

## **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 01 April 2023, the balance in 'Interest bearing Deposit' was ₹ 61,029.16 crore and in 'Interest bearing Reserve Fund' was ₹ 5,511.20 crore, on which, the Government provided for interest of ₹ 2,913.60 crore and ₹ 500.74 crore respectively. However, there was non-payment/underpayment of interest payment of ₹ 552.39 crore in respect of '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)						
Sl. No.	Funds/ deposits	Opening Balance as on 01/04/2023	Basis of calculation of interest paid	Interest due	Interest paid	Interest not paid
1	Defined Contribution Pension Scheme for Government Employees	7,464.60	Interest calculated as per interest payable to General Provident Fund (i.e. 7.10 per cent).	441.30	212.37	228.93
2	State Compensatory Afforestation Fund	2,781.77	As per the circulars issued by the Ministry of Environment, Forest and Climate Change, which is 3.35 per cent for 2023-24.	93.89	0.00	93.89
3	State Disaster Mitigation Fund	2,074.00	Interest calculated taking average repo rate plus two per cent overdraft as per the Guidelines of SDRF (i.e. 8.50 per cent)	216.38	0.00	216.38

Sl. No.	Funds/ deposits	Opening Balance as on 01/04/2023	Basis of calculation of interest paid	Interest due	Interest paid	Interest not paid
4	Other interest bearing deposits	561.22	Interest calculated taking rate applicable for the 14-Days treasury bill investment i.e. Reverse Repo Rate @ 3.35 per cent Minus One per cent i.e. 2.35 per cent for the year 2023-24	13.19	0.00	13.19
<b>Total</b>		<b>12,881.59</b>		<b>764.76</b>	<b>212.37</b>	<b>552.39</b>
Source: Finance Accounts 2023-24						

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

However, Central Government continued transferring Central funds directly to the State Implementing Agencies instead of routing it through State Government. During 2023-24, Central funds amounting to ₹ 24,212.81 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 2019-20 to 2021-22 but decreased marginally in 2022-23 and increase in 2023-24 as detailed in **Table 4.2**.

**Table 4.2: Funds transferred directly to Implementing Agencies during 2019-20 to 2023-24**

Years	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Direct transfers to State implementing agencies	7851.42	12599.90	14793.46	13075.13	24212.81
Source: Finance Accounts of respective years					

During the year 2023-24, central share of ₹ 24,212.81 crore under 30 central scheme as detailed in **Appendix 4.1** was transferred directly to the implementing agencies by passing the consolidated funds of the State.

## Issues related to Transparency

### 4.3 Delay in submission of Utilization Certificates

The Bombay Financial Rules, 1959, Rule 4 (Appendix 22, Section I) states that in cases in which conditions are attached to the utilization of a grant in the form of specifications of particular objects of expenditure or the time within which the money must be spent, or otherwise, the sanctioning authority shall be held primarily responsible for certifying to the Principal Accountant General, Maharashtra, where necessary, the fulfillment of condition attaching the grant, unless there is any special rule or order to that contrary. Further, Rule 5(i) of the said provision categorically states that the grant will be spent upon objects within a reasonable time if no time limit has been fixed by the sanctioning authority. Reasonable time should ordinarily be interpreted to mean one year from the date of issue of the communication of sanctioning the grant, unless otherwise specifically stated. Finance Department, Government of Maharashtra vide GR dated 12 January 2023 has classified GIA orders as 'Conditional' and 'Unconditional'. Utilization Certificates (UCs) need to be submitted only in case of GIA orders classified as 'Conditional'.

As on 31 March 2024, 10,793 UCs amounting to ₹ 36,756.09 crore, (includes outstanding UCs of Centrally Sponsored Schemes amounting to ₹ 2,615.22 crore) due in respect of conditional grants given to 32 Departments of the State Government were not submitted, which is 6.53 *per cent* of the total consolidated expenditure (₹ 5,62,714.85 crore) of the State. The age-wise details of delays in submission of UCs is given in **Table 4.3**.

**Table 4.3: Year wise break up of UCs due for submission**

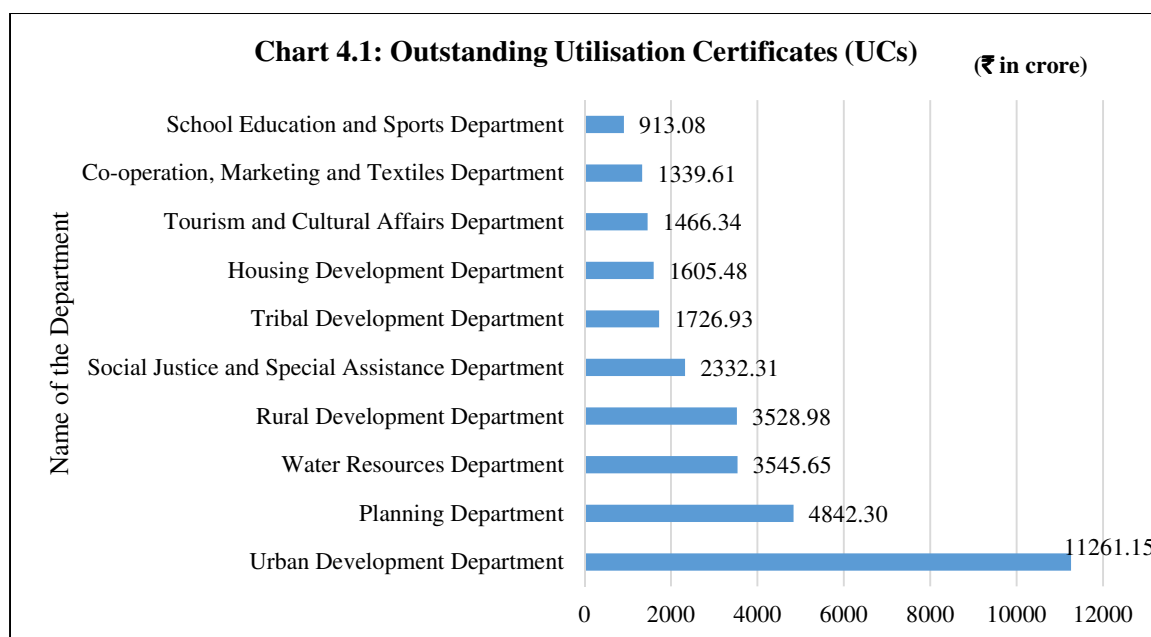
(₹ in crore)

