

**CHAPTER – IV**

**QUALITY OF ACCOUNTS AND FINANCIAL  
REPORTING PRACTICES**



## **Chapter IV: Quality of Accounts and Financial Reporting Practices**

A sound internal financial reporting system based on compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance.

This chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directives during the current year.

### **Issues related to completeness of Accounts**

#### **4.1 Funds outside Consolidated Fund or Public Account of the State**

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the 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.

An instance wherein public expenditure was met through creation of fund outside the Consolidated Fund was mentioned in earlier Reports<sup>1</sup> of the CAG on State Finances. This procedure continued during the current year.

##### **4.1.1 Maharashtra Nivara Nidhi**

The Housing Department, Government of Maharashtra (GoM) vide Government Resolution (GR) (May 2010) created the Maharashtra Nivara Nidhi (MNN) with the objective of supplementing the resources of the Government for undertaking various housing schemes through Central assistance. The MNN would receive fund from GoM, Maharashtra Housing and Area Development Authority (MHADA) and a recurring contribution from Slum Rehabilitation Authority (SRA) by way of 90 *per cent* of the land premium collected by the Authority. This fund was created under the jurisdiction of MHADA, and as per the GR, the fund would be audited on the lines of MHADA and the Annual Accounts and Audit Report of MNN would be placed in the State Legislature every year.

Since its inception till March 2021, MNN received ₹ 36,982.48 crore from GoM, MHADA and a recurring contribution from SRA by way of 90 *per cent* of the land premium collected by the Authority. The Accounts for the year 2021-22 was not prepared (November 2022). The Annual Accounts and the Audit Report of the receipts and expenditure incurred out of

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<sup>1</sup> Paragraph 1.2.3, Paragraph 1.5.2, Paragraph 1.2.3, Paragraph 4.1.1 and Paragraph 4.1.1 of the Report of the CAG on State Finances for the year 2013-14, 2014-15, 2016-17, 2019-20 and 2020-21 respectively

MNN were not submitted (November 2022) to the State Legislature, despite the fact that ₹ 6,376.50 crore was spent from this fund till March 2021.

As the Fund was created under the MHADA, an autonomous body, audited by the CAG of India under Section 20(1) of the CAG's DPC (Act) 1971, a formal amendment to the MHADA Act, 1976, incorporating the creation of the MNN and the subsequent audit arrangement of the Fund was required. Further, Finance Department have directed (August 2017) Housing Department to make necessary amendments in the MHADA Act, 1976 ensuring administrative and financial independence for MNN and to ensure audit of this fund by the CAG. However amendment to the MHADA Act has not yet been done (November 2022)

Thus, creation and operation of MNN outside the Government accounts escaped the legislative scrutiny through the regular process of authorisation. It would be appropriate, if the activities planned under MNN are carried out through the regular budgetary process.

## 4.2 Non-discharge of liability in respect of interest

### Interest bearing deposits

The State Government has to pay interest on the un-invested balances lying under the head "Deposit Accounts bearing interest". During 2021-22, the entire balance of ₹ 57,753.44 crore lying in interest bearing Deposit Accounts as on 31 March 2022 was not invested. The State Government paid an interest of ₹ 2,623.95 crore on the un-invested portion of ₹ 57,108.56 crore. Interest was not paid on the remaining un-invested portion of ₹ 644.88 crore. The interest liability on this un-invested portion works out to ₹ 25.79 crore, at the rates of interest applicable on Ways and Means Advances. The details of non-discharge of liability in respect of interest towards interest bearing deposits are given in **Table 4.1**.

**Table 4.1: Non-discharge of liability in respect of interest towards interest bearing deposits**

(₹ in crore)				
Sl. No.	Name of the Interest-bearing deposit	Opening Balance as on 1st April 2021	Un-invested portion for which interest has not been paid	Amount of Interest not provisioned (Calculated @ 4%)
1	8336 Civil Deposits	46569.43	0.00	0.00
2	8338 Deposit on Local Funds	89.04	89.04	3.56
3	8342 Other Deposits	11094.97	555.84	22.23
<b>Total</b>		<b>57753.44</b>	<b>644.88</b>	<b>25.79</b>

Source: Finance Accounts 2021-22

### Interest bearing Reserve Fund

- During 2021-22, under the National Pension Scheme, the State Government transferred ₹ 3,761.74 crore to NSDL. As on 31 March 2022 the cumulative balance amount of ₹ 9,050.14 crore is yet to be transferred to NSDL. The interest liability on the un-transferred balance of ₹ 10,642.26 crore (opening balance as on 01 April 2021) works out to ₹ 755.60 crore at the rate of interest payable to General Provident Fund (7.1 per cent), of which ₹ 271.61 crore was paid to NSDL during the year. The unpaid interest of ₹ 483.99 crore has impact on the overall liability of the Government.

- The State Government is liable to provide for interest in respect of the balances lying under State Compensatory Afforestation Fund (₹ 3,432.72 crore) and General Insurance Fund (₹ 346.76 crore). The interest is calculated taking average Ways and Means interest rate as four *per cent* for the year. Interest amounting to ₹ 137.31 crore in respect of State Compensatory Afforestation Fund was not paid during 2021-22.

### 4.3 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State Implementing Agencies for implementation of various schemes and Programmes. As these funds are not routed through the State budget/State Treasury system, the Finance Accounts of the State do not capture these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them, do not represent the complete picture.

Therefore, Government of India decided to transfer all assistance related to Centrally Sponsored Schemes (CSS)/ Additional Central Assistances directly to the State Government and not to Implementing Agencies from 01 April 2014 onwards.

During 2021-22, Central funds amounting to ₹ 14,793.46 crore was transferred directly to the State Implementing Agencies instead of routing through State Government. This was as per the scheme guidelines of the respective schemes.

These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts. The direct transfers to State Implementing Agencies have shown an increasing trend during the last five years as detailed in **Table 4.2**.

**Table 4.2: Funds transferred directly to Implementing Agencies during 2017-18 to 2021-22**

(₹ in crore)					
Years	2017-18	2018-19	2019-20	2020-21	2021-22
Direct transfers to State implementing agencies	1854.82	3004.46	7851.42	12599.90	14793.46
Source: Finance Accounts of respective years					

The implementing agencies, which received major transfers during 2021-22 are shown in **Table 4.3**.

