

CHAPTER – IV

**QUALITY OF ACCOUNTS AND FINANCIAL
REPORTING PRACTICES**

Chapter IV: Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system and compliance with relevant rules and procedures contributes significantly to good governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational would assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision-making. This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

Issues related to completeness of Accounts.

4.1 Non-discharge of liability in respect of interest towards interest bearing Deposits/ Reserve funds

The Government has a liability to provide and pay interest on the amounts in 'Interest-bearing Deposits' and 'Interest bearing Reserve Funds'. As on 31 March 2023, the balance in 'Interest bearing Deposit' was ₹ 59,858.87 crore and in 'Interest bearing Reserve Fund' was ₹ 4,798.95 crore respectively, on which, the Government provided for interest of ₹ 3,876 crore and ₹ 14.04 crore. There was non-payment/underpayment of ₹ 232.61 crore in respect of interest towards 'interest bearing deposits' and 'interest bearing reserve funds' as given in **Table 4.1**.

Table 4.1: Non-discharge of liability in respect of interest towards interest bearing deposits/ reserve funds
(₹ in crore)

S. No.	Fund/ deposit	Opening Balance as on 01/04/2022	Basis of calculation of interest paid	Interest due	Interest paid	Interest not paid
1	MH 8121 129 State Compensatory Afforestation Fund	3230.44	3.35 <i>per cent</i> for the year 2022-23 as per circular No. 4- 58/2019-NAPt.2 dated 10 October 2022 issued by the Ministry of Environment, Forest & Climate Change	108.22		108.22
2	MH 8121 122 State Disaster Response Fund	1074.00	Interest calculated taking average Repo rate + two <i>per cent</i> i.e 7.49 <i>per cent</i> as per the Guidelines of SDRF	80.44		80.44
3	Reserve Funds under MH 8121 and MH 8115	494.51	Interest calculated taking average Ways and Means interest rate as 5.49 <i>per cent</i> for the year 2022-23	27.15	14.04	13.11
	MH 8336 Civil Deposits	19.67		1.08		1.08
	MH 8338 Deposits of Local fund	89.04		4.89		4.89
	MH 8342 Other Deposits	452.97		24.87		24.87
Total		5415.75		246.65	14.04	232.61

Source: Finance Accounts 2022-23

Non-payment of interest liability has resulted in understatement of revenue deficit and fiscal deficit to that extent.

4.2 Funds transferred directly to State implementing agencies

The Government of India transfers substantial funds directly to State Implementing Agencies for the 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.

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 2022-23, Central funds amounting to ₹ 13,075.13 crore was transferred directly to the State Implementing Agencies instead of routing it 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 2018-19 to 2021-22 but decreased marginally in 2022-23 as detailed in **Table 4.2**.

Table 4.2: Funds transferred directly to Implementing Agencies during 2018-19 to 2022-23

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Direct transfers to State implementing agencies	3004.46	7851.42	12599.90	14793.46	13075.13
Source: Finance Accounts of respective years					

During the year 2022-23, central share of ₹ 13,075.13 crore under 36 central scheme as detailed in **Appendix 4.1** was transferred directly to the implementing agencies bypassing the consolidated funds of the State.

Issues related to Transparency.

4.3 Delay in submission of Utilization Certificates

The Bombay Financial Rules, 1959 provide that for the grants received during a year for specific purposes, Utilization 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. Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai, Pr. Accountant General (Accounts and Entitlements) - II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai within 12 months from the dates of their sanction unless specified otherwise.

As on 31 March 2023, 9280 UCs amounting to ₹ 25,759.38 crore due in respect of grants given to 29 Departments of the State Government had not been submitted. However, the pendency of UCs has decreased from 15057 UCs amounting to ₹ 37,931.83 crore in 2021-22 to 9280 UCs amounting to ₹ 25,759.38 crore in 2022-23. The pendency of UCs as on 31 March 2023 is ₹ 25,759.38 crore which is 5.43 per cent of the total expenditure (₹ 4,73,922.42 crore) of the State. The status and age-wise details of delays in submission of UCs is given in **Table 4.3 and 4.4** respectively.

Table 4.3: Age-wise arrears in submission of utilization Certificates

(₹ in crore)

Year*	No of Ucs Outstanding	Amount
Upto 2021-22	5514	17131.44
2022-23	3766	8627.94
Total	9280	25759.38

*The year mentioned relates to 'due year' i.e. after 12 months of drawal.
Additions during the year (bills drawn during 2021-22 and during 2022-23) is ₹ 1,05,581.56 crore and UCs received for ₹ 96,953.62 crore
Source: Finance Account 2022-23

