CHAPTER III

Financial Reporting Practices

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This chapter provides broad based perspective of quality of the State Government Accounts rendered by various authorities of the State Government and status of compliance with prescribed Financial Rules, procedures and directives.

Compliance with Financial Rules, procedures and directives as well as the completeness, timeliness and quality of reporting on the status of such compliance enhances relevance and reliability of the information presented in the financial reports.

Issues related to completeness of accounts

3.1 Off Budget Borrowings through State owned PSUs/Authorities

Article 293(3) of the Constitution of India mandates consent of Government of India for a State Government's borrowing if it has any outstanding loans or guarantees from the Government of India. Further, the XV Finance Commission recommended that the normal net borrowing ceiling (NBC) to the State Governments for 2023-24 to 2025-26 may be fixed at three *per cent* of GSDP.

Bypassing the above stipulated net borrowing ceiling by routing loans outside budget through various State Government Public Sector Undertaking (SPSUs)/ Corporations/Other Bodies despite the State being responsible for repayment of such loans pose significant risk to fiscal health and transparency in the Government finances. Borrowing Ceilings for a financial year of the State Governments are being now reduced by GoI to extent of Off-Budget Borrowings (OBB).

The Meghalaya Fiscal Responsibility and Budget Management (FRBM) Act, 2006 outlined that the State Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest. This act requires the State to disclose its borrowings and other liabilities including Off-Budget Borrowings by PSUs, Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government allocations. Further, the Meghalaya Fiscal Responsibility and Budget Management Rules, 2006 provided that the 'Medium Term Fiscal Policy Statement (MTFPS)' laid before the Legislature along with Budget documents shall contain the three- year rolling targets with respect to revenue deficit as a percentage of total revenue receipts, fiscal deficit as percentage of GSDP and outstanding total liabilities[19] as percentage of GSDP, of the State Government.

For the year 2024-25, debt stock was targeted as 36.07 *per cent* of GSDP under MTFP and 28 *per cent* under FRBM Act. Besides, the Government of India had fixed borrowing ceiling

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[19] 'Total liabilities' means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State Budgets.

of ₹ 1,476.00 crore (three *per cent* of GSDP projected by XV FC) for the State during 2024-25.

State Government did not provide the details of Off-Budget Borrowings in its budget. Further, as per information furnished by the State Government, as on 31 March 2025, the outstanding Off-Budget Borrowing was ₹ 109.20 crore as detailed in **Table 3.1**. There was no information on new Off-Budget Borrowing during the year 2024-25.

Table 3.1: Details of off-budget borrowings as on 31 March 2025 as disclosed by the State Government

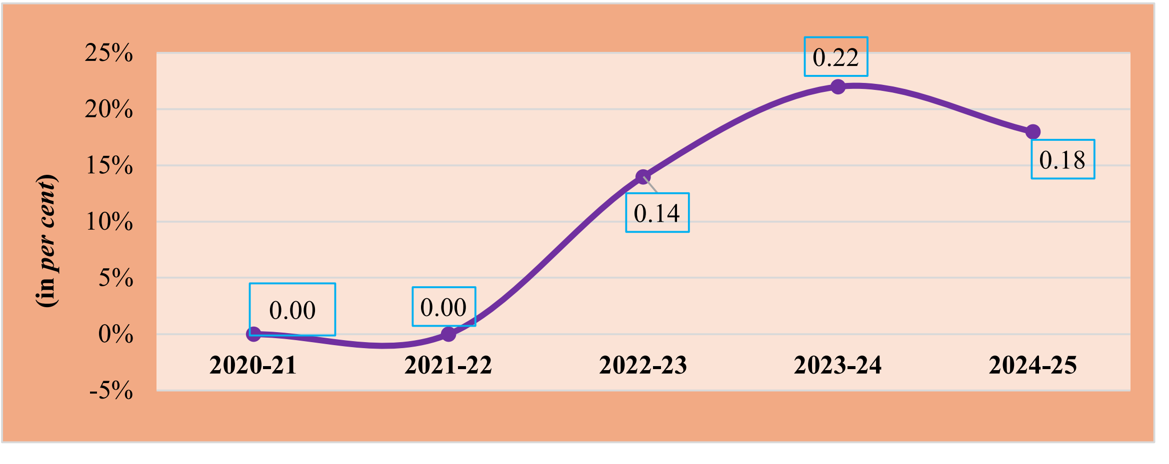
(₹ in crore)

Entities borrowed on behalf of Government	Loan Sanctioned	Loan disbursed	Purpose of loan	Outstanding loan as on 31 March 2025
Meghalaya Urban Development Authority	115.66	115.66	Construction of Business cum Tourism and Cultural Centre, Police Bazar, Shillong	109.20

Source: Information provided by the Finance Department, Government of Meghalaya.

Apart from the off-budget borrowings as depicted in **Table 3.1**, during examination of further information collected from the State PSUs/Corporations/Other Bodies[20] and relevant State Government sanction orders, Audit did not find the State Government routing additional loans outside the budget through various State PSUs/Authorities. Further, the State Government stated that it availed off budget borrowing only once during 2021-22 and the Government of India does not mandate to disclose OBB in the State Government Annual Budget documents/Annual Financial Statement during the Financial year 2020-21, when the State has availed OBB and since then there is no new off-budget borrowing by the State. Total outstanding off-budget borrowings as a percentage of GSDP is depicted in **Chart 3.1**.

Chart 3.1: Outstanding Off-Budget Borrowings as a percentage of GSDP as on 31 March 2025



[20] Out of (29) of SPSUs/Corporations/Autonomous Bodies under the audit jurisdiction of the Comptroller and Auditor General of India, (18) of SPSUs/Corporations/Autonomous Bodies provided information as 'Nil' regarding Off-Budget-Borrowings. Replies from the remaining 11 SPSUs, *etc.*, were awaited (January 2026).

These borrowings were serviced from the budget of the State Government. Out of ₹ 115.66 crore of Off-Budget Borrowings, borrowing of ₹ 6.43 crore and interest of ₹ 17.73 crore were repaid by borrowing entity through financial assistance of the State Government. This included repayment of off budget borrowing of ₹ 6.43 crore and interest of ₹ 10.54 crore during 2024-25 as detailed in **Table 3.2**.

