

CHAPTER – IV

**QUALITY OF ACCOUNTS AND FINANCIAL
REPORTING PRACTICES**

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Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. 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. This chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directives during the current year.

Issues related to completeness of Accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one Consolidated Fund to be entitled the “Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be. An instance wherein public expenditure was met through creation of fund outside the Consolidated Fund is mentioned below:

Maharashtra Nivara Nidhi

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

Since its inception till March 2019, MNN received ₹ 26,956.28 crore from GoM, MHADA and a recurring contribution from Slum Rehabilitation Authority by way of 90 *per cent* of the land premium collected by the Authority. The Annual Accounts and the Audit Report of the receipts and expenditure incurred out of MNN were not submitted (December 2020) to the State Legislature, despite the fact that ₹ 4,593.95 crore were spent from this fund till March 2019.

As the Fund was created under the MHADA, an autonomous Body, audited by the Comptroller and Auditor General of India under Section 20(1) of the CAG’s DPC (Act)

1971, a formal amendment to the MHADA Act, 1976, incorporating the creation of the MNN and the subsequent audit arrangement of the Fund was required. Further, Finance Department have directed (August 2017) Housing Department to make necessary amendments in the MHADA Act, 1976 ensuring administrative and financial independence for MNN and to ensure audit of this fund by the CAG.

4.2 Non-discharge of liability in respect of interest towards interest bearing deposits

The State Government has to pay interest on the un-invested balances lying under the head “Deposit Account bearing interest”. During 2019-20, the entire balance of ₹ 46,192.77 crore lying in interest bearing Deposit Accounts as on 31 March 2019 was not invested. The State Government paid an interest of ₹ 2,157.76 crore on the un-invested portion of ₹ 45,653.45 crore. Interest was not paid on the remaining un-invested portion of ₹ 539.32 crore. The interest liability on this un-invested portion works out to ₹ 43.15 crore, at the rates of interest applicable to the deposit account concerned. The details of non-discharge of liability in respect of interest towards interest bearing deposits are given in **Table 4.1**.

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

Sl. No.	Name of the Interest-bearing deposit	Opening Balance as on 1st April 2019	Un-invested portion for which interest has not been paid	Amount of Interest not provisioned (Calculated @ 8%)
1	8336 Civil Deposits	38570.78	0	0
2	8338 Deposit on Local Funds	89.04	89.04	7.13*
3	8342 Other Deposits	7532.95	450.28	36.02
Total		46192.77	539.32	43.15

* Higher rounding;
Source: Finance Accounts 2019-20

4.3 Funds transferred directly to State implementing agencies

The Central Government transfers a sizeable quantum of funds directly to the State Implementing Agencies (IAs)¹ for the implementation of various schemes/programmes in the social and economic sectors. As the funds are not routed through the State Budget/State Treasury System, the Finance Accounts of the state do not capture these funds and to that extent, the state's receipts and expenditure as well as other fiscal variables/parameters derived from them, do not represent the complete picture. Therefore, it was decided by the Central Government that from 2014-15, plan assistance under all Centrally Sponsored Schemes (CSS) and block grants would be classified as Central Assistance to State Plan and transferred to IAs through the Consolidated Fund of the State in a phased manner.

¹ State IAs are organisations/institutions including non-governmental organisations which are authorised by the State Government to receive funds from the GoI, for implementing the specific programmes.

However, during 2019-20, the GoI, however transferred funds of ₹ 7,851.42 crore directly to the State Implementing Agencies instead of routing through State Government.

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

Table 4.2: Funds transferred directly to Implementing Agencies during 2015-20

(₹ in crore)					
Years	2015-16	2016-17	2017-18	2018-19	2019-20
Direct transfers to State implementing agencies	450.84	1592.11	1854.82	3004.46	7851.42
Source: Finance Accounts of respective years					

Some of the implementing agencies which received major transfers during 2019-20 are shown in **Table 4.3**.