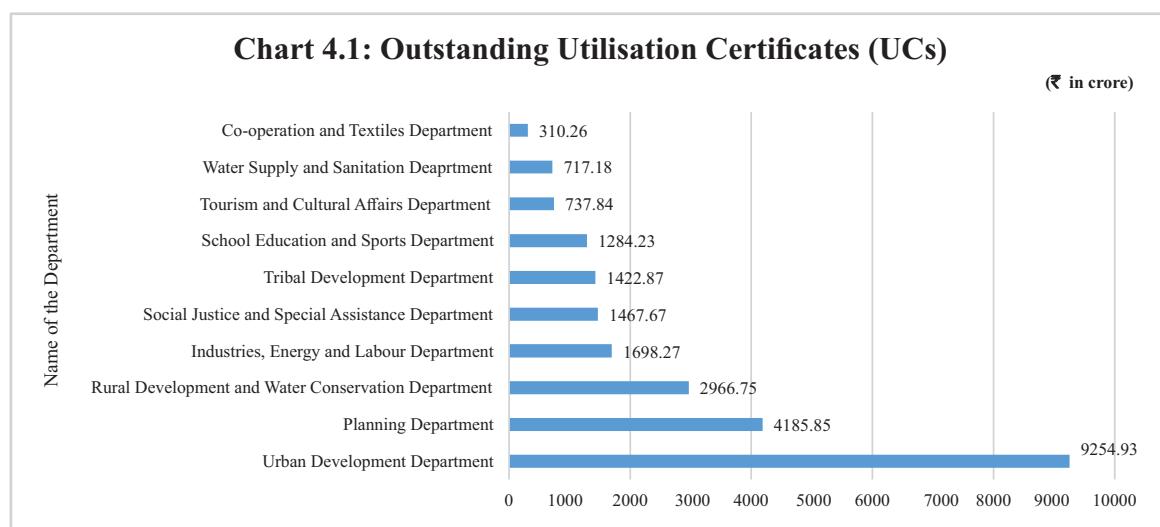
Table 4.4: Year wise break up of UCs due for submission

(₹ in crore)

Year	Number of UCs	Amount	Percentage
Upto 2014 ¹	729	6432.56	24.97
2014-15	34	306.23	1.19
2015-16	16	262.80	1.02
2016-17	132	271.56	1.05
2017-18	291	396.28	1.54
2018-19	670	1157.05	4.49
2019-20	972	2126.68	8.26
2020-21	1230	2212.69	8.59
2021-22	1440	3965.59	15.39
2022-23	3766	8627.94	33.49
Total	9280	25759.38	100

Source: Information compiled by Office of the Accountant General (A&E)-I, Maharashtra, Mumbai.

Since the UCs in the above cases were not submitted, complete utilisation of grants released could not be verified. Despite the pending UCs, the grants were released to the institutions indicating lack of control over sanctioning of grants. Hence, the Government needs to review all such UCs pending for more than a year before release of further grants. Department-wise details of outstanding UCs separately for each year are detailed in **Appendix 4.2**.



(Source: Finance Accounts 2022-23)

¹ This includes one UC due for submission amounting to ₹ 0.13 crore pertaining to period 2001-02

As seen in **Chart 4.1**, majority of cases of non-submission of UCs relate to the Urban Development Department (35.93 per cent), Planning Department (16.25 per cent), and Rural Development and Water Conservation Department (11.52 per cent). In the absence of UCs, there is also no assurance that money disbursed has been used for the purpose for which they were given.

4.3.1 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, GIA constituted between 38 per cent and 40 per cent of the State’s total expenditure during the last five years (2018-19 to 2022-23). Further, it was observed that during the last five years, more than 50 per cent of the Grants-in-aid was released to various institutions classified under ‘Others’ as seen in **Table 4.5**.

Table 4.5: Details of GIA released to ‘Others’ during 2018-19 to 2022-23

(₹ in crore)

Year	Total expenditure	Total GIA released	GIA as percentage of total expenditure	GIA released to ‘Others’	GIA released to ‘Others’ as percentage of total GIA released
2018-19	303615.89	121017.33	39.86	72307.70	59.75
2019-20	338690.64	132235.02	39.04	77776.05	58.82
2020-21	342638.31	131439.43	38.36	68577.83	52.17
2021-22	398792.31	152336.85	38.20	84464.31	55.45
2022-23	473922.42	183125.48	38.64	97268.28	53.12

Source: Finance Accounts of respective years.

As per Finance Accounts 2022-23, Grant-in-Aid (₹ 1,83,125.48 crore) constituted 38.64 per cent of total expenditure (₹ 4,73,922.42 crore) of the State. Out of the total Grant-in-Aid of ₹ 1,83,125.48 crore, an amount of ₹ 97,268.28 crore (53.12 per cent) was disbursed to grantee institutions classified as ‘Others’. The absence of details of grantees adversely affects the transparency of accounts and monitoring of submission of UCs against these GIA.

The State Government needs to devise a mechanism to assign codes to such institutions for monitoring the submission of UCs and verification of outstanding amount against each institution.