Table 3.2: Details of assistance for payment of interest and repayment of principal during 2024-25

(₹ in crore)

Sl. No.	Name of the Entities	Assistance for payment towards interest Amount	Assistance for re-payment towards principal amount
		Amount	Amount
1	Meghalaya Urban Development Authority	7.15	

Source: Information provided by the Finance Department (EA).

Audit noticed that the State Government did not discharge its interest liability of ₹ 11.66 crore towards Off-Budget Borrowings during 2024-25 though due for repayment, which is yet to be repaid.

The State Government stated that interest involved was disclosed to the Government of India to arrive at the gross borrowings ceiling. However, the State Government made the repayment of principal also in 2024-25 from its budget. Further, the interest payments were booked as Grants-In-Aid (non-salary) instead of interest payments thereby understating interest payments by that extent.

As Off-Budget Borrowings have impact on the Revenue Deficit and Fiscal Deficit, and their non-disclosure has significant fiscal implications such as understated debt levels, hidden fiscal risks, and impact on borrowing ceilings, the State Government may take appropriate measures for full disclosure, proper classification of repayments and interest, and strict monitoring to prevent bypassing statutory borrowing limits and ensure transparency in fiscal reporting.

During the Exit Conference (January 2026), the State Government stated that Union Ministry of Finance had put in place a system wherein Off-Budget Borrowing was required to be disclosed and the same was adjusted within the borrowing limit fixed for the State Government.

3.2 Undischarged liabilities of the Government

Undischarged liabilities, such as non-transfer of collected cess to designated bodies or short remittances to the National Pension System (NPS), *etc.* can have significant long-term fiscal and governance implications. These unpaid obligations accumulate over time, creating hidden liabilities that distort the true financial position of the State. Further, delays in cess transfer hinder the intended development or welfare outcomes, defeating the purpose for which such levies were imposed. Similarly, short transfers to NPS not only violate statutory commitments but also compromise the financial security of employees. Over the years, such practices can erode trust, trigger legal liabilities and increase future expenditure obligations, thereby, constraining fiscal space and weakening fiscal sustainability. Such cases are discussed in succeeding paragraphs.

3.2.1 Undischarged Interest liability

The Government has a liability to provide and pay interest on the amounts in the interest-bearing Deposits/Reserve Funds.

Audit observed that ₹ 13.60 crore was required to be paid as interest on the balance of ₹ 249.00 crore lying under interest bearing Deposits/Reserve Funds as on 01 April 2024 as shown in **Table 3.3**. Non-payment of interest liability has resulted in overstatement of Revenue Surplus and Fiscal Deficit to that extent.

Table 3.3: Details of interest liability not discharged in respect of Interest-bearing Deposits/Reserve Funds

(₹ in crore)

Sl. No.	Name/Head of the interest-bearing deposit	Opening Balance as on 01 April 2024	Basis for calculation of interest	Amount of interest not provisioned/paid
1.	Defined Contribution Pension Scheme for Government employees	1.15	Interest calculated at the rate of 8 *per cent* as notified by the State Government.	0.24
2.	State Compensatory Afforestation Fund	194.65	Interest calculated at the rate of 3.35 *per cent* as notified by the Ministry of Environment, Forest & Climate Change, Govt. of India	6.65
3.	State Disaster Respond Fund (SDRF)	38.54	Interest calculated at the rate of 8.46 *per cent* by taking into account the interest rate on overdraft during 2024-25	5.47
4.	State Disaster Mitigation Fund (SDMF)	14.66	Interest calculated at the rate of 8.46 *per cent* by taking into account the interest rate on overdraft during 2024-25.	1.24
Total		**249.00**		**13.60**

Source: Finance Accounts 2024-25.

As not crediting due interest of ₹ 13.60 crore to the duly constituted interest bearing reserve funds and deposits, distorts the true financial position of the State by understating Revenue Expenditure and by creating hidden liabilities by that extent and also amounts to breach of established regulatory provisions for Defined Contribution Pension Scheme for Government employees, State Compensatory Afforestation Fund, State Disaster Respond Fund and State Disaster Mitigation Fund (SDMF), the State may ensure accurate provisioning of interest in future accounts, timely transfer of interest amounts, and close scrutiny of compliance with relevant coal provisions to ensure transparent and truthful presentation of State Finances.

During the Exit Conference (January 2026), the State Government stated the matter would be taken into consideration and appropriate provisions would be made in future.

3.2.2 Short contribution in National Pension System

The State Government introduced the Defined Contribution Pension Scheme (DCPS) under the New Pension Scheme now called National Pension System (NPS) for employees joining Government service on or after 1st April 2010, with employee contribution of 10 *per cent* of his/her salary plus dearness allowances and matching contribution of the Government.

In 2024-25, ₹ 126.66 crore (employee share) and ₹ 127.44 crore (employer share) were booked, but against a Public Account balance of ₹ 255.25 crore, only ₹ 254.04 crore was transferred to NSDL/Trustee Bank, leaving ₹ 1.21 crore un-transferred. This led to a short transfer of ₹ 1.21 crore to NSDL, understating the fiscal and overstating revenue surplus.

Between 2010-11 and 2024-25, total receipts under DCPS were ₹ 1,300.39 crore (employee: ₹ 649.65 crore, employer: ₹ 650.52 crore) while only ₹ 1,299.17 crore was transferred to the pension fund, resulting in a cumulative short transfer of ₹ 1.21 crore. The details of the receipts from employees' share, Government's contribution are given in **Appendix 3.1**. Additionally, due to delays in contributions and fund transfers, the State Government incurred avoidable interest of ₹ 0.24 crore, adversely affecting employee returns and creating a deferred liability.

Since untransferred receipts under DCPS constitute accumulated undischarged obligations, it is essential for the State to ensure timely fund transfers, regular reconciliation of employee records, and strict adherence to statutory timelines to prevent future accumulation of liabilities and ensure transparent pension management.

