

₹ 351.98 crore for Central Sector Scheme (CS). Funds transferred directly to State Implementing Agencies/Beneficiaries during 2023-24 are given at *Appendix 4.1*.

Out of total amount of ₹ 2,511.68 crore transferred directly to the State Implementing Agencies/Beneficiaries during 2023-24, 53.65 per cent (₹ 2,283.81 crore) was transferred directly to the beneficiaries through Direct Benefit Transfer (DBT) Mode.

### 4.2 Funds lying unutilised in the bank account of DDOs

The State Government has authorised Drawing and Disbursing Officers (DDOs) to open a zero-balance current account in the State bank of India/United Bank of India (merged with Punjab National Bank) under the official designation of the DDOs to facilitate temporary parking of fund pertaining to payment/dues of Government employees before payment is made by account payee system to their respective bank accounts. The current account may also be operated by miscellaneous contingent expenditures where endorsement of bills / cheques to the concerned parties of payees is not immediately feasible under normal rules.

During 2023-24, out of ₹ 2,512.48 crore transferred to Bank Accounts of 480 DDOs, only ₹ 2,060.91 crore was utilised by 238 DDOs. As on 31 March 2024, amount of ₹ 563.65 crore was lying unutilised in the bank accounts of 480 DDOs with balance ranging up to ₹ 226.00 crore. Cases where more than ₹ 1.00 crore was found lying unspent in the bank accounts of DDOs are detailed in *Appendix-4.2*. Further, information as called by this Office, from the remaining 734 DDOs out of 1,214 DDOs is still awaited (December 2024).

While the unspent balances have been officially recognised as expenditures from the Consolidated Fund of the State, they are still lying idle and parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as actuals to that extent.

### 4.3 Delay in submission of Utilisation Certificates

Rule 515 read with Appendix 14 of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a special 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). In other words, unless the State Government specifies otherwise, any grant for a particular purpose must be used for that purpose within one year from the date of sanction. The purpose for which the Grants-in-Aid were utilised can be confirmed only on receipt of UCs. This serves as a 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 4.2.** 

Table 4.2: Age-wise arrears in submission of UCs as on 31 March 2024

(₹ in crore)

Year	Opening Balance *		bec du	es which ome due ring the year		ubmitted g the year		Closing lance**		rsed during ear***
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1		2		3		4	5=	(2+3-4)		6
						•		(2.5.1)		
Upto 2022-23	307	2,373.51	419	2,086.07	272#	1,023.57	454	3,436.01	606#	4,024.83

Source: Finance Accounts.

During 2023-24, 1,060 UCs amounting to ₹7,460.84 crore were outstanding (454 amounting to ₹3,436.01 crore overdue from previous years and 606 UCs amounting to ₹4,024.83 crore which became due in 2023-24). Out of this, only 327 UCs amounting to ₹2,624.91 crore (30.85 *per cent*) were submitted. Further, 122 UCs amounting to ₹424.77 crore for grants disbursed in 2023-24, which will become due in 2024-25, were also submitted in 2023-24 itself. Thus, total 449 UCs amounting to ₹3,049.68 crore were submitted during the year.

As on 31 March 2024, 733 UCs amounting ₹ 4,835.93 crore remained outstanding. Compared to the last year, the figure is higher by 61.45 *per cent* in terms of the numbers of outstanding UCs and 40.74 *per cent* in terms of the amount outstanding of UCs. Total of 1,309 UCs amounting to ₹ 9,157.80 crore (Overdue<sup>51</sup> 733 UCs amounting to ₹ 4,835.93 crore due during 2023-24 and <sup>52</sup>576 UCs amounting to ₹ 4,321.87 crore to be due during the year 2024-25) are yet to be submitted as on 31 March 2024.

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<sup>\*</sup>UCs which have already become due as on 1st April of the respective year.

<sup>\*\*</sup> UCs which remain overdue/outstanding as on 31st March of the respective year.

<sup>\*\*\*</sup> UCs which will become due in the subsequent year.

