

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 2020-21.

4.1 Submission of Utilisation Certificates

4.1.1 Delay in submission of Utilisation Certificates to the State Government.

Rule 238(1) read with Rule 235 of the General Financial Rules (GFR)¹⁹, 2017 as adopted by Government of Manipur, 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 6,664 UCs aggregating to ₹ 11,331.76 crore in respect of grants were in arrears as on 31 March 2021 in respect of 35 departments²⁰. During the year 2020-21, ₹ 1,319.67 crore pertaining to 1,506 outstanding UCs for the period up to 2019-20 was cleared. The Department-wise break-up of outstanding UCs is given in *Appendix 4.1* and the year-wise break-up of outstanding UCs is summarized in the following table:

Table 4.1: 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 2017-18	3,173	4,205.78	1,238	2,493.06	123	333.67	4,288	6,365.17
2018-19	4,288	6,365.17	1,198	2,505.83	87	185.85	5,399	8,685.15
2019-20*	5,399	8,685.15	1,285	2,652.16	20	5.55	6,664	11,331.76

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

* Except sanction orders state otherwise, Utilisation Certificates for grants disbursed during 2019-20 become due during 2020-21.

¹⁹ Also, as per Rule 212 (1) and Rule 210 of GFR 2005.

²⁰ Sl. Nos. 1 to 39 of Appendix 4.1 except Sl. No. 18, 23, 34 & 39.

Table 4.2: Year wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount
2003-04	23	4.02
2004-05	32	4.96
2005-06	55	4.11
2006-07	49	4.64
2007-08	51	3.82
2008-09	67	26.71
2009-10	113	37.10
2010-11	106	81.18
2011-12	228	168.95
2012-13	406	244.48
2013-14	427	199.83
2014-15	507	859.72
2015-16	467	1,086.25
2016-17	642	1,480.01
2017-18	1,115	2,159.39
2018-19	1,111	2,319.98
2019-20	1,265	2,646.61
TOTAL	6,664	11,331.76

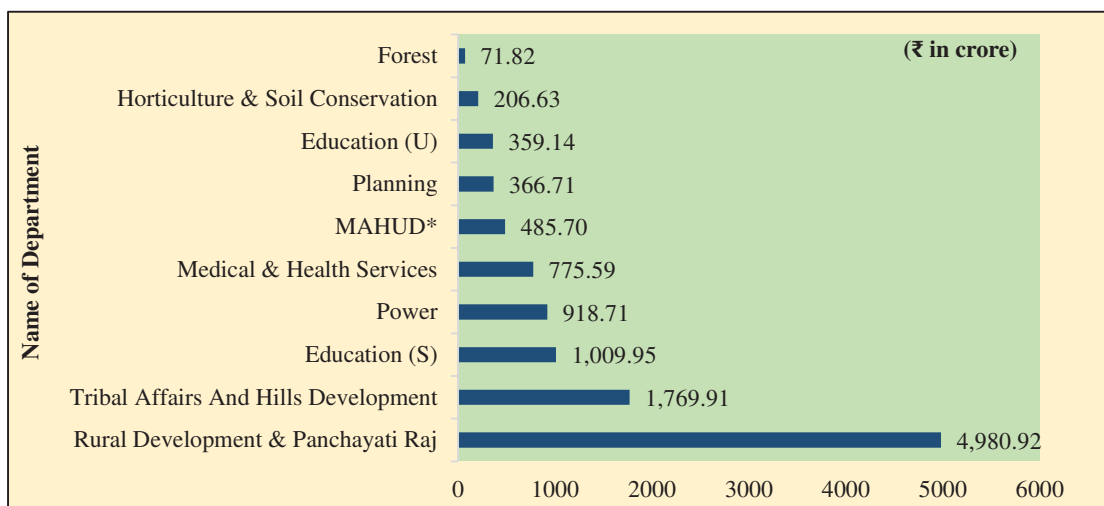
Source: O/o the PAG (A&E), Manipur.

