

**CHAPTER-IV**  
**QUALITY OF ACCOUNTS**  
**& FINANCIAL REPORTING**  
**PRACTICES**



## CHAPTER IV

# QUALITY OF ACCOUNTS AND 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. Thus, compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

### 4.1 Funds transferred directly to State implementing agencies

Government of India (GoI) has been transferring sizeable quantum of funds directly to the State Implementing Agencies/Beneficiaries for implementing various central schemes. Through Budget Circular 2022-23, the GoI issued the following instructions:

- (a) Central Sector Schemes (CS's) are all those schemes which entirely funded and implemented by the Central Agencies. However, in exceptional cases where the Department of Expenditure has given specific approval, such schemes may be allowed to be implemented through the State Implementing Agencies concerned. In such cases, the transfer of funds will be done directly to the implementing agencies and not through the State Treasuries.
- (b) Centrally Sponsored Scheme (CSS's) are schemes which are implemented by the State/UT Government with the sharing pattern as approved by the GoI. The central share for the schemes will be routed entirely through the State/UT treasuries as grants in aid under various **object heads**, except in the case of Direct Benefit Transfers where the **functional heads** could be used.

**Table 4.1** depicts quantum of funds directly transferred to the State implementing agencies/beneficiaries during the last five years *i.e.*, 2018-23.

**Table 4.1: Direct Transfer of Funds by GoI**

Direct transfers to State Implementing Agencies	2018-19	2019-20	2020-21	2021-22	2022-23	Total
<b>Funds transferred</b>	704.79	944.29	1,345.76	2,192.25	2,036.90	<b>7,223.99</b>

Source: Finance Accounts 2022-23.

**Table 4.1** shows a 7.09 *per cent* decline in direct fund transfers by the GoI, decreasing from ₹ 2,192.25 crore in 2021-22 to ₹ 2,036.90 crore in 2022-23. The fund directly transferred during 2022-23 comprised ₹ 1,815.06 crore for Centrally Sponsored

Schemes (CSS) and ₹ 221.85 crore for Central Sector Scheme (CS). Funds transferred directly to State Implementing Agencies/Beneficiaries during 2022-23 are given at (*Appendix 4.1*).

Out of total amount of ₹ 2,036.90 crore transferred directly to the State Implementing Agencies/Beneficiaries during 2022-23, 38.61 per cent (₹ 786.52 crore) was transferred directly to the beneficiaries through Direct Benefit Transfer (DBT) Mode.

#### **4.2 Funds lying unutilised in the bank account of DDOs**

The State Government has authorised Drawing and Disbursing Officers (DDOs) to open a zero balance current account in the State bank of India/United Bank of India (merged with Punjab National Bank) under the official designation of the DDOs to facilitate temporary parking of fund pertaining to payment/dues of Government employees before payment is actually made by account payee system to their respective bank accounts. The current account may also be operated by miscellaneous contingent expenditures where endorsement of bills / cheques to the concerned parties of payees is not immediately feasible under normal rules. During 2022-23, test check of Appropriation Accounts of 2022-23 revealed that out of ₹ 591.15 crore transferred to Bank Accounts of 127 DDOs, only ₹ 463.12 crore was utilised by 88 DDOs during the year. As on 31 March 2023, amount of ₹ 130.90 crore was lying unutilised in the bank accounts of 99 DDOs with balance ranging up to ₹ 37.67 crore. Cases where more than ₹ 1.00 crore was found lying unspent in the bank accounts of DDOs are detailed in *Appendix-4.2*. Further, information from the remaining 1,064 DDOs is still awaited (November 2023).

While the unspent balances have been officially recognised as expenditures from the Consolidated Fund of the State, they are still lying idle parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as correct to that extent.

#### **4.3 Delay in submission of Utilisation Certificates**

Rule 515 (Appendix 14) of the Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a special object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant) if no time-limit has been fixed by the sanctioning authority. In other words, unless the State Government specifies otherwise, any grant for a particular purpose must be used for that purpose within one year from the date of sanction. The purpose for which the Grants-in-Aid were utilised can be confirmed only on receipt of UCs. This serves as a safeguard against diversion of funds for other purposes. To the extent of non-receipt of UCs, the expenditure shown in the accounts can neither be treated as final nor can it be confirmed that the amount has been utilised for the intended purposes.

Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such

UCs are pending against Grants-in-Aid meant for Capital Expenditure. The year-wise details of UCs pending for submission are given in **Table 4.2**.