4.4 Abstract Contingent Bills

As per Rule 282(2) of Maharashtra Treasury Rules, funds cannot not be withdrawn from Treasury unless the same is required for immediate disbursement. In terms of the Maharashtra Treasury Rules 1968, read with the Government of Maharashtra, Finance Department Regulation (February 2008), the DDOs are required to present detailed countersigned contingent (DCC) bills containing vouchers in support of final expenditure within one month from the date of drawal, and in no case beyond three months from the date of drawal of such advance, unless otherwise permitted by the Administrative Department with the concurrence of the Finance Department.

Out of 1698 AC bills amounting to ₹ 525.37 crore drawn during the year 2022-23, 363 AC bills amounting to ₹438.55 crore (83 per cent) were drawn in March 2023. DC Bills

in respect of a total of 1837 AC bills amounting to ₹ 4,185.96 crore as on 31 March 2023 were not received. Significant drawal through AC bills in March indicates that the drawal was primarily to exhaust the budget provision and indicates inadequate budgetary control. The department-wise pendency of detailed contingent bills is given in **Appendix 4.3**. Year-wise details of pending detailed contingent bills are given in **Table 4.6**.

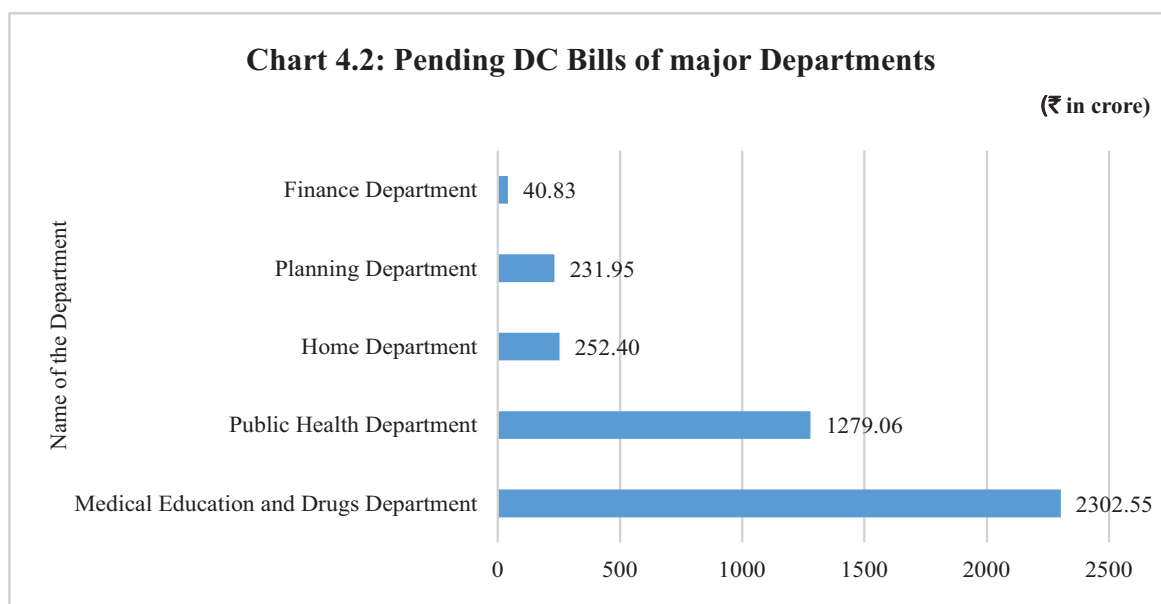
Table 4.6: Year wise progress in submission of DCC bills against outstanding AC bills

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding DC bills as on 31 March 2023	
	No.	Amount	No.	Amount	No.	Amount
Upto 2020-21	1295	3147.85	334	416.94	961	2730.91
2021-22	606	1168.65	317	188.76	289	979.89
2022-23	1698	525.37	1111	50.21	587	475.16
TOTAL	3599	4841.87	1762	655.91	1837	4185.96

Source: Finance Account 2022-23

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



(Source: Finance Accounts 2022-23)

Chart 4.2 reveals that 55.01 *per cent* of the outstanding DC bills pertain to Medical Education and Drugs Department (₹ 2,302.55 crore) and 30.56 *per cent* relate to Public Health Department (₹ 1,279.06 crore).

Three Departments (*viz.* Public Health Department, Planning Department and Medical Education and Drugs Department) used AC bills to draw monies for routine procurement of medicines, medical equipment *etc.* through Haffkine Bio-Pharmaceuticals Corporation Limited² (HBPCL) throughout the year. 952 AC bills amounting to ₹ 3,671.23 crore constituting more than 87.70 *per cent* of total AC bills pending for adjustment, remained unadjusted at the end of the year, in respect of such procurement.

² 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

The drawal of funds through AC bills is accounted against the functional Major Head in the consolidated fund of the state. Unless the accounts are settled within the time allotted through DCC bills, the expenditure cannot be asserted as correct or final. Non-submission of DC bills indicates lack of monitoring on the part of Departments as well as treasuries.

