

Chapter 4 Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system 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 and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

4.2 Funds outside Consolidated Fund of the State

Article 266 (1), subject to the provisions of Article 267 of the Constitution of India, provides that all revenues received by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State". Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

4.2.1 Building and other Construction Workers Welfare Cess

Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 aimed at providing safety, health and welfare measures for the benefit of building and other construction workers. GoI also enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess at the rate of one *per cent* of the cost of construction, as stipulated under the Buildings and Other Construction Workers Act, with the aim of improving the working conditions of workers and to provide financial aid to them and framed the relevant Rules under the above Acts. The Act, inter alia, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by all State Governments to exercise the powers conferred under the Act.

Accordingly, the State Government framed Andhra Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 1999 and also constituted AP Building & Other Construction Workers Welfare Board (Board) on 30 April 2007. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

Since the Board is an autonomous Body, total cess details are not depicted in Government Accounts. However, Labour Cess collected from the bills of Government Works executed by the Irrigation and Public Works departments is remitted by respective Pay and Accounts Officers (Works) to the Public Deposit Head of Account

of the Labour Board. The State Government also issued (April 2007 and December 2009) orders³⁸ for remittance of labour cess into Bank Account.

The transactions of labour cess were accounted under the HOA: 8342-00-120-00-09-000 -Deposits of Andhra Pradesh Building & Other Construction Workers Welfare Board upto 2018-19 and an amount of ₹ 13.97 crore was lying in the account. In addition to the Deposit Account, another new HOA: 8443-00-116-01-09-001 'Deposits of Building and other Construction Workers Welfare Board' was opened from the financial year 2019-20 for accounting for labour cess transactions. However, the State Government did not transfer the unutilised balance of ₹ 13.97 crore lying in the old Deposit Account to the newly opened deposit account. As the Administrator for operation of the Deposit Accounts is same and nature of transactions are same, operation of single Deposit account instead of two Deposit Accounts would render the reconciliation of transactions easier, besides giving a fair view of State Government Accounts.

It was also noticed that in the newly opened Deposit Account (HOA: 8443-00-116-01-09-001) an amount of ₹ 358.08 crore was available as opening balance (as on 01 April 2021). During the year 2021-22, an amount of ₹ 108.96 crore was collected towards labour cess and an amount of ₹ 1.27 crore was transferred/expended leaving a balance of ₹ 465.77 crore to the end of 31 March 2022.

Thus, the total balance available in the two Deposit Accounts mentioned above was ₹ 479.74 crore (₹465.77 crore under 8443-00-116-01-09-001 and ₹ 13.97 crore under 8342-00-120-00-09-000) as of 31 March 2022. Retention of the Labour Cess Collections in the Deposit Accounts without being transferred to the Bank Account resulted in inflation of liabilities of the State Government by ₹ 479.74 crore to the end of 31 March 2022.

The details of the amount of labour cess collected during the period 2017-22 are given in **Table 4.1**.

Table 4.1: Amount of Labour cess collected during 2017-22

Year	(₹ in crore)		
	Amount of cess collected by the State Government (As per Finance Accounts)	Amount of Cess collected directly by the Board	Total Amount of Cess collected
2017-18	30.65	259.69	290.34
2018-19	155.28	317.71	472.99
2019-20	62.49	342.99	405.48
2020-21	72.98	294.82	367.8
2021-22	108.96	359.69	468.65
Total	430.36	1,574.90	2,005.26

³⁸ G.O.Ms.No.111, Labour, Employment, Training and Factories (Lab II) Department dated 15 December 2009 read with G.O.Ms.No.42, Labour, Employment, Training and Factories (Lab II) Department dated 30 April 2007

The details of expenditure incurred by the Board on various welfare activities for the construction workers during the five-year period 2017-18 to 2021-22 are given in **Table 4.2**.

Table 4.2: Expenditure incurred by APBOCWW Board during 2017-22

Year	(₹ in crore)				
	Welfare Activities ³⁹	Administrative Expenses	Publicity	Loans and Advances	Total
2017-18	78.89	5.33	15.83	259.29	359.34
2018-19	70.04	6.47	52.40	209.63	338.54
2019-20	20.53	3.71	0.08	208.30	232.62
2020-21	0.63	6.99	0.48	804.84	812.94
2021-22	4.91	6.29	0.01	280.87	292.08
Total	175.00	28.79	68.80	1,762.93	2,035.52

During the period 2017-22, an amount of ₹ 2,005.26 crore was collected as Labour Cess by the APBOCWW Board and it spent ₹ 2,035.52 crore on various welfare schemes, Publicity and Loans & Advances etc., as detailed above.

4.2.2 State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund Rules, 2018 provide for the establishment of a State level authority called "State Compensatory Afforestation Fund Management and Planning Authority". The Authority is to administer the amount received and utilise the monies for undertaking compensatory afforestation activities.

Accounting Arrangements:

The money received from the user agencies towards compensatory afforestation activities are to be credited in "State Compensatory Afforestation Deposits" under interest bearing deposits under Major Head 8336-103 (Civil Deposits). As per the provisions of the Act, 90 *per cent* of the money collected is to be transferred to the "State Compensatory Afforestation Fund (SCAF)" under Major Head 8121-129 and the balance 10 *per cent* is to be credited into the National Fund i.e., National Compensatory Afforestation Deposits under MH 8336-102. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' and 'State Compensatory Afforestation Fund' will be as per the rate declared by the Central Government on a year-to-year basis. The expenditure on various activities as envisaged in the Act is to be met under Major Head 2406.

Status of State Compensatory Afforestation Fund:

In terms of Compensatory Afforestation Act, 2016 Government of Andhra Pradesh established State Compensatory Afforestation Fund under Major Head 8121-General and other Reserve Funds – Minor Head 129 State Compensatory Afforestation Fund in the Public Account section (Part III of Government Accounts). During the year

³⁹ Marriage Gift, Maternity gift, Fatal Accident relief, Disability relief, Natural Death relief, Hospitalisation relief, Funeral Expenses, Relief to unregistered workers, Vocational training to workers, Atal Pension yojana, Scholarships to children of BOC workers etc.

