

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 Delay in furnishing Utilisation Certificates

Rule 517 (Appendix 16) of Assam Financial Rules provides that every grant made for a specified object is subject to the implied conditions such as (i) the grant shall be spent upon the object within a reasonable time (one year from the date of issue of the letter sanctioning the grant), and (ii) any portion of the amount which is ultimately not required for expenditure upon the object shall be duly surrendered to the Government. According to the information furnished by the Principal Accountant General (A&E), Assam, 17,588 utilisation certificates due in respect of grants aggregating ₹8,263 crore paid to 62 departments of the State Government during the period from 2001-02 to 2010-11 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 is summarized in the **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	
		Number	Amount	Number	Amount
1	0-1	563	1,247.49	563	1,247.49
2	1-3	1,657	2,469.25	1,657	2,469.25
3	3-5	4,228	1,972.26	4,228	1,972.26
4	5-7	6,143	1,587.31	6,143	1,587.31
5	7-9	3,529	696.72	3,529	696.72
6	9 and above	1,468	289.58	1,468	289.58
Total		17,588	8,262.61	17,588	8,262.61

Out of 17,588 UCs worth ₹8,262.61 crore pending as of March 2011, UCs (11,140 Numbers) involving ₹2,573.61 crore were pending for more than five years. Pendency of UCs mainly pertained to Education Department (12,445 UCs: ₹598.39 crore), Health Department (364 UCs: ₹345.48 crore), Industries and Commerce Department (382 UCs: ₹134.15 crore), Social Welfare Department

(445 UCs: ₹505.10 crore) and Welfare of Plain Tribes and Other Backward Classes (601 UCs: ₹1,187.26 crore).

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.

Thus, efforts should be made by the Department for expeditious submission of UCs by the recipients.

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 accounts of 18 Bodies/Authorities received (accounts for the years 2001-02 to 2009-10) during the current year attracted audit by Comptroller and Auditor General of India. The 53 accounts (including accounts of earlier years), audit of which was due, were audited during 2010-11.

The Principal Accountant General (Audit) had not received 167 annual accounts of 68 Autonomous Bodies/Authorities due up to 2010-11 as of August 2011. 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 the Government Bodies

Sl No.	Delay in Number of Years	No. of the Bodies/Authorities	Grants Received (₹ in lakh)
1	0-1	68	Not available
2	1-3	74	Not available
3	3-5	18	Not available
4	5-7	6	Not available
5	7-9	1	Not available
6	9 and above	--	Not available
Total		167	

In the absence of annual accounts and subsequent audit of these 68 Bodies and Authorities involving 167 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. Non-submission of accounts of the defaulting Autonomous Bodies was taken up with the concerned authorities time to time.

3.3 Submission of Accounts/Audit Reports of Autonomous Bodies

Several Autonomous Bodies have been set up by the State Government in the field of Urban Development, Agriculture and allied services, Khadi and Village Industries,

Legal services and Sixth schedule areas. A large number of these Bodies are audited by the Comptroller and Auditor General with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinized in audit, review of internal management and financial control, review of system and procedures etc. The audit of accounts of seven Bodies and three District Councils in the State has been entrusted to the Comptroller and Auditor General of India. 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**. The frequency distribution of Autonomous Bodies according to the delays in submission of accounts to Audit and placement of Separate Audit Report in the legislature after the entrustment of audit to Comptroller and Auditor General is summarized in **Table 3.3**.