**Table 4.3: Implementing agencies which received direct transfer from GoI**

(₹ in crore)			
Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	GoI releases during 2021-22
1	Pradhan Mantri Kisan Samman Nidhi (PM Kisan) 3624	Department of Agriculture Maharashtra	6484.60
2	Food Subsidy for Decentralised procurement Guarantee programme-State Component (9219)	Food & Civil Suppliers & Consumers Protection Department Govt. of Maharashtra	4082.07
3	Mahatma Gandhi National Rural Employment Guarantee Program-State Component-[9219]	Mahatma Gandhi National Rural Employment Guarantee Scheme State Fund Association Maharashtra	2678.21

Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	GoI releases during 2021-22
4	Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers margin under NFSA-[3424]	Food & Civil Suppliers & Consumers Protection Department Govt. of Maharashtra	289.72
5	Sagarmala (9826)	Maharashtra Maritime Board	172.88
6	Member of Parliament Local Area Development Scheme (MPLAD)-[1261]	District Collector, Maharashtra	144.00
7	National AIDS and STD Control Programme-[9316]	Maharashtra State AIDS Control Society-[MSACS]	132.74
8	Innovation, Technology Development and Deployment - [1819]	Educational Universities	126.66
9	National Highway Authority of India-[0845]	Competent Authority Land Acquisition (CALA)/SDO	124.42
10	Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India - (FAME - India)-[3382]	Brihanmumbai Electric Supply and Transport Undertaking	72.92
11	Biotechnology Research and Development-[0150]	Educational Universities	65.62
12	Sugar Subsidy Payable under PDS-[3043]	Food & Civil Suppliers & Consumers Protection Department Govt. of Maharashtra	60.44
13	Solar Power –Grid Interactive [3321]	Maharashtra State Electricity Distribution Company Limited – MSEDCL	59.71
14	Science and Technology Institutional and Human Capacity Building-[1817]	Educational Universities	59.47
15	Atal Bhujal Yojna- [3282]	ATAL JAL - State Project Management Unit, Maharashtra	43.18
16	Research Training and Studies and other Road safety Schemes [0848]	Transport Commissioners Office	35.28

Source: Finance Accounts 2021-22; Public Financial Management System-PFMS

#### 4.4 Single Nodal Agency (SNA) and Single Nodal Account

With a view to have more effective cash management and bring more efficiency in public expenditure, the GoI in the Ministry of Finance, Department of Expenditure vide Office Memorandum (March 2021) issued detailed procedure for release of funds under Centrally Sponsored Schemes (CSS) and for monitoring and utilisation of funds, effective from 01 July 2021.

As per the guidelines, every State Government has to designate a Single Nodal Agency (SNA) for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorized to conduct government business by the State Government. The Ministries/Departments will release the central share for each CSS to the State Government's Account held in the Reserve Bank of India (RBI) for further release to the SNA's Account.

Further, it will be the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the IAs to the Single Nodal Account of the SNA concerned.

In accordance with the directions of Ministry of Finance, GoI, funds received by the State Government under CSS 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 lines with the GoI memorandum, the GoM issued Circular (July 2021) allotting responsibilities with timelines to administrative departments for speedy implementation of the SNA.

The Finance Department did not furnish the consolidated information (January 2023) on appointment of SNA for all the CSS implemented in the State. Instead the Finance Department, GoM (November 2022) instructed the administrative departments to furnish the accounting mechanism and appointment of SNA for the CSS implemented by the respective departments. As per information received from State Health Mission, Public Health departments (December 2022), SNA has been appointed for all the three CSS (National Health Mission, National Ayush Mission, Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PM-ABIM) implemented and these SNAs have opened Single Nodal accounts in the scheduled banks as per the guidelines. Similarly, in Other Backward Bahujan Kalyan department (November 2022), two CSS have been implemented by the department, and has appointed SNA and Single Nodal account is operational from 2022-23. The other administrative departments are yet to furnish the information.

Further, as on 31<sup>st</sup> March 2022, unspent amount in SNA account has not been made available by State Government (January 2023).

### Issues related to Transparency

#### 4.5 Delay in submission of Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the grants received during a year 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 Accounting Offices concerned i.e. Pr. 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 unless specified otherwise.

As on 30 June 2022, 15,057 UCs amounting to ₹ 37,931.83 crore given to 27 Departments of the State Government had not been submitted. The status and age-wise details of delays in submission of UCs is given in **Table 4.4** and **4.5** respectively.

**Table 4.4: Age-wise arrears in submission of Utilisation Certificates**

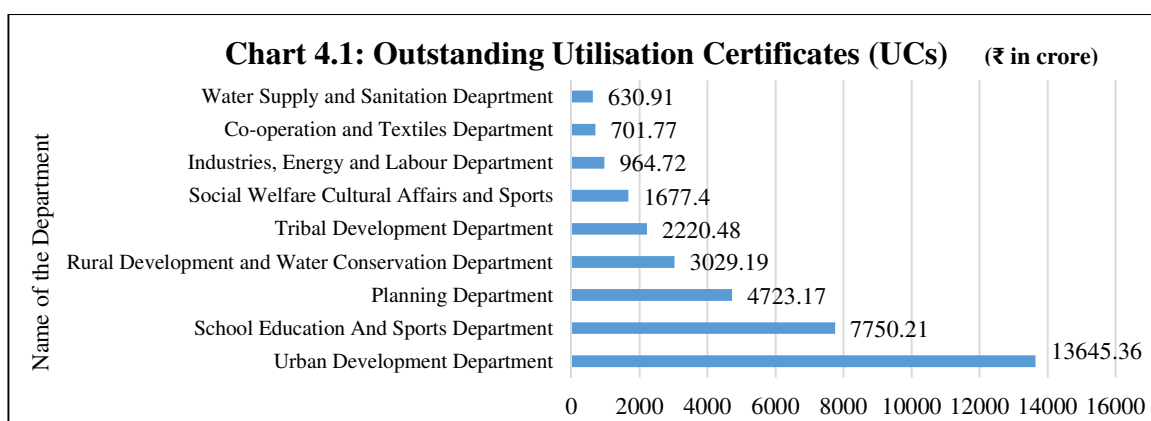
Year	Opening Balance		Clearance		Due for submission	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
Upto 2019-20	12287	24148.00	6339	7770.47	5948	16377.53
2020-21	15953	18713.97	12116	12438.02	3837	6275.95
2021-22	31736 <sup>#</sup>	78385.00 <sup>#</sup>	26464	63106.65	5272	15278.35
<b>Total</b>	<b>59976</b>	<b>121246.97</b>	<b>44919</b>	<b>83315.14</b>	<b>15057</b>	<b>37931.83</b>
# Additions during the year –GIA bills drawn during 2020-21 and due during 2021-22						
Source: Information compiled by O/o the Pr. Accountant General (A&E)-I, Maharashtra, Mumbai						

