

## CHAPTER - III

### FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The 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. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

#### 3.1 Delay in furnishing Utilization Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 12 months from the date of their sanction unless specified otherwise. However, of the 2,179 UCs due in respect of grants and loans aggregating Rs.525.42 crore paid up to 2008-09 1,615 UCs (74 per cent) for an aggregate amount of Rs.265.84 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix-3.1**. The age-wise delays in submission of UCs are summarized in **Table-3.1**.

**Table-3.1: Age-wise arrears of Utilization Certificates**

(Rupees in crore)

Sl. No.	Range of Delay in Number of Years	Total grants paid		Utilization Certificates Outstanding	
		Number	Amount	Number	Amount
1.	0 - 1	951	276.88	886	167.64
2.	1 - 3	1228	248.54	729	98.20
	<b>Total</b>	<b>2179</b>	<b>525.42</b>	<b>1615</b>	<b>265.84</b>

Source : Information furnished by A.G. (A&E).

Out of 1,615 UCs worth Rs.265.84 crore, 729 UCs (Rs.98.20 crore) were pending for more than two years as on March 2009. Pendency of UCs mainly pertained to Agriculture Department (36 UCs: Rs.2,792.18 lakh), School Education (676 UCs: Rs.6,075 lakh), Higher & Technical Education (503 UCs: Rs.1,978.32 lakh), District Council (24 UCs: Rs.4,973.25 lakh), Health and Family Welfare Department (37 UCs : Rs.2,641.12 lakh) and Social Welfare Department (95 UCs : Rs.1,472.87 lakh).

In the absence of the UCs it could not be ascertained whether the recipients had utilised the grants for the purpose for which these were given.

#### 3.2 Submission of Accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/ Heads of the department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions.

The audit of accounts of the two Autonomous District Councils (Chakma and Lai) for the year 2007-08 which was due during 2008-09, could not be covered in 2008-09 due to late receipt of accounts.

The annual accounts of one Autonomous District Council (Mara) due for the period from 2005-06 to 2007-08 had not been received as of December 2009 by the Accountant General (Audit). The details of these accounts are given in **Appendix-3.2**.

In the absence of the annual accounts, proper account/utilization of the grants and loans disbursed to these autonomous bodies remained unverified. Reasons for non preparation of the accounts were, however, not intimated.

### 3.3 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performances. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/ State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of September 2009, there were two-such undertakings viz. State Trading Scheme and Mizoram State Transport which either not prepared their accounts or required to resubmit their accounts after reconciliation of figures. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in **Appendix-3.3**.

### 3.4 Misappropriations, losses, defalcations etc.

State Government reported two cases of misappropriation, defalcation etc. involving Government money amounting to Rs.3.78 lakh upto the period March 2009 on which final action was pending. Details of pending cases in misappropriation/loss are summarized in **Table-3.2**.

**Table-3.2: Profile of Misappropriations, losses, defalcations, etc.**

(Rupees in lakh)

Pending Cases		Reasons for the Delay/ Outstanding Pending Cases	Nature of the Pending Cases		
No. of Cases	Amount Involved		Nature/ Characteristics of the Cases	No. of Cases	Amount Involved
2	3.78	(i) Departmental action initiated but not finalized; and (ii) Awaiting orders for recovery or write off	Misappropriation/ Loss of material	2	3.78
<b>Total</b>	<b>2</b>		<b>Total</b>	<b>2</b>	<b>3.78</b>

Source: Finance Department, Government of Mizoram

### 3.5 Conclusion and Recommendations

Out of 1,615 Utilization Certificates (UCs) worth of Rs.265.84 crore as of March 2009, all the UCs (1,615) (cent *per cent*) were pending for more than two years. In the absence of the UCs, it could not

be ascertained whether the recipients had utilized the grants for the purposes for which these were given **(Para-3.1)**. Annual accounts of one Autonomous District Council (Mara) due upto 2008-09 had not yet been received by the Accountant General (Audit) as of December 2009 from 2005-06 onwards **(Para-3.2)**.

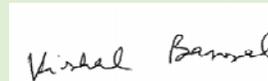
In spite of repeated comments about the arrears in preparation of accounts of two Commercial Undertakings by the Comptroller and Auditor General of India in State report, no improvement has been made by the undertaking. In the absence of timely finalization of accounts, the investment of the Government remained outside the Scrutiny of the Audit/State Legislature. Consequently, corrective measure if any required, for ensuring accountability could not be taken in time **(Para-3.3)**.

Analysis of cases pertaining to misappropriation/loss of material revealed that these cases were pending either due to non-initiation of action by the department or awaiting orders for recovery/write off **(Para-3.4)**.

### Recommendations

- The State Government should initiate regular monitoring and instruct the concerned departments for furnishing timely Utilization Certificates.
- Departmental enquiries in misappropriation/loss cases should be expedited to bring the defaulters to book. Internal Control in all the organizations should be strengthened to prevent such cases.

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