

## 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 Utilisation Certificates

According to Rule 212(1) of the General Financial Rules, 2005, in respect of non-recurring grants, an institution or organisation is to submit Utilisation Certificates within twelve months of the closure of the Financial Year.

Department-wise position of Utilisation Certificates (UC) for grants given by various departments for specific purposes, called for (July 2011) from the State Finance Department. 17 departments have furnished the requisite information. Of these, 13 departments furnished 'Nil' information and three departments furnished the position of grants released during 2010-11. As per the information furnished by Labour & Employment Department, out of a grant of ₹ 80 lakh paid by the Department during 2009-10, a Utilisation Certificate for ₹ 41.60 lakh was still pending as on 31 March 2011.

### 3.2 Non-submission/Delay in Submission of Accounts

In order to identify 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 Departments are required to furnish to Audit every year detailed information about the financial assistance given to various Institutions, purpose of the assistance granted and the total expenditure of the Institutions.

The Annual Accounts of 19 Autonomous Bodies/Authorities due up to 2010-11 have still not been received by the Accountant General as on February 2012. Details of these accounts are given in **Appendix 3.1** and their age-wise pendency is presented in the Table below.

Table 3.1

Sl. No.	Delay (in Years)	Number of Bodies/Authorities from whom Annual Accounts are awaited
1.	0 – 1	07
2.	1 – 3	05
3.	3 – 5	-
4.	5 – 7	05
5.	7 – 9	01
6.	9 and above	01

Out of 19 Bodies/Authorities, Annual Accounts in respect of one organization, viz., District Rural Development Agency, Seppa, was outstanding for 15 years.

### 3.3 Misappropriation, Losses, Defalcation, etc.

According to Rule 33 of the General Financial Rules, 2005, any loss or shortage of public moneys, Departmental revenue or receipts, etc. held by or on behalf of the Government, irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority and to the Statutory Audit Officer and the Accounts Officer, even when such loss has been made good by the party responsible for it.

The State Government reported 11 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.91 crore up to the period 31 March 2011, on which final action was pending. Department-wise break up of pending cases of misappropriation, losses, etc. is given in **Table 3.2** below.

**Table 3.2: Department-wise break up of pending cases**

(₹ 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
Supply and Transport	1	5.97	7	170.03	1	8.32	9	184.32
Agriculture	-	-	-	-	1	0.84	1	0.84
Fisheries	1	5.53	-	-	-	-	1	5.53
<b>Total</b>	<b>2</b>	<b>11.50</b>	<b>7</b>	<b>170.03</b>	<b>2</b>	<b>9.16</b>	<b>11</b>	<b>190.69</b>

Age profile of pending cases and number of cases pending in each category (theft, misappropriation, loss) are summarised in **Table 3.3**.

**Table 3.3: Profile of Misappropriation, Losses, Defalcations etc.**

(₹ in lakh)

Age Profile of Pending Cases			Nature of Pending Cases		
Range (in Years)	Number of Cases	Amount Involved	Nature/Characteristics of Cases	Number of Cases	Amount Involved
0-5	2	6.37	Theft	2	11.50
5-10	9	184.32	Misappropriation/Losses	9	179.19
	-		<b>Total</b>	<b>11</b>	<b>190.69</b>
	-	-	Cases of losses Written off during the Year	Nil	Nil
	-	-	Recovery during the Year	Nil	Nil
<b>Total</b>	<b>11</b>	<b>190.69</b>	<b>Total Pending Cases</b>	<b>11</b>	<b>190.69</b>

Out of ₹ 1.91 crore, the highest number of cases and amount of theft, misappropriation and losses was ₹ 1.84 crore in the Supply and Transport Department, involving nine cases.

### 3.4 Conclusion

The State Government's compliance with various rules, procedures and directives was unsatisfactory, as evident from delay in furnishing Utilisation Certificates for grants given by a Department. There were instances of losses and misappropriation, which remained unsettled with various Departments for periods ranging from one to 10 years.

*Efforts should be made to bring the defaulters to book. Internal Control in all Departments/Organisations should be strengthened to prevent the above deficiencies.*

Itanagar  
The



(S.A. Bathew)  
Accountant General  
Arunachal Pradesh

Countersigned



(Vinod Rai)  
Comptroller and Auditor General of India

New Delhi  
The