

**3.1 Introduction**

Sound internal controls and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview of the State Government's compliance with various financial rules, procedures and directives during the current year.

**3.2 Utilisation Certificates**

Utilisation Certificates (UCs) should be furnished by the State Government to the GoI with regard to the funds provided by the latter for implementation of various socio-economic development programmes. State Government rules<sup>1</sup> also provide for submission of UCs by the departmental officers from the grantees where specific grants are provided, and forwarding them to the PAG (A&E) after verification. 214 UCs aggregating ₹ 85 crore in respect of grants released by the State Government during 1992-93 to 2011-2012, were outstanding as of 31 March 2012. The delay in this regard ranged from one to 18 years, as summarized in *Appendix 3.1*.

**3.3 Submission of accounts/Audit Reports of Autonomous bodies**

Several autonomous bodies have been set up by the State Government in the fields of Medical Education, Tribal Welfare and Urban Development etc. The audit of accounts of 18 such bodies has been entrusted to the CAG of India. However, none of the 18 bodies had rendered annual accounts up to date i.e. 2011-12. The delay (as of June 2012) in submission of accounts for audit ranged from three to 99 months. Details of the period upto which accounts were rendered and due are given in *Appendix 3.2*.

The State Government needs to take expeditious measures to ensure that these accounts are compiled and submitted for audit within a fixed timeframe, so as to ensure that financial irregularities, if any, do not go undetected.

Further, 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. However, annual accounts of 358 such assisted bodies/authorities (total no. of accounts: 1983) due up to 2011-12 were not submitted to audit as of June 2012. Details of these accounts are given in *Appendix 3.3*. Government stated that instructions were issued to the Autonomous Bodies/ Institutions to furnish accounts to PAG (G&SSA).

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<sup>1</sup> Note 1 below Article 211A(2) of APFC

### **3.4 Un-reconciled expenditure and receipts**

To enable the Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules<sup>2</sup> stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the PAG (A&E). Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2011-12 also. Out of the total expenditure<sup>3</sup> of ₹ 1,09,120 crore during 2011-12, expenditure amounting to ₹ 25,118 crore (23 per cent) was not reconciled by 263 Controlling Officers as of June 2012. Cases where 14 Controlling Officers did not reconcile expenditure of ₹ 500 crore and above in each case are given in **Appendix 3.4**.

Further, every Controlling Officer should obtain regular accounts and returns from his subordinates for the amounts realized by them and paid into the treasury and compare the figures with the accounts maintained in the office of the PAG (A&E) and reconcile any differences as early as possible before the accounts of the year are closed. However, receipts<sup>4</sup> amounting to ₹ 57,342 crore (61 per cent of total receipts of ₹ 93,718 crore) during 2011-12 under 50 heads were not reconciled by the concerned Controlling Officers.

Government stated that the implementation of Comprehensive Financial Management System (CFMS) during 2012-13 would address this problem adequately by minimizing the reconciliation issues.

### **3.5 Functioning of Treasuries**

#### **3.5.1 Excess payment of pension/family pension**

A test check of records relating to payment of pension and family pension in all 23 District Treasuries, 138 Sub-Treasuries and 11 Assistant Pension Payment Offices during 2011-12 revealed excess payment of ₹ 2.7 crore in 410 cases, of which, an amount of ₹ 0.27 crore was recovered in 36 cases at the instance of audit, leaving a balance of ₹ 2.4 crore in 374 cases pending recovery as of 31 March 2012 as detailed in **Appendix 3.5**.

### **3.6 Irregular Parking of funds**

As per rule 9 of the State Social Welfare Board, the Board shall maintain current account/savings bank account or any other account with the State Bank of India or with any nationalised bank. In case, State Government instructions are contrary to this, prior approval of the Central Social Welfare Board should be obtained. Contrary to the above rules, as per instructions of the then Chairperson of the Board, an amount of ₹ 1.05 crore was deposited (August 1998) in a private Bank, i.e. 'Sri Laxmi Mahila Co-operative Urban Bank Ltd', which went (October 2000) into liquidation. An amount of ₹ 2.15 crore

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<sup>2</sup> Article 9 of the Andhra Pradesh Financial Code

<sup>3</sup> includes revenue, capital and loans and advances

<sup>4</sup> includes revenue, capital and loans and advances

(Principal: ₹ 0.59 crore and Interest: ₹ 1.56 crore) has been pending realization for more than a decade.