**Table 4.2: Age-wise arrears in submission of UCs as on 31 March 2023**

(₹ in crore)

Year	Opening Balance *		UCs which become due during the year		UCs submitted during the year		Closing Balance**		GIA disbursed during the year***	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2		3		4		5= (2+3-4)		6	
2021-22	215	1,765.85	178	1215.36	86	607.70	307	2373.51	419	2086.07
2022-23	307	2,373.51	419	2,086.07	272 <sup>#</sup>	1,023.57	454	3436.01	606 <sup>#</sup>	4,024.83

Source: Finance Accounts.

\* UCs which have already become due as on 1<sup>st</sup> April of the respective year.

\*\* UCs which remain overdue/outstanding as on 31<sup>st</sup> March of the respective year.

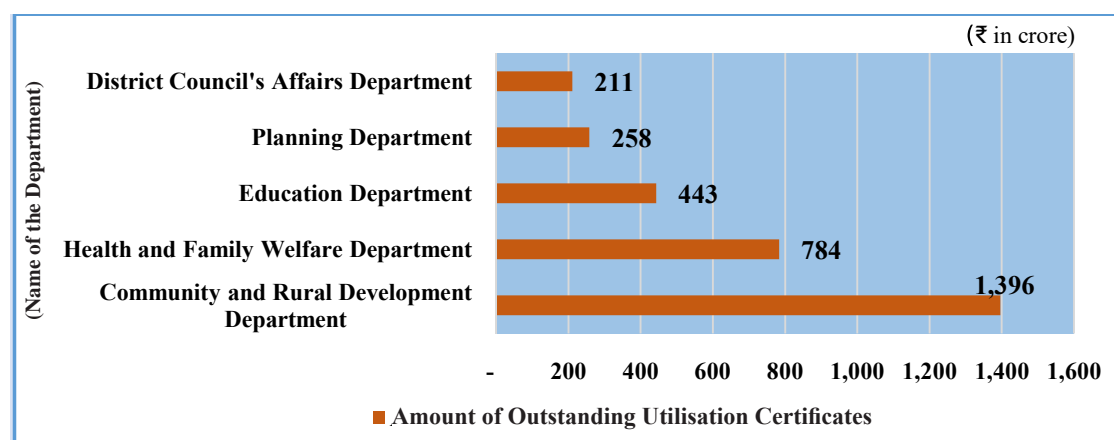
\*\*\* UCs which will become due in the subsequent year.

# This excludes 14 UCs amounting to ₹ 1.28 crore (disbursed in 2022-23) to be due in 2023-24 but submitted in 2022-23 itself.

During 2022-23, 726 UCs amounting to ₹ 4,459.58 crore (307 amounting to ₹ 2,373.51 crore overdue from previous years + 419 UCs amounting to ₹ 2,086.07 crore which became due in 2022-23) were outstanding. Out of this, only 37.46 per cent (272 UCs amounting to ₹ 1,023.57 crore) were submitted. Further, 14 UCs amounting to ₹ 1.28 crore for grants disbursed in 2022-23, which will become due in 2023-24, were also submitted in 2022-23. Thus, total 286 UCs amounting ₹ 1,024.85 crore were submitted.

As on 31 March 2023, 454 UCs amounting ₹ 3,436.01 crore remained outstanding. This is 47.88 per cent over the last year in terms of the numbers of UCs and 44.76 per cent more than the last year in terms in amount of the outstanding UCs. Total of 1,060 UCs amounting to ₹ 7,460.84 crore (Overdue<sup>50</sup>: 454 UCs amounting to ₹ 3,436.01 crore + Addition<sup>51</sup>: 606 UCs amounting to ₹ 4,024.83 crore) are yet to be disposed as on 31 March 2023.

**Chart 4.1: Major Defaulting Departments for UCs due as on 31 March 2023**



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

<sup>50</sup> Due in 2022-23 but not disposed as on 31 March 2023.

<sup>51</sup> Will become due in 2023-24.

Major defaulting departments which have not submitted UCs and their percentage out of total outstanding amount under Grants-in-Aid are Community and Rural Development Department (₹ 1,396.93 crore, 40.63 per cent), Health and Family Welfare Department (₹ 783.55 crore, 22.80 per cent), Education Department (₹ 443.00 crore, 12.89 per cent), and Welfare of SC/ST, OBC & Minorities Department (₹ 210.58 crore, 6.13 per cent).

In the absence of UCs, it could not be ascertained whether the recipients had actually utilised the grants and whether it had been utilised for the purposes for which the grants were disbursed. Further, in the absence of UCs required to be submitted by the departments, assessing the status and progress of the scheme's implementation, for which funds have been disbursed, is not feasible.

The substantial backlog in the submission of UCs poses a significant risk of potential fraud and misappropriation of funds. The State Government needs to monitor this aspect closely and may review disbursement of further Grants to the Grantees that are not in compliance to prescribed conditions and timelines with respect to furnishing of UCs to the Finance Department as well as Principal Accountant General (A&E).