Table 4.3: Implementing agencies which received direct transfer from GoI

(₹ in crore)			
Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	GoI releases during 2019-20
1	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture Maharashtra	4720.62
2	Mahatma Gandhi National Rural Employment Guarantee Program-State Component	Mahatma Gandhi National Rural Employment Guarantee Scheme State Fund Association Maharashtra (State Component)	1150.60
3	Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers' margin under NFSA	Food & Civil Supplies & Consumers Protection Department Government of Maharashtra	305.83
4	Pradhan Mantri Matru Vandana Yojna	Public Health Department Maharashtra	287.88
5	Procurement of cotton, by Cotton Corporation under Price Support Scheme	The Maharashtra State Co-operative Cotton Growers Marketing Federation Limited-[MSCCGMF] Ltd.	145.60
6	National Highway Authority of India	Competent Authority Land Acquisition (CALA)/SDO	128.46
7	Food Subsidy for decentralized procurement of food grains under NFSA	Food & Civil Supplies & Consumers Protection Department Government of Maharashtra	107.25
8	Census Survey and Statistics/Registrar General of India	Government of Maharashtra Census 2021	98.25
9	National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis	Maharashtra Livestock Development Board – [MLDB]	29.07
10	Sub-Mission on Seed and Planting Material	Maharashtra State Seeds Corporation Limited - [MSSCL]	17.42
11	Rashtriya Gokul Mission	Maharashtra Livestock Development Board	14.80
12	Science and Technology Institutional and Human Capacity Building	Educational Universities	11.43
Source: Finance Accounts 2019-20; Public Financial Management System-PFMS			

Direct transfer of funds from GoI to the State implementing agencies entails the risk of improper utilisation of funds by these agencies. Unless uniform accounting practices are followed by all these agencies, with proper documentation and timely reporting of expenditure, it would be difficult to monitor the end use of these direct transfers.

4.4 Delay in submission of Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the grants received during a year for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the Accounting Offices concerned *i.e.* Accountant General (Accounts and Entitlement)-I, Mumbai, Accountant General (Accounts and Entitlement) - II, Nagpur and Pay and Accounts Office, Mumbai within 12 months from the dates of their sanction unless specified otherwise.

The pending amount of Utilisation Certificates has reduced from ₹ 47,483 crore in 2018-19 to ₹ 20,775.81 crore in 2019-20. The outstanding amount of pending Utilisation Certificates constituted 6.13 *per cent* of the total expenditure (₹ 3,38,690.64 crore) of the State.

The status of 17,510 UCs aggregating to ₹ 20,775.81 crore due in respect of grants released up to 2018-19 is detailed in **Appendix 4.1**. The age-wise position of outstanding UCs is summarised in **Table 4.4**.

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

(₹ in crore)

Year*	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	12,548	36,939.45	8,495	33,405.22	16,990	66,810.44	4,053	3,534.23
2018-19	5,859	10,543.91	1,536	5,577.42	3,072	11,154.84	4,323	4,966.49
2019-20	32,171 [#]	55,994.10	23,037	43,719.01	46,074	87,438.02	9,134	12,275.09
Total	50,578	103,477.46	33,068	82,701.65	66,136	165,403.30	17,510	20,775.81

[#] Additions during the year
 *Due year for submission of UCs *i.e.* 12 months from the drawal of GIA
 Source: Information compiled by O/o the Accountant General (A&E)-I, Maharashtra, Mumbai

The year-wise details of pending UCs and the amounts involved are given in **Table 4.5**.

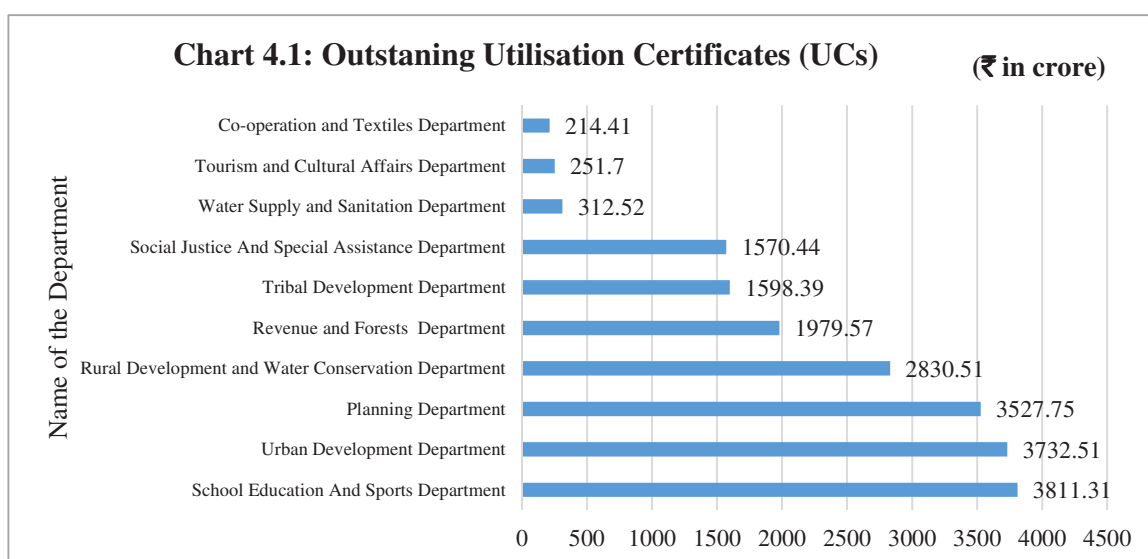
Table 4.5: Year wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount	Percentage
Upto 2013	1314	650.29	3.1
2013-14	149	144.30	0.7
2014-15	195	148.07	0.7
2015-16	721	861.09	4.1
2016-17	1674	1730.48	8.3
2017-18	4323	4966.49	23.9
2018-19	9134	12275.09	59.2
Total	17510	20775.81	100

