



CHAPTER-III
FINANCIAL REPORTING

Chapter III

Financial Reporting

A sound Internal Financial Reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. The attributes of good governance consist of compliance with financial rules, procedures, directives, timeliness and quality of reporting. This Chapter provides an overview and status of the State Government's compliances with various financial rules, procedures and directives during the current year.

3.1 Utilisation Certificates

General Financial Rules provides that the Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees and after verification, these should be forwarded to the Accountant General within 12 months from the date of their sanction as specified in respect of the grants provided for specified purposes. The Department-wise position of outstanding UCs up to the year 2015-16 is given in **Appendix 3.1**. Year-wise position of total outstanding UCs in the State as on 31 March 2017 is given in **Table 3.1**.

Table - 3.1: Year-wise position of outstanding UCs as on 31 March 2017

(₹ in crore)

Year	No of UCs Outstanding	Amount Involved
2013-14	25	41.12
2014-15	48	251.32
2015-16	125	397.72
Total	198	690.16

(Source: Finance Accounts 2016-17)

The major departments with large pendency (amount-wise) were Elementary Education (₹ 373.74 crore), Health and Family Welfare (₹ 170.50 crore), Relief and Rehabilitation (₹ 32.50 crore) and Urban Development (₹ 29.50 crore). The pendency in submission of UCs indicates lack of monitoring of utilisation of grants by departments due to which it cannot be ensured that expenditure has actually been incurred for the purpose for which it was given.

The State Government has not taken any action in spite of the same also being pointed out in previous State Finance Reports. The Government needs to enforce strict compliance to the timelines for submission of the UCs by the recipients and failure to comply with the timelines should be scrupulously dealt with.

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3.2 Submission of Accounts by Autonomous Bodies/ Authorities

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

Annual Accounts of 25 Autonomous Bodies/ Authorities due up to 2016-17 was yet to be submitted to the Accountant General (November 2017). Details of such accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

Table - 3.2: Age-wise arrears of Annual Accounts due from institutions

Sl. No.	Delay (in Years)	Number of Bodies/ Authorities from whom Annual Accounts are awaited
1.	0 – 1	00
2.	1 – 3	05
3.	3 – 5	02
4.	5 – 7	03
5.	7 – 9	11
6.	9 above	04

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

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

The Finance and Appropriation Accounts of the Government of Arunachal Pradesh have been compiled based on the initial monthly accounts rendered by 22 District Treasuries/ Sub-treasuries, 181 Public Works and 46 Forest Divisions and advices of the Reserve Bank of India. The monthly Accounts were to be submitted to the Accountant General by the Treasuries and Divisions by 10th of the following month. However, there was a delay in rendition of monthly accounts ranging from one to 122 days by Treasuries, one to 140 days by Public Works Divisions and one to 95 days by Forest Divisions.

3.4 End use of Cess

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

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

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

Scrutiny of the Receipt and Payment Account of the Arunachal Pradesh Building and Other Construction Workers' Welfare Board for 2016-17 revealed that out of the total expenditure of ₹ 55.69 crore, an expenditure of ₹ 4.28 crore (7.69 *per cent* of the total expenditure) was incurred towards administrative expenses in contravention of Section 24 (3).

3.5 Transparency in Government Accounts

There is a global trend towards greater openness in government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the Government for public purposes will be spent as promised by the Government, while maximising the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of accounts in which the receipts and expenditure of the Government are reported to the Legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of all major activities of the Government.

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

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Scrutiny of transactions of relevant Major Heads showed that under revenue section, there were 12 transactions involving a receipt of ₹ 2160.86 crore (**Appendix 3.3**) booked under 'Minor Head 800-Other Receipts' (₹ One crore and above in each case and constituting more than 20 *per cent* of the respective Major Head); while under expenditure section, there were 47 transactions involving an expenditure of ₹ 3125.92 crore (**Appendix-3.4**) booked under 'Minor Head 800-Other Expenditure'. Further, in two transactions under revenue section, involving ₹ 368.66 crore (17.06 *per cent* of above mentioned receipts), and 16 transactions under expenditure section, involving ₹ 447.89 crore (14.33 *per cent* of above mentioned expenditure), the entire provision was booked under 'Minor Head 800-Other Receipts' and 'Minor Head 800-Other Expenditure' respectively.

3.6 Follow up action on Audit Reports

The Reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Arunachal Pradesh have been commenting upon Government's finances since 2008-09. These Audit Reports can achieve the desired results only if they evoke positive and adequate response from the administration itself. To ensure accountability of the executive about the issues contained in the Audit Reports, the Finance Department issued instructions (June 1996), for submission of *suo motu* explanatory notes indicating the action taken or proposed to be taken by the concerned administrative departments within three months from the date of presentation of the Audit Reports to the State Legislature.


Though, the Audit Reports on State Finances were placed before the State Legislature in September 2010 (2008-09), March 2011 (2009-10), September 2012 (2010-11), September 2013 (2011-12), July 2014 (2012-13), July 2015 (2013-14), March 2017 (2014-15) and October 2017 (2015-16), *suo motu* explanatory notes on the observations (145 paragraphs) made in the Audit Reports had not been intimated by any of the concerned departments.

State Government should look into this matter and ensure effective action on the audit observations which, in turn, would facilitate reducing the recurrence of financial and other irregularities/ deficiencies as pointed out in these Audit Reports.

3.7 Significant Findings

At the end of March 2017, 198 Utilisation Certificates involving ₹ 690.16 crore were yet to be submitted by the grantees. Delays in submission of accounts by treasuries, public works and forest divisions and non-submission of accounts by various autonomous bodies indicates non-compliance with financial rules and weakness in accountability arrangements within the organisations coupled with lack of effective system of internal controls.

Place: Itanagar
Dated: the 02 April 2018



(JOHN K. SELLATE)
Principal Accountant General
Arunachal Pradesh

Countersigned

Place: New Delhi
Dated: the 04 April 2018



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