- **Year-wise Break-up of outstanding UCs**

Year-wise break-up of outstanding Utilisation Certificate for the year 2013-2022 is given below:

**Table 4.3: Year-wise Break-up of outstanding UCs**

Year	No. of Ucs	Amount
2012-13	17	54.01
2013-14	8	89.70
2014-15	1	2.25
2015-16	2	20.41
2016-17	10	136.17
2017-18	17	152.23
2018-19	20	301.41
2019-20	24	232.56
2020-21	113	777.02
2021-22	242	1,670.25
<b>Total</b>	<b>454</b>	<b>3,436.01</b>

#### 4.4 Abstract Contingent bills

Rule 232 of the Meghalaya Treasury Rules (MTR), 1985 allows drawing of contingent charges<sup>52</sup> from the treasury by presenting Abstract Contingent (AC) Bills. In other words, Drawing and Disbursing Officers (DDOs) are authorised to draw money from the treasury for meeting contingent charges by presenting AC Bills. Further, Rule 232 requires submission of Detailed Contingent (DC) Bills by the DDOs to the Controlling

<sup>52</sup> Incidental and other expenses which are incurred for the management of an office as an office or for the technical working of a department, other than those which under prescribed rules of classification of expenditure fall under certain head of expenditure. In simpler terms, contingent charges refer to expenses required for incidental or emergent matters in the working of the government.

Officers for countersignature and transmission of the same to the Principal Accountant General (A&E), Meghalaya. As per Rule 233, timeline for transmission DC Bills by the DDOs to the Controlling Officer, is one month from the drawal. Additionally, as per Rule 235, the Controlling Officers are required to forward Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Principal Accountant General (A&E) within a month from the date of receipt of such bills in his office.

As on 31 March 2023, 53 DCC bills amounting of ₹ 98.25 crore were yet to be received by the Principal Accountant General (A&E) as shown in **Table 4.4**. Major contributors are Election and Police departments with unadjusted AC bills of ₹ 75.50 crore and ₹ 21.49 crore respectively, constituting 98.72 per cent of total unadjusted AC bills as on 31 March 2023. Further, out of 85 AC bills amounting to ₹ 113.11 crore drawn during the year 2022-23, 61 AC bills amounting to ₹ 82.80 crore (73.20 per cent) were drawn in March 2023.

**Table 4.4: Age-wise arrears in submission of DCC bills against AC bills**

(₹ in crore)		
Year of Drawal of AC Bills	No. of AC Bills	Amount
Upto 2021-22	06	0.81
2022-23	47	97.44
<b>Total</b>	<b>53</b>	<b>98.25</b>

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

To the extent of non-submission of DCC bills, the expenditure shown in the Finance Accounts cannot be assessed as being correct or final. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring. The State Government may devise and implement an effective mechanism to ensure timely submission of DC Bills by the DDOs to the Controlling Officers and subsequent transmission of DCC Bills to the Principal Accountant General (A&E) within the timeline as prescribed.

#### 4.5 Personal Deposit Account

PD Accounts are accounts kept at the treasury in the nature of a banking deposit account wherein receipts and payments are recorded in personal ledger. As per Rule 392 of the Meghalaya Treasury Rules (MTR), 1985, Personal Deposit (PD) Accounts are created by transferring fund from the Consolidated Fund for discharging the liabilities of the Government arising out of special enactment. The PD accounts enable designated Drawing Officers to incur expenditure for specific purposes pertaining to a scheme. Further, the Rule *ibid* requires PD Accounts created by debit to Consolidated Fund, to be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. In simpler terms, such accounts should be closed at the end of the financial year and the unspent balance should be transferred to the Consolidated Fund. Further, if a PD Account is not operated for a considerable period and there is reason to believe that the need for deposit account has ceased, the same should be closed in consultation with the officer in whose favour the deposit account had been opened.

During 2022-23, an amount of ₹ 9.07 crore was transferred to 13 PD Accounts. This includes ₹ 0.55 crore transferred in March 2023. Details of PD accounts as on 31 March 2023 are given in **Table 4.5**.

**Table 4.5: Details of PD accounts as on 31 March 2023**

(₹ in crore)

Opening Balance as on April 2022		Addition during the year 2022-23		Closed/Withdrawal during the year 2022-23		Closing Balance as on 31 March 2023	
Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount
17	18.02	01	9.07	00	8.87	18	18.22

Source: Finance Accounts 2022-23.

Further, scrutiny of the transactions for the last three years revealed that out of 18 Personal Deposit active Accounts, no transaction occurred in one PD account (District Legal Service Authority, Khliehriat) during the period 2021-23 and no transaction occurred in one PD accounts (District Legal Service Authority, Tura) during the current year 2022-23.

