

Chapter 4
Quality of Accounts &
Financial Reporting
Practices

Chapter 4 Quality of Accounts & Financial Reporting Practices

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 compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the 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.

Issues related to completeness of accounts

4.1 Non discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Reserve Funds and Deposits. It has been observed from Statement 21 of Finance Accounts 2020-21 that despite the existence of balances in these Reserve Funds and Deposits, no interest liability was discharged by the Government during the year, as detailed in the following table.

Table 4.1: Non discharge of interest liability towards interest bearing deposits

(₹ in crore)				
Sector	Sub-Sector	Rate of Interest	Balance at the Beginning of 2020-21	Interest Payable
J-Reserve Funds	(i) Reserve Funds bearing Interest (SDRF)	6.0 per cent (Overdraft rate)	725.23	43.51
	(ii) Reserve Funds bearing interest (SCAF)	5.5 per cent *	560.81	30.84
K-Deposits and Advances	(i) Deposits Bearing Interest MH 8342 (NPS)	8 per cent**	341.82	27.35
	(ii) MH 8336, 8338, 8342 (103 & 120)	6.0 per cent (Overdraft rate)	18.20	1.09
Total			1,646.06	102.79

*Adopted from NCAF

**The State Government vide OM dated 06 October 2009 specified the interest rate at eight per cent as applicable to the GPF (as had been prevailing at that time). This interest rate has not been revised, though Government had revised the rate of interest for GPF from time to time.

Non-payment of the interest of ₹ 102.79 crore had resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent during the year.

4.2 Funds transferred directly to State implementing agencies

GoI has been transferring sizeable quantum of funds directly to the State Implementing Agencies/ Non-Government Organisations (NGOs) for implementing various central schemes/ programmes. As these funds are not routed through the State budget/State Treasury system, these are not reflected in the Accounts of the State Government.

The following table provides quantum of fund transferred to the State implementing agencies during the last five years *i.e.*, 2016-21.

Table 4.2: Direct Transfer of Funds by GoI

						(₹ in crore)
Direct transfers to State Implementing Agencies	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Funds transferred	2,846.20	4,702.20	4,534.21	5,946.75	7,733.54	25,762.90

As can be seen from the table above that transfer of funds increased by 30.05 *per cent* from ₹ 5,946.75 crore in 2019-20 to ₹ 7,733.54 crore in 2020-21. Out of total amount of ₹ 7,733.54 crore of direct transfer, ₹ 1,035.18 crore of the Central Assistance/Share was transferred to the intermediaries (*i.e.*, NGOs, Societies, *etc.*) and ₹ 6,698.36 crore was directly transferred to the beneficiaries.

4.3 Delay in Submission of Utilisation 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 for the intended purpose, and within a reasonable time if no time-limit has been fixed by the sanctioning authority, and (ii) any portion of the amount which is ultimately not required for expenditure for the purpose, shall be duly surrendered to the Government.

State Government authorities who have received conditional grants are required to furnish formal Utilisation Certificates (UCs) about the proper utilisation of the grants, to the Accountant General (A&E) within 12 months of the closure of the financial year in which the grants have been released, unless specified otherwise.

Audit scrutiny revealed that 11,717 UCs in respect of grants aggregating ₹ 39,629.49 crore given to 55 Departments of the State Government during the period from 2001-02 to 2019-20 had not been submitted. UCs for 2,800 grants of ₹ 21,065.58 crore paid in 2020-21 would become due only in 2021-22. Age-wise details of delays in submission of UCs due up to the year 2020-21 is given in **Table 4.3**.

Table 4.3: Age-wise arrears in submission of Utilisation Certificates

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	11,637	33,893.41	2,248	13,381.83	2,182	14,221.35	11,703	33,053.89
2019-20	11,703	33,053.89	2,732	22,833.65	2,324	12,651.41	12,111	43,236.13
2020-21	12,111	43,236.13	2,800*	21,065.58	394	3,606.64	11,717	39,629.49

Source: Data compiled by the O/o the PAG (A&E), Assam;

*UCs for GIA disbursed during 2020-21 will be due only during 2021-22 and hence, excluded from the closing balance of 2020-21.

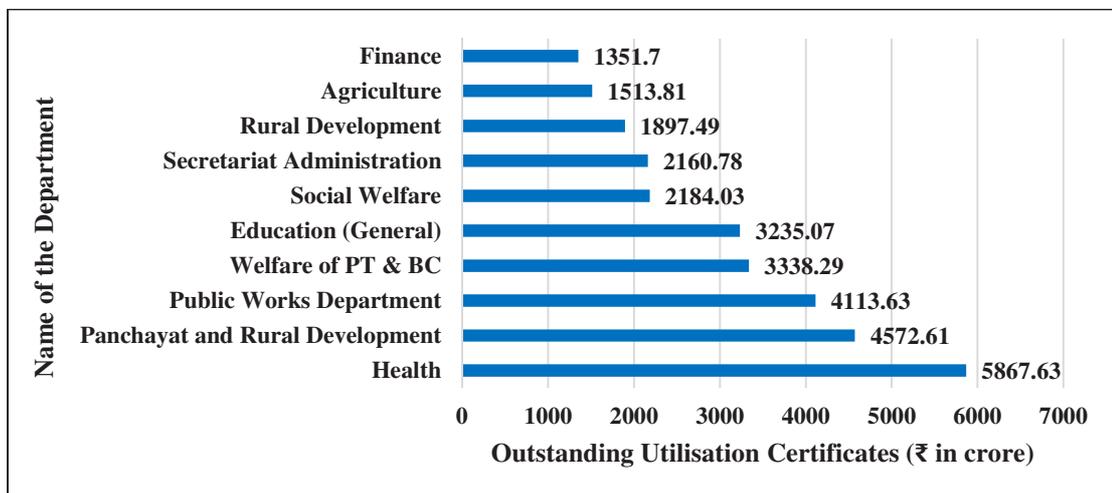
Table 4.4: Year wise break up of outstanding UCs

