

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. 19,671 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 11,834.24 crore paid to 58 departments of the State Government during the period from 2001-02 to 2013-14 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
1	0-1	1,531	2,962.14	1,528 ¹	2,962.13
2	1-3	1,188	3,355.04	1,153	3,306.89
3	3 and above	17,341	7,601.62	16,990	5,565.22
Total		20,060	13,918.80	19,671	11,834.24

Source of data: Data compiled by Principal Accountant General (A&E), Assam

Out of 19,671 UCs worth ₹ 11,834.24 crore pending as of March 2014, UCs (16,990 Numbers) involving ₹ 5,565.22 crore were pending for more than three years. Pendency of UCs mainly pertained to Agriculture Department (195 UCs: ₹ 454.20 crore), Cultural Affairs Department (250 UCs: ₹ 137.61 crore),

¹ Except where the sanction order specifies otherwise, UCs in respect of grants drawn during 2013-14 become due only in 2014-15.

Education (General) Department (12,675 UCs: ₹ 1,569.56 crore), Finance (Taxation) Department (251 UCs: ₹ 312.64 crore), Fisheries Department (207 UCs: ₹ 163.91 crore), Health Department (418 UCs: ₹ 888.75 crore), Industries and Commerce Department (405 UCs: ₹ 196.97 crore), Local Bodies (468 UCs: ₹ 664.60 crore), Panchayat and Rural Development Department (141 UCs: ₹ 968.57 crore), Secretariat Administration Department (180 UCs: ₹ 635.44 crore), Social Welfare Department (521 UCs: ₹ 975.01 crore), Sports & Youth Welfare Department (404 UCs: ₹ 252.20 crore) and Welfare of Plain Tribes and Backward Classes Department (WPT&BC) (1,454 UCs: ₹ 1,995.58 crore). Of the 58 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, some Departments submitted UCs. However, 389 UCs amounting to ₹ 2,084.56 crore submitted by nine departments² 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 without any delay.

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

² (i) Assembly Secretariat (44 UCs: ₹ 0.77 crore), (ii) Education (General) (five UCs: ₹ 5.16 crore), (iii) Handloom & Textile (six UCs: ₹ 2.17 crore), (iv) Health (seven UCs: ₹ 24.61 crore), (v) Panchayat & Rural Development (75 UCs: ₹ 566.26 crore), (vi) Rural Development (107 UCs: ₹ 1,388.19 crore), (vii) Science, Technology, Environment (64 UCs: ₹ 21.01 crore) (viii) Social Welfare (one UC: ₹ 0.96 crore) and (ix) WPT&BC Department (80 UCs: ₹ 75.43 crore).

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 nine 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	3	3	Not furnished
6-12	3	3	
12-18	--	--	
18-24	2	2	
24 and above	2	2	
Total	10	10	

Out of 44 accounts (including account of current year) of nine Autonomous Bodies and one Autonomous Council (*Appendix-3.2*), 10 accounts were submitted with delay ranging from six to 24 months and above and remaining accounts were in arrears for periods ranging from 12 to 180 months as of June 2014. Assam Khadi and Village Industries Board, Guwahati had not submitted their accounts from 1999-2000 onwards i.e., for the last 15 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, 19(3) and 20(1) 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 34 Bodies/Authorities

received (accounts for the years 2005-06 to 2012-13) during the current year attracted audit by the Comptroller and Auditor General of India. 140 accounts of those Bodies and Authorities, audit of which was due, were audited during 2013-14.

The Accountant General (Audit) had not received 111 annual accounts of 41 Government Bodies/Authorities (due up to 2013-14) as of June 2014. 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	41	Not available
2	1-3	54	Not available
3	3-5	14	Not available
4	5-7	2	Not available
Total		111	

Of the 41 Government Bodies/Authorities, 28 Bodies/Authorities under Panchayat and Rural Development Department did not furnish the accounts. In the absence of annual accounts and subsequent audit of those 41 Bodies and Authorities involving 111 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 the preceding **Para-3.2** and **Para-3.3** respectively, 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 ₹ 714.43 crore³ were disbursed from the Consolidated fund of the State during last three years i.e., 2011-14.

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 of the entrustment. Besides, the

³ Six Autonomous Councils : ₹ 547.12 crore (2011-12 to 2013-14)
19 Development Councils : ₹ 163.73 crore (2011-12 to 2013-14)
24 Development Authorities : ₹ 3.58 crore (2011-12 to 2013-14)
Total : ₹ 714.43 crore

Government had not entrusted the audit of 24 Development Authorities to C&AG of India (February 2015).