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

Table 4.5 shows that 91 *per cent* of the outstanding UCs pertain to the period 2016-19. Outstanding UCs in respect of 10 major Departments for the grants paid up to 2018-19 is shown in **Chart 4.1**.



(Source: Finance Accounts 2019-20)

Non-submission of the UCs meant that the institutions have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. Since non-submission of UCs is fraught with the risk of mis-utilisation of grants, it is imperative that the State Government should monitor this aspect closely and hold the persons concerned accountable for submission of UCs in a timely manner.

4.4.1 Recording of Grantee institutions as “others”

During 2019-20, Grant-in-Aid (₹ 1,32,235 crore) constituted 39 *per cent* of total expenditure (₹ 3,38,691 crore). Out of ₹ 1,32,235 crore, GIA for others/miscellaneous was ₹ 45,174 crore (34 *per cent*). In absence of proper institution code for recording of Grantee Institutions as “others”, the outstanding amounts against such institutes could not be worked out.

4.5 Abstract Contingent Bills

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

As on 31 March 2020, 2,678 DC bills amounting to ₹ 2,427.92 crore were not received in the Offices of the Accountant General (Accounts and Entitlement)-I, Maharashtra,

Mumbai, Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai.

It was seen that of ₹ 1,062.21 crore drawn through 3,327 AC bills during 2019-20, ₹ 370.92 crore through 139 AC bills (35 per cent) was drawn on the last day of the financial year. Significant drawal through AC bills on the last day indicates that the drawal was primarily to exhaust the budget provision and reveals inadequate budgetary control. The department wise pendency of detailed contingent bills is given in **Appendix 4.2**. Year-wise details of pending detailed contingent bills are given in **Table 4.6**.

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

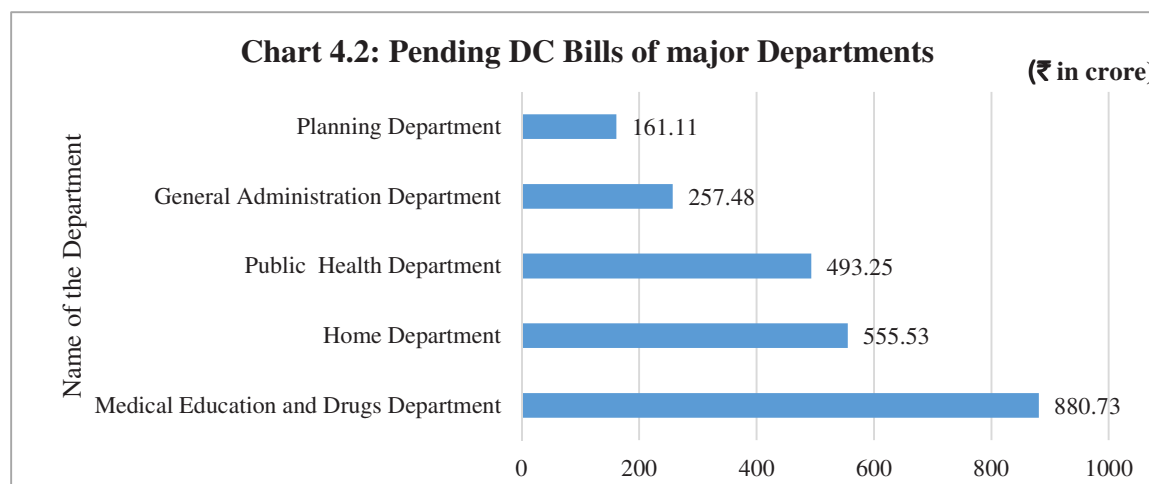
Year	Opening Balance		DCC bills received		Outstanding AC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2017-18	1558	1135.10	731	319.71	827	815.39
2018-19	1054	829.27	647	178.05	407	651.22
2019-20	3327 [#]	1062.21 [#]	1883	100.90	1444	961.31
Total	5939	3026.58	3261	598.66	2678	2427.92[§]

