

A sound internal financial reporting 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.

3.1 Delay in furnishing utilisation certificates

The Bombay Financial Rules, 1959 provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the Principal Accountant General within 12 months from the dates of their sanction. The department-wise position of outstanding UCs is given in **Appendix 3.1**. The year-wise position of total outstanding UCs in the State as on 31 March 2010 is in **Table 3.1**.

Table 3.1: Year-wise position of outstanding UCs as of 31.03.2010

Year	Number of UCs awaited	Amount involved (₹ in crore)
Upto 2007-08	97,982	18,409.61
2008-09	35,790	15,100.76
2009-10	44,917	20,028.88
Total	1,78,689	53,539.25

Non-submission of UCs in time may result in misutilisation of the grants. The large pendency in submission of UCs indicates lack of monitoring the utilisation of grants and loans by the departments.

3.2 Non-submission/delay in submission of accounts by the grantee institutions

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. The details of such assistance released to the bodies/authorities during the year were awaited from Government departments (September 2010).

According to the accounts received for the year 2008-09, 192 bodies/ authorities attracted audit by the Comptroller and Auditor General of India during 2009-10. Of these, 61 were audited during 2009-10.

The annual accounts due up to 2008-09 in respect of 768 bodies/ authorities had not been received as of June 2010.

Due to non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them, there is a possibility of misutilisation of funds.

3.3 Delays in submission of Accounts/Audit Reports of autonomous bodies

Several autonomous bodies have been set up by the State Government in the fields of environment, housing, industries, irrigation, urban development and water supply and sanitation. A large number of these bodies are audited by the Comptroller and Auditor General of India with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions, review of internal management and financial control, review of systems and procedures *etc.* The audit of accounts of 15 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in **Appendix 3.2**.

It was noticed that there were delays in submission of annual accounts, which ranged up to 59 months in the case of 15 autonomous bodies. The accounts of the Slum Rehabilitation Authority (SRA), Mumbai for the years 2003-04 to 2006-07 were furnished to Audit only in June 2009. The delays were mainly due to delay in approval of the accounts by the governing bodies.

The inordinate delays in submission of accounts and thereafter presentation of the reports to the State Legislature result in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, it also delays taking necessary remedial action.

3.4 Departmental commercial undertakings

The departmental undertakings of certain government departments, performing activities of quasi-commercial nature, are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the government can assess their performance. The finalised accounts of the departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the case of delay in finalisation of accounts, the investments of the government remain outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures required, if any, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay may also open the system to risk of fraud and leakage of public money.

The heads of departments in the government are to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General for audit within a specified time frame. As of March 2010, there were 49 such undertakings out of which 47 had not prepared accounts up to 2009-10. The Comptroller and Auditor General of India have repeatedly commented about the arrears in preparation of accounts in State Reports (Civil Audit) but there is limited improvement so far in preparation of *pro forma* accounts by these undertakings. The department-wise position of arrears in preparation of *pro forma* accounts and investment made by the Government are given in **Appendix 3.3**.

3.5 Misappropriations, losses, defalcations, etc.

The Bombay Financial Rules, 1959 provide that misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury, any other office/department shall be reported immediately by the office concerned to the next higher authority as well as to the Principal Accountant General.

State Government reported 201 cases of misappropriation, defalcation, etc., involving ₹ 10.71 crore up to March 2010 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category as emerged from these appendices are summarised in **Table 3.2**.

Table 3.2: Profile of misappropriations, losses, defalcations, etc.

