

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 (A&E), Maharashtra, 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 2011 is in **Table 3.1**.

Table 3.1: Year-wise position of outstanding UCs as of 31.03.2011

Year	Number of UCs awaited	Amount involved (₹ in crore)
Upto 2008-09	1,11,791	29,899.07
2009-10	36,364	20,742.29
2010-11	35,808	22,557.27
Total	1,83,963	73,198.63

During audit (May 2011) of the Collector, Solapur, it was noticed that out of the grants of ₹ 41.42 crore received by the Collector under Twelfth Finance Commission (TFC), disbursed to local bodies for implementation of various development schemes, only ₹ 34.22 crore were utilised, resulting in unspent balance of ₹ 7.20 crore lying with the local bodies.

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

3.2 Non-submission/delay in submission of Accounts by 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,

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the Government/heads of departments 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 2011).

According to the accounts received for the year 2010-11, 158 bodies/ authorities attracted audit by the Comptroller and Auditor General of India during 2010-11. Of these, 64 were audited during 2010-11.

Table 3.2 shows that 7,940 annual accounts due up to 2009-10 in respect of 801 bodies/ authorities had not been received as of June 2011.

Table 3.2: Age-wise arrears of Annual Accounts due from bodies/authorities

Sr.No.	Delay in number of years	Number of accounts
1	0-1	1,418
2	1-3	1,167
3	3-5	988
4	5-7	894
5	7-9	638
6	9 and above	3,825
	Total	7,940

Due to non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them, there was a risk of misutilisation of the 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 16 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 Reports and their placement in the Legislature by the autonomous bodies are indicated in **Appendix 3.2**.

It was noticed that there were delays in submission of annual accounts, which ranged up to 22 months in the case of 16 autonomous bodies. The accounts of the Slum Rehabilitation Authority (SRA), Mumbai for the year 2007-08 were furnished to Audit only in April 2011 and the accounts of Maharashtra State Legal Services Authority (MSLSA) was still to be presented in the Legislature by the respective autonomous bodies. The delays were mainly due to delays in approval of the accounts by the respective Governing Bodies.

The inordinate delays in submission of accounts and 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 the taking of necessary remedial action.

3.4 Departmentally managed 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 delays in finalisation of accounts, the results of investments of the Government remain unscrutinised by Audit. Consequently, corrective measures required, if any, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in finalisation of *pro forma* accounts may also open the system to risk of fraud and leakage of public money.

Heads of Government departments have to ensure that the undertakings prepare such accounts and submit the same to the Accountant General (Commercial), Maharashtra, Mumbai, for audit within a specified time frame. As of March 2011, there were 49 such undertakings, out of which 41 had prepared accounts up to 2009-10. None of the units had prepared accounts up to 2010-11. 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 or any other office/ department should be reported immediately by the office concerned to the next higher authority as well as to the Principal Accountants General (Audit), Maharashtra, Mumbai and Nagpur.

The State Government reported 245 cases of misappropriation, defalcation, etc., involving ₹ 15.89 crore up to March 2011 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4**. The 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 3.3**.

Table 3.3: 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 / characteristic of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	18	674.57	Theft	19	231.99
5 - 10	14	66.54			
10 - 15	21	283.79			
15 - 20	45	394.89	Misappropriation / Loss of material	226	1,357.20
20 - 25	52	128.98			
25 & above	95	40.42	Total	245	1,589.19
			Cases of losses written off during the year	0	0
Total	245	1,589.19	Total pending cases	245	1,589.19

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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	19	33.84
Departmental action initiated but not finalised	63	118.74
Criminal proceedings finalised but execution of certificate cases for the recovery of the amount was pending	42	17.34
Orders for recovery or write-off awaited	41	738.18
Pending in the courts of law	80	681.09
Total	245	1589.19

It is seen from the above, that out of 245 cases involving ₹ 15.89 crore, 213 cases (87 per cent) involving ₹ 8.48 crore (53 per cent) were pending for more than 10 years. Further, while 63 cases involving ₹ 1.19 crore were pending for final departmental action, 41 cases involving ₹ 7.38 crore were pending for recovery or write-off orders.

