

CHAPTER IV
QUALITY OF ACCOUNTS &
FINANCIAL REPORTING
PRACTICES

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with the 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 to meet its basic stewardship responsibilities, including strategic planning and decision making.

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure during the year 2019-20.

4.1 Delay in submission of Utilisation Certificates

Rule 238(1) read with Rule 235 of General Financial Rules (GFR)¹⁷, 2017 provides that Utilisation Certificates (UCs) should be obtained by the funding departments from the Grantees and after verification, these should be forwarded to the Accountant General (A&E), within a period of 12 months of the closure of the financial year unless specified otherwise in respect of the grants provided for specific purposes.

However, it was noticed that 6,885 UCs aggregating to ₹ 9,999.27 crore in respect of grants were in arrears as of 31 March 2020 in respect of 38 Departments¹⁸. The Department-wise break-up of outstanding UCs is given in *Appendix 4.1* and the year-wise break-up of outstanding UCs is summarised in the following table:

Table 4.1: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2016-17*	3476	3754.30	1308	2236.91	215	478.36	4569	5512.85
2017-18	4569	5512.85	1238	2493.06	89	329.18	5718	7676.73
2018-19**	5718	7676.73	1198	2505.83	31	183.29	6885	9999.27

Source: O/o the PAG (A&E), Manipur * Oldest pending UCs pertain to 2004-05.

** Utilisation Certificates for grants disbursed during 2018-19 become due only during 2019-20.

Table 4.2: Year wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount
Up to 2008-09	368	75.33
2009-10	39	13.43
2010-11	254	133.62
2011-12	251	341.94
2012-13	556	382.19

¹⁷ Also, as per Rule 212 (1) and Rule 210 of GFR 2005.

¹⁸ Sl. Nos. 1 to 39 of Appendix 4.1 except Sl. No. 23.

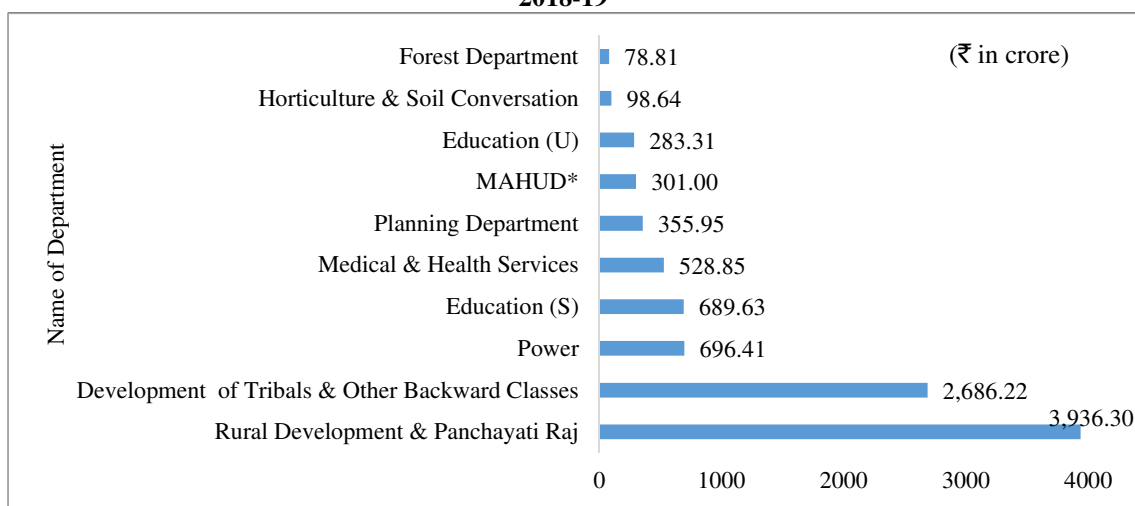
Year	Number of UCs	Amount
2013-14	607	409.19
2014-15	697	1089.30
2015-16	704	1309.30
2016-17	1093	1758.55
2017-18	1149	2163.88
2018-19	1167	2322.54
TOTAL	6885	9999.27

Source: O/o the PAG (A&E), Manipur

It can be seen from the above tables that 6,885 UCs involving an amount of ₹ 9,999.27 crore were awaited as on 31 March 2020. The outstanding UCs increased mainly during the year 2016-17. The UCs were awaited in respect of the eight major Departments (i) Development of Tribal and Other Backward Classes (3,235 UCs: ₹ 2,686.22 crore); (ii) Education (S) (839 UCs: ₹ 689.63 crore); (iii) Rural Development and Panchayati Raj (RD & PR) (569 UCs: ₹ 3,936.30 crore); (iv) Education (U) (246 UCs: ₹ 283.31 crore); (v) Municipal Administration, Housing and Urban Development (MAHUD) (232 UCs: ₹ 301.00 crore); (vi) Planning (138 UCs: ₹ 355.95 crore); (vii) Power (99 UCs: ₹ 696.41 crore) and (viii) Medical and Health Services (69 UCs: ₹ 528.85 crore).

