

**CHAPTER - III**  
**FINANCIAL REPORTING**



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/non-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 concerned accounting offices (Principal Accountant General (Accounts and Entitlements) I, Mumbai, Accountant General (Accounts and Entitlements) II, Nagpur and Pay and Accounts Office 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 2014 is given in **Table 3.1**.

**Table 3.1: Year-wise position of outstanding UCs as of 31 March 2014**

Year	Number of UCs awaited	Amount involved (₹ in crore)
Upto 2011-12	78520	38206.76
2012-13	8117	8840.38
2013-14	20313	21612.61
<b>Total</b>	<b>106950</b>	<b>68659.75</b>

Source : Finance Accounts of respective years

The major departments with large pendency (amount-wise) were Urban Development, School Education and Sports, Planning Department, Co-operation, Marketing and Textiles Department, Tribal Development and Rural Development and Water Conservation Department. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans by the departments.

#### 3.1.1 Utilisation certificates in Urban Development Department

##### 3.1.1.1 Introduction

Audit of records pertaining to submission of UCs in Urban Development Department (UDD) was conducted to assess whether the grants-in-aid (GIA) disbursed by the Controlling Officers were properly utilised by the grantee institutions for the purpose for which it was sanctioned.

### 3.1.1.2 Audit coverage

Audit examined the process of submission of UCs and their pendencies in respect of GIA given by the UDD during the period 2009-10 to 2013-14. In this regard, test check of records in the UDD and its Controlling Officers<sup>39</sup> was conducted.

### 3.1.1.3 Audit criteria

Bombay Financial Rules (BFR) 1959, annual circulars/instructions of Finance Department, GoM and instructions/directives issued by GoM from time to time through Government Resolutions.

### 3.1.1.4 Pendency of utilisation certificates

UDD being the administrative department is responsible to have an adequate supervisory and inspectoral machinery to keep a constant watch on the outstanding UCs till the UCs are received,

The position of pending UCs in UDD as on 31 March 2014 was as shown in **Table 3.2**.

**Table 3.2: Year wise position of pending utilisation certificates as on 31 March 2014**

Year	No. of UCs pending	UCs pending per cent	Amount (₹ in crore)	Amount in per cent
Up to 2008-09	2114	56.94	2346.53	14.76
2009-10	433	11.66	2604.65	16.39
2010-11	152	4.09	1745.32	10.98
2011-12	189	5.09	2052.66	12.92
2012-13	364	9.80	2826.83	17.79
2013-14	461	12.42	4316.56	27.16
<b>Total</b>	<b>3713</b>	<b>100</b>	<b>15892.55</b>	<b>100</b>

*Source: Data obtained from Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai, Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai*

**Table 3.2** indicates large pendencies of UCs up to 2008-09 in terms of number of outstanding UCs (56.94 per cent) and more than 31 per cent in terms of amount prior to March 2010.

The State Public Accounts Committee (PAC) in its meeting held in September 2012 expressed concerns over the pendency of UCs in UDD and directed the Finance Department to institute remedial measures for clearance of pendencies. Despite the concerns expressed by the PAC in September 2012, the pendencies in UC, in terms of number and amount, has shown an increasing trend during 2011-14, except a marginal decrease in number during 2012-13, as shown in **Table 3.3**.

**Table 3.3: Year wise pendency of UCs in UDD**

Year	Number	Amount (₹ in crore)
2011-12	3676	11835.51
2012-13	3598	12660.56
2013-14	3713	15892.55

*Source : Information received from Principal Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai, Pay and Accounts Office, Mumbai and Principal Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur*

### 3.1.1.5 Audit findings

#### Systemic deficiencies

#### *Non maintenance of grants-in-aid register*

As per Rule 149 read with Section – II of Appendix 22 of BFR 1959, a register of grant indicating the grant sanctioned and released; purpose of grant; conditions