### 3.7 Personal Deposit Accounts

As per APFC<sup>5</sup>, PD Accounts are created for discharging the liabilities of the Government arising out of special enactment, by debit to the Consolidated Fund, and, as per orders<sup>6</sup> of the State Government, funds released during a particular financial year shall lapse by 31 March of next financial year (lapsable deposits under category 'C'). The administrators of PD accounts are required to close such accounts and transfer the unspent balances back to the Government account.

The provision for approval of the PAG (A&E) for opening of individual PD Accounts was dispensed with by the State Government in 2005. Further, due to non-rendering of administrator-wise PD accounts to the Office of the PAG (A&E), details of expenditure out of the funds transferred, transfer of unspent balances to the Government Account and a correlation of AC Bills with PD Accounts/Bank account could not be arrived at.

The District Treasury Officers (DTOs) reported to the PAG (A&E) that 90,573 PD accounts were in operation with a closing balance of ₹ 22,272 crore as of 31 March 2012, as summarised in **Table 3.1** below:

**Table: 3.1: Status of PD Accounts as on 31 March 2012**

(₹ in crore)

Sl. No.	Particulars	No. of PD Accounts	Amount
1	PD Accounts existing at the beginning of the year 2011-12	90,188	21,738
2	PD Accounts opened during the year 2011-12	536	535
3	PD Accounts closed at the end of the year 2011-12	151	1
4	PD Accounts existing at the close of the year 2011-12	90,573	22,272

Source: Finance Accounts 2011-12

The **opening balance of 2011-12 differed from the closing balance of 2010-11 by 4,355 PD accounts and ₹ 11,121 crore (increased)**, which had not been reconciled by the respective departments. As reported by the DTOs, eleven out of the 23 District Treasuries in the State have reconciled the balances in respect of 53,913 PD accounts (60 per cent of total no. of PD accounts) involving an amount of ₹ 14,917 crore (67 per cent of the total outstanding amount in PD accounts) as on 31 March 2012.

However, in response to an audit enquiry, the Director of Treasuries and Accounts (DTA) intimated (July 2012) PAG (GSSA) about the existence of 1,16,638 PD accounts with a closing balance of ₹ 23,483 crore available with them as on 31 March 2012 (excluding minus balances). **The huge variation in the number of PD accounts (26,065) and the amount of variation (₹ 1,211 crore) reported to PAG (A&E) and the figures reported to PAG (GSSA) needs reconciliation.**

<sup>5</sup> Article 271 (4) of Andhra Pradesh Financial Code

<sup>6</sup> G.O.Ms.No.43, Finance and Planning (W&M) Department, dated 22-4-2000

Government stated (November -2012) that the 536 accounts were not new accounts but were only separate account numbers under the existing PD Administrators.

A test-check of records of a few PD account administrators revealed the following irregularities:

- **Commissioner of Civil Supplies (PD Account No.7)** - An amount of ₹ 100 crore was released (October 2009) by the Government from the Calamity Relief Fund for supply of rice and kerosene to the flood affected victims in five<sup>7</sup> districts, of which ₹ 61 crore (61 *per cent*) was un-utilised and was lapsed by the DTO (Urban) Hyderabad to Government account.

Further, GoI had released (July 2010) 13<sup>th</sup> Finance Commission Grant of ₹ 13 crore (First instalment) as an incentive for issuing Unique Identification (UID) Numbers to Below Poverty Line (BPL) residents under Unique Identification Programme by UIDAI<sup>8</sup>. Though sanction orders were issued (December 2010) and funds drawn and credited to the PD account in September 2011, they were lying unutilized as of July 2012.