(₹ in crore)		
Drawal Year	Number of UCs	Amount
2001-02	833	54.26
2002-03	409	36.22
2003-04	744	197.07
2004-05	949	145.80
2005-06	712	203.12
2006-07	654	194.27
2007-08	463	220.85
2008-09	341	305.75
2009-10	122	447.19
2010-11	306	395.16
2011-12	275	583.03
2012-13	289	827.68
2013-14	393	1,237.32
2014-15	793	1,590.81
2015-16	479	2,963.30
2016-17	24	1,607.23
2017-18	223	2,080.64
2018-19	1,062	5,336.21
2019-20	2,646	21,203.58
Total	11,717	39,629.49

The analysis of year-wise details of pending UCs and the amounts involved are tabulated alongside, which shows that an amount of ₹ 39,629.49 crore was spent over the years without submission of UCs. To the extent of non-submission of UCs, there is no assurance that the amount shown in Finance Accounts had actually been spent in keeping with the sanction and cannot be vouched as correct or final. **Table 4.4** given alongside also reveals that 84 *per cent* of outstanding UCs pertain to the last five years *i.e.*, 2015-20.

Department-wise break-up of outstanding UCs for the grants paid up to the year 2020-21 is given in **Appendix 4.1**. Status of outstanding UCs in respect of 10 major departments is given in **Chart 4.1**.

Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2019-20



In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and since 45 *per cent* of the Capital Expenditure is being incurred out of GIA, in the absence of UCs, it could not be ascertained whether the assets had been created.

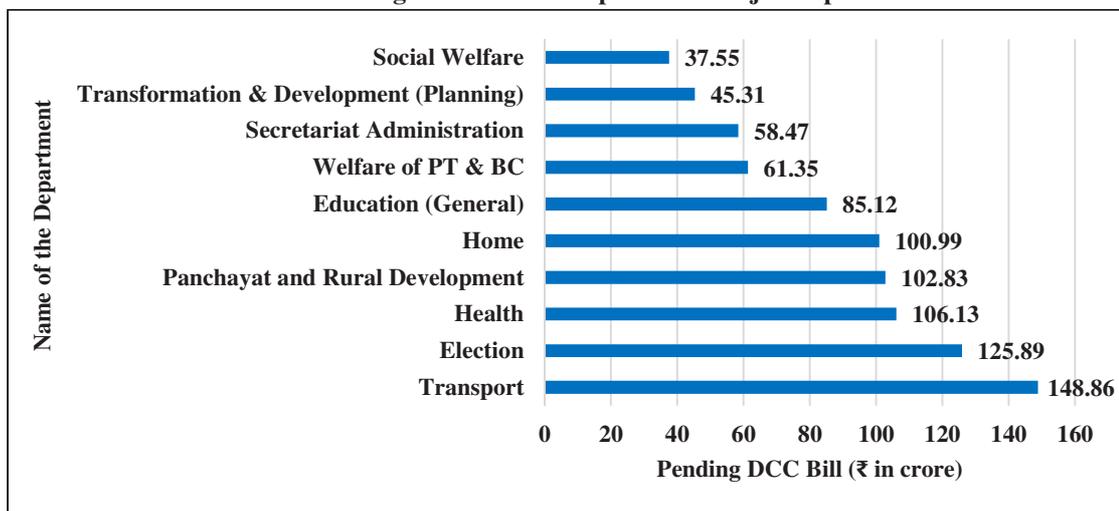
During the Exit Conference (December 2021), the Secretary, Finance Department, assured to analyse the issue and to take necessary steps for early submission of UCs wherever needed by the Administrative Departments, and to issue necessary clarification relating to submission of UCs.

4.4 Abstract Contingent Bills

Under Rule 21 of the Assam Contingency Manual, 1989, Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. Subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (A&E) not later than 25th of the month following the month in which such amounts are drawn.

As of 31 March 2021, 39 Departments of the Government of Assam had not submitted DCC bills for ₹ 1,050.84 crore against 1,648 AC Bills. Department-wise pending DCC bills for the years up to 2020-21 are detailed in *Appendix 4.2*. Status of pending DCC bills in respect of 10 major departments is given in **Chart 4.2**.

Chart 4.2: Pending DCC Bills in respect of 10 major Departments



Year-wise details of pendency of DCC bills for the years up to 2020-21 is given in **Table 4.5**.

Table 4.5: Pendency in submission of DCC bills against the AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	1,066	678.85	298	289.53	41	2.56	1,323	965.82
2019-20*	1,323	965.82	282	66.39	173	149.35	1,432	882.86
2020-21	1,432	882.86	249	174.89	33	6.91	1,648	1,050.84

Source: Data compiled by O/o the PAG (A&E), Assam

* Closing figures of 2019-20 has been changed due to clearance of OB suspense kept Major Head under 8658-Suspense.

Table 4.5 reveals that during 2020-21, 249 AC bills were drawn for an amount of ₹ 174.89 crore, of which, 123 AC bills for an amount of ₹ 66.88 crore (38.24 per cent) were drawn in March 2021.

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for

ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

During the Exit Conference (December 2021), the Commissioner and Secretary, Finance Department, assured to issue instructions to all concerned Departments for early submission of DCC bills.

4.5 Personal Deposit Accounts

Under specific circumstances, the Government may authorise the opening of Personal Deposit (PD) accounts for operation by designated Administrators. Transfer of funds to PD accounts is booked under the service major heads, as expenditure under the Consolidated Fund of the State. Under the rules, the Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Consolidated Fund, with the PD accounts being reopened in the next year, if necessary. Government of Assam, however, did not follow this procedure.