<sup>39</sup> Director of Municipal Administration (DMA), Mumbai; Director of Maharashtra Fire Services (DMFS), Mumbai; Director of Town Planning and Valuation (DTP), Pune; Mumbai Metropolitan Region Development Authority (MMRDA), Mumbai

attached to the grant; date by which statement of accounts are required to be furnished by the grantee institutions and the reasons for the delay, if any; date by which the UC is to be furnished to the Accountant General and the reasons for delay, if any; unspent balance *etc.* should be invariably maintained by the sanctioning authority. Audit observed that no such register was being maintained by the UDD and three of the four Controlling Officers (DMA, Mumbai; DMFS, Mumbai; and DTP, Pune). As a result, audit could not verify the status of pending UCs with respect to the sanctions and releases of GIA, unspent balances *etc.* made by the UDD and Controlling Officers.

#### ***Non-maintenance of database of utilisation certificates***

The UDD did not evolve a system for creating a database of sanctions so as to enable them to monitor the releases, utilisations, rendition of UCs by the grantee institutions, unspent balances, *etc.* Since the department did not maintain any database, it was not able to determine the quantum of pendencies, scheme-wise. Test-check of six schemes revealed that the GoI and the GoM sanctioned/released GIA amounting to ₹ 192.40 crore to 58 Urban Local Bodies (ULBs) and 35 District Collectors during 2007-08 to 2013-14. However, the ULBs and the District Collectors did not furnish UCs amounting to ₹ 192.40 crore as of March 2014. The details are indicated in **Appendix 3.2**. The UDD did not furnish (October 2014) any specific reasons for pendency of UCs in these schemes.

#### ***Absence of condition for submission of utilisation certificates***

Provision was made (May 2012) by UDD for the year 2012-13 for an amount of ₹ 372.34 crore towards the State Plan Scheme of 'Nagari Dalit Vasti Improvement Scheme'. The UDD released ₹ 279.25 crore to 35 districts in September 2012 and March 2013. Audit observed that the sanction orders did not carry the condition regarding submission of UCs. UDD stated (August 2014) that while the initial Government Resolution of 2002 necessitated submission of UCs, it was not reiterated in the sanction orders. However, instructions have been issued to all the Collectors to submit UCs in respect of this scheme. This indicates lack of monitoring and inadequate control by the department.

#### ***Direct disbursement of grants***

In one case, the UDD sanctioned (March 2013) an amount of ₹ 30.82 crore to Udgir Municipal Council, Latur for road development work under Maharashtra Swarnajayanti Nagarotthan Maha Abhyian. Audit observed that the UDD bypassed the nodal agency for this scheme (DMA, Mumbai) and disbursed the amount directly to the Municipal Council. No reasons were found on record for such deviation in the procedure. Direct disbursement of GIA to the implementing agencies affects the monitoring of UCs by the Controlling Officer.

#### **Causes for the pendencies of utilisation certificates**

##### ***Common discrepancies in submission of utilisation certificates***

The Principal Accountant General (Accounts and Entitlement) had been regularly communicating to the departments the discrepancies noticed in the UCs furnished by the Controlling Officers. The UCs which were not found acceptable are returned in original due to (i) non-signing of the UCs by the Controlling Officers; (ii) mismatch of voucher number and date indicated in the treasury drawals with that mentioned in the UCs; (iii) non-mentioning of voucher number and date; (iv) non-mentioning of specific purpose for which GIA was drawn; (v) mismatch of sanction order and date indicated in the GIA with that indicated in the UCs;

(vi) non-mentioning of sanction order and date; *etc.* The UCs are also required to be furnished in the prescribed format.

The GoM should ensure that UCs in the proper format are furnished by the Controlling Officers, without any discrepancies.

### ***Slow progress of work***

Slow progress of work leads to delay in submission of UCs and increases the pendencies. Four projects sanctioned under JNNURM at a cost of ₹ 809.52 crore and scheduled for completion between March 2011 and March 2014 remained incomplete even after lapse of two to five years and incurring an expenditure of ₹ 479.45 crore as of March 2014. The physical progress of these works ranged between 41.28 *per cent* and 70.12 *per cent* (**Appendix 3.3**).