An amount of ₹ 8 crore released (October 2008) towards procurement of rice to welfare hostels was drawn (March 2009), but remained unutilized and was lapsed by the DTO (Urban) Hyderabad to Government account in June 2011.

- **Andhra Pradesh State Civil Supplies Corporation (PD Account No.75)** - An amount of ₹ 2,280 crore pertaining to rice subsidy was drawn (2011-12) from PD account and was kept in bank contrary to Government orders<sup>9</sup>, dated November 2009, of which, ₹ 163 crore was diverted towards payment of LPG subsidy to three oil companies<sup>10</sup>.

Also, there was a huge variation in figures in respect of receipts and expenditure between the books of PAG (A&E) and the administrator of PD accounts which needs reconciliation. (*Appendix 3.6.*)

- **Society for Elimination of Rural Poverty (SERP) (PD Account No.277)** - Funds of ₹ 1,647 crore pertaining to various schemes viz., AABY, Pavala Vaddi, Pensions to Aids patients, APRPRP etc., were drawn (2011-12) from the PD account and kept in various banks. Separate PD account cash book as well as scheme-wise ledgers were not maintained.

An amount of ₹ 10 crore was drawn (March 2012) by SERP from its PD account for conducting BPL Census. The funds were however, lying un-utilised in its bank account as of August 2012.

An amount of ₹ 9.79 crore meant for disbursement of pensions to AIDS patients was drawn (2011-12) from the PD account by SERP and kept in its bank account. Of this

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<sup>7</sup> Guntur, Krishna, Kurnool, Mahbubnagar and Nalgonda

<sup>8</sup> Unique Identification Authority of India

<sup>9</sup> Circular Memo No. M2/17836/2009, dtd. 16 November 2009

<sup>10</sup> Hindustan Petroleum Corporation Ltd., Bharat Petroleum Corporation Ltd., and Indian Oil Corporation Ltd.

amount, ₹ 0.45 crore was withdrawn. However, SERP could not furnish the expenditure details to audit and the balance amount of ₹ 9.36 crore (including interest) was lying un-utilised in the bank as of August 2012.

With regard to SERP also, there was a significant variation in the figures in respect of receipts and expenditure between the books of PAG (A&E) and the administrator of PD Accounts which needs reconciliation. (*Appendix 3.6.*)

- **Social Benefit Management System(SBMS):** An amount of ₹ 63.69 crore pertaining to ‘SBMS scheme meant for disbursement of post-matric scholarships and Reimbursement of Tuition Fee & Maintenance Tuition Fee to SC, ST and disabled students in the State during July 2008, was lying undisbursed in 29 PD accounts in various Treasuries as of September 2012.
- Test audit revealed that 21 Government Corporations and other organisations had kept an amount of ₹ 141 crore in various banks by withdrawing funds (December 2011 and January 2012) from their respective PD accounts.
- As per rules<sup>11</sup>, an amount of ₹ 119 crore (lapsable deposits under category ‘C’) was lapsable to Government during 2010-11. However, only an amount of ₹ 25 crore was credited to Government, leaving a balance of ₹ 94 crore in PD account.
- Rupees ₹ 155 crore (lapsable deposits under category ‘C’) was lying unutilized in 336 in-operative PD accounts as of 31 March 2012. 1,053 PD accounts showed ‘zero’ balances, while 563 PD accounts had minus balances of ₹ 4,409 crore (as of August 2012). Minus balances could arise on account of opening multiple PD accounts by the same Administrator and using funds pertaining to one account under another head, or drawing more amount from the PD account than has been authorized.
- Further, despite specific Government orders prohibiting transfer of funds from PD accounts to banks through self cheques, several PD account Administrators have resorted to this procedure and transferred huge amounts from PD accounts to commercial banks.

*While the need for opening PD accounts cannot be disputed, Government needs to ensure that these are operated in a transparent manner in accordance with the letter and spirit of the relevant instructions and rules. Considering that almost 1/6<sup>th</sup> of the budget is locked away in these accounts across the State, and these are outside the purview of Government accounts, it is a matter of serious concern that PAG (A&E) is not kept informed about the opening of these accounts and their utilization and closing balances.*

Government shared the concern of Audit and stated (November-2012) that a committee had been set up to review the operation of PD accounts and assured that the entire system would be streamlined soon.

