

CHAPTER III FINANCIAL REPORTING

A sound internal financial reporting system with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. The 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 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 with various financial rules, procedures and directives during the current year.

3.1 Utilization Certificates

Rule 212 (1) of General Financial Rules, 2005 read with Rule 210 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 12 months from the date of their sanction unless specified otherwise in respect of grants provided for specific purposes. However, 2410 UCs aggregating to ₹ 1425.34 crore in respect of grants were in arrears as of March 2012. 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
2011-12	751	731.39	751	731.39
2010-11	695	394.26	695	394.26
2009-10	152	105.79	152	105.79
Upto 2008-09	812	193.90	812	193.90
Total	2410	1425.34	2410	1425.34

(Source: O/o Accountant General (A&E))

UCs were mainly pending in respect of Tribal Affairs and Hills Department (742 UCs: ₹ 432.19 crore), Rural Development and Panchayati Raj Department (236 UCs: ₹ 193.49 crore), Planning Department (50 UCs: ₹ 157.69 crore), Forest Department (63 UCs: ₹ 147.00 crore), Medical and Family Welfare Department (24 UCs: ₹ 113.08 crore) and Education (Schools) Department (387 UCs: ₹ 84.72 crore). These six departments together accounted for 1502 UCs (62.32 per cent) out of 2410 outstanding UCs; involving an amount of ₹ 1128.17 crore (79.15 per cent) out of outstanding amount of ₹ 1425.34 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 of ₹ 25 lakh or more given to various institutions, the purpose of assistance granted and the total expenditure of the institutions.

Out of 21 Autonomous Bodies/Authorities, annual accounts of 19¹ Autonomous Bodies/Authorities due upto 2011-12 had not been received (January 2013). 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)

Delay in Years	No. of the Bodies/Authorities	Grants Received
0 – 1	6	NF
1 – 3	9	NF
3 – 5	2	NF
5 – 7	2	NF
Total:	19	

NF-Not furnished

(Source: Departmental records)

Annual accounts of 2011-12 of two autonomous bodies viz. Manipur State Social Welfare Board and Autonomous District Council, Churachandpur have been received and audit of accounts of the two Autonomous

¹ In respect of two bodies viz., Manipur State Social Welfare Board and Autonomous District Council, Churachandpur up-to-date accounts have been submitted.

Bodies/Authorities has been completed upto March 2012. In respect of one autonomous body², the annual accounts are outstanding for seven years.

3.3 Status of placement of Separate Audit Reports of Autonomous Bodies/ Autonomous District Councils

Six Autonomous District Councils (ADC) and one Autonomous Body *i.e.* Manipur State 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 2012

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	Churachandpur	1998-99	29.12.00	17.03.06	Over 5 years
2	Senapati	1999-00	6.12.01	17.03.06	Over 4 years
3	Tamenglong	1999-00	11.12.01	17.03.06	Over 4 years
4	Ukhrul	1999-00	11.12.01	17.03.06	Over 4 years
5	Sadar Hills	2000-01	10.04.03	17.03.06	Over 2 years
6	Chandel	2001-02	06.12.04	17.03.06	Over 1 year

(Source: Autonomous District Councils' records)

The above table 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 were 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.

² Planning Development Authority

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

3.4 Departmental Commercial Undertakings

Departmental undertakings of certain Government departments performing activities of commercial/quasi-commercial nature are required to prepare accounts in the prescribed format annually showing the working results of financial operations, so that the Government can assess their working. As per Section 619 of the Companies Act 1956, the accounts of these Government Undertakings are subject to supplementary audit by the C&AG. As of December 2012, there were seven such undertakings which had not prepared their accounts upto 2011-12. The Reports of the C&AG has repeatedly highlighted the issues of arrears in preparation of accounts in Audit Report No. 1 (Government of Manipur) but there is no improvement in preparation of accounts. The Department-wise position of arrears in preparation of accounts and investment made by the Government are given in **Appendix 3.4**. Five undertakings³ have not submitted their accounts for more than 10 years. In case of Manipur Tribal Development Corporation, the accounts have not been submitted for the year 1988-89 onwards and in case of Manipur Handloom & Handicrafts Corporation, the accounts for the years 1991-92 onwards have not been submitted.

Delay in preparation of accounts of these Departmental undertakings increases the risk of fraud and leakage of public money.

3.5 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 seven department/autonomous District Council/Corporations viz. Forest and Environment Department, Public Works Department, Irrigation and Flood Control Department, Youth Affairs and Sports Department, Stationery and Printing Department, Tribal Affairs and Hills Department and Manipur Film Development Corporation Limited were received (November 2012). No cases of non-adjustment of advances, misappropriation, losses, etc. were reported.

³ Manipur Industrial Development Corporation, Manipur Handloom & Handicrafts Corporation, Manipur Tribal Development Corporation, Manipur Police Housing Corporation and Manipur Film Development Corporation.

3.6 Conclusion and recommendations

As of March 2012, 2410 Utilization Certificates involving ₹ 1425.34 crore in respect of grants were in arrear. There were also delays in placement of Separate Audit Reports on Autonomous District Councils to Legislature and huge arrears in finalization of accounts by the ADC/Autonomous Bodies. Five Departmental undertakings of certain Government Departments have not submitted their accounts for more than 10 years. Out of 50 departments/Autonomous bodies, only seven 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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