### ***Non-submission of utilisation certificates to the PAO/Accountant General***

Audit observed that in the following cases UCs received by the Controlling Officers were not forwarded to the PAO/Accountant General:

- Under the Centrally Sponsored Scheme for “Strengthening of Fire and Emergency Services in the State” grants amounting to ₹ 2.10 crore (State Share) and ₹ 6.65 crore (Central Share) were released to DMFS, Mumbai during 2010-11 to 2012-13. It was seen that while DMFS submitted UCs pertaining to Central Share and endorsed the same to the UDD, the same was not forwarded to the PAO by UDD.
- Under JNNURM, 2,530 buses were planned to be procured for 10<sup>40</sup> mission cities. A grant of ₹ 260.29 crore (GoI share: ₹ 184.76 crore and GoM share: ₹ 75.53 crore) was released to all the 10 mission cities. It was observed that though UCs were collected from eight mission cities<sup>41</sup> by the Nodal Agency (MMRDA, Mumbai), the same was not forwarded to the PAO/Accountant General.

### **Unutilised grants not surrendered**

As per Rule 149 read with Section – II of Appendix 22 of BFR 1959, unspent balances of GIA, if any, are to be surrendered by the grantee institutions. In the following cases discussed below the unspent balances of GIA were not surrendered by the grantee institutions.

- Special grants of ₹ 1,510.07 crore was sanctioned by UDD during 2006-07 to 2013-14 to various Municipal Councils (MCs) for distinctive works especially for development of basic amenities. It was observed that though ₹ 313.26 crore remained unutilised at the end of March 2014, the same was not surrendered to UDD by the MCs (**Appendix 3.4**).
- UDD approved 49 projects to 37 ULBs for which an amount of ₹ 1,022.93 crore was disbursed during 2009-10 to 2013-14 as State share. An expenditure of ₹ 582.92 crore was incurred by the ULB as on March 2014. Twenty three projects for which ₹ 326.34 crore was disbursed to 22 ULBs during 2010-11 to 2013-14 did not commence even after lapse of one to four years. However, this unspent balance was not surrendered to UDD.
- UDD sanctioned and disbursed ₹ 19.86 crore to 35 ULBs during 2009-10 to 2012-13 for building fire stations and procurement of fire engines. Scrutiny of

<sup>40</sup> Mumbai, Navi Mumbai, Thane, Nagpur, Pune, Pimpri, Nanded, Kalyan, Mira-Bhayander and Nashik

<sup>41</sup> The project was incomplete in Pune and Pimpri

records at DMFS, Mumbai revealed that the ULBs utilised only ₹ 5.52 crore (28 per cent) for procurement of fire engines only and the unspent balance of ₹ 14.34 crore was not surrendered.

- UDD sanctioned GIA amounting to ₹ 35.78 crore to 30 Municipal Councils between 1991-92 and 2004-05 under the Centrally Sponsored Scheme of Integrated Development of Small and Medium Towns (since subsumed in UIDSSMT) against which, an expenditure of ₹ 29.22 crore was incurred. The unspent balance of ₹ 6.56 crore was however, lying unutilised for a long period from nine to 22 years as of March 2014.
- The UDD stated (September 2014) that the GIA was expected to be utilised for the purpose for which it was sanctioned. However, efforts were being made to utilise the entire grant.
- Of the total grant of ₹ 201.63 crore released to two Municipal Corporations (Amravati and Aurangabad) for various schemes<sup>42</sup> during 2011-12 to 2013-14, only ₹ 71.08 crore (35 per cent) could be utilised leaving an unspent balance of ₹ 130.55 crore (65 per cent) at the end of March 2014, which was not surrendered.

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

In order to identify the institutions which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, 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 institutions during the year were awaited from Government departments (October 2014).

