

FINANCIAL REPORTING

Chapter 3 Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Utilisation Certificates

General Financial Rules provides that Utilisation Certificates (UC) should be obtained by the departmental officers from the Grantees and after verification these should be forwarded to the Principal Accountant General within 18 months from the date of their sanction unless specified otherwise in respect of grants provided for specified purposes. At the end of March 2014, an amount of ₹ 2,774.19 crore remained outstanding for want of Utilisation Certificates. Details are given in **Table-3.1**.

Table-3.1: Year-wise arrears of Utilisation Certificates

Year	Utilisation Certificate outstanding (₹ in crore)	No. of GIA Sanction awaiting Utilisation Certificate
Upto 2011-12	1,638.27	4,974
2012-13	653.34	978
2013-14	482.58	931
Total	2,774.19	6,883

Source: Finance Account, Vol.-I, 2013-14

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

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 Re-entrustment of the Mizoram Khadi & Village Industries Board (MKVIB) for the years 2011-16 is yet to be received by the Comptroller and Auditor General of India under

Section 19 (3) of the Comptroller and Auditor General's Duties, Powers and Conditions of Service Act, 1971. The annual accounts have been received for the year 2011-12.

In the absence of the annual accounts, proper account/utilisation of the grants and loans disbursed to the above mentioned Autonomous Body remained unverified. Reasons for non-preparation/submission of the accounts were, however, not intimated to Audit (March 2014).

3.3 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, needed for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Principal Accountant General for audit by 30 June each year. The proforma accounts in respect of Food, Civil Supplies & Consumers Affairs and Mizoram State Transport were not prepared. As of March 2014, the position of arrears in preparation of proforma accounts and working results of these two bodies for the last three years are given in **Table-3.2, 3.3 and 3.4.**

Table-3.2: Finalisation of Accounts and Government Investments

(₹ in crore)

Sl. No.	Name of the Undertakings	Accounts finalised up to	Investment as per the last accounts finalised	Remarks/Reasons for Delay in preparation of accounts
Department: Food, Civil Supplies and Consumer Affairs				
1	Food, Civil Supplies & Consumer Affairs	2003-04	54.20	The Proforma Accounts for the financial year 2004-05 has been audited but issue of comments is under process

Sl. No.	Name of the Undertakings	Accounts finalised up to	Investment as per the last accounts finalised	Remarks/Reasons for Delay in preparation of accounts
Department: Transport				
2	Mizoram State Transport	2001-02	16.40	Proforma Accounts for the financial years 2002-03 to 2006-07 submitted but returned to Department requesting to re-submit after making necessary corrections but so far not re-submitted

Table-3.3: Working Results of Food, Civil Supplies and Consumer Affairs

(₹ in crore)

Sl. No.	Description	2011-12	2012-13	2013-14
1	Total revenue	137.85	137.08	142.19
2	Operating revenue	135.93	133.28	137.19
3	Total expenditure	790.94	932.93	1,016.98
4	Operating expenditure	231.99	260.32	279.65
5	Total loss	653.09	795.85	874.79
6	Operating loss	96.06	127.04	142.46

Table-3.4: Working Results of Mizoram State Transport

(₹ in crore)

Sl. No.	Description	2011-12	2012-13	2013-14
1	Total revenue	2.16	2.02	1.90
2	Operating revenue	1.66	1.71	1.73
3	Total expenditure	26.28	19.73	23.03
4	Operating expenditure	19.58	16.00	18.47
5	Total loss	24.12	17.71	21.13
6	Operating loss	17.93	14.29	16.74

3.4 Conclusion and Recommendations

Conclusion

At the end of March 2014, an amount of ₹ 2,774.19 crore remained outstanding for want of Utilisation Certificates. The annual accounts of Mizoram Khadi & Village Industries Board (MKVIB) for the year 2011-12 have been furnished. In the absence of the annual accounts, proper account/utilisation of the grants and loans disbursed to the above mentioned Autonomous Bodies remained unverified. In spite of repeated comments about the arrears in preparation of accounts of two Commercial Undertakings by the Comptroller and Auditor General of India in previous State reports, no improvement has been reported by the undertakings. In the absence of timely finalisation of accounts, the investment of the Government remained outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any, needed for ensuring accountability could not be taken in time.

Recommendations

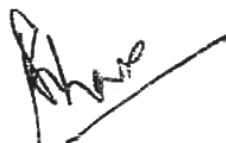
- ❖ *Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms. The State Government should undertake regular monitoring and issue necessary instructions to the concerned Departments for furnishing timely Utilisation Certificates. The Heads of Departments should ensure that the departmental undertakings prepare proforma accounts and submit the same to the Principal Accountant General for audit.*



Aizawl
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Countersigned



New Delhi
The 20 April 2015

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Comptroller and Auditor General of India