As on 31 March 2023, ₹ 18.22 crore of unspent balance was recorded across 18 PD Accounts. Non-closure of PD Accounts at the end of the financial year, violates Rule 392 of the MTR.

#### 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 case 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 Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions and renders the accounts obscure.

During 2022-23, ₹ 2,657.82 crore, under 36 Major Heads of accounts, constituting 15.10 *per cent* of the total Revenue and Capital expenditure (₹ 17,606.05 crore) was classified under the Minor Head 800-Other Expenditure in the accounts.

Instances of substantial proportion (50 *per cent* or more) of expenditure made from Minor Head 800 – ‘Other Expenditure’ under the respective Major Heads are summarised in **Table 4.6**:

**Table 4.6: Significant expenditure booked under Minor Head 800 – Other Expenditure (2022-23)**

(₹ in crore)

Major Head	Description	Details of Expenditure		Per cent
		Total Expenditure	Expenditure Booked under 800	
4401	Capital Outlay on Crop Husbandry (Share Capital)	0.29	0.29	100.00
3451	Secretariat- Economic Services	956.40	873.22	91.30
2853	Non-Ferrous Mining and Metallurgical Industries	136.42	114.48	83.92
5054	Capital Outlay on Roads and Bridges	998.19	789.41	79.08
5053	Capital Outlay on Civil Aviation	1.00	0.76	76.00
2575	Other Special Area Programme	23.76	16.74	70.45
	<b>Total</b>	<b>2,116.06</b>	<b>1,794.90</b>	<b>84.82</b>

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



With regard to receipts, ₹ 86.45 crore under 30 Major Heads of Account, constituting 0.58 per cent of the total Revenue Receipts (₹ 14,819.87 crore) was classified as Other Receipts in the accounts.

Instances of substantial proportion (50 per cent or more) of receipts in Minor Head 800 – ‘Other Receipts’ under the respective Major Heads are given in Table 4.7.

**Table 4.7: Significant Receipts booked under Minor Head 800 – Other Receipts (2022-23)**  
(₹ in crore)

Major Head	Description	Details of Receipts		Per cent
		Total Receipts	Receipts booked under 800	
0049	Interest Receipts	8.81	6.79	77.07
0059	Public Works	9.86	8.55	86.71
0075	Miscellaneous General Services	3.31	3.31	100.00
0210	Medical and Public Health	0.54	0.29	53.70
0217	Urban Development	0.09	0.09	100.00
0230	Labour and Employment	2.19	1.16	52.97
0702	Minor Irrigation	0.89	0.89	100.00
0801	Power	3.09	3.09	100.00
1055	Road Transport	0.05	0.05	100.00
1456	Civil Supplies	0.02	0.02	100.00
	<b>Total</b>	<b>28.85</b>	<b>24.24</b>	<b>84.02</b>

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

During detailed analysis of booking of expenditure under Minor Head-800, Audit observed that:

- In respect of the Major Heads listed at Table 4.6, State Government made provisions for Minor Head-800 in the State Budget as well as approved Supplementary Grants and Re-appropriations as detailed in Table 4.8.

**Table 4.8: Provisioning for Minor Head-800 in the State Budget**

(₹ in crore)

Major Head	Description	Original Budget provision under Minor Head-800	Supp. Grant under Minor Head-800	Re-appropriation/ Surrender under Minor Head-800	Final provision under Minor Head-800	Actual expenditure under Minor Head-800	% of actual expenditure against budget provision
2575	Other Special Area Programmes	30.22	0.00	-13.48	16.74	16.74	100.00
2853	Non-Ferrous Mining and Metallurgical Industries	100.21	17.75	-3.48	114.48	114.48	100.00
3451	Secretariat-Economic services	746.36	200.17	-73.30	873.22	873.22	100.00
4401	Capital outlay on Crop Husbandry	1.43	0.00	-0.83	0.60	0.29	47.51
5053	Capital outlay on Civil Aviation	1.75	0.00	-0.99	0.76	0.76	100.00
5054	Capital outlay on Roads & Bridges	1053.71	241.00	-545.29	749.42	789.41	105.34
	<b>Total</b>	<b>1,933.68</b>	<b>458.92</b>	<b>-637.37</b>	<b>1,755.22</b>	<b>1,794.90</b>	<b>102.26</b>

Source: Annual Financial Statement, GoM, 2022-23.

**Table 4.8** illustrates that the State Government provisioned for Minor Head-800 to the tune of ₹ 2,392.60 crore (Original ₹ 1,933.68 crore +Supplementary ₹ 458.92 crore) in the State Budget as well as approved Supplementary Grants. Out of this, ₹ 637.37 crore was re-appropriated/surrendered. Against the final provision of ₹ 1,755.22 crore, State Government booked an expenditure of ₹ 1,794.90 crore (102.26 per cent) under Minor Head-800 of the respective six Major Heads which clearly indicates indiscriminate use of Minor Head-800 in a routine manner.

