

CHAPTER-III

FINANCIAL REPORTING

CHAPTER III Financial Reporting

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 compliances is thus one of the attributes of good governance. The 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. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year with respect to financial reporting.

3.1 Delay in furnishing 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 specified 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). Grantee Institutions receiving Grants-in-aid from Government are required to furnish Utilisation Certificates (UCs) to the Principal Accountant General (Accounts & Entitlement) countersigned by the disbursing authority after thorough verification. The purpose for which the Grant-in-aid were utilised can be confirmed only on receipt of UCs which would 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. The year-wise details of submission of UCs during 2013-18 are given in **Table 3.1**.

**Table 3.1: Year wise details of submission of Utilisation Certificates from
2013-14 to 2017-18** (₹ in crore)

Year	Opening Balance		Addition During the Year		Disposal		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2013-14	162	410.47	350	725.12	270	495.90	242	639.69
2014-15	242	639.69	319	917.30	259	560.36	302	996.64
2015-16	302	996.64	279	705.68	208	420.40	373	1281.92
2016-17	373	1281.92	447	1620.70	196	710.96	624	2191.66
2017-18	624	2191.66	382	1222.10	141	463.76	865	2950.00

Source: Office of the Principal Accountant General (A&E), Meghalaya, Shillong.

It was seen that at the close of March 2018, 865 UCs amounting to ₹ 2,950.00 crore remained outstanding in the books of the Principal Accountant General (Accounts & Entitlement), Meghalaya. The age-wise arrears of the 865 UCs are given in **Table 3.2** below:

Table 3.2: Age-wise arrears of Utilisation Certificates (₹ in crore)

Year*	Number of Utilisation Certificate awaited	Amount
Up to 2015-16	373	1281.92
2016-17	251	909.74
2017-18	241	758.34
Total	865	2950.00

*The year mentioned above relates to 'Due Year' i.e. after 12 months of actual drawal.

The major Departments which have not submitted UCs are Education (245), Social Welfare (204), Community & Rural Development (71), Health & Family Welfare (60) and Sports & Youth Affairs (53).

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were disbursed. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud. During the exit conference, the Additional Chief Secretary assured that action in this regard would be taken.

Recommendation: 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. Action against erring officials needs to be initiated.

3.2 Non-submission/delay in submission of accounts

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, 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. On receipt of this information, the following was observed:

The annual accounts of 24 bodies/authorities due up to 2017-18 had not been received (October 2018) by the Principal Accountant General (Audit). The details of these accounts are given in **Appendix 3.1** and their age-wise pendency is presented in **Table 3.3**.

Table 3.3: Age-wise arrears of Annual Accounts due from Government Bodies (₹ in crore)

Sl. No.	Delay in number of years	No. of Bodies/ Authorities	Grants Received		
			Year	No. of Bodies/ Authorities	Amount
1.	0 to 1 year	09	2016-17	09	352.31
2.	Above 1 year to 3 years	07	2014-15 to 2015-16	07	549.77
3.	Above 3 years to 5 years	03	2012-13 to 2013-14	03	83.75
4.	Above 5 years to 7 years	01	2010-11 to 2011-12	01	22.40
5.	Above 7 years to 9 years	03	2008-09 to 2009-10	03	88.81
6.	Above 9 years	01	2007-08	01	74.11
Total		24		24	1171.15

3.3 Delay in 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 three of the autonomous bodies whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) is given in **Table 3.4** below:

Table 3.4: 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	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board (MKVIB)	19(3)	June every year	2015-16	2016-17 to 2017-18
Special Purpose Vehicle Society (SPVS) for Development of the Lafarge Umiam Mining Areas, Shillong	20(1)	June every year	2015-16	2016-17 to 2017-18
Meghalaya Building and Other Construction Workers' Welfare Board (MBOCWWB)	19(2)	- Do -	2014-15	2015-16 to 2017-18

As can be seen from the above table, the annual accounts of the MKVIB and SPVS for the years from 2016-17 to 2017-18 and MBOCWWB for the years 2015-16 to 2017-18 have not been submitted to Audit.

3.4 Building and Other Construction Workers Welfare Cess

Meghalaya Building and Other Construction Worker's Welfare Board (MBOCWWB) was constituted on 02 September 2009 and reconstituted in 23 April 2018 to oversee the implementation of the welfare schemes to its beneficiaries from the funds collected by the Board.