(₹ in crore)

[#] Additions during the year
[§] 1,368.60 crore drawn by the department in respect of service provided by Haffkine Bio- Pharmaceutical Corporation Ltd

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

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



(Source: Finance Accounts 2019-20)

4.6 Personal Deposit Accounts

The PD accounts, also known as PLA 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 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 three consecutive accounting years 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. The time limit was revised² (January 2014) by FD, GoM to one year. In cases, however, in which the PD Accounts are debited to the Consolidated Funds, 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 31st March 2020, 2,084 PD Accounts showed a closing balance of ₹ 10,318 crore as indicated in **Table 4.7**.

Table 4.7: Status of Personal Deposit Accounts during 2019-20

(₹ in crore)

Opening Balance		Addition during the year		Closed during the Year		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
2135	10953.53	6	24135.37	57	24770.93	2084	10317.97

Source: Finance Accounts 2019-20

Out of balance of ₹ 10,317.97 crore as on 31 March 2020, an amount of ₹ 44 crore is lying unspent for more than one year and ₹ 520.50 crore remained unspent for more than three years. During 2019-20 only in respect of 33 PD Accounts out of 2,084 accounts, the Administrators had reconciled the balances with Accountant General (A&E). Incomplete reconciliation would affect the correctness of the balances in the un-reconciled PD account.

4.6.1 Inoperative Personal Deposit Accounts

As per Rule 495 of Maharashtra Treasury Rules (MTR), 1968 and 585(2) of Maharashtra Treasury Manual (MTM), Personal Deposits (PDs)/Personal Ledger Account (PLA) which are inoperative for more than three consecutive accounting years should be closed and the balances in such accounts are to be credited to the Government Account as Miscellaneous revenue under Major Head 0075. The time limit was revised (January 2014) by FD, GoM to one year.

It was observed that in 192 accounts, PLAs were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 93.16 crore lying idle in the PLAs as of March 2020. This issue of inoperative Personal Ledger Account is being taken up regularly with the State Government. It was assured by the State Government that verification of balances under both operative and inoperative PD/PLA would be undertaken and completed by March 2021.

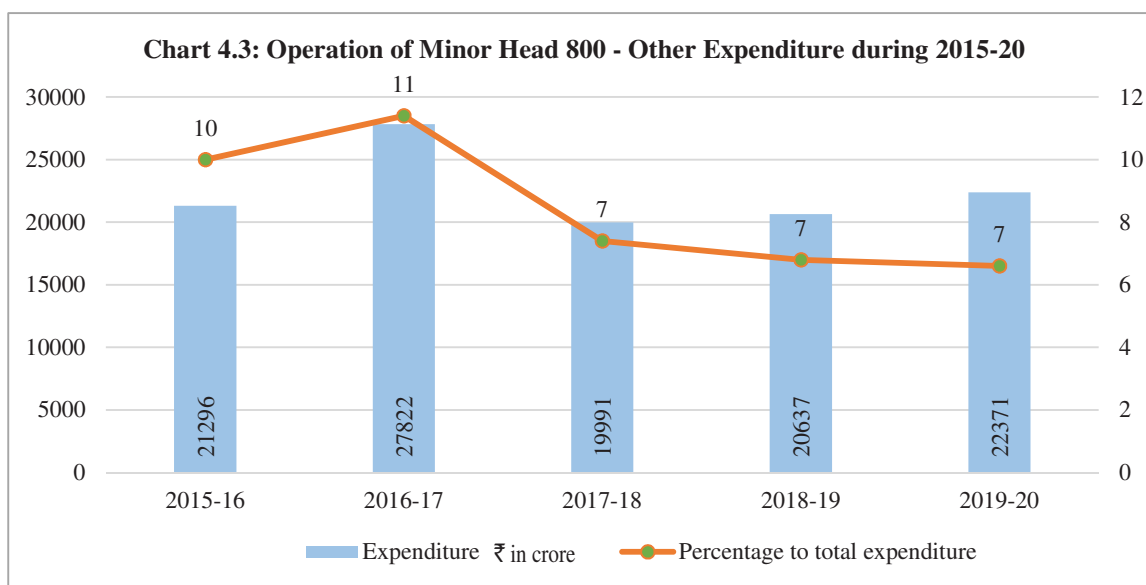
4.7 Indiscriminate use of Minor Head 800