- ii. Audit examined selected cases of booking under Minor Head 800, and noted that in four instances, a valid Minor Head, other than 800, was available in the List of Major and Minor Heads of Account (LMMHA), for booking these transactions amounting to ₹ 631.36 crore as detailed in **Table 4.9**.

**Table 4.9: Booking of expenditure under Minor Head-800 in spite of available suitable Minor Head**

Sl. No.	Name of the Department	Major Head	Sub-Major Head	Minor Head	Sub Head Code	Sub-Head Code	Amount (₹ in crore)	Available Minor Heads
1	Public Works	5054	04	800	03	(03) Construction of Rural Roads	369.40	337-Road Works
			04	800	07	(7) PMGSY & PMGSY CSS	230.70	337-Road Works
2	Community and Rural Development	2515	01	800	10	(10) National Social Assistance Prog. (NSAP) Old Age Pension	28.33	101-National Old Age Pension Scheme under MH 2235
3	Education	2202	02	800	14	(13) Rashtriya Madhyamik Shiksha Abhijan (RMSA)	2.93	113-Samagra Shiksha
<b>Total</b>							<b>631.36</b>	

Source: Detailed Appropriation Accounts 2022-23.

Booking of large expenditure under the omnibus Minor Head 800-Other Expenditure can significantly undermine transparency, making it difficult to assess allocative priorities, analyse the quality of expenditure and allocate resources effectively. The State Government should consider allocating funds under available suitable Minor Heads and reduce allocating and booking expenditure under Minor Head 800 for optimised resource allocation and transparency.

#### 4.7 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 Minor Head	2020-21		2021-22		2022-23	
<b>Major Head 8658: Suspense Accounts</b>						
	Dr	Cr	Dr	Cr	Dr	Cr
101- Pay and Accounts Office -Suspense	101.61	41.27	122.05	70.95	162.99	101.29
<b>Net</b>	Dr 60.34		Dr 51.10		Dr.61.70	
102- Suspense Account (Civil)	3.98	0.09	4.44	0.07	4.72	0.06
<b>Net</b>	Dr 3.89		Dr 4.37		Dr. 4.66	
109- Reserve Bank Suspense - Headquarters	25.69	7.79	28.04	8.30	23.45	9.67
<b>Net</b>	Dr 17.90		Dr 19.74		Dr.13.78	
110-Reserve Bank Suspense - Central Accounts Office	135.42	128.46	120.82	47.92	122.19	48.09
<b>Net</b>	Dr 6.96		Dr 72.90		Dr.74.10	
112-Tax Deducted at source (TDS) Suspense	0.04	0.18	0.00	8.83	0.01	9.36
<b>Net</b>	Cr 0.14		Cr 8.83		Cr.9.35	
123- A.I.S Officers' Group Insurance Scheme	0.30	0.37	0.30	0.38	0.31	0.40
<b>Net</b>	Cr 0.07		Cr 0.08		Cr.0.09	
<b>Major Head: 8782 Cash Remittances</b>						
101 Cash Remittances between Treasuries and Currency Chests	993.05	993.09	1,097.47	1,097.44	1,097.47	1,097.47
<b>Net</b>	Cr. 0.04		Dr. 0.03		Dr. 0.03	
102- Public Works Remittances	26180.05	26320.01	29447.34	29586.87	32081.96	32223.18
<b>Net</b>	Cr 139.96		Cr 139.53		Cr.141.22	
103- Forest Remittances	3569.75	3509.33	3896.69	3838.61	34441.50	34522.91
<b>Net</b>	Dr 60.42		Dr 58.08		Cr.81.41	