Age-Profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature / characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	12	472.18	Theft	10	21.20
5 - 10	25	172.95			
10 - 15	15	171.88	Misappropriation / Loss of material	191	1,050.08
15 - 20	39	119.55			
20 - 25	41	93.38			
25 & above	69	41.34	Cases of Losses Written off during the Year	0	0
Total	201	1,071.28	Total pending cases	201	1,071.28

The reasons for which the cases were outstanding have been broadly categorised as under:

Reasons for the delay / outstanding pending cases	Number of cases	Amount (₹ in lakh)
Departmental and criminal investigation awaited	25	25.70
Departmental action initiated but not finalised	46	121.01
Criminal proceedings finalised but execution of certificate cases for the recovery of the amount was pending	21	62.48
Orders for recovery or write-off awaited	42	736.53
Pending in the courts of law	67	125.56
Total	201	1,071.28

It can be seen from the above that out of 201 cases involving ₹ 10.71 crore, 164 cases (82 per cent) involving ₹ 4.26 crore (40 per cent) were pending for more than 10 years. Further, while 46 cases involving ₹ 1.21 crore were pending for final departmental action, 42 cases involving ₹ 7.37 crore were pending for recovery or write-off orders.

3.6 Bookings of revenue receipts under Public Accounts (Personal Ledger Accounts)

The revenue receipts are required to be credited to the Major Heads in Revenue Section of Accounts. Some hospitals, medical institutions, educational institutions are crediting the revenue receipts to their Personal Ledger Accounts. Certain institutions are also incurring revenue expenditure from this Personal Ledger Account, without the approval of the Legislature.

A review of six selected treasuries of Western Maharashtra revealed that ₹ 1.48 crore were irregularly credited to the Personal Ledger Accounts in Public Accounts during 2009-10.

3.7 Booking under Minor Head 800-‘Other Expenditure’ and ‘800-Other Receipts’

During the past two decades, the range and diversity of Government activity had increased manifold thereby heavily outpacing in number the available programme minor heads. The residuary sub-head “Other Expenditure/Other Receipts” under the residuary minor head “800” accommodates those schemes which could not be classified under the available programme minor heads. During 2009-10, ₹ 3110.69 crore under 46 Major Revenue Heads and ₹ 11864.35 crore under 37 Major Expenditure Heads of accounts were classified under the Minor Head ‘800-Other Receipts’ and ‘800-Other Expenditure’ in the accounts.

Substantial receipts from ‘Maharashtra State Electricity Distribution Company Ltd.’, ‘Town Planning’ *etc.* were booked under the Head ‘800-Other Receipts’ while substantial amount of subsidy to the Distribution/ Transmission Licenses for reduction in Agriculture and Power loom Tariff, grants-in-aid to ‘Maharashtra State Electricity Board Holding Co. Ltd.’, financial assistance to Rashtriya Krishi Vikas Yojana were classified as ‘800-Other Expenditure’. The major schemes such as ‘National Rural Health Mission’, ‘Gharkul Yojana for Schedule Castes’, ‘Plan grants to Zilla Parishads’, ‘Pradhan Mantri Gram Sadak Yojana’, ‘Gaothan Feeder Separation Scheme’, ‘Sarva Shiksha Abhiyan Scheme’, ‘Works executed through NABARD assistance’ *etc.* which have large amount booked under the Minor Head 800, were not depicted distinctly in the Finance Accounts for 2009-10, though the details of these expenditure were depicted at the sub-head (Scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government accounts.

Large amounts booked under the Minor head ‘800’ affects the transparency in financial reporting.

3.8 Reconciliation of Receipts and Expenditure

The Controlling Officers are required to reconcile the receipts and expenditure of the Government with the figures accounted for by the offices of the Principal Accountants General and Pay & Accounts office, Mumbai. As of August 2010, such reconciliation has been completed for ₹ 98,175 crore (78 *per cent*) of expenditure against the total expenditure of ₹ 1,25,234 crore and for ₹ 76,802 crore (70 *per cent*) of receipts against the total receipts of ₹ 1,09,943 crore.

3.9 Book Adjustments

Certain transactions are in the nature of periodical adjustments and book adjustments and do not represent actual cash transaction, as mentioned below.

