

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-I),
MADHYA PRADESH, GWALIOR**

No. SMU/2025-26/F-14 (Vol-2)/0-0-94

Date 23.09.2025

Office Order

Sub- Common Issues emerged during Joint Regional Workshops.

As per email dated 29.08.2025 of Central Region/Hqrs. and in accordance with Minutes-49 dated 03.09.2025 issued by PAG's sectt., an Action Plan prepared to be followed in this office according to issues discussed in a Joint Regional Workshops held during July to August 2025 is as below: -

Sl. No.	Issues	Action Plan
1	Misclassification (Revenue/Capital, Voted/Charged, Object Heads)	FAAS(M) to coordinate with AG (A&E) for joint budget reviews.
		FAAP to conduct scrutiny of vouchers throughout the year.
		FAAS (M) to monitor Smart City projects executed through SPVs and report deviations.
2	PD Accounts (Inoperative/Lapsing)	FAAS (I) + FAAS (M) to check operation of PD Accounts with reference to financial rules.
		FAAS (I) + FAAS (M) to conduct year-wise analysis of unspent balances.
		FAAS (I) + FAAS (M) to review lapsing of funds into consolidated funds.
		FAAS (I) + FAAS (M) to review Government Orders in respect of operation of accounts itself are not in order.
3	Drawing and Disbursing Officer (DDO) Bank Accounts / Unspent Balances	FAAS (I) + FAAS (M) to check authorisation of opening bank accounts, analyse year-wise balances, and review compliance with orders.
		FAAS to extract details from IFMIS data and examine accumulation reasons.
4	Off-Budget Borrowings (OBBs)	FAAS (M) to scrutinize budget review and vouchers to identify OBBs
		FAAS (I) + FAAS (M) to review financing terms, conditions, and compliance with government orders.
		FAAP to ensure proper reporting in Notes to Finance Accounts (NTFA)/State Finances Audit Report (SFAR).
5	Building & Other Construction Workers (BOCW) Cess	FAAS(M) to coordinate with Synchronisation Wing and A&E office for detailed reporting and uniform treatment.
6	Major vs Minor Works (Expenditure Ratio)	FAAP + FAAS (M) to scrutinize vouchers and identify misclassification.

7	Misclassification in Royalty / Mineral Receipts	FAAS (M) to verify compliance with Controller General of Accounts (CGA) instructions for head of accounts.
8	Single Nodal Agency Accounts (SNA) /Centrally Sponsored/Sector Schemes (CSS) / Utilisation Certificates	FAAS (M) to monitor compliance and ensure reporting of pending utilisation certificates.
9	Abstract Contingencies (AC) Bills / Withdrawn Bills / Large Drawals	FAAS (I) + FAAS (M) to carry out the analysis of unadjusted AC bills.

FAAS (I), FAAS (M) and FAAP sections are instructed to ensure strict compliance with the assignments and prepare status reports till 30 September 2025.

This issues with the approval of Principal Accountant General.

Encl.- As above (Soft Copy)

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Sr. Audit Officer/SMU

Endt. No. SMU/2025-26/F-14 (Vol-2)/6-0-94/STR-1966-1982 Date 23.09.2025

Copy for information and necessary action: -

1. Secy to PAG (Audit)-I, M.P., Gwalior
2. DAG/Admin.
3. DAG/AMG-I, AMG-II, AMG-III, AMG-IV, AMG-V
4. SrAO/ITA, APDAC, Report, Report (PAC)
5. SrAO/FAAS(I), FAAS (M), FAAP
6. SrAO/IS Wing for updating on Official Website
7. Assistant Director/Raj Bhasha for Hindi Translation
8. Guard File