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

The Personal Deposit (PD) Accounts has decreased from 1652 in the year 2021-22 to 1482 in 2022-23. The balances in the PDs as on 31 March 2023 was ₹ 11,254.38 crore which was 2.37 per cent of the total expenditure (₹ 4,73,922.42 crore) of the State. During 2022-23, 176 PD accounts amounting to ₹ 26,263 crore were closed.

The Status of Personal Deposit Accounts during 2018-19 to 2022-23 is shown in **Table 4.7**

Table 4.7: Status of Personal Deposit Accounts during 2022-23

(₹ in crore)

Year	Opening Balance		Addition during the year		Closed during the Year		Closing Balance	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2018-19	2182	12229.30	10	22108.58	57	23384.35	2135	10953.53
2019-20	2135	10953.53	6	24135.37	57	24770.93	2084	10317.97
2020-21	2084	10317.90	0	16288.51	109	15800.66	1975	10805.82
2021-22	1975	10805.82	2	21065.32	325	21348.47	1652	10522.67
2022-23	1652	10522.67	6	26994.71	176	26263.00	1482	11254.38

Source: Finance Accounts of the respective years

Retention of funds in PDs 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 2022-23, an amount of ₹ 26,994.71 crore was transferred from the Consolidated Fund of the State to the PD Accounts. This includes ₹ 2,820.28 crore transferred in March 2023 of which ₹ 24.80 crore was transferred on the last working day of March 2023.

Against the requirement of Treasury reconciling Personal Deposit (PD) Accounts with respective administrators, only 46 Administrators of PD Accounts (out of 1482) had reconciled and verified their balances.

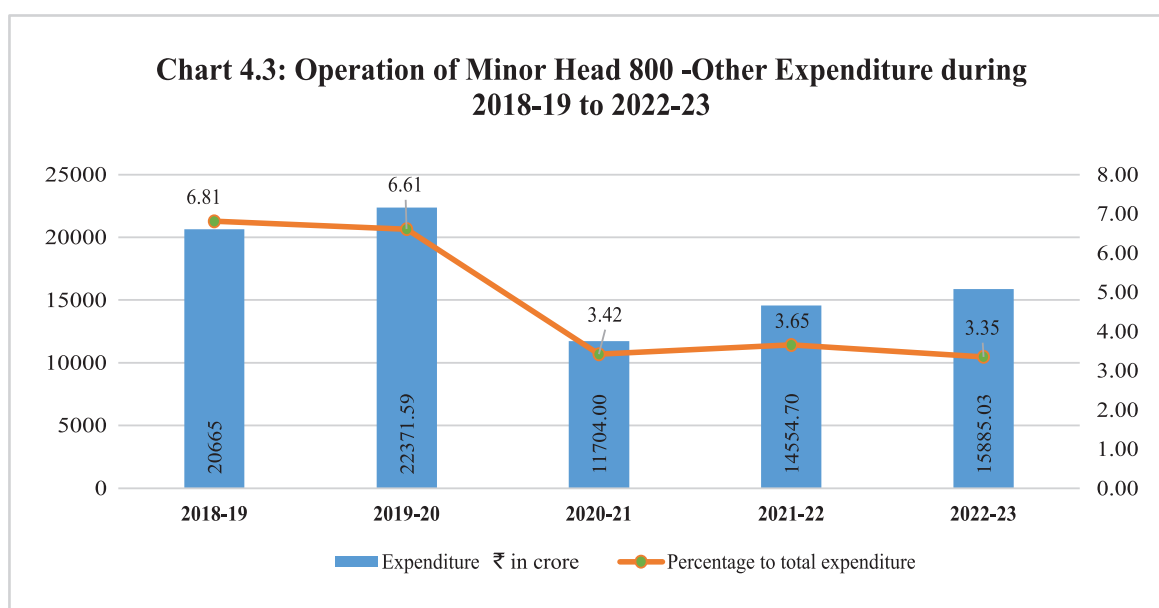
Maharashtra Treasury Rules, 1968 states that the Administrator shall maintain a detailed account of the scheme/projects for which it has been opened. However, if any PD Account is not operated for a period of one year and there is reason to believe that the need for such deposit accounts has ceased, the same shall be closed. PD Accounts of 155 operators with balance amounting to ₹ 64.14 crore were lying inoperative for more than one year and 109 operators with ₹ 21.23 crore were lying inoperative for more than three years as on 31 March 2023.

4.6 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 accounts. Indiscriminate booking of receipts and expenditure under Minor Head 800 results in opaqueness in accounts.

During 2022-23, the State Government classified expenditure of ₹ 15,885.03 crore under 52 Revenue and Capital Major heads of Account, constituting 3.35 *per cent* of the total revenue and capital expenditure of (₹4,73,922.42 crore) under the Minor Head “800-Other Expenditure”.

