

CHAPTER—III

FINANCIAL REPORTING

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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 2017 accounts, 713 UCs amounting to ₹ 2,505.13 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

(₹ in crore)

Year*	Number of Utilisation Certificate awaited	Amount
Up to 2014-15	371	1,179.35
2015-16	77	304.00
2016-17*	265	1,021.78
Total	713	2,505.13

*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 30 bodies/authorities due up to 2016-17 had not been received (October 2017) by the Principal 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	02	2015-16	02	60.58
2.	Above 1 year to 3 years	04	2013-14 to 2014-15	04	423.06
3.	Above 3 years to 5 years	06	2011-12 to 2012-13	06	140.35
4.	Above 5 years to 7 years	05	2009-10 to 2010-11	05	81.34
5.	Above 7 years to 9 years	04	2007-08 to 2008-09	04	44.43
6.	Above 9 years	09	2006-07	09	516.74
Total		30		30	1266.50

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 in **Table 3.3** 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 to 2016-17
Meghalaya Building and Other Construction Workers' Welfare Board (MBOCWWB)	19(2)	Not necessary	- Do -	2014-15	2015-16 & 2016-17

As can be seen from the above table, the annual accounts of the MKVIB for the years from 2013-14 to 2016-17 and MBOCWWB for the years 2015-16 and 2016-17, due for submission by June 2014, 2016 and 2017 respectively, had not been furnished (October 2017).

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. Further, in all cases of theft, misappropriation, fraud and loss involving Government money, the First Information Report (FIRs) should invariably be lodged with the Police Department.

State Government reported 74 cases of theft, misappropriation and loss involving Government money amounting to ₹ 214.57 lakh up to March 2017 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	9.96	1	3.81	4	17.53
Health & Family Welfare	1*	-*	0	0	1* + 2	0.92	2* + 2	0.92
Public Health Engineering	57	7.41	0	0	1	0.18	58	7.59
Legislative Assembly	0	0	2	44.09	0	0	2	44.09
Finance	1	86.50	0	0	1	15.74	2	102.24
Mining	0	0	1	16.55	0	0	1	16.55
Community & Rural Development	1	3.03	0	0	0	0	1	3.03
Land Record & Survey	1	1.56	0	0	0	0	1	1.56
Horticulture	0	0	0	0	1	21.06	1	21.06
Total	63	102.26	4	70.60	1* + 6	41.71	74	214.57

The 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: Age Profile of Pending cases 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	0	0	Theft	63	102.26
5 - 10	7	68.41			
10 - 15	2	1.28			
15 - 20	17	90.24	Misappropriation/ loss of material	12	112.51
20 - 25	20	21.81			
25 & above	28	32.83			
			Total	75	214.77
			Cases of theft and loss written off during the year	1	0.20
Total	74	214.57	Total Pending Cases	74	214.57

* Amount not intimated

During 2016-17, one case of loss of material due to fraud, in respect of Public Works (R&B) Department involving ₹ 0.20 lakh, had been written off.

Out of 74 cases, Departments concerned had filed FIRs with the Police Department only in respect of 67 cases involving ₹ 144.19 lakh. **In the remaining seven cases involving ₹ 70.38 lakh, information on filing of FIRs had not been furnished.**

A further analysis indicated 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 investigation/enquiry	54	42.00
2.	Departmental action initiated but not finalised	9	44.54
3.	Awaiting orders for recovery or write off	10	111.48
4.	Pending in the court of law	1	16.55
Total		74	214.57

Out of ₹ 214.57 lakh, the highest amount of theft and loss of ₹ 1.02 crore pertained to Finance Department involving two cases, while 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 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.

The Audit Reports on State Finances for the years from 2008-09 to 2015-16 were placed before the State Legislature in March 2010, March 2011, March 2012, April 2013, June 2014, March 2015, March 2016 and March 2017 respectively. However, *suo motu* explanatory notes on the observations made in those Audit Reports had not been furnished by the departments. Some random replies on only certain portions of Appendix to the Reports were sent by some departments.

3.6 Significant Findings

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.

There are 74 reported cases of theft, misappropriation, loss of government money involving ₹ 214.57 lakh which need to be finalized expeditiously.

Shillong
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The 09 March 2018



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