3.2.3 Non-transfer of Building and Other Construction Workers Welfare Cess

As per Section 3(1) of the Building and Other Construction Workers Welfare Cess Act, 1996, and in line with Government of Meghalaya order dated 30 March 2011, labour cess was to be collected at the rate of one *per cent* of the cost of construction incurred by employers/builders, excluding the cost of land and any compensation paid or payable to a worker or his kin under the Workmen Compensation Act, 1923. All Departments, Boards, Autonomous Bodies, and Local Authorities were directed to collect this cess on all construction activities, including from individuals with approved residential building plans costing ₹ 25.00[21] lakh or more, and deposit the same with the States' Building and Other Construction Workers' Welfare Board. The collected cess is meant to be utilised for social security and welfare schemes for construction workers in the State.

In terms of the Government of Meghalaya order dated 30 March 2011, cess amount is required to be collected within the prescribed timelines[22] by the respective Government

[21] This is ₹ 10.00 lakh or more in case of individuals buildings within the jurisdiction of Shillong Cantonment Board vide notification dated 04.02.2015.

[22] This timeline is 30 days of the completion of the project or 30 days of the previous financial year in case of any building or other construction works carried out by government departments public undertakings and other government bodies. In case of private constructions, the cess is required to be collected up front by the local authorities while approving the building plans.

Departments, public undertakings and other Government bodies and local authorities and remitted to the Board within 30 days of its collection by way of Account payee cheque drawn in favour of the Board. The cess collected is not routed through the Public Accounts of the State.

During the year 2024-25, ₹ 59.72 crore was received by the Board. As non-transfer of the collected cess adversely impacts the intended welfare and social security of building, the State Government may ensure timely remittance of collected cess to the Board.

3.2.4 National Mineral Exploration Trust Fund

The National Mineral Exploration Trust (NMET) was established in August 2015 under Section 9C of the MMDR Act, 1957. As per Section 9C (4) of this Act, holder of a mining lease or a mineral concession are required to contribute two *per cent* of the royalty paid to the trust. As per the NMET Rules, the State Government is responsible for collecting these contributions, depositing them in the Public Account under Major Head '8449–123–NMET Deposits', and transferring the funds monthly to the Consolidated Fund of India as early as possible and in any case, not later than the tenth day of the succeeding month in respect of the amount collected in any particular month.

In the year 2024-25, ₹ 1.79 crore was deposited under this head, but only ₹ 1.77 crore was transferred to the NMET by the State Government resulting in short transfer of ₹ 0.02 crore. As on 31st March 2025, there was balance of ₹ 0.19 crore under Major Head 8449-123, which was yet to be transferred to the NMET. The Cash Balance of the State is overstated to that extent.

As any short transfer such as ₹ 0.19 crore up to the year 2024-25 leads to overstated cash balances, delays national mineral exploration funding, and compliance lapses, the State may ensure timely remittances and accurate financial reporting through measures like automating monthly transfers, reconciling NMET accounts regularly, designating responsible officers, and integrating NMET payments into treasury systems.

3.2.5 State Mineral Exploration Trust

The Ministry of Mines, Government of India, vide its letter dated 19 November 2024, advised all State Governments to establish a State Mineral Exploration Trust (SMET) on the lines of the National Mineral Exploration Trust (NMET), as mandated under clause (g) of sub-section (1A) of Section 15 of the Mines and Minerals (Development and Regulation) Act, 1957.

However, the Government of Meghalaya is yet to establish such a SMET.

3.2.6 Pendency of refund cases

Promptness in disposal of refund cases is an important indicator of performance of the Department. The number of refund cases pending at the beginning of the year 2024-25, claims received during the year, refunds made during the year and cases pending at the end of the year 2024-25, as reported by Taxation Department are given in **Table 3.4**

The details of refund cases during the year 2024-25, as reported by the Departments concerned are at **Table 3.4**.

Table 3.4: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales Tax/VAT	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	59	2.60	17	5.40
2.	Claims received during the year	197	114.12	0	00
3.	Refunds made during the year	110	11.54	3	0.62
4.	Refunds rejected during the year	69	70.66	00	00
5.	Balance outstanding at the end of year	77	34.52	14	4.78

Source: Departmental information.

Table 3.4 highlights that refunds in 110 cases (involving monetary value of ₹ 11.54 crore) out of 276 GST refund claims and three cases (involving monetary value of ₹ 0.62 crore) out of 17 Sales Tax/Value Added Tax (VAT) claims were made during the year. As the Meghalaya Value Added Tax Act, 2003 provides for the payment of interest at the rate of eight *per cent* per annum if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund as well as Meghalaya GST Act, 2017 prescribes payment of interest at a rate not exceeding six *per cent* when refund is not paid within 60 days from the date of application for refund, the State may take initiative to dispose of the pending refund cases in a time-bound manner.

3.3 Funds outside Government Accounts

3.3.1 Maintenance of Meghalaya Electricity Regulatory Commission fund in Bank Accounts instead of Public Account

Article 266(2) of the Constitution of India provides that 'All other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State'. The Meghalaya State Electricity Regulatory Commission (MSERC) was constituted under the Electricity Act, 2003 (the Act,). Section 103 of the Act, stipulates creation of a fund called 'State Electricity Regulatory Commission Fund' wherein receipts[23] of the commission are to be credited and expenses therefrom are to be made.

The Government of Meghalaya enacted the Meghalaya State Electricity Regulatory Commission (Fund) Rules, 2013 (hereafter referred to as the Fund Rules), and in terms of Rule 3, a fund called MSERC Fund is shall be opened as a non-lapsable and non-interest-bearing account under the Public Account of State for accommodating such receipts and making expenses therefrom. Further, under Rule 5 and Rule 6 of the Rules *ibid*, MSERC is permitted to open a bank account to which release from the Fund against its annual budget, is allowed twice (in April and September) in a financial year to meet its expenses. The fund is to be operated by Drawing and Disbursing Officer of the MSERC.

[23] (a) Any grants and loans given to the State Commission by the State Government; (b) all fees received by the State Commission under this Act; and (c) all sums received by the State Commission from such other sources, as may be decided upon by the State Government.

