

Chapter III

Financial Reporting

A sound Internal Financial Reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Thus, compliance to financial rules, procedures and directives and the timeliness and quality of reporting on the status of such compliances is one of the attributes of good governance. 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 compliance to various financial rules, procedures and directives during the current year.

3.1 Utilization Certificates

In respect of grants sanctioned for specific purposes, concerned departmental officers are required to obtain Utilization Certificates (UCs) from grantees, which are to be forwarded to the Accountant General, after verification. The Department-wise position of outstanding UCs for the year up to 2014-15 is given in **Appendix 3.1**. The year-wise position of total outstanding UCs in the state as on 31 March 2016 is given in **Table 3.1**.

Table-3.1: Year-wise position of total outstanding Utilization Certificates (UCs) as on 31 March 2016

(₹ in crore)

Year	No of UCs Outstanding	Amount Involved
Upto 2013-14	78	114.62
2014-15	60	289.56
Total	138	404.18

The major departments with large pendency of (amount-wise) were Elementary Education, Health and Family Welfare and Panchayat. The large pendency in submission of UCs indicates lack of monitoring of utilization of grants and loans by the departments as it cannot be ensured that expenditure has actually been incurred for the purpose for which it was given.

3.2 Non-submission/Delay in submission of accounts

In order to identify institutions which attract audit under Sections 14 and 15 of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971, the Government/Heads of Departments are required to furnish to Audit every year detailed information regarding financial assistance given to various institutions, purposes of the assistance granted and the total expenditure of the Institutions.

The Annual Accounts of 25 Autonomous Bodies/Authorities due up to 2015-16 have still not been received by the Accountant General as on November 2016. Details of these accounts are given in **Appendix 3.2**, and their age-wise pendency is presented in **Table 3.2**.

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Table-3.2: Age-wise arrears of Annual Accounts due from institutions

Sl. No.	Delay (in Years)	Number of Bodies/Authorities from whom Annual Accounts are awaited
1.	0 – 1	01
2.	1 – 3	04
3.	3 – 5	04
4.	5 – 7	12
5.	7 – 9	01
6.	9 and above	03

Out of 25 Bodies/Authorities annual accounts in respect of 3 organisations viz., Arunachal Pradesh Agriculture Marketing Board, Naharlagun, Ram Krishna Mission Vivekanand Nagar, Aalo and Ram Krishna Mission Khonsa were outstanding for more than nine years.

3.3 End use of Cess

To provide social security and other welfare measures for building for building and other construction workers of the state, the Arunachal Pradesh Building & Other Construction Workers Welfare board came into existence from 1st May 2007 by framing the Arunachal Pradesh Building & Other Construction Workers Welfare Board Rules, 2006, under the provisions of Section 18 of the Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, GoI. The main source of income of the board was collection of cess @ 1 per cent of total construction cost incurred by an employer under Section 3 of the Building & Other Constructions Workers Welfare Act, 1996.

Table 3.3 shows the last five years position of cess collection and actual expenditure incurred for collection of cess:-

Table-3.3: Details of Cess collection and expenditure

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Cess	9.93	13.75	1.00	13.54	16.41
Expenditure	1.56	10.06	22.38	12.81	9.02

3.4 Transparency in Government Accounts

There is a global trend towards greater openness in government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the Government for public purposes will be spent as promised by the Government, while maximizing the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of accounts in which the receipts and expenditure of the Government are reported to the Legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of all major activities of the Government in a transparent manner.

Minor Head 800- Other Expenditure/Other Receipts are intended to be operated only when the appropriate Minor Head has not been provided for in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque. Details of significant transactions (involving more than ₹ 1 crore and constituting more than 50 percent of the relevant Major Head) of receipts (12 items involving ₹ 1984.20 crore) and expenditure (36 items involving ₹ 1447.44 crore) are given in **Appendix 3.3 & 3.4** respectively.

3.5 Conclusion and Recommendations

Delay in furnishing of Utilization Certificates for grants given to/by Departments is a major area of concern. At the end of March 2016, 138 UCs involving an aggregate amount of ₹ 404.18 were pending for submission. Delays and non-submission of Accounts by various autonomous bodies indicates non-compliance with financial rules and weakness in accountability arrangements within the organizations. Regarding losses and misappropriation, the information was still awaited from the Finance Department. This indicative of the fact that compliance of the State Government to various rules, procedures and directives was not satisfactory.

Internal Control in all Departments/Organizations should be strengthened to prevent the above deficiencies. The accounts of Autonomous Bodies/ Authorities and Departmental Undertaking need to be finalized at the earliest.

Place: Itanagar

Dated: the

(JOHN K. SELLATE)
Principal Accountant General
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Countersigned

Place: New Delhi

Dated: the

(SHASHI KANT SHARMA)
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