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<sup>11</sup> G.O.Ms.No.43, Finance and Planning (W&M) Department, dated 22-4-2000

### 3.8 Parking of funds outside Government account

As per Government orders<sup>12</sup>, Heads of Departments should not withdraw any funds to be kept in fixed deposits (while not restricting use of 'flexi-interest' schemes offered by banks). However, test-check of records of a few GoI schemes on a sample basis revealed such withdrawals as detailed below.

#### 3.8.1 Electronically Deliverable Services (EDS)

GoI released ₹ 18.58 crore (August and November 2007) to the Director, EDS for establishing Common Service Centres (CSCs) in six zones under National e-Governance Plan over a period of four years. However, as of August 2012, ₹ 24 crore (including interest of ₹ 8 crore) was parked in fixed deposits with Indian Bank instead of utilizing for the purpose for which the amount was sanctioned.

### 3.9 Pendency of Detailed Contingent bills

Orders issued by the Government<sup>13</sup> stipulate that amount drawn on Abstract Contingent (AC) bills should be adjusted by submitting Detailed Contingent (DC) bills for the expenditure incurred, to the PAG(A&E)/Pay and Accounts Officer, with supporting vouchers, within one month of drawal of such amounts. However, despite flagging this issue by the PAG (A&E) at regular intervals, as of 31 March 2012, DC bills were submitted in respect of ₹ 1,838 crore against ₹ 3,124 crore drawn on AC bills (59 per cent). The year-wise details in this regard are given in **Table 3.2**.

**Table 3.2: Amount drawn on Abstract Contingent Bills**

(₹ in crore)

Year	AC bills drawn		DC bills Submitted		Percentage of amount adjusted/ accounted for	DC bills pending	
	Number	Amount	Number	Amount		Number	Amount
Upto 2006-07	79,378	635	58,549	462	73	20,829*	173*
2007-08	10,459	158	8,292	123	78	2,167	35
2008-09	7,383	158	5,674	139	88	1,709	19
2009-10	4,447	458	3,501	341	74	946	117
2010-11	3,158	774	2,366	503	65	792	271
2011-12	2,546	941	1,683	270	29	863	671
<b>Total</b>	<b>1,07,371</b>	<b>3,124</b>	<b>80,065</b>	<b>1,838</b>	<b>59</b>	<b>27,306</b>	<b>1,286</b>

Source: Information from PAG(A&E)

\* excludes 82,130 AC bills for ₹ 222 crore upto 2002-03 for which details are not available.

**Note:** 316 AC bills for ₹ 66 crore in respect of PAO (Hyderabad) for 2004-12 which is under reconciliation is not included.

Of the total outstanding amount of AC bills (₹ 1,286 crore), 67 per cent (₹ 866 crore) pertains to Agriculture department alone. The department-wise details of AC bills for which DC bills are pending are given in **Appendix 3.7**.

<sup>12</sup> G.O.Ms.No. 113 Finance (Ways & Means) Department dated 10-05-2007

<sup>13</sup> G.O.Ms.No.285 Finance (TFR-II) Department dated 15-10-2005



Illustrative cases noticed during test check are detailed below. ***In all these cases, the amounts drawn through AC bills were not adjusted through DC bills as of July 2012.***