The following table provides the status of funds lying in PDA on the last day of the financial year during 2016-21.

Table 4.6: Parking of funds in Personal Deposit Accounts during 2016-21

	(₹ in crore)				
Year	2016-17	2017-18	2018-19	2019-20	2020-21
Funds parked in PDA	0.60	0.60	0.60	0.57	0.57

As on 31 March 2021, there were 22 PD Accounts under which ₹ 0.57 crore was lying. All these accounts have been inoperative for more than two years. These were not closed at the end of the financial year and the amount credited to the Consolidated Fund of the State.

Further, in terms of Rule 324 and 333 of Treasury Rules 2017 of the Government of Assam, the Administrator of Personal Deposit Account shall make necessary verification and reconciliation of the balances with the Treasury and shall furnish a certificate to the Treasury Officer by 30th April every year. The Treasury officer shall verify the said certificate with treasury records and send a report of verification of such balances to the Accountant General (A&E) as early as possible.

During the year 2020-21, none of 22 Administrators of Personal Deposit Accounts had reconciled and verified their balances with the treasury figures and the annual verification certificate was also not furnished to the Accountant General (A&E) Office.

4.6 Indiscriminate use of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (A&E) and seek advice on an appropriate classification. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

During 2020-21, the State Government classified receipts of ₹ 1,046.12 crore (1.61 per cent of Revenue Receipts), pertaining to 48 Major Heads, under the Minor Head '800 - Other Receipts' while an expenditure of ₹ 15,335.15 crore was booked under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 19.94 per cent of the total revenue and capital expenditure of ₹ 76,918.98 crore.

Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – 'Other Expenditure', are given in Table 4.7.

Table 4.7: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2020-21

(₹ in crore)					
Sl. No.	Major Head	Major Schemes under Minor Head 800	Expenditure under Minor Head 800	Total Expenditure	Percentage
1.	4801 - Capital Outlay on Power Projects	APSEIP Tranche 4 (ADB), procurement of Meters and Enhancement of Infra State Transmission System of Assam (AIIB), etc.	295.40	295.40	100.00
2.	4401- Capital Outlay on Crop Husbandry	Rural Infrastructure Development Fund and WIF-Agriculture Cold Storage.	180.67	180.68	99.99
3.	4070- Capital Outlay on Other Administrative Services	State Signature Scheme and Protection & control of Fire Service Station, etc.	218.01	219.35	99.39
4.	2575-Other Special Areas Programme	Multi Sectoral Development Programme for Minorities in selected Minority Concentration Districts.	142.94	149.11	95.86
5.	2801 - Power	Payment of dues as per FTFRP, Targeted subsidy to APDCL and DDUGJY and SAUBHAGYA scheme	1,245.25	1,350.25	92.22
6.	3056 - Inland Water Transport	Government Transport Services working expenses-Major Ferry Services, Subansiri River Passenger Services (Commercial), etc.	147.41	165.26	89.20
7.	2210- Medical and Public Health	Strengthening of the State Drug Regulatory System and National Health Mission, etc.	3,412.09	5,395.51	63.24
8.	2217- Urban Development	Housing for All (Pradhan Mantri Awas Yojana, City Amenities Development Fund, Guwahati Municipal Corporation, etc.)	527.61	908.49	58.08
Total			6,169.38	8,664.05	71.21

In the case of receipts, cases where over 50 per cent of receipts and also more than ₹ one crore were classified under Minor Head 800 – 'Other Receipts', are given in Table 4.8.

Table 4.8: Significant receipts booked under Minor Head 800 – Other Receipts during 2020-21

(₹ in crore)				
Sl. No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1.	0552 - North Eastern areas	57.75	57.75	100.00
2.	1056 - Inland Water Transport	4.82	4.82	100.00
3.	0702 - Minor Irrigation	1.95	1.96	99.49
4.	1054 - Roads and Bridges	19.37	19.96	97.04
5.	0059 - Public Works	1.28	1.34	95.52
6.	0070 - Other Administrative Services	90.87	95.72	94.93
Total		176.04	181.55	96.97

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.

Audit examined selected cases of booking under Minor Head 800, and noted that in some instances, a valid Minor Head, other than 800, was available in the List of Major and Minor Head (LMMH), for booking these transactions. This includes large centrally sponsored schemes like Sarva Siksha Abhiyan, and Mid-Day Meal scheme, where an expenditure of ₹ 2,731.37 crore (17.81 per cent of total expenditure under 800) was booked in State Finance Accounts (2020-21), as given in the following table:

Table 4.9: Incorrect depiction of Minor Heads in the State Accounts (2020-21)

Specified Heads in the LMMH	Actual Heads in the State Accounts		
	Appropriation Accounts	Finance Accounts (Classification up to Minor Head)	Expenditure (₹ in crore)
2202-01-111 Sarva Shiksha Abhiyan	2202-01-800-1686- Sarva Siksha Abhiyan	2202-01-800 Other Expenditure	2,307.25
2202-01-112 National Programme of Mid Day Meals in Schools	2202-01-800-3844- Mid-Day-Meal Scheme for Cooking Cost	2202-01-800 Other Expenditure	424.12

Thus, it is imperative that the State Government should review all classifications of schemes being made under 800-Other Expenditure in the light of their depiction in the LMMH and after consultation with the Accountant General (A&E), classify them appropriately as per existing LMMH, or seek addition of new Minor Head, to bring transparency in Accounts.

During Entry Conference (October 2021), the Commissioner & Secretary, Finance Department, assured to take care of the matter from next Budget.