2021-22, the State Government has not realised any amount towards compensatory afforestation activities and hence transfers to the Fund is nil. It was observed that the State Government has not provided any amount towards interest on the outstanding balance of ₹ 1,633.30 crore during the year 2021-22.

4.3 Pending liabilities during the financial year

Appendix IX of the Finance Accounts depicts the commitments of the Government and list of incomplete capital works, which, *inter-alia*, include pending payments to the end of March 2022. It was observed that an amount of ₹ 17,804.20 crore was pending payment from the State Government under various works and projects to the end of March 2022. The Details are given in **Table 4.3**.

Table 4.3: Pending payments as of March 2022

Sl. No.	Particulars	No. of Works / Projects/entities	Amount pending payment (₹ in crore)
1	Water Supply Schemes	37	136.35
2	Power Sector ⁴⁰	03	17,168.76
2	Irrigation	09	499.09
Total		37	17,804.20

Source: Finance Accounts and information furnished by various entities, accounts of PSUs for the year 2021-22.

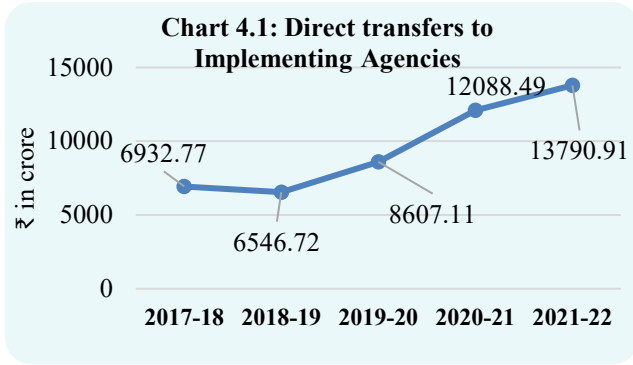
4.4 Funds transferred directly to State Implementing Agencies

Government of India transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and programmes. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts. As these funds are not routed through the State budget/ State Treasury system, Finance Accounts do not capture the flow of these funds or the related expenditure.

During the year 2021-22, GoI transferred ₹ 13,790.91 crore directly to State Implementing Agencies/Non-Governmental organisations concerning various Central Schemes/programmes, without routing these funds through the State budget.

The details of direct transfer of funds to implementing agencies during the period 2017-22 are given in **Chart 4.1**.

⁴⁰ AP Southern Power Distribution Company Limited – ₹ 8,788.55 crore; AP Central Power Distribution Corporation Limited – ₹ 3,008.57 crore; AP Eastern Power Distribution Company Limited – ₹ 5,371.64 crore



The increase in direct transfers was mainly under Food Subsidy (by ₹ 898.66 crore), Jal Jeevan Mission (₹ 791.06 crore), Livestock Health and disease control (₹ 92.48 crore) and Rashtriya Gokul Mission (₹ 62.41 crore).

Source: Finance Accounts 2021-22

The details of agencies that received funds more than ₹ 100 crore directly from GoI for implementing various developmental schemes during 2021-22 are shown in **Table 4.4.**

Table 4.4: Agencies that received funds directly from GoI during 2021-22 (above ₹ 100 crore)

Sl. No.	Schemes of Government of India	Implementing Agencies	GoI releases during 2021-22 (₹ in crore)
1	Food Subsidy	State Civil Supply corporation limited, Andhra Pradesh	9,323.38
2	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	Department of Real Time Governance, Andhra Pradesh	2,934.08
3	Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	AP State Water and Sanitation Mission	791.06
4	Assistance to State Agencies for intra State movement of food grains and FPS dealers' margin under NFSA	State Civil Supply Corporation Limited, Andhra Pradesh	122.37

Source: Finance Accounts 2021-22

4.5 Abstract Contingent bills

Financial Rules⁴¹ permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules⁴² and State Government orders⁴³ stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Countersigned Contingent bills (DCC Bills) with supporting vouchers within 90 days.

Out of total 622 AC bills amounting to ₹ 285.48 crore drawn during the year 2021-22, 203 AC bills amounting to ₹ 49.13 crore (32.64 per cent) were drawn in March 2022. To the end of 31 March 2022, DC Bills in respect of a total of 1,515 AC bills amounting to ₹ 1,531.35 crore were not received. Details of unadjusted AC bills as on 31 March 2022 pending submission of DC bills are shown in **Table 4.5.**

⁴¹ Article 102,108 and Appendix 8 of AP Financial code Volume I

⁴² SR18 (d) below TR 16 of AP Financial Code Volume I

⁴³ GO No.391, Fin(TFR) Dept, dt.22 March 2002 and G.O.507, Fin(TFR) Dept, dt.10 April 2002

Table 4.5: Pendency in submission of DC Bills

(₹ in crore)		
Year	No. of Unadjusted AC Bills	Amount (₹ in crore)
Up to 2017-18	340	145.93
2018-19	286	668.21
2019-20	294	132.32
2020-21	232	378.03
2021-22	363	206.86
Total	1,515	1,531.35

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

The State Government replied that special efforts were taken in reducing the outstanding AC bills in the recent past. Out of the 1,515 AC bills mentioned by Audit, 1,447 AC bills are already cleared leaving only 68 bills as of January 2023. It was also stated that efforts are being taken to clear the remaining 68 bills.

4.6 Utilisation Certificates

Government gives grants to various bodies for specific purposes. Andhra Pradesh Financial rules⁴⁴ 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 UCs weakens the control on utilization of funds and provides scope for mis-utilisation / misappropriation / diversion of funds.

State Government has not furnished the Utilisation Certificates to Principal Accountant General (A&E) in respect of the grants received from GoI nor the grants given by it to various entities or pass-through grants from GoI to various entities within the State as shown in **Tables 4.6** and **4.7**. Further, there was no mechanism in the State Government to watch the flow of pass-through grants provided by the GoI.

4.6.1 Grants-in-Aid received by the State Government from GoI

The GoI funds through Grants in Aid for implementing the Central Sector Schemes. Similarly, Finance Commission Grants are also being released by GoI which are in nature of pass-through grants. The details of Grants-in-Aid (GIA) received by the State Government from GoI during the period 2017-22 are given in **Table 4.6**.