In deviation from the rules *ibid*, funds were kept in a bank account without routing through Public Accounts of the State and as of March 2025, ₹ 3.30[24] crore remained in the bank account instead of the Public Account of the State. Resultantly, not only did the constitutional mandate as well as the statutory requirement stood violated, but also the Public Account balance was also understated by ₹ 3.30 crore, which could have helped to finance the Fiscal Deficit. In this context, it may be mentioned that funds of Central Electricity Regulatory Commission are kept in Public Account of the Government of India.

The State may ensure the receipts of the MSERC, and the expenditure therefrom are routed through the Public Accounts of the State, in terms of the constitutional stipulation and statutory provisions so that funds lying unutilised with the MSERC could be better integrated into the State budget to enhance accountability and such funds are reflected accurately in Government finances.

Issues related to transparency

3.4 Delay in submission of Utilisation Certificates

Rule 515 read with Appendix 14 of the Meghalaya Financial Rules, 1981, prescribes that where grants-in-aid are sanctioned and cases in which conditions are attached to the utilisation of grants-in-aid in the form of specification of particular objects of expenditure or the time within a reasonable time which the money must be spent or otherwise, the departmental officer on whose signature or countersignature the grants-in-aid bill was drawn should be primarily responsible for certifying to the Principal Accountant General (Accounts & Entitlement), Meghalaya, the fulfilment of the conditions attached to the grants-in-aid. If no time limit has been fixed by the sanctioning authority, the grants is to be spent within a reasonable time which is one year from the date of issue of the letter sanctioning the grant.

During the year 2024-25, UCs amounting to ₹ 4,321.87 crore became due for submission (grant-in-aid bills drawn during 2023-24 up to 31 March 2024). In addition to that, UCs amounting to ₹ 4,835.93 crore were outstanding at the beginning of the year. Thus, UCs amounting to ₹ 9,157.80 crore were due during the year for the period up to 31.03.2025 (GIA bills drawn up to 31 March 2024). Out of these, 532 UCs amounting to ₹ 3,729.26 crore were cleared, leaving outstanding UCs of ₹ 5,428.54 crore as on 31 March 2025 as given in **Table 3.5**.

Table 3.5: Age-wise pendency of Utilisation Certificates

(₹ in crore)

UC due year*	Number of pending UCs	Amount
Prior to 2019-20	51	532.35
2019-20	11	113.88
2020-21	36	187.56
2021-22	81	477.85
2022-23	190	1,177.55

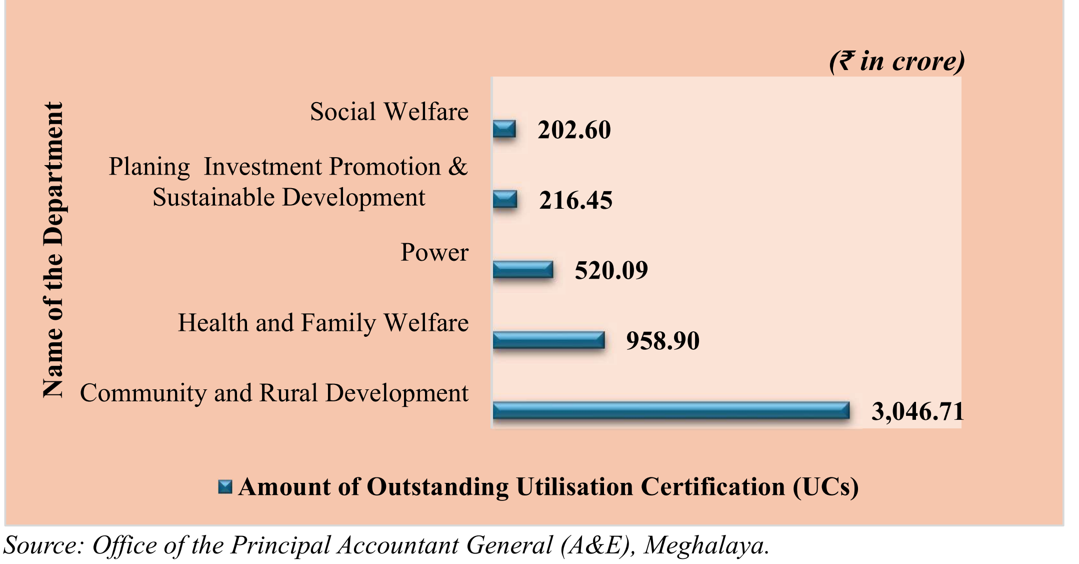
[24] ₹ 2.18 crore in current with MOD facilities; ₹ 0.08 crore in current account and ₹ 1.04 crore saving bank account of bank.

UC due year*	Number of pending UCs	Amount
2023-24 (GIA bills drawn up to 31 March 2024)	408	2,939.35
Total	**777****	**5,428.54****

Source: Finance Accounts 2024-25 and Office of the Principal Accountant General (A&E), Meghalaya.

**The year mentioned above relates to "Due year", i.e., after one year of actual drawal.*
***Outstanding UC includes 95 Nos. involving ₹ 2,124.37 crore relating to CSS.*

Chart 3.2: Outstanding UC in respect of five major Departments as on 31 March 2025



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

Chart 3.2 highlights that, in terms of amount of outstanding UCs, 56.12 *per cent* of the outstanding UCs were in respect of Community and Rural Development Department followed by Health and Family Welfare Depart with 17.66 *per cent* and Power Department with 9.58 *per cent*.

This indicates lack of internal control of the Administrative Departments and tendency of the Government to disburse fresh grants without ascertaining proper utilisation of the earlier grants. 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. Since non-submission of UCs is fraught with the risk of mis-utilisation, it is imperative that the State Government monitor this aspect closely and hold the persons concerned accountable for submission of UCs in a timely manner. 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.

During the Exit Conference (January 2026), it was agreed to revisit the inclusion of UCs in respect of CSS as CSS UCs are submitted to the Central Government.

3.5 Abstract Contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head.

Rule 232 of the Meghalaya Treasury Rules (MTR), 1985 allows drawing of contingent charges 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. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

The details of AC bills, pending adjustment, as on 31 March 2025 is given in **Table 3.6**.