It can be seen from the above tables that 6,664 UCs involving an amount of ₹ 11,331.76 crore were awaited as on 31 March 2021 with the oldest UCs pertaining to the year 2003-04. It was also observed that 31 *per cent* (2064 UCs) of the UCs were outstanding for more than 10 years. The UCs were awaited mainly in respect of the nine departments (i) Horticulture (188 UCs: ₹ 206.63 crore); (ii) Education (U) (355 UCs: ₹ 359.14 crore); (iii) Planning (156 UCs: ₹ 366.71 crore); (iv) Municipal Administration, Housing and Urban Development (273 UCs: ₹ 485.70 crore); (v) Medical and Health Services (90 UCs: ₹ 775.59 crore); (vi) Power (148 UCs: ₹ 918.71 crore); (vii) Education (S) (1,078 UCs: ₹ 1,009.95 crore); (viii) Tribal Affairs and Hills Development²¹ (2,377 UCs: ₹ 1,769.91 crore); and (ix) Rural Development and Panchayati Raj (635 UCs: ₹ 4,980.92 crore).

These 10 departments together accounted for 5,403 UCs (81.08 *per cent*) out of 6,664 outstanding UCs, involving an amount of ₹ 10,945.08 crore (96.59 *per cent*) out of the total outstanding amount of ₹ 11,331.76 crore. The outstanding UCs in respect of ten major departments is shown in the following chart.

²¹ Includes Grants-in-Aid released to ADC, Chandel; ADC, Churachandpur; ADC, Sadar Hills, Kangpokpi; ADC, Senapati; ADC, Tamenglong; and ADC, Ukhrul by State Government for implementation of various schemes

Chart 4.1: UCs outstanding in respect of major Departments as on 31 March 2021



*Municipal Administration, Housing & Urban Development.

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

In absence of UCs, there is no assurance that the funds were utilised for the purpose for which they were sanctioned and 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, particularly the ones which are outstanding for more than 10 years, and hold the concerned persons accountable for submission of UCs in a timely manner.

4.1.2 Non-receipt of subsequent instalments of Funds.

The funds for Centrally Sponsored Schemes (CSSs) are shared between GoI and the State Government in the ratio of 90:10. Funds are released by the GoI in instalments based on submission of periodic progress reports and UCs of the earlier instalments. In case of non-submission of the periodic progress report and the UCs due within the stipulated time, subsequent instalments are held up by GoI.

Audit had requisitioned (July 2021) from the Finance Department, Government of Manipur, details of Grants-in-Aids received from the GoI, and release of funds to implementing departments thereof and UCs submitted by the Finance Department/the Departments to GoI during 2015-16 to 2019-20. Out of 54 Departments of Government of Manipur, details of UCs in respect of 25 departments (46.30 per cent) have been received as of November 2021.

The position of Grants-in-Aid detailing approved cost of projects/ works, Grants-in-Aid received by Government of Manipur from GoI, short release or amount not yet released by GoI for the CSS (only the projects /works for which full amount was not released) during 2015-20 are as follows:

Table 4.3: Details of Grants-in-Aid released and short release by GoI

(₹ in crore)

For the year*	Total approved cost	Central Share	Central Share Released	Short release in Central Share
2012-13**	4.02	3.62	2.81	0.81
2013-14**	22.51	20.26	18.87	1.39
2014-15**	0.00	0.00	0.00	0.00
2015-16	22.86	20.57	16.93	3.64
2016-17	1.93	1.74	1.12	0.61
2017-18	7.10	6.39	1.57	4.82
Total	58.42	52.58	41.31	11.28

Source: Records furnished by Departments

** Subsequent release of Grants-in-Aid, if released in later years are taken against the particular years in which the first instalment was released. The years of 2012-13, 2013-14 and 2014-15 are taken as the subsequent instalments were released during 2017-18.

