

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 Utilisation Certificates

Rule 515 (Appendix 14) of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a specified object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant), if no time-limit has been fixed by the sanctioning authority.

Department-wise position of Utilisation Certificates (UC) for the grants provided for specific purposes, though called for (June 2010) from various departments, have been received only in respect of four departments, *viz.*, Social Welfare Department, Directorate of Health Services, Co-operation Department and Directorate of Commerce and Industries. While utilisation certificates were outstanding in respect of grants given by the Co-operation Department and Directorate of Commerce and Industries, no utilisation certificate was outstanding in respect of other two departments. Out of 1,586 UCs involving grants of ₹ 4.45 crore released up to 2009-10, 488 UCs (30.77 *per cent*) for an aggregate amount of ₹ 1.91 crore (42.82 *per cent*) were in arrears. The department wise break-up of outstanding UCs is given in **Appendix 3.1** and age-wise delay in submission of UCs is summarized in **Table 3.1**.

Table 3.1 :Age-wise arrears of Utilisation Certificates

(Rupees in lakh)

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation Certificates outstanding as on 31 March 2010	
		Number	Amount	Number	Amount
1	0-1	603	288.07	311	107.32
2	1-3	385	108.97	135	78.52
3	3-5	82	20.69	9	3.01
4	5-7	52	2.00	5	0.20
5	7-9	104	7.00	5	0.29
6	9 & above	360	18.26	23	1.19
	Total	1586	444.99	488	190.53

Source: Information furnished by the Co-operation Department and Directorate of Commerce & Industries.

Out of 488 UCs involving ₹ 1.91 crore pending as on March 2010, 33 UCs pertaining to Co-operation Department involving ₹ 1.68 lakh were pending for more than five years.

In the absence of the certificates it could not be ascertained whether the recipients had utilised 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 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 annual accounts of 28 autonomous bodies/ authorities due up to 2009-10 had not been received as of August 2010 by the Principal 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

(Rupees in lakh)

Sl. No.	Delay in Number of years	Number of the Bodies/Authorities	Amount
1.	0 - 1	2	2427.60
2.	1 - 3	4	9507.04
3.	3 - 5	3	1754.68
4.	5 - 7	6	739.23
5.	7 - 9	2	20.57
6.	9 & above	11	1164.65
	Total	28	15613.77

Out of 28 bodies/authorities, annual accounts in respect of six organisations, viz., Project Executive, District Rural Development Agency, Shillong, Meghalaya Supervision and Cadre Management Co-operative, Director of Housing, Director of Industries, Director of Health Services (MI) and Special Commissioner and Special Secretary to the Government of Meghalaya (Power Department) were outstanding for the period of 15 years and more.

3.3 Delay in submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of khadi and village industries, urban development, etc. Of these, the audit of accounts of the Meghalaya Khadi and Village Industries Board (MKVIB) up to 2009-10 was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the DPC Act. However, the annual accounts of the MKVIB for the year 2009-10, due for submission by June 2010, had not been furnished (August 2010).

3.4 Misappropriations, losses, defalcations, 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 Accountant General, should be immediately reported to the Accountant General, even when such loss has been made good by the person responsible for it.

State Government reported 83 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.66 crore up to the period March 2010 on which final action was pending. Break up of pending cases and age-wise analysis is given in **Appendix 3.3** and department-wise break up of pending cases is given in **Table 3.3**.

Table 3.3: Department-wise break up of pending cases

(Rupees in lakh)

Name of Department	Theft		Misappropriation		Loss of Government material		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Education	-	-	-	-	1	0.03	1	0.03
General Administration	-	-	1	0.05	-	-	1	0.05
Public Works	4	4.20	1	0.22	2	0.75	7	5.17
Health & Family Welfare	1*	NA	1	0.26	1*+2	5.21	5	5.47
Home (Police)	-	-	2	0.21	-	-	2	0.21
Agriculture	1	0.23	1	0.44	-	-	2	0.67
Public Health Engineering	55	6.99	-	-	-	-	55	6.99

* Amount not intimated.

Name of Department	Theft		Misappropriation		Loss of Government material		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Legislative Assembly	-	-	1	3.34	-	-	1	3.34
Finance	1	1.20	1	0.92	2	102.24	4	104.36
Forest & Environment	1	2.14	-	-	-	-	1	2.14
Mining & Geology	-	-	1	16.55	-	-	1	16.55
Soil Conservation	1	2.17	-	-	-	-	1	2.17
Community & Rural Development	1	3.03	-	-	-	-	1	3.03
Printing & Stationery	1	15.76	-	-	-	-	1	15.76
Total	65+1*	35.72	9	21.99	7+1*	108.23	83	165.94

Age-profile of pending cases and the number of cases pending in each category (theft and misappropriation/loss) are summarised in **Table 3.4**.

Table 3.4: Profile of Misappropriations, losses, defalcations etc.

(Rupees in lakh)

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in years	Number of cases	Amount involved	Nature/characteristics of the cases	Number of cases	Amount involved
0 - 5	2	1.40	Theft	66	35.73
5 - 10	3	1.28			
10 - 15	37	129.36	Misappropriation/loss of material	17	130.21
15 - 20	20	13.57			
20 - 25	10	0.63	Total	83	165.94
25 & above	11	19.70	Cases of losses written off during the year	Nil	Nil
			Recovery during the year	Nil	Nil
Total	83	165.94	Total Pending Cases	83	165.94

A further analysis indicates that the reasons for which the cases were outstanding could be classified, for example, in the categories listed in **Table 3.5**.

Table 3.5: Reasons for Outstanding cases of Misappropriations, losses, defalcations etc.

(Rupees in lakh)

Reasons for the Delay/Outstanding Pending Cases		Number of cases	Amount
1.	Awaiting departmental and criminal investigation	54	27.27
2.	Departmental action initiated but not finalised	8	3.79
3.	Awaiting orders for recovery or write off	18	115.27
4.	Pending in the courts of law	3	19.61
Total		83	165.94

Out of ₹ 1.66 crore, the highest amount of theft, misappropriation and losses was ₹ 1.04 crore in Finance Department involving four cases, while the highest number of theft cases (55 cases) involving ₹ 6.99 lakh were pending in Public Health Engineering Department.

3.5 Conclusion

State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delay in furnishing utilisation certificates for grants given by Co-operation Department and also non-submission of information regarding utilisation certificates by the various departments of the State Government. There were instances of losses and misappropriations, which remained unsettled with various departments for period ranging from one to over 25 years. Departmental enquiries in such cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.



(A.W.K. LANGSTIEH)
Principal Accountant General (Audit)
Meghalaya

Shillong
The

Countersigned



(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The