

CHAPTER - III
FINANCIAL REPORTING

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 *i.e.* Accountant General (Accounts and Entitlements) I, Mumbai, Accountant General (Accounts and Entitlements) II, Nagpur and Pay and Accounts Office, Mumbai 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 2015 is given in **Table 3.1**.

Table 3.1: Year-wise position of outstanding UCs as of 31 March 2015

Year	Number of UCs awaited	Amount involved (₹ in crore)
Upto 2012-13	60920	35632.06
2013-14	5390	7307.78
2014-15	15567	18209.03
Total	81877	61148.87

Source: Finance Accounts 2014-15

The major departments with large pendency (amount-wise) were Urban Development; School Education and Sports; Planning; Co-operation, Marketing and Textiles; Tribal Development and Revenue and Forest. 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 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 2015).

According to the accounts received for the year 2014-15, 332 institutions attracted audit by the Comptroller and Auditor General of India. Of these, 60 institutions have been audited during 2014-15.

Table 3.2 shows age-wise arrears of annual accounts due up to 2014-15 in respect of 5,252 annual accounts as of August 2015.

Table 3.2: Age-wise arrears of Annual Accounts due from institutions

Delay in number of years	Number of accounts
0-1	1504
1-3	1366
3-5	1185
5-7	1078
7-9	56
9 and above	63
Total	5252

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.

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 21 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**.

The delay in submission of annual accounts ranged between one month and 138 months. The accounts of Maharashtra State Human Rights commission for the year 2002-03 to 2013-14 were furnished to audit only in December 2014, with delay ranging between six months to 138 months. Accounts from 2013-14 onwards of six bodies namely Maharashtra Khadi and Village Industries Board, Maharashtra State Legal Services Authority, Maharashtra State Minorities Commission, Tapi Irrigation Development Corporation, Vidharba Irrigation Development Corporation and Godawari Marathwada Irrigation Development Corporation were yet to be received. The delays were mainly in approval of the accounts by the respective Governing Bodies.

The accounts of Maharashtra Maritime Board and Maharashtra Pollution Control Board were not presented to Legislature after 2004-05. Further, the accounts of Maharashtra State Legal Services Authority, Mumbai for the year 2008-09 was yet to be presented in the Legislature.

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 by the Legislature, 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 2015, there were 49 such undertakings of which, 39 had prepared accounts up to 2013-14. In respect of five undertakings, there was large pendency in finalisation of *proforma* accounts ranging from 16 to 29 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 3.3**.

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

The State Government reported 368 cases of misappropriations, defalcations *etc.* involving ₹ 81.76 crore up to March 2015 on which final action was pending. The department-wise breakup of

pending cases and age analysis are 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	55	1481.88	Theft	89	66.94
5 - 10	58	1839.45			
10 - 15	47	3662.31	Misappropriation/Loss of material	279	8109.01
15 - 20	45	562.88			
20 - 25	32	443.49			
25 and above	131	185.94			
Total	368	8175.95	Total pending cases	368	8175.95

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 3.4**.

Table 3.4: 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	94	5598.62
Departmental action initiated but not finalised	117	1433.12
Criminal proceedings finalised but recoveries were pending	17	46.70
Orders for recovery or write-off awaited	56	66.42
Pending in the courts of law	84	1031.09
Total	368	8175.95

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 368 cases involving ₹ 81.76 crore, 255 cases (69 per cent) involving ₹ 48.55 crore (59 per cent) were pending for more than 10 years. Further, while 117 cases involving ₹ 14.33 crore were pending for final departmental action, 56 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 Receipts/Other Expenditure 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 (two items involving ₹ 266.48 crore) and expenditure (eight items involving ₹ 12,193.44 crore) at sub-head level, are given in **Appendix 3.6**.

3.7 Reconciliation of receipts and expenditure

All Controlling Officers (CO) are required to reconcile the receipts and expenditure of the Government with the figures accounted for by the offices of the 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 ₹ 1,28,084 crore (72.92 per cent) against the total expenditure of the Government amounting to ₹ 1,75,649.11 crore and for receipts of ₹ 47,447.07 crore (38.45 per cent) against the total receipts of the Government amounting to ₹ 1,23,398.80 crore. Major defaulting departments are Food, Civil Supplies and Consumer Protection; Urban Development; Trade, Commerce and Mining; Water Supply and Sanitation; School Education and Sports; Social Justice and Special Assistance; Tourism and Cultural Affairs; Revenue *etc.* Incomplete reconciliation affects the correctness and completeness of accounts.