**Table 4.5: Year wise break up of outstanding UCs**

(₹ in crore)			
Year	Number of UCs	Amount	Percentage
Upto 2013	1024	6533.98	17.23
2013-14	50	324.27	0.85
2014-15	38	445.17	1.17
2015-16	238	439.77	1.16
2016-17	612	808.24	2.13
2017-18	1513	3689.75	9.73
2018-19	2473	4136.35	10.90
2019-20	3837	6275.95	16.55
2020-21	5272	15278.35	40.28
<b>Total</b>	<b>15057</b>	<b>37931.83</b>	<b>100</b>

Source: Information compiled by O/o the Principal Accountant General (A&E)-I, Maharashtra

Since the UCs in the above cases were not submitted, complete utilisation of grants released could not be ascertained. Despite the pending UCs, the grants were released to the institutions indicating lack of control over sanctioning of grants. Hence, Government needs to review all such UCs pending for more than a year before release of further grants.



(Source: Finance Accounts 2021-22)

As seen in **Chart 4.1**, majority of cases of non-submission of UCs related to the Urban Development Department (35.97 per cent), School Education and Sports Department (20.43 per cent) and Planning Department (12.45 per cent). Pendency in submission of UCs not only indicates absence of assurance on utilisation of grants released for intended purposes, but also lack of monitoring of utilisation of grants released to the grantees by the departments. Department-wise details of outstanding UCs separately for each year are detailed in **Appendix 4.1**.

Non-submission of UCs is fraught with the risk of misappropriation, it is imperative the State Government should monitor this aspect closely. Further, delay in submission of UCs would impact further release of grants by GoI.

#### 4.5.1 Recording of Grantee institutions as “others”

Grants-in-aid (GIA) are payments in nature of assistance, donations or contributions made by one government body/institution/individual to another government body/institution/individual.

As per Finance Accounts 2021-22, Grant-in-Aid (₹ 1,52,336.85 crore) constituted 38.20 per cent of total expenditure (₹ 3,98,792.31 crore) of the State. Out of the total



Grant-in-Aid of ₹ 1,52,336.85 crore, an amount of ₹ 36,890.12 crore (24 per cent) disbursed to grantee institutions was classified as ‘Others’.

Absence of proper recording of the grantee institutions in the Accounts has a negative impact on the transparency of financial reporting.

#### 4.6 Abstract Contingent Bills

As per the provisions of Maharashtra Treasury Rules, 1968, when money is required in advance or the Drawing and Disbursing Officers (DDOs) are not able to arrive at the exact expenditure, DDOs are authorised to draw money through Abstract Contingent (AC) bills by booking the expenditure under service heads concerned. The Detailed Contingent (DC) bills containing vouchers in support of final expenditure towards the amount so drawn are to be submitted within 30 days to the Offices of the Accountant General (A&E)-Mumbai/Nagpur or Pay and Accounts Office, Mumbai, as the case may be. Further, Finance Department (September 2003) has prohibited withdrawal of money on AC Bill at the end of the financial year.

As on 30 June 2022, 1901 DC bills amounting to ₹4,316.50 crore were not received in the Offices of the Pr. Accountant General (Accounts and Entitlement)-I Maharashtra, Mumbai, Accountant General (Accounts and Entitlement)-II Maharashtra, Nagpur, and Pay and Accounts Office Mumbai.

It was seen that out of ₹ 1,222.31 crore drawn through 1330 AC bills during 2021-22, ₹929.02 crore drawn through 511 AC bills (76 per cent) was drawn in March 2022. Significant drawal through AC bills in March indicates that the drawal was primarily to exhaust the budget provision and reveals inadequate budgetary control. The department wise pendency of detailed contingent bills is given in **Appendix 4.2**. Year-wise details of pending detailed contingent bills are given in **Table 4.6**.

**Table 4.6: Year wise progress in submission of DC bills against the AC bills**

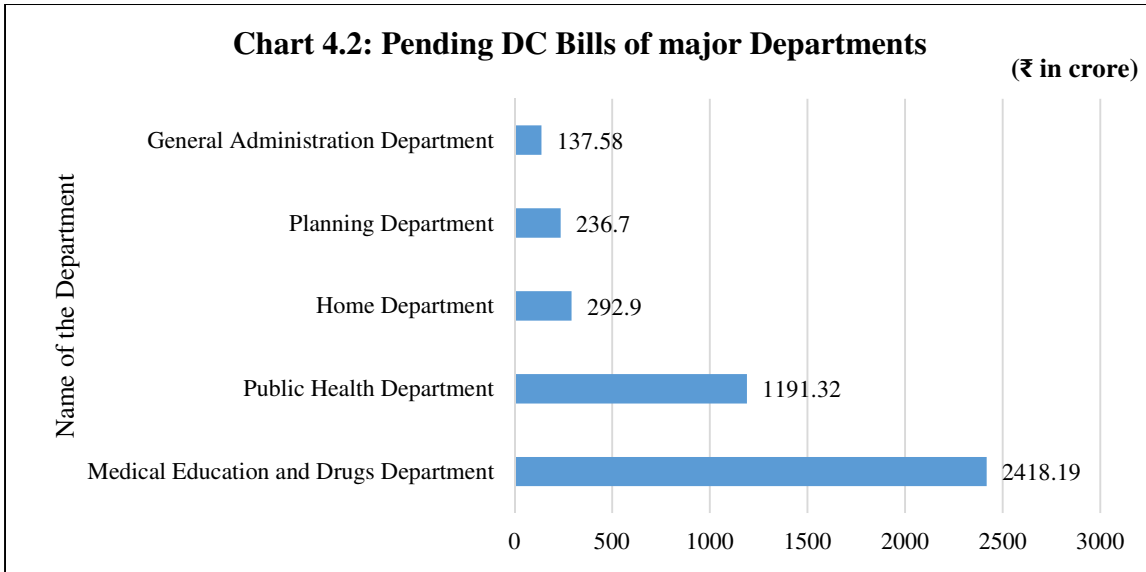
(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding DC bills as on 30 June 2022	
	No.	Amount	No.	Amount	No.	Amount
Upto 2019-20	1473	2034.41	480	155.23	993	1879.18
2020-21	773	1392.64	471	123.97	302	1268.67
2021-22	1330 <sup>#</sup>	1222.31 <sup>#</sup>	724	53.66	606	1168.65
<b>TOTAL</b>	<b>3576</b>	<b>4649.36</b>	<b>1675</b>	<b>332.86</b>	<b>1901</b>	<b>4316.50</b>

<sup>#</sup> Additions during the year

Source: Information compiled by O/o the Principal Accountant General (A&E)-I, Maharashtra, Mumbai

Status of pending DC bills in respect of five major departments is given in **Chart 4.2**.