[Signature]
23/9/25
Sr. Audit Officer/SMU

Misclassification (Revenue / Capital / Voted & Charged / Object heads)-

Misclassifications between Revenue to Capital heads and vice versa inflates/deflates the both reported capital/revenue expenditure. Resultantly, true and fair view of government transactions are not reflected in the accounts, making year wise comparison unreliable. Prima Facie the main reason can be operation of wrong Object Head and lump sum or bulk budgeting. Audit Offices may:

- a. Undertake a joint budget review with AG (A&E) offices.*
- b. Conduct scrutiny of voucher throughout the year with minimum voucher level checks to be conducted.*
- c. Smart City projects are being executed through SPVs. The state share in these SPVs are not shown as capital expenditure and not reflected in the Statement 19 (detailed statement of the investment of the State Government). AG offices may send similar findings to the Synchronisation wing for examination with reference to Standing Committee meeting guidelines to take the corrective view.*

Shared Indicative Action Points

- "Audit and Accounts offices are directed to closely examine cases of misclassification between Revenue and Capital Expenditure, since these directly impact key fiscal indicators such as Revenue Surplus/Deficits." —**Common Action Points (Central Region).**
- "The nature of the expenditure, particularly in cases involving construction or infrastructure projects, should be examined to determine whether the expenditure is incurred directly by the Government or routed through an external entity. If the expenditure is entirely in the nature of assistance to an entity, it should be classified as Grants-in-Aid (GIA) and not booked as direct expenditure." —**PAG (A&E), Odisha.**
- "Reasons for booking of GIA- for creation of capital assets under Capital Head to be examined and suitably commented in the SFAR, with respect to its impact on Revenue Surplus." —: **PAG (Audit), Tripura.**
- "Large amounts being booked under the object head 'Other Expenses' to be analysed at the voucher level and suitably disclosed in the NTFA and also commented upon in

SFAR after detailed examination." —: **AG (A&E-I), Uttar Pradesh and PAG (Audit-II), Uttar Pradesh.**

- Conduct a detailed voucher-level scrutiny to verify the correctness of classification of Capital expenditure, particularly in light of observed misclassifications as pointed out in the course of presentation. Coordinate with the PAG (Audit) Karnataka to consolidate findings from voucher audits carried out by FINAT, especially with respect to expenditure ratios and classification errors. —: **PAG (A&E), Karnataka**
- Review the large lump sum provisions under Zilla Panchayats, particularly where Object heads are used to directly book expenditure instead of routing them through correct Grants-in-Aid classification, as per IGAS-2. Aggregate and clearly disclose GIA figures in Karnataka, especially for NTFA, specifying total amounts and their classification.-----: **PAG (A&E), Karnataka**
- Check Capital Expenditure booked under the Object Head ‘Other Charges’ and ‘Subsidy’ by scrutiny of the vouchers. ---- **PAG (A&E), Kerala**
- Review vouchers where Object Heads meant for Revenue Expenditure (e.g., Salary, Professional Services, GIA for creation of capital assets) have been booked as Capital Expenditure and reflect the outcome of voucher scrutiny on classification in the SFAR. - **PAG (Audit-II), Gujarat**

PD Accounts (including inoperative / lapsing)- *PD accounts*

are required to be opened by the Government for specific purposes. Parking of funds in budgetary allocation is violation of Financial Rules and this was pointed out in earlier workshops also. Still it has been noticed that the funds are lying unspent in PD accounts year after year. The inoperative PD accounts are not closed timely as per government directives of respective states. It is thereby recommended that:

- 1. Operation of PD Accounts need to be checked with reference to the state Financial Rules and Government orders etc.*
- 2. Year wise analysis of unspent balances in PD Accounts shall be done and suitably commented in SFAR, if required.*
- 3. Accounting of funds lapsed to Consolidated funds of States may be checked with reference to prevalent rules of the respective states.*

4. *In case, the government orders in respect of operation of account itself are not in order, the same may also be examined.*