Table 3.6: Age-wise pending adjustment of AC bills

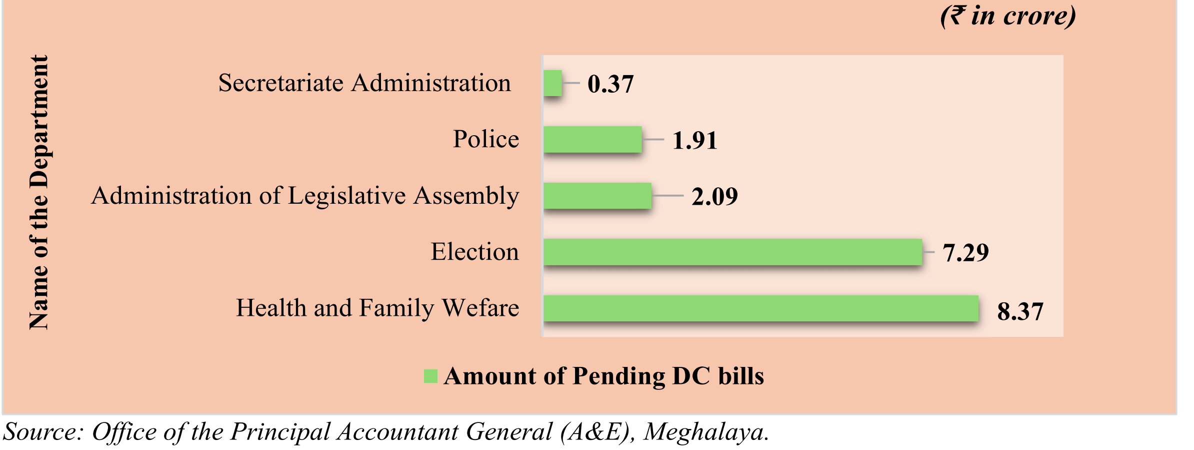
(₹ in crore)

Due Year	No. of AC bills	Amount
2021-22	1	0.07
2022-23	2	0.88
2023-24	17	17.44
2024-25	09	2.00
Total	29	**20.39**

Source: Finance Accounts 2024-24 and Office of the Principal Accountant General (A&E, Meghalaya.

It was observed that 74 AC bills amounting to ₹ 5.63 crore (9.82 *per cent*) were drawn in March 2025, out of which 26 AC bills amounting to ₹ 1.49 crore were adjusted up.

Chart 3.3: Pending DC Bills in respect of five major Departments



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

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 DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final. The State Government may put in place a mechanism like e-Advance systems 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.

3.6 Personal Deposit Accounts

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. Under the List of Major and Minor Heads of Accounts of Union and States, Personal Deposits are of the nature of deposits not bearing interest opened under 8443-Civil Deposits-106-Personal Deposits.

During the year 2024-25, 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*.

3.7 Operation of Minor Head-800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Regular operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. 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.

During the year 2024-25, ₹ 1,833.99 crore under 33 Major Heads of account, constituting 8.21 *per cent* of the total Revenue and Capital expenditure ₹ 22,327.17 crore) was classified under the Minor Head-800-Other Expenditure in the accounts. Of these, ₹ 273.94 crore under one Major Heads was classified under Minor Head-800-Other Expenditure despite availability of appropriate Minor Heads thereunder, as detailed in **Table 3.7**.

Table 3.7: Expenditure misclassified under Minor Head 800-Other Expenditure during 2024-25

Details of head under which booking was wrongly classified	Amount	Nature of expenditure	Correct classification
5054-04-800-03- Construction of Rural Roads	273.94	Capital	337-Road Works

Source: Finance Accounts and VLC data maintained by the Principal Accountant General (A&E), Meghalaya.

Similarly, ₹ 56.44 crore under 32 Major Heads of Account, constituting 0.33 *per cent* of the total Revenue Receipts (₹ 17,153.91 crore) was classified under 800-Other Receipts in the accounts. Of these, ₹ 11.21 crore under two Major Heads was classified under Minor Head-800-Other Receipts despite availability of appropriate Minor Heads thereunder as detailed in **Table 3.8**.

Table 3.8: Receipts misclassified under Minor Head 800-Other Receipts during 2024-25

(₹ in crore)

Details of head under booking was wrongly classified	Amount	Nature of Receipt	Correct classification
0853 - 00 - 800 - (04) Royalties/Dead Rent on Minor Minerals	11.19	Revenue	0853 - 00 - 107 - Minor Mineral Concession Fees, Rents and Royalties
0215 - 01 - 800 - (04) Fines and confiscations	0.02	Revenue	0215 - 01 - 104 - Fees, Fines, *etc.*
Total	**11.21**		

Source: Finance Accounts and VLC data maintained by the Principal Accountant General (A&E), Meghalaya.

As practice of regular operation of Minor Head-800 reduces transparency, obscures financial reporting, and hampers meaningful analysis of budget priorities, the State may ensure strict adherence to classification norms, regular review of entries under Minor Head-800, and necessary corrections in the accounts to ensure clarity and accountability in financial reporting.

Issues related to measurement

3.8 Outstanding balance under major Suspense and DDR Heads

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. Significant suspense items balance for the last three years have been shown in **Table 3.9**.