⁴⁴ G.O.Ms.No.507, Finance (TFR) department dated 10 April 2002

Table 4.6: Details of Grants received by the State

Year	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Grants received by the State	22,761	19,457	21,876	31,872	39,170
%age of GIA to Revenue Receipts of the State	21.66	16.97	19.7	27.21	26.02

Source: Finance Accounts of respective years

4.6.2 Grants-in-Aid given by the State Government

The State Government is releasing Grants in Aid to various entities/departments for implementing various schemes/programmes of State Government *etc.* The details of Grants-in-Aid released by the State Government during the period 2017-22 are detailed vide **Table 4.7**.

Table 4.7: Details of Grants given by the State

Year	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Grants given by the State	53,091	60,795	59,915	73,667	66,082
%age of GIA to Revenue Expenditure of the State	43.8	47.25	43.58	48.25	41.52

Source: Finance Accounts of respective years

It was observed that the State Government has not furnished the UCs to Principal Accountant General (A&E) in respect of the above Grants for the years 2017-18 to 2020-21 and has furnished UCs for an amount of ₹ 9,837.15 crore (as per Finance Accounts 2021-22) for the year 2021-22. Non-furnishing of reply/information by the Departmental authorities as to how the Grants-in-Aid were spent over the years is a matter of concern, as it involves huge funds provided to them for implementation and there is no assurance that the intended objectives of the schemes financed through Grants-in-Aid were achieved. In the absence of accountability for expenditure relating to funds provided as far back as five years, the possibility of fraud and/or misappropriation of these funds cannot be ruled out.

Despite drawing attention of the State Government to this issue year after year in the Audit Reports of the CAG, there was no improvement. In view of the huge funds involved, there is a need for a suitable mechanism for monitoring of utilisation of grants, submission of UCs.

The State Government has replied that, Sub Treasury Officers will be insisted upon the UCs for the bills prepared in PD Accounts.

4.7 Personal Deposit Accounts

4.7.1 Personal Deposit Account framework

Personal Deposits (PD) 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 funds from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes *etc.*

4.7.2 Operation of PD Accounts

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. As per Article 271 (iii) (4)⁴⁵ 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 State⁴⁶. The account may be opened again in the following year, if necessary, in the usual manner⁴⁷.

State Government issued (August 2019) Orders⁴⁸ prescribing the mechanism for opening and operation of PD accounts. These orders specified that PD accounts are virtual bank accounts that were conceptualised by the Government to facilitate smooth operations at the field level for scheme implementation. Funds are adjusted to the PD Accounts for specific purposes by debiting the service heads in the Consolidated Fund of the State and crediting the Personal Deposits under Major Head 8443-106-Personal Deposits. Unspent balances in the PD accounts, if any, at the end of the financial year should be lapsed by minus debiting the relevant service heads and debiting the PD accounts. As per these orders, Finance Department (Cash and Debt Management section of Finance Department) sanctions the opening of a PD Account and copy the same to Principal Accountant General (A&E).

4.7.3 Status of PD Accounts.

4.7.3.1 Status of PD Accounts as per Finance Accounts

The details of PD accounts operated during 2021-22 as per Finance Accounts are given in **Table 4.8**.

Table 4.8: Details of PD Accounts during 2021-22

(₹ in crore)			
Opening Balance as on 01 April 2021	Total amount transferred to PD accounts during 2021-22	Total withdrawals from PD Accounts during 2021-22	Closing Balance as on 31 March 2022
25,796.76	65,534.10	77,863.91	13,466.94

Source: Finance Accounts 2021-22; Note: Administrator wise details are not available in Finance Accounts

⁴⁵ Memo. No. 1596/Accts./5y-4, dated 31 December 1959

⁴⁶ Except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

⁴⁷ 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

⁴⁸ G.O.Ms.No.99, Finance (Cash and Debt Management) Department, dated 14 August 2019

4.7.4 Depositing the borrowings of the PSUs/Corporations into Public Accounts of the State

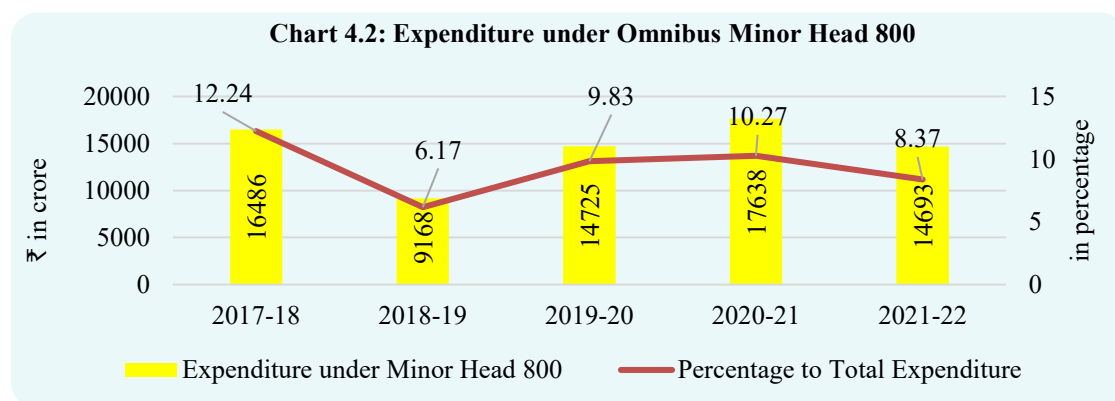
During the year 2020-21, the APWRDC has borrowed an amount of ₹ 903 crore from M/s Rural Electrification Corporation (REC) Limited with Government Guarantee to cover the repayments of the loan including the interest and other costs. This borrowed amount was deposited into the PD Account⁴⁹ of the Corporation. Thereafter, the said amount was transferred to another P.D. Account⁵⁰ on 29 July 2021. Out of the loan amount of ₹ 903 crore, an amount of ₹ 150.08 crore was incurred by APWRDC. The State Government had lapsed the remaining amount of ₹ 752.91 crore from the PD Account to the Consolidated Fund of the State.

This lapsing of borrowings of the corporation into Government account created an unauthorized receipt (receipt which was not in the notice of State legislature) and understated the expenditure and deficit of the State.

4.8 Use of Omnibus Minor Head 800

The omnibus Minor Head 800 relates to Other Receipts/ Other Expenditure and is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Booking of receipts and expenditure under Minor Head 800 affects transparency and renders the accounts opaque.