Shared Indicative Action Points

- "Conduct a detailed examination of large balances under PD Accounts." —**PAG (A&E), Andhra Pradesh.**
- "Obtain the complete data dump related to lapsing of PD Account balances and prepare a comprehensive note explaining the basis and nature of lapses." — **PAG (A&E), Telangana.**
- "The status and accounting treatment of inoperative PD Accounts of current year and previous year to be examined and reported." —**PAG (A&E), Madhya Pradesh.**
- Examine the large balances and also substantial transfers under PD Accounts and engage with the State Government for corrective action. - **PAG (A&E), Gujarat**

DDO / Unspent balances in DDO bank accounts-

Unspent balances in DDO (Drawing and Disbursing Officer) bank accounts can be a matter of concern as public funds are lying outside govt. accounts which may result in re-appropriation of public funds. These balances often accumulate without proper oversight, making it difficult to track fund utilization.

- a. Government orders authorizing the DDO to open bank accounts may be checked.*
- b. Year wise analysis of unspent balances may be reviewed. Government rules/orders regarding timelines for depositing the unspent balances in govt. accounts may be examined.*
- c. Non-compliance of Govt. orders regarding the operation of DDO bank account may be suitably commented in the SFAR.*

Shared Indicative Action Points

- "Extract details of unspent balances lying in DDO bank accounts using the IFMIS data and vouchers, and examine the reasons for accumulation." — **PAG (A&E), Madhya Pradesh.**

- "AG offices were advised to focus on amounts retained in DDO bank accounts outside the Consolidated Fund of the State and to appropriately advise the State Government to ensure that such monies are brought into the Consolidated Fund." — **North Eastern Region.**
- Undertake an independent exercise to obtain the details of bank accounts maintained by the DDO through access of IFMS. - **PAG (A&E), Karnataka**
- Consult PAG (A&E), Rajasthan to verify transfers to DDO bank accounts using IFMS data. Prepare a note on the modalities for opening DDO bank accounts in Tamil Nadu, including the number of such accounts and the balances lying therein. - **PAG (A&E), Tamil Nadu**
- Issue of the balances under DDOs Bank Accounts are to be highlighted in the EoM based on the documentary evidence and detailed scrutiny keeping in view the quantum, otherwise need not to be shown in the EoM. - **PAG (Audit-I), Maharashtra**
- Share with GA Wing a detailed note on the procedure adopted for identifying DDO bank accounts data from IFMS data. -**PAG (A&E), Rajasthan**
- "The mismatch between VLC and IFMS data, especially DDOs information and the mapping needed/done to redress the issue, to be examined in consultation with AG (Audit), Punjab" —: **Punjab (Audit).**

Off-Budget Borrowings (OBBs)—*Off-Budget Borrowings are the liabilities that bypass standard budgetary process and hides the true fiscal position of the State. In this respect, all Accounts and Audit offices to share examples of Off-Budget-Borrowings (OBB) through their respective functional wings, with Synchronization wing, for further examination and guidance by the Wing on how to arrive at a conclusion on OBB.*

- Budget review and scrutiny of vouchers may be carried out to identify the OBBs as done by AG (A&E) Andhra Pradesh.*
- Financing as well as Terms & conditions of the OBBs may be examined with respect to government orders.*

Shared Indicative Action Points

- “Audit and Account offices to take a coordinated and detailed approach in the review of Off- Budget Borrowings (OBBs), keeping in view its sensitivity. Both A&E and Audit offices are to carefully examine the nature, extent and mode of servicing of OBBs and various documents/guidance on the issue before making a disclosure/comment in NTFA/SFAR of their respective States. Audit offices in particular to conduct detailed scrutiny of vouchers pertaining to SPVs and PSUs and bring out relevant audit observations in the SFAR to improve the depth and quality of public finance reporting.” —: **Common Action Points (Central Region).**
- OBB instances, together with connected papers of J&K, Andhra Pradesh and Telangana need to be shared, in particular.” —: **Jammu & Kashmir; Andhra Pradesh; Telangana (and Common Action Points).**
- To ensure more nuanced analysis of disclosing and reporting on the issues under Off Budget Borrowings, in SFARs as well. – **AG (Audit-II) Kerala**
- Take up with the State government the difference in Off Budget Borrowing figures of State Government and available on Ministry of Finance website and disclose the same in NTFA. - **PAG (A&E-I and II), Maharashtra**
- Comments on Off-Budget Borrowings (OBB) should be backed by scrutiny of vouchers and other supporting documents between relevant parties and audit of the concerned entities. - **PAG (Audit-I), Maharashtra**