Table 3.3: Delays in submission of Accounts and Placement of Separate Audit Report

Delays in submission of accounts (In Months)	Autonomous Bodies		Reasons for the delay	Delays in submission of SARs in Legislature (In Years)	Number of Autonomous Bodies	Reasons for the Delay
	Number	Accounts				
0-1	--	--	Not furnished	0-1	4	Not furnished
1-6	--	--		1-2	1	
6-12	6	6		2-3	2	
12-18	--	--		3-4	1	
18-24	3	3		4-5	1	
24 and above	2	10		5 and above	--	
Total	11	19			9	

Nineteen accounts of seven Autonomous Bodies were in arrears for periods ranging from 12 to 132 months as of June 2011. The State Government disbursed regular funds to these Autonomous Bodies. In the absence of accounts and subsequent audit, it could not be verified whether the funds received and expenditure incurred had been properly accounted for and the purpose for which the funds were disbursed were achieved. Besides, delay in finalisation of accounts carries the risk of financial irregularities going undetected apart from violation of the provisions of the respective legislations under which the Bodies were constituted.

Nine SARs of the seven Autonomous Bodies were not placed before the legislature even after delays ranging from one to more than four years, thereby violating the statutory responsibility of keeping the State legislature informed about the financial status of the bodies.

3.4 Misappropriations, losses, defalcations, etc.

According to Rule 103 of Assam Financial Rules, 1983 any defalcation or loss of public money or other property discovered in Government Treasury or office or department, which is under the audit of the Principal Accountant General, should be immediately reported to the Principal Accountant General even when such loss has been made good by the person responsible for it.

The Heads of Department/State Government had not reported even a single case of misappropriation, defalcation etc. to the Principal Accountant General (Audit) during 2010-11 despite instructions issued (December 2009) to all Heads of Department by the Finance Department for furnishing the reports of financial loss caused to Government if any, during the relevant financial year.

Scrutiny in audit however, revealed 187 cases of misappropriation, defalcation etc; involving Government money amounting to ₹109.40 crore upto March 2011 on which final action was pending. The Department-wise breakup 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 pending cases and the number of cases pending in each category *i.e.*, theft and misappropriation/loss of Government material etc. 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 (₹ in lakh)	Nature/ characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	104	10,046.61	Theft	21	164.19
5-10	56	697.85			
10-15	25	140.48	Misappropriation/ Loss of material	166	10,776.25
15-20	2	55.50			
20-25	--	--	Total	187	10,940.44
25 and above	--	--	Cases of losses written off during the year	Nil	Nil
Total	187	10,940.44	Total pending cases	187	10,940.44

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.

	Reasons for the Delay/Outstanding Pending cases	Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	12	175.10
ii)	Departmental action initiated but not finalised	7	87.53
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	3	14.62
iv)	Awaiting orders for recovery or write off	7	131.37
v)	Pending in the courts of law	--	--
vi)	Non-furnishing of proper reply by the Department	158	10,531.82
	Total	187	10,940.44

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to theft, misappropriations and losses as also to place systems in order.

3.5 Conclusion and Recommendations

Out of 17,588 UCs worth ₹8,262.61 crore pending as of March 2011, UCs (11,140 Numbers) involving ₹2,573.61 crore were pending for submission of which oldest UCs pertains to the year 2001-02. In the absence of the certificate it

could not be ascertained whether the recipients had utilized the grants for the purposes for which these were given. Also non-submission of UCs in a time bound manner is against the principle of sound financial management and needs urgent attention of the Government. Annual accounts (167 numbers) in respect of 68 autonomous bodies/authorities due up to 2010-11 had not been received by the Principal Accountant General (Audit), Assam as of 31 August 2011.

(Paras-3.1 and 3.2)

Analysis of pending misappropriation cases revealed that the cases were related mainly to theft and misappropriation/loss of materials. Of the 187 cases of theft, misappropriation/loss of materials etc; involving ₹109.40 crore pending final action, departmental and criminal investigation were not initiated in 12 cases involving ₹1.75 crore, indicating lack of initiative on the part of the Government to fix accountability. Other cases were pending due to non-finalisation of departmental action (seven cases), criminal proceedings finalized but recovery of the amount pending (three cases), orders for recovery/write off (seven cases) and non-furnishing of proper reply by the Department (158 cases).

(Para-3.4)

Recommendations

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

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