Year*	Number of UCs	Amount	Percentage
Upto 2014 <sup>1</sup>	563	6262.19	17.04
2014-15	26	266.63	0.73
2015-16	14	248.24	0.68
2016-17	93	258.27	0.70
2017-18	195	268.78	0.73
2018-19	442	786.11	2.14
2019-20	587	1678.33	4.57
2020-21	622	1502.31	4.09
2021-22	562	2481.27	6.75
2022-23	1895	4170.63	11.35
2023-24	5794	18833.33	51.24
<b>Total</b>	<b>10793</b>	<b>36756.09</b>	<b>100</b>
*The year mentioned relates to 'due year' i.e. after 12 months of drawal. Source: Information compiled by Office of the Principal Accountant General (A&E)-I, Maharashtra			

Since the UCs in the above cases were not submitted, complete 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.

The pendency of UCs has increased from 9,280 UCs amounting to ₹ 25,759.38 crore in 2022-23 to 10,793 UCs amounting to ₹ 36,756.09 crore in 2023-24. Department-wise details of outstanding UCs separately for each year are given in **Appendix 4.2**.

<sup>1</sup> This includes one UC due for submission amounting to 0.13 crore pertaining to period 2001-02



(Source: Finance Accounts 2023-24)

As seen in **Chart 4.1**, the majority of cases of non-submission of UCs relate to the Urban Development Department (30.64 *per cent*), Planning Department (13.17 *per cent*), Water Resources Department (9.65 *per cent*) and Rural Development Department (9.60 *per cent*).

UCs outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final.

#### 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 35.52 *per cent* and 39.04 *per cent* of the State’s total expenditure during the last five years (2019-20 to 2023-24). Further, it was observed that during the last five years, more than 48.59 *per cent* of the Grants-in-aid was released to various institutions classified under ‘Others’ as seen in **Table 4.4**.

**Table 4.4: Details of GIA released to ‘Others’ during 2019-20 to 2023-24**

(₹ 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
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
2023-24	562714.85	199894.70	35.52	97126.63	48.59

Source: Finance Accounts of respective years.

As per Finance Accounts 2023-24, Grants-in-Aid (₹ 1,99,894.70 crore) constituted 35.52 *per cent* of total expenditure (₹ 5,62,714.85 crore) of the State. Out of the total

Grants-in-Aid of ₹ 1,99,894.70 crore, an amount of ₹ 97,126.63 crore (48.59 *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 Utilization Certificates against these GIA.

The State Government needs to devise a mechanism to assign codes to such institutions for monitoring the submission of Utilization Certificates 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.

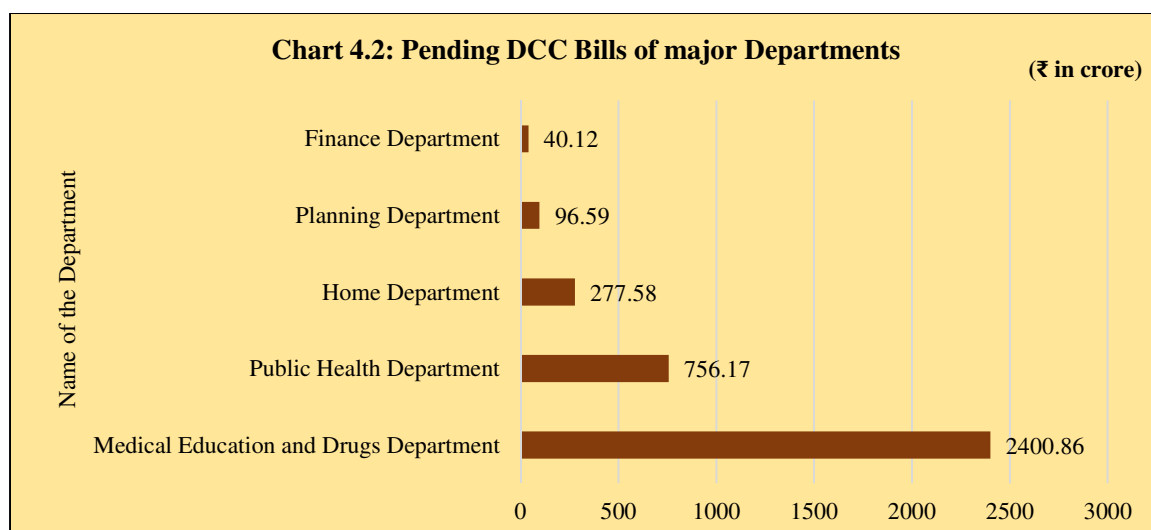
Significant drawal through AC bills in March indicates that the drawal was primarily to exhaust the budget provision and indicates inadequate budgetary control. The department-wise pendency of detailed contingent bills is given in **Appendix 4.3**. DCC bills aggregating to ₹ 3,674.60 crore, drawn on 1,438 AC bills, were pending at the end of March 2024 as detailed in **Table 4.5**.

