



CHAPTER-III
FINANCIAL REPORTING

Chapter III

Financial Reporting

This Chapter provides an overview and status of the State Government's compliances with various financial rules, procedures and directives during the current year.

3.1 Delay in submission of Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees. After verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within 12 months from the date of their sanction unless specified otherwise. As per Finance Accounts, UCs in respect of 86 cases involving an amount of ₹ 253.65 crore were outstanding for submission as on March 2018 as detailed in **Table 3.1**.

Table - 3.1: Age-wise Arrears of UCs as on 31 March 2018

(₹ in crore)

Year	Opening Balance		Addition		UCs Submitted		Outstanding UCs	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2012-13	463	589.41	182	348.26	155	627.62	490	310.05
2013-14	490	310.05	170	345.46	209	115.05	451	540.46
2014-15	451	540.46	112	480.15	425	616.43	138	404.18
2015-16	138	404.18	216	475.86	156	189.88	198	690.16
2016-17	198	690.16	150	729.64	262	1166.15	86	253.65

Details of Department-wise outstanding UCs are presented in **Table 3.2**.

Table - 3.2: Department-wise outstanding UCs as on 31 March 2018

Sl. No.	Department	No. of UCs outstanding	Amount involved (₹ in crore)
1	Police	06	69.03
2	Education	02	0.86
3	Health & Family Welfare	28	141.42
4	Information Technology	03	2.00
5	Town Planning	05	4.49
6	Social Welfare	01	0.15
7	Rural Development	01	0.06
8	Sports & Youth Affairs	07	10.60
9	Science & Technology	18	8.24
10	Panchayati Raj	12	9.71
11	Skill Development	03	7.09
	Total	86	253.65

The pendency in submission of UCs indicates lack of monitoring of utilisation of grants by departments due to which it cannot be ensured that expenditure has actually been incurred for the purpose for which it was given.

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As on 01 April 2016, 198 UCs involving ₹ 690.16 crore were pending for submission. However, at the end of the Financial year, only 86 UCs involving an amount of ₹ 253.65 crore were outstanding for submission. The efforts made by the Government in expediting the submission of UCs is appreciated.

The Government needs to enforce strict compliance to the timelines for submission of the UCs by the recipients and failure to comply with the timelines should be scrupulously dealt with.

Non-submission of UCs 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. Besides, the Government needs to take appropriate action against the persons responsible for not ensuring submission of UCs in a timely manner.

In reply (January 2019), the Government stated that the departments concerned has been directed through Planning Department for timely submission of UCs.

3.2 Arrears of Accounts of Autonomous Bodies/ Authorities

The Government needs to provide annual inputs to Audit on financial assistance provided to various institutions, the purpose for which the assistance was granted and the expenditure of these institutions to enable the Accountant General to assess audit requirement under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Annual Accounts of 25 Autonomous Bodies/ Authorities due up to 2017-18 were yet to be submitted to the Accountant General (November 2018). Details of such accounts are given in **Appendix 3.1** and their age-wise pendency is presented in **Table 3.3**.

Table - 3.3: Age-wise arrears of Annual Accounts due from institutions

Sl. No.	Delay (in Years)	Number of Bodies/ Authorities from whom Annual Accounts are awaited	Numbers of Outstanding Annual Accounts
1	0 – 1	00	00
2	1 – 3	01	03
3	3 – 5	05	21
4	5 – 7	04	27
5	7 – 9	11	99
6	9 above	04	52

Out of 25 Bodies/ Authorities, Annual Accounts in respect of four organisations viz., Arunachal Pradesh Agriculture Marketing Board, Naharlagun, Arunachal Pradesh State Legal Service Authority, Itanagar and Ram Krishna Missions at Aalo and Khonsa were outstanding for more than nine years.

The State Government disbursed funds to these 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 submission/ finalisation of accounts carries the risk of financial irregularities remaining undetected apart from violation of the provisions of the respective legislations under which the Bodies were constituted.

Thus, there was a need for the Autonomous Bodies/ Councils to submit their accounts to Audit in a timely manner.

The Government stated that the matter has been taken up with nodal departments.

As the position of activities of above autonomous bodies was not transparent in the absence of finalised accounts, it is recommended that the Government should put in place appropriate mechanism prescribing duties of these bodies and that of the Departments/ Offices concerned to ensure necessary reporting and compliance to guard against the repetition of such lapses. Besides, accountability mechanism also needs to be put in place to fix responsibility of persons found at fault.