<sup>#</sup>This excludes 14 UCs amounting to ₹ 1.28 crore (disbursed in 2022-23) to be due in 2023-24 but submitted in 2022-23 itself

<sup>##</sup> This excludes 122 UCs amounting to ₹ 424.77 crore (disbursed in 2023-24) to be due in 2024-25 but submitted in 2023-24 itself.

<sup>&</sup>lt;sup>51</sup>Due in 2023-24 but not disposed as on 31 March 2024.

<sup>&</sup>lt;sup>52</sup> To be due in 2024-25.

Sport & Youth Affairs Department
Planning Investment Promotion &
Sustainable Department
Education Department
Health and Family Welfare Department
Community and Rural Development
Department

- 500 1,000 1,500 2,000

■Amount of Outstanding Utilisation Certificates

Chart 4.1: Major Defaulting Departments for UCs due as on 31 March 2024

Source: O/o PAG (A&E), Meghalaya.

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 (₹ 1,471.97 crore, 30.44 *per cent*), Health and Family Welfare Department (₹ 1,417.27 crore, 29.31 *per cent*), Education Department (₹ 1,245.14 crore, 25.75 *per cent*), Planning Development (₹ 284.40 crore, 5.88 *per cent*) and Sport and Youth affairs (₹ 175.08 crore 3.62 *per cent*).

During the Exit Conference (March 2025), the State Government stated that the matter will be taken up with the departments concerned.

### Year-wise Break-up of outstanding UCs

Year-wise break-up of outstanding Utilisation Certificate for the 2012-13 to 2023-24 is as given below:

Table 4.3: Year-wise Break-up of overdue outstanding UCs

Year	No. of UCs	Amount (₹ in crore)
2012-13 <sup>53</sup>	14	45.00
2013-14	8	89.70
2014-15	1	2.25
2015-16	1	0.50
2016-17	8	127.50
2017-18	10	123.01
2018-19	12	145.40
2019-20	11	113.88
2020-21	79	478.69
2021-22	189	1,135.99
2022-23	400	2,574.03
Total	733	4,835.93

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

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<sup>&</sup>lt;sup>53</sup> Transport-01 (₹ 1.00 crore), Secretariat Administration – 05 (₹ 4.05 crore), Arts & Culture – 02 (₹ 2.10 crore), Social Welfare – 01 (₹ 0.26 crore), Community & Rural Development – 05 (₹ 37.59 crore).

In the absence of UCs, it could not be ascertained whether the recipients had actually utilised the grants and whether it had been utilised for the purposes for which the grants were disbursed. Further, in the absence of UCs required to be submitted by the departments, assessing the status and progress of the scheme implementation, for which funds have been disbursed, is not feasible.

The substantial backlog in the submission of UCs poses a significant risk of potential fraud and misappropriation of funds. The State Government needs to monitor this aspect closely and may review disbursement of further Grants to the Grantees that are not in compliance to prescribed conditions and timelines with respect to furnishing of UCs to the Finance Department as well as Principal Accountant General (A&E), Meghalaya.

### 4.4 Abstract Contingent bills

Rule 232 of the Meghalaya Treasury Rules (MTR), 1985 allows drawing of contingent charges<sup>54</sup> from the treasury by presenting Abstract Contingent (AC) Bills. In other words, Drawing and Disbursing Officers (DDOs) are authorised to draw money from the treasury for meeting contingent charges by presenting AC Bills. Further, Rule 232 requires submission of Detailed Contingent (DC) Bills by the DDOs to the Controlling Officers for countersignature and transmission of the same to the Principal Accountant General (A&E), Meghalaya. As per Rule 233, timeline for submission of DC Bills by the DDOs to the Controlling Officer is one month from the drawal. Additionally, as per Rule 235, the Controlling Officers are required to forward Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Principal Accountant General (A&E) within a month from the date of receipt of such bills in his office.