As can be seen from above, out of ₹ 52.58 crore to be received from GoI as CSS during 2012-20, the GoI released ₹ 41.31 crore only with short release of ₹ 11.28 crore (21.45 per cent) against 11 cases in four departments²². The Departments did not furnish any reasons for short release of Grants-in-Aid by GoI in case of 10 cases though sought for, but in one case²³, non-receipt of subsequent instalment of ₹ 67.62 lakh was due to closure of the project caused by delay in submission of UCs.

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 Rules²⁴, as adopted by Government of Manipur, 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 2021, a total of 1,094 DCC bills in respect of 43 Departments amounting to ₹ 2,005.46 crore pertaining to the period 2003-21 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 ₹ 497.19 crore drawn against 193 AC bills in 2020-21, AC bills amounting to ₹ 356.22 crore (71.65 per cent) were drawn in March 2021 alone, out of which, ₹ 52.05 crore were drawn on the last day of the financial year indicating inadequate budgetary control/planning.

²² Art and Culture, SCERT, Directorate of Textiles, Commerce & Industries, Tourism.

²³ Support for musical instruments and teaching of music to school children Manipur (Art and Culture Department)

²⁴ Rule 308, Rule 309 and Note under Rule 312.

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 4.4: Year wise progress in submission of DCC bills against AC bills

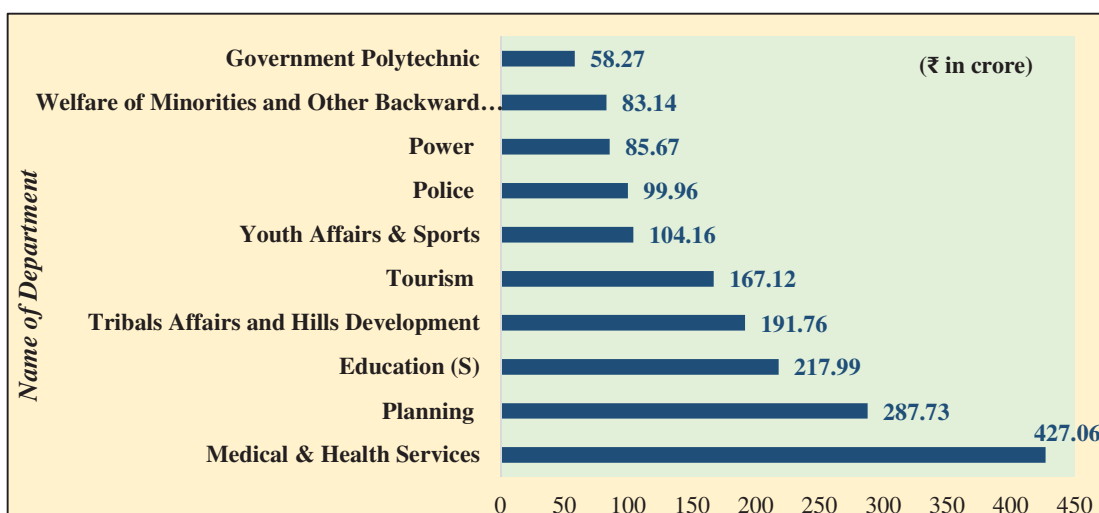
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	827	1,383.85	77	94.35	57	31.87	847	1,446.33
2019-20	847	1,446.33	76	105.21	18	24.96	905	1,526.58
2020-21	905	1,526.58	193	497.19	4	18.31	1,094	2,005.46

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 Youth Affairs and Sports (₹ 104.16 crore), Tourism (₹ 167.12 crore), Department of Tribal Affairs & Hills Development (₹ 191.76 crore), Education (S) (₹ 217.99 crore), Planning (₹ 287.73 crore), and Medical & Health Services (₹ 427.06 crore). Pendency of DCC Bills in respect of major ten departments is shown in the following chart:

Chart 4.2: Pending DCC bill in respect of major Departments as on 31 March 2021



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

4.3 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 2020-21, out of the total Revenue receipts of ₹ 12,982.65 crore, receipts of ₹ 126.27 crore under 27 Major Heads of accounts on the receipts side, constituting 0.97 per cent of the total Revenue receipts, was recorded under the Minor Head 800- ‘Other Receipts’ below the Major Heads concerned. Similarly, out of the Revenue and Capital expenditure of ₹ 14,867.65 crore, the State Government booked expenditure of ₹ 2,624.99 crore under 65 Major Heads of accounts constituting 17.66 per cent of the

total expenditure (Revenue and Capital), under the Minor Head 800-‘Other Expenditure’ below the Major Heads concerned.