According to the accounts received for the year 2013-14, 647 institutions attracted audit by the Comptroller and Auditor General of India. Of these, 52 institutions have been audited during 2013-14.

**Table 3.4** shows age-wise arrears of annual accounts due up to 2013-14 in respect of 6,501 annual accounts as of September 2014.

**Table 3.4: Age-wise arrears of Annual Accounts due from institutions**

Delay in number of years	Number of accounts
0-1	1779
1-3	2228
3-5	1502
5-7	837
7-9	85
9 and above	70
<b>Total</b>	<b>6501</b>

Source : Information compiled by Principal Accountant General (Audit)-I, Maharashtra, Mumbai and Principal Accountant General (Audit)-II, Maharashtra, Nagpur

Non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them and the risk of mis-utilisation of the funds has been brought to the notice of the Government.

<sup>42</sup> Nagari Dalit Vasti Sudhar Yojana, Ramai Awaas Yojana, Swarnajayanti Shahari Rozgar Yojana, etc.

### 3.3 Delay 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. The audit of accounts of 18 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 3.5**.

Delays in submission of annual accounts ranging between one month and 32 months were noticed in the case of 10 autonomous bodies. The accounts of Maharashtra Electricity Regulatory Commission for the year 2010-11, 2011-12 was furnished to audit only in March 2014, with delay of 32 and 20 months respectively. Further, the accounts of Maharashtra State Legal Services Authority, Mumbai for the year 2008-09 was yet to be presented in the Legislature. The delays were mainly due to delays in approval of the accounts by the respective Governing Bodies. Accounts of four bodies from 2012-13 onwards and of Maharashtra State Legal Services Authority from 2009-10 onwards were yet to be received.

The inordinate delays in submission of accounts and presentation of the reports to the State Legislature resulted 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 Delay in finalisation of *proforma* accounts by departmentally managed commercial undertakings

The departmental undertakings of certain Government departments, performing activities of quasi-commercial nature, are required to prepare *proforma* accounts in the prescribed format annually showing the working results of financial operations so that 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.

Heads of Government departments have to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit)-I, Maharashtra, Mumbai for audit within a specified time frame. As of March 2014, there were 49 such undertakings of which, 39 had prepared accounts up to 2012-13. In respect of five undertakings, there was large pendency in finalisation of *proforma* accounts ranging from 14 to 27 years as these were sick units and not operational and had stopped preparing accounts. Milk Transport Scheme, Worli has been closed from 2007-08 onwards. The department-wise position of arrears in preparation of *proforma* accounts and investment made by the Government are given in **Appendix 3.6**.

### 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 Accountant General (Audit)-I, Maharashtra, Mumbai and Accountant General (Audit)-II, Maharashtra, Nagpur.



The State Government reported 360 cases of misappropriations, defalcations, *etc.* involving ₹ 81.24 crore up to March 2014 on which final action was pending. The department-wise breakup of pending cases and age analysis is given in **Appendix 3.7**. The nature of these cases is given in **Appendix 3.8**. 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 3.5**.

**Table 3.5: 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	135	1635.58	Theft	102	70.74
5 - 10	21	1759.86			
10 - 15	39	3624.12	Misappropriation/ Loss of material	258	8053.79
15 - 20	32	544.41			
20 - 25	23	394.62	Total	360	8124.53
25 and above	110	165.94			
Total			Cases of losses written off during the year		
			0		
			0.00		
Total			Total pending cases		
360			360		
8124.53			8124.53		

Source: Data furnished by various departments and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai

The reasons for which the cases were outstanding have been broadly categorised in **Table 3.6**.