The extent of operation of Minor head 800- other expenditure as a percentage of total expenditure during 2018-19 to 2022-23 is shown in **Chart 4.3**.



(Source: Finance Accounts of respective years)

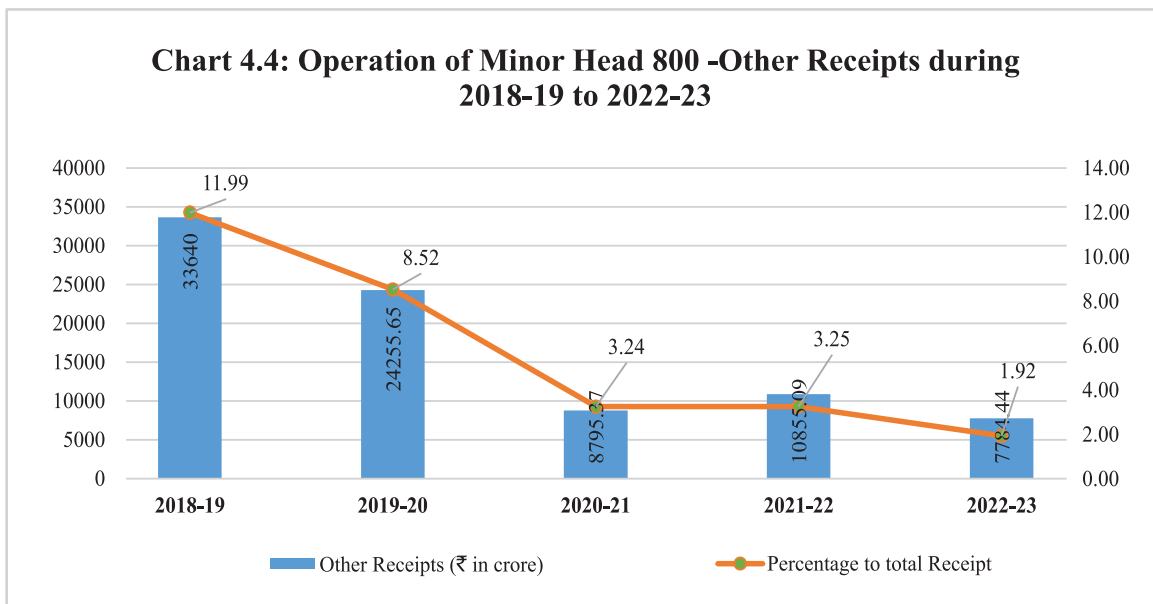
Chart 4.3 shows that there has been a decrease in the share of Minor Head 800 - Other Expenditure as part of the total expenditure, with its share decreasing from 6.81 *per cent* in 2018-19 to 3.35 *per cent* in 2022-23. Instances where substantial proportion of the expenditure within a given Major Head was classified under the Minor Head 800 – ‘Other Expenditure’ are given in **Table 4.8**.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2022-23
(₹ in crore)

S. No.	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
1	4070	Capital Outlay on other Administrative Services	1373.60	1402.75	98
2	4055	Capital Outlay on Police	260.60	557.20	47
3	2701	Major and medium Irrigation	617.93	1598.08	39
4	2216	Housing	1460.35	3784.31	39
5	2515	Other Rural Development Programme	2012.96	8288.13	24
6	2210	Medical and Public Health	3879.04	17339.72	22

Source: Finance Accounts 2022-23

Similarly, during 2022-23, the State Government classified receipts of ₹ 7,784.44 crore constituting 1.92 per cent of the total revenue receipts (₹ 4,06,320.55 crore) pertaining to 64 Major heads under Minor Head “800-Other Receipts”. The extent of operation of Minor head 800 other receipts as a percentage of total receipts during 2018-19 to 2022-23 is shown in **Chart 4.4**



Source: Finance Accounts of the respective years

Chart 4.4 shows that there has been a decrease in the share of Minor Head 800 - Other receipts as part of the total receipts, with its share decreasing from 11.99 per cent in 2018-19 to 1.92 per cent in 2022-23. Instances where substantial proportion of the receipts within a given Major Head was classified under the Minor Head 800 – ‘Other receipts’ are given in **Table 4.9**.

Table 4.9: Significant receipts booked under Minor Head 800 – Other Receipts during 2022-23

(₹ in crore)

S. No.	Major Head	Description	Receipts under Minor Head 800	Total Receipts	Percentage
1	0216	Housing	121.13	121.15	99.98
2	0217	Urban Development	1645.57	1708.46	96.32
3	0435	Other Agricultural Programme	14.02	14.94	93.84
4	0235	Social Security and Welfare	395.26	428.87	92.16
5	0425	Co-operation	117.42	130.71	89.83
6	0250	Other Social Services	149.99	183.94	81.54
7	0202	Education, Sports, Art and Culture	287.30	374.65	76.68
8	0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	135.27	182.32	74.19
9	0029	Land Revenue	1779.64	2431.41	73.19
10	0070	Other Administrative Services	545.47	850.37	64.15

Source Finance Accounts 2022-23

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.