These eight Departments together accounted for 5,427 UCs (78.82 per cent) out of 6,885 outstanding UCs; involving an amount of ₹ 9,477.67 crore (94.78 per cent) out of the total outstanding amount of ₹ 9,999.27 crore. The outstanding UCs in respect of ten major departments is shown in the chart below.

Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2018-19



Source: O/o the PAG (A&E), Manipur

* Municipal Administration, Housing & Urban Development.

In absence of UCs there is also no assurance that the intended objectives of providing these funds have been achieved. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) assured that the matter regarding delay in submission of UCs and DCC bills would be taken up with the higher authorities.

4.2 Abstract Contingent Bills

Abstract Contingent (AC) bills are used for drawing advances with specific sanction for departmental purposes. As per the Central Treasury Rules¹⁹, AC bills must be regularised by submitting Detailed Countersigned Contingent (DCC) bills containing details and supporting records for the actual expenditure incurred. An AC bill should not be encashed without a certificate to the effect that DCC bills in respect of the earlier AC bills drawn more than a month before the date of that AC bill, have been submitted to the Controlling Officer. The Controlling Officer must submit DCC bills to the Accountant General (A&E), Manipur within a month from the date of receipt of such bills in his office within the same financial year to show that amounts shown in the AC bills correspond to the DCC bills.

As on 31 March 2020, a total of 1,018 DCC bills in respect of 49 Departments amounting to ₹ 1,677.47 crore pertaining to the period 2003-20 were outstanding. Non-submission of supporting DCC bills within the stipulated period breaches the financial discipline and enhances risk of misappropriation of public money. Out of ₹ 105.21 crore drawn against 76 AC bills in 2019-20, AC bills amounting to ₹ 73.10 crore were drawn in March 2020 alone, out of which ₹ 19.39 crore were drawn on the last day of the financial year. Significant expenditure against AC bills in March, especially on the last working day of March, indicates that the drawal was primarily to exhaust the budget provisions and reveals inadequate budgetary control/planning.

Department-wise position of outstanding AC bills is shown at **Appendix 4.2**. The year-wise position of AC bills, DCC adjusted amount and outstanding AC bills is shown in the following table:

Table 4.3: Year wise progress in submission of DCC bills against AC bills
(₹ in crore)

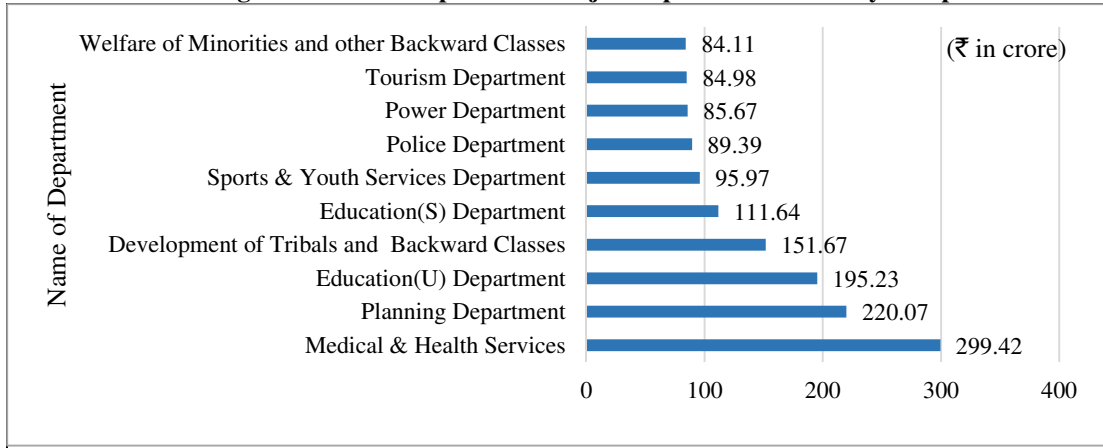
Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	699	1192.88	250	369.78	65	49.64	884	1513.02
2018-19	884	1513.02	77	94.35	14	11.61	947	1595.76
2019-20	947	1595.76	76	105.21	5	23.50	1018	1677.47

Source: VLC data of the O/o the PAG (A&E) Manipur.

It was found that major defaulting Departments with total outstanding AC Bills above ₹ 100 crore included Medical & Health Services (₹ 299.42 crore), Planning (₹ 220.07 crore), Education (U) (₹ 195.23 crore), Development of Tribal and Backward Classes (₹ 151.67 crore), and Education (S) (₹ 111.64 crore). Pendency of DCC Bills in respect of major ten departments is shown in the following chart:

¹⁹ Rule 308, Rule 309 and Note under Rule 312.

