

## 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 compliance 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 utilisation 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 (Accounts & Entitlement) within 12 months from the date of their sanction unless specified otherwise. However, of the 1317 utilization certificates (UC) due in respect of two<sup>1</sup> departments aggregating Rs.8.76 crore paid up to 2008-09, 75 UCs (5.7 per cent) for an aggregate amount of Rs.1.04 crore were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**, the age-wise delay in submission of UCs is 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 of cases	Amount	Number of cases	Amount
1	0 - 1	330	2.00	15	0.24
2	1 - 3	540	3.86	25	0.54
3	3 - 5	447	2.90	35	0.26
	<b>Total</b>	<b>1317</b>	<b>8.76</b>	<b>75</b>	<b>1.04</b>

<sup>1</sup> School Education & Urban Development.

In the absence of the certificates it could not be ascertained whether the recipients had utilized the grant for the purpose for which these were given.

### **3.2 Non-submission/delay in 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.

72 annual accounts of 22 autonomous Bodies/Authorities due up to 2008-09 had not been received as of September 2009 by the Accountant General (Audit). The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies**

<b>Sl. No.</b>	<b>Delay in number of years</b>	<b>No. of the Bodies/ Authorities</b>	<b>Grants received (Rs in Lakhs)</b>
1	1 - 3	13	Not Available
2	3 - 5	9	Not Available

It is seen from the above table that delay in submission of accounts ranged between one and three years in respect of 13 Bodies/Authorities and between three and five years in respect of nine Bodies/Authorites.

Due to the absence of annual accounts and subsequent audit of these 22 Bodies and Authorities involving 72 annual accounts, the proper accountal/utilisation of the grants and loans disbursed to these Bodies/Authorities remained unverified. The reasons for non-preparation of the accounts were, however, not intimated.

### **3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies**

An<sup>2</sup> Autonomous Body has been set up by the State Government in the field of development of Khadi. The Body is audited by the CAG with regard to the verification of its transactions, operational activities and accounts, regulatory compliance audit of all transactions, review of internal management and financial control, review of systems and procedures etc. The audit of Accounts of the Body in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in **Table 3.3**.

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<sup>2</sup> Nagaland and Khadi and Village Industries Board (NKVIB)

Table 3.3: Delay in submission of Accounts and tabling of Separate Audit Reports

Year of SAR	Period of entrustment	Date of issue of SAR	Date of placement in the Legislature	Delay in placement in the Legislature (Years)
2000-01 to 2003-04	2000-01 to 2004-05	25.09.08	25.11.09	1
2004-05 to 2005-06	2005-06 to 2007-08	23.09.09	Not Available	-
2006-07 to 2007-08		18.12.09	Not Available	-

### 3.4 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 working. The finalised 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 finalisation of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay 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 five such Undertakings which had not prepared Accounts up to 2008-09. The delay in preparation of Accounts ranged between 9 and 26 years. The arrears in preparation of Accounts has been repeatedly commented in the Comptroller and Auditor General of India's Audit Reports but there is no improvement so far in preparation of proforma Accounts by these Undertakings. The department-wise position of arrears in preparation of proforma Accounts and investment made by the Government are given in **Appendix 3.3**.

### 3.5 Misappropriation, losses, defalcation, etc.

Rule 20 of General Financial and Accounts Rules Part-I provides that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the office concerned to the next higher authority as well as to the Accountant General. However, this information was not furnished by any Department/Office.

Review of the Comptroller and Auditor General's Audit Report of last 11 years revealed 26 cases of theft/loss, fraudulent drawal, misappropriation, etc involving Government money amounting to Rs.54.74 crore up to the period March 2009 on which final action was awaited from the State Government. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category 26 theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.4**

**Table 3.4: Profile of misappropriations, losses, defalcations, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (Rs in lakh)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (Rs in lakh)
0 - 5	15	4989.92	Theft	01	3.50
5 - 10	11	484.31	Fraudulent	16	2252.85
			Misappropriation/Loss of material	09	3217.88
<b>Total</b>	<b>26</b>	<b>5474.23</b>	<b>Total Pending cases</b>	<b>26</b>	<b>5474.23</b>

An effective mechanism needs to be put in place to check recurrence of such cases in future and also to ensure speedy settlement of cases relating to misappropriation and losses.

### **3.6 Conclusion**

Foregoing discussion disclosed deficiencies in not furnishing utilization certificates in time against grants/loans received, non-furnishing of detailed information about financial assistance received by various Institutions and non-submission of Accounts in time. There were also delay in placement of Separate Audit Reports to Legislature and huge arrears in finalization of accounts by the Autonomous Bodies/Authorities. Besides, cases of misappropriation and losses indicated inadequacy of controls in the departments.

Departmental inquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the Organizations should be strengthened to prevent such cases.

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