

CHAPTER-III

FINANCIAL REPORTING

CHAPTER III Financial Reporting

A sound internal financial reporting system 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 with respect to financial reporting.

3.1 Delay in furnishing Utilisation Certificates

Rule 515 (Appendix 14) of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a specified object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant, if no time-limit has been fixed by the sanctioning authority). Grantee Institutions receiving Grants-in-aid from Government are required to furnish Utilisation Certificates (UCs) to the Accountant General (Accounts & Entitlement) countersigned by the disbursing authority after thorough verification. The purpose for which the Grant-in-aid were utilised can be confirmed only on receipt of UCs which would safeguard against diversion of funds for other purposes. To the extent of non-receipt of UCs, the expenditure shown in the accounts can neither be treated as final nor can it be confirmed that the amount has been expended/utilised for the intended purposes. At the close of March 2016 accounts, 4,529 UCs amounting to ₹ 1,911.41 crore remained outstanding in the books of the Accountant General (Accounts & Entitlement) The details are given in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

Year*	Number of Utilisation Certificate awaited	Amount
Up to 2013-14	911	704.21
2014-15	3513	688.57
2015-16*	105	518.63
Total	4529	1,911.41

*The year mentioned above relates to 'Due Year' i.e. after 12 months of actual drawal.

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

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 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. On receipt of this information the following was observed:

The annual accounts of 26 bodies/authorities due up to 2015-16 had not been received (October 2016) by the Accountant General (Audit). The details of these accounts are given in **Appendix 3.1** and their age-wise pendency is presented in **Table 3.2**.

Table 3.2: Age-wise arrears of Annual Accounts due from bodies/authorities

(₹ in crore)

Sl. No.	Delay in number of years	No. of Bodies/ Authorities	Grants Received		
			Year	No. of Bodies/ Authorities	Amount
1	0 to 1 year	-	2014-15	-	-
2	Above 1 year to 3 years	08	2012-13 & 2013-14	08	187.40
3	Above 3 years to 5 years	04	2010-11 & 2011-12	04	7.83
4	Above 5 years to 7 years	02	2008-09 & 2009-10	02	6.92
5	Above 7 years to 9 years	11	2006-07 & 2007-08	11	587.79
6	Above 9 years	1	2000-01	1	17.90
Total		26		26	807.84

3.3 Delay in submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour *etc.* The position of annual accounts of two of the autonomous bodies whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) is given below:

Table 3.3: Position of outstanding annual accounts

Name of Autonomous Body	Section of DPC Act under which audit is conducted	Period of entrustment	Due date for submission of Annual Accounts	Year of Annual Accounts received	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board (MKVIB)	19(3)	2009-10 onwards	June every year	2012-13	2013-14, 2014-15 & 2015-16
Meghalaya Building and Other Construction Workers' Welfare Board (MBOCWVB)	19(2)	Not necessary	- Do -	2013-14	2014-15 & 2015-16

As can be seen from the above table, the annual accounts of the MKVIB for the years from 2013-14 to 2015-16 and MBOCWVB for the years 2014-15 and 2015-16, due for submission by June 2014, 2015 and 2016 respectively, had not been furnished (October 2016).

3.4 Misappropriation, loss, etc.

According to Rule 112 of the Meghalaya Financial Rules, 1981 any defalcation or loss of public money or other property discovered in Government Treasury or other office or department, which is under the audit of the Accountant General, should be immediately reported to the Accountant General, even when such loss has been made good by the person responsible for it.

State Government reported 74 cases of theft, misappropriation and loss involving Government money amounting to ₹ 128.27 lakh up to March 2016 on which final action was pending. A break up of pending cases and age-wise analysis is given in **Appendix 3.2** and department-wise break up of pending cases is given in **Table 3.4**.

Table 3.4: 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
Public Works	2	3.76	1	0.22	2	13.76	5	17.74
Health & Family Welfare	1	*	-	-	1* + 2	0.92	2* + 2	0.92
Public Health Engineering	57	7.41	-	-	1	0.17	58	7.58
Legislative Assembly	-	-	2	44.09	-	-	2	44.09
Finance	-	-	-	-	1	15.74	1	15.74
Mining	-	-	1	16.55	-	-	1	16.55
Community & Rural Development	1	3.03	-	-	-	-	1	3.03
Land Record & Survey	1	1.56	-	-	-	-	1	1.56
Horticulture	-	-	-	-	1	21.06	1	21.06
Total	62	15.76	4	60.86	1* + 7	51.65	74	128.27

Age-profile of pending cases and the number of cases pending in each category (theft, misappropriation and loss) are summarised in **Table 3.5**.

Table 3.5: Profile of Theft, Misappropriation and Loss

(₹ 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	40.75	Theft	63	102.26
5 - 10	4	22.30			
10 - 15	5	6.64			
15 - 20	33	21.93	Misappropriation/ loss of material	13	113.17
20 - 25	22	8.54			
25 & above	9	28.11			
			Total	76	215.43
			Cases of theft and loss written off during the year	2	87.16
Total	74	128.27	Total Pending Cases	74	128.27

* Amount not intimated

During 2015-16, one case of loss of material due to fire in respect of Labour Department involving ₹ 0.66 lakh and Finance Department (one case) involving ₹ 86.50 lakh due to theft were written off.

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 3.6**.

Table 3.6: Reasons for Outstanding cases of Misappropriation, loss, defalcation etc.

		(₹ in lakh)	
Reasons for the Delay/Outstanding Pending Cases		Number of cases	Amount
1.	Awaiting departmental and criminal investigation	54	42.00
2.	Departmental action initiated but not finalised	9	44.54
3.	Awaiting orders for recovery or write off	10	25.18
4.	Pending in the court of law	1	16.55
Total		74	128.27

Out of ₹ 128.27 lakh, the highest amount of misappropriation of ₹ 44.09 lakh pertained to Meghalaya Legislative Assembly involving two cases and loss of Government material of ₹ 21.06 lakh pertained to the Horticulture Department involving one case.

3.5 Follow up action on Audit Reports

The Reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Meghalaya have been commenting upon Government's finances since 2008-09. These Audit Reports can achieve the desired results only if they evoke positive and adequate response from the administration itself. To ensure accountability of the executive about the issues contained in the Audit Reports, the Public Accounts Committee of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature.

Though the Audit Reports for the years from 2008-09 to 2014-15 containing 184 paragraphs were placed before the State Legislature in March 2010, March 2011, March 2012, April 2013, June 2014, March 2015 and March 2016 respectively, *suo motu* explanatory notes on the observations made in those Audit Reports had not been intimated by most of the departments.

As such, it is recommended that the State Government should look into this matter and ensure proper action on the audit observations pointed out in the Audit Reports in a time bound manner, which would help in facilitating reduction in financial irregularities and lapses of various types leading to good governance.

3.6 Conclusion and Recommendations

There were delays in furnishing utilisation certificates for grants given by various authorities/organisations and also delays in submission of accounts by various

autonomous bodies. Analysis of pending misappropriation cases revealed that 74 cases remained unsettled with various departments for periods ranging from one to over 25 years and were pending due to not initiating departmental and criminal investigation (54 cases), non-issue of orders for recovery or write off (10 cases), non-finalisation of departmental action (nine cases) and cases pending in the court of law (one case).

There is a need to ensure that utilisation certificates are submitted by recipient of grants within the prescribed time. Departmental enquiries in all misappropriation cases should be expedited and internal controls strengthened to prevent such cases.

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