Chart 4.2: Pending DCC bills in respect of 10 major Departments for the year up to 2019-20



(Source: O/o the PAG (A&E), Manipur)

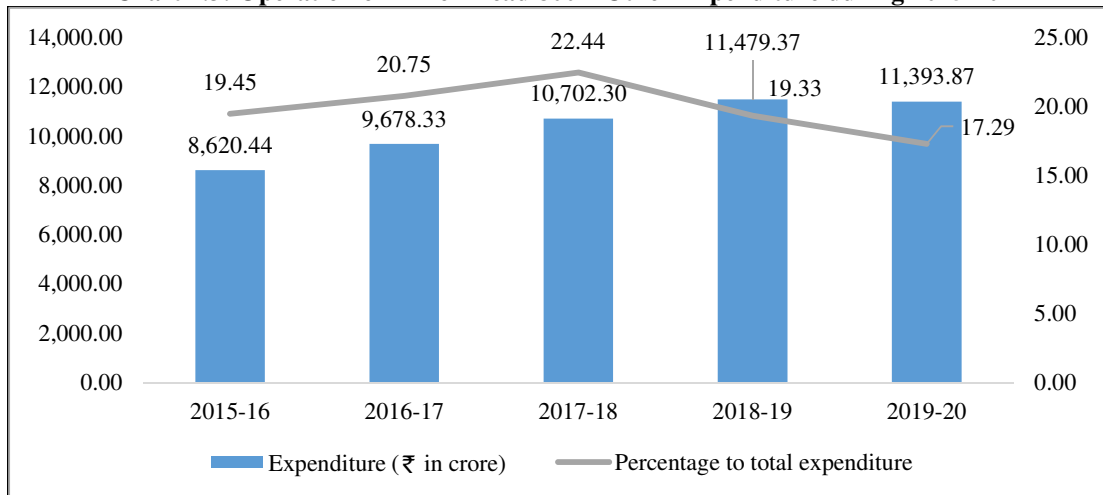
4.3 Indiscriminate use of Minor Head 800

Minor Head 800-‘Other Receipts’/‘Other Expenditure’ is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque.

During the year 2019-20, out of the total revenue receipt of ₹ 10,684.16 crore, receipts of ₹ 107.78 crore under 28 Major Heads of accounts on the receipts side, constituting 1.01 per cent of the total receipts, was recorded under the Minor Head 800-‘Other Receipts’ below the concerned Major Heads without identifying the appropriate Minor Heads. Similarly, out of Capital and Revenue expenditure of ₹ 11,393.87 crore, the State Government booked expenditure of ₹ 1,970.36 crore constituting 17.29 per cent of the total expenditure (Revenue and Capital), under the Minor Head 800-‘Other Expenditure’ below the concerned Major Heads without classifying them under the appropriate Minor Heads.

Operation of Minor Head 800-Other Expenditure during the period 2015-20 and significant expenditure exceeding ₹ 50 crore booked under Minor Head 800-Other Expenditure and receipts exceeding ₹ 25 lakh booked under Minor Head 800- Other Receipts during the year 2019-20 are shown in the following chart and tables.

Chart 4.3: Operation of Minor Head 800 – Other Expenditure during 2015-20



(Source: O/o the PAG (A&E), Manipur)

From the above chart, it can be concluded that during the last five years 2015-20, booking of expenditure under Minor Head 800-Other Expenditure peaked at 22.44 per cent of the total expenditure during 2017-18. The trend reduced during 2018-19 (19.33 per cent) and 2019-20 (17.29 per cent). The significant booking of expenditure under Minor Head 800-Other Expenditure are as shown in the table below:

Table 4.4: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2019-20

(₹ in crore)

Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Per cent
2801	Power	399.22	402.86	99.10
2501	Special Programmes for Rural Development	375.63	382.70	98.15
2202	General Education	185.88	1405.64	13.22
2217	Urban Development	142.84	179.78	79.45
2401	Corp Husbandry	126.78	189.23	67.00
2505	Rural Employment	120.00	581.38	20.64
4217	Capital Outlay on Urban Development	87.47	105.14	83.19
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, OBC & Minorities	71.26	73.76	96.61
4700	Capital Outlay on Major Irrigation	69.77	69.77	100.00
4202	Capital Outlay on Education, Sports Art and Culture	52.01	55.13	94.34

Source: O/o the PAG (A&E), Manipur

Table 4.5: Significant receipts booked under Minor Head 800 - Other Receipts during 2019-20

(₹ in crore)