- (i) Adjustment of all deductions from salaries by debiting functional major heads (department concerned), by book adjustment to revenue receipt (*e.g.* deductions other than General Provident Fund) or to Public Account (*e.g.* GPF).
- (ii) Creation of funds/adjustment of contribution to Funds in Public Account by debit to Consolidated Fund *e.g.* Reserve Funds, Sinking Fund *etc.*
- (iii) Crediting of deposit heads of accounts in Public Account by debit to Consolidated Fund.
- (iv) Annual adjustment of interest on GPF and State Government Group Insurance Scheme where interest on General Provident Fund of State Government is adjusted by debiting 2049-Interest Payments and crediting 8009-General Provident Fund (GPF).

- (v) Certain adjustments such as adjustment of Debt waiver scheme granted by the Government of India in accordance with the recommendation of Finance Commission. It affects both revenue receipts and Public Debt heads where Central loans are written off by crediting 0075-Miscellaneous General Services by contra entry in the Major Head 6004-Loans and Advances from the Central Government.

During 2009-10, there were 18²¹ items of Book adjustment involving ₹ 6,763.50 crore, which were transferred from Consolidated Fund to Public Account and *vice versa*. Actual utilisation of the amounts for the intended purposes could not be verified in audit.

3.10 Pendency in submission of detailed contingent bills against abstract contingent bills

The Drawing and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent Bills by debiting Service Heads, and as per the Maharashtra Treasury Rules, 1968, they are required to submit Detailed Contingent Bill (vouchers in support of final expenditure) in all these cases within 30 days to the Offices of the Principal Accountant General and Pay & Accounts Office, Mumbai.

As on 31 March 2010, 40,802 DC Bills amounting to ₹ 2,239.74 crore were not received in the offices of the Principal Accountant General and Pay & Accounts Office, Mumbai. Year-wise details and department-wise position are given in **Table 3.3** and **Appendix 3.6** respectively.

Table 3.3 : Pendency in submission of DC bills against AC bills

(₹ in crore)

Year	AC Bills drawn		DC Bills received		Outstanding AC Bills	
	Number	Amount	Number	Amount	Number	Amount
Up to 2007-08	1,22,119	3,104.20	86,059	1,404.35	36,060	1,699.85
2008-09	3,636	206.59	2,310	78.57	1,326	128.02
2009-10	4,831	470.76	1,415	58.89	3,416	411.87
Total	1,30,586	3,781.55	89,784	1,541.81	40,802	2,239.74

Source: Finance Accounts

3.11 Conclusion and Recommendations

Non-submission of the utilisation certificates for ₹ 53,539 crore indicated lack of monitoring by the departments for the utilisation of grants and loans. Non-submission of the annual accounts by the grantee institutions for audit is fraught with the risk of misutilisation of funds. Due to delay in finalisation of accounts by the autonomous bodies/commercial undertakings, Government's investments in these organisations remain outside the scrutiny of Audit. Large outstanding cases of misappropriations, losses, *etc.* and their non-recovery indicated lack of sincere efforts by the departments to make good the losses.

The Controlling Officers did not submit the Detailed Contingent Bills in respect of ₹ 2,240 crore drawn on Abstract Contingent Bills up to 31 March 2010. Significant amounts of expenditure and receipts under Central and State schemes, booked under the Minor head '800-Other expenditure' and '800-Other receipts' were not distinctly depicted in the State Finance Accounts of 2009-10, affecting the transparency in financial reporting.

21 Details of the items are given in the Finance Accounts (Volume - I), Government of Maharashtra 2009-10.

Recommendations

- *The Departments should ensure timely submission of utilisation certificates in respect of the grants released for specific purposes and the annual accounts in respect of the autonomous bodies to the Principal Accountant General.*
- *Departmental enquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.*
- *A rigorous monitoring mechanism should be put in place in the Departments to adjust the advances drawn in Abstract Contingent bills within the stipulated period, as required under the extant rules.*
- *In order to ensure greater transparency in financial reporting, large amounts received or expended under various schemes should be depicted in Accounts distinctly, instead of clubbing the same under the Minor head '800-Other expenditure' and '800-Other receipts'.*

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