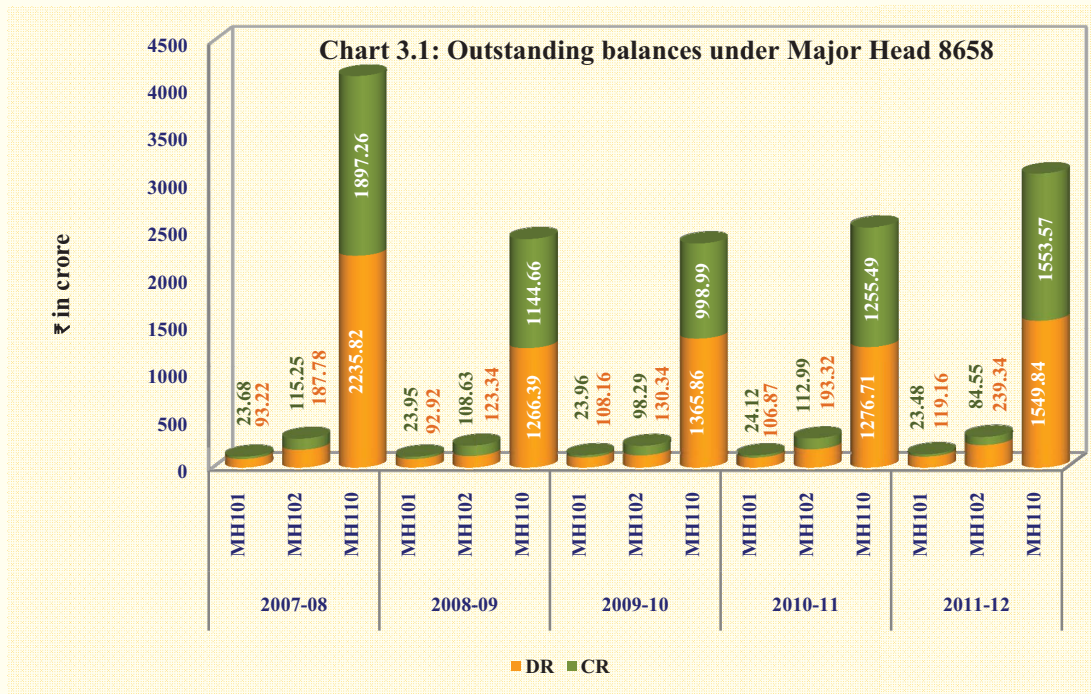
- ***Chief Commissioner of Land Administration(CCLA):*** Rupees one crore was drawn on AC bill by the CCLA in February 2006 towards ‘repairs to old building and construction of new building in the premises of CCLA office’ and a cheque was issued in the name of Chief Executive, HABTECH, Hyderabad for execution of the work.
- ***Andhra Pradesh Public Service Commission (APPSC):*** Two AC bills were drawn (September & November 2011) for an amount of ₹ 5.44 lakh towards payment of hire charges to APSRTC for delivery of confidential material for conduct of Group-I Services Main examination and payment of honorarium to subject experts, for selection of lecturers in Government Degree Colleges.
- ***Greater Hyderabad Municipal Corporation (GHMC):*** Seven AC bills involving ₹ 4.81 crore (2009-10) and two AC bills of ₹ 16 lakh (2010-11) were drawn for ‘conduct of General Elections to Parliament, Legislative Assembly and Legislative Council’.
- ***Commissioner of Police, Hyderabad:*** Rupees 4.33 crore was drawn through five AC bills (September & October 2011) towards ‘bandobust arrangements for Ganesh and other festivals’ of which, DC bills were pending in respect of four AC bills amounting to ₹ 4.11 crore.
- ***Commissioner of Technical Education:*** DC bill was not submitted as of July 2012 to adjust the amount of ₹ 31 lakh drawn on AC bill during November 2004 for ‘organizing Pratibha Awards function’ in 2004.
- ***Joint Director of Agriculture:*** Seven AC bills for ₹ 40 crore were drawn (January 2010, January & June 2011) by JD Agriculture, Mahabubnagar and three AC bills for ₹ 61 crore were drawn (January & June 2011) by JD Agriculture, West Godavari towards ‘input subsidy to small and marginal farmers whose agricultural crops were damaged by more than 50 per cent’. Relevant DC bills were not submitted even as of July 2012.

Government replied (November 2012) that sustained efforts were being made to settle the AC bills and an amount of ₹ 419 crore drawn on AC bills was adjusted during the year through relevant DC bills.

### **3.10 Outstanding balances under Suspense Account (Major Head 8658)**

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final heads of account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final head of account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government’s receipts and payments. It is necessary to maintain the ledger pertaining to suspense heads detailed head-wise.