BOCW (Building and Other Construction

Workers) Cess—*Cess being an earmarked receipt for welfare of*

labour/construction workers under the legislative authority. It was noticed that there is wide variations in BOCW cess collection and utilization and accounting treatment. In view of this:

- a. Variance accounting procedures are followed in collection and remitting the fund to the board across the states, which may be examined.*
- b. Guidance for proper accounting may be given in consultation with A&E office.*

Shared Indicative Action Points

- “The issue of Building and Construction Cess may be examined across all States by the Synchronization Wing, in view of the wide variations in its collection and utilization and accounting treatment.” –**Action by Synchronisation Wing (NR Region)**
- "Prepare and submit to GA Wing a comprehensive statement on various types of cesses levied and collected in the State, including their accounting treatment, transfer to designated Funds and their utilisation as per the respective Cess Acts." —**PAG (A&E), Chhattisgarh.**
- Verify instances, if any of cess, particularly for Education Cess and Environment Guarantee funds, is being levied without legislative authority, and comment accordingly. Matter may be posed to State Government in advance. - **PAG (Audit-I), Maharashtra**

Major vs Minor Works (ratio / potential misclassification)-

The wide variation in the ratio of expenditure on Major and Minor Works among the States was noted. GA Wing are to share data for all 28 States with the Synchronization Wing for suitable further examination. In the meantime, Accounts & Audit offices are to examine the possibility of misclassification in current booking based on detailed scrutiny of vouchers. The variation is to be analysed in detail in Audit.

Shared Indicative Action Points

- “The wide variation in the ratio of expenditure on Major and Minor Works among the States was noted. A&E & Audit offices are to examine the possibility of misclassification in current booking based on detailed scrutiny of vouchers. The variation is to be analysed in detail in Audit.” —: **Common Action Points; North Eastern Region.**

Misclassification in Royalty / Mineral receipts

- a. *Accounting of Royalty receipt on minerals across the states may be examined.*
- b. *Compliance to the head of accounts to be used for booking of royalty receipt on various minerals, issued by CGA to be examined.*

Shared Indicative Action Points

- "misclassification of mineral receipts is a significant issue that needs to be addressed in these Eastern Region States, either by effecting corrections in Accounts of FY 2024-25, failing which by bringing it out in the NTFA and SFAR." —: **Eastern Region (mentions Jharkhand, Odisha, West Bengal etc.).**
- Verify that royalty receipts from coal are booked under the correct head of account. In cases where the State Government has not adopted the correct classification, ensure that the deviation is appropriately commented upon in the NTFA for 2024–25. - **PAG (A&E), Tamil Nadu**
- Organise district-level training programmes with the Mining Officers, Treasury Officers and other relevant officials for sensitization on the correct accounting of mineral receipts including royalties, NMET and SMET transactions. - **PAG (A&E), Gujarat**
- Examine receipts/royalties on iron ore and ensure correct classification. Verify that all mineral receipts booked under Major Heads correspond to the mineral for which the major head and minor head is assigned in LMMH. - **PAG (A&E), Rajasthan**
- "Ensure that the calculation of NMET contribution is accurate and excludes petroleum, which is not ‘mineral’ and therefore, not covered under NMET Rules." —: **PAG (A&E), Andhra Pradesh (Central Region entry).**