During 2021-22, the State Government incurred an amount of ₹ 14,692.73 crore under Minor Head 800 under 39 Major Heads of Revenue and Capital sections, constituting 8.37 per cent of total expenditure. The extent of operation of Minor Head 800 - Other Expenditure, as a percentage of Total Expenditure during 2017-22 is given in **Chart 4.2**.



Source: Finance Accounts of respective years

⁴⁹ 8443-00-106-02-20-002-001 VN (DDO Code 27031226002, MD APWRDC) Palanadu Drought Mitigation project

⁵⁰ 8443-00-106-02-20-002-012 VN (Interlinking of Godavari-Penna now YSR Palanadu Drought Mitigation Project)

The usage of Minor Head 800 – Other Expenditure during 2017-22 shows a mixed trend ranging from 12.24 *per cent* during 2017-18 to 8.37 *per cent* during 2021-22 with highest in 2017-18 and lowest in 2018-19.

Instances (90 *per cent* and above) of substantial proportion of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.9**.

Table 4.9: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2021-22

(₹ in crore)			
Major Head	Expenditure under Minor Head 800	Total Expenditure under Major Head	Percentage of MH 800 to total expenditure under Major Head
2875-Other industries	79.80	60.29 ⁵¹	132.36
5053-Capital Outlay on Civil Aviation	35.36	35.19 ⁵²	100.48
5452-Capital Outlay on Tourism	77.01	77.01	100.00
2801-Power	9,768.03	10,850.73	90.02

Source: Finance Accounts 2021-22

During the year 2021-22, the State Government classified receipts of ₹1,050.21 crore, pertaining to 42 Major Heads, under Minor Head ‘800 - Other Receipts’ which constituted 0.69 *per cent* of total receipts. When compared to the expenditure, the operation of Minor Head under Receipt Heads was low. In seven major heads (100 *per cent*) where the substantial proportion of receipts were classified under Minor Head 800 – ‘Other Receipts’, the details are given in **Table 4.10**.

Table 4.10: Significant receipts booked under Minor Head 800 – Other receipts during 2021-22

(₹ in lakh)			
Major Head	Receipts under Minor Head 800	Receipts under Major Head	Percentage of Total Receipts
1456-Civil Supplies	6.04	6.00	100.67
0701-Medium Irrigation	4.35	4.35	100.11
1054-Roads & Bridges	35.22	35.29	99.81
0425-Co-operation	36.99	37.37	98.97
0702-Minor Irrigation	1.47	1.52	96.63
0049-Interest Receipts	18.86	20.46	92.18
0215-Water Supply and Sanitation	6.33	6.98	90.69

Source: Finance Accounts of respective years

4.8.1 Usage of Minor Head 800 despite the availability of specific Minor Heads

The Omnibus Minor Head – 800 was operated despite the availability of Specific Minor Head in the cases detailed in **Table 4.11**.

⁵¹ Due to Deduct Recoveries on account of Overpayments the expenditure under Minor Head 800 was more than expenditure shown under Major Head.

⁵² Due to Deduct Recoveries on account of Overpayments the expenditure under Minor Head 800 was more than expenditure shown under Major Head.

Table 4.11: Use of Omnibus Minor Head 800 despite availability/ instruction to open specific Minor Heads

Classification under Minor Head 800	Description of Sub-head used	Related specific Minor Head to be used	Related Specific Minor Head Description	Amount (₹ in crore)
Receipts				
0700-01-800-02	Sale of water for other purposes	0700-01-103	Sale of water for other purposes	18.42
0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	0.15
Expenditure				
2875-60-800-11-17	AP Industrial Infrastructure Corporation	2875-60-190	Assistance to Public Sector and other Undertakings	79.80
2210-80-800-11-06	Centralised Purchase of Drugs and Medicine	2210-01-104	Medical Stores Depots	1.17
2801-05-800	YSR Nine hours free power Supply	2801-05	Under 2801-05: Each scheme should have separate minor head	6,970.90
2801-80/05-800 - 04/05/06/11/16	Assistance to AP TRANSCO, AP DISCOMs, AP Power Finance Corporation	2801-80-101	Assistance to electricity Boards	2,794.10

Classification of large amounts under the Minor Head 800 affects transparency in financial reporting as it would not indicate disaggregated information on different activities of the Government separately in the accounts and distorts proper analysis of allocative priorities and quality of expenditure.

The State Government in its reply stated that, it is constantly discouraging the use of Omnibus Minor Head 800 and minimizing the same keeping in view the observations of Accountant General.

4.9 Suspense and Remittance Balances

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason. 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.

Remittances embrace all transactions which are in the nature of adjustments in Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of balances

under major suspense and remittance heads for the last three years is given in **Table 4.12**.

Table 4.12: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101- PAO Suspense	91.64	4.66	103.18	23.85	87.15	52.82
Net	Dr. 86.98		Dr. 79.33		Dr. 34.33	
102 - Suspense Account- Civil	101.95	257.72	436.71	1,862.94	797.36	339.39
Net	Cr. 155.57		Cr. 1,426.23		Dr. 457.97	
107 - Cash Settlement Suspense Account	0	0.45	0	0.45	0	0.45
Net	Cr. 0.45		Cr. 0.45		Cr. 0.45	
109 - Reserve Bank Suspense -Headquarters	13.71	7.92	14.2	8.5	14.19	8.5
Net	Dr. 5.78		Dr. 5.70		Dr. 5.69	
110 - Reserve Bank Suspense - CAO	216.97	83.03	148.54	71.18	178.94	71.38
Net	Dr. 133.93		Dr. 77.36		Dr. 107.56	
112 - Tax Deducted at Source (TDS) Suspense	886.67	1,907.21	886.67	2,044.16	0	1,452.69
Net	Cr. 1,020.54		Cr. 1,157.50		Cr.1,452.69	
123 - A.I.S Officers' Group Insurance Scheme	0	0.48	0	0.48	0	0.42
Net	Cr. 0.48		Cr. 0.48		Cr. 0.42	
139 - GST-Tax Deducted at Source Suspense	NA	NA	NA	NA	0	152.14
Net	NA		NA		Cr. 152.14	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	973.1	284.34	76,007.4	75,318.10	76,007.4	75,313.17
Net	Dr. 688.76		Dr. 689.30		Dr. 694.23	
103 - Forest Remittances	439.12	617.44	439.12	617.42	439.16	617.43
Net	Cr. 178.32		Cr. 178.27		Cr. 178.27	

Source: Finance Accounts of respective years

4.9.1 PAO Suspense

This Minor Head is intended for the initial record of inter-Governmental transactions arising in the books of a Central PAO, Separate Accounts Officers of Union Territories and by Accountant General where the other party involved is a PAO. Separate sub-heads are opened under this Minor Head for each Accounts Officer with whom transactions are to be settled. This Minor Head is operated for settlement of amounts received by the State from the Central Ministries/other Union Territories through Reserve Bank of India. Outstanding debit balances under this head indicate that payments have been made by the PAO on behalf of others which are yet to be recovered and credit balances represent the amounts yet to be paid.