The aggregate net balance under the Major Head “8658-Suspense Accounts” in the Finance Accounts of the Government of Andhra Pradesh was ₹ 250.18 crore (Dr) as on 31<sup>st</sup> March 2012. The Finance Accounts reflect the net balances under Suspense accounts and, therefore, the real magnitude of the outstanding amounts under these heads of Account does not get reported in the annual accounts of the Government presented to the State Legislature. The correct balances under these Suspense Heads can be obtained by dis-aggregating the debit and credit balances separately under various Suspense heads. Pairing off of debits and credits under Suspense Accounts is not possible as they are independent accounts and adjusted by minus debits and minus credits respectively. It results in understatement of Suspense balances both at Major Head level and Minor Head level in Finance Accounts. The position of Suspense balances (Debit/Credit) Under Minor Heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Suspense Account (MH 8658) along with the net balances as given in Finance Accounts for the last five years are presented below:



Source: Finance Accounts and Ledgers maintained by PAG(A&E)

### 3.10.1 Pay and Accounts Office – Suspense (Mh 101)

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer against whom the minor head PAO Suspense has been operated. Credit under this head is cleared by ‘minus credit’ when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Similarly, debit is cleared by ‘minus debit’ on receipt and realization of cheque from the Accounts



Officer on whose behalf payment was made. Outstanding debit balance under this head means that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered. Outstanding credit balance under this head means that payments have been received by the PAO on behalf of other PAO, which are yet to be paid.

The outstanding debit balance under this head was ₹ 119.16 crore and the credit balance was ₹ 23.48 crore at the end of the year 2011-12. The outstanding debit balances were mainly in respect of PAO, Central Pensions, New Delhi (₹ 18.22 crore), Interests of stock warrants (₹ 18.74 crore) and PAO, Shipping and Transport, Bangalore (₹ 80.82 crore) and the outstanding credit balances were mainly in respect of PAO, Department of Economic Affairs, New Delhi (₹ 12.65 crore), Pay Roll Saving Scheme (₹ 1.69 crore) and PAO, Shipping and Transport, New Delhi (₹ 8.41 crore). The debit balances under this head were increased from ₹ 93.22 crore in 2007-08 to ₹ 119.16 crore in 2011-12 and a marginal decrease is recorded in respect of credit balances from ₹ 23.68 crore in 2007-08 to ₹ 23.48 crore in 2011-12. The debit and credit balance under PAO Suspense and their continuous accumulation indicates significant control deficiencies.

### **3.10.2 Suspense Account - Civil (Mh 102)**

The transactions which cannot be taken to final head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers etc.,) are at the first instance booked under this suspense head. Receipts are credited and expenditure is debited to this account and cleared on receipt of required information by minus credit and minus debit respectively. Outstanding debit balance under this head means payment made could not be debited to the final head of expenditure for want of certain particulars and outstanding credit means receipts could not be credited to final receipt head of account for want of details.

The outstanding balance under this minor head as on 31 March 2012 was ₹ 239.34 crore (Dr) and ₹ 84.55 crore (Cr) indicating that an amount of ₹ 323.89 crore was required to be adjusted in respect of receipts and expenditure separately duly taking to their respective final heads of account. Major debit balances were outstanding in respect of FA&CAO, South Central Railway (₹ 79.33 crore), unclassified suspense (₹ 50.92 crore), Remittances in Treasuries in other accounting system (₹ 48.58 crore), whereas major credit balances were outstanding in respect of Cheques drawn on treasuries in other accounts circles (₹ 55.50 crore), Tungabhadra Project Suspense- Remittances (₹ 12.67 crore) and Tungabhadra Project Suspense (₹ 7.18 crore) under this Minor Head.