Omnibus Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate minor head has not been provided under a Major Head in the accounts. Booking under Minor Head 800 even when suitable minor head is available under the same Major Head/ Other Major Head adversely impacts the transparency of accounts. A few instances where expenditure was budgeted and booked under Minor Head 800 even though suitable minor head was available in the List of Major Minor Head (LMMH) are detailed below.

- (i) In two instances Road works related expenditure of ₹ 437 crore and ₹ 111.36 crore was booked under Minor head 800 whereas appropriate Minor Head –‘337-Road works’ was available under Major head 3054- Roads and Bridges in List of Major and Minor Heads.
- (ii) Expenditure on Grant-in-aid to Zilla parishads for Rural Development programme amounting to ₹ 2000.00 crore, was booked under Minor head -800 instead of Minor head 101- Panchayati Raj under the Major head-2515. Other Rural Development Programmes.
- (iii) Grants to Social Welfare Institutions amounting to ₹205.43 crore was booked under Minor head-800 instead of Minor head 107-Assistance to voluntary organization under the Major head-2235 Social Security and Welfare.
- (iv) Grant-in-aid to Voluntary Agencies (SCP) amounting to ₹ 102.45 crore was booked under Minor Head 800 under the Major Head 2235 Social Security and welfare instead of Minor Head 794 - Special Central Assistance for Tribal sub-Plan.
- (v) Under Major Head 4055 Capital Outlay on Police, an amount of ₹ 243.69 crore for Installation of CCTV Surveillance System was booked under Minor Head 800, instead of Minor head - 207 State Police.

- (vi) An amount of ₹131 crore received on account of Education cess was misclassified under Minor Head 800 instead of 108 - Education Cess under Major Head 0045 Other Taxes and Duties on Commodities & Services.

Issues relating to Measurement.

4.7 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 receipts and expenditure accurately. The balances under Suspense and Remittance Heads are shown in **Table 4.10**.

Table 4.10 Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 - PAO suspense	169.66	21.13	142.67	29.06	153.27	10.49
Net	Dr.148.53		Dr. 113.61		Dr142.78	
102 - Suspense Account-Civil	34.18	4.31	4.26	5.14	34.50	33.08
Net	Dr.29.87		Cr (-)0.88		Dr.1.42	
107 - Cash Settlement Suspense Account	18.30	0.49	18.30	0.49	17.16	0.49
Net	Dr.17.81		Dr 17.81		Dr 16.67	
109 - Reserve Bank Suspense –Headquarters	(-)1.43	3.08	5.86	14.48	0.61	18.75
Net	Dr.4.51		Cr (-) 8.62		Cr 18.14	
110 - Reserve Bank Suspense – CAO	440.00	371.42	43.71	3.03	381.95	376.14
Net	Dr.68.58		Dr 40.68		Dr 5.81	
112 - Tax Deducted at Source (TDS) Suspense	(-)18.33	146.43	0	180.41	653.76	827.88
Net	Cr.164.76		Cr (-) 180.41		Cr 174.12	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	184501.22	186208.92	226577.76	227677.03	234775.23	236342.95
Net	Cr.1707.70		Cr 1099.27		Cr 1567.72	
103 - Forest Remittances	16394.16	16429.55	1935760.02	1940625.01	16394.16	16498.86
Net	Cr.35.39		Cr 48.65		Cr 104.70	

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.

4.7.1 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 2023, there were six cases of adverse balances in the accounts. These pertained to internal debt of the State Government (Major Head 6003) - ₹ 76.11 crore, Loans for Education, Sports Art and Culture (Major Head 6202) - ₹ 1.76 crore, Loans for Crop Husbandry (Major Head 6401) - ₹ 0.77 crore, Loans for Animal Husbandry (Major Head 6403) - ₹ 9.55 crore, Loans for Other Agricultural Programmes (Major Head 6435) - ₹ 0.02 crore, and Loans to Government Servants, etc.(Major Head 7610) ₹ 1.40 crore. The adverse balances were due to misclassification which are under review/corrections.

4.8 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 Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai or Pr.Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be.

For the year 2022-23, such reconciliation had been completed only for an expenditure of ₹ 3,69,338.95 crore (85.80 *per cent*) against the total expenditure of the Government (₹ 4,30,462.95 crore), excluding the expenditure adjusted through transfer entries and periodical adjustment.