Major Head	Description	Receipts under Minor Head 800	Total Receipts	Per cent
0075	Miscellaneous General Services	100.08	101.13	98.96
1601	Grants-in-Aid from Central Government	1.68	5300.74	0.03
0059	Public Works	1.23	1.23	99.99
0030	Stamps and Registration Fees	1.00	16.60	6.03
0070	Other Administrative Services	0.90	2.75	32.73
0701	Major and Medium Irrigation	0.76	0.76	100.00
1452	Tourism	0.59	0.59	100.00
0040	Taxes on Sales, Trade etc.	0.27	235.53	0.11
0215	Water Supply and Sanitation	0.25	3.48	7.24

Source: O/o the PAG (A&E), Manipur

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure. There is a need for booking of expenditure to the relevant head of account to depict expenditure and receipts to ensure transparency and completeness.

4.4 Personal Deposit Account

Personal Deposit (PD) accounts are created for keeping of funds by debit to the Consolidated Fund of the State which is required²⁰ to be closed at the end of the same financial year by minus debit to the relevant service heads.

During the year 2019-20, State Government did not open any PD account. However, ₹ 0.19 crore (by Planning and Development Authority) was deposited during 2019-20

²⁰ Under Rule 96, 97 of the General Financial Rules, 2017.

in one out of two PD accounts, which were not closed at the end of the year 2019-20. The unspent balance up to 2019-20 was ₹ 3.13 crore.

Non transfer of balances lying for a long period of time in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation. Thus, these accounts need to be reviewed and balance should be credited to Government accounts.

In April 2020, Finance Department stated that necessary steps would be taken up in this regard. However, concrete action taken to close the two PD accounts by the State Government was awaited (January 2021).

During Exit Conference (March 2021), the Jt. Secretary (Finance) stated that necessary action would be taken up for closure of the PD Accounts.

4.5 Building and Other Construction Workers' Welfare Cess

The GoI had levied a cess under Building and Other Construction Workers' Welfare Cess 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 Rules, 1998 provides that the proceeds of the cess collected shall be transferred by such Government office/ Establishment as the case may be, to the Manipur Building and Other Construction Workers' Board (the Board) within 30 days of its collection. Further, the State Government instructed (January 2011) all the departments of the State to deduct at source, labour cess at the rate of one *per cent* of the cost of construction works and transfer the cess collected by challan in favour of Secretary of the Board.

Audit noticed that labour cess collected by departments of the State was not transferred to the Board but the same was deposited in the Consolidated Fund of the State. As a result, ₹ 17.75 crore was not transferred by the Finance Department to the Board within the prescribed timeline, as of 31 March 2020.

The details of amount collected and actual expenditures incurred during the period from 2015-16 to 2019-20 are shown in the following table:

Table 4.6: Position of cess collection and expenditure during 2015-16 to 2019-20

(₹ in crore)

Year	Opening Balance	Receipt during the year	Available fund	Expenditure	Balance at the end of the year
2015-16	13.58	9.67	23.25	7.50	15.78
2016-17	15.78	12.64	28.42	27.61	0.79
2017-18	0.79	72.15	72.94	47.48	25.47
2018-19	25.47	34.83	60.30	18.94	41.36
2019-20	41.36	28.64	70.00	49.43	20.57

Source: O/o the Manipur Building & Other Construction Workers' Welfare Board

During 2019-20, out of the total available fund of ₹ 70.00 crore, the Board spent ₹ 49.43 crore (70.61 *per cent*) leaving a balance of ₹ 20.57 crore. Funds were utilised mainly on three major items *viz.* Welfare Benefit (₹ 25.90 crore), Skill Development Training Programme (₹ 19.26 crore), and Publicity and Advertisement (₹ 2.78 crore).

During Exit Conference (March 2021), the Jt. Secretary (Finance) stated that ₹ 36.44 crore of labour cess deposited with the State Government was transferred to the Board in March, 2021 after due verification of all necessary challans, documents, etc.

4.6 Non-submission/ pendency of Annual Accounts in ADCs/ Authorities

There are six Autonomous District Councils (ADCs) in Manipur and two Autonomous Bodies *i.e.* Manipur State Legal Services Authority (MASLSA) and State Compensatory Afforestation Fund Management and Planning Authority (CAMPA). These Autonomous Bodies/Authorities are audited by the Comptroller & Auditor General of India under Sections 14 and 19 (3) of the Duties, Power and Condition of Service (DPC) Act, 1971. The approved and authenticated Annual Accounts of these Bodies are to be submitted by 30 June of the succeeding year to the Accountant General (Audit) for audit. There were 13 Annual Accounts in respect of eight Autonomous Bodies/Authorities which had not been received (March 2020) for 2017-18 to 2019-20 as shown in the table below:

Table 4.7: Autonomous Bodies/Authorities for which Accounts had not been received