As on 31 March 2024, 56 DCC bills amounting of ₹ 75.07 crore were yet to be received by the Principal Accountant General (A&E), Meghalaya as shown in **Table 4.4** Major contributor was Election Department with 40 unadjusted AC bills of ₹ 74.61 crore (99.38 per cent) followed by Personnel & Administrative Reforms Department with unadjusted AC bills of ₹ 0.24 crore (0.31 per cent). Further, out of 93 AC bills amounting to ₹ 67.58 crore drawn during the year, 61 AC bills amounting to ₹ 64.89 crore (96.02 per cent) were drawn in March 2024.

Table 4.4: Age-wise arrears in submission of DCC bills against AC bills

(₹ in crore)

Year of Drawal of AC Bills	ear of Drawal of AC Bills  No. of unadjusted AC Bills	
Upto 2022-23	36	73.81
2023-24	20	1.26
Total	56	75.07

Source: Finance Accounts 2023-24.

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Incidental and other expenses which are incurred for the management of an office as an office or for the technical working of a department, other than those which under prescribed rules of classification of expenditure fall under certain head of expenditure. In simpler terms, contingent charges refer to expenses required for incidental or emergent matters in the working of the government.

To the extent of non-submission of DCC bills, the expenditure shown in the Finance Accounts cannot be assessed as actuals or final. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring. The State Government may put in place a mechanism to ensure timely submission of DC Bills by the DDOs to the Controlling Officers and subsequent transmission of DCC Bills to the Principal Accountant General (A&E), Meghalaya within the timeline as prescribed.

### 4.5 Personal Deposit Account

PD Accounts are accounts kept at the treasury in a banking deposit account wherein receipts and payments are recorded in personal ledger. As per Rule 392 of the Meghalaya Treasury Rules (MTR), 1985, Personal Deposit (PD) Accounts are created by transferring fund from the Consolidated Fund for discharging the liabilities of the Government arising out of special enactment. The PD accounts enable designated Drawing Officers to incur expenditure for specific purposes pertaining to a scheme. Further, the Rule *ibid* requires PD Accounts created by debit to Consolidated Fund, to be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. In simpler terms, such accounts should be closed at the end of the financial year and the unspent balance should be transferred to the Consolidated Fund. Further, under the Rule *ibid*, 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 the year 2023-24, no amount was transferred to the PD Accounts from Consolidated Fund of the State. In Meghalaya, there are PD Accounts, but they relate to sources other than Consolidated Fund of the State such as District Legal Service Authority, Government College, *etc*.

### 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 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 obscure.

During the year 2023-24, expenditure of ₹2,951.00 crore under 40 Major Heads of accounts, constituting 13.98 *per cent* of the total Revenue and Capital expenditure excluding disbursal of loans (₹21,113.08 crore) was classified under the Minor Head 800-Other Expenditure in the accounts.

Instances of substantial proportion (50 per cent or more) of expenditure made from Minor Head 800 – 'Other Expenditure' under the respective Major Heads are summarised in **Table 4.5.** 

Table 4.5: Significant expenditure booked under Minor Head 800 – Other Expenditure (2023-24)

(₹ in crore)

		Details of E	, , ,	
Major Head	Description	Total Expenditure	Expenditure Booked under 800	Per cent
2575	Other Special Areas Programmes	17.38	10.52	60.55
3451	Sect. Economic Services	553.95	458.91	82.84
4401	Capital Outlay on Crop Husbandry (Share Capital)	8.77	8.77	100.00
5053	Cap. Outlay on Civil Aviation	9.99	5.06	50.64
5054	Cap. Outlay on Roads and Bridges	1197.74	685.51	57.23
5055	Cap. Outlay on Road Transport	3.00	3.00	100.00
5475	Cap. Outlay on Other Gen. Eco. Services	831.98	781.98	93.99
	Total	2,622.81	1,953.74	74.49

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

With regard to receipts, ₹ 104.85 crore under 34 Major Heads of Account, constituting 0.58 *per cent* of the total Revenue Receipts (₹ 17,977.86 crore) was classified under 800-Other Receipts in the accounts.

Instances of substantial proportion (50 per cent or more) of receipts in Minor Head 800 – 'Other Receipts' under the respective Major Heads are given in **Table 4.6**.