As on 31 March 2022, there was a debit balance of ₹ 87.15 crore under this head of account. PAO Central Pensions, M/o Finance (₹ 37.99 crore), Regional PAO, M/o Shipping and Transport (₹ 30.10 crore) are the major entities from where State Government has to receive the funds.

4.9.2 Suspense Account (Civil)

This Minor Head is operated by the Accountant General to accommodate provisionally the differences noticed in the transactions which cannot be taken to the final head of expenditure/receipt accounts for want of certain information/documents viz., challans, vouchers *etc.* 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 implies 'payment made' but could not be debited to the final head of expenditure for want of certain particulars and outstanding credit balance represents the 'receipts' which could not be credited to final receipt head of account for want of details.

To the end of 31 March 2022, major debit balance outstanding under this head was in respect of unclassified suspense of ₹ 369.15 crore and major Credit balance was in respect of other miscellaneous items payments of ₹ 216.54 crore.

4.9.3 Reserve Bank Suspense – CAO

Whenever transfer of substantial balances between Central and State Governments takes place on account of sanction of loan, Grants-in-aid *etc.*, this Minor Head is operated to record the transactions before taking them to their final Head of Account. In case of sanction of loan to the State Government, on receipt of sanction from the PAO of the Ministry concerned, the Accountant General gives credit to MH 6004 – Loans and Advances from the Central Government by debiting MH 8658 Suspense Account 110 RBS (CAO) and awaits adjustment memo from CAS, RBI, Nagpur. After receiving the adjustment memo from CAS, RBI, Nagpur the Suspense Account (Minor Head 110 – RBS (CAO) is cleared by minus debit to MH 8675-RBD-Minor Head 106 of the State. A credit balance under this Minor Head would mean that repayment of loan has not been taken to its final head and a debit balance means loan received from GoI was not booked under the concerned loan head (MH 6004).

As on 31 March 2022, there was a debit balance of ₹ 107.56 crore under this suspense head, awaiting adjustment under Major Head 6004.

4.9.4 Tax deducted at Source (TDS) suspense

This Minor Head is intended to accommodate receipts on account of Income tax deducted at source viz., interest payments on State Government securities, salary bills of State Government employees and pension bills *etc.*, by State Treasury officers/State Pay and Accounts Officers/ other Departmental officers who render compiled accounts of State Government as well as from interest payments on State Government securities made at Public Debt offices of the RBI in the books of the Accountant

General to enable them to settle transactions with Zonal Accounts Officers concerned of Central Board of Direct Taxes by means of Cheques/Bank Drafts.

As on 31 March 2022, the State Government had a credit balance of ₹ 1,452.69 crore under '8658-112 – TDS Suspense', which indicates that the tax recovered by the State Government is yet to be passed to Central Government.

4.9.5 GST - Tax deducted at Source (TDS) suspense

This Minor Head is intended to accommodate receipts on account of Goods and Service Tax deducted at source in the books of central PAO, separated accounts for Union territories and State Accountants General to enable them to settle the transactions with CBIC as per the instructions issued by the department of revenue from time to time.

As on 31 March 2022, the State Government had a credit balance of ₹ 152.14 crore under '8658-139 – TDS Suspense', which indicates that the tax recovered by the State Government is yet to be settled with CBIC.

4.9.6 Remittance Heads

The departmental officers in the Public Works Departments and Forest Departments in the State Government are empowered to handle the receipts and disbursements in the divisions. For that purpose, they are operating the head '8782-Cash Remittances'. The net debit balances under this head indicates more deposits of the money in the treasury/bank by the Public Work divisions whereas the net credit balance under this head indicates the un-encashed cheques or items of adjustments to be carried out by the divisions with other Accounts officers.

As on 31 March 2022, there was a debit balance of ₹ 694.23 crore under Public Works divisions and a credit balance of ₹ 178.27 crore under Forest Remittances.

4.9.7 Inoperative Reserve Funds

Reserve Funds are created for specific purposes by the Government out of their funds with subdivisions – one for the Funds bearing interest and the other for the Funds not bearing interest.

A test-check on these Funds showed that as of 31 March 2022, an amount of ₹ 10.39 crore under Reserve Fund bearing interest and ₹ 15.13 crore under Reserve Fund not bearing interest, were lying inoperative. Details are shown in the *Appendix 4.1*.

4.10 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 2021-22 and deficiencies therein are detailed in **Table 4.13**.

Table 4.13: Compliance to Accounting Standards

Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
IGAS 1: Guarantees given by the Government – Disclosure requirements	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not Complied (Statement Nos. 9 and 20 of Finance Accounts)	Though sector-wise details were disclosed, class-wise details were not incorporated. The Government has disclosed the maximum amount of guarantees given during the year, but detailed information like number of guarantees invoked were not furnished. The Statements were incomplete to that extent. (Refer to Paragraph 2.8 for further audit findings on Guarantees)
IGAS 2: Accounting and Classification of Grants-in- Aid	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Not Complied (Statement No. 10 of Finance Accounts)	State Government made budgetary provision and classified GIA amounting to ₹ 2.54 crore under Capital Major Heads of Account, instead of under the Revenue Section during 2021-22. It did not also furnish any information regarding GIA paid in kind during the year. (Refer to Table 1.9 of Paragraph 1.8.4 for further audit findings on impact of classifying Grants in Aid under Capital Section) Non-compliance led to understatement of Revenue Deficit and overstatement of capital expenditure.
IGAS 3: Loans and Advances made by Governments	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Not Complied (Statement No. 18 of Finance Accounts)	Though the State Government complied with the format prescribed by the Standard, the information in this regard is incomplete, since the details of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. (Refer to Paragraph 2.5.4.2 for further audit findings on Loans and Advances)

Source: Indian Government Accounting Standards and Finance Accounts

Non-Compliance with the Accounting Standards would impact the objective of financial statements to present a true and fair view of the financial position and cash flows apart from hindering fiscal transparency.