The significant booking of expenditure under Minor Head 800-Other Expenditure are as shown in the table below:

Table 4.5: Significant expenditure of ₹ 10 crore and above, booked under Minor Head 800-Other Expenditure during 2020-21

(₹ in crore)

Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Per cent
4700	Capital Outlay on Major Irrigation	160.51	160.51	100.00
4575	Capital Outlay on Other Special Area Programmes	76.28	76.28	100.00
4235	Capital Outlay on Social Security & Welfare	42.61	42.61	100.00
4705	Capital Outlay on Command Area Development	36.10	36.10	100.00
4403	Capital Outlay on Animal Husbandry	18.28	18.28	100.00
4401	Capital Outlay on Crop Husbandry	14.92	14.92	100.00
5075	Capital Outlay on Other Transport Services	10.00	10.00	100.00
2501	Special Programmes for Rural Development	606.13	608.42	99.62
2801	Power	398.11	400.84	99.32
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, OBCs & Minorities	250.75	280.01	89.55
5425	Capital Outlay on Other Scientific and Environmental Research	59.58	70.71	84.26
4202	Capital Outlay on Education, Sports, Art and Culture	43.57	53.01	82.20
2401	Crop Husbandry	160.14	237.22	67.51
3435	Ecology and Environment	20.43	31.10	65.69
4552	Capital Outlay on North Eastern Areas	32.54	53.92	60.35
2217	Urban Development	109.20	188.02	58.08
2408	Food, Storage and Warehousing	25.88	47.82	54.12

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 required²⁵ to be closed at the end of the same financial year by minus debit to the relevant service heads.

During the year 2020-21, State Government did not open any PD account. However, ₹ 0.05 crore (by Planning and Development Authority) was deposited during 2020-21 in one out of two PD accounts, which were not closed at the end of the year 2020-21. The unspent balance up to 2020-21 was ₹ 3.18 crore.

²⁵ Under Rule 96, 97 of the General Financial Rules, 2017.

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.

Finance Department stated (April 2020 and March 2021) 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 (November 2021).

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.

During the period from 2011-12 to 2020-21, an amount of ₹ 101.96 crore (₹ 0.70 crore during 2020-21) was deposited to Government Accounts as labour cess under Major Head 0045-112, out of which an amount of ₹ 63.61 crore (₹ 36.44 crore during 2020-21) was transferred to the Board thereby, leaving an un-transferred balance of ₹ 38.35 crore as on 31 March 2021 which represent the liabilities of the State Government.

The details of amount collected and actual expenditures incurred during the period from 2016-17 to 2020-21 are shown in the following table:

Table 4.6: Position of cess collection and expenditure of the Board during 2016-17 to 2020-21
(₹ in crore)

Year	Opening Balance (as per Bank Statement)	Cess collected during the year	Interest credit during the year	Available fund	Expenditure			Closing Balance (as per Bank Statement)
					Administrative Expenses (as percentage of TE)	Others	Total Expenditure (TE)	
2016-17	19.25	12.80	1.26	33.31	0.16 (0.61)	25.87	26.02	7.28
2017-18	7.28	61.33	0.80	69.41	0.57 (1.21)	46.35	46.92	22.49
2018-19	22.49	35.46	1.14	59.08	1.18 (5.92)	18.76	19.94	39.14
2019-20	39.14	29.62	0.83	69.59	1.50 (2.93)	49.76	51.26	18.33
2020-21	18.33	75.33	0.67	94.33	1.08 (5.21)	19.64	20.72	73.61

Source: Manipur Building and Other Construction Workers' Board

As per Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the administrative expenses of the Board in any financial year shall not exceed five *per cent* of its total expenses during that financial year. However, during the five-years period from 2016-17 to 2020-21, in two years (2018-19 and 2020-21), the administrative expenses of the Board exceeded the prescribed limit by 0.92 to 0.21 *per cent*.