**Table 4.5: Year wise progress in submission of DCC bills against outstanding AC bills**

Year	AC bills drawn		DCC bills received		Outstanding DCC bills as on 31 March 2024	
	No.	Amount	No.	Amount	No.	Amount
Upto 2022-23	1837	4185.96	824	1301.95	1013	2884.01
2023-24	1198	831.10	773	40.51	425	790.59
<b>Total</b>	<b>3035</b>	<b>5017.06</b>	<b>1597</b>	<b>1342.46</b>	<b>1438</b>	<b>3674.60</b>

Source: Finance Accounts 2023-24

Out of 1,198 AC bills amounting to ₹ 831.10 crore drawn during the year 2023-24, 244 AC bills amounting to ₹ 734.42 crore (88.37 *per cent*) were drawn in March 2024. Status of pending DCC bills in respect of five major departments is given in **Chart 4.2**.



(Source: Finance Accounts 2023-24)

**Chart 4.2** reveals that 65.34 *per cent* of the outstanding DCC bills pertain to Medical Education and Drugs Department (₹ 2,400.86 crore) and 20.58 *per cent* relate to Public Health Department (₹ 756.17 crore).

Three Departments (viz., Public Health Department, Planning Department and Medical Education and Drugs Departments) used AC bills to draw monies for procurement of medicines, medical equipment etc., through Haffkine Bio-Pharmaceuticals Corporation Limited. 648 AC bills amounting to ₹ 2,552.14 crore, constituting 69.45 *per cent* of total AC bills pending for adjustment, remained unadjusted at the end of the year, in respect of such procurement.

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 treated as correct or final. Non-submission of DCC bills indicates lack of monitoring on part of the Departments as well as treasuries.

#### 4.5 Personal Deposit (PD) Accounts

The PD accounts are in the nature of banking accounts 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 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. 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. As on 31 March 2024 there was a balance of ₹ 16,381.87 crore in 1,248 PD Accounts, which constituted 2.91 *per cent* of the total consolidated expenditure (₹ 5,62,714.85 crore) of the State.



As per Rule 495 of Maharashtra Treasury Rules (MTR), 1968 and 585(2) of Maharashtra Treasury Manual (MTM), PD Accounts 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. During the year, 171 PD Accounts with an amount of ₹ 19.53 crore were closed and the funds were adjusted in the Consolidated Fund of the State. It was observed that in 128 accounts, PD Accounts were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 88.21 crore lying idle in the PD Accounts as of March 2024. 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. The Status of Personal Deposit Accounts during 2019-20 to 2023-24 is shown in **Table 4.6**.

**Table 4.6: Status of Personal Deposit Accounts during 2023-24****(₹ in crore)**

Year	Opening Balance		Addition during the year		Closed during the Year		Closing Balance	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2019-20	2135	10953.53	6	24135.37	57	24770.93	2084	10317.97
2020-21	2084	10317.90	0 <sup>2</sup>	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
2023-24	1329*	11254.38	90	30700.56	171	25573.07	1248	16381.87
*Differs from previous year due to rectification of error during previous years carried out by Principal Accountant General (A&E) I								
Source: Finance Accounts of the respective years								

During the year 2023-24, the increase in PD Accounts was due to opening of virtual PD accounts for allocation of Grants-in-Aid in four<sup>3</sup> departments. Retention of funds in PD Accounts 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 2023-24, an amount of ₹ 4,863.11 crore was transferred to the PD Accounts from Consolidated Fund of the State. This includes ₹ 3,976.69 crore transferred in March 2024, of which ₹ 585.28 crore was transferred on the last working day of March 2024.

Against the requirement of Treasury reconciling PD Accounts with respective Administrators, only 268 Administrators of PD Accounts (out of 1,248) had reconciled and verified their balances.

Action needs to be taken by the Administrators to analyse and duly reconcile the balances, close the accounts and write back the unspent balances to the Consolidated Fund of the State.