(Source: Finance Accounts 2021-22)

**Chart 4.2** reveals that 56.02 per cent of the outstanding DC bills pertain to Medical education and drugs Department (₹ 2,418.19 crore) and 27.60 per cent related to Public Health Department (₹ 1,191.32 crore).

The drawl of funds on AC bill is accounted against the functional Major Head in the consolidated fund of the state. Unless the accounts are settled within the time allotted through DC bills, the expenditure stands inflated to that extent. Non-submission of DC bills indicates lack of monitoring on the part of Departments as well as treasuries.

**Abstract Contingent (AC) Bills drawn in favour of Haffkine Bio Pharmaceuticals Corporation Limited (HBPCL)**

The Government of Maharashtra in Public Health Department issued orders (July 2017) for purchase of medicines, medical equipment etc. required by Government departments, local bodies etc. through procurement cell established in HBPCL. The financial powers were delegated (March 2018) to Public Health Department, Medical Education and Drugs Department, Directors and Regional Heads of these departments to draw funds on AC bills as an advance to the Procurement Cell of HBPCL.

Accordingly, funds amounting to ₹ 4,298.05 crore were drawn on AC bills by the DDOs and transferred to the Procurement Cell of HBPCL during 2017-18 to 2021-22 as shown in **Table 4.7**.

**Table 4.7: AC bills drawn in favour of HBPCL**

Year	Funds transferred by DDO on AC bills to HBPCL	DC bills pending as on 30 June 2022
2017-18	483.94	219.43
2018-19	794.31	425.33
2019-20	824.70	703.26
2020-21	1650.32	1200.57
2021-22	544.78	1057.62

Rule 303 of the Maharashtra Treasury Rules (MTR) 1968 and Finance Department's GR (September 2003) stipulated that DC bill should be submitted within one month of drawal

of AC bills. Finance Department Resolution (February 2008) permits three months' time for submission as a special case duly approved by the competent authority. Since the process of procurement takes much longer than the stipulated time period as required for submission of DC bills, drawal of funds through AC bills is in contravention to the MTR provision and has also resulted in substantial funds remaining outside Government Accounts.

Further, Rule 282(2) of the Maharashtra Treasury Rules, 1968 prevents drawal of money from the government account in anticipation of demands or to prevent the lapse of grants. Finance Department's Resolution (September 2003), stipulates that AC Bills cannot be drawn in the month of March of the Financial year. An analysis of AC Bills drawn by the DDOs from the Public Health, Medical Education and Drugs and Planning Departments during 2017-18 to 2021-22, for purposes of payment/transfer of funds to HBPCCL, indicated that major portion of these AC Bills have invariably been drawn in month of March, as shown in **Table 4.7** which indicated that the moneys under budgetary grants of these departments, that would have ordinarily lapsed on 31<sup>st</sup> of each financial year were being moved out of Government Accounts and kept undisbursed for considerable length of time.

The total outstanding AC bills for want of DC bill as on 30 June 2022 was ₹ 4,316.50 crore, of which ₹ 3,763.61 crore (87 *per cent*) relates to AC Bills drawn in favour of (HBPCCL) by the DDOs of Public Health Department, Medical Education and Drugs Department and Planning Department. The issue regarding large pendency of outstanding AC bills in these departments have continued even after being highlighted in the previous Reports<sup>2</sup>. Efforts are required on the part of the State Government for speedy clearance of the pendency.

Non-adjustment of advances for a long period is fraught with the risk of mis-utilisation of funds and therefore, requires close monitoring by the respective DDOs for ensuring timely submission of DC bills.

#### 4.7 Personal Deposit Accounts

The PD accounts, also known as Personal Ledger Accounts (PLAs) are in the nature of a banking account kept in the Treasuries. According to Rule 494 of Maharashtra Treasury Rules, 1968 and Rule 12 of the Bombay Financial Rules 1959, Personal Deposit (PD) Accounts/Personal Ledger Accounts (PLA) can be opened with Treasury Officer for specified purpose on the basis of approval of Government in consultation with the Accountant General of the State.

Further as per Rule 495 of Maharashtra Treasury Rules, Government of Maharashtra (GoM) is authorised to keep funds required for specific purposes in the PD Accounts by transfer of funds from the Consolidated Fund. PD Accounts which are inoperative for more than one year should be closed and the balances at the credit of such accounts should either be paid to the PD Account holder or credited to the Consolidated Fund of the State. In cases where the PD Accounts are debited to the Consolidated Fund, the same should be closed at

<sup>2</sup> State finance Audit report of the CAG of India for the year ended 31 March 2021

the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

As on 31 March 2022, 1652 PD Accounts showed a closing balance of ₹ 10,522.67 crore as indicated in **Table 4.8**.

**Table 4.8: Status of Personal Deposit Accounts during 2021-22**

(₹ in crore)

Opening Balance		Addition during the year		Closed during the Year		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
1975	10805.82	2	21065.32	325	21348.47	1652	10522.67

Source: Finance Accounts 2021-22

Retention of funds in PLAs not only led to expenditure booked under the service heads being inflated without actual outgo, but also resulted in dilution of treasury control over actual expenditure.

During 2021-22 an amount of ₹ 21,065.32 crore was transferred from the Consolidated Fund of the State to the PD Accounts. This includes ₹ 647.56 crore transferred in March 2022 of which ₹ 296.68 crore was transferred on the last working day of March 2022.

Out of balance of ₹ 10,522.67 crore as on 31 March 2022, an amount of ₹ 144.40 crore in respect of 383 operators was lying unspent for more than one year. During 2021-22 only 99 Administrators of PD Accounts out of 1652 had reconciled their balances with Principal Accountant General (A&E)-I, Accountant General (A&E)-II and Pay and Accounts Office. Incomplete reconciliation would affect the correctness of the balances in the un-reconciled PD accounts.

