

**Chapter - III**  
**Financial Reporting**



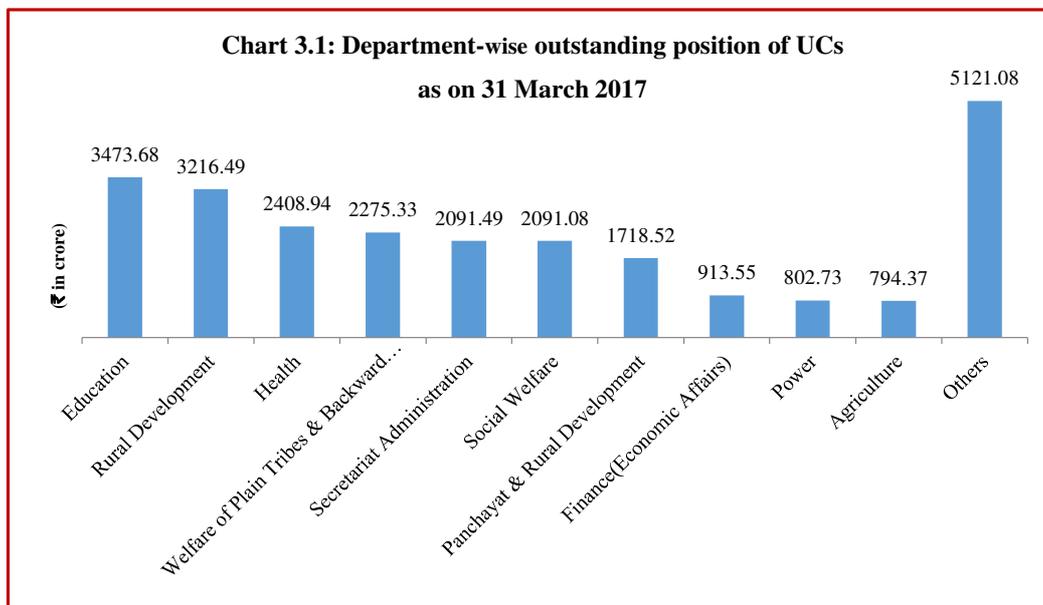
## Chapter III Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. 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 of Utilization 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.

**11,641 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 24,907.26 crore paid to 53 departments of the State Government during the period from 2001-02 to 2016-17 were in arrears.** The Department-wise break-up of outstanding UCs is given in *Appendix 3.1*. Status of outstanding UCs in respect of 10 major departments is also given in **Chart 3.1**. Further, the age-wise delays in submission of UCs is summarised in **Table 3.1**.



**Table 3.1: Age-wise Arrears of Utilisation Certificates**

(₹ in crore)

Sl. No.	Range of Delay in Number of Years	Total grants paid		Outstanding Utilisation Certificates	
		Number	Amount	Number	Amount
1	0-1	1,863	12,270.40	1,861 <sup>1</sup>	12,267.50
2	1-3	3,774	11,765.33	2,713	8,025.54
3	3 and above	16,780	6,951.12	7,067	4,614.22
<b>Total</b>		<b>22,417</b>	<b>30,986.85</b>	<b>11,641</b>	<b>24,907.26</b>

Source of data: Data compiled by O/o the Accountant General (Accounts and Entitlements), Assam

Out of 11,641 UCs worth ₹ 24,907.26 crore pending as of March 2017, UCs (7,067 Numbers) involving ₹ 4,614.22 crore were pending for more than three years.

Pendency of UCs mainly pertained to Agriculture (166 UCs: ₹ 794.37 crore), Education (4,569 UCs: ₹ 3,473.68 crore), Finance (Taxation) (435 UCs: ₹ 753.50 crore), Finance (Economic Affairs) (484 UCs: ₹ 913.55 crore), Health (295 UCs: ₹ 2,408.94 crore), Power (29 UCs: ₹ 802.73 crore), Panchayat and Rural Development (229 UCs: ₹ 1,718.52 crore), Revenue (419 UCs: ₹ 680.95 crore), Rural Development (76 UCs: ₹ 3,216.49 crore), Secretariat Administration (185 UCs: ₹ 2,091.49 crore), Social Welfare (747 UCs: ₹ 2,091.08 crore) and Welfare of Plain Tribes and Backward Classes (WPT&BC) (1,211 UCs: ₹ 2,275.33 crore).

Of the 53 departments, 19 departments even failed to submit UCs in respect of grants released to them during the period 2001-02.

In the absence of the UCs audit could not ascertain whether the recipients had utilised the grants for the purposes for which those were given.

Audit mentioned similar observation in earlier Audit Reports of the Comptroller and Auditor General of India. But the State Government did not make efforts 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. He also directed administrative heads to ensure timely submission of UCs.

During 2016-17, various departments submitted UCs. On scrutiny, out of 22,417 UCs amounting to ₹ 30,986.85 crore, only 10,776 UCs amounting to ₹ 6,079.59 crore submitted by various departments were found to be in order as detailed in **Appendix 3.1**. Thus, the departmental authorities are required to reconcile figures

<sup>1</sup> Except where the sanction order specifies otherwise, UCs in respect of grants drawn during 2016-17 become due only in 2017-18.

etc., in consultation with the Office of the Accountant General (Accounts and Entitlements), Assam to settle outstanding UCs without any delay.