Table 3.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Name of Minor Head	2022-23		2023-24		2024-25	
Major Head 8658: Suspense Accounts						
	Dr	Cr	Dr	Cr	Dr.	Cr.
101- Pay and Accounts Office - Suspense	162.99	101.29	185.18	120.57	149.15	120.66
Net	**Dr.61.70**		**Dr. 64.61**		**Dr 28.49**	
102- Suspense Account (Civil)	4.72	0.06	4.09	0.06	27.62	27.61
Net	**Dr. 4.66**		**Dr 4.03**		**Dr 0.01**	
109- Reserve Bank Suspense - Headquarters	23.45	9.67	24.39	9.64	29.06	9.07
Net	**Dr.13.78**		**Dr. 14.75**		**Dr 19.99**	
110-Reserve Bank Suspense - Central Accounts Office	122.19	48.09	99.82	23.30	96.37	95.33
Net	**Dr.74.10**		**Dr. 76.52**		**Dr 1.04**	
112-Tax Deducted at source (TDS) Suspense	0.01	9.36	0.11	9.46	0.12	10.71
Net	**Cr.9.35**		**Cr. 9.34**		**Cr 10.59**	
123- A.I.S Officers' Group Insurance Scheme	0.31	0.40	0.31	0.41	0.32	0.43
Net	**Cr.0.09**		**Cr. 0.10**		**Cr 0.11**	
139- GST-Tax Deducted at source Suspense	-	-	872.34	1,371 .15	13.22	20.31
Net			**Cr 498.81**		**Cr 7.09**	
Major Head: 8782 Cash Remittances						
101 Cash Remittances between Treasuries and Currency Chests	1,097.47	1,097.44	1,097.47	1,097.44	1097.35	1097.35
Net	**Dr. 0.03**		**Dr. 0.03**		**-**	
102- Public Works Remittances	32,081.96	32,223.18	34,965.28	35,102.58	38,405.84	38,543.31
Net	**Cr.141.22**		**Cr. 137.30**		**Cr.137.47**	
103-Forest Remittances	34,441.50	34,522.91	4,611.18	4,553.91	4,937.83	4,881.79
Net	**Cr.81.41**		**Dr. 57.27**		**Dr 56.04**	
Major Head: 8793 Inter-State Suspense Account						
-	6.33	7.79	6.97	7.79	4.85	7.79
Net	**Cr. 1.46**		**Cr. 0.82**		**Cr 2.94**	

Source: Finance Accounts of respective years.

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.

3.9 Reconciliation of Departmental figures

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, Budget Manual stipulate that Chief Controlling Officers (CCOs)/Controlling Officers (COs) are required to reconcile every month, the receipts and expenditure recorded in their books with the figures of the Principal Accountant General (A&E), Meghalaya.

The status of reconciliation of figures by the Controlling Officers is given in **Table 3.10** and **Chart 3.4**.

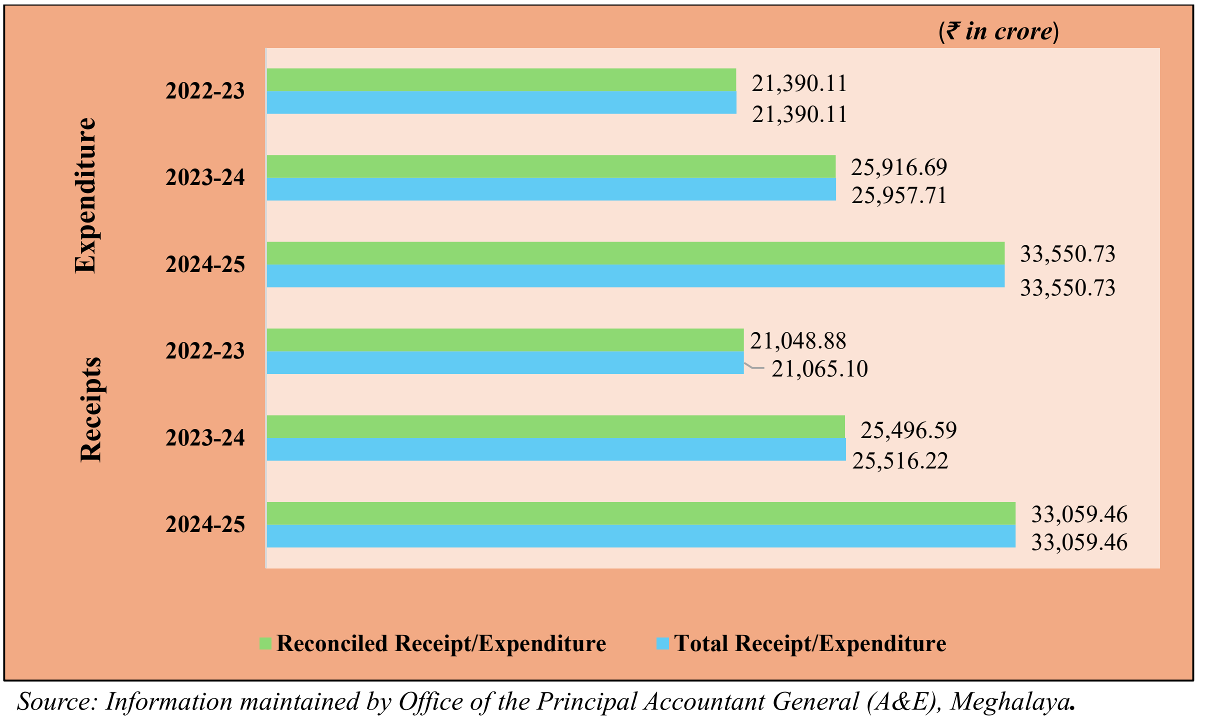
Table 3.10: Status of Reconciliation of Receipts and Expenditure by Controlling Officers

(₹ in crore)

Year	Total No. of Controlling Officers	No. of Controlling Officers reconciled their receipts/ expenditure		
		Fully reconciled	Partially reconciled	Not reconciled
Receipts				
2022-23	55	21.048.88	-	1.15
2023-24	54	25,496.59	15.07	5.16
2024-25	54	33,059.46	-	-
Expenditure				
2022-23	63	21,390.11	-	-
2023-24	62	25,916.69	22.00	19.02
2024-25	62	33,550.73	-	-

Source: Information maintained by office of the Principal Accountant General (A&E), Meghalaya.

Chart 3.4: Status of Reconciliation of Receipts and Expenditure during the year 2022-25



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

Chart 3.4 depicts that entire receipts as well as expenditure for the year were reconciled by Chief Controlling Officers (CCOs)/Controlling Officers (COs) recorded in their books with the figures of the Principal Accountant General (A&E), Meghalaya

3.10 Reconciliation of Cash Balances

As per accounts of the Principal Accountant General (A&E), Meghalaya, the Cash Balance of the State Government as on 31 March 2025 was ₹ 44.41 crore (Debit) while the same was reported as ₹ 2.62 crore (Credit) by the Reserve Bank of India. As such, there was an unreconciled difference of ₹ 41.79 crore (Debit), which was under reconciliation between the Principal Accountant General (A&E), Meghalaya and the State Government. This difference was ₹ 45.71 crore (Debit) in 2020-21, ₹ 111.46 crore (Credit) in 2021-22, ₹ 45.03 crore (Debit) in 2022-23, ₹ 44.29 crore (Debit) in 2023-24.