4.11 Submission of Annual Accounts by Autonomous Bodies

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

Act).

There were 33 ABs coming under the audit purview as per Section 19 or 20 of the CAG's DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. There was a delay in submission of accounts by such entities to Audit ranging from one to eight years as of September 2022. Details of the periods up to which accounts were due and rendered are given in *Appendix 4.2*. Age-wise details are shown in **Table 4.14**.

Table 4.14: Age-wise arrears of Annual Accounts

Sl.No	Delay in Number of Years	No. of Bodies / Authorities
1	Up to 1 year	14
2	2-3	02
3	4-5	06
4	6-7	06
5	8 or more	05
Total		33

Further, in order to identify the institutions⁵³ which attract audit under Sections 14 and 15 of the CAG's (DPC) Act 1971, Rule 88 of the Regulations on Audit and Accounts (2020) mandates the Government/Heads of Department to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of such assistance and the total expenditure of the institutions. However, the same was not being furnished by the State Government/HoDs.

Annual accounts of 197 such authorities/bodies (1,531 Accounts) were not submitted to Audit as of September 2022. Details of the periods up to which accounts were due and rendered, based on the previous accounts received, are given in *Appendix 4.3*.

The State Government has replied that, the Autonomous Bodies, Development Bodies/Authorities will be advised to submit the Accounts at the earliest.

4.12 Submission of Annual Accounts of Public sector Undertakings (PSUs)

According to Section 395 of the Companies Act, 2013, every State Government shall cause an annual report on the working and affairs of the Government Company to be prepared within three months of its Annual General Meeting and as soon as may be after such preparation, lay before the House or both Houses of the State Legislature together with a copy of the audit report and comments upon or supplement by the Comptroller and Auditor General of India to the Audit Report.

Annual accounts of 83 PSUs (283 Accounts) were not submitted to Audit as of November 2022. Details of the periods up to which accounts were due and rendered, are given in *Appendix 4.4*.

Out of the 14 companies/Statutory Corporations, which submitted their Annual

⁵³Educational Institutions, Government Organisations, Autonomous bodies, etc.,

Accounts up to 2021-22, the details of investments of eight companies⁵⁴ were not reflected in Statement of Investments of Finance Accounts 2021-22. As per Annual Financial Statements furnished by the remaining six companies, the State Government has invested an amount of ₹ 2,767.35 crore and an amount of ₹ 77.93 crore was received as loan. However, as per Finance Accounts, the investments in these Companies were ₹ 2,299.54 crore and the outstanding loans against these companies including un-apportioned investments and loans prior to bifurcation were ₹ 44.27 crore (*Appendix 4.5*). Thus, there is a difference of ₹ 467.81 crore and ₹ 33.66 crore in respect of investments and loans respectively between the Finance Accounts of State Government and Annual Financial Statements of these Companies. There is a need for reconciliation of investments as per Government Accounts and as per the Annual Financial Statements of Government Companies and Statutory Corporations.

Delay in submission of Annual Accounts is being highlighted in the Audit Report. Due to delay in submission of annual accounts by the PSUs, release of the grants and loans disbursed to these Bodies/Authorities and expenditure therefrom cannot be vouchsafed in timely manner. As many of the PSUs are substantially financed with public funds, the State Government shall initiate action for timely finalisation and submission of accounts by the PSUs and evolve an action plan for clearance of arrears in finalisation of accounts.

The State Government has replied that, all the PSUs will be advised to submit the Accounts at the earliest.

4.13 Deposits of Local Funds

The Deposits of Local Funds under Andhra Pradesh Panchayat Act, 1994 provides that Zilla Praja Parishad (ZPP), Mandal Praja Parishad (MPP) and Gram/Village Panchayat (GP) would maintain ZPP, MPP and GP funds respectively (under the classification 8448 – Deposits of Local Funds – 109 – Panchayat Bodies Funds) which would include all the money realised or realisable under the Act and all monies otherwise received by the PRIs, such as Finance Commission grants of GOI, receipts on account of State Finance Commission awards as well as own revenue (composed of tax and non-tax receipts).

Andhra Pradesh Municipalities Act, 1965 envisages that the Municipal Fund is to be maintained by the Municipality concerned. All the money realised or realisable under the Act and all money otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds -102-Municipal Funds. The details of balances, receipts and payments under these funds are given in **Table 4.15**.

⁵⁴ (i) AP Heavy machinery and Engineering Limited (ii) Eastern Power Distribution Company of Andhra Pradesh Limited (iii) AP State Beverages Corporation Limited (iv) AP Metro rail Corporation Limited (v) Central Power Distribution Company of Andhra Pradesh (vi) Southern Power Distribution Company of Andhra Pradesh (vii) Godavari Gas private limited and (viii) AP Gas Distribution Corporation Limited