### **3.10.3 Reserve Bank Suspense-Central Accounts Office (Mh-110)**

When transfer of huge balances between Central and State Governments take place on account of sanction of loan, grants-in-aid etc., the minor head 110-Reserve Bank Suspense-Central Accounts Office under Major Head-8658 is operated to record the transaction before taking it to its final Head of Account. In case of sanction of loan to State Government, on receipt of sanction from the PAO of the Ministry concerned, the RBI issues Clearance Memo duly crediting Major Head-8658 Suspense-110 RBS, CAO by debiting Major Head-8675- Reserve Bank Deposits. The Accountant General gives

credit to final Head of Account 6004-Loans and Advances from Central Government, duly clearing the suspense by minus credit after receiving the original sanction order from the ministry concerned. A debit balance under this minor head would mean that repayments of loan made have not yet been taken to its final head and a credit balance under this account means loans received from GoI were not yet booked under the concerned head.

The outstanding balances under this head as on 31 March 2012 were ₹ 1,549.84 crore (Dr) and ₹ 1,553.57 crore (Cr). It indicates that an amount of ₹ 3,103.41 crore requires to be adjusted in respect of both debits and credits under this account. However, the Finance Accounts show a balance of ₹ 3.74 crore (Cr) which does not reflect the actual loans and repayments position of the State. It is clearly evident from the above that the amount of repayment of loans shown in Finance Accounts was understated by ₹ 1,549.84 crore and the amount of loans received from the GoI was understated by ₹ 1,553.57 crore.

### **3.11 Operation of omnibus Minor Head 800**

During the past two decades, the range and diversity of Government activity had increased manifold, outpacing the number of available programme minor heads. The omnibus Minor Head - 800 accommodates the expenditure which could not be classified under the available programme minor heads.

During 2011-12, **expenditure aggregating ₹ 14,165 crore, constituting 13.6 per cent of the total expenditure (₹ 1,04,137 crore)**, was classified under Minor Head 800-Other Expenditure against more than 100 Major Heads under Revenue and Capital sections. The largest instance of such classification was in respect of subsidy of ₹ 4,300 crore given by the State Government to AP TRANSCO for free supply of power to farmers.

Similarly, **revenue receipts aggregating ₹ 3,447 crore** (3.68 per cent of total revenue receipts of ₹ 93,554 crore) were classified under the omnibus Minor Head '800-Other Receipts' under 58 Major Heads. Classification of large amounts under the omnibus Minor Head '800-Other Expenditure/Receipts' affects transparency in financial reporting.

Government accepted (November 2012) the audit finding and assured necessary corrective action.

### **3.12 Implementation of Indian Government Accounting Standards (IGAS)**

#### **3.12.1 Guarantees given by State Government**

IGAS-1 requires that sector-wise and class-wise disclosures on guarantees given by the State Government should be incorporated in Finance Accounts from the year 2011-12 onwards. Although sector-wise details have been disclosed, class-wise details were not incorporated in Finance Accounts of the State.

#### **3.12.2 Accounting and Classification of Grants-in-aid**

As per IGAS-2, expenditure relating to Grants-in-aid should be classified as revenue expenditure if it involves creation of assets, except in cases specifically authorized by the

President on the advice of the Comptroller and Auditor General of India. Contrary to this, State Government made a provision of ₹ 220.24 crore in the budget with regard to Grants-in-aid from GoI for creation of assets and classified the related expenditure of ₹ 25.69 crore under capital section.

### 3.13 Conclusion

*Several State Government departments were not compliant with the applicable rules and regulations, especially those relating to compilation and submission of accounts for audit and reporting utilization of funds placed at their disposal for implementation of various socio-economic developmental schemes. Internal controls were not functioning as envisaged, as evidenced from non-reconciliation of receipts and expenditure with those booked by the Principal Accountant General (A&E), irregular and unauthorized parking of funds in various deposits outside Government accounts, non-adjustment of advances drawn on AC bills with the relevant DC bills for prolonged periods etc. Adequate attention was not given by the Government to ensure that relevant vouchers/missing documents were provided by the concerned authorities to adjust the amounts held in suspense heads. Operation of over one lakh PD accounts and locking up of about ₹ 23,483 crore in these accounts affected the transparency of Government accounts. Classifying large amounts and important items of expenditure like 'subsidies' under omnibus Minor Head-800 affected transparency in financial reporting.*

Hyderabad  
The



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Countersigned



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The

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