4.7 Central Road Fund (CRF)

Government of India provides annual grants under the CRF to the State Government to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601-08-108-Grants from Central Road Fund”. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head “8449-Other Deposits-103 Subvention from Central Road Fund”, through Revenue Expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants do not result in overstatement of Revenue Surplus or understatement of

Revenue Deficit in the accounts. The expenditure on prescribed road works under CRF will first be accounted for under the relevant Capital or Revenue Expenditure section (Major Heads 5054 or 3054) and reimbursed out of the Public Account under Major Head 8449 as a deduct expenditure to the concerned Major Head (5054 or 3054 as the case may be).

During the year 2020-21, the State Government received grants of ₹ 220.81 crore towards CRF. While the receipt of fund was accounted for correctly in Revenue Receipts Major Head-1601-08-108-Grants from Central Road Fund, the accounting procedure for recording expenditure under CRF as detailed above was not followed. No budget provision was made under the Major Head - '3054-80-797 - transfer to Deposit Accounts' for transfer of funds to the Major Head-'8449-Other Deposits-103 subvention from Central Road Fund' in Public Account, and accordingly, nor was subsequent expenditure from CRF recorded in appropriate budget heads. However, ₹ 177.03 crore was booked under CRF during the year under the head of account 3054-03-337-1857 –Construction Expenditure Met from Central Road Fund in Grant-64 of Appropriation Accounts. Non-transfer of the balance amount of ₹ 43.78 crore has resulted in overstatement of Revenue Surplus during the year.

During the Exit Conference (December 2021), the Secretary, Finance Department, assured to follow the prescribed procedure of CRF.

Issues related to Measurement

4.8 Outstanding balance under major Suspense and DDR heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. 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 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 gross figures under major suspense and remittance heads for the last three years is given in **Table 4.10**.

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Name of Major and Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101 - PAO suspense	117.06	52.53	224.98	145.92	327.29	227.41
Net	Dr. 64.53		Dr. 79.06		Dr. 99.88	
102 - Suspense Account-Civil	1,393.36	61.40	2,322.47	531.66	1,758.94	372.63
Net	Dr. 1,331.96		Dr. 1,790.81		Dr. 1,386.31	
107 - Cash Settlement Suspense Account	82.73	15.65	82.73	15.65	82.73	15.65
Net	Dr. 67.08		Dr. 67.08		Dr. 67.08	
109 - Reserve Bank Suspense -Headquarters	(-) 297.50	(-) 0.29	(-) 226.65	(-) 10.02	(-) 216.08	(-) 0.22
Net	Cr. 297.21		Cr. 216.63		Cr. 215.86	
110 - Reserve Bank Suspense - CAO	14.30	911.52	14.30	1,050.40	20.85	214.61
Net	Cr. 897.22		Cr. 1,036.10		Dr. 193.76	
112 - Tax Deducted at Source (TDS) Suspense	---	---	---	0.01	---	---
Net	---		Cr. 0.01		---	
123 - A.I.S Officers' Group Insurance Scheme	0.14	1.42	0.18	1.47	0.25	1.51
Net	Cr. 1.28		Cr. 1.29		Cr. 1.26	
8782-Cash Remittances						
102 - P.W. Remittances	61,358.86	61,051.00	69,526.23	69,159.54	76,676.11	76,290.28
Net	Dr. 307.86		Dr. 366.69		Dr. 385.83	
103 - Forest Remittances	4,737.65	4,454.57	5,231.80	4,884.08	5,873.61	5,490.72
Net	Dr. 283.08		Dr. 347.72		Dr. 382.89	

Non-clearance of outstanding balances under these heads affects the accuracy of receipts/expenditure figures and balances under different heads of Accounts (which are carried forward from year to year) of the State Government.

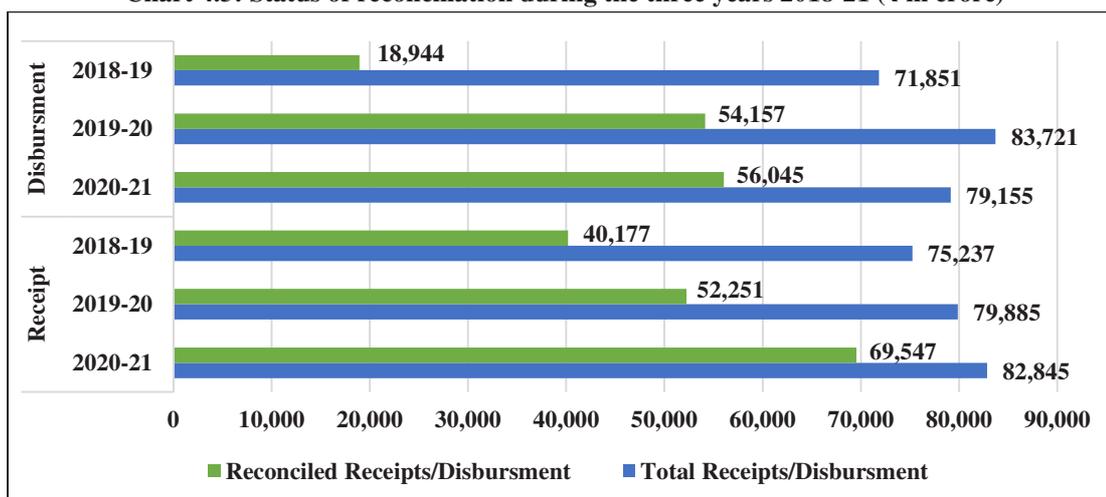
4.9 Reconciliation of Departmental figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

While 65 *per cent* of both receipts and disbursement were reconciled during 2019-20, these figures improved and reached the level of 84 *per cent* for receipts and 71 *per cent* for disbursement for the year 2020-21.

The status of reconciliation of receipts and disbursement figures by the COs during the three-year period 2018-21 is shown in **Chart 4.3**.