Further, as per section 26 and 27 of the Act *ibid*, the Board has to prepare its annual report, giving a full account of its activities during the previous financial year and also prepare an annual statement of accounts and submit them to the State Government. Further, the Board has to furnish to the State Government its audited copy of accounts together with the auditor's report which shall be laid before the State Legislature. The Board, however, has not prepared the annual report and annual accounts till the year 2020-21.

4.6 Non-submission/pendency of Annual Accounts of Autonomous Bodies

There are two Autonomous Bodies *i.e.* Manipur State Legal Services Authority (MASLSA) and State Compensatory Afforestation Fund Management and Planning Authority (CAMPA²⁶). These Autonomous Bodies are audited by the Comptroller & Auditor General of India under Sections 19 (2) of the Duties, Power and Conditions 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 Principal Accountant General (Audit) for audit. Annual Accounts of 2019-20 and 2020-21, in respect of State CAMPA, had not been received (September 2021).

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 to submit their accounts for audit in a timely manner.

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

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 2021 are indicated below.

²⁶ After enactment of the Compensatory Afforestation Fund Act, 2016 (effective date being 30 September 2018), the audit of state CAMPA would be conducted under section 19(2) of the C&AG's DPC Act, 1971 from the accounting period 2018-19.

Table 4.7: Position of placement of SARs of State Autonomous Bodies as on 31 March 2021

Name of Autonomous Body	Year up-to which accounts were rendered	Position of SAR placed in the state Legislature				Position of SARs issued but not placed	
		Year of SAR	Date of issue	Date of placement of SAR	Delay in placement of SAR	SARs issued	Date of issue
MASLSA	2020-21	2017-18	04.12.19	19.12.19	No delay	-	-
State CAMPA	2018-19	--	--	--	--	2015-16	28.05.19
						2016-17	10.02.20
						2017-18	10.02.20

4.8 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 2020, there was an opening balance of ₹ 2.36 crore and ₹ 206.62 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 4.8: Non discharge of interest liability towards interest bearing deposits

(₹ in crore)

Sl. No.	Name of the Interest bearing deposit	Balance as on 31 March 2020	Amount of Interest not provisioned
1	MH-8336-800 Other Deposits	2.36	0.09
2	MH-8342-117 Defined Contribution Pension Scheme for Government Employees	206.62	14.67
TOTAL		208.98	14.76

Source: Statement 21 of Finance Accounts.

However, State Government did not provide budget provision for the interest payable of ₹ 14.76 crore on the balance of the Interest bearing Deposits during the year 2020-21.

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.

4.9 Funds directly transferred to the Implementing Agencies in the State

As per Government of India (GoI) decision dated 08 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 State²⁷.

However, as per Public Financial Management System (PFMS) portal of the Controller General of Accounts, the Government of India transferred funds directly to Implementing Agencies in the State in violation of the above GoI decision for

²⁷ 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.

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 2020-21, substantial Central funds of ₹ 588.58 crore were transferred directly to the Implementing Agencies in the State. There was an increase of 30.50 *per cent* over the previous year 2019-20 (₹ 451.02 crore).

The programmes assisted by GoI where funds were transferred directly to the Implementing Agencies are captured in **Appendix 4.3**. Three Agencies received 54.69 *per cent* of the funds directly for implementation of major schemes during 2020-21 as given below:

Table 4.9: 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	206.64
2	Organic Value Chain Development for North East Region	Manipur Organic Mission Agency (MOMA)	64.45
3	North East Road Sector Development Scheme	Public Works Department	50.82
Total			321.91

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.