3.5 Money kept out of Government Account

Assam Treasury Rules & Subsidiary Orders (Rule 16, SO 50) read with Rules 62 and 63 of Assam Financial Rules stipulate that no money shall be drawn from the treasury unless it is required for immediate disbursement.

Government of Assam introduced (19 November 2005) a system of payment of all salaries and wages of the State Government employees through bank account for the purpose of avoiding Banking Cash Transaction Tax (BCTT). Under the above order, DDOs opened Current Bank Accounts in respective Treasury Bank branches for deposit of salaries, wages and personal claims etc., of employees to be disbursed through bank instruments or by way of transfer to employees bank accounts.

In May 2013 the State Government ordered for closure of all such Bank Accounts by 30 September 2013 directing to (1) deposit the funds remaining unutilised for last three years or more to the State Exchequer under appropriate Head of Accounts and (2) utilise and disburse the balance amount for the purpose for which the money was drawn latest by 30 September 2013 and to deposit the remaining undisbursed amount to State Exchequer. The Government further directed (September 2013) to keep funds against the committed liabilities (due for disbursement) in Civil Deposit subject to the condition that the same would be disbursed within a period of three months i.e., latest by 31 December 2013.

The compliance with the above Government's direction was verified in Audit and it was noticed that the balances in the current bank accounts of 12 test-checked DDOs reduced from ₹ 1,333.40 crore on 31 March 2013 to ₹ 192.03 crore on 31 March 2014 as indicated in *Appendix 3.4*.

Although the closing balance of current bank account had substantially reduced during the year, DDOs chose to retain current budgetary drawals (2013-14) in the form of bank instruments like Deposit at Call Receipts (DCR), Bank Draft, Banker's cheque etc., causing a dilution of Budgetary sanctions. An analysis of closing balance of bank instruments maintained by the 12 DDOs revealed that it had increased from ₹ 308.35 crore (31 March 2013) to ₹ 1,201.11 crore (31 March 2014), indicating that some old bank balances as well as current year's budgetary drawals were converted to Bank instruments and remained out of Government Account as indicated in *Appendix 3.5*.

Thus, it is evident that the basic principle of Government finances that money is to be withdrawn only when required had been violated. Since resource crunches are inevitably true, especially in States, premature withdrawal places stress on the

fiscal system and leads to burden on exchequer by way of higher interest costs. It misleads the Legislature and other stakeholders as amounts withdrawn though not actually disbursed are reported as expenditure. Once out of Government control, there is scope for corruption and misuse.

3.6 Misappropriation, loss, defalcation etc.

Scrutiny in audit revealed 2,097 cases of misappropriation, defalcation etc., involving Government money amounting to ₹ 2,679.64 crore (up to March 2014) on which final action was pending. The Department-wise breakup of pending cases and age-wise analysis is given in *Appendix 3.6* and nature of those cases is given in *Appendix 3.7*. 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	1,114	1,06,777.01	Theft	42	243.02
5-10	748	1,38,997.69	Misappropriation/ Loss of material	2,055	2,67,720.53
10-15	152	18,103.93			
15-20	82	4,084.78	Total	2,097	2,67,963.55
20-25	1	0.14	Cases of loss written off during the year	Nil	Nil
25 and above	-	-	Total pending cases as on 31 March 2014	2,097	2,67,963.55
Total	2,097	2,67,963.55			

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.

(₹ in lakh)

Reasons for the Delay of Outstanding Pending cases	Number of Cases	Amount
(i) Non-furnishing of reply	2,009	2,63,792.93
(ii) Non-furnishing of proper reply by the Department	29	540.74
(iii) Final reply detailing the action taken was awaited	57	3,327.12
(iv) Criminal case pending in the Special Judge Court, Assam	1	301.00
(v) Completion of Departmental proceeding is awaited	1	1.76
Total	2,097	2,67,963.55

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

3.7 Conclusion and Recommendations

State Government's compliance with various rules, procedures and directives was unsatisfactory as was evident from delays by various departments in furnishing utilisation certificates against the loans and grants received by them. 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 2013-14 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 25 years.

(Paras-3.1, 3.2, 3.3 and 3.6)

Departments should submit UCs in respect of the grants received for specific purposes timely.

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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