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

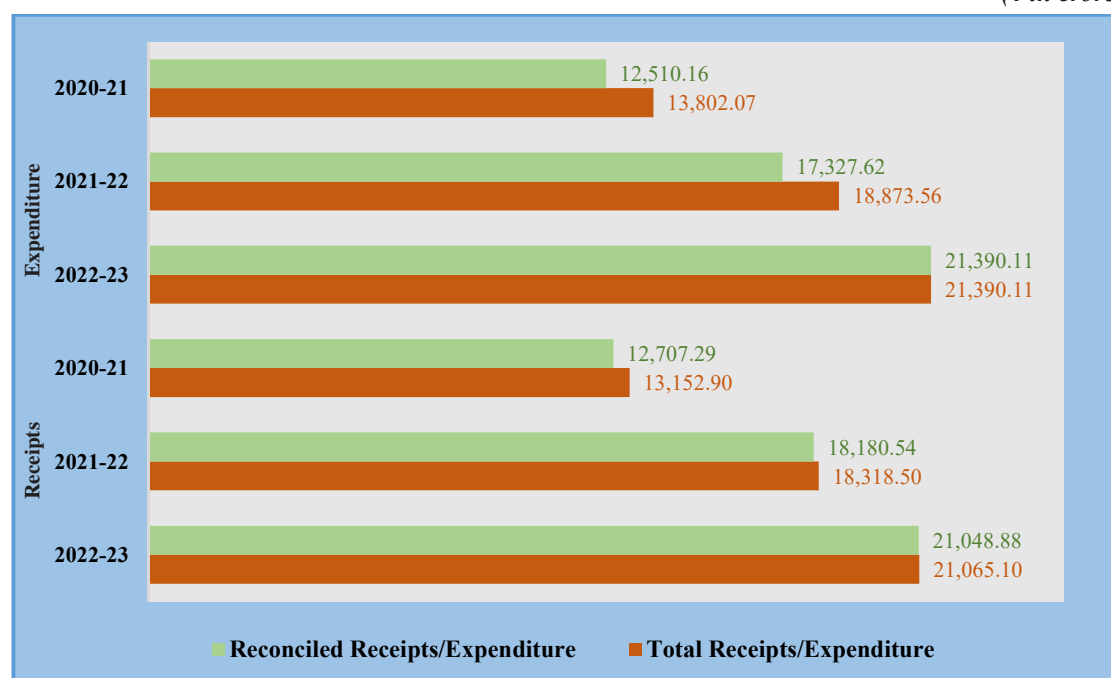
#### 4.8 Non-reconciliation of Departmental figures

To enable Controlling Officers (COs) of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Principal Accountant General (A&E).

The status of reconciliation of receipts and expenditure figures by the COs during the three years' period 2020-23 is shown in **Chart 4.2** and **Table 4.11**.

**Chart 4.2: Status of reconciliation during the three years 2020-23**

(₹ in crore)



Source: Information furnished by PAG (A&E), Meghalaya.

**Table 4.11: Status of Reconciliation of Receipts and Expenditure figures**

(₹ in crore)

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Expenditure/ Receipts	Percentage of reconciliation
<b>Expenditure</b>						
2020-21	62	12,510.16	Nil	1,291.91	13,802.07	90.64
2021-22	62	17,327.62	Nil	1,545.94	18,873.56	91.81
2022-23	63	21,390.11	Nil	-	21,390.11	100.00
<b>Receipts</b>						
2020-21	57	12,707.29	Nil	445.61	13,152.90	96.61
2021-22	57	18,180.54	0.49	137.47	18,318.50	99.25
2022-23	55	21,048.88	15.07	1.15	21,065.10	99.92

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

It may be seen from the above table that expenditure has been fully reconciled (100 per cent) during 2022-23. Similarly, the reconciliation of receipts has also been nearly 100 per cent during the current year. The Departments should endeavour to maintain 100 per cent reconciliation of receipts and expenditure.

#### 4.9 Reconciliation of Cash Balances

As on 31 March 2023, there was a difference of ₹ 45.03 crore (Debit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India. The difference was due to misclassification by bank/treasury and non-receipt of details of adjustment made by RBI as shown in **Table 4.12**.

**Table 4.12: Details of difference between the figures reflected in the accounts and RBI**

1.	Misclassification by Bank/Treasury	Dr ₹ 31.92 crore
2.	Non-receipt of details of adjustments made by RBI	Dr ₹ 13.11 crore
<b>Total</b>		<b>Dr ₹ 45.03 crore</b>

As on 31 October 2023, there was a difference of ₹ 44.37 crore (debit) between the figures reflected in the accounts (₹ 31.54 crore debit) and the figures intimated by the RBI (₹ 12.83 crore debit).

#### 4.10 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India 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 Comptroller and Auditor General of India, the President of India has so far notified four Indian Government Accounting Standards (IGAS). The details of these standards and the extent of compliance with these by the Government of Meghalaya in its financial statements for the year 2022-23 are given in **Table 4.13**.

**Table 4.13: Compliance with Indian Government Accounting Standards**

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	<b>IGAS-1:</b> <i>Guarantees Given by the Government – Disclosure requirements</i>	This standard requires the government to disclose the maximum number 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 -Statement 9 and 20 in Finance Accounts	Details like no. of Guarantees in respect of each sector and class are not indicated.
2.	<b>IGAS-2:</b> <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.	Partly Complied - Statement 10 of Finance Accounts	Information on GIA in kind has not been furnished by State Government

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
3.	<b>IGAS-3: Loans and Advances made by Government</b>	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 -Statement 7 & 18 of Finance Accounts	Loans against which principal repayments and interest payments are in arrears for over 10 years, as per records of the Principal Accountant General (A&E), Meghalaya, were not furnished.
4.	<b>IGAS-4: Prior Period Adjustments</b>	This Standard relates to disclosure of adjustments of errors in the current period (the financial year) under the cash basis of accounting.	Notified only on 02 March 2023	

#### 4.11 Submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour, *etc.* The position of annual accounts of four of the autonomous bodies whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19 & 20 of DPC Act is given in **Table 4.14**.