4.10 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 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 2018-21 is given in the table below:

Table 4.10: Statement showing balances under Suspense and Remittance Heads during 2018-21

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO Suspense	97.40		104.08		121.00	
Net increase(+)/decrease(-) over the previous year	Dr. (-) 2.51		Dr. (+) 6.68		Dr. (+) 16.92	
102 - Suspense Account-Civil	135.65		129.78		151.57	
Net increase(+)/decrease(-) over the previous year	Dr. (+) 20.71		Dr. (-) 5.87		Dr. (+) 21.79	
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		38.87		37.20		73.23
Net increase(+)/decrease(-) over the previous year	Cr. (-) 2.10		Cr. (-) 1.67		Cr. (+) 36.03	
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		25.93		28.62		42.55
Net increase(+)/decrease(-) over the previous year	Cr. (+) 0.47		Cr. (+) 2.69		Cr. (+) 13.93	
123 - A.I.S Officers' Group Insurance Scheme		3.42		3.37		3.20
Net increase(+)/decrease(-) over the previous year	Cr. (-) 0.33		Cr. (-) 0.05		Cr. (-) 0.17	
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	669.06		668.85		685.05	
Net increase(+)/decrease(-) over the previous year	Dr. (+) 46.68		Dr. (-) 0.21		Dr. (+) 16.20	
103 - Forest Remittances		11.68		13.34		13.24
Net increase(+)/decrease(-) over the previous year	Cr. (-) 0.26		Cr. (+) 1.66		Cr. (-) 0.10	
105 – RBI Remittances		17.66		17.66		17.66
Net increase(+)/decrease(-) over the previous year	0		0		0	

Source: Finance Accounts of respective years.

4.11 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 reconciled²⁸ 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 2020-21. Audit noticed that out of 81 Controlling Officers (COs), 14 COs reconciled partially and 17 COs did not reconcile their receipt and expenditure figure amounting to ₹ 984.84 crore (6.53 per cent of total receipts of ₹ 15,076.46 crore) and ₹ 2,234.42 crore (9.95 per cent of total disbursement out of Consolidated Fund of ₹ 22,465.81 crore) respectively during 2020-21. Details of COs who have not reconciled their accounts are given at **Appendix 4.4**. Non reconciliation affects the correctness and completeness of accounts.

²⁸ As per Rule 57(5) of General Financial Rules, 2017.

4.12 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 2021 as per Accountant General's records was ₹ 49.05 crore (Debit) and that reported by RBI was ₹ 55.43 crore (Credit). The net difference of ₹ 6.38 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.

4.13 Non-submission of details of grants/loans given to bodies and authorities

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG'S DPC Act), the Government and HODs are required to furnish to Audit every year:

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts (Amendments), 2020 provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

However, no such information or statements were furnished by the Government and HODs to Audit for the year 2020-21, showing inadequate monitoring and control of the State Government and HODs.

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 2020-21 is given in the table below:

Table 4.11: Compliance to Accounting Standards

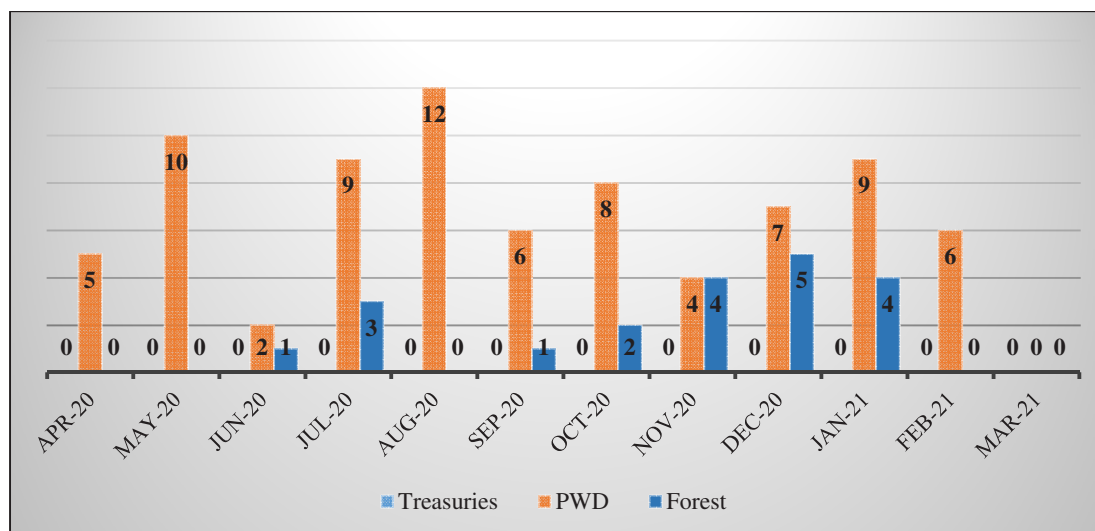
Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
IGAS-1: <i>Guarantees given by the Government-Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along 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.