3.3 *Submission of Accounts by Treasuries, Public Works and Forest Divisions*

The Finance and Appropriation Accounts of the Government of Arunachal Pradesh have been compiled based on the initial monthly accounts rendered by 25 District Treasuries/ Sub-treasuries, 193 Public Works and 46 Forest Divisions and advices of the Reserve Bank of India. The monthly Accounts were to be submitted to the Accountant General by the Treasuries and Divisions by 10th of the following month. However, there were delays in rendition of monthly accounts ranging from 1 to 120 days by Treasuries, 1 to 102 days by Public Works Divisions and 1 to 112 days by Forest Divisions.

In reply (January 2019), the Government stated that the Departments have been directed to ensure timely rendition of monthly accounts to the Accountant General.

3.4 *End use of Cess*

The GoI had levied a Cess under Building and Other Construction Welfare (Regulation of Employment and Conditions of Service) Act, 1996 at the rate of one *per cent* of the cost of construction incurred by an employer or any executing agency as the case may be. Rule 5 of the Cess Rule, 1996 provides that the proceeds of the Cess collected shall be transferred by such Government office/ Establishment, as the case may be, to the Arunachal Pradesh Building and Other Construction Welfare Board (APBOCW).

Accordingly, the State Government directed all departments of the State Government to deduct, at source, Labour Cess at the rate of one *per cent* on the cost of construction works/ projects undertaken by all building and other constructors in the State. Further, this amount was required to be passed on to the Secretary, APBOCW through an Account Payee Cheque/ Bank Draft.

Section 24 (3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five *per cent* of its total expenses during the financial year.

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Scrutiny of the Receipt and Payment Account of the APBOCW for 2017-18 showed that out of the total expenditure of ₹ 39.75 crore, an expenditure of ₹ 10.00 crore (25.16 per cent of the total expenditure) was incurred towards administrative expenses in contravention of Section 24 (3).

3.5 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 maximising 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.

Minor Head 800- Other Expenditure is 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.

Scrutiny of transactions of relevant Major Heads showed that under expenditure section, in 20 transactions involving an expenditure of ₹ 1,598.50 crore (*Appendix-3.2*), entire provision was booked under 'Minor Head 800-Other Expenditure'.

The Government replied (January 2019) that booking of 20 transactions under 'Minor Head 800-Other Expenditure' was done due to last moment allocation of fund and paucity of time. The reply was not acceptable as the requisite procedure required to be adopted in the matter was not followed which resulted in the said inappropriate action.

3.6 Follow up action on State Finance Audit Reports

The State Finances Audit Reports of the Comptroller and Auditor General of India in respect of the Government of Arunachal Pradesh 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 Finance Department issued instructions (June 1996), for submission of *suo motu* explanatory notes indicating the action taken or proposed to be taken by the concerned administrative departments within three months from the date of presentation of the Audit Reports to the State Legislature.

Though, the Audit Reports on State Finances were placed before the State Legislature in September 2010 (2008-09), March 2011 (2009-10), September 2012 (2010-11), September 2013 (2011-12), July 2014 (2012-13), July 2015 (2013-14), March 2017 (2014-15), October 2017 (2015-16) and August 2018 (2016-17), *suo motu* explanatory notes on the observations (167 paragraphs) made in the Audit Reports had not been intimated by any of the concerned departments.


The Public Accounts Committee (PAC) met in August and October 2018 after a gap of over three years as the last meeting was held in May 2015. The PAC selected total 48 Grants (details in **Appendix-3.3**) pertaining to the period between 2008-09 to 2016-17 for discussion in respect of 15 Departments. The concerned Departments furnished their replies against the grants to the Principal Accountant General's Office and the same was examined and vetted by this office. The detailed grant wise comments of the Principal Accountant General against the replies furnished by departments was forwarded (October 2018) to the State Legislative Assembly.

3.7 Conclusion

State Government's compliance with various rules, procedures and directives needs to improve as 86 UCs in respect of grants aggregating ₹ 253.65 crore were still pending for submission. Non-submission of UCs is fraught with the risk of misappropriation.

Delays in submission of accounts by treasuries, public works and forest divisions and non-submission of 202 accounts by 25 Autonomous Bodies/ Councils and Authorities due up to 2017-18 to the Principal Accountant General (Arunachal Pradesh) indicates non-compliance with financial rules and weakness in accountability arrangements within the organisations coupled with the lack of effective system of internal controls.

Place: Itanagar
Dated: the 28 June 2019


(DHIREN MATHUR)
Principal Accountant General
Arunachal Pradesh

Countersigned

Place: New Delhi
Dated: the 28 June 2019


(RAJIV MEHRISHI)
Comptroller and Auditor General of India