#### 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 where the appropriate Minor Head has not been provided under a

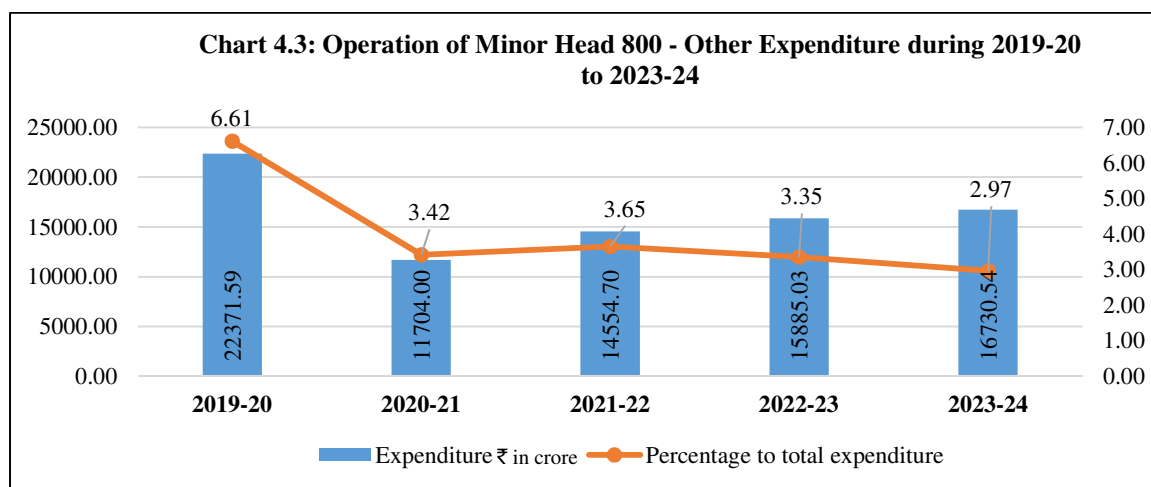
<sup>2</sup> During the year 2020-21 no new PD Accounts were opened, the amount of ₹ 16,288.51 was transferred to the existing PD Accounts

<sup>3</sup> (1) District Administration (2) Social Justice and Special Assistance (3) Agriculture, Animal Husbandry, Dairy Development and Fisheries (4) Tribal Development

Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and seek advice on an appropriate classification. Indiscriminate booking of receipts and expenditure under 'Minor Head 800- Other Receipts/Expenditure' affects transparency and nature of transactions, and renders the accounts opaque.

During 2023-24, the State Government classified expenditure of ₹ 16,730.54 crore under 50 Revenue and Capital Major heads of Account, constituting 2.97 *per cent* of the total consolidated expenditure of (₹ 5,62,714.85 crore) under the Minor Head "800-Other Expenditure".

The extent of operation of Minor head 800- other expenditure as a percentage of total consolidated expenditure during 2019-20 to 2023-24 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 6.61 *per cent* in 2019-20 to 2.97 *per cent* in 2023-24.

Instances where a substantial proportion of the expenditure within a given Major Head was classified under the Minor Head 800 – 'Other Expenditure' are given in **Table 4.7**.

**Table 4.7: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2023-24**

(₹ in crore)					
Sr No	Major Head	Description	Expenditure under Minor Head 800 under Major Head mentioned in (2)	Total Expenditure under Major Head in (2)	Percentage of [(4)/(5)]
(1)	(2)	(3)	(4)	(5)	(6)
1	4070	Capital Outlay on other Administrative Services	2628.78	2737.43	96
2	4055	Capital Outlay on Police	177.83	797.75	22
3	2701	Major and medium Irrigation	621.37	1624.64	38
4	2216	Housing	2182.93	5156.11	42
5	2515	Other Rural Development Programme	2529.13	9093.23	28
6	2210	Medical and Public Health	2799.54	18725.74	15

Source: Finance Accounts 2023-24

Audit examined 42 cases where expenditure amounting to ₹ 50 crore and above was budgeted and booked under Minor Head 800 and it was noticed that in the below mentioned instances, valid Minor Heads, other than 800, was available in the List of Major and Minor Heads (LMMH), for booking these transactions.

- (i) As per the LMMH, 'Assistance to Zilla Parishads/District level Panchayats' has to be budgeted and booked under Minor Head 196 of the respective expenditure head (Revenue Account). However, it was noticed that in the below instances the same was booked under Minor Head 800-Other expenditure.

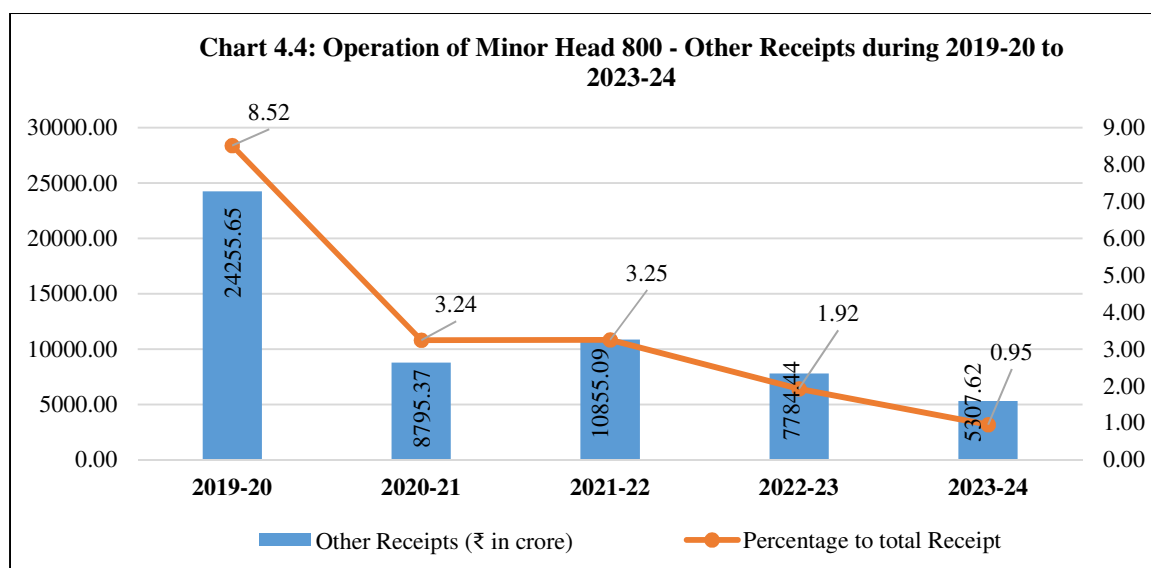
Major head	Minor Head	Description	₹ in crore
2515	800	Grant-in-aid to Zilla Parishads for Rural Development Programmes	2517.75
3054	800	Grants to Zilla Parishad for Development and Strengthening of Village Roads	68.90
3054	800	Grants to Zilla Parishad for Development and Strengthening of Village Roads	50.73