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

² Vide Finance Department’s Government Resolution संकीर्ण 1014/प्र क्र 5/कोषा प्रशा/5 dated 24 January 2014

During 2019-20, Revenue Receipts of ₹ 24,203.97 crore under Revenue Receipts heads of accounts constituting 8.85 per cent of the total Revenue Receipts (₹ 2,83,189.58 crore) was booked under Minor head '800-Other Receipts'. Similarly, expenditure of ₹ 22,371.27 crore under Revenue and Capital expenditure heads of accounts constituting 6.64 per cent of total Revenue and Capital expenditure (₹ 3,36,720.78 crore) was booked under the Minor Head '800-Other Expenditure'.

The operation of Minor head 800- other expenditure during 2015-20 are shown in **Chart 4.3**.



(Source: Finance Accounts of respective year)

Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – 'Other Expenditure', are given in **Table 4.8**.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2019-20

(₹ in crore)

Sr. No.	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
1	2801	Power	9299.27	11127.00	84
2	2217	Housing	513.05	1016.72	50
3	4070	Capital Outlay on other Administrative Services	478.00	478.34	100
4	4055	Capital Outlay on Police	212.37	279.06	76

Source: Finance Accounts 2019-20

In Major Heads 2801, 2217, 2515, 2210, the concerned Departments had been consistently booking expenditure of more than ₹ 100 crore under Minor Head-800 for the last three years. The Departments were: Power, Urban Development, Rural Development and Public Health.

In the case of receipts, the operation of Minor Head 800- other receipts was lower compared to 'other expenditure'. Cases where over 50 per cent of receipts were classified under Minor Head 800 – 'Other Receipts', are given in **Table 4.9**.

Table 4.9: Significant receipts booked under Minor Head 800 – Other Receipts during 2019-20

(₹ in crore)

Sr. No.	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
1	0029	Land Revenue	1526.54	2154.55	71
2	0217	Urban Development	1002.59	1320.13	76
3	0070	Other Administrative Services	345.75	484.26	71
4	0202	Education, Sports, Art and Culture	208.95	411.73	51
5	0250	Other Social Services	285.77	379.17	75
6	0075	Miscellaneous General Services	254.41	369.98	69
7	0235	Social Security and Welfare	212.60	238.22	89
8	0425	Co-operation	192.86	203.70	95
9	0230	Labour and Employment	83.81	167.41	50
10	0515	Other Rural Development Programmes	131.29	142.13	92
11	0071	Contributions and Recoveries towards Pension and Other Retirement benefits	78.65	113.14	70
12	1054	Roads and Bridges	99.36	101.90	98

Source: Finance Accounts 2019-20

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.

4.8 Outstanding balance under major Suspense and Debt Deposit Remittances 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 are not cleared subsequently, the balance under the suspense heads would accumulate and would not reflect Government’s receipt and expenditure accurately.

The balances under Suspense and Remittance Heads are shown in **Table 4.10**.

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 - PAO suspense	210.03	19.53	179.04	38.16	178.59	22.04
Net	Dr. 190.50		Dr. 140.88		Dr. 156.55	
102 - Suspense Account-Civil	5.32	2.56	6.25	3.95	9.78	5.62
Net	Dr. 2.76		Dr. 2.30		Dr. 4.16	
107 - Cash Settlement Suspense Account	18.30	0.49	18.30	0.49	18.30	0.49

Minor Head	2017-18		2018-19		2019-20	
Major Head 8658 – Suspense	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Net	Dr. 17.81		Dr. 17.81		Dr. 17.81	
109 - Reserve Bank Suspense –Headquarters	(-)5.08	1.10	(-)8.44	(-)0.54	(-)1.45	0.10
Net	Cr. 6.18		Cr. 7.90		Cr. 1.55	
110 - Reserve Bank Suspense – CAO	(-)1.14	3.69	3.03	2.85	(-)2.00	2.85
Net	Cr. 4.83		Dr. 0.18		Cr. 4.85	
112 - Tax Deducted at Source (TDS) Suspense	0.09	106.5	0.09	111.28	186.93	607.14
Net	Cr. 106.42		Cr. 111.19		Cr. 420.21	
123 - A.I.S Officers' Group Insurance Scheme	3.29	0.35	3.52	0.19	5.65	0.18
Net	Dr. 2.94		Dr. 3.33		Dr. 5.47	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	81834.58	82716.16	115995.17	117146.66	155220.14	154822.30
Net	Cr. 881.58		Cr. 1151.49		Dr. 397.84	
103 - Forest Remittances	6940.51	7176.55	10824.44	10951.47	13934.22	13946.49
Net	Cr. 236.04		Cr. 127.03		Cr. 12.27	

Source: Finance Accounts of respective years

The implications of the balances under these heads are discussed in the succeeding paragraphs:

Pay and Accounts Office (PAO) Suspense

This head is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers of GoI. The net debit balance under this head has increased over the previous year. On clearance/settlement, the cash balance of the State Government will increase. The transactions mainly related to payments made by the State Government to Central Government Civil Pensioners.