Sl. No.	Name of the Body/Authority	Accounts pending since	Grant received (₹ in crore)
1	ADC, Churachandpur	2017-18	70.63*
2	ADC, Ukhrul	2017-18	61.39*
3	ADC, Chandel	2019-20	68.03#
4	ADC, Sadar Hills, Kangpokpi	2019-20	96.12#
5	ADC, Senapati	2018-19	100.47@
6	ADC, Tamenglong	2019-20	86.47#
7	Manipur State Legal Services Authority	2019-20	3.50#
8	State CAMPA	2019-20	25.71#
TOTAL			512.32

* As per Accounts of 2016-17 @ As per Accounts of 2017-18 # As per Accounts of 2018-19

In the absence of final annual accounts and their audit, it could not be ensured whether the grants and expenditure had properly been accounted for and whether the purpose for which grants were provided had actually been achieved.

Besides, delays in finalisation of accounts carry risk of financial irregularities remaining undetected, apart from violation of the provision of the respective legislations under which the Bodies were constituted. Thus, there was a need for the Autonomous Bodies/Authorities to submit their accounts for audit in a timely manner.

4.7 Delays in placement of Separate Audit Reports of Autonomous District Councils/ Autonomous Bodies before the Assembly

The six ADCs and two Autonomous Bodies *i.e.* MASLSA and State CAMPA are audited by the Comptroller & Auditor General of India with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of the transactions scrutinised in audit, review of systems and procedures, etc. The status of rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature as on 31 March 2020 are indicated in **Appendix 4.3**.

While SARs for ADC were placed in the legislature within the prescribed time, there were delays of over three years in the placement of SARs of two ADCs²¹ and over one year in respect of one ADC²².

4.8 Public Sector Commercial Undertakings

Public Sector Undertakings (PSUs) performing activities of commercial/quasi-commercial nature are required to annually prepare their accounts in the prescribed format showing the working results of financial operations, so that the Government can assess their performances. As per the Companies Act, 2013²³, the annual accounts of these Government Undertakings have to be finalised within six months (30 September) of completion of the financial year. As of 31 March 2020, there were 13 such PSUs (including three non-working companies) which had not prepared their Annual accounts for the period ranging from 1984-85 to 2018-19 as shown in the following table:

Table 4.8: Status of Accounts of Undertakings as on 31 March 2020

(₹ in crore)

Sl. No.	Name of the Undertaking	Pending since	No. of years of accounts not prepared	Grants released during 2019-20
1.	Manipur Electronics Development Corporation	2018-19	2 year	-
2.	Manipur Industrial Development Corporation	2010-11	10 years	-
3.	Manipur Food Industries Corporation	2011-12	9 years	-
4.	Manipur Handloom & Handicrafts Development Corporation	2010-11	10 years	-
5.	Manipur State Power Company Limited	2016-17	4 years	58.05
6.	Manipur State Power Distribution Company Limited	2016-17	4 years	161.77
7.	Manipur Tribal Development corporation Limited	1988-89	32 years	-
8.	Manipur Police Housing Corporation	1998-99	22 years	-
9.	Manipur IT SEZ Project Development Company Limited	2014-15*	6 years	0.18
10.	Tourism Corporation and Manipur Ltd.	2016-17**	4 years	2.00
Non-Working Company				
11.	Manipur Plantation Crops Corporation Ltd.	1984-85	36 years	-
12.	Manipur Agro Industries Corporation Ltd.	1989-90	31 years	-
13.	Manipur Pulp & Allied Products Ltd.	2003-04	17 years	-
	TOTAL			222.00

* Manipur IT SEZ Project Development Company (incorporated on 30 December 2013 under the Companies Act, 1956) was yet to submit its first Annual Accounts.

** Tourism Corporation and Manipur Ltd. (incorporated on 13 July 2016 under the Companies Act, 2013) was yet to submit its first Annual Accounts.

During the year 2019-20, an amount of ₹ 222.00 crore was released by the State Government to four PSUs which have not prepared Accounts ranging from four to six years. Out of ₹ 222.00 crore, ₹ 219.82 crore was released to two PSUs²⁴ whose net worth had eroded. Two PSUs which received grants of ₹ 2.18 crore were yet to prepare their first Annual Accounts.

²¹ ADC, Tamenglong and ADC, Ukhrlul.

²² ADC, Senapati.

²³ Section 619 of the Companies Act 1956 and Section 143 of the Companies Act 2013.

²⁴ Sl. No. 5 and 6.

Follow up action by the State Government to ensure timely submission of Annual Accounts, as stated in the Exit Conference held with Principal Accountant General (Audit) on 23 April 2020, was called for from the Finance Department. Reply is still awaited.