Chart 4.3: Status of reconciliation during the three years 2018-21 (₹ in crore)



The details relating to the number of COs and the extent of reconciliation during the last three years are given in **Table 4.11**.

Table 4.11: Status of Reconciliation of Receipts and Disbursement figures

Year	Total No. of Controlling Officers	Status of reconciliation			Total Receipts/ Disbursement (₹ in crore)	Reconciled Receipts/ Disbursement	
		Fully	Partially	Not done		Amount (₹ in crore)	Per cent
Receipts							
2018-19	54	7	4	43	75,237	40,177	53.40
2019-20	54	6	0	48	79,885	52,251	65.41
2020-21	58	5	3	50	82,845	69,547	83.95
Expenditure							
2018-19	54	31	16	7	71,851	18,944	26.37
2019-20	54	34	0	20	83,721	54,157	64.69
2020-21	58	36	16	6	79,155	56,045	70.80

Non-reconciliation of figures has been pointed out by the CAG in the Audit Reports year after year. The Committee on Public Account (PAC) in its 161st Report (Paragraph 13) also recommended (March 2020) that the departments should reconcile their figures with the Accountant General (A&E) on monthly basis or at least quarterly basis to avoid wrong booking of figures. In spite of the directions, 16 *per cent* of receipts and 29 *per cent* of disbursement figures booked by the Accountant General (A&E) were not reconciled by the departmental authorities during 2020-21.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.10 Reconciliation of Cash Balances

As on 31 March 2021, Cash balance as per record of Principal Accountant General was ₹ 3,696.76 crore (Dr.) and that reported by the RBI was ₹ 17.21 crore (Cr.). There was a net difference of ₹ 3,679.55 crore (Dr.) mainly due to non-accounting of expenditure on pension payments made by non-link branches of Agency Bank since 2017-18. The details are discussed in subsequent paragraph.

4.10.1 Non-Reporting of Pension Payments

Out of the unreconciled cash balance of ₹ 3,679.55 crore (₹ 3,822.40 crore of debit amount *minus* ₹ 142.85 crore of credit amount) as on 31 March 2021, ₹ 3,822.40 crore of unreconciled cash balance pertained to the pension payments made by non-link branches of banks and directly reported to the RBI which were not received with the treasury accounts. The remaining differences of ₹ 142.85 crore unreconciled cash balance represent discrepancy due to erroneous reporting by Agency Banks. Out of ₹ 3,822.40 crore of non-accounting of pension payment, ₹ 1,209.08 crore (31.63 *per cent*) pertains to Financial Year 2020-21 alone.

Prior to January 2018, pension disbursed by non-linked branches of concerned Treasuries submitted their reimbursement claims on behalf of the State Government to the linked branches of the concerned Treasuries, who in turn included the pension payments made by all non-linked branches within their jurisdiction in their Date-wise Monthly Statement (DMS) and submitted the same to the Treasury. On receipt of these vouchers from linked branches, the concerned Treasury Officers included the same in their Treasury Accounts.

From January 2018, the RBI directed all agency (non-linked) bank branches to submit their claims pertaining to agency transactions directly to the RBI without routing through linked branches that act as aggregator. The RBI also directed all agency banks to send scrolls/ details of such payments made by them directly to the State Government/ Treasury. However, the non-linked branches making such payments have not been submitting the Date-wise Monthly Statement (DMS) and corresponding payment vouchers to the concerned Treasury, resulting in non-inclusion of such payments in accounts of the State. This has resulted in huge discrepancy between the cash balance as reflected in the Finance Accounts, and as reported by RBI, with the entire pension payments made by the non-linked branches remaining unaccounted. In 2020-21 itself, pension payments to the tune of ₹ 1,209.08 crore made by the agency bank branches were not accounted for in the Finance Accounts. Further, pension payments of ₹ 2,613.32 crore made in the three years prior to 2020-21 were also not accounted for in the State Accounts for the same reason. The details of the differences are as tabulated below:

Table 4.12: Year wise details of non-reporting of pension payments

(₹ in crore)

Year	Amount of non-reported pension payments
2017-18	112.59 (Dr)
2018-19	1,152.38 (Dr)
2019-20	1,348.35 (Dr)
2020-21	1,209.08 (Dr)
Total	3,822.40 (Dr)

The non-accounting of the Pension payments to the tune of ₹ 3,822.40 crore had resulted in overstatement of Revenue Surplus, understatement of Revenue and Fiscal Deficit of the State during the years concerned.

During Exit Conference (December 2021), the Commissioner and Secretary, Finance Department, stated that the Department is working on the issue in consultation with the Office of the PAG (A&E), Assam, and RBI, and expressed hope to resolve the matter soon.

4.10.2 Under-estimation of Pension liability

The quantum of Grants and Assistance is arrived at by the Finance Commission (FC) on the basis of the normative assessment of the revenues and expenditure of the State. The XV FC had adopted the budget estimates of pension payments for 2019-20 as the base for projecting the expenditure on Pension for 2020-21, which was arrived at by increasing the budget estimates by nine *per cent* to meet the needs of inflation indexation, growth in the number of pensioners and the States' commitments under the NPS.

Further, the Accounts of Government of Assam have not been reflecting the actual expenditure incurred on Pension since FY 2017-18. Since January 2018, the RBI directed all agency (non-linked) bank branches to submit their claims pertaining to agency transactions directly to the RBI without routing through linked branches that act as aggregator. The RBI also directed all agency banks to send scrolls/details of such payments made by them directly to the State Government/Treasury. However, the non-linked branches making such payments have not been submitting the Date-wise Monthly Statement (DMS) and corresponding payment vouchers to the concerned Treasury, resulting in non-inclusion of such payments in accounts of the State. **Table 4.13** shows Budget provision, Expenditure on Pension (Major Head: 2071) and the amount of pension not reported to the Pr. AG (A&E) as per RBI's directions (January 2018) during the last five years.

