

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. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance 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 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. 18,525 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 10,956.66 crore paid to 62 departments of the State Government during the period from 2001-02 to 2012-13 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 summarised in **Table 3.1**.

Table 3.1: Age-wise Arrears of Utilisation Certificates

Sl. No.	Range of Delay in Number of Years	Total grants paid		Outstanding Utilisation Certificates	
		Number	Amount	Number	Amount
		(₹ in crore)			
1	0-1	584 ¹⁷	1,691.55	584	1,691.55
2	1-3	1,153	2,677.79	1,153	2,677.79
3	3 and above	16,996	6,826.25	16,788	6,587.32
Total		18,733	11,195.59	18,525	10,956.66

Source: Office of the Principal Accountant General (A&E), Assam

Out of 18,525 UCs worth ₹ 10,956.66 crore pending as of March 2013, UCs (16,788 Numbers) involving ₹ 6,587.32 crore were pending for more than three years. Pendency of UCs mainly pertained to Agriculture Department (153 UCs: ₹ 177.88 crore), Cultural Affairs Department (145 UCs: ₹ 53.61 crore), Education Department (12,444 UCs: ₹ 598.00 crore), Finance (Taxation) Department (93 UCs: ₹ 63.18 crore), Fisheries Department (124 UCs: ₹ 84.18 crore), Health Department (360 UCs: ₹ 263.28 crore), Industries and Commerce Department (375 UCs: ₹ 119.40 crore), Panchayat and Rural Development Department (126 UCs: ₹ 715.96 crore), Rural Development Department (107 UCs: ₹ 1,388.19 crore), Secretariat Administration Department (122 UCs: ₹ 332.29 crore), Social Welfare Department

¹⁷ UCs for grants paid in 2012-13 though not due were in arrears

(448 UCs: ₹ 480.89 crore), Sports & Youth Welfare Department (228 UCs: ₹ 184.37 crore) and Welfare of Plain Tribes and Backward Classes Department (WPT&BC) (516 UCs: ₹ 937.76 crore). Of the 62 departments, 24 departments even failed to submit UCs in respect of grants released to them during the period 2001-02.

In the absence of the UCs it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given.

Mention was made in earlier Audit Reports of the Comptroller and Auditor General of India in this regard but no efforts were made by the State Government to ensure submission of UCs by the respective departments within the prescribed time frame. However, in a meeting convened by the Finance Department (November 2012), the Hon'ble Chief Minister, Assam expressed his grave concern and dissatisfaction over non-submission of UCs by the concerned administrative departments and directed departmental ministers and administrative heads to ensure timely submission of UCs.

Accordingly, many Departments submitted UCs. But the UCs submitted by Agriculture (194 UCs: ₹ 138.33 crore) and WPT&BC Department (14 UCs: ₹ 100.60 crore) were only found to be in order. Thus, the departmental authorities are required to reconcile figures etc., in consultation with the Office of the Principal Accountant General (A&E) Assam to settle outstanding UCs.

Further, a monitoring system should also be evolved by the respective Departments so that expeditious submission of UCs by the recipients is ensured.

3.2 Submission of Accounts/Audit Reports of Autonomous Bodies/Councils

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 scrutinised in audit, review of internal management and financial control, review of system and procedures etc. The audit of accounts of eight Autonomous Bodies and three Autonomous 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 3.2*. The frequency distribution of Autonomous Bodies according to the delays in submission of accounts to Audit after the entrustment of audit to the Comptroller and Auditor General is summarised in **Table 3.2**.

Table 3.2: Delays in submission of Accounts

Delays in submission of accounts (In Months)	Autonomous Bodies/Councils		Reasons for the delay
	Number	Accounts	
0-6	2	2	Not furnished
6-12	4	4	
12-18	1	1	
18-24	--	--	
24 and above	2	2	
Total	9	9	

Out of 32 accounts (including account of current year) of eight Autonomous Bodies and one Autonomous Council (*Appendix-3.2*), nine accounts were submitted with delay ranging from six to 24 months and above and remaining 23 accounts were in arrears for periods ranging from 12 to 168 months as of June 2013. Assam Khadi and Village Industries Board, Guwahati had not submitted their accounts from 1999-2000 onwards i.e., for 14 years and Bodoland Territorial Council, Kokrajhar had not submitted their accounts from 2010-11 i.e., for more than two years.

The State Government disbursed funds to those Autonomous Bodies regularly. 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.

Thus, there is a need for the Autonomous Bodies to submit their accounts to Audit in a timely manner.