3.6 Transfer of funds to Personal Deposit Accounts

As per Rules 494 and 495 of the Maharashtra Treasury Rules, 1968, the Government is authorized to open Personal Deposit (PD) Accounts in order to deposit money by transferring funds from the Consolidated Fund for specific purposes. Generally, administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Government accounts (Consolidated Fund). However, as on 31 March 2011, 6,731 PD accounts showed a total balance of ₹ 6,626.45 crore, which was not transferred back to the Consolidated Fund.

Table 3.4 Status of the PD Accounts as on 31 March 2011

Sr.No	Particulars	Nos.	Amount involved (₹ in crore)
1.	PD accounts existing at the beginning of the year 2010-11	6601	4583.58
2.	PD accounts opened during the year 2010-11	155	211.50
3.	PD accounts closed at the end of the year 2010-11	25	0.04
4.	PD accounts existing at the close of the year 2010-11	6731	6626.45

Apart from the above transactions at Sr. No. 2 - Opening of new PD Accounts (credit - ₹ 211.50 crore) and at Sr. No. 3 - Closing of non-operative PD Accounts (debit - ₹ 0.04 crore), other transactions of receipts (which also included receipts from sources other than Consolidated Fund of the State) of ₹ 12,223.19 crore and payments of ₹ 10,391.78 crore, had also taken place during 2010-11.

During 2010-11, ₹ 12,434.69 crore were transferred to PD accounts (Major Head 8443-106-Personal Deposits), out of which ₹ 2,241.30 crore (18 per cent) were transferred in March 2011 alone. The aggregate amount of the unspent balances in the accounts of the administrators, which are not credited back to the Government Account, is not readily ascertainable as such funds also include receipts from sources other than the Consolidated Fund of the State.

Out of 6731 PD accounts existing at the close of 2010-11, 3,901 PD accounts were reconciled by departmental officers with the Treasury offices/ Accounting offices. Only 58 per cent of the PD accounts were reconciled during the year 2010-11 showing that the internal control of the State was weak in respect of management of PD accounts.

Non-reconciliation of Personal Deposits and Personal Ledger Accounts

As per Para 589 of Maharashtra Treasury Manual (MTM), Treasury Officers are required to obtain certificates of balances at the end of each year from the administrators of Personal

Ledger Accounts (PLAs). After obtaining such certificates, differences, if any, are required to be reconciled with the treasury figures and certificates are to be forwarded to the Offices of the Principal Accountant General (A&E) I, Maharashtra, Mumbai, Accountant General (A&E) II, Maharashtra, Nagpur and the Pay and Accounts Office, Mumbai for confirmation of the balances.

However, differences were noticed between the balances of administrators and those of treasuries in 318 cases, between the balances of treasuries and sub-treasuries in 414 cases and between the balances of sub-treasuries and administrators in 159 cases.

Besides, annual certificates of balances as on 31 March 2011 had not been submitted by 362 administrators.

3.7 Functioning of Treasuries

The major irregularities noticed during inspection of 33 district treasuries including all sub-treasuries in Maharashtra and the Pay and Accounts Office, Mumbai by the Accountants General (Accounts and Entitlement), Mumbai and Nagpur during 2010-11 are brought out in the following paragraphs:

Overpayment of pension

Overpayment of pensionary benefits of ₹ 90.36 lakh was made during 2010-11 on account of incorrect calculation of dearness relief, non-adjustment of provisional Death-cum-Retirement Gratuity, non-reduction of pension due to payment of commuted value of pension, non-reduction of family pension from the specific dates mentioned in the pension payment orders etc.

Non-closure of inoperative Personal Ledger Accounts

As per Rule 495 of the Maharashtra Treasury Rules (MTR), 1968 and Para 585 (2) of the MTM, PD accounts and PLAs of the various designated administrators which are not operated for more than three continuous accounting years are to be closed and the balances in such PD accounts and PLAs are to be credited to Government accounts. It was, however, noticed that in 77 cases, PLAs which were not operated for more than three years had not been closed and a total balance of ₹ 66 lakh lying in such PLAs, was not credited to the Government account.