**Non-submission of Utilization certificates is fraught with the risk of misappropriation.**

Thus, 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 C&AG of India 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 nine Autonomous Bodies and three Autonomous Councils in the State has been entrusted to the Comptroller and Auditor General. 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 range of delay in submission of accounts to Audit by Autonomous Bodies 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	3	Not furnished
6-12	4	6	
12-18	3	5	
18-24	4	4	
24 and above	5	11	
Total	18	29	

Out of 75 accounts (including account of current year) of nine Autonomous Bodies and three Autonomous Councils (*Appendix-3.2*), nine autonomous bodies submitted 15 accounts with delay ranging from 18 to 24 months and above. **Audit observed that 29 accounts were in arrears for periods ranging from one to 151 months as of October 2017.** Assam Khadi and Village Industries Board, Guwahati had not submitted their accounts from 2004-05 onwards i.e., since last 13 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/Councils to submit their accounts to Audit in a timely manner.

### 3.3 Submission of Accounts by PSUs, Government Bodies/Authorities

In order to identify the institutions, which attract audit under Sections 14, 19(3) and 20(1) of the C&AG'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 97 Bodies/Authorities received (accounts for the years 1989-90 to 2015-16) during the current year attracted audit by the C&AG of India. Audit scrutinized 128 accounts during 2016-17 including arrear accounts of those PSUs, Bodies and Authorities which were due to audit.

**The Accountant General (Audit) had not received 491 annual accounts of 90 PSUs, Government Bodies and Authorities (due up to 2016-17) as of June 2017.** The Department-wise 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	90	Not available
2	1-3	111	Not available
3	3-5	63	Not available
4	5 and above	227	Not available
<b>Total</b>		<b>491</b>	

Of the 90 Government Bodies/Authorities, 17 Bodies/Authorities under Industries and Commerce Department did not furnish the accounts. In the absence of annual accounts and subsequent audit of those 90 Bodies and Authorities involving 491 annual accounts, the proper accountal/ utilisation of the grants and loans disbursed to those Bodies/Authorities remained unverified. Audit took up the matter of non-submission of accounts of the defaulting Autonomous Bodies 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. The State Government disbursed substantial funds to the extent of ₹ 677.21 crore<sup>2</sup> to such Councils and Authorities from the Consolidated fund of the State during last three years i.e., 2014-17.

The State Government entrusted the audit of six Autonomous Councils and 19 Development Councils to the C&AG of India in October 2013. The C&AG however, could not take up audit due to non-finalisation of the terms and conditions of the entrustment as well as non-submission of annual accounts. Besides, the Government had not entrusted the audit of 24 Development Authorities to C&AG of India (September 2017).

### 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 employee's 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

<sup>2</sup> Six Autonomous Councils	: ₹ 605.25 crore (2014-15 to 2016-17)
19 Development Councils	: ₹ 68.26 crore (2014-15 to 2016-17)
24 Development Authorities	: ₹ 3.70 crore (2014-15 to 2016-17)
<b>Total</b>	<b>: ₹ 677.21 crore</b>

condition that the same would be disbursed within a period of three months i.e., latest by 31 December 2013.

Audit mentioned in the earlier Audit Reports on State Finances regarding non-compliance with above Government's direction by the different DDOs. This issue was taken up (April 2015) with the Chief Minister of Assam also for remedial measures.

Audit further verified the status of such funds during April-September 2017 and found current account balances as on 31 March 2017 was ₹ 34.76 crore in respect of seven DDOs as detailed in **Appendix 3.4**. Further, unspent balances lying in different bank instruments as well as in Civil Deposit in respect of 11 DDOs were ₹ 82.20 crore as on 31 March 2017 as detailed in **Appendix 3.5**.

Thus, it was evident that the basic principle of Government finances that money is to be withdrawn only when required had been violated. Especially in States where resource crunches are inevitably true, 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 Discrepancy of ₹ 8.93 crore due to non-reconciliation between bank balance and cash balance**

Rule 95 (3) of Assam Financial Rule provides that every Drawing and Disbursing Officer (DDOs) should satisfy himself by periodical examination, at least once in three months that the actual cash corresponds with the book balance.

Audit found that in 28 sample DDOs, there was a difference of ₹ 8.93 crore (**Appendix 3.6**) between the balances in cash book and bank pass book during 2015-16. Thus, 28 DDOs did not reconcile the discrepancy in contravention of the above Rule. Due to this, actual amount of unspent balance was not ascertainable.

### **3.7 Follow-up on Audit Reports**

The Reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Assam have been commenting upon Government's finances since 2008-09. These Audit Reports can achieve the desired results only 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 Assam Legislative Assembly issued instructions (September 1994) for submission of *suo motu* Action Taken Notes (ATNs) by the concerned administrative departments within three months of presentation of the Audit Reports to the State Legislature.

Audit Reports on State Finances for the years from 2008-09 to 2015-16 were placed before the State Legislature in 02 March 2010, 07 February 2011, 30 March 2012, 04 April 2013, 04 August 2014, 31 March 2015, 18 July 2016 and 10 March 2017 respectively. But *suo motu* ATNs on the observations made in the Audit Reports had not been intimated by the departments.

### 3.8 Significant Findings

- 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 occurred in submission of annual accounts by some of the Autonomous Bodies/ Councils.
- Further, a large number of Government Bodies/Authorities did not submit annual accounts due up to 2016-17 to the Accountant General (Audit), Assam.

Guwahati  
The 27 February 2018

  
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Accountant General (Audit), Assam

*Countersigned*

New Delhi  
The 09 March 2018

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India