Amongst the working companies, the arrears in the preparation of annual account range from two years to 32 years. The three non-working companies had arrears of accounts ranging from 17 years to 36 years. The Reports of the Comptroller & Auditor General of India have repeatedly highlighted the issue of arrears in preparation of accounts. However, no concrete action has been taken by the State Government to date.

The delay in preparation of annual accounts of these Departmental undertakings is fraught with the risk of fraud and misappropriation of public money.

4.9 Non discharge of interest liability towards interest bearing deposits

State Government has liability to provide and pay interest on the previous year's balance amounts in the Interest bearing Deposits. As on 01 April 2019, there was an opening balance of ₹ 2.36 crore and ₹ 136.04 crore under the Major Heads 8336-800 Other Deposits and 8342-117 Defined Contribution Pension Scheme for Government Employees respectively as per details given below:

Table 4.9: Non discharge of interest liability towards interest bearing deposits

(₹ in crore)

Sl. No.	Name of the Interest bearing deposit	Balance as on 31 March 2019	Amount of Interest not provisioned
1	MH-8336-800 Other Deposits	2.36	0.19
2	MH-8342-117 Defined Contribution Pension Scheme for Government Employees	136.04	10.78
TOTAL		138.40	10.97

However, State Government did not provide budget provision for the interest payable of ₹ 10.97 crore on the balance of the Interest bearing Deposits during the previous year 2019-20.

Non-discharge of interest liability towards interest bearing deposits by the State Government only defers and accumulates its future liability and would further impact fiscal health in the future. State Government should take into account provisions of interest liabilities at the time of budget formulation in the relevant years for better fiscal management.

4.10 Funds directly transferred to the Implementing Agencies in the State

As per Government of India (GoI) decision 8 July 2015, all assistance to the Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) under various

schemes would be released to the State Government and not directly to the Implementing Agencies in the State²⁵.

However, as per records of Public Financial Management System (PFMS) portal of the Controller General of Accounts, the Government of India has transferred funds directly to Implementing Agencies in the State in violation of the above GoI decision for implementation of various schemes/programmes pertaining to the Social and Economic sectors. Thus, these funds were neither routed through the State Budget/State Treasury system nor reflected in the Finance Accounts of the State.

During the year 2019-20, substantial Central funds of ₹ 434.89 crore were transferred directly to the Implementing Agencies in the State. These releases were more than seven times over the previous year 2018-19.

The programmes assisted by GoI where funds were transferred directly to the Implementing Agencies are captured in **Appendix 4.4**. Three Agencies received 49.24 *per cent* of the funds directly for implementation of major schemes during 2019-20 as given below:

Table 4.10: Funds transferred by GoI directly to State Implementing Agencies
(₹ in crore)

Sl. No.	Programme/Scheme	Name of Implementing Agency	Amount
1	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	Department of Agriculture	122.23
2	North East Road Sector Development Scheme	Public Works Department	61.26
3	National AIDS and STD Control Programme	Manipur State AIDS Control Society	30.64
Total			214.13

Source: Appendix VI of Finance Accounts Vol -II

As there is no centralised monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure already incurred were not readily available to Audit.

4.11 Suspense and Remittance Balances

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers *etc.* These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting. The Finance Accounts reflect

²⁵ State Implementing Agencies include any organisation/institution including Non-Governmental organisations, which are authorised by the State Government to receive funds from the GoI for implementing specific programmes in the State.

the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, *etc.* The position of net figures under major suspense and remittance heads for the last three years from 2017-20 is given in the table below:

Table 4.11: Statement showing balances under Suspense and Remittance Heads during 2017-20

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	99.91		97.39		104.08	
Net increase(+)/decrease(-) over the previous year	Dr. (+) 7.26		Dr. (-) 2.52		Dr. (+) 6.69	
102 - Suspense Account-Civil	114.94		135.65		129.78	
Net increase(+)/decrease(-) over the previous year	Dr. (+) 15.94		Dr. (+) 20.71		Dr. (-) 5.88	
107 - Cash Settlement Suspense Account	47.19		47.19		47.19	
Net increase(+)/decrease(-) over the previous year	0		0		0	
110 - Reserve Bank Suspense - CAO		40.97		38.97		37.20
Net increase(+)/decrease(-) over the previous year	Cr. (+) 1.66		Cr. (-) 2.10		Cr. (-) 1.67	
111 - Departmental Adjusting Account	3.90		3.90		3.90	
Net increase(+)/decrease(-) over the previous year	0		0		0	
112 - Tax Deducted at Source (TDS) Suspense		25.46		25.93		28.62
Net increase(+)/decrease(-) over the previous year	Cr. (-) 0.30		Cr. (+) 0.47		Cr. (+) 2.69	
123 - A.I.S Officers' Group Insurance Scheme		3.75		3.42		3.37
Net increase(+)/decrease(-) over the previous year	Cr. (+) 0.20		Cr. (-) 0.33		Cr. (-) 0.05	
126 - Broadcasting Receiver License Fee Suspense		0.01		0.01		0.01
Net increase(+)/decrease(-) over the previous year	0		0		0	
129 - Material Purchase Settlement Suspense Account		3.17		3.17		3.17
Net increase(+)/decrease(-) over the previous year	0		0		0	
Major Head 8782 - Cash Remittances						
102 - P.W. Remittances	622.38		669.06		668.85	
Net increase(+)/decrease(-) over the previous year	Dr. (+) 63.17		Dr. (+) 46.68		Dr. (-) 0.22	
103 - Forest Remittances		11.94		11.68		13.34
Net increase(+)/decrease(-) over the previous year	Cr. (+) 2.63		Cr. (-) 0.26		Cr. (+) 1.66	
105 - RBI Remittances		17.66		17.66		17.66
Net increase(+)/decrease(-) over the previous year	0		0		0	