Table 4.13: Budget and Expenditure on Pension (MH 2071)

FY	Budget	Pension Payment		
		As per Finance Accounts	Excluded from Accounts	Including excluded amount
2016-17	7,680	6,565		6,565
2017-18	9,682	8,287	113	8,400
2018-19	8,028	8,112	1,152	9,264
2019-20	8,982	9,609	1,348	10,957
2020-21	9,662	10,329	1,209	11,538

It is evident from the table above that Government of Assam is under-estimating Pension liability since 2018-19. It is pertinent to mention here that Pr. Accountant General has flagged the issue of non-reporting of the pension payment by agency banks in the SFAR of 2018-19. Despite being flagged since 2018-19, no corrective measures were taken by the State Government to address the issue. During the year 2019-20 and 2020-21, Government of Assam estimated the pension liability at ₹ 8,982 crore and ₹ 9,662 crore respectively against the actual expenditure on pension of ₹ 9,264 crore and ₹ 10,957 crore during 2018-19 and 2019-20 respectively.

Moreover, due to the flawed estimation, there has been excesses under Grant No. 23-Pensions during the last three years even after excluding the pension payments not reported by the agency banks.

During the Exit Conference (December 2021), the Commissioner and Secretary, Finance Department, while acknowledging the lapse, stated that corrective action is being taken by the State Government and greater control would be exercised centrally over disbursements of pension payments, leading to improved budgeting and correct disbursement.

It is strongly recommended that necessary steps may be taken for correcting the estimation as well as accounting of Pension so that the State may not lose on the Revenue Deficit Grant recommended by the Finance Commission. Further, a comprehensive database of pensioners may be maintained by the State Government with timely addition and deletion of pensioners which would help in keeping a close watch on actual outgo and for a reasonable budget estimation.

Issues related to Disclosure

4.11 Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB), set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting to enhance accountability mechanisms. As of end of March 2021, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the Government of Assam in its financial statements for the year 2020-21 are given in **Table 4.14**

Table 4.14: Compliance with Indian Government Accounting Standards

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS 1 <i>Guarantees given by 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.	Partly complied	While the government has disclosed the maximum amount of guarantees given during the year, detailed information like number of guarantees for each institution was not depicted.
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as Revenue Expenditure in the accounts of the grantor and as Revenue Receipts in the accounts of the grantee, irrespective of the end use.	Not complied	State Government made budgetary provision and classified GIA amounting to ₹ 5,640.47 crore under Capital Major Heads of Account, instead of under the Revenue Section. It did not also furnish any information regarding GIA paid in kind during the year.
IGAS 3 <i>Loans & Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the 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 overdue principal and interest in respect of loans and advances have not been provided to the Principal Accountant General (A&E).

4.12 Submission of Accounts of Autonomous Councils/ Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit to AG (Audit) for audit.

The CAG had not received 649 annual accounts of 107 Autonomous Councils, Development Councils and Government Bodies (due up to 2020-21) for audit as of 31 October 2021. Out of 649 outstanding annual accounts, six accounts²¹ pertained to three Autonomous District Councils created under sixth Schedule of the Constitution. Further, out of these 107 Autonomous Councils, Development Councils and Government Bodies, 33 have not submitted their accounts since inception/ entrustment.

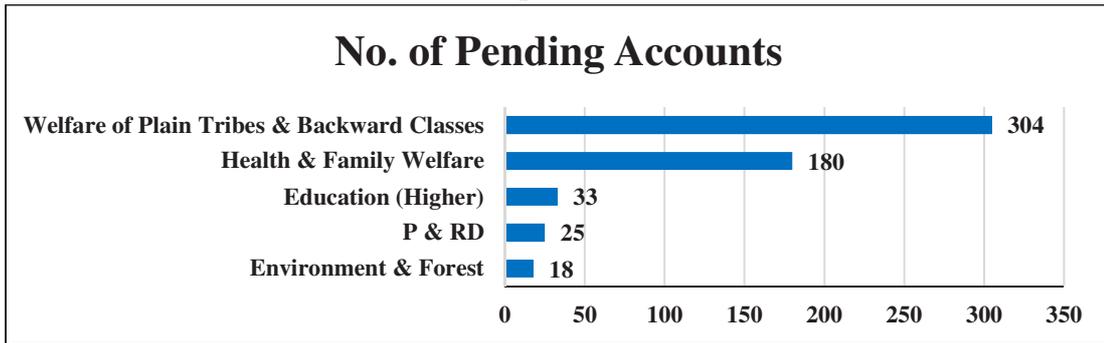
Table 4.15: Age-wise analysis of Annual Accounts due for audit but not submitted

Delay in Number of Years	No. of Accounts
0-1	107
1-3	173
3-5	98
5-10	184
More than 10	87
Total	649

The Department-wise details of accounts due from Autonomous Councils, Development Councils, Government Bodies are given in **Appendix 4.3**. Age-wise pendency of these 649 accounts is given alongside. Status of pending accounts in respect of five major departments is given in **Chart 4.4**.

²¹ i) Bodoland Territorial Council, Kokrajhar: One Annual Accounts (2020-21); ii) Karbi Anglong Autonomous Council, Diphu: Three Annual Accounts (2018-19 to 2020-21); and iii) North Cachar Hills Autonomous Councils, Haflong: Two Annual Accounts (2019-20 and 2020-21)

Chart 4.4: Status of pending accounts of Autonomous Councils/ Bodies pertaining to five major Departments



In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/ Authorities and their accounting cannot be vouched. Audit took up the matter of non-submission of accounts of the defaulting Bodies with the authorities concerned from time to time, but without perceivable improvement.