3.3 Submission of Accounts by Government Bodies/Authorities

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 29 Bodies/Authorities received (accounts for the years 2003-04 to 2011-12) during the current year attracted audit by the Comptroller and Auditor General of India. 131 accounts of those Bodies and Authorities, audit of which was due, were audited during 2012-13.

The Accountant General (Audit) had not received 318 annual accounts of 88 Government Bodies/Authorities due up to 2012-13 as of June 2013. The details of those accounts are given in *Appendix 3.3* and their age-wise pendency is presented in **Table 3.3**.

Table 3.3: Age-wise arrears of Annual Accounts due from the Government Bodies

Sl. No.	Delay in Number of Years	No. of the Accounts	Grants Received
1	0-1	88	Not available
2	1-3	101	Not available
3	3-5	62	Not available
4	5-7	46	Not available
5	7-9	21	Not available
Total		318	

Of the 88 Government Bodies/Authorities, 29 Bodies/Authorities under Health and Family Welfare Department did not furnish the accounts since their inception. In the absence of annual accounts and subsequent audit of those 88 Bodies and Authorities involving 318 annual accounts, the proper accountal/ utilisation of the grants and loans disbursed to those 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 from time to time.

3.4 Funds disbursed to Autonomous Councils (other than sixth schedule areas), Development Councils and Development Authorities

In addition to the Autonomous Bodies/Councils/ Government Bodies mentioned in **Para-3.2** and **Para-3.3** before, the Government of Assam (GOA), through various Acts passed by the Legislature/ Ordinances of the Government, created six Autonomous Councils (other than in Sixth Schedule Areas), 19 Development Councils and 24 Development Authorities to whom substantial funds to the extent of ₹ 528.81 crore¹⁸ were disbursed from the Consolidated fund of the State.

The State Government entrusted the audit of six Autonomous Councils and 19 Development Councils to the Comptroller and Auditor General (C&AG) of India in October 2013. The audit however, could not be commenced due to non-finalisation of the terms and conditions. Besides, the Government had not entrusted the audit of 24 Development Authorities to C&AG of India.

3.5 Misappropriation, loss, defalcation etc.

Scrutiny in audit revealed 329 cases of misappropriation, defalcation etc., involving Government money amounting to ₹ 101.78 crore up to March 2013 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 those 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 summarised in **Table 3.4**.

Table 3.4: Profile of Misappropriation, loss, defalcation etc.

(₹ 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	148	3,942.04	Theft	46	158.08
5-10	120	5,439.63	Misappropriation/ Loss of material	283	10,020.15
10-15	39	701.04			
15-20	22	95.52	Total	329	10,178.23
20-25	-	-	Cases of loss written off during the year	Nil	Nil
25 and above	-	-	Total pending cases	329	10,178.23
Total	329	10,178.23			

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

Table 3.5: Reasons for Outstanding cases of Misappropriation, loss, defalcation etc.

Reasons for the Delay/Outstanding Pending cases	Number of Cases	Amount (₹ in lakh)
(i) Non-furnishing of reply	138	3,944.79
(ii) Non-furnishing of proper reply by the Department	164	5,510.13
(iii) Final reply detailing the action taken was awaited	27	723.31
Total	329	10,178.23

Thus, an effective mechanism needs to be put in place to ensure speedy settlement of cases relating to theft, misappropriation and loss.

¹⁸ Six Autonomous Councils : ₹ 400.16 crore (2010-11 to 2012-13)
 19 Development Councils : ₹ 125.84 crore (2010-11 to 2012-13)
 24 Development Authorities : ₹ 2.81 crore (1986-87 to 2012-13)
 Total : ₹ 528.81 crore

3.6 Conclusion and Recommendations

State Government's compliance with various rules, procedures and directives was unsatisfactory as was evident from delays in furnishing utilisation certificates against the loans and grants from various grantee institutions. Delays also figured in submission of annual accounts by some of the Autonomous Bodies/ Councils. Further, annual accounts in respect of a large number of Government Bodies/Authorities due up to 2012-13 had not been received by the Accountant General (Audit), Assam. There were instances of loss and misappropriation which remained unsettled with various departments for period ranging from one to 20 years.

Departments should submit UCs in respect of the grants released for specific purposes to the grantee institutions in time.

Government departments should take urgent action so that the Government/ Autonomous Bodies submit the outstanding accounts expeditiously.

Departmental enquiries in the cases of loss, misappropriation etc., should be expedited to bring the defaulters to book. Internal controls should be strengthened to prevent occurrence of such cases.

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