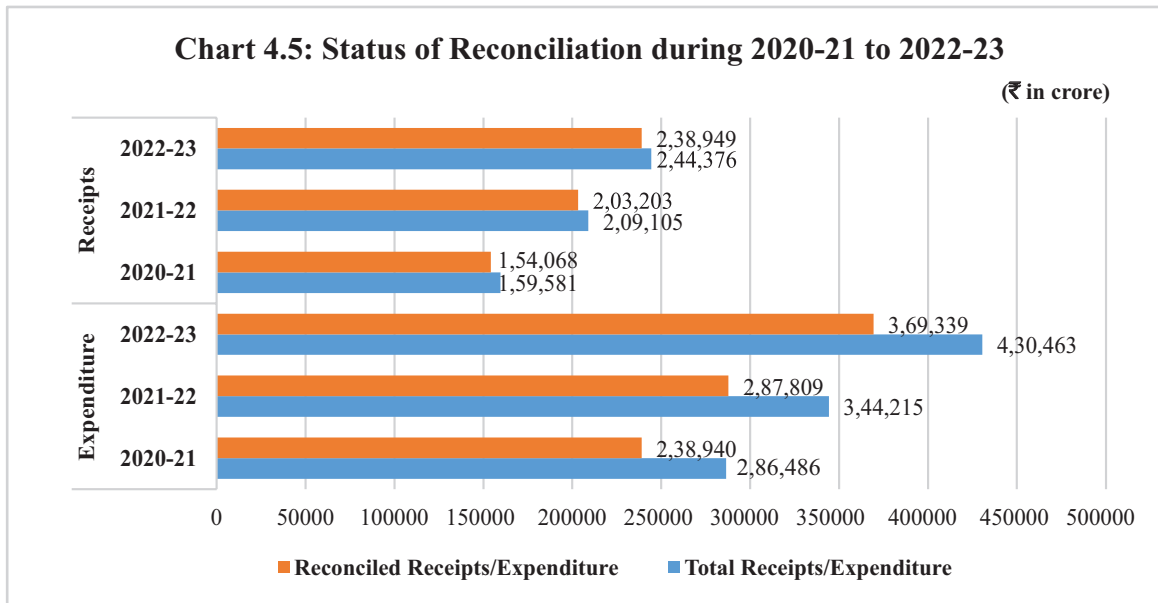
The details relating to the number of Controlling Officers and the extent of reconciliation of expenditure during the last three years are given in **Table 4.11**.

Table 4.11: Status of Reconciliation of Expenditure figures

Year	Controlling Officers/DDOs			
	Total No.	Fully Reconciled	Partially Reconciled	Not reconciled at all
2020-21	7075	6393	281	401
2021-22	7040	6572	233	235
2022-23	7065	6642	273	150

Source: Information compiled by Office of the Accountant General (A&E)-I, Maharashtra, Mumbai

Reconciliation of receipts has been completed for ₹ 2,38,948.60 crore (97.78 *per cent*) against the total receipts of the Government (₹ 2,44,376.05 crore) excluding receipt adjusted through transfer entries and periodical adjustment. The status of reconciliation during 2020-21 to 2022-23 is shown in **Chart 4.5**.



(Source: Finance accounts of respective years)

4.9 Reconciliation of Cash balances

There should be no difference between cash balance of the State as per books of Accounts of the Accountant General (A&E) and the cash balances as reported by RBI. The Cash Balance of the year 2022-23 as per Accounts and as per RBI indicating the unreconciled difference for the year as on 31 March 2023 is shown in **Table 4.12**.

Table 4.12: Unreconciled difference of Cash Balance

(₹ in crore)

As per Accountant General's Books	As reported by RBI	Difference
12,637.29 (Credit)	13,006.65 (Debit)	369.36 (Debit)

Source: Finance Accounts 2022-23

The difference is under reconciliation and as of 30 June 2023 had been reduced to ₹ 50.70 crore Debit (net).

Issues relating to Disclosure.

4.10 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 - **IGAS 2**
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 with to the extent given in **Table 4.13**.

Table 4.13: Compliance with Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-2: <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	Partly complied	The grants-in-aid given to institutions amounting to ₹ 3,440.70 crore was classified under capital heads instead of revenue head. Non-compliance led to understatement of revenue deficit to that extent
2.	IGAS-3: <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	Partly 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 / principal may have an impact on the revenue and fiscal deficit

4.11 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 any body 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 purpose 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 27 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.4.4**.

The Accounts for the year 2022-23, which were due in June 2023, have not been received from any of the Autonomous Bodies. The arrears of accounts of the Autonomous bodies are shown in **Table 4.14**.