4.12 Non-reconciliation of Department figures

To enable Controlling Officers of the Departments to exercise effective control over their expenditures, to keep it within the budget grants and to ensure accuracy of their accounts, expenditures recorded in their books should be monthly reconciled²⁶ during the financial year with that recorded in the books of the Office of the Principal Accountant General (A&E), Manipur. Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2019-20. Audit noticed that out of 81 Controlling Officers (COs), 20 COs did not reconcile their receipt and expenditure figure amounting to ₹ 935.87 crore (5.51 per cent of total receipts of ₹ 16,998.63 crore) and ₹ 3,414.12 crore (19.89 per cent of total disbursement out of Consolidated Fund of ₹ 17,165.50 crore) respectively during 2019-20. Details of COs who have not reconciled

²⁶ As per Rule 57(5) of General Financial Rules 2017.

their accounts are given at **Appendix 4.5**. Non reconciliation affects the correctness and completeness of accounts.

4.13 Reconciliation of Cash Balance

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI). Cash balance as on 31 March 2020 as per Accountant General's records was ₹ 97.77 crore (Debit) and that reported by RBI was ₹ 59.41 crore (Credit). The net difference of ₹ 38.36 crore (Credit) was mainly due to erroneous reporting by the accredited banks to the RBI, misclassification by banks and treasuries which were not reconciled before closure of accounts.

Outstanding unreconciled Cash Balances with RBI by the Treasuries indicated weakness in reconciliation mechanism in place to analyse the discrepant items and its regular adjustment to reflect the correct cash balances in the State Government Accounts.

4.14 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President may, on the advice of the C&AG, prescribe the form of accounts of the States. Further, the C&AG set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for Government Accounting and Financial Reporting, to enhance accountability mechanisms. On the advice of the C&AG, the President has so far notified three Indian Government Accounting Standards (IGAS). Compliance to the above Accounting Standards for the year 2019-20 is given in the table below:

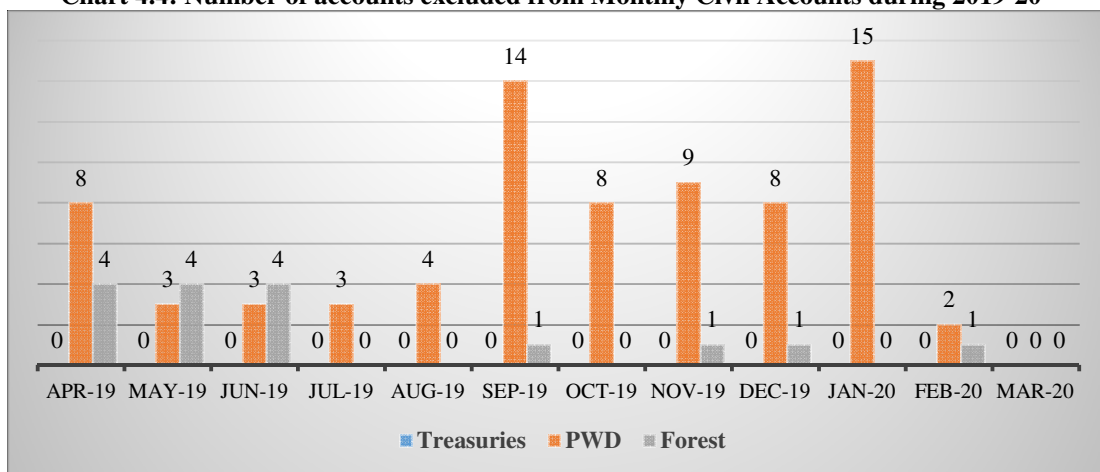
Table 4.12: Compliance to Accounting Standards

Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
IGAS-1: <i>Guarantees given by the Government-Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year to ensure uniform and complete disclosure of such Guarantees.	Partly complied	The State Government has not adopted the format prescribed in the Standard completely. The details required to disclose in the notes to the financial statement is also not complete.
IGAS-2: <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified and accounted for as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Partly complied	While the State Government complied with the format prescribed by the Standard, the information regarding details of Grants-in-Aid in kind have not been provided to AG.
IGAS-3: <i>Loans and Advances made by Government</i>	This standard relates to recognition, measurement, valuation and reporting in respect of Loans and Advances made by the State Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partly complied	While the State Government complied with the format prescribed by the Standard, the information in this regard is incomplete, since the details of amount of interest in arrears in respect of loans and advances have not been provided to AG.

4.15 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Accountant General (A&E) from the initial accounts rendered by Treasuries, Public Works Divisions (PWD) and Forest Divisions, apart from the RBI advices. Due to the failure of the account rendering units to furnish accounts in time, some accounts were excluded from the Monthly Civil Accounts by the Accountant General (A&E) as per the details given below:

Chart 4.4: Number of accounts excluded from Monthly Civil Accounts during 2019-20



Source: O/o the PAG (A&E), Manipur

The delays in rendition of Monthly divisional accounts of PWD and Forest ranged from one to 116 days and one to 98 days respectively during the year 2019-20. Due to exclusion of accounts, the Monthly Civil Accounts of the State could not depict the full expenditure and receipt up to that month and thus remained incomplete. Moreover, the monthly appropriation accounts of the State could not reflect the actual expenditure incurred up to the relevant month to enable effective budgetary control by various Controlling Officers (COs).

The State Government needs to put in place monitoring mechanism to ensure timely submission of initial accounts by all the account rendering authorities to the Accountant General (A&E) within the prescribed target date, to ensure timely and complete depiction of actual expenditure on a monthly basis so that meaningful monitoring of expenditure *vis-à-vis* the budgetary provisions can be exercised by the COs.

4.16 Follow up on State Finances Audit Report

As per Article 151 (2) of the Constitution of India, the State Finance Audit Reports (SFARs) of the Comptroller & Auditor General of India are submitted to the Governor of the State for placing the Reports before the State Legislative Assembly. Audit Reports placed before the Legislative Assembly stand referred to the Public Accounts Committee (PAC) of the State. The details of placing of Audit Reports of the last three years (2016-17 to 2018-19) to the Legislative Assembly and their discussion by the PAC are shown in the following table:

Table 4.13: Discussion of State Finances Audit Report by PAC on regularisation of excess expenditure

Year of SFAR	Date of placing SFAR to the Legislature Assembly	Date of discussion of SFAR by PAC (Date of placing recommendation of PAC)	Gist of Recommendation	Action taken notes	Remarks
2016-17	23-07-2018	<i>Suo-moto</i> examination made by PAC independently (26 August 2019)	Recommended for regularisation of excess expenditure	Action taken	Excess expenditure of ₹ 50.73 crore over budget provisions was regularised by State Government.
2017-18	27-08-2019	<i>Yet to be discussed by PAC</i>			
2018-19	05-02-2021				

4.17 Conclusion

- 6,885 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 9,999.27 crore given to Departments of the State Government during the period up to March 2020 were not submitted to the Accountant General. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2019-20, ₹ 105.21 crore was drawn through 76 Abstract Contingent (AC) Bills of which, 71 Detailed Countersigned Contingent (DC) Bills for ₹ 81.71 crore, were awaited for submission of as on 31 March 2020. Further, as on 31 March 2020, there were 1,018 AC bills for ₹ 1,677.47 crore, which remained outstanding for adjustment due to non-submission of DC Bills. Non-adjustment of advances for long period is fraught with the risk of misappropriation and booking of expenditure without supporting documents.
- As on 31 March 2021, the arrears in preparation of annual accounts in respect of Government Companies ranged from two to 36 years while 13 annual accounts pertaining to the period 2017-18 to 2019-20 in respect of eight Autonomous Bodies/ Authorities had not been received.
- The State Government classified ₹ 107.78 crore as Receipts under Minor Head 800–Other Receipts constituting 1.01 *per cent* of Total Receipts. Similarly, the State booked expenditure of ₹ 1,970.36 crore under Minor Head 800–Other Expenditure constituting 17.29 *per cent* of total expenditure, during 2019-20.
- During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from one to 116 days by the Public Works Divisions and one to 98 days by the Forest Divisions respectively.

4.18 Recommendations

- State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

- Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. They may review giving of further financial assistance to persistent defaulters in preparation of Accounts.
- The State Government should ensure that the Controlling Officers carry out timely reconciliation of their expenditure figures with the books of the AG (A&E) in the interest of financial discipline.
- The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.