**Table 4.14: Position of outstanding annual accounts**

Name of Autonomous Body	Section of DPC Act under which audit is conducted	Due date for submission of Annual Accounts	Year of Annual Accounts received up to	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board	19(3)	30 June of every year	2021-22	2022-23
Meghalaya Building and Other Construction Workers' Welfare Board	19(2)	- do -	2020-21	2021-22 & 2022-23
Meghalaya State Legal Services, Authority	19(2)	- do -	2020-21	2021-22 & 2022-23
Special Purpose Vehicle Society	20(1)	-do-	2021-22	2022-23

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. The Administrative Departments may take steps to clear the arrears in accounts of these bodies.

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

In order to identify the institutions which, attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), the Government/ Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to

various institutions, the purpose of assistance granted and the 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.

The annual accounts of 51 bodies/authorities due up to 2022-23 had not been received (November 2023) by the Principal Accountant General (Audit). The details of these accounts are given in *Appendix 4.3* and their age-wise pendency is presented in **Table 4.15**.

**Table 4.15: Age-wise arrears of Annual Accounts due from Government Bodies**

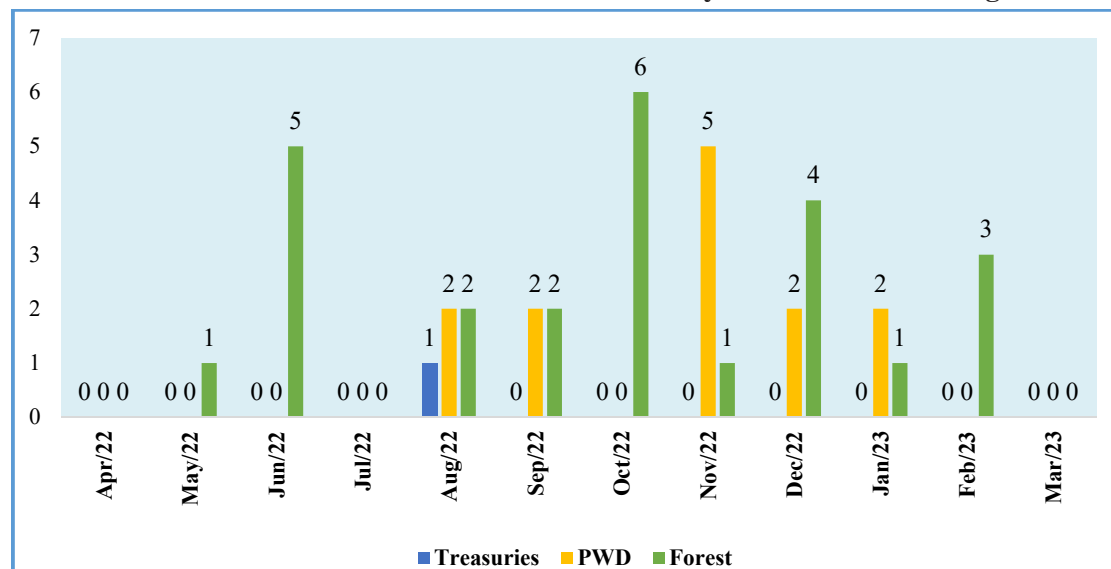
Sl. No.	Delay in number of years	Total No. of Accounts
1.	0 to 1 year	03
2.	Above 1 year to 3 years	18
3.	Above 3 years to 5 years	09
4.	Above 5 years to 7 years	28
5.	Above 7 years to 9 years	44
6.	Above 9 years	342
<b>Total</b>		<b>444</b>

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those bodies and their accounting cannot be vouched. The concerned Administrative Departments may advise these bodies to clear the arrears in accounts.

### 4.13 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 district treasuries, sub-treasuries, Resident Commissioner (New Delhi), cyber treasury, public works divisions (PWD) and forest divisions, apart from the RBI advice. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General (A&E). The position of exclusion of monthly Civil Accounts during 2022-23 is shown in **Chart 4.3**.

**Chart 4.3: Number of accounts excluded from monthly Civil Accounts during 2022-23**



Source: O/o PAG (&E), Meghalaya.

As can be seen from the above, one account of treasury divisions, two to five accounts of PWD and one to six accounts of forest divisions were excluded from monthly Civil Accounts during the year (*Appendix 4.4*). Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments *etc.* during the year. The State Government needs to monitor the position 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.