- (ii) 'Major works' as detailed below were booked under Minor Head 800 instead of Minor Head- '051-Construction'

Major head	Minor Head	Description	₹ in crore
4070	800	Construction of Maharashtra State Police Housing	1302.53
4070	800	Construction of Office Building for Police Department of Maharashtra State Police Housing	646.55
4070	800	Construction of Sales Tax Buildings through Maharashtra State Road Development Corporation	600.00
4070	800	Expenditure on Land Acquisition and Construction of Building for Police	60.00

- (iii) Under Major Head 4055 Capital Outlay on Police, an amount of ₹ 133.87 crore for Installation of CCTV Surveillance System was booked under Minor Head 800, instead of Minor head - 207 State Police.
- (iv) Rajashri Chhatrapati Shahu Maharaj Tuition fee Scholarship amount of ₹ 143.05 crore under Major Head 2202 was booked under Minor Head 800 instead of Minor head 107-Scholarship
- (v) Expenditure for 'Workshop and Training Programme by Dr. Babasaheb Ambedkar Research and Training Institute, Pune (S.C.S.P.)' under Major Head 2225 was budgeted and booked under Minor Head 800 instead of Minor Head 277 Education or under Minor Head 793 Special Central Assistance for Scheduled Castes Component Plan.

Similarly, during 2023-24, the State Government classified receipts amounting to ₹ 5,307.62 crore constituting 0.95 *per cent* of the total consolidated receipts (₹ 5,57,326.18 crore) pertaining to 53 Major heads under Minor Head "800-Other Receipts". The extent of operation of Minor head 800- other receipts as a percentage of total consolidated receipts during 2019-20 to 2023-24 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 8.52 *per cent* in 2019-20 to 0.95 *per cent* in 2023-24. 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 4.8**.

**Table 4.8: Significant receipts booked under Minor Head 800 – Other Receipts during 2023-24**

(₹ in crore)

Sr. No.	Major Head	Description	Receipt under Minor Head 800 under Major Head mentioned in (2)	Total Receipt under Major Head in (2)	Percentage of [(4)/(5)]
(1)	(2)	(3)	(4)	(5)	(6)
1.	0216	Housing	166.25	166.39	99.92
2.	0217	Urban Development	1675.43	1756.79	95.37
3.	0235	Social Security and Welfare	697.47	746.84	93.39
4.	0425	Co-operation	106.88	119.85	89.18
5.	0070	Other Administrative Services	2116.95	2392.92	88.47
6.	0250	Other Social Services	319.17	411.25	77.61
7.	0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	114.30	158.22	72.24
8.	0029	Land Revenue	1902.49	2689.76	70.73
9.	0202	Education, Sports, Art and Culture	315.85	548.18	57.62
10.	0435	Other Agricultural Programme	3.68	8.69	42.35

Source Finance Accounts 2023-24

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

### Issues relating to Measurement

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

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 remain uncleared, the balance under the suspense heads would accumulate and would not reflect Government’s receipt and expenditure accurately.

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

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc.

The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.9**.

**Table 4.9: Balances under Suspense and Remittance Heads**

Minor Head	2021-22		2022-23		2023-24	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 – Suspense</b>						
101 - PAO suspense	142.67	29.06	153.27	10.49	131.36	03.06
Net	Dr. 113.61		Dr. 142.78		Dr. 128.30	
102 - Suspense Account-Civil	4.26	5.14	34.50	33.08	12.18	13.44
Net	Cr. (-)0.88		Dr. 1.42		Cr. 1.26	
107 - Cash Settlement Suspense Account	18.30	0.49	17.16	0.49	17.16	0.50
Net	Dr. 17.81		Dr. 16.67		Dr. 16.66	
109 - Reserve Bank Suspense – Headquarters	5.86	14.48	0.61	18.75	(-)3.56	20.84
Net	Cr. (-) 8.62		Cr. 18.14		Cr. 24.40	
110 - Reserve Bank Suspense – CAO	43.71	3.03	381.95	376.14	404.48	365.46
Net	Dr. 40.68		Dr. 5.81		Dr. 39.02	
112 - Tax Deducted at Source (TDS) Suspense	0	180.41	653.76	827.88	(-)33.62	194.21
Net	Cr. (-) 180.41		Cr. 174.12		Cr. 227.83	

Minor Head	2021-22		2022-23		2023-24	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	226577.76	227677.03	234775.23	236342.95	200239.26	287820.79
Net	Cr. 1099.27		Cr. 1567.72		Cr. 87581.53	
103 - Forest Remittances	1935760.02	1940625.01	16394.16	16498.86	20252.59	20171.88
Net	Cr. 48.65		Cr. 104.70		Cr. 80.71	
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 2024, there were nine cases of adverse balances in the accounts. These pertained to Loans from LIC of India (Major Head 6003-103) - ₹ 1.06 crore, Other Loans from Technical Education (Major Head 6202-800) - ₹ 3.69 crore, Loans to Public sector and other undertakings (Major Head 6401-190) - ₹ 0.77 crore, Poultry Development (Major Head 6403-103) - ₹ 1.01 crore, Sheep and Wool Development (Major Head 6403-104) - ₹ 8.64 crore, Loans for Other Agricultural Programmes – Other Loans (Major Head 6435-800) - ₹ 0.02 crore, Advance for purchase of other conveyance (Major Head 7610-203) - ₹ 1.50 crore, Advance for purchase of Computers (Major Head 7610-204) - ₹ 1.48 crore, etc.

The Adverse Balance was due to misclassification, more disbursement than the availability of funds, more disbursements than the contribution received, non-carrying forward of balances from one accounting unit to another, administrative reorganization leading to creation of States/more accounting units.

There was an adverse balance of ₹ 10,078.39 crore in the Public Accounts under Major Head 8670-Cheques and Bills 103-Departmental cheques. Necessary action for clearing the adverse balances in respect of Public Accounts Public Debt and Loans and Advances is required to be taken.

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

During the year 2023-24 revenue receipts amounting to ₹ 2,63,912.57 crore (98 per cent of total revenue receipts) and revenue expenditure amounting to ₹ 3,64,728.27 crore (89 per cent of total revenue expenditure) and capital expenditure amounting to ₹ 56,891.88 crore (82.61 per cent of total capital expenditure), excluding the receipts and expenditure adjusted through transfer entries and periodical adjustment were reconciled by

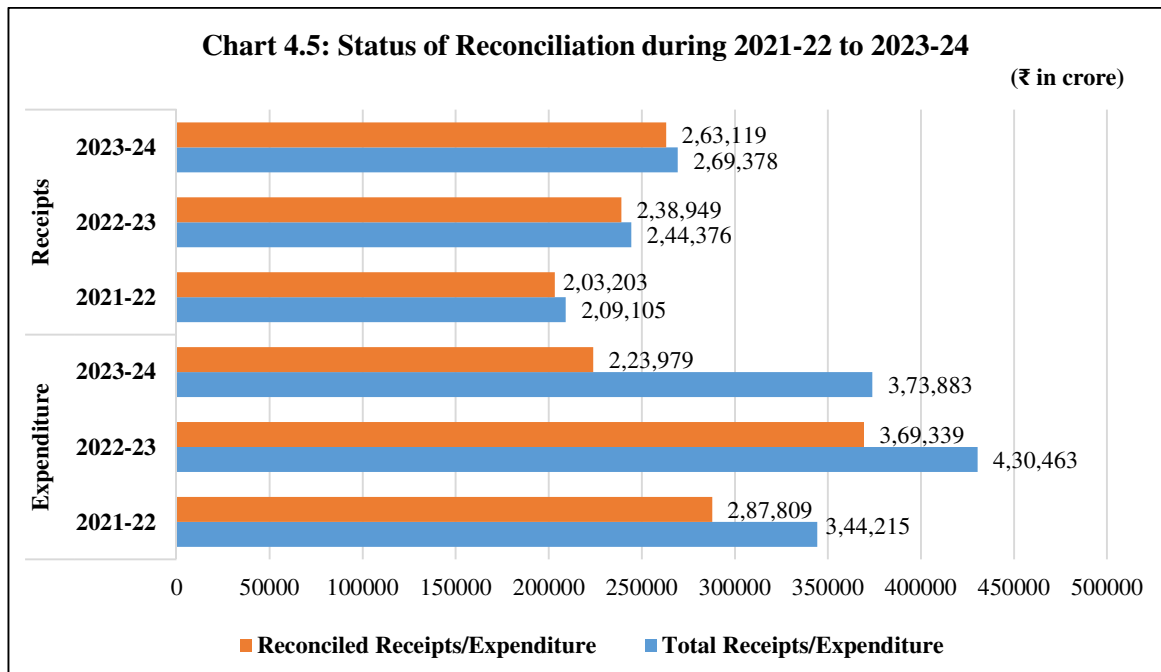
the State Government. Loans and Advances given by the State Government amounting to ₹ 4,635.18 crore (94.51 per cent of total loans and advances given by the State Government) were reconciled. The details relating to the number of Controlling Officers and the extent of reconciliation of expenditure during the last three years are given in **Table 4.10**.

**Table 4.10: 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
2023-24	6742	5780	801	161

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

The status of reconciliation during 2021-22 to 2023-24 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 Principal Accountant General (A&E) and the cash balances as reported by RBI. The Cash Balance of the year 2023-24 as per Accounts and as per RBI indicating the unreconciled difference for the year as on 31 March 2024 is shown in **Table 4.11**.