After integration of e-Kuber system (of the RBI) with State Integrated Financial Management System (IFMS) for payments in the State, the difference in reported transactions is also because the State IFMS reports are on transaction date basis whereas the e-Kuber system reports the transactions on scroll date basis.

The persistence of such differences has significant implications for cash management and fiscal reporting accuracy. Therefore, the State may strive for timely and coordinated reconciliation efforts between State Treasury, Office of the Principal Accountant General (A&E), Meghalaya, and RBI to ensure the integrity and reliability of cash balance figures in government accounts.

3.11 Unspent amount lying with divisional officers

As per Codal provisions, funds received by Public Works Divisions towards Deposit Works from Non-Government agencies are required to be credited under Minor Head '108 - Public Works Deposits' below Major Head '8443 – Civil Deposits'. The expenditure for related Deposit Works is also met from the same head of account. In the Monthly Divisional Accounts unremitted amount of such deposits are classified under Major Head '8671 - Departmental Balances, 101 – Civil', by the Public Works Divisions, under Public Account of the State and then form part of the Government Accounts. However, the funds received towards Deposits Works are being kept in the bank accounts of Divisional Officers operated by PW Divisions instead of remitting them into the Government Accounts and thus, are not forming part of Cash Balance of the State with Reserve Bank of India.

As on 31 March 2025, an amount of ₹ 34.27 crore was lying in the bank accounts of 30 Divisional Officers of PHE Department. Had the funds been deposited in the treasury, the same would have impacted on the daily Cash Balance of the State Government.

Department-wise details of the amounts lying in bank accounts operated by Divisional Officers is detailed in **Table 3.11.**

Table 3.11: Details showing unspent amount lying with Divisional Officers

(₹ in crore)

Sl. No.	Name of Department	Number of Divisional Officers operating Bank Accounts	Amount lying in Bank Accounts
1	Public Works (Roads)	1	-
2	Water Resources	1	-
3	Public Health Engineering (PHE)	30	34.27
Total		**32**	**34.27**

Source: Finance Accounts.

Maintaining funds in divisional bank accounts outside the Government treasury violates codal provisions which results in non-reflection of significant sums in the State's Cash Balance with the Reserve Bank of India (RBI) and weakens financial oversight. The State may ensure immediate transfer of such funds to treasury accounts under the designated heads, strict monitoring of compliance, and systemic reforms to ensure all Government receipts and deposits are properly accounted for in the State's financial records.

Issues related to disclosure

3.12 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 (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified four Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by the State Government as well as deficiencies therein during 2024-25 is detailed in **Table 3.12**.

Table 3.12: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1	Guarantees Given by the Government – Disclosure requirements	Complied - Statement 9 and 20 of Finance Accounts.	-
2.	IGAS-2	Accounting and Classification of Grants-in-aid	Partly complied Statement 10 of Finance Accounts.	(i)Information on GIA in kind has not been furnished by State Government. (ii)GIA for an amount of ₹1.00 crore was booked under Capital Head instead of Revenue Head.
3.	IGAS-3	Loans and Advances made by Government	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 entity-wise in Statement 18 (Section 2). ‘Loans in perpetuity’ not disclosed in Statement 7 (Section 1).
4	IGAS-4:	Prior period adjustments	Complied-Statement 13 of Finance Accounts.	-

Source: Finance Accounts.

As non-compliance to the prescribed Government Accounting Standards has significant implications on the accuracy, transparency, and comparability of government accounts, the State may take corrective actions including training for accounting staff, improved coordination with the AG office, and strict adherence to prescribed standards to ensure high-quality financial reporting.

3.13 Submission of accounts of Autonomous Bodies

As on 31 March 2025, 16 accounts in respect of five Autonomous Bodies (ABs) are pending as detailed in **Table 3.13**.

Table 3.13: Arrears of accounts of Autonomous Bodies as on 31 March 2025

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1	Special Purpose Vehicle Society (SPVS)	2023-24	1
2	State Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2022-23	2
3	Meghalaya State Legal Services Authority (MSLSA)	2022-23	3
4	Meghalaya Building & other Construction Workers Welfare Board (MBOCWWB)	2023-24	1
5	Meghalaya State Commission for Protection of Child Rights (MSCPR)	2015-16	9
Total			**16**

Source: Departmental data/information.

Since delayed submissions of Annual Accounts have significant implications such as reduced transparency, hindered financial oversight, and potential misuse of public fund as the State Government provides funds to these bodies in the form of equity, loans, grants or subsidy, the State Government may ensure timely submission of accounts, regular monitoring by administrative departments, and addressing capacity constraints within these bodies to ensure accurate and up-to-date financial reporting critical for informed decision-making and legislative scrutiny.

Other Issues

3.14 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.

As on 31 March 2025, 86 cases of misappropriation, losses, theft, *etc*. involving ₹ 268.08 lakh were pending. The department-wise break-up of pending cases is given in **Table 3.14**.

Table 3.14: Details of pending cases of misappropriation, losses, theft, *etc*.

(₹ in lakh)

Name of Department/ Corporation	Cases of misappropriation/ losses /theft		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, *etc.*					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Mining and Geology	1	16.55	-	-	-	-	1	16.55
Water Resources	4	13.82	2	10.10	2*	3.72	-	-
Labour. Employment & Skill Development	1	172.90	1	172.90	-	-	-	-
Horticulture	3	8.64	-	-	2*	6.64	1	2.00
Textile	1	32.00	-	-	1	32.00	-	-
Public Health Engineering	76	24.17	55	5.92	5	8.81	16	9.43
Total	**86**	**268.08**	**58**	**189.92**	**10**	**51.17**	**18**	**27.98**

Source: Departmental Information.
** Pending in the court of law.*

Out of the total 86 cases, in respect of 10 cases amounting to (₹ 51.17 lakh), departmental action had been initiated but not finalised, while in 58 cases (₹ 189.92 lakh), departmental and criminal proceedings were pending and in 18 cases (₹ 27.98 lakh) criminal proceedings finalised but recovery of the amount is pending.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table 3.15**.