Table 4.15: Deposits of Local Funds

			(₹ in crore)				
Year	Sl.No		2017-18	2018-19	2019-20	2020-21	2021-22
Gram Panchayat/ Village Panchayat Fund (8448-109-01)	1	OB	2,104.93	1,825.39	1,540.04	2,888.32	2,650.05
	2	Receipts	2,185.08	1,764.20	2,717.07	4,255.93	3,444.21
	3	Payments	2,061.19	2,049.55	1,363.78	4,494.21	4,369.33
	4	CB	2,228.82	1,540.04	2,888.32	2,650.05	1,724.93
Mandal Praja Parishad Funds (8448-109-02)	5	OB	261.92	297.18	326.32	230.92	573.12
	6	Receipts	789.06	1036.6	372.01	468.69	481.90
	7	Payments	674.23	1007.47	467.40	126.49	192.67
	8	CB	376.75	326.32	230.92	573.12	862.36
Zilla Praja Parishad Funds (8448-109-03)	9	OB	886.67	786.09	437.69	504.95	810.30
	10	Receipts	475.16	194.63	261.53	579.87	497.71
	11	Payments	313.74	543.03	194.27	274.53	236.06
	12	CB	1048.09	437.69	504.95	810.3	1071.95
Total PRI Funds	13 (4+8+12)		3,653.65	2,304.05	3,624.25	4,033.47	3,659.24
Municipal Funds (8448-102)	14	OB	3,670.50	3,434.47	2,806.92	4,210.06	4,761.98
	15	Receipts	4,236.34	4,431.57	4,021.78	3,052.20	3,893.78
	16	Payments	4,276.79	5,059.12	2,618.64	2,500.28	5,224.59
	17	CB	3,630.05	2,806.92	4,210.06	4,761.98	3,431.17

Source: Finance Accounts of respective years; Note: Differences in CB of 2017-18 and OB of 2018-19 was due to apportionment of balances between Andhra Pradesh and Telangana

The balances in respect of Finance Commission grants received by Local Bodies to the end of the year 2021-22 are tabulated below:

Table 4.16: Deposits of Local Funds – FC grants

		(₹ in crore)
Institutions	Balance to the end of 31 March 2022	
Panchayat Raj Institutions (PRIs)		
Gram Panchayat/ Village Panchayat Fund	940.16	
Mandal Praja Parishad Funds	491.30	
Zilla Praja Parishad Funds	498.24	
Total PRIs	1,929.70	
Urban Local bodies (ULBs)		
Municipal Funds	818.88	
Municipal Corporation funds	808.02	
Total ULBs	1,626.90	

As can be seen from **Table 4.16**, an amount of ₹ 1,929.70 crore (52.73 per cent of total funds with PRIs) of FC grants was lying unspent under Municipal Funds are related to Finance Commission grants.

During the year 2021-22, in respect of Municipal Funds the closing balance of ₹ 3,431.17 crore under Municipal Funds includes ₹ 1,626.90 crore of FC grants and ₹ 987.50 crore of unspent amount of Centrally Sponsored Schemes.

4.14 Management of Finances and Financial Systems

(a) Adjustment transactions in violation of Statutory Accounting Procedures to the tune of ₹11,237.61 crore

As per SR 1 under TR 16 of Andhra Pradesh Treasury Code Volume I, any withdrawal from the Government Account shall be made by presenting at a Treasury, a bill or other voucher in the prescribed form. Every bill or other voucher shall contain full details as to the amount and the nature of the payment, classification, proper sanction by the competent authority, budget provision *etc.*

It is observed that 1,99,616 adjustment transactions amounting to ₹11,237.61 crore relating to Personal Deposits were carried out during the year 2021-22. The State Government facilitated these transactions through Central Processing Cell (CPC)⁵⁵ of Comprehensive Financial Management System upto February 2022 without routing through/obtaining necessary approvals of Treasury Officer concerned in deviation of procedure envisaged in the AP Treasury Code/Andhra Pradesh State Financial Code. Further, adequate documentation was not visible in a large number of these adjustment transactions. These transactions were, however, included in the monthly / annual accounts of the State Government during 2021-22. Details of the transactions are given below:

Table 4.17: Details of Adjustment Bills

Description (Adjustment bills)	Number of bills	Amount (in crore)
Transfer of funds from Consolidated Fund to PD Accounts Revalidation of unspent amounts lapsed during the previous year.	1,79,536	9,082.52
Transfer from one PD Account to another PD Account (Deduction of Electricity dues of PRIs and ULBs and transfer to DISCOMs).	20,014	1,351.47
Transfer from one PD Account to another PD Account (up gradation of RLBs to ULBs).	63	103.62
Transfer from one PD Account to another PD Account (MGNREGA Scheme).	3	700.00
Total	1,99,616	11,237.61

The State Government replied that, the above said transactions were only in nature of adjustment transactions without any actual cash outgo. The facility for making adjustment entries in the office of the CEO, APCFSS by routing the same through the Treasury was not available at that point of time in the CFMS software, as it was under development which was communicated to the O/o PAG (A&E) earlier.

It was also reiterated that the main reason for operation of these transactions was the non-availability of Treasury interface in the centralised processing software module in CFMS to facilitate the timely completion of these adjustment transactions.

⁵⁵ Central Processing Cell (CPC) is a vehicle formed for the purpose by the Finance Department of the State of Andhra Pradesh to implement the CFMS project. The State Financial code/ Treasury Code has not been updated to mandate a central / treasury role to the CPC for any bill type.

Nevertheless, all the supporting documents, details of DDO and the HoA, debit/credit details, date of transaction, etc., required for accounting & audit are displayed for all the subject transactions & the entire details can be viewed for each and every bill.

Further, the department replied that the development of software facility for making adjustment entries by routing through the Treasury was completed by end of 3rd quarter of FY 2021-22 under the guidance of DTA. This facility was deployed after extensive testing & thereafter the making of adjustment entries is completely stopped. And was also stated that all adjustment transactions mentioned in the Audit Report pertain to the period prior to the development & deployment of the software facility for making the same through the Treasury interface.

As per the Liquidity Infusion Scheme of GoI, one of the pre-conditions set (March 2021) by the Government of India for release of Tranche-II was that the State Government have to clear all its electricity dues to the Distribution Companies (DISCOMs).

The State Government Orders issued (March 2021) orders for deduction of the electricity charges at source from the Fourteenth Finance Commission Grants of Panchayati Raj Institutions (PRI). For this purpose, the Energy Department was authorised to operate the head of account for remittance of the amounts so recovered. During the year 2021-22 the State Government had deducted an amount of ₹ 1,351.47 crore from Finance Commission grants of Local Bodies. Though the pre-conditions of Liquidity Infusion Scheme prescribed for clearance of the DISCOMs' dues, no specific condition/provision exists to deduct the amounts from the Finance Commission Grants. The 14th Finance Commission had specifically stipulated that no conditions other than those fixed by the Commission should be imposed either by the Union or the State Government for the release of funds. GoI has also instructed that, State Government should transfer Finance Commission grants without any deductions to implementing agencies and has to pay penalty equivalent to interest chargeable over market loans during last financial year if not transferred.