#### **4.7.1 Inoperative Personal Deposit Accounts**

As per Rule 495 of Maharashtra Treasury Rules (MTR), 1968 and 585(2) of Maharashtra Treasury Manual (MTM), (PDs)/(PLAs), which are inoperative for more than one year should be closed and the balances in such accounts are to be credited to the Government Account as Miscellaneous revenue under Major Head 0075.

It was observed that in 383 accounts, PLAs were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 144.40 crore lying idle in the PLAs as of March 2022. Action needs to be taken by the administrators to analyse and reconcile the balances; close the accounts and write back the unspent balances to the Consolidated Fund of the State.

Non-transfer of unspent balances lying in the PD accounts to the Consolidated Fund of the State entails the risk of misuse of Public fund.

#### **4.8 Indiscriminate use of Minor Head- 800**

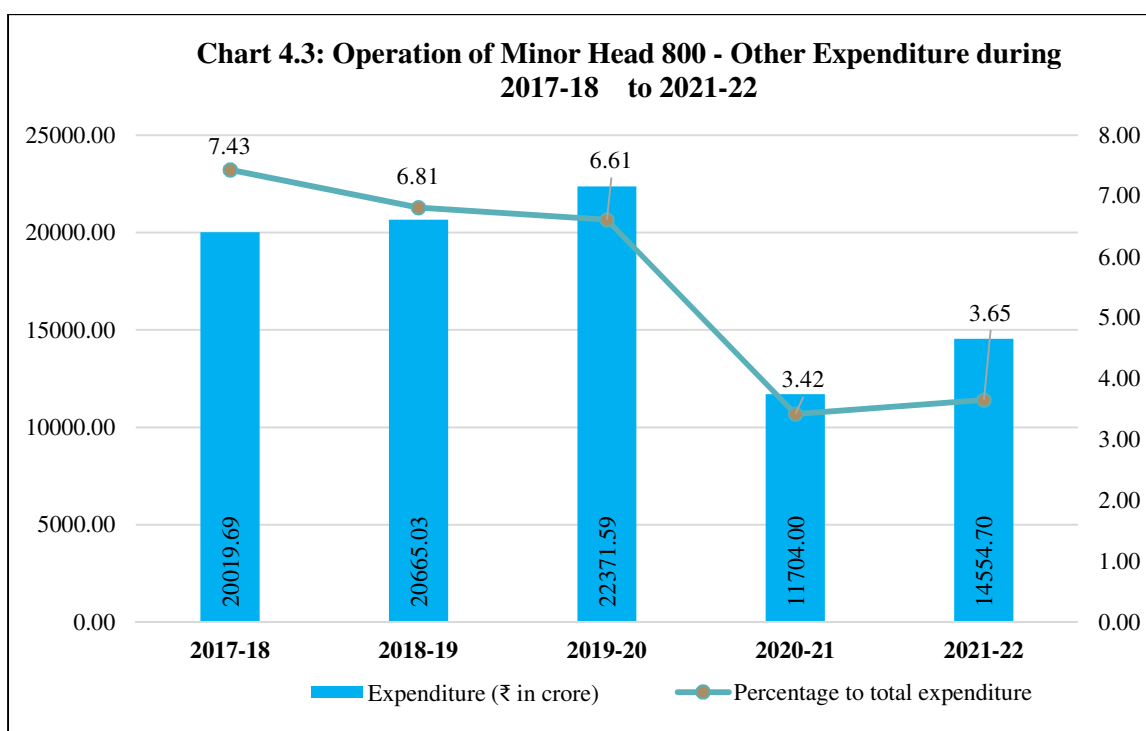
The omnibus Minor Head 800 relating to 'Other Receipts/Other Expenditure' is to be operated only in cases when the appropriate Minor head has not been provided in the Account. Indiscriminate booking of receipts and expenditure under Minor Head 800 results in

opaqueness in accounts. Some instances where expenditure was booked under Minor Head 800 even when suitable Minor head was available under the same Major Head is detailed below:

- (i) In two instances related to Road works, the State Government booked expenditure of ₹ 547.59 crore under Minor head 800 whereas appropriate head viz., 337-Road works was available under Major head 3054 in List of Major and Minor Heads.
- (ii) Expenditure on Grant-in-aid to Zilla parishads for Rural Development programme amounting to ₹ 1341.68 crore, booked under Minor head -800 instead of Minor head 101- Panchayati Raj under the Major head-.2515
- (iii) Grants to Social Welfare Institutions amounting to ₹132.72 crore was booked under Minor head-800 instead of Minor head 101-Assistance to voluntary organization under the Major head-2235.

During 2021-22, the State Government had booked expenditure of ₹ 14,554.70 crore under Minor Head 800 under 49 Revenue and Capital Major heads of Account, constituting 3.65 per cent of the total revenue and capital expenditure of (₹ 3,98,792.31 crore).

The extent of operation of Minor head 800- other expenditure as a percentage of total expenditure during 2017-18 to 2021-22 is shown in **Chart 4.3**.



(Source: Finance Accounts of respective years)

**Chart 4.3** shows that there has been a decrease in the operation of Minor Head 800 - Other Expenditure with its share in total revenue and capital expenditure ranging between 7.43 per cent and 3.65 per cent during the period 2017-18 to 2021-22. Instances of substantial proportion (50 per cent or more) 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)

Sr. No.	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
1	2216	Housing	801.22	1568.15	51
2	4055	Capital Outlay on Police	162.01	291.90	56
3	4070	Capital Outlay on other Administrative Services	968.24	1002.75	97

Source: Finance Accounts 2021-22

During 2021-22 the State Government classified receipts of ₹ 10,855.07 crore constituting 3.25 per cent of the total revenue receipts (₹ 3, 34,490.45 crore) pertaining to 63 Major heads under Minor Head “800-Other Receipts. During the previous year, ₹ 8,795.37 crore under 73 Major Heads of Account, constituting 3.24 per cent of the total Revenue Receipts (₹ 2,71,080.26 crore) was classified under 800-Other Receipts in the accounts.

Cases where over 50 per cent of receipts were classified under Minor Head 800 – ‘Other Receipts’, are given in **Table 4.10**.