Source: IGAS-1,2,3 and Finance Accounts.

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 4.3: Number of accounts excluded from Monthly Civil Accounts during 2020-21



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

The delays in rendition of monthly divisional accounts of PWD and Forest ranged from one to 142 days and one to 110 days respectively during the year 2020-21. 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 (2017-18 to 2019-20) to the Legislative Assembly and their discussion by the PAC are shown in the following table:

Table 4.12: Discussion of State Finances Audit Report (SFAR) by PAC on regularisation of excess expenditure

Year of SFAR	Date of placing SFAR to the Legislative Assembly	Date of discussion of SFAR by PAC (Date of placing recommendation of PAC)	Action taken notes	Remarks
2017-18	27-08-2019	<i>Suo-moto</i> examination made by PAC independently (10 February 2021)	Action taken notes yet to be received.	Excess expenditure over budget provisions was discussed.
2018-19	05-02-2021	<i>Yet to be discussed/examined by PAC</i>		
2019-20		<i>Submitted to State Government on 19 September 2021</i>		

Source: Recommendation Report of PAC.

The excess over provision of ₹ 467.21 crore relating to the period 2017-18 had been recommended (**Appendix 4.5**) by the PAC for regularization in its 53rd Report. However, the actual action for regularization of the excess expenditure was yet to be initiated (November 2021) by the State Government. Necessary action may be taken up by the State Government to regularize excess expenditure over the provisions for the year 2017-18.

4.17 Conclusion

- Utilisation Certificates (UCs) in respect of 6,664 cases aggregating ₹ 11,331.76 crore given to Departments of the State Government during the period

up to March 2021 were not submitted to the Accountant General. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.

- During 2020-21, ₹ 497.19 crore was drawn through 193 Abstract Contingent (AC) Bills of which 189 Detailed Countersigned Contingent (DCC) Bills for ₹ 478.88 crore were awaited for submission of as on 31 March 2021. Further, as on 31 March 2021, there were 1,094 AC bills for ₹ 2,005.46 crore, which remained outstanding for adjustment due to non-submission of DCC Bills. Non-adjustment of advances for long period is fraught with the risk of misappropriation and booking of expenditure without supporting documents.
- As on 01 September 2021, two annual accounts pertaining to the period 2019-20 and 2020-21 in respect of State CAMPA had not been received.
- The State Government classified ₹ 126.27 crore as Receipts under Minor Head 800–Other Receipts constituting 0.97 *per cent* of Total Revenue Receipts. Similarly, the State booked expenditure of ₹ 2,624.99 crore under Minor Head 800–Other Expenditure constituting 17.66 *per cent* of total expenditure during 2020-21.
- During the financial year 2020-21, there were delays in rendition of monthly accounts ranging from one to 142 days by the Public Works Divisions and one to 110 days by the Forest Divisions respectively.

4.18 Recommendations

- *The Finance Department may draw up an action plan for monitoring and ensuring submission of all pending UCs especially keeping in view that UCs from 2003-04 onwards are still due for submission. Release of subsequent grants should be linked with submission of outstanding UCs.*
- *The 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.*
- *The 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.*