**Table 4.11: Unreconciled difference of Cash Balance**

(₹ in crore)		
As per Principal Accountant General's Books	As reported by RBI	Difference (As on 31/03/2024)
3,154.46 (Credit)	3,384.93 (Debit)	230.47 (Credit)

Source: Finance Accounts 2023-24

The difference of ₹ 230.47 crore (Credit) is mainly due to pending reconciliation between the Treasury / RBI / Agency Bank and Principal Accountant General Office. The



difference is under reconciliation and as of 30 June 2024 had been reduced to ₹ 143.01 crore Credit (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 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**
4. Prior period Adjustments – **IGAS 4**

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 4.12**.

**Table 4.12: Compliance with 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.	Partially complied Limit within which the Government may give Guarantee not fixed by the State Legislature	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.
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.	Partially complied	The Grants-in-aid given to institutions amounting to ₹ 3,544.73 crore was classified under capital heads instead of revenue head. Non-compliance led to understatement of revenue deficit to that extent
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	Partially 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



Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
		complete, accurate and uniform accounting practices.		on the revenue and fiscal deficit.
4	<b>IGAS-4:</b> <i>Prior Period Adjustments.</i>	The Standard not only aims to disclose such information which pertains to prior period errors but also covers entries requiring Prior Period Adjustments arising out of changes in Government decisions which may impact current balances and progressive amounts during the earlier years for which accounts have been closed.	Complied	During 2023-24, no prior period adjustments were carried out in the accounts.

#### 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 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 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 them to Principal Accountant General (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 28 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 2023-24, which were due in November 2024, have not been received from any of the Autonomous Bodies. The arrears of accounts of the Autonomous bodies are shown in **Table 4.13**.

Table 4.13: Arrears of accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2023-24
1.	Maharashtra State Commission for Protection of Child Rights (MSCPCR)	2018-19	6
2.	Maharashtra State Minorities Commission (MSMC)	2016-17	8
3.	Maharashtra Building and Other Construction Workers' Welfare Board (MBOCWBB)	2021-22	3
4.	Maharashtra Water Resources Regulatory Authority (MWRRA)	2023-24	1
5.	Maharashtra Krishna Valley Development Corporation (MKVDC)	2023-24	1
6.	Maharashtra Housing and Area Development Authority (MHADA)	2023-24	1
7.	Maharashtra State Commission for Women (MSCW) Mumbai	2023-24	1
8.	Maharashtra Real Estate Regulatory Authority (MahaRERA)	2023-24	1
9.	Mumbai Region Development Authority (MMRDA), Mumbai	2023-24	1
10.	Slum Rehabilitation Authority, Mumbai (SRA)	2023-24	1
11.	Slum Rehabilitation Authority, Pune	2023-24	1
12.	Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad	2021-22	3
13.	Tapi Irrigation Development Corporation (TIDC), Jalgaon	2022-23	2
14.	Vidarbha Irrigation Development Corporation (VIDC), Nagpur	2023-24	1
15.	Maharashtra Water Conservation Corporation (MWCC), Aurangabad	2022-23	2
16.	Admission Regulating Authority	2015-16 <sup>4</sup>	9
17.	Konkan Irrigation Development Corporation (KIDC)	2023-24	1
18.	Maharashtra Electricity Regulatory Commission (MERC)	2023-24	1
19.	Maharashtra State Khadi and Village Industries Board (MSKVIB)	2023-24	1
20.	Maharashtra Jeevan Pradhikaran (MJP)	2019-20	5
21.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2022-23	2
22.	Maharashtra Maritime Board (MMB)	2023-24	1
23.	Maharashtra Pollution Control Board (MPCB)	2023-24	1
24.	Maharashtra State Legal Services Authority (MSLSA)	2023-24	1
25.	Maharashtra State Human Rights Commission	2023-24	1
Source: Information obtained from Principal Accountant General (Audit)-I and Accountant General (Audit)-II, 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.

<sup>4</sup> Due to non providing of records by Admission regulating authority (ARA) to Audit, the audit of annual accounts of ARA for the years 2015-16 to 2019-20 was returned to ARA.

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, and Accountant General (Audit)-II of Maharashtra as the case may be, for audit within a specified timeframe.

As on March 2024, there were 49 Departmental Commercial Undertakings (DCUs). The position of department-wise investments by the Government up to the year for which proforma accounts have been finalized, net profits/loss as well as return on capital invested in these undertakings are given in **Appendix 4.5**. It was observed that

- The State Government had invested ₹ 5,016.05 crore in these 49 DCUs as at the end of the financial year up to which their accounts were finalized (**Appendix 4.6**).
- Of the four undertakings having 49 units, only four<sup>5</sup> units could earn net profit amounting to ₹ 8.59 crore against capital investment of ₹ 48.72 crore.

In view of the heavy losses of some of the undertakings, Government should review their working to make them self-sustaining or close them, wherever not feasible.

#### 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 (August 2024).

<sup>5</sup> Unit Scheme, Mumbai (2014-15) profit of ₹ 0.61crore: Cattle Feed Scheme (2014-15) profit of ₹ 4.14 crore: Allapalli and Pendigundam Forest Ranges of Forest Department (1985-86) profit of ₹ 3.83 crore: Land development by Bulldozer Scheme, Nagpur (1996-97) profit of ₹ 0.01crore.

**Table 4.14** shows age-wise arrears of Annual Accounts due up to 2023-24 in respect of 5,792 Annual Accounts as of August 2024.