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

(₹ in crore)

Sr. No.	Major Head	Description	Receipts under Minor Head 800	Total Receipts	Percentage
1	0029	Land Revenue	2216.80	3064.66	72.33
2	0217	Urban Development	4936.01	5557.28	88.82
3	0070	Other Administrative Services	305.60	320.54	95.33
4	0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	153.93	204.64	75.22
5	0202	Education, Sports, Art and Culture	113.75	152.16	74.76
6	0216	Housing	112.83	117.11	96.34
7	0235	Social Security and Welfare	179.37	220.88	81.21
8	0220	Information and Publicity	43.16	43.34	99.58
9	0250	Other Social Services	198.19	279.31	70.96
10	0425	Co-operation	92.38	103.64	89.13
11	0435	Other Agricultural Programme	2.41	3.21	75.07

Source Finance Accounts 2021-22

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

### Issues relating to Measurement

#### 4.9 Outstanding balance under major Suspense and DDR heads

The accounts of the Government are kept on cash basis. Certain intermediary/adjusting heads of accounts known as “Suspense heads” are opened in Government accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers etc.

These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. If these amounts are not cleared subsequently, the balance under the suspense heads would accumulate and would not reflect Government's receipt and expenditure accurately. The balances under Suspense and Remittance Heads are shown in **Table 4.11**.

**Table 4.11 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	178.59	22.04	169.66	21.13	142.67	29.06
Net	Dr. 156.55		Dr.148.53		Dr. 113.61	
102 - Suspense Account-Civil	9.78	5.62	34.18	4.31	4.26	5.14
Net	Dr. 4.16		Dr.29.87		Cr (-)0.88	
107 - Cash Settlement Suspense Account	18.30	0.49	18.30	0.49	18.30	0.49
Net	Dr.17.81		Dr.17.81		Dr 17.81	
109 - Reserve Bank Suspense –Headquarters	(-)1.45	0.10	(-)1.43	3.08	5.86	14.48
Net	Cr. 1.55		Dr.4.51		Cr (-) 8.62	
110 - Reserve Bank Suspense – CAO	(-)2.00	2.85	440.00	371.42	43.71	3.03
Net	Cr 4.85		Dr.68.58		Dr 40.68	
112 - Tax Deducted at Source (TDS) Suspense	186.93	607.14	(-) 18.33	146.43	0	180.41
Net	Cr.420.21		Cr.164.76		Cr (-) 180.41	
123 - A.I.S Officers' Group Insurance Scheme	5.65	0.18	4.53	0.26	4.57	0.10
Net	Dr.5.47		Dr.4.27		Dr.4.47	
<b>Major Head 8782-Cash Remittances</b>						
102 - P.W. Remittances	155220.14	154822.30	184501.22	186208.92	226577.76	227677.03
Net	Dr.397.84		Cr.1707.70		Cr 1099.27	
103 - Forest Remittances	13934.22	13946.49	16394.16	16429.55	1935760.02	1940625.01
Net	Cr.12.27		Cr.35.39		Cr 48.65	
Source: Finance Accounts of respective years						

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs:

#### ***Pay and Accounts Office (PAO) Suspense***

This head is intended for settlement of transactions between the AG and the various separate Pay and Accounts Offices (PAO) of GoI. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the PAO and on issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the PAO. Outstanding debit balance under this head would mean that payments were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed

a decreasing trend. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to payments made by the State Government to Central Government Civil Pensioners.

#### ***Tax Deducted at Source (TDS) Suspense***

This head pertains to Receipts on account of income tax, etc. deducted at source to be payable to Central Board of Direct Taxes by means of Cheques. The net credit balance under this head has shown an increase compared to previous year. On clearance/settlement, the cash balance of the State Government will increase.

#### ***Public Works Remittances***

There was net increase in credit balance under this head during 2021-22. On clearance/settlement, the cash balances of the State Government will increase. The remittances relate to cheques deposited by PWD into Treasury.

#### ***Forest Remittances***

The net credit balance under this head has shown an increasing trend over the previous year. On clearance/settlement, the cash balance of the State Government will decrease. The remittances relate to cheques issued by Forest Division to the parties.

### **4.9.1 Adverse Balances under DDR Heads**

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced.

As on 31 March 2022, there were three cases of adverse balances in the accounts. These pertained to internal debt of the State Government (Major Head 6003) ₹ 92.97 crore, Loans for Education, Sports Art and Culture (Major Head 6202) ₹ 0.44 crore, Loans for Crop Husbandry (Major Head 6401) ₹ 0.77 crore, Loans for Animal Husbandry (Major Head 6403) ₹ 0.25 crore and Loans for Other Agricultural Programmes (Major Head 6435) ₹ 0.02 crore. The adverse balances were due to misclassifications which are under review/corrections.

### **4.10 Non-reconciliation of Departmental figures**

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile the receipts and expenditure of the Government with the figures accounted for by the Offices of the Principal Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai or Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be.

Such reconciliation had been completed only for an expenditure of ₹ 2,87,809.04 crore (83.61 *per cent*) against the total expenditure of the Government (₹3,44,215.29 crore) excluding the expenditure adjusted through Transfer Entry and Periodical Adjustment. Major defaulting departments are Rural Development (98 *per cent*); Tribal Department (97 *per cent*); Public Health (97 *per cent*) and Housing (95 *per cent*).



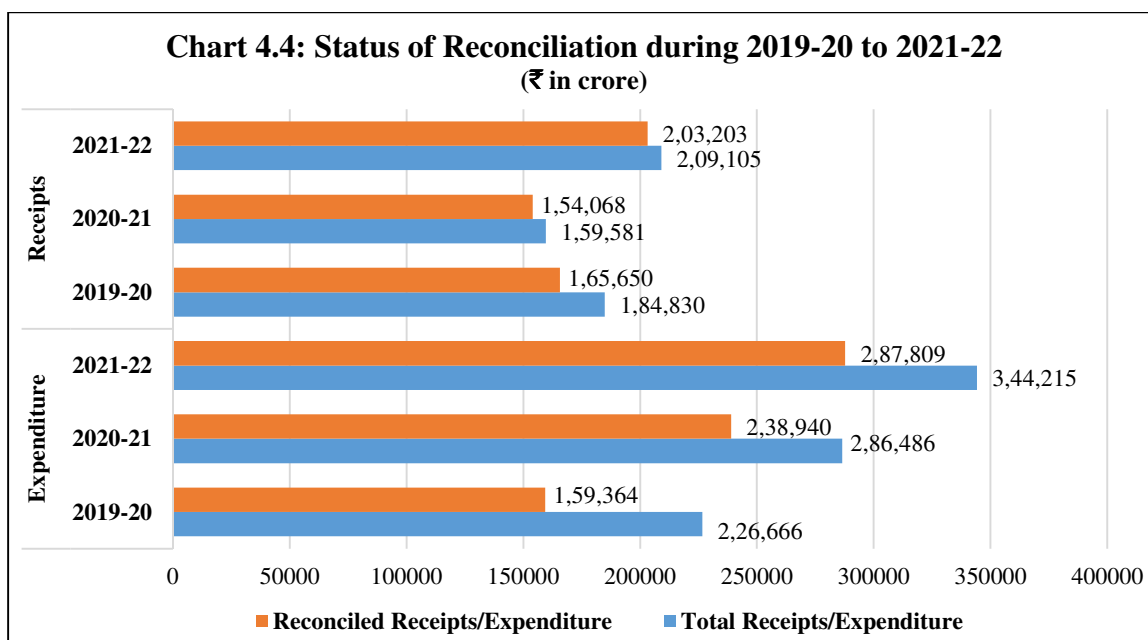
The details relating to the number of Controlling Officers and the extent of reconciliation of expenditure during the last three years are given in **Table 4.12**.