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

During 2010-11, ₹ 1,124.79 crore under 40 revenue receipt major heads and ₹ 10,619.44 crore under 102 revenue and capital outlay expenditure major heads of accounts (representing functions of the Government) were classified under the Minor Head ‘800- Other Receipts/ Expenditure’ in the accounts, constituting more than 1.06 *per cent* of the total revenue receipts and 8.53 *per cent* of total revenue and capital outlay expenditure recorded during 2010-11. Heads such as ‘Receipts from Maharashtra State Electricity Development Corporation’, ‘Receipts realised by Settlement Commissioner and Director of Land Records’ etc. with substantial revenue receipts and heads such as ‘Subsidy to the Distribution/ Transmission Licences for reduction in Agriculture and Powerloom Tariff’, ‘Sarva Shiksha Abhiyan Scheme’, ‘Financial Assistance to Rashtriya Krishi Vikas Yojana’, ‘World Bank assisted Maharashtra Water Sector Improvement Project’, ‘Purposeful Grants to Zilla Parishads under Section 182 of the Maharashtra Zilla Parishads and Panchayat Samities Act, 1961 for repairs to Communications’, ‘Gharkul Yojana for Scheduled Castes and Nav Boudh People (Urban-SCP)’ etc. with substantial revenue and capital outlay expenditure were classified as ‘Other Expenditure’.

The major schemes which had large amounts booked under the minor head '800' were not depicted distinctly in the Finance Accounts, though the details of the 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's accounts. Large amounts booked under the minor head '800' affects correctness in financial reporting.

3.9 Reconciliation of Receipts and Expenditure

All 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 (A&E), Maharashtra, Mumbai and Nagpur and the Pay & Accounts Office, Mumbai. Such reconciliation had been completed for a value of ₹ 85,231.38 crore (62.07 *per cent*) of expenditure against the total expenditure of the Government, amounting to ₹ 1,37,308.22 crore and for ₹ 20,266.26 crore (15.89 *per cent*) of receipts against the total receipts of the Government amounting to ₹ 1,27,539.81 crore (August 2011).

3.10 Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

As per the Maharashtra Treasury Rules, 1968, Drawing and Disbursing Officers are required to submit Detailed Contingent (DC) bills (vouchers in support of final expenditure) against Abstract Contingent (AC) bills drawn, within 30 days to the offices of the Principal Accountant General (A&E) I, Maharashtra, Mumbai, the Accountant General (A&E) II, Maharashtra, Nagpur and the Pay and Accounts Office, Mumbai. The Drawing and Disbursing Officers are authorized to draw sums of money by preparing AC bills by debiting Service Heads.

As on 31 March 2011, 24,118 DC bills amounting to ₹ 1,502.01 crore were not received in the offices of the Principal Accountant General (A&E) I, Maharashtra, Mumbai, Accountant General (A&E) II, Maharashtra, Nagpur and the Pay and Accounts, Mumbai. Year-wise details and the department-wise position are given in **Table 3.4** and **Appendix 3.6** respectively.

Table 3.4 : 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
Upto 2008-09	92,003	2,226.61	71,487	1,732.68	20,516	493.93
2009-10	4,842	768.01	3,026	123.49	1,816	644.52
2010-11	3,218	396.55	1,432	32.99	1,786	363.56
Total	1,00,063	3,391.17	75,945	1,889.16	24,118	1,502.01

Source: Finance Accounts

3.11 Conclusion

Non-submission of utilisation certificates for ₹ 73,199 crore indicated lack of proper monitoring by the departments in the utilisation of grants and loans. Non-submission of the annual accounts for audit by the grantee institutions was fraught with the risk of misutilisation of funds. Due to delays in finalisation of accounts by autonomous bodies/commercial undertakings, the Government's investments in these organisations could not be scrutinised by Audit. The large number of the outstanding cases of misappropriations, losses, *etc.* and non-recovery of amounts indicated lack of sincere efforts by the departments to make good the losses and fix responsibility.

The Controlling Officers did not submit Detailed Contingent bills in respect of ₹ 1,502 crore drawn on Abstract Contingent bills up to 31 March 2011. 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 2010-11, affecting the correctness of financial reporting.

3.12 Recommendations

- The departments should ensure timely submission of utilisation certificates in respect of the grants released for specific purposes to the grantee institutions.
- The annual accounts in respect of the autonomous bodies should be submitted in time to the Principal Accountant General (Audit) I, Maharashtra, Mumbai and Accountant General (Audit) II, Maharashtra, Nagpur.
- Departmental enquiries in respect of 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 on Abstract Contingent bills within the stipulated period, as required under the extant rules.
- Large amounts received or expended under various schemes should be depicted in the accounts distinctly, instead of clubbing the same under the Minor head '800-Other Expenditure' and '800-Other Receipts' to ensure correctness in financial reporting.

Mumbai,
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