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

As per the Maharashtra Treasury Rules (MTR), 1968, the Drawing and Disbursing Officers (DDOs) are required to submit Detailed Contingent (DC) bills which are vouchers in support of final expenditure, against AC bills drawn, within 30 days to the offices of the 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 2015, 5,457 DC bills amounting to ₹ 1,001.17 crore were not received in the offices of the 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 3.5** and **Appendix 3.7** respectively.

Table 3.5: 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 2012-13	106683	4067.94	103473	3492.45	3210	575.49
2013-14	2746	311.64	2146	147.75	600	163.89
2014-15	4017	382.47	2370	120.68	1647	261.79
Total	113446	4762.05	107989	3760.88	5457	1001.17

Source: Finance Accounts 2014-15

Audit conducted an analysis of unadjusted AC bills as on 31 March 2015 in the Home Department of Government of Maharashtra (GoM). For this purpose, the Bombay Financial Rules (BFR) 1959; MTR, 1968; annual circulars/instructions of Finance Department; and instructions/directives issued by GoM from time to time were used as audit criteria. In this regard, 283 AC bills of 23 DDOs of Home Department were selected randomly for test-check. Audit analysis revealed the following:

3.8.1 Pending Detailed Contingency bills

The year-wise position of pendency in submission of DC bills in Home Department as on March 2015 was as shown in **Table 3.6**.

Table 3.6: Year-wise position of pending Detailed Contingent bills as on 31 March 2015

Year	Pending DC bills			
	Number	As per cent to total number	Amount (₹ in crore)	As per cent to total amount
Upto 2010-11	304	33	274.85	37
2011-12	5	1	11.63	2
2012-13	108	12	153.14	21
2013-14	282	30	147.14	20
2014-15	224	24	148.80	20
Total	923	100	735.56	100

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

From the above, it can be seen that 304 DC bills amounting to ₹ 274.85 crore were pending for more than four years. On further analysis, it was observed that of the 304 DC bills, 40 bills were of more than one crore each as shown in **Appendix 3.8** of which, 39 bills were pending at the office of the Director General of Police (DGP), Mumbai as of August 2015.

3.8.2 Non-maintenance/incomplete maintenance of registers

As per Rule 306 of MTR, 1968, a register of AC bill is to be kept by each DDO and CO in the form prescribed in order to watch the submission of DC bills in respect of amount drawn on AC bills. All the AC bills drawn by the CO and the officer subordinate to him should be entered in this register and note of the despatch of the DC bills should be taken against the respective items as soon as DC bills are submitted to Controlling Audit Officer. This register should be reviewed every month by a Gazetted Officer concerned, who should report all cases of delay in submission of DC bills to the CO.

Of the test-checked records of 23 DDOs, it was noticed that only eight DDOs maintained the register in the prescribed format whereas, five DDOs did not maintain the register in the prescribed format and 10 DDOs did not maintain the prescribed register at all.

Register is the permanent records of the department to watch the trail of the transaction. Non-maintenance/incomplete maintenance results in difficulty in ascertaining that the DC bills in support of AC bills had been submitted to the treasury within the prescribed time limit.

3.8.3 Non-submission/delay in submission of Detailed Contingency bills

Of the test checked 283 AC bills of 23 DDOs, it was revealed that only five DC bills of two DDOs were submitted within the stipulated period of 30 days, whereas 157 DC bills of 18 DDOs were submitted after a delay ranging from one month to eight years. It was further revealed that clearance certificates to the AC bills had not been issued till August 2015 by Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai/Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur/Pay and Accounts Office, Mumbai, either due to non-compliance to the remarks offered by the Accounting offices mentioned above on the DC bills or the DC bills were pending with the treasuries for scrutiny. Further audit scrutiny revealed that in the case of 110 AC bills of 11 DDOs, the DC bills were not submitted till August 2015. 11 AC bills of one DDO were not traceable in the office of the Commissioner of Police, Mumbai.

3.8.4 Drawal of Abstract Contingent bills in the month of March

In six cases, AC bills amounting ₹ 18.25 crore were drawn by DGP, Mumbai between March 2014 and March 2015 for making payments to the suppliers/parties but, no payments were made till August 2015 due to non-completion of purchase procedure.

Further, of ₹ 90.65 crore drawn by DGP, Mumbai in the month of March 2011, ₹ 82.02 crore had remained in the account of the DDO and refunded into the Treasury after a period of two to three years (**Appendix 3.9**). This showed that the primary objective of drawing these AC bills was to avoid the lapse of budgeted grants, indicating lack of budgetary controls.

3.8.5 Parking of funds drawn on Abstract Contingent bills in the Personal Ledger Accounts

The Home Department (HD), through 12 separate orders in March 2011, sanctioned ₹ 273.92 crore to the DGP, Mumbai for purchase of various items like machinery, equipment and arms and ammunition for the State Police Force, Modernization of Police Force Scheme, Anti-Naxal Programme *etc.* The HD also accorded sanction to draw this amount through AC bills and deposit the amount into the Personal Ledger Account (PLA) opened in the name of the Additional Chief Secretary (ACS), Home Department. The DGP was to submit the DC bills within stipulated period of 30 days.

The PLA was opened in April 2011 specifically for these 12 sanctions with the following conditions:

- The PLA was to be operative till March 2012; and
- The unspent balance as on 31 March 2012 should be credited to Government.

The DGP, Mumbai drew 177 AC bills amounting to ₹ 261.40 crore in March 2011, which was credited in June 2011 into this PLA. Since the purchase procedure could not be completed in respect of all the items, only ₹ 159.54 crore could be spent out of this PLA till March 2012 and there was a balance of ₹ 101.86 crore as on 31 March 2012. The HD extended operation of this PLA up to 31 October 2012.

Audit noticed that the DGP, Mumbai spent ₹ 58.18 crore from the PLA after October 2012 and the unspent balance of ₹ 43.68 crore was credited to the Government Accounts only in June 2014 and the PLA was closed in August 2014. Thus, ₹ 101.86 crore remained outside the Consolidated Fund of the State from November 2012 to June 2014 and it also affected the correctness of the Government accounts, both expenditure as well as liabilities.

3.8.6 Abstract Contingent bills drawn for strengthening of Police force in naxalite affected area

During January 2011, the HD released ₹ 42.30 crore to DGP, Mumbai for purchase of Mine Protected Vehicles (MPV), Browser Air Turbine Fuel and GPS Tracker System for strengthening of Police Force in naxalite affected areas. In March 2011, HD permitted the DGP to draw ₹ 42.30 crore on AC bills with the condition that the amount should be deposited into PLA of ACS, Home Department and DC bills should be submitted within the stipulated period of 30 days. Of the ₹ 42.30 crore drawn in March 2011, the DGP, Mumbai used ₹ 9.25 crore on purchase of Augmented Grenade Launcher with Ammunition and Helicopter on Wet Lease. In the remaining ₹ 33.05 crore, audit observed the following:

- One AC bill for ₹ 22.75 crore was drawn in March 2011 for purchasing MPV. The supplier (M/s TATA Motors) delivered 20 MPV between February 2012 and March 2012 and raised a bill for ₹ 18.91 crore. However, payment to the supplier could not be made and the amount drawn on AC Bill was remitted into Pay and Accounts Office, Mumbai in February 2012 *i.e.* 11 months after its drawal.
- Another AC bill for ₹ 30 lakh was drawn in March 2011 for purchasing Browser Air Turbine Fuel. The supplier (M/s Titan Anthony Aviation India Pvt. Ltd.), delivered the same in July 2013. However, payment of ₹ 17.55 lakh was made to the supplier in April 2014 not from ₹ 30 lakh drawn on AC bill but through regular bill drawn from supplementary grant of 2013-14. The earlier amount drawn for this purpose (₹ 30 lakh) was remitted to Pay and Accounts Office, Mumbai only in June 2014 *i.e.* after more than three years.
- AC bill for ₹ 10 crore was drawn in March 2011 for purchasing GPS Tracker System. This item could not be purchased as tenders were not finalized and the amount was remitted in June 2014.

Thus, of ₹ 42.30 crore drawn on AC bills, only ₹ 9.25 crore was used by DGP, Mumbai and balance amount of ₹ 33.05 crore was remitted in February 2012 (₹ 22.75 crore) and in June 2014 (₹ 10.30 crore).

3.9 Conclusion and recommendations

1. As on 31 March 2015, utilisation certificates (81,877) amounting ₹ 61,148.87 crore were not furnished by the grantee institutions indicating lack of proper monitoring in utilization of grants and loans given for specific purposes. Similarly, 5,457 detailed contingent bills amounting ₹ 1,001.17 crore were not submitted by the Drawing and Disbursing Officers of various departments.

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. The Government may also ensure timely submission of detailed contingent bills by the Drawing and Disbursing Officers as stipulated in Maharashtra Treasury Rules, 1968.

2. There were delays in submission/finalisation of accounts by autonomous bodies/commercial undertakings which dilutes accountability and defeats the purpose of preparation of accounts. Also, 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 15 January 2016


(MEENAKSHI MISHRA)
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Countersigned

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The 19 January 2016


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