Table 4.6: Significant Receipts booked under Minor Head 800 – Other Receipts (2023-24)

(₹ in crore)

		Details o	of Receipts	
Major Head	Description	Total Receipts	Receipts booked under 800	Per cent
0049	Interest Receipts	10.77	7.10	65.93
0056	Jails	0.01	0.01	100.00
0059	Public Works	18.44	16.55	89.75
0210	Medical and Public Health	3.68	2.34	63.57
0217	Urban Development	0.22	0.22	100.00
0230	Labour and Employment	3.82	2.50	65.43
0702	Minor Irrigation	0.31	0.30	97.00
0801	Power	6.17	6.17	100.00
1055	Road Transport	0.03	0.03	100.00
1456	Civil Supplies	0.02	0.01	92.72
	Total	43.46	35.23	81.06

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

During analysis of booking of expenditure under Minor Head-800, Audit observed that in respect of the Major Heads listed at **Table 4.5**, State Government made provisions for Minor Head-800 in the State Budget as well as approved Supplementary Grants and Reappropriations as detailed in **Table 4.7**.

Table 4.7: 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	Total provision under Minor Head-800	Actual expenditure under Minor Head-800	% of actual expenditure against budget provision
2575	Other Spl. Areas Programmes	36.02	5.00	41.02	10.520	25.65
3451	Sect. Economic Services	923.52	32.00	955.52	458.910	48.03
4401	Capital Outlay on Crop Husbandry	6.50	0.00	6.50	8.770	134.92
5053	Capital Outlay on Civil Aviation	2.00	0.00	2.00	5.060	253.00
5054	Cap. Outlay on Roads and Bridges	854.14	0.00	854.14	685.510	80.26
5055	Cap. Outlay on Road Transport	0.49	3.00	3.49	3.000	85.96
5475	Cap. Outlay on Other Gen. Eco. Services	755.00	300.00	1,055.00	781.980	74.12
	Total	2,577.67	340.00	2,917.67	1,953.75	66.96

Source: Annual Financial Statement, 2023-24.

**Table 4.7** illustrates that the State Government provisioned for Minor Head-800 to the tune of ₹ 2,917.67 crore (Original ₹ 2,577.67 crore + Supplementary ₹ 340.00 crore) in the State Budget. Against the total provision of ₹ 2,917.67 crore, State Government booked an expenditure of ₹ 1,953.75 crore (66.96 *per cent*) under Minor Head-800 of the respective seven Major Heads which indicates use of Minor Head-800 in a routine manner.

Audit also examined selected cases of booking under Minor Head 800, and noted that in two instances, valid Minor Heads other than 800, was available in the List of Major and Minor Heads of Account (LMMHA) for booking of these transactions amounting to ₹ 497.06 crore as detailed in **Table 4.8.** 

Table 4.8: 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	Duklia Washa	5054	4	800	3	(03) Construction of Rural Roads	153.54	337-Road Works
1	1 Public Works	5054	4	800	7	(7) PMGSY& PMGSY CSS	343.52	337-Road Works
			Total	l			497.06	

Source: Detailed Appropriation Accounts 2023-24.

Booking of large expenditure under the omnibus Minor Head 800-Other Expenditure can significantly undermine transparency, making it difficult to assess priorities, analyse the quality of expenditure and allocate resources effectively. The State Government should consider allocating funds under available suitable Minor Heads and reduce allocating and booking expenditure under Minor Head 800 for optimised resource allocation and transparency.

### 4.7 Outstanding balance under major Suspense and DDR heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments. Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, *etc.* The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.9.** 

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Name of Minor Head	202	1-22	2022-23		2023-24	
Trume of frings fredu			spense Accou			
	Dr	Cr	Dr	Cr	Dr.	Cr.
101- Pay and Accounts Office - Suspense	122.05	70.95	162.99	101.29	185.18	120.57
Net	Dr 51	.10	Dr.61	.70	Dr. 6	4.61
102- Suspense Account (Civil)	4.44	0.07	4.72	0.06	4.09	0.06
Net	Dr 4	.37	Dr. 4	.66	4.0	3
109- Reserve Bank Suspense - Headquarters	28.04	8.30	23.45	9.67	24.39	9.64
Net	Dr 19	.74	Dr.13	5.78	Dr. 1	4.75
110-Reserve Bank Suspense - Central Accounts Office	120.82	47.92	122.19	48.09	99.82	23.30
Net	Dr 72	2.90	Dr.74	.10	Dr. 7	6.52
112-Tax Deducted at source (TDS) Suspense	0.00	8.83	0.01	9.36	0.11	9.46
Net	Cr 8	.83	Cr.9.35		Cr. 9.34	
123- A.I.S Officers' Group Insurance Scheme	0.30	0.38	0.31	0.40	0.31	0.41
Net	Cr 0	.08	Cr.0.09		Cr. 0.10	
139- GST-Tax Deducted at source Suspense	-	-	-	-	872.34	1,371.15
Net	-		ı			
	Major Hea	ad: 8782 Ca	sh Remittan	ces		
101 Cash Remittances between Treasuries and Currency Chests	,	1,097.44	1,097.47	· ·	1,097.47	1,097.44
Net		0.03	Dr.		Dr.	0.03
102- Public Works Remittances	29,447.34	29,586.87	32,081.96	32,223.18	34,965.28	
Net		39.53	Cr.1			. 137.30
103-Forest Remittances		3,838.61	34,441.50		4,611.18	4,553.91
Net	Dr 58		Cr.81		Dr. 5	7.27
			te Suspense			T = = 0
-	5.82	7.96	6.33	7.79	6.97	7.79
Net	Cr. 2.14		Cr. 1.46		Cr. 0.82	

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

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

### 4.8 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 those 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 2020-24 is shown in **Chart 4.2** and **Table 4.10**.

(₹ in crore) 17,327.62 2021-22 18,873.56 21,390.11 Expenditure 2022-23 21,390.11 25,916.69 2023-24 25,957.71 18,180.54 2021-22 18,318.50 Receipts 21,048.88 2022-23 21,065.10 25,496.59 2023-24 25.516.23 ■ Reconciled Receipts/Expenditure **■** Total Receipts/Expenditure

Chart 4.2: Status of reconciliation during the three years 2021-24

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

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore) Total No. of **Total** Percentage Not **Fully Partially Controlling** reconciled **Expenditure** Year of Reconciled Reconciled **Officers** reconciliation at all / Receipts Expenditure 2021-22 17,327.62 1,545.94 18,873.56 91.81 62 Nil 2022-23 63 21,390.11 Nil 21,390.11 100.00 2023-24 25,916.69 22.00 25,957.71 62 19.02 99.84 Receipts 2021-22 57 18,180.54 0.49 137.47 18,318.50 99.25 2022-23 55 21,048.88 99.92 15.07 1.15 21,065.10 25,496.59 14.47 5.17 25,516.23 99.92 2023-24 54

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

It may be seen from the above table that almost the entire expenditure as well as receipts were reconciled during the current year. The Departments should endeavour to maintain 100 *per cent* reconciliation of receipts and expenditure.

### 4.9 Reconciliation of Cash Balances

As on 31 March 2024, there was a difference of ₹ 44.29 crore (Debit) 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 4.11**.

Table 4.11: Details of difference between the figures reflected in the accounts and RBI

1	Misclassification by Bank/Treasury	Dr. 32.19
2	Non-receipt of details of adjustments made by RBI	Dr. 12.10
	Total	Dr. 44.29

Source: Finance Accounts, 2023-24.

As of 31 March 2024, there was a difference of ₹ 44.29 crore (debit) between the figures reflected in the accounts and the figures intimated by the RBI.

### 4.10 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 Government Accounting Standards Advisory Board (GASAB) in 2002 for formulating standards for government accounting and financial reporting which will enhance the quality of decision-making and public accountability. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified four 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 2023-24 are given in **Table 4.12.** 

**Table 4.12: Compliance with Indian Government Accounting Standards** 

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1: Guarantees Given by the Government – Disclosure requirements	This standard requires the government to disclose the maximum number 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 -Statement 9 and 20 in Finance Accounts	Details like no. of Guarantees in respect of each sector and class are not indicated.
2.	IGAS-2: Accounting and Classification of Grants-in- Aid	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 - Statement 10 of Finance Accounts	<ul> <li>(i) Information on GIA in kind has not been furnished by State Government.</li> <li>(ii) Grants-in-Aid for an amount of ₹0.54 crore was booked under Capital Head instead of Revenue Head.</li> </ul>

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	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 - Statement 7 & 18 of Finance Accounts	Loans whose principal repayments and interest payments are in arrears including loans pending since 2000, are not disclosed Loanee entitywise in Statement 18 (Section 2).  'Loans in perpetuity' not disclosed in Statement 7(Section 1).
4.	IGAS-4: Prior Period Adjustments	This Standard relates to disclosure of adjustments of errors in the current period (the financial year) under the cash basis of accounting.	Yet to be fully complied	Disclosures as prescribed under Annexure 1,2 and 3 of IGAS-4 are yet to be attached with State Finance Accounts.

### 4.11 Submission of Accounts 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 seven 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 4.13.** 

**Table 4.13: 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 up to	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board (MKVIB)	19 (3)	30 June of every year	2022-23	2023-24
Meghalaya State Electricity Regulatory Commission	19(2)	-do-	2023-24	-
Special Purpose Vehicle Society (SPVS)	20(1)	-do-	2022-23	2023-24
State Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	19(2)	-do-	2021-22	2022-23 2023-24
Meghalaya State Legal Services Authority (MSLSA)	19(2)	-do-	2020-21	2021-22 to 2023-24
Meghalaya Building & other Construction Workers Welfare Board (MBOCWWB)	19(2)	-do-	2022-23	2023-24
Meghalaya State Commission for Protection of Child Rights (MSCPR)	19(2)	-do-	New	2015-16 to 2023-24

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.

### 4.12 Departmental Commercial Undertakings/ Corporations/ Companies

According to Section 394 and Section 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 C&AG. 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. In terms of the Section 129(7), contravention of the provisions of the said Section shall be punishable with imprisonment upto one year term or with fine or with both.

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 Principal Accountant General (Audit) within a specified time frame.

However, the C&AG has not received 44 annual accounts of 23 Public Sector Undertakings (due up to 2023-24) for audit as of September 2024.

Age-wise pendency of these 44 accounts is given in **Table 4.14** and status of pending accounts in respect of five major departments is given in **Chart 4.3**.

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	23			
1-3	15			
3-6	6			
Total	44			

Department-wise details of accounts due from Public Sector Undertakings (due up to 2023-24) are given in *Appendix 4.3*.

Transport

Power

Forests & Environment

Commerce and Industries

Planning

0 2 4 6 8 10 12 14

No. of Accounts Pending

Chart 4.3: 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.

### 4.13 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, Resident Commissioner (New Delhi), cyber treasury, public works divisions (PWD) and forest divisions, apart from the RBI advice. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time. Further, some accounts of Forest Department are excluded from the monthly Civil Accounts submitted to the Principal Accountant General (A&E). The position of exclusion of monthly Civil Accounts during 2023-24 is shown in **Chart 4.4.** 

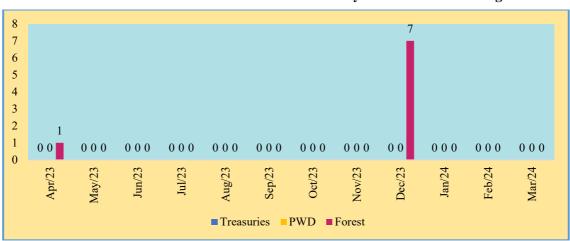


Chart 4.4: Number of accounts excluded from monthly Civil Accounts during 2023-24

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

As can be seen from the above, eight accounts of the Forest Department were excluded from monthly Civil Accounts during the year 2023-24 (Appendix 4.4). 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.

### 4.14 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 74 cases of theft, misappropriation and loss involving Government money amounting to ₹ 0.95 crore up to March 2024 on which final action was pending. A breakup of pending cases and age-wise analysis is given in **Table 4.15**.

Table 4.15: Pending cases of misappropriation, losses, theft, etc.

(₹ in lakh)

										(\ in iukn)
	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.							
Name of Department			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Department Action finalised/ Awaiting write off		Pending in the Court of Law	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Public Works	5	17.52	1	-	-	-	4	17.52	-	-
Horticulture	2	21.06	-	-	-	-	2	21.06	-	-
Community & Rural Development	2	4.76	1	1.73	1	3.02	-	-	-	-
Legislative Assembly	2	44.08	-	-	-	1	1	3.34	1	40.74
Land Record and Survey	1	1.56	-	-	-	ı	1	1.56	-	1
Mining & Geology	1	16.55	-	-	-	1	-	-	1	16.55
Finance	1	1.94	-	-	1	1.94	-	-	-	-
Health	3	0.65	-	-	3	0.65	-	-	-	-
Public Health Engineering	57	7.47			55	5.20	2	2.27		
Total	74 <sup>55</sup>	115.59	2	1.73	60	10.81	10	45.75	2	57.29

Source: Respective Departments of the Government of Meghalaya.

<sup>&</sup>lt;sup>55</sup> Out of 74 cases, in three cases (PWD: one case & Health: two cases) amount was not intimated.

Two cases involving the Meghalaya Legislative Assembly saw the highest misappropriation, with a total of ₹ 44.08 lakh out of the total amount of ₹ 115.59 lakh.

### 4.15 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 (PAC) 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 (SFAR) for the year ended 31 March 2023 was placed before the State Legislature on 30 August 2024. As per the PAC's instructions above, the administrative departments concerned are required to submit the *suo moto* explanatory notes within one month from 30 August 2024, the date of presentation of the Audit Report to the State Legislature.

The PAC has not taken up the Audit Report for discussion yet (December 2024).

### 4.16 Conclusion

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

As on 31 March 2024, 733 UCs for ₹ 4,835.93 crore were outstanding for submission. Major defaulting departments which have not submitted UCs are Community and Rural Development Department (₹ 1,471.97 crore, 30.43 per cent), Health and Family Welfare Department (₹ 1,417.27 crore, 29.31 per cent) and Education Department (₹ 1,245.14 crore, 25.74 per cent).

As of March 2024, 56 DCC bills amounting to ₹75.07 crore were outstanding. Major defaulting departments in this regard are the Election Department and Personnel and Administrative Reforms Department, where AC bills of ₹74.61 crore and ₹0.24 crore respectively remained unadjusted.

During 2023-24, the State Government booked an expenditure of ₹ 2,951.00 crore under 40 Major Heads of accounts constituting 13.98 *per cent* of the total Revenue and Capital expenditure of ₹ 21,113.08 crore. 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.

As of 30 September 2024, 44 annual accounts of 23 SPEs were in arrears. 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. There were also 74 instances of theft, misappropriation and loss involving Government money amounting to ₹ 115.59 lakh.

### 4.17 Recommendations

- Strict instructions to ensure submission of UCs in a timely manner to the Finance Department and Principal Accountant General (A&E), Meghalaya may be issued. Further disbursal of grants to Departments may strictly be linked to submission of UCs.
- Finance Department should, in consultation with the Principal Accountant General (A&E), review all items presently appearing under Minor Head 800 to ensure that all such receipts and expenditure are booked under the appropriate heads of account.
- Finance Department should issue strict instructions to ensure compilation and submission of Annual Accounts by Government Bodies, Authorities and Autonomous Bodies to enable this Office to audit them in a timely manner. Further, Financial assistance to those entities who have arrears of Annual Accounts should be linked to timely submission of Accounts to Principal Accountant General (Audit), Meghalaya.

(John K. Sellate)

Principal Accountant General (Audit), Meghalaya

Countersigned

New Delhi

**Shillong** 

The: 29 March 2025

The: 22 April 2025

(K. Sanjay Murthy)
Comptroller and Auditor General of India