**Table 4.12: Status of Reconciliation of Expenditure figures**

Year	Controlling Officers/DDOs			
	Total No.	Fully Reconciled	Partially Reconciled	Not reconciled at all
2019-20	7150	6884	179	87
2020-21	7075	6393	281	401
2021-22	7040	6572	233	235

Source: Information compiled by O/o the Principal Accountant General (A&E)-I, Maharashtra, Mumbai

Reconciliation of receipts has been completed for ₹ 2,03,202.66 crore (97.18 per cent) against the total receipts of the Government (₹ 2,09,105.09 crore) excluding receipt adjusted through Transfer Entries and periodical adjustment. The status of reconciliation during 2019-20 to 2021-22 is shown in **Chart 4.4**.



(Source: Finance accounts of respective years)

#### 4.11 Reconciliation of Cash balances

There should be no difference between cash balance of the State as per books of Accounts of the Pr. Accountant General (A&E) and the cash balances as reported by RBI. The Cash Balance of the year 2021-22 as per Accounts and as per RBI indicating the unreconciled difference for the year is shown in **Table 4.13**.

**Table 4.13: Unreconciled difference of Cash Balance**

(₹ in crore)		
As per Accountant General's Books	As reported by RBI	Difference
134.14 (Debit)	822.92(Debit)	957.06(Debit)

Source: Finance Accounts 2021-22

## Issues relating to Disclosure

### 4.12 Compliance with Accounting Standards

As per Article 150 of the Constitution of India the President of India may on the advice of the CAG, prescribe the form of accounts of the Union and of the States. Further, the CAG has set up a Government Accounting Standards Advisory Board (GASAB) in 2002 for formulating standards for Government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

The following three IGAS became mandatory from the effective date after their notification by the Ministry of Finance, Government of India.

1. Guarantees Given by the Government – **IGAS 1**
2. Accounting and Classification of Grants-in- Aid - **IGAS2**
3. Loans and Advances made by Government - **IGAS 3**

Due to non-receipt of complete information from the State Government, the disclosure requirements of IGAS were not complied to the extent enumerated in **Table 4.14**.

**Table 4.14: Compliance with Accounting Standards Table: Compliance to Accounting Standards**

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	<b>IGAS-1:</b> <i>Guarantees Given by the Government – Disclosure requirements</i>	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	Limit within which the Government may give Guarantee not fixed by the State Legislature	As limits are not fixed, chances of guarantees going beyond control cannot be ruled out, which could create future liability, if invoked.
2.	<b>IGAS-2:</b> <i>Accounting and Classification of Grants-in-Aid</i>	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	Disclosure on details of Grant in aid in kind is not received from the Government. Government of Maharashtra incorrectly classify expenditure towards Grants in aid under the Capital section instead of the Revenue section	The Grant-in Aid given to institutions amounting to ₹1,662.63 crore was classified under capital heads instead of revenue head. Non-compliance led to understatement of Revenue deficit.
3.	<b>IGAS-3:</b> <i>Loans and Advances made by Government</i>	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 7 and 18 of Finance Accounts) Disclosure on repayments in arrears from Loanees group, loans in perpetuity, Interest payment in arrears if any were not furnished by Government	Non-payment of interest and repayments may have an impact on the revenue and fiscal deficit.

### 4.13 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG's (DPC) Act, 1971, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of anybody or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the Government concerned and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit certificate is issued in case of above-mentioned autonomous bodies and authorities provided, CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit to AG (Audit) for audit. Apart from Audit certificate, on the completion of financial audit, the audit office issues Separate Audit Report (SAR) that is part of the audit certificate on the accounts. These SARs are to be placed before the State legislature.

Autonomous Bodies have been set up by the Government of Maharashtra in the fields of Environment, Housing, Industries, Irrigation, Urban Development, Water Supply and Sanitation. The audit of Accounts of 26 autonomous bodies in the State has been entrusted to the CAG under Sections 19 and 20 of CAG's (DPC) Act 1971. 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.4.3**.

The Accounts for the year 2021-22, which was due in June 2022, have not been received from any of the Autonomous Bodies. The arrears of accounts of the Autonomous bodies are shown in **Table 4.15**.

**Table 4.15: Arrears of accounts of Bodies or Authorities**

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2021-22
1	Maharashtra Housing and Area Development Authority (MHADA),	2021-22	1
2	Maharashtra Building and other construction Workers Welfare Board (MBOCWFB)	2020-21	2
3	Maharashtra Real Estate Regulatory Authority (MAHA RERA)	2021-22	1
4	Maharashtra Electricity Regulatory Commission (MERC)	2020-21	2
5	Slum Rehabilitation Authority, Mumbai (SRA)	2021-22	1
6	Maharashtra Maritime Board (MMB), Mumbai	2020-21	2

