

A reliable financial reporting mechanism aids exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

3.1 Personal Deposit Accounts

3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. PD Accounts are established in two ways:

- Under statutory provisions of the Government or created under any law or rule having the force of law by transferring funds from the Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments.
- Personal Deposit Accounts may also be opened, in favour of specified Government Officers, by transferring fund from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes *etc.*

As per the AP Financial Code, the purpose of PD Accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

Ordinarily, Government sanctions the opening of a banking deposit or of PD Account after consultation with the Accountant General (A&E). Except where the PD Accounts are created by law or rules having the force of law for discharging liabilities arising out of special enactments, other PD Accounts shall be closed at the end of the financial year.

As per, Article 271 (iii) (4)¹ of the AP Financial Code, Personal Deposit Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State². The account may be opened again in the following year, if necessary, in the usual manner³.

(i) The Government Orders (April 2000), however, stipulated that the funds released during a particular financial year shall lapse by 31 March of the next financial year. This was at variance with the provisions of the AP Financial Code, which stipulated that Personal Deposit Accounts, created by transferring funds by debit to the Consolidated Fund should be closed at the end of the financial year.

(ii) Article 202 of the Constitution of India provides for Legislative financial control over public

¹ Memo. No. 1596/Accts./5y-4, Dt. 31-12-1959

² except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

³ Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases

expenditure through the Annual Financial Statement/Budget. Not transferring the unspent balances lying in PD accounts to Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. Such a practice also entails the risk of misuse of public funds, fraud and misappropriation. An amount of ₹ 52,204.11 crore was transferred from Consolidated Fund to the Deposit Accounts in 2018-19, of which ₹ 4,589.39 crore was in the month of March 2019.

(iii) Government also issued Orders⁴ in 2005 regarding mechanism of opening of PD accounts. These orders specified that PD accounts are to be opened in the name of Designated Drawing Officers (known as PD Administrators) based on the request forwarded through Administrative Department. On receipt of Government Orders for opening of a PD account, the Director of Treasuries and Accounts (DTA) authorises the District Treasury Officer to assign a PD account number to the PD Administrator and notify the Accountant General (Accounts & Entitlements). As such, prior concurrence of AG (A&E) was not being sought.

3.1.2 Status of PD Accounts

The details of PD accounts operated during 2018-19 as per the information provided by Director, Treasury and Accounts (DTA) is given in **Table 3.1**.

Table 3.1: Details of PD Accounts operated during 2018-19

Opening Balance as on 01 April 2018*		New PD Accounts opened during the year 2018-19	Total transfers to PD accounts during the year 2018-19	PD Accounts closed during the year 2018-19	Total withdrawals from the PD Accounts during the year 2018-19	Closing Balance as on 31 March 2019	
Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
33,601	31,085.76	201	79,178.38	Nil	71,766.63	33,801	38,497.51

Source: Finance Accounts 2018-19; * Difference in OB from CB of 2017-18 have not been communicated by the DTA

3.1.3 Operation of PD Accounts

The following were observed in operation of PD accounts.

3.1.3.1 PD Accounts with minus balances

The Receipts under PD accounts are either credited into PD accounts by debit to Consolidated Fund or remitted from other sources. Expenditure is incurred from out of the available balances under PD accounts. As such there should not be any adverse balance in PD accounts.

There were however, 320 PD Accounts with adverse balances (*i.e.*, those with minus balances) of ₹ 7.71 crore.

3.1.3.2 Inoperative PD Accounts

As per Article 271 (iii) (4) of Andhra Pradesh Financial Code, Vol I, if a Personal Deposit Account is not operated upon for a considerable period and there is a reason to believe that the

⁴ G.O.Ms.No.140 of Finance (BG) Department, dated 02 June 2005

need for the deposit account has ceased, the same should be closed in consultation with the officer in whose favor the deposit account has been operated.

Audit observed that, there were 794 deposit accounts which had no transactions during the financial years 2016-17 to 2018-19 as detailed in **Table 3.2**.

Table 3.2: Inoperative Deposit Accounts operated during 2018-19

Inoperative Deposit Accounts as on 31 March 2019	Number	Amount (₹ in crore)
With Minus Balance	6	(-)0.03
With Zero Balance	506	0
With Positive Balance	282	12.24

Source: Comprehensive Financial Management System (CFMS), Government of Andhra Pradesh

3.1.3.3 Depositing of funds relating to an institution in PD Account of another institution

Indira Gandhi Centre for Advanced Research on Livestock (IGCARL) established in January 2008 was initially under Sri Venkateswara Veterinary University (SVVU), Tirupathi. The State Government issued orders⁵(June 2016) directing the DTA, Andhra Pradesh to assign PD Account number in favour of the Chief Executive Officer, IGCARL. IGCARL was subsequently renamed as Andhra Pradesh Centre for Advanced Research on Livestock (APCARL) during March 2017. During check of deposit account of SVVU, Audit observed that an amount of ₹ 81.82 crore relating to Indira Gandhi Centre for Advanced Research on Livestock (IGCARL) was lying in PD Account of SVVU.

3.1.3.4 Maintenance of PD Accounts

a. Variation in Opening balances as per PD Account Cash Book of the Auditee Unit with PD Pass Books/CFMS balances

Table 3.3: Variations in balances shown in Cash books and CFMS

Name of the Deposit account Administrator	Gist of the observation	Reply of the deposit administrator
Principal District Judge, Visakhapatnam	The closing balance as on 31 March 2018 as per the cash book is ₹ 29.53 crore. However, the opening balance as on 1 April 2018 (as per CFMS) is ₹ 33.72 crore reflecting a variation of ₹ 4.19 crore.	The department replied that the reconciliation with the CFMS is pending and reply will be submitted after completion of the reconciliation.
AP Medical Services and Infrastructure Development Corporation (APMSIDC)	It was observed from records that there was a difference of ₹ 7.21 crore between the PD account Cash Book and PD Account Statement (DTA) as of 31 March 2019.	Difference would be rectified.

⁵vide Finance(CM)Department vide Memo No.21025/E-file/CM/2016 dated 06.06.2016

b. Variation between PD Account Cash Book /PD Account Statement and Ledger figures:

Audit noticed variations between the balances as per the records of the Auditee Units and the office of the PAG (A&E). Details are furnished in **Table 3.4:**

Table 3.4: Variations in balances shown in PD Account Statements and Ledger

(in ₹)					
Sl. No	Name of the Auditee Unit	Balance as per ledger accounts of O/o PAG(A&E) as of 31 March 2019	Balance as per the Auditee Units as of 31 March 2019	Variation	Reply of the Department
1	AP State Housing Corporation Limited(APSHCL)	(-)94,42,74,731.06	75,67,53,500	170,10,28,231.06	It was replied that a letter would be addressed to PAG (A&E) for reconciliation.
2	AP Capital Region Authority(APCRDA)	130,88,23,114	126,58,80,614	4,29,42,500	It was replied that the difference could be due to double payment in the month of September 2018 which was subsequently adjusted.
3	AP Mahila Saadhikara Samstha(SERP) ⁶	(-)63,29,044.33	NIL	(-)63,29,044.33	Reply awaited
4	AP Board of Construction and Other Workers Welfare (APBCOWW)	237,10,58,511	67,71,66,307	169,38,92,204	It was replied that a letter would be addressed to PAG (A&E) for reconciliation.

c. Improper maintenance/Non-Maintenance of Deposit Account Cash Books

As per Subsidiary Rule 3 of Treasury Rule 10 and Subsidiary Rule 2 under Treasury Rule 11 of AP Treasury Code Volume I, as far as possible a single cash book is to be maintained. Subsidiary registers may, however be opened if need be, taking their totals to the Cash book. At the close of business on each working day, the cash book should be closed duly verifying the cash on hand and the closing balance arrived at in the cash book. A memorandum of verification should be recorded in the cashbook duly counting the cash and verified with the book balance as shown in the cash book and all other sub-cash registers after they have been closed for the day and then signed by the Drawing Officer.

During test check of PD Accounts Cash books, there were instances of improper maintenance of Cash books by the PD Administrator as detailed in **Table 3.5.**

⁶ There was nomenclature difference between O/o PAG (A&E) (*Deposits of Fish Farmers Development Agencies*) and CFMS (*AP Mahila Saadhikara Samstha*) which is also to be reconciled by the State Government.

Table 3.5: Improper maintenance of PD Administrator Cash Books

Sl.No	Name of the office	Audit observation	Departments' reply
1	CPO, Ananthapur amu	The office did not maintain Main Cash Book but was maintaining more than 50 subsidiary cash books. Due to non-maintenance of abstracts of month wise/Cash Book wise, the correctness of the scheme wise receipts/utilization and unspent balances could not be ascertained in Audit. On test check of Cash Books, Audit noticed that there was variation in the balances of the Cash books compared to the Treasury as well as CFMS balances ranging from ₹ two lakh to ₹ 2.86 crore for the Financial Years 2016-17 to 2018-19.	The office assured to maintain consolidated Cash Book in future.
2	JD Agriculture Ananthapura mu	The reconciliation registers were maintained up to the end of November 2017 only. For the year 2018-19, there was a variation of ₹ 13.85 crore in the Closing balances of Cash Book (₹ 35.30 crore) and as per the CFMS portal (₹ 49.16 crore)	The department replied (February 2020) that the DTO, Ananthapuramu has been requested to furnish the scheme wise details of lapsed amount for the FY 2017-18 and 2018-19 respectively. Soon after receipt detailed report would be furnished.

3.1.4 Non-receipt of Certificate of Acceptance of Balances (CABs)

As per Article 126 of Account Code (Volume II) and Government Orders, the administrators operating Personal Deposit Accounts in the Treasury were required to verify quarterly balances in the deposit accounts and furnish a Certificate of Acceptance of balance to the Treasury after reconciling the differences, if any.

It was, however, noticed during test check of records by PAG (A&E) in Two District Treasury Offices and 12 Sub Treasury Offices that 1,371 CABs were pending from various PD Administrators.

Non-Reconciliation of balances in PD Accounts is fraught with the risk of fraudulent drawals and therefore needs immediate attention.

Opening PD Accounts as a matter of routine with weak accounting controls, transferring funds to PD Accounts to avoid lapse and keeping large balances in the PD accounts without lapsing within the stipulated period entails dilution of legislative controls, inflation of expenditure figures and overstating the liabilities of the Government and enhances the risk of misuse and misappropriation of funds.

State Government (July 2020) replied that PD accounts were streamlined during 2019-20.

However, as stated in the Notes to Accounts to the Finance Accounts, the State Government neither furnished information about the exact number of PD accounts in operation nor did they reconcile their balances with the balances in the books of PAG (A&E). Such huge transfers to these PD accounts and spending them in subsequent years result in inadequate control over budget and expenditure. Also non-transfer of unspent balances lying in PD accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

Recommendation 5: Finance Department is required to review all the PD Accounts and ensure that amounts unnecessarily lying in these accounts are immediately remitted to the Consolidated Fund and all the inoperative deposit accounts are closed.

3.2 Utilisation Certificates

The Government gives grants to various bodies for specific purposes. The financial rules stipulate that where Grants-in-Aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which after verification, should be forwarded to the Principal Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. Non-submission/delay in submission of the Utilisation Certificates (UCs) weakens the control on utilization and provides scope for mis-utilisation / misappropriation / diversion of funds.

During the year 2018-19, the State Government released Grants-in-Aid of ₹ 60,794.71 crore. Out of the total releases an amount of ₹ 47,246.67 crore were released under 312-Other Grants-in-Aid and ₹ 3,301.23 crore under 319-Grants for creation of Capital Assets for which Utilisation Certificates have to be submitted by grantees.

However, the status of submission of UCs was not made available.

Non-submission of UCs defeats the very purpose of Legislative control over the public purse and is fraught with the risk of fraud and misappropriation of funds.

Recommendation 6: The State Government and the departments who were in receipt of Grants-in-Aid should ensure that a copy of Utilisation Certificate along with the Statement of Expenditure has been submitted to O/o PAG (A&E).

3.3 Non-submission of Annual Accounts by Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG’s DPC Act are required to submit the annual accounts to audit before 30 June every year. In respect of 31 ABs which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to 5 years (**Table 3.6** and **Appendix 3.1**).

Table 3.6: Age-wise arrears of Annual Accounts

Sl.No	Delay in Number of Years	No. of Bodies / Authorities
1	0-1	09
2	2-3	16
3	4-5	06
Total		31

Non-submission of Accounts was being brought to the notice of the State Government periodically through Audit Reports. Though, Government assured compliance to the Audit observation in the previous Audit Report and that all the departments/ bodies/ authorities would be directed to address the issues, delay in compilation & submission of Accounts persisted.

3.4 Compliance to Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Andhra Pradesh in 2018-19 and deficiencies therein are detailed in **Table 3.7**:

Table 3.7: Compliance to Accounting Standards

Sl. No.	Accounting Standard	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: Guarantees Given by the Government – Disclosure requirements	Not complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of guarantees for each institution was not furnished. The Statements are incomplete to that extent. (Refer to paragraph 1.6.2.3 for further audit findings on Guarantees)
2	IGAS 2: Accounting and Classification of Grants-in- Aid	Not complied (Statement 10 of Finance Accounts)	(i) Certain Grants-in-Aid classified under Capital Section (Refer to Table 1.5 of paragraph 1.3.1.3 for further audit findings on impact of classifying Grants in Aid under Capital Section) (ii) No information was available in respect of Grants-in-Aid given in kind by the State Government.
3	IGAS 3: Loans and Advances made by Governments	Not complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Detailed information of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. (Refer to paragraph 1.6.1.3 for further audit findings on Loans and Advances)

Source: Indian Government Accounting Standards and Finance Accounts

3.5 Pendency of Detailed Contingent bills

Financial Rules⁷ permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules⁸ and Government orders⁹ stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Contingent bills (DC Bills) with supporting vouchers within 90 days. The position of pending DC bills pertaining to the State of Andhra Pradesh as of September 2019 is shown in **Table 3.8**.

Table 3.8: Pendency in submission of DC Bills

Year	AC bills drawn		DC bills submitted		DC bills pending	
	Number	Amount	Number	Amount	Number	Amount
From 2003-04 to 2016-17	1,14,658	5,986.26	1,14,300	5,877.79	358	108.47
2017-18	734	128.41	484	38.82	250	89.59
2018-19	2,592	1,186.36	78	84.60	2,514	1,101.76
Total	1,17,984	7,301.03	1,14,862	6,001.21	3,122	1,299.82

Source: Information furnished by O/o PAG (A&E).

⁷ Article 102,108 and Appendix 8 of AP Financial code

⁸ SR18 (d) below TR 16

⁹ GO No.391, dt.22-03-2002 and 507, dt.10-04-2002

The Departments had drawn 2,592 Abstract Contingent (AC) bills for an amount of ₹ 1,186.36 crore in the financial year 2018-19 and submitted only 78 Detailed Contingent (DC) bills for an amount of ₹ 84.60 crore. Thus, 2,514 DC bills amounting to ₹ 1,101.76 crore were not submitted before close of the financial year. There is, therefore, no assurance that the amount of ₹ 1,101.76 crore had actually been incurred during the year for the purpose for which it was sanctioned/authorised by the Legislature. This is a possible overstatement of expenditure in the year 2018-19. Moreover, out of ₹ 1,186.36 crore drawn against AC bills in 2018-19, AC bills amounting to ₹ 337.03 crore (28.41 per cent) were drawn in March 2019 alone.

Further, 358 DC bills amounting to ₹ 108.47 crore for the years up to 2016-17 and 250 DC bills amounting to ₹ 89.59 crore pertaining to the year 2017-18 were yet to be submitted by the Departments. Out of total pending 3,122 DC bills for the period from 2003-04 to 2018-19, Revenue Department with ₹ 930.85 crore had the highest pendency in submission of 1,874 DC bills (*Appendix 3.2*).

Advances drawn and not accounted for increases the possibility of wastage/misappropriation/malfeasance etc.

3.6 Parking of Funds outside Government Account

Government instructions¹⁰ during February 2012 stipulated that there should not be any transfer of funds from Bank accounts to FDR's from out of the withdrawals made from the PD accounts. The funds shall not lie unspent in an intermediate state in a commercial Bank account in the name of any Government Agency. The State Government issued orders¹¹ not to park the Government Funds outside Treasury and remit back all the bank balances into Government Account/PD Accounts. It was also ordered that all the agencies and government departments shall withdraw all the balances which are in the form of Fixed/term deposits or Saving bank or Current Accounts and deposit them in the PD accounts. Further, as per DTA Circular Memo(November 2009)¹² the funds should be with the Government or it should be disbursed to an end beneficiary.

Despite the above instructions, there were instances of parking the amounts outside the Government Account in Saving Banks/Current Account/ Term Deposits and Fixed Deposits as detailed in **Table 3.9**:

Table 3.9: Parking of Funds outside Government Account

PD Administrator/Scheme	Amount (₹ in crore)
AP SC Cooperative Finance Corporation	135.34
AP BC Cooperative Finance Corporation	162.83
AP Minorities Finance Corporation	63.18
NTR Jalasiri	65.74
Chief Planning Officer, Anantapuramu	1.73
Joint Director, Agriculture, Anantapuramu	2.03
Rashtriya Krishi Vikas Yojana	3.25
Total	434.10

¹⁰Para 6 of Memo No.351/81/DCM II/2018 dated 04.02.2012

¹¹G.O.MS. No. 196, Finance Department(CM) Department dated 14.10.2016

¹²DTA Circular Memo No. M2/17836/2009, dated 16.11.2009

3.7 Follow up action on Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken.

As on 31 March 2019, Finance Department has not furnished the Explanatory Notes (ENs) for the State Finances Audit Reports for the years 2016-17 and 2017-18. Further, recommendations of Public Accounts Committee (PAC) on Audit Reports on State Finances for the years 2014-15 and 2015-16 were placed before State Legislature on 06 February 2019.



(L V SUDHIR KUMAR)
Principal Accountant General (Audit)
Andhra Pradesh

Hyderabad
The 29-07-2020

Countersigned



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 31-07-2020