During the Exit Conference (December 2021), the Commissioner & Secretary, Finance Department, stated that necessary instruction would be issued to concerned Departments for early submission of Accounts.

4.13 Departmental Commercial Undertakings/ Corporations/ Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations (including Departmental undertakings). Departmental undertakings perform activities of commercial/quasi-commercial nature. They are required to prepare *pro-forma* accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

Further, Section 96 of the Companies Act, 2013, requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Section 129 of the Act stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act.

In the absence of timely finalisation of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General (Audit) within a specified time frame.

However, the CAG has not received 378 annual accounts of 40 Public Sector Undertakings (due up to 2020-21) for audit as of November 2021. Department-wise details of arrears of annual accounts of PSUs are given in *Appendix 4.4*.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of State PSUs under their control are finalised and adopted by the SPSEs within the stipulated period.

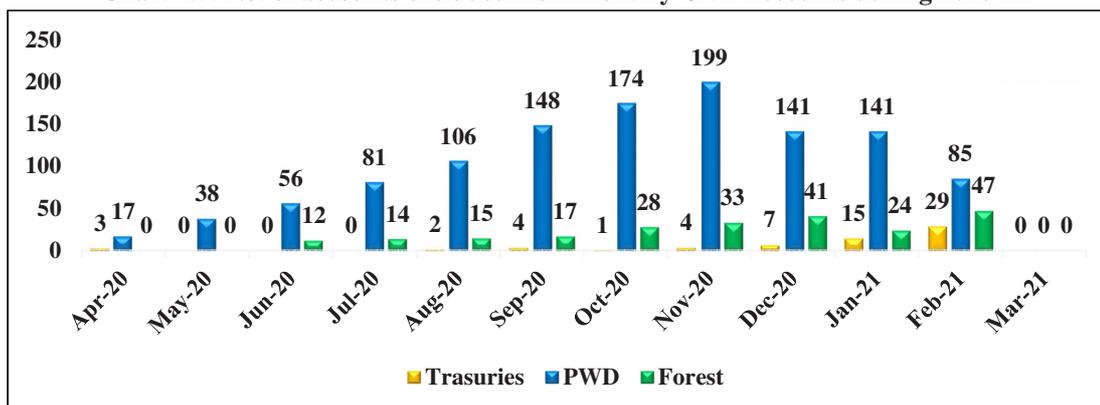
During the Exit Conference (December 2021), the Commissioner & Secretary, Finance Department, stated that necessary instructions would be issued to concerned Departments for early submission of Accounts.

4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by 33 District Treasuries, 50 Sub-Treasuries, Assam House (New Delhi), Cyber Treasury (Dispur), 146 Forest Divisions, 33 Public Works (Building) Divisions, 69 Irrigation Divisions, and 44 Public Health Engineering, 36 Water Resources Divisions, 83 Public Works (Road) Divisions, 50 Pay and Accounts offices and Advices of the Reserve Bank of India.

During the financial year 2020-21, significant number of monthly accounts of Treasuries, Public Works Divisions and Forest Divisions were not submitted in time by the concerned authorities of the Government of Assam. As a result, during the year 2020-21, monthly Civil Accounts were closed by Office of the PAG (A&E), Assam by excluding accounts of certain treasuries/ divisions. Details of accounts excluded from the monthly Civil Accounts are given in *Chart 4.5*.

Chart 4.5: No. of accounts excluded from monthly Civil Accounts during 2020-21



Above chart indicates that public works divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in the Civil Accounts of the respective month of the occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the monthly Civil Accounts by the Principal Accountant General (A&E) throughout the year 2020-21, except for March 2021. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (A&E) to the State Government were incomplete in all the months, except for the month of March.

Exclusion of accounts not only distorts the financial picture presented in the monthly accounts of the Government, but also impacts the monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, provide intended benefits to the targeted beneficiaries, functioning of departments, *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General (A&E) on a timely basis, to manage its own budget more effectively.

Other Issues

4.15 Misappropriations, losses, thefts, *etc.*

Audit observed 342 cases of theft, misappropriation, and losses involving Government money amounting to ₹ 136.87 crore (up to March 2021) on which final action was pending. The Department-wise breakup of pending cases and age-wise analysis and nature of those cases is given in *Appendix 4.5*.

Table 4.16 summarises age-profile of pending cases and the number of cases pending in each category *i.e.*, theft, misappropriation and losses of Government material, *etc.*

Table 4.16: Profile of cases of theft, misappropriation and loss

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
0-5	102	3979.81	Theft	19	97.39
5-10	140	7642.33			
10-15	53	1181.55	Misappropriation/ Loss of material, <i>etc.</i>	323	13590.04
15-20	34	695.48			
20-25	9	177.10			
25 and above	4	11.16	Cases of loss written off during the year	0	0.00
Total	342	13687.43	Total cases as on 31 March 2021	342	13687.43

Source: Inspection Reports

Further analysis indicated that the reasons for which the cases were outstanding could be classified in the categories listed in **Table 4.17**.

Table 4.17: Reasons for outstanding cases of theft, misappropriation and losses

Reasons for the Delay of Outstanding Pending cases	Number of cases	Amount (₹ in lakh)
(i) Non-receipt of reply or want of reply from Department	270	7378.23
(ii) Non-submission of specific/ proper/ appropriate reply by Department	72	6309.20
Total	342	13687.43

Source: Inspection Reports

Of the 342 cases above, the First Information Report (FIR) in respect of only 20 cases involving ₹ 6.93 crore was lodged where the investigation was in process. Government may take necessary action in all the remaining cases also, and logically conclude the misappropriation cases. Besides, Government should consider putting in place an effective mechanism to ensure monitoring and speedy settlement of cases relating to theft, misappropriation and losses, in their own financial interests.