SNA / CSS / Utilisation Certificates - *Single Nodal Agency*

Accounts (SNA) are designated bank accounts opened to centralize all receipts and payments relating to Centrally Sponsored/Sector schemes or projects implemented through a designated nodal agency. In respect of SNAs:

- a. *Refund of unspent balances lying in SNA may be checked in consultation with AG (A&E) office for ensuring the proper accounting.*

Shared Indicative Action Points

- "Audit and Accounts offices should monitor refunds from SNA accounts, and any instances of non-refund or incorrect accounting need to be brought out in NTFA and SFAR." —: **Common Action Points (Central Region).**
- "Refund of Central Share of unspent balances in SNA bank accounts may be classified appropriately under the correct Head of Account." —: **PAG (A&E), Tripura.**
- "Transfers to SNA through AC Bills shall be examined, and the matter shall be taken up with the State Government for the required corrective action." —: **Punjab (A&E).**
- "On limited access to implementing agency data of State shares in respect of CSS, it was instructed to escalate such issues through formal audit notes." —: **PAG (Audit), Telangana.**
- Ensure that refunds of unspent balances under the SNA system are correctly reflected in both the Receipt and Expenditure sides of the accounts. —: **PAG (A&E), Karnataka**
- Examine the operationalization of the “Just in Time” payment mechanism under SNA-SPARSH, particularly for large departments, and assess whether payment cycles align with the principles of timely disbursal post supply or the delivery of the services by the Vendor/Contractor - **PAG (Audit-I), Karnataka**
- Coordinate with the Finance Department to obtain necessary clarification regarding non production of UCs (13467 outstanding). Give priority to clearing old pending UCs, and in cases where records are missing, record this fact clearly in the audit observations –**AG (Audit) Goa**

AC Bills / Withdrawn bills / Large AC drawals:

- a. **Non adjustment of AC bills as per the time line prescribed by the govt. may be suitably commented.**
- b. **Year wise analysis may be carried out of unadjusted AC bills.**

Shared Indicative Action Points

- "The drawal of large amounts through AC Bills, in comparison with neighbouring States, and the drawal of AC Bills for CSS-related expenditure to be taken up with the UT Government." —: **Jammu & Kashmir**.
- "Nature of expenditure for withdrawal of large amount of AC bills, like for purchase of vehicles, to be analysed. Department-wise, age analysis of outstanding AC bills to be done and shared with RS Wing." —: **PAG (A&E), Nagaland**.
- Examine the very nature of expenditure being treated as Temporary Advance instead of AC bills and comment on the aspect based on purpose of each type of bills. - **PAG (A&E), Kerala**
- Examine the impact of replacing AC Bills with Temporary Advances, including the rationale behind the State Government's decision, and its implications on expenditure booking. A coordinated note covering the genesis, form, and accounting treatment of Temporary Advances, highlighting whether the expenditure qualifies as an advance or should be treated as AC, may be jointly prepared by Kerala and Tamil Nadu and submitted to the GA Wing. Send a detailed note to GA wing after granular level analysis of adverse balances under various Major Head. - **PAG (A&E), Tamil Nadu**

Minor Head 800 — *Issue of indiscriminate use of Minor Head 800 has already been pointed out in previous year workshops. In States where this issue exists, offices may carry out joint budget review to examine the operation of minor Head 800 in consultation with A&E office.*

Shared Indicative Action Points

- Address the issue of booking of large expenditure under Minor Head 800 in advance at the next budget preparation cycle. PAG (A&E) may work with the State Government to sensitise officials on minimum use of the Minor Head 800 while budgeting provisions of expenditure. - **PAG (A&E), Tamil Nadu**
- Analyse and report on significant amounts booked under '800–Other Expenditure/Receipts', follow-up on unadjusted AC bills and pending UCs, escalate in Entry/Exit conferences. –**PAG (A&E-I&II) Maharashtra**