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2021-22
7	Rajiv Gandhi Science and Technology Commission (RGSTC)	2021-22	1
8	Mumbai Metropolitan Region Development Authority (MMRDA), Mumbai	2021-22	1
9	Maharashtra Khadi and Village Industries Board (MSKVIB), Mumbai	2020-21	2
10	Maharashtra State Commission for Women (MSCW), Mumbai	2020-21	2
11	Maharashtra Pollution Control Board (MPCB), Mumbai	2020-21	2
12	Tapi Irrigation Development Corporation (TIDC), Jalgaon	2020-21	2
13	Vidharbha Irrigation Development Corporation (VIDC)	2020-21	2
14	Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad	2020-21	2
15	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2019-20	3
16	Maharashtra Krishna Valley Development Corporation (MKVDC), Pune	2020-21	2
17	Konkan Irrigation Development Corporation (KIDC), Thane	2020-21	2
18	Maharashtra State Human rights commission (MSHRC)	2018-19	4
19	Maharashtra Water Conservation Corporation (MWCC), Aurangabad	2018-19	4
20	Maharashtra State Legal Services Authority (MSLSA)Mumbai	2017-18	5
21	Maharashtra Jeevan Pradhikaran (MJP), Mumbai	2019-20	3
22	Maharashtra Water Resources Regulatory authority (MWRRA)	2017-18	5
23	Maharashtra State Commission for Protection of Child Rights (MSCPCR)	2018-19	4
24	Slum Rehabilitation Authority Pune & Pimpri Chinchwad Area, Pune	2021-22	1
25	Maharashtra State Minorities Commission (MSMC)	2016-17	6
26	Fee Regulatory Authority	2017-18	5

Source: Information obtained from Pr Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur

The inordinate delays in submission of Accounts and their presentation to the State Legislature resulted in delayed scrutiny of the functioning of these bodies by the Legislature, where Government investments were made.

#### 4.14 Departmental Commercial Undertakings/Corporations/Companies

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi commercial undertakings reflect their overall financial health and efficiency. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time.

Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

Heads of Government Departments have to ensure that the Undertakings prepare such Accounts and submit the same to Accountant General (Audit)-I, and Accountant General (Audit)-II of Maharashtra as the case may be for audit within a specified time frame. As of March 2022, there were 49 such Undertakings of which, none of the Undertakings had prepared accounts for 2021-22. In respect of five Undertakings, there was large pendency in finalisation of *Proforma* Accounts ranging from 24 to 36 years as these were sick units and not operational and had stopped preparing Accounts. Government Milk Scheme, Mumbai, Worli has been closed since 2008-09. The Department-wise position of arrears in preparation of *Proforma* Accounts and investments made by the Government are given in **Appendix 4.4**.

#### 4.15 Non-submission of details of grants/loans given to bodies and authorities

Under Section 14 of the CAG's (DPC) Act 1971, whenever any Body or authority is substantially financed by grants or loans from Consolidated Fund of the State, the CAG shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all such receipts and expenditure of that body or authority and report the receipts and expenditure audited by him. Under Section 15 of the CAG's (DPC) Act 1971, where any grant or loan is given for any specific purpose, the CAG shall scrutinize the procedures by which sanctioning authority satisfies itself as to the fulfilment of the conditions.

The institutions/bodies/authorities, which are audited under the above sections needs to be identified and the heads of the Government Departments are required to furnish to audit every year information about the institutions to which financial assistance of ₹ 25 lakh or more was given, the purpose for which assistance was 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 2022).

**Table 4.16** shows age-wise arrears of Annual Accounts due up to 2021-22 in respect of 10,601 Annual Accounts as of October 2022.

**Table 4.16: Age-wise arrears of Annual Accounts due from Institutions**

Delay in number of years	Number of Accounts
0-1	2875
1-3	2668
3-5	1087
5-7	636
7-9	821
9 and above	2514
<b>Total</b>	<b>10601</b>
Source: Information obtained from Pr. Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur	

Major pendency in submission of Accounts pertained to Higher and Technical Education Department, School Education and Sports Department.

Non-submission of information regarding Grants and loans paid to various institutions and non-furnishing of Accounts by them increases the risk of mis-utilisation of the funds and the same is brought to the notice of the Government for remedial action.

#### **4.16 Timeliness and Quality of Accounts**

The accounts of the State Government are compiled by the Pr. Accountant General (A&E) from the initial accounts rendered by 34 Treasuries, 175 Forest Divisions, 166 Public Works Divisions, 176 Irrigation Divisions, one Virtual Treasury (accounting e-receipts), one Pay and Accounts Office and Advices of the Reserve Bank of India.

During 2021-22, no accounts have been excluded in the Monthly Civil Accounts.

#### **4.17 Misappropriations, losses, thefts 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 Accountant General (Audit)-I, Maharashtra, Mumbai and Accountant General (Audit)-II, Maharashtra, Nagpur.

The State Government reported 252 cases of misappropriations, defalcations *etc.*, involving ₹ 2,026.74 lakh up to March 2022 on which final action was pending. First Information Reports were lodged in all the 252 cases. The age-profile of the pending cases and the number of cases pending in each category as emerged from these appendices are summarised in **Appendix 4.5** and **Appendix 4.6**.

#### **4.18 Follow up action on State Finances Audit Report**

The State Finance Audit Report is being presented to the State Legislature from 2008-09 onwards. The State Public Accounts Committee discussed (May 2019) Chapter I of the State Finance Audit Report 2016-17 and gave 37 recommendations (PAC Report no 68). The Action Taken Notes on 19 recommendations have been received. We have noticed that deficiencies sought to be remedied by implementation of these recommendations have been persisting over the years and are being reported in our reports.

#### **4.19 Conclusions**

- The pending amount of Utilisation Certificates has decreased from ₹ 42,861.97 crore in 2020-21 to ₹ 37,931.83 crore in 2021-22. Pendency in submission of UCs not only indicates absence of assurance on utilisation of grants released for intended purposes but also lack of monitoring of utilisation of grants released to the grantees by the departments.
- Out of ₹ 1,222.31 crore drawn through 1,330 AC bills during 2021-22, ₹ 929.02 crore through 511 AC bills (76 *per cent*) was drawn in March 2022. Significant drawal through AC bills in March indicates that the drawal was primarily to exhaust the budget provision and reveals inadequate budgetary control.

- Retention of large sums of money in the PD Account was against the principle of Legislative financial control. In addition, there was increase in the number of inoperative PD accounts. Non-reconciliation of balances in such inoperative PD accounts and not transferring the unspent balances lying in such PD accounts to the Consolidated Fund of State is fraught with risk of misuse of public funds, fraud and misappropriation.
- There were delays in submission/finalisation of Accounts by Autonomous Bodies/Commercial Undertakings which dilutes accountability and defeats the purpose of preparation of Accounts.

#### **4.20 Recommendations**

- (i) The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (ii) The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.
- (iii) The Finance Department should review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund.