

# **CHAPTER – III**

## **FINANCIAL REPORTING**

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### 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, Utilisation 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 866 grants in respect of 12 (Twelve) departments aggregating ₹ 1703.80 crore paid up to 2013-14, 163 Utilisation Certificates (UCs) (18.82 *per cent*) for an aggregate amount of ₹ 262.99 crore were in arrears<sup>15</sup>. The department-wise break-up of outstanding UCs is given in **Appendix 3.1** and the age-wise delay in submission of UCs is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of utilisation certificates**

(₹ in crore)

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		Number of cases	Amount	Number of cases	Amount
1	0 - 1	203	54.88	30	16.63
2	1 - 3	292	458.11	64	183.21
3	3 - 5	371	1190.81	69	63.15
Total		866	1703.80	163	262.99

In the absence of the Utilisation Certificates it could not be ascertained whether the recipients had utilised the grant for the purpose for which those were given.

<sup>15</sup> Grants-in-aid paid during 2013-14, although not due for submission of UCs within 2013-14, were in arrears.

### **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/Head of the Departments 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.

33 annual accounts of 21 Autonomous Bodies/Authorities due up to 2013-14 had not been received as of August 2014 by the Accountant General (Audit). The details of those 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**

Sl. No.	Delay in number of years	No. of the Bodies/ Authorities	Grants received (₹ in Lakh)
1	1 – 3	19	Not Available
2	>3 – 5	2	Not Available
3	>5 – 7	-	Not Available

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

Due to the absence of Annual Accounts and subsequent audit of those 21 Bodies and Authorities involving 33 Annual Accounts, the proper accounting/utilisation of the grants and loans disbursed to those 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

Several Autonomous Bodies have been set up by the State Government in the field of development of Khadi and Village Industries, State Legal activities, Power and pollution regulations etc. Of these, the audit of accounts of the Nagaland Khadi and Village Industries Board (NKVIB) up to 2013-14 was entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the DPC Act. However, the annual accounts of the Board for the period 2011-12, 2012-13 & 2013-14 had not been furnished (August 2014). The status of entrustment of audit, issuance of Separate Audit Report (SAR) and its placement in respect of NKVIB in the Legislature is indicated in **Table 3.3**.

**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)
2009-10	2009-14	31-10-12	16.07.2013	-
2010-11	2009-14	10-01-13	16.07.2013	-
2011-12	2009-14	Accounts not yet received.	NA	-
2012-13	2009-14	Accounts not yet received.	NA	-
2013-14	2009-14	Accounts not yet received	NA	-

Nagaland Electricity Regularity Commission and Nagaland Hospital Authority were established<sup>16</sup> under the State Legislative Act and the audit of accounts entrusted to the Comptroller and Auditor General of India under Section 104 and 105 of Central Electricity Act 2003 and Rule 14 of Notification issued under Section 22 of Hospital Authority Bill 2003 by the Government of Nagaland. However, though the annual accounts of those Authorities/Bodies were due for submission to the Accountant General (Audit) every year, the Accounts had not been furnished since their inception.

<sup>16</sup> Nagaland Electricity Regulatory Commission (04.03.2008), Nagaland Hospital Authority (01.04.2004)

### **3.4 Departmental Commercial Undertakings**

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the year up to which proforma accounts were not finalised in those undertakings are given in **Appendix 3.3**. It was noticed that:

As on 31 March 2014, there were eight departmentally managed Government commercial undertakings.

A mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year 2012-13 about delay in preparation of Proforma accounts of those undertakings. Despite this, accounts were in arrears for periods ranging from 1 to 34 years as of March 2014.

The finalised accounts of departmentally managed commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures if any required, could not be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.

### **3.5 Balances lying unspent in Civil Deposits and Bank Accounts**

The Government provides State's share to various Departments/Agencies for implementation of centrally sponsored/State schemes. Those Departments/Agencies retain such funds, outside the Government account in their bank accounts. As the funds are generally not spent fully by the implementing agencies in the financial year of their receipt, there remain unspent balances in bank accounts and in civil deposits.

