

## CHAPTER III FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. The compliance to 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 to meet its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government on the compliance of various financial rules, procedures and directives during the current year.

### 3.1 Utilization Certificates

General Financial Rules provides that 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 18 months from the date of their sanction unless specified otherwise in respect of grants provided for specific purposes. However, 2595 UCs aggregating to ₹ 767.60 crore in respect of grants and loans paid during 2006-10 were in arrears as of March 2010. The department-wise break-up of outstanding UCs is given in **Appendix-3.1** and the year-wise break-up of outstanding UCs is summarized in the table below:

**Table 3.1 Year-wise arrears of Utilization Certificates**

(₹ in crore)

Year	Total Grant paid		Utilization Certificates outstanding	
	No. of cases	Amount	No. of certificates	Amount
2009-10	416	118.94	416	118.94
2008-09	937	224.49	937	224.49
2007-08	851	211.37	851	211.37
2006-07	391	212.80	391	212.80
<b>Total</b>	<b>2595</b>	<b>767.60</b>	<b>2595</b>	<b>767.60</b>

UCs were mainly pending in respect of Education Department (Schools) (1636 UCs: ₹ 236.33 crore); Rural Development and Panchayati Raj Department (265 UCs: ₹ 111.36 crore); Department of Development of Tribals and Backward Classes (209 UCs: ₹ 223.58 crore) and Municipal Administration Housing and Urban Development Department (115 UCs: ₹ 57.95 crore). These four departments together accounted for 2225 UCs (86 per cent) out of 2595 outstanding UCs; involving an amount of ₹ 629.22 crore (82 per cent) out of outstanding amount of ₹ 767.60 crore. In the absence of UCs it could not be ascertained whether the recipients had utilized the grants for the purposes 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 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.

The annual accounts of 14 Autonomous Bodies/Authorities due upto 2009-10 had not been received (October 2010) 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 below.

**Table 3.2 Age-wise Arrears of Annual Accounts due from Autonomous Bodies**

(₹ in lakh)

<b>Delay in Years</b>	<b>No. of the Bodies/Authorities</b>	<b>Grants Received</b>
0 – 1	8	10348.07
1 – 3	1	133.27
3 – 5	1	NA
5 – 7	1	NA
7 – 9	1	NA
9 & above	2	NA
<b>Total:</b>	<b>14</b>	

Out of 17 Autonomous Bodies/Authorities, annual account of 2009-10 of three autonomous bodies viz. District Rural Development Authority (DRDA), Thoubal, Manipur Development Society and Eastern Border Area Development Authority (EBADA) have been received, of which audit of accounts of EBADA has been completed upto March 2010. In respect of two autonomous bodies<sup>1</sup>, the annual accounts are outstanding for more than nine years.

### 3.3 Delays in submission of Accounts/Audit Reports of Autonomous Bodies

Six Autonomous District Councils (ADC) and one Autonomous Body *i.e.* Legal Services Authority have been set up by the State Government. These Bodies are audited by the Comptroller and Auditor General of India (CAG) with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control, review of system and procedures etc. The audit of accounts of these seven Bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature are indicated in **Appendix 3.3**. Delay in placement of SARs in the Legislature after issuing them is summarized in the table below:

**Table 3.3: Delay in submission / placement of Separate Audit Reports as on 31 March 2010**

Sl. No.	Name of the ADC/ Autonomous Bodies	Year of SAR	Date of issue	Date of placement in the Legislature	Delay in submission to the Legislature
1	Chandel	2001-02	06.12.04	17.03.06	Over 1 year
2	Churachandpur	1998-99	29.12.00	17.03.06	Over 5 years
3	Sadar Hills	2000-01	10.04.03	17.03.06	Over 3 years
4	Senapati	1999-00	6.12.01	17.03.06	Over 4 years
5	Tamenglong	1999-00	11.12.01	17.03.06	Over 4 years
6	Ukhrul	1999-00	11.12.01	17.03.06	Over 4 years

<sup>1</sup> Manipur State Kala Academy and Manipur Pollution Control Board

The above table<sup>2</sup> shows that SAR pertaining to the period 1998-99 in respect of ADC, Churachandpur was placed in the Legislature after a lapse of over five years while the SARs for the period 1999-00 in respect of ADCs of Senapati, Tamenglong and Ukhrul was placed after a lapse of over four years from the date of issue. The SAR in respect of ADC, Sadar Hills for the period 2000-01 was placed after a lapse of over three years from the date of issue while in respect of ADC, Chandel it was placed after a lapse of one year.

The reasons for the delay in submission/placement of the SARs in the Legislature were not on record.

### **3.4 Misappropriations, losses, defalcations etc.**

Information regarding non-adjustment of temporary advances, reasons for non-adjustment, delay in furnishing utilization certificates, non-submission/delay in submission of accounts, cases of misappropriation, losses, defalcations, if any, were called for from 50 departments/ autonomous bodies. However, information in respect of four department/ autonomous District Council/Corporations *viz.* Co-operative Department, Education (University and Higher Education) Department, Manipur Handloom and Handicrafts Development Corporation Limited and Ukhrul Autonomous District Council were received (February 2009). No cases of non-adjustment of advances, misappropriation, losses etc. were reported.

However, during 2008-09 Audit detected seven cases of misappropriation/ losses/fraudulent payment in five Departments<sup>3</sup> involving an amount of ₹ 1.46 crore.

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<sup>2</sup> In respect of Manipur State Legal Service Authority, date of placement of SAR for the year 2003-04 was placed with delay of only one month

<sup>3</sup> Agriculture Department, Irrigation Department, Minorities and Other Backward Classes Department, Public Health Engineering Department, and Public Works Department.

**3.5 Conclusion and recommendations**

All the 2595 Utilization Certificates involving ₹ 767.60 crore in respect of grants and loans paid during 2006-10 were in arrear as of March 2010. There were also delays in placement of Separate Audit Reports to Legislature and huge arrears in finalization of accounts by the ADC/Autonomous Bodies. Out of 50 departments/Autonomous bodies, only four replies were received to ascertain the status of non-adjustment of temporary advances, misappropriation, losses *etc.* (Paras 3.1, 3.2, 3.3 and 3.4).

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