#### 4.14 Misappropriations, losses, thefts, *etc.*

According to Rule 112 of the Meghalaya Financial Rules, 1981, any defalcation or loss of public money or other property discovered in Government Treasury or other office or department, which is under the audit of the Principal Accountant General, should be immediately reported to the Principal Accountant General, even when such loss has been made good by the person responsible for it. Further, in all cases of theft, misappropriation, fraud and loss involving Government money, the First Information Report (FIRs) should invariably be lodged with the Police Department.

The State Government reported 72 cases of theft, misappropriation and loss involving Government money amounting to ₹ 1.14 crore up to March 2023 on which final action was pending. A breakup of pending cases and age-wise analysis is given in **Table 4.16**.



**Table 4.16: Pending cases of misappropriation, losses, theft, etc.***(₹ in lakh)*

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.							
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending		Pending in the Court of Law	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Public Works	5	17.52	1	-	-	-	4	17.52	-	-
Horticulture	1	21.06	-	-	-	-	1	21.06	-	-
Community & Rural Development	1	3.03	-	-	1	3.03	-	-	-	-
Legislative Assembly	2	44.08	-	-	-	-	1	3.34	1	40.74
Land Record and Survey	1	1.56	-	-	-	-	1	1.56	-	-
Mining & Geology	1	16.55	-	-	-	-	-	-	1	16.55
Finance	1	1.94	-	-	1	1.94	-	-	-	-
Health	3	0.65	-	-	-	-	3	0.65	-	-
Public Health Engineering	57	7.47	46	3.56	6	0.36	5	3.54	-	-
<b>Total</b>	<b>72</b>	<b>113.85</b>	<b>47</b>	<b>3.56</b>	<b>8</b>	<b>5.33</b>	<b>15</b>	<b>47.67</b>	<b>2</b>	<b>57.29</b>

Source: Respective Departments of the Government of Meghalaya.

Two cases involving the Meghalaya Legislative Assembly saw the highest misappropriation, with a total of ₹ 44.08 lakh out of the total ₹ 113.85 lakh.

#### 4.15 Follow up action on State Finances Audit Report

The Audit Reports can achieve the desired results only if they evoke positive and adequate response from the administration itself. To ensure accountability of the executive about the issues contained in the Audit Reports, the Public Accounts Committee (PAC) of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature.

The State Finances Audit Report (SFAR) for the year ended 31 March 2022 was placed before the State Legislature on 28 March 2023. The Departments have started submitting *suo motu* explanatory notes on the observations made thereof. As per the PAC's instructions above, the administrative departments concerned are required to submit the *suo motu* explanatory notes within one month from 28 March 2023, the date of presentation of the Audit Report to the State Legislature.

The PAC has not taken up the Audit Report for discussion yet (December 2023).

#### 4.16 Conclusion

Audit observed various instances of non-observance of financial rules and procedures and absence of financial controls.

As on 31 March 2023, 454 UCs for ₹ 3,436.01 crore were outstanding for submission. Major defaulting departments which have not submitted UCs are Community and Rural Development Department (₹ 1,396.93 crore, 40.63 per cent), Health and Family Welfare Department (₹ 783.55 crore, 22.80 per cent) and Education Department (₹ 443.00 crore, 12.89 per cent).

As of March 2023, 53 DCC bills amounting to ₹ 98.25 crore were outstanding. Major defaulting departments in this regard are the Election Department and Police Department where AC bills of ₹ 75.50 crore and ₹ 21.49 crore remained unadjusted.

During 2022-23, the State Government booked an expenditure of ₹ 2,657.82 crore under Minor Head 800 under 36 Revenue and Capital Major Heads of Accounts, constituting 15.10 per cent of the total Revenue and Capital Expenditure of ₹ 17,606.05 crore. It was further observed that the State Government was providing budget provision/ Supplementary/ re-appropriations and booked expenditure under Minor Head-800 in spite of availability of suitable Sub-Heads. 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.

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those bodies and their accounting cannot be vouched.

There were also 72 instances of theft, misappropriation and loss involving Government money amounting to ₹ 113.85 lakh.

#### 4.17 Recommendations

1. *An accountability framework for submission of UCs in a timely manner to the Finance Department and Principal Accountant General (A&E) may be put in place. Further disbursement of grants to Departments may strictly be linked to submission UCs.*
2. *Finance Department should, in consultation with the Principal 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 heads of account.*
3. *Finance Department should consider evolving a system to expedite the process of compilation and submission of Annual Accounts by Government Bodies, Authorities and Autonomous Bodies in order to have a realistic and timely assessment of their financial position. They should review further financial assistance to those entities who are in arrears of their Annual Accounts.*