As per information furnished by the Board, the total amount of labour cess collected since inception till 2017-18 was ₹ 122.89 crore while the total amount spent was only ₹ 2.47 crore (2 per cent). The cess so collected was not credited into the Government Accounts but was deposited into the Board's Bank Account. Less utilization of the cess amounts indicated that the welfare schemes were not being implemented for the Workers.

3.5 Misappropriation, loss, 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 Accountant General, should be immediately reported to the 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.

State Government reported 74 cases of theft, misappropriation and loss involving Government money amounting to ₹ 200.75 lakh up to March 2018 on which final action was pending. A break up of pending cases and age-wise analysis is given in **Appendix 3.2** and department-wise break up of pending cases is given in **Table 3.5**.

Table 3.5: Department-wise break-up of pending cases (₹ in lakh)

Name of Department	Theft		Misappropriation		Loss of Government material		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Public Works	2	3.75	1	9.96	1	3.80	4	17.51
Health & Family Welfare	1*	-*	0	0	1* + 2	0.92	2* + 2	0.92
Public Health Engineering	57	7.41	0	0	1	0.18	58	7.59
Legislative Assembly	0	0	2	44.09	0	0	2	44.09
Finance	1	86.50	0	0	1	1.94	2	88.44
Mining	0	0	1	16.55	0	0	1	16.55
Community & Rural Development	1	3.03	0	0	0	0	1	3.03
Land Record & Survey	1	1.56	0	0	0	0	1	1.56
Horticulture	0	0	0	0	1	21.06	1	21.06
Total	63	102.25	4	70.60	1* + 6	27.90	74	200.75

The age-profile of pending cases and the number of cases pending in each category (theft, misappropriation and loss) are summarised in **Table 3.6**.

Table 3.6: Age Profile of Pending cases of Theft, Misappropriation and Loss (₹ in lakh)

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 involved
0 - 5	0	0	Theft	63	102.25
5 - 10	4	41.99			
10 - 15	3	22.34	Misappropriation/ loss of material	12	112.50
15 - 20	19	95.60			
20 - 25	19	18.47			
25 & above	29	22.35	Total	75	214.75
			Cases of theft and loss written off during the year	1	14.00
Total	74	200.75	Total Pending Cases	74	200.75

During 2017-18, an amount of ₹ 14.00 lakh involving two cases had been written off. The first case of ₹ 0.20 lakh of fraud which occurred during 1981 (Public Works - R&B Department) was written off as the Superintendent of Police, Jaintia Hills informed (August 2018) that the case was closed since further investigation could not be made. Another case of ₹ 13.80 lakh of loss of material due to fire which occurred during 1979 (Finance Department) was also written off.

Out of 74 cases, Departments concerned had filed FIRs with the Police Department only in respect of 69 cases involving ₹ 154.73 lakh. In the remaining five cases involving ₹ 46.02 lakh, information on filing of FIRs had not been furnished.

A further analysis indicated that the reasons due to which the cases were outstanding could be classified in the categories listed in **Table 3.7**.

Table 3.7: Reasons for Outstanding cases of Misappropriation, loss, defalcation etc. (₹ in lakh)

Reasons for the Delay/Outstanding Pending Cases		Number of cases	Amount
1.	Awaiting departmental investigation/enquiry	54	28.20
2.	Departmental action initiated but not finalised	9	44.54
3.	Awaiting orders for recovery or write off	10	111.46
4.	Pending in the court of law	1	16.55
	Total	74	200.75

* Amount not intimated.

Out of ₹ 200.75 lakh, the highest amount of theft and loss of ₹ 88.44 lakh pertained to Finance Department involving two cases. The highest amount of misappropriation of ₹ 44.09 lakh pertained to Meghalaya Legislative Assembly involving two cases. Loss of Government material of ₹ 21.06 lakh pertained to the Horticulture Department involving one case.

3.6 Follow up action on Audit Reports

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 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 for the years from 2008-09 to 2016-17 were placed before the State Legislature in March 2010, March 2011, March 2012, April 2013, June 2014, March 2015, March 2016, March 2017 and April 2018 respectively. However, *suo motu* explanatory notes on the observations made in those Audit Reports had not been furnished by the departments. Some random replies on only certain portions of Appendices to these Reports were sent by some departments after placing of these Reports in the Legislative Assembly.



Shillong
The 29 May 2019

(Stephen Hongray)
Principal Accountant General (Audit),
Meghalaya

Countersigned



New Delhi
The 31 May 2019

(Rajiv Mehrishi)
Comptroller and Auditor General of India