Table 3.15: Profile of misappropriations, losses, defalcations, *etc*.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases	Number of cases	Amount involved
Range in years	Number of cases	Amount involved			
0-5	24	207.90	Theft	64	195.98
5-10	3	33.90	Misappropriation/Loss of material	21	55.55
10-15	2	0.59	Cases of Losses Written off during the year	1	16.55
15 and above	57	26.50			
Total	**86**	**243.91**	**Total**	**86**	**268.08**

Source: Departmental Information.

Out of the total cases, 64 cases amounting to ₹ 195.98 lakh were related to theft of Government money/stores, whereas 21 cases involving ₹ 55.55 lakh pertained to misappropriation/loss of Government material. Of the total cases, 59 cases amounting to ₹ 27.09 lakh were pending for more than ten years.

58 cases out of the total 86 cases were at the stage of either awaiting departmental and criminal investigation or departmental action initiated but not finalised as well as 57 cases pending for over 15 years, suggests systemic weaknesses in internal controls, delayed departmental or criminal proceedings and financial risks of unresolved recoveries. The State Government may put in place stricter timelines for investigations and resolution, stronger internal controls to prevent future occurrences, and periodic monitoring by higher authorities to ensure timely action and accountability for safeguarding public resources.

3.15 Follow up action on State Finances Audit Report

In every State, the Public Accounts Committee (PAC)/Finance Department require the line departments to provide a *suo-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line departments are also required to provide Action Taken Notes (ATNs) to the Principal Accountant General (Audit) (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

The matter regarding non submission of replies was discussed by PAC in different meetings who directed the Finance Department for submission of replies of State Finances Audit Reports. Replies for State Finances Audit Report for the years up to 2023-24 continue to be received though the prescribed time limit is often breached. The State Finances Audit Report for the year 2019-20 (paragraphs pertaining to excess expenditure) was discussed in a PAC meeting but discussion on State Finances Audit Report for the years 2008-09 to 2012-13, 2014-15 to 2018-19 and 2020-21 to 2023-24 is still pending.

As delays in submitting Explanatory Notes and Action Taken Notes by departments undermine legislative oversight and timely corrective action having implications for accountability and governance, the State Government may take suitable steps for stricter enforcement of timelines for submission of departmental responses, regular monitoring by the Finance Department, to ensure audit findings are addressed and reforms implemented promptly.

3.16 Conclusion

Off-budget borrowing of ₹ 115.66 crore was taken in the year 2021-22 through Meghalaya Urban Development Authority (MUDA) which was not disclosed in the State budget. Out of this, principal of ₹ 6.43 crore and interest of ₹ 17.73 crore had been repaid up to 2024-25. The principal amount of ₹ 6.43 crore was repaid during 2024-25 along with interest of ₹ 10.54 crore.

Undischarged liabilities created due to non-payment of prescribed interest ₹ 13.60 crore on the amounts in the interest-bearing Deposits/Reserve Funds, short transfer of ₹ 1.21 crore National Pension System (NPS) contribution and short transfer of National Mineral Exploration Trust (NMET).

Utilisation Certificates amounting to ₹ 5,428.54 crore as on 31 March 2025 (777 UCs), were outstanding, indicating lack of internal control of administrative departments and tendency of the Government to disburse fresh grants without ascertaining proper utilisation of the earlier grants.

Detailed Contingent bills amounting to ₹ 20.39 crore (29 DC bills) were also pending.

During the year 2024-25, ₹ 1,833.99 crore under 33 Major Heads of account, constituting 8.21 *per cent* of the total Revenue and Capital expenditure (₹ 22,327.17 crore) was classified under the Minor Head-800-Other Expenditure in the accounts. Similarly, ₹ 56.44 crore under 32 Major Heads of Account, constituting 0.33 *per cent* of the total Revenue Receipts (₹ 17,153.91 crore) was classified under 800-Other Receipts in the accounts.

As on 31 March 2025, 16 accounts in respect of five State Autonomous Bodies (ABs) were pending.

Further, in respect of 86 cases of misappropriation, losses, theft, *etc*. involving ₹ 2.68 crore, action for settlement had remained pending for long periods.

3.17 Good Practices

Full reconciliation of departmental receipts and expenditure with the Principal Accountant General (A&E) figures during 2024-25. All Controlling Officers in Meghalaya fully reconciled both receipts (₹ 33,059.46 crore) and expenditure (₹ 33,550.73 crore) with the figures booked by the Principal Accountant General (A&E), Meghalaya.

3.18 Recommendations

- *State Government may take suitable measures for full disclosure, proper classification of repayments and interest, and strict monitoring to prevent bypassing statutory borrowing limits, as envisaged in the MFRBM Act, 2006 to ensure greater transparency in its fiscal operations in public interest.*
- *As off-budget borrowings have impact on the Revenue Deficit and Fiscal Deficit, and their non-disclosure has significant fiscal implications such as understated debt levels, hidden fiscal risks, and impact on borrowing ceilings, the State Government may take appropriate measures for full disclosure, proper classification of repayments and interest, and strict monitoring to prevent bypassing statutory borrowing limits and ensure transparency in fiscal reporting.*
- *State Government may ensure accurate provisioning and timely transfer of interest on the amounts in the interest-bearing Deposits/Reserve Funds, NPS contributions and NMET transfers.*
- *State Government may institute a 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 may review the classification of schemes being made under the omnibus Minor Head 800 in the light of their depiction in the LMMHA and after consultation with the Principal Accountant General (A&E), classify them appropriately as per existing LMMHA, or seek addition of new Minor Heads, to bring transparency in Accounts.*

Shillong **(Lhunkhothang Hangsing)**
The: 09 March 2026 **Principal Accountant General (Audit), Meghalaya**

Countersigned

New Delhi **(K. Sanjay Murthy)**
The: 12 March 2026 **Comptroller and Auditor General of India**