**Table 4.14: Age-wise arrears of Annual Accounts due from Institutions**

Delay in number of years	Number of Accounts
0-1	601
1-3	1008
3-5	1079
5-7	920
7-9	532
9 and above	1652
<b>Total</b>	<b>5792</b>
Source: Information obtained from Principal Accountant General (Audit)-I, Maharashtra	

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 Principal Accountant General (A&E) from the initial accounts rendered by 34 Treasuries and one Virtual treasury (accounting e-receipts), 173 Forest Divisions, 163 Public Works Divisions, 182 Water Resources Divisions, one Pay and Accounts Office and Advices of the Reserve Bank of India. During 2023-24, 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 239 cases of misappropriations, defalcations *etc.*, involving ₹ 5,276.14 lakh up to 31<sup>st</sup> March 2024 on which final action was pending. First Information Reports were lodged in all the 239 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 4.7** and **Appendix 4.8**.

Further analysis indicates the reason due to which the cases were outstanding and could be classified in the various categories listed in the **Table 4.15**.

**Table 4.15: Reasons for outstanding cases of misappropriations, losses, theft etc.**

(₹ in lakh)

Sl. No.	Reasons for delay/outstanding cases	Number of cases	Amount
1	Awaiting departmental action	26	101.86
2	Departmental proceeding in progress	55	762.61
3	Awaiting orders for write- off	38	52.11
4	Pending due to judicial proceedings	99	953.37
5	Pending due to other reasons	21	3406.19
	<b>Total</b>	<b>239</b>	<b>5276.14</b>
Source: Information obtained from Principal Accountant General (Audit)-I, Mumbai, Accountant General (Audit)-II, Nagpur and PAO Mumbai			

#### 4.16 Unspent amount lying in the Bank Accounts of DDOs

In terms of Article 204 (3) of the Constitution, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Articles 204, 205 or 206. As per Rule 282 (1) of Maharashtra Treasury Rules of the Government of Maharashtra, all charges actually incurred must be paid and drawn at once, and under no circumstances may they be allowed to stand over to be paid from the grant of another year. As per Rule 282(2), no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budget grants. Thus, the expenditure relating to a particular financial year has to be booked in the same financial year it is spent under the same grant and appropriation of the respective financial year.

As per details made available by the State Government, Treasuries of the Government of Maharashtra transferred funds of ₹ 91,086.80 crore to Bank Accounts maintained by various DDOs during 2023-24, for which voucher details were not made available to PAG (A&E). The details further showed that the funds which could not be fully utilized by the DDOs of 35 Departments in the same financial year, amounting to ₹ 8,367.58 crore, though booked as expenditure, remained unspent in their bank accounts as on 31 March 2024. The Government expenditure as reflected in the Accounts to that extent is, therefore, not final i.e. lesser to the extent of unspent amounts. The department wise details of amount lying unspent with the DDOs are shown in **Appendix 4.9**. A similar issue was highlighted in the State Finance Audit Report for the year ending 31 March 2021.

Transactions through the bank accounts of DDOs with balances pertaining to previous financial years keeps them out of the normal budgetary processes, and also takes them outside legislative oversight as they are not reported in the Finance and Appropriation Accounts for the year in which they are retained, thereby increasing the risk of fraud/misappropriation.

#### 4.17 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. No PAC meetings were held during 2023-24. 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.

#### 4.18 Conclusion

- Utilisation Certificates in respect of grants aggregating ₹ 36,756.09 crore (10,793 UCs) given to 32 Departments of the State Government were not submitted. In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which it was given.
- As of 31 March 2024, 31 Departments of the State Government had not submitted DCC bills for ₹ 3,674.60 crore against 1,438 AC Bills. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills.
- During 2023-24, the State Government classified receipts of ₹ 5,307.62 crore (0.95 *per cent* of total consolidated Receipts of ₹ 5,57,326.18 crore), pertaining to 53 Major Heads, under the Minor Head '800 - Other Receipts' while an expenditure of ₹ 16,730.54 crore was booked under Minor Head 800 under 50 revenue and capital Major Heads of Account, constituting 2.97 *per cent* of the total consolidated expenditure of ₹ 5,62,714.85 crore.
- During the year 2023-24 revenue receipts amounting to ₹ 2,63,912.57 crore (98 *per cent* of total revenue receipts) and revenue expenditure amounting to ₹ 3,64,728.27 crore (89 *per cent* of total revenue expenditure) and capital expenditure amounting to ₹ 56,891.88 crore (82.61 *per cent* of total capital expenditure), excluding the receipts and expenditure adjusted through transfer entries and periodical adjustment were reconciled by the State Government. Loans and Advances given by the State Government amounting to ₹ 4,635.18 crore (94.51 *per cent* of total loans and advances given by the State Government) was reconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard may entail the risk of misclassification and incorrect booking of both receipts and expenditure in the accounts.
- As on 31 March 2024, there were 56 annual accounts of 25 Autonomous Bodies pending for submission to CAG for audit. 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.

#### 4.19 Recommendations

- (i) State Government may institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures regarding submission of Utilisation Certificates, Detailed Countersigned Contingent bills and of accounts for audit.
- (ii) State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.

- (iii) Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.

  
(C. M. SANE)

Mumbai  
The 09 May 2025

Principal Accountant General (Audit)-I,  
Maharashtra, Mumbai

Countersigned



New Delhi  
The 13 May 2025

(K. SANJAY MURTHY)  
Comptroller and Auditor General of India