In deviation of the above orders, State Government unilaterally deducted the electricity dues from the Finance Commission Grants due to which the Local Bodies were deprived of the funds to that extent.

The deduction of funds pertaining to the Local Bodies by the Finance Department is in contravention to the Constitutional intent of autonomy to the Local Bodies.

State Government replied that, due to non-payment of dues by most of the local bodies, DISCOMs entered into fiscal distress and prepared to exercise the option of disconnecting the power to the local bodies who were not paying their dues as per their rules. It was also replied that, as the disconnection would cause immense hardships to the people living in local bodies, State Government intervened and ensured that some of the dues pertaining to current consumption charges of local bodies were paid from the funds pertaining to FC Grants available with the local bodies and as part of initiatives to improve the financial health of power distribution

companies by GoI. State Government also replied that, it was needed to set up a State level mechanism for deduction of the funds to be transferred to local bodies towards payment of electricity charges of local bodies.

(b) Improper debiting of DA arrears of ₹413.73 crore from GPF accounts

The State Government issued orders⁵⁶ for adjustment of DA arrears to the GPF Accounts of State Government employees. Accordingly, an amount of ₹ 413.73 crore was credited to the GPF Subscribers' Account during July 2021 to November 2021. In March 2022, the State Government withdrew an amount of ₹ 413.73 crore in 62,003 bills unilaterally by debiting the Head of account '8009 – GPF through Central Processing Cell (CPC) of CFMS without routing through / obtaining necessary approvals of the Treasury.

The State Government, in their response (05 August 2022) stated that the credit bills of DA arrears were not originally passed for payment claiming that it was a technical glitch. In order to correct the erroneous credits, the entire set of credits were reversed centrally by CPC. In this regard, it is pertinent to mention that the said credits were already included in the Monthly Accounts and other subsidiary accounts rendered by the Treasuries / PAOs, which formed the basis for the posting of credits in the individual accounts of GPF subscribers by the PAG (A&E).

(c) Operation of Single Nodal Accounts

Government of India issued (March 2021) orders⁵⁷ prescribing the revised procedure for release of funds for the Centrally Sponsored Schemes (CSS) monitoring and their utilisation and the orders were effective from 01 July 2021.

As per the revised procedure, the funds in respect of CSS (GoI Share and Matching State Share) have to be credited into the Single Nodal Account (SNA), which is a bank account. The SNA is mapped to Public Financial Management System (PFMS) to facilitate monitoring and utilisation of funds as well as interest accretions on funds channeled through this bank account by respective Ministries of GoI. In accordance with the directions of Ministry of Finance, Government of India, funds received by the State Government under Centrally Sponsored Schemes are restricted for use by the State Government and was required to be transferred to concerned SNA's account within a period of 21 days of its receipt.

In compliance with GoI's directions, the State Government transferred CSS funds to SNA accounts to the tune of ₹ 12,111.52 crore during the year 2021-22. As on 31 March 2022, an amount of ₹ 1,390.58 crore, including both Central and State Share, remained unspent in SNA Accounts (as on 29 March 2022) in respect of 50 schemes.

⁵⁶ G.O.Ms.No.51 Finance (PC&TA) Department dated 31 July 2021 and G.O.Ms.No.94, Finance (PC&TA) Department dated 04 January 2022

⁵⁷ GoI, Ministry of Finance, O.M. No. F.No.1 (13) PFMS/FCD/2020 dated 23 March 2021

4.15 Timeliness and Quality of Accounts

Principal Accountant General (A&E) receives the compiled accounts of the State from 13 District Treasuries (DTOs), 19 Public Works Pay and Accounts Offices (PAO (W) (Building and Roads, Water Supply and Sanitation /Public Health Engineering, Panchayati Raj, Forest Divisions, Irrigation/Water Resource Division), three Pay and Accounts Offices, three Tungabhadra Divisions and Advices of the Reserve Bank of India. There was no exclusion of primary accounts during 2021-22.

Non-Submission of Utilisation Certificates, pendency in submission of Detailed Contingent Bills, Discrepancies in Personal Deposit Accounts and Non-adherence to Indian Government Accounting Standards by the State Government and managing transactions through back end of system affected the completeness, transparency and disclosure of Accounts.

4.16 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.

Finance Department has not furnished the Explanatory Notes (ENs) for the State Finances Audit Reports for the years 2016-17 and 2017-18 as of December 2022. 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.

4.17 Conclusion

Operation of PD Accounts lacked clarity and transparency as huge amounts were shown to have been transferred to these accounts during the year but were not actually made available to the departmental officials for incurring expenditure. Transferring of funds from Consolidated Fund of the State to Personal Deposit Accounts without incurring actual expenditure, resulted in inflation of expenditure and lack of legislative scrutiny. It is imperative to curtail the usage of Personal Deposit Accounts to maintain the sanctity of budgetary process.

Non-submission of accounts by Autonomous Bodies, Development Bodies/Authorities and PSUs was in violation of prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government Departments.

There were 1,99,616 adjustment transactions amounting to ₹ 11,237.61 crore relating to Personal Deposits carried out during the year 2021-22. These transactions were carried out centrally by Central Processing Cell (CPC) of CFMS, without routing through/obtaining necessary approvals of the Treasury as required by the provisions of the State Financial Code / Treasury Code. Further, adequate documentation was

not visible on large number of adjustment transactions which affects the transparency in Government Accounts.

State Government deducted an amount of ₹1,351.47 crore from Finance Commission grants pertaining to Local Bodies towards electricity charges dues to DISCOMs during 2021-22. The action of the State Government in deducting the funds from Finance Commission grants without the consent of Local Bodies is in contravention to the Constitutional intent of autonomy to the Local Bodies.

4.18 Recommendations

1. *State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of Utilisation Certificates and Detailed Countersigned Contingent bills.*

2. *State Government should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in a time bound manner, to assess their financial position.*

3. *State Government should discourage the use of omnibus Minor Head 800 and in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under this Head and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.*

4. *The operation of special bills/adjustment bills through backend of the CFMS bypassing the controls of the treasury system should be stopped and all the transactions should be made through the established standard operating procedure to maintain integrity of the system.*