Table 4.14: Arrears of accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2022-23
1	Maharashtra Housing and Area Development Authority (MHADA),	2022-23	1
2	Maharashtra Building and other construction Workers Welfare Board (MBOCWFB)	2021-22	2
3	Maharashtra Real Estate Regulatory Authority (MAHA RERA)	2022-23	1
4	Maharashtra Electricity Regulatory Commission (MERC)	2022-23	1
5	Slum Rehabilitation Authority, Mumbai (SRA)	2022-23	1
6	Maharashtra Maritime Board (MMB), Mumbai	2021-22	2
7	Rajiv Gandhi Science and Technology Commission (RGSTC)	2022-23	1
8	Mumbai Metropolitan Region Development Authority (MMRDA), Mumbai	2022-23	1
9	Maharashtra Khadi and Village Industries Board (MSKVIB), Mumbai	2022-23	1
10	Maharashtra State Commission for Women (MSCW), Mumbai	2022-23	1
11	Maharashtra Pollution Control Board (MPCB), Mumbai	2022-23	1
12	Tapi Irrigation Development Corporation (TIDC), Jalgaon	2020-21	3
13	Vidharbha Irrigation Development Corporation (VIDC)	2020-21	3
14	Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad	2020-21	3
15	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2021-22	2
16	Maharashtra Krishna Valley Development Corporation (MKVDC), Pune	2020-21	3
17	Konkan Irrigation Development Corporation (KIDC), Thane	2021-22	2
18	Maharashtra State Human rights commission (MSHRC)	2021-22	2
19	Maharashtra Water Conservation Corporation (MWCC), Aurangabad	2019-20	4
20	Maharashtra State Legal Services Authority (MSLSA), Mumbai	2017-18	6
21	Maharashtra Jeevan Pradhikaran (MJP), Mumbai	2019-20	4
22	Maharashtra Water Resources Regulatory Authority (MWRRA)	2022-23	1
23	Maharashtra State Commission for Protection of Child Rights (MSCPCR)	2018-19	5
24	Slum Rehabilitation Authority Pune & Pimpri Chinchwad Area, Pune	2021-22	2
25	Maharashtra State Minorities Commission (MSMC)	2016-17	7
26	Fee Regulatory Authority	2021-22	2
27	Admission Regulatory Authority	2019-20	4

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

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

4.12 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 them to the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and Accountant General (Audit)-II, Maharashtra, Nagpur of Maharashtra as the case may be, for audit within a specified timeframe. As of March 2023, there were 44 such Undertakings of which, none had prepared accounts for 2021-22 and 2022-23. Milk Transport 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 4.5**.

4.13 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 certain conditions.

The institutions/bodies/authorities, which are audited under the above Sections need 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 2023).

Table 4.15 shows age-wise arrears of Annual Accounts due up to 2022-23 in respect of 11946 Annual Accounts as of October 2023.

Table 4.15: Age-wise arrears of Annual Accounts due from Institutions

Delay in number of years	Number of Accounts
0-1	2794
1-3	2899
3-5	1755
5-7	939

Delay in number of years	Number of Accounts
7-9	536
9 and above	3023
Total	11946

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

Major pendency in submission of Accounts pertain to institutions receiving financial assistance from 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.

4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Accountant General (A&E) from the initial accounts rendered by 34 Treasuries and one Virtual treasury (accounting e-receipts), 176 Forest Divisions, 165 Public Works Divisions, 181 Irrigation Divisions, one Pay and Accounts Office and Advices of the Reserve Bank of India. During 2022-23, no accounts have been excluded in the Monthly Civil Accounts.

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

The State Government reported 242 cases of misappropriations, defalcations *etc.*, involving ₹ 2,023.80 lakh up to March 2023 on which final action was pending. First Information Reports were lodged in all the 242 cases. The age-profile of the pending cases and the number of cases pending in each category as have emerged from these instances are summarized in **Appendix 4.6** and **Appendix 4.7**.

Further analysis indicates the reason due to which the cases were outstanding and could be classified in the various categories listed in the **Table 4.16**.

Table 4.16: Reasons for outstanding cases of misappropriations, losses, theft etc.

(₹ in lakh)

S. No.	Reasons for delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental action	24	89.21
2	Departmental proceeding in progress	96	855.14
3	Awaiting orders for write- off	40	52.23
4	Pending due to judicial proceedings	79	1026.35
5	Pending due to other reasons	3	0.87
	Total	242	2023.80

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

4.16 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.

4.17 Conclusion

- The amount relating to pending Utilization Certificates has decreased from ₹ 37,931.83 crore in 2021-22 to ₹ 25,759.38 crore in 2022-23. Pendency in submission of UCs not only results in absence of assurance on utilization of grants released for intended purposes, but also lack of monitoring of utilization of grants released to the grantees by the departments.
- Out of ₹ 525.37 crore drawn through 1698 AC bills during 2022-23, 363 AC Bills amounting to ₹ 438.55 crore (83 *per cent*) was drawn in March 2023. Significant drawal through AC bills in March indicates that the drawal was primarily to exhaust the budget provision and reveals inadequate budgetary control.
- There were delays in submission/finalization of Accounts by Autonomous Bodies/ Commercial Undertakings which dilutes accountability and defeats the purpose of preparation of Accounts.

4.18 Recommendations

- (i) The Government may ensure timely submission of utilization 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 the stipulated period, as required under the Rules.