4.16 Short transfer of Labour Cess to Labour Welfare Board

The Government of India enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess for providing benefits to the workers. The Act, inter alia, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government to exercise the powers conferred under the Act. Accordingly, the Government of Assam had framed Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules 2007 under the Act and constituted Assam Building & Other Construction Workers Welfare Board on 12 February 2008. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

During the period 2008-09 to 2020-21, Government of Assam realised ₹ 1,553.08 crore as Labour Welfare Cess and transferred ₹ 1,535.04 crore to the Assam Building and Other Construction Workers Welfare Board leaving a liability of ₹ 18.04 crore under the scheme. On this being pointed out, the Deputy Labour Commissioner stated (November 2021) that difference between the Cess collected and Cess deposited pertained to the years 2014-15 to 2016-17 only and steps have been taken by the Board for reconciliation with Bank.

4.17 Follow up action on State Finances Audit Report

4.17.1 *Suo-motu* Action Taken Notes

In the Audit Reports on the Finances of the Government of Assam, the Comptroller and Auditor General of India has been flagging issues of concern relating to various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations, etc. by the State Government departments/ authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/ administration itself. To ensure accountability of the executive with regard to the issues contained in the Audit Reports, the Public Accounts Committee (PAC) of Assam Legislative Assembly issued instructions (September 1994) for submission of *suo-motu* Action Taken Notes (ATNs)

by the administrative departments concerned within three months of presentation of the Audit Reports to the State Legislature. However, this is not being complied with by most Departments.

4.17.2 Discussion of SFAR and Appropriation Accounts by the PAC

The PAC discussed the audit observations that featured in the State Finances Audit Report for the year ended 31 March 2018 with the Principal Secretary of the Finance Department on 19 November 2019 and obtained a written response from him in this regard. The Report of the PAC thereon is awaited (October 2021).

Further, the PAC discussed on two separate occasions (February 2020 and February 2021) the issue of Excess Expenditure reported in Appropriation Accounts of different years and issued 13 recommendations *vide* its 161st and 169th Reports placed before the State Legislature on 24 March 2020 and 11 February 2021 respectively, thereby asking the departments to furnish Action Taken Report (ATR) in three cases. But only two Action Taken Reports have been submitted as of October 2021.

4.18 Conclusion

- Utilisation Certificates in respect of grants aggregating ₹ 39,629.49 crore (11,717 UCs) given to 55 Departments of the State Government during the period from 2001-02 to 2019-20 had not been submitted. In absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and the assets had been created.
- As of 31 March 2021, 39 State Departments had not submitted DCC bills for ₹ 1,050.84 crore against 1,648 AC Bills. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills.
- During 2020-21, the State Government booked an expenditure of ₹ 15,335.15 crore under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 19.94 *per cent* of the total revenue and capital expenditure of ₹ 76,918.98 crore. Similarly, the State Government classified receipts of ₹ 1,046.12 crore (1.61 *per cent* of Revenue Receipts), pertaining to 48 Major Heads, under the Minor Head '800 - Other Receipts'. Further, an expenditure of ₹ 2,731.37 crore (17.81 *per cent* of total expenditure booked under Minor Head 800-Other Expenditure) under Sarva Siksha Abhiyan and Mid Day Meal Scheme was booked under Minor Head 800 despite availability of appropriate Minor Head.
- During the year, expenditure amounting to ₹ 56,045 crore (71 *per cent* of total expenditure of ₹ 79,155 crore) and receipts of ₹ 69,547 crore (84 *per cent* of the total receipts of ₹ 82,845 crore) were reconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard resulted in misclassification and incorrect booking of receipts and expenditure in the accounts.

- Due to non-reporting of pension payments by the Agency Banks to the State Government/ Treasuries, Pension payments of ₹ 1,209.08 crore during the year were not accounted for in the State Accounts. This resulted in understatement of Revenue Expenditure and Fiscal Deficit of the State.
- Incorrect Budgeting and accounting of Pension by Government of Assam – which had led to exclusion of Pension expenditure from accounts, causing a lower expenditure on Pension recorded in Accounts, and lower Budgetary provision being made by the State Government, may lead to recommendation of lower Revenue Deficit Grant by the Finance Commission.
- As on 31 March 2021, there were 649 annual accounts of 107 Autonomous Councils, Development Councils and Government Bodies and 378 annual accounts of 40 Public Sector Undertaking (due up to 2020-21) pending for submission to CAG for audit. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management and diluted accountability of these Bodies.
- Out of total Cess of ₹ 1,553.08 crore realised by the State Government under the Building and Other Construction Workers' Welfare Cess Act, 1996 during the period from 2008-09 to 2020-21, an amount of ₹ 1,535.04 crore was transferred to the Other Construction Workers Welfare Board leading to the shortfall in transfer of Cess of ₹ 18.04 crore to the Board.

4.19 Recommendations

- State Government may institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs, DCC bills and accounts for audit.*
- State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.*
- State Government should resolve the issue of non-accountal of pension disbursed by non-linked branches in Government Accounts in consultation with RBI and Principal Accountant General (A&E) at the earliest to address the large discrepancy in State's cash balance, and incorrect reporting of pension expenditure.*
- Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.*

- v. *The State Government may draw up a concrete plan to clear arrears in Accounts of persistently delaying/ defaulting Autonomous District Councils (ADCs) and other Government bodies. Disbursal of financial assistance to ADCs/ Autonomous Bodies of the State be linked to improvement in finalisation of their Accounts.*

Guwahati
The 31 May 2022


(K. S. GOPINATH NARAYAN)
Principal Accountant General (Audit), Assam

Countersigned

New Delhi
The 01 June 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