The details of funds drawn, its utilisation and funds kept in civil deposit/current bank accounts in respect of 28 Departments/Agencies are presented in the table below:

**Table 3.4: Non-utilisation of funds during the year 2013-14**

(₹ in crore)

Sl. No.	Name of Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Amount kept in Bank Account
1.	Directorate of Technical Education	0.40	0.00	0.40	0.00
2.	Directorate of Information and Public Relations	0.79	0.36	0.38	0.05
3.	Transport Commissioner	5.34	1.36	1.27	2.71
4.	Registrar of Cooperative Societies	3.92	0.00	3.92	0.00
5.	Directorate of Underdeveloped Areas	6.95	4.02	2.93	0.00
6.	Directorate of Art and Culture	0.90	0.00	0.90	0.00
7.	Directorate of Information Technology & Communication	4.58	0.00	4.58	0.00
8.	Directorate of Sericulture	2.73	0.00	0.00	2.73
9.	Directorate of Social Welfare	29.21	23.88	5.33	0.00
10.	Directorate of Soil & Water Conservation	6.87	0.00	6.87	0.00
11.	Commissioner of Excise	0.50	0.00	0.50	0.00
12.	Directorate of Fisheries	4.56	0.00	4.56	0.00
13.	Directorate of Employment & Craftsmen Training	2.53	0.00	2.04	0.49
14.	Justice & Law	3.38	0.00	3.38	0.00
15.	Directorate of Higher Education	3.83	0.00	3.83	0.00
16.	Nagaland State Transport	0.84	0.00	0.84	0.00
17.	Directorate of Land Resources	5.31	0.00	2.63	2.68
18.	Directorate of Women Resource Development	6.01	1.75	4.26	0.00
19.	Director General of Police	33.01	31.04	0.00	1.97
20.	Planning & Co-ordination Department	28.91	0.00	28.91	0.00
21.	Department of Horticulture	48.33	36.00	0.88	11.45
22.	Commissioner, Nagaland	18.35	0.00	18.35	0.00
23.	PWD (H) Education Division	5.83	0.00	5.83	0.00
24.	PWD Veterinary & Animal Husbandry	3.67	0.00	3.67	0.00
25.	PHED	8.64	0.00	8.64	0.00
26.	Police Engineering Project	5.31	3.78	1.53	0.00
27.	Election Department	21.90	10.15	1.11	10.64
28.	Urban Development	207.95	117.30	7.72	82.93
<b>Total</b>		<b>470.55</b>	<b>229.64</b>	<b>125.26</b>	<b>115.65</b>

(Source: Departmental Figures)

The above table shows that an amount of ₹ 470.55 crore was drawn by 28 departments during the year 2013-14 for implementation of different schemes. Out of the amount drawn, the departments utilised only an amount of ₹ 229.64 crore (48.80 *per cent*) during the financial year. The remaining amount was kept in Civil Deposit ₹ 125.26 crore (26.62 *per cent*) and current Bank Account ₹ 115.65 crore (24.58 *per cent*).

### 3.6 Misappropriation, loss, defalcation, etc.

There were 30 cases of misappropriation, loss etc. involving Government money amounting to ₹ 10597.05 lakh up to the period 31 March 2014 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.4** and nature of the cases are given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category are summarised in **Table 3.5**.

**Table 3.5: Profile of Misappropriation, loss, defalcation, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (₹ in crore)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in crore)
0 - 5	25	Bifurcation amount of range in years were not provided by the Deptts. Hence, only the consolidated total is shown.	Theft	3	0.05
5 - 10	4		Misappropriation	20	51.26
10 - 15	1		Defalcation	7	54.66
15 - 20	-		-	-	-
<b>Total</b>	<b>30</b>			<b>30</b>	<b>105.97</b>

A further analysis indicates the reasons for which the cases were outstanding as detailed in **Table 3.6**.

**Table 3.6: Reasons for Outstanding cases of Misappropriation, loss, defalcation, etc.**

Reasons for the Delay/ Outstanding Pending Cases		Number of Cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	21	86.43
ii)	Departmental action initiated but not finalised	6	0.63
iii)	Pending in the courts of law	3	18.91
<b>Total</b>		<b>30</b>	<b>105.97</b>

(Source: Vigilance & Anti-Corruption)

Three Departments (School Education, PWD and Health & Family Welfare) and Dimapur Municipal Council reported recovery amounting to ₹ 0.09 crore. The highest amount of misappropriation and loss amounting to ₹ 52.19 crore involving eight cases of misappropriation and defalcation occurred in PWD, where final action had not been taken by the State Government.

### 3.7 Conclusion and recommendations

Timely submission of utilisation certificates is a major area of concern. At the end of March 2014, 163 UCs involving an aggregate amount of ₹ 262.99 crore were pending for submission even after a lapse of one to five years from various departments. Though the accounts of the State Autonomous Bodies and Departmental Commercial Undertakings were over due, those accounts were not submitted to Audit. Non-submission of accounts in time disclosed non-compliance with the financial rules. As on 31 March 2014, 30 cases of misappropriation, defalcation etc. involving ₹ 105.97 crore pertaining to 13 Departments were pending finalisation. The accounts of Autonomous Bodies/Authorities and Departmental Undertakings need to be finalised at the earliest. Departmental inquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book.

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