**Table 3.6: Reasons for the delay/pendency of cases**

Reasons for the delay/pendency of cases	Number of Cases	Amount (₹ in lakh)
Departmental and criminal investigation awaited	168	2164.63
Departmental action initiated but not finalised	39	4806.13
Criminal proceedings finalised but execution of certificate cases for the recovery of the amount was pending	16	41.12
Orders for recovery or write-off awaited	54	66.94
Pending in the courts of law	83	1045.71
<b>Total</b>	<b>360</b>	<b>8124.53</b>

Source: Data furnished by various departments and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai

It is seen from the above, that out of 360 cases involving ₹ 81.24 crore, 204 cases (57 per cent) involving ₹ 47.29 crore (58 per cent) were pending for more than 10 years. Further, while 39 cases involving ₹ 48.06 crore were pending for final departmental action, 54 cases involving ₹ 0.66 crore were pending for recovery or write-off orders.

### 3.6 Opaqueness in Government accounts

There is a global trend towards greater openness in Government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the Government for public purposes will be spent as promised by the Government, while maximizing the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of accounts in which the receipts and expenditure of the Government are reported to the Legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of all major activities of the Government in a transparent manner.

Minor Heads 800-Other Expenditure/Other Receipts are intended to be operated only when the appropriate Minor Head has not been provided in the accounts.

Routine operation of Minor Heads 800 is to be discouraged, since it renders the accounts opaque. Details of significant transactions (involving more than ₹ 50 crore and constituting more than 50 per cent of the relevant Major Head) of receipts (one item involving ₹ 65.86 crore) and expenditure (17 items involving ₹ 9,857.52 crore) at sub-head level, are given in **Appendix 3.9**.

### 3.7 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 Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai or Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be. Such reconciliation had been completed for an expenditure of ₹ 1,20,142.02 crore (75 per cent) against the total expenditure of the Government amounting to ₹ 1,60,633.08 crore and for receipts of ₹ 21,481.77 crore (20 per cent) against the total receipts of the Government amounting to ₹ 1,09,435.36 crore.

### 3.8 Pendency in submission of detailed contingent bills against abstract contingent bills

As per the Maharashtra Treasury Rules, 1968, the Drawing and Disbursing Officers (DDOs) are required to submit Detailed Contingent (DC) bills which are vouchers in support of final expenditure, against Abstract Contingent (AC) bills drawn, within 30 days to the offices of the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai or the Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be.

As on 31 March 2014, 6,673 DC bills amounting to ₹ 985.02 crore were not received in the offices of the Principal Accountant General (Accounts and Entitlements) I, Maharashtra, Mumbai/Accountant General (Accounts and Entitlements) II, Maharashtra, Nagpur/Pay and Accounts Office, Mumbai. Year-wise details and the department-wise position are given in **Table 3.7** and **Appendix 3.10** respectively.

**Table 3.7: 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 2011-12	103753	3648.58	99113	3181.21	4640	467.37
2012-13	2930	419.36	2602	191.86	328	227.50
2013-14	2746	311.64	1041	21.49	1705	290.15
<b>Total</b>	<b>109429</b>	<b>4379.58</b>	<b>102756</b>	<b>3394.56</b>	<b>6673</b>	<b>985.02</b>

Source : Finance Accounts 2013-14

### 3.9 Conclusion and recommendations


1. Non-submission of utilisation certificates (1,06,950) amounting to ₹ 68,659.75 crore indicated lack of proper monitoring by the departments in utilisation of grants and loans given for specific purposes. In the Urban Development Department, 3,713 utilisation certificates amounting to ₹ 15,892.55 crore were pending at the end of March 2014.

*The sanctioning authorities/concerned departments may evolve a mechanism to ensure that utilisation certificates in respect of the grants released for specific purposes are furnished by the grantee institutions on time.*


2. There were delays in submission/finalisation of accounts by autonomous bodies/commercial undertakings as a result, Government's investments in these organisations could not be scrutinised by audit.

*The Controlling Departments may identify the reasons for delay in finalisation of accounts of autonomous bodies/ undertakings and institute remedial measures to ensure that arrears in accounts are cleared in a time bound manner.*

Mumbai,  
The 28 January 2015

  
(MALA SINHA)  
Principal Accountant General (Audit)-I,  
Maharashtra

New Delhi,  
The 02 February 2015

Countersigned  
  
(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