Tax Deducted at Source (TDS) Suspense

This head pertains to Receipts on account of income tax, etc. deducted at source to be payable to C.B.D.T by means of Cheques. The net credit balance under this head has shown an increasing trend over the years. On clearance/settlement, the cash balance of the State Government will decrease.

P.W. Remittances

There was net debit balance under this head during 2019-20. On clearance/settlement, the cash balances of the State Government will increase. The remittances relate to cheques deposited by PWD into Treasury.

Forest Remittances

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

Adverse Balances under DDR Heads

As on 31 March 2020, there were three adverse balances pertaining to loan repayments of ₹ 1.09 crore to LIC of India, ₹ 15.63 crore to National Co-operative Development

Corporation and ₹ 27.04 crore to other Institutions. The cause of the adverse balances was due to misclassification of repayments of loans to other institutions instead of to the actual lender.

4.9 Non-reconciliation of departmental figures

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 Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be, so as to enable them to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts.

Such reconciliation had been completed only for an expenditure of ₹ 1,59,364 crore (70 per cent) against the total expenditure of the Government (₹ 2,26,666 crore) excluding the expenditure adjusted through Transfer Entry and Periodical Adjustment. Major defaulting departments are Skill Development and Entrepreneurship; Food and Civil Supplies; School and Education; Urban Development and Finance.

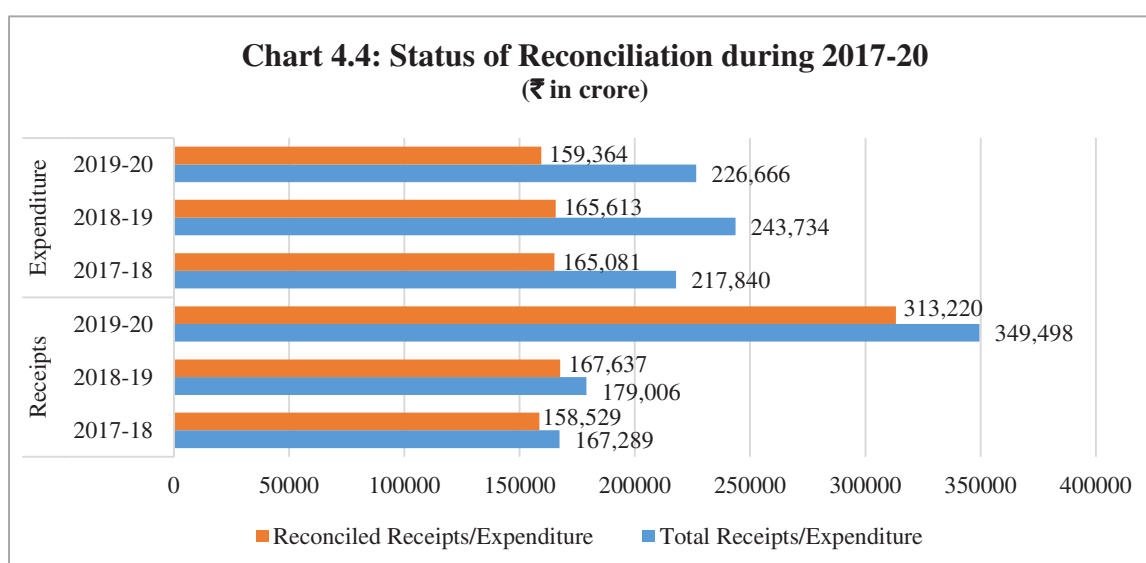
The status of reconciliation of expenditure during 2017-18 to 2019-20 is given in Table 4.11.

Table 4.11: Status of Reconciliation of Expenditure figures

Year	Controlling Officers/DDOs			
	Total No.	Fully Reconciled	Partially Reconciled	Not reconciled at all
2017-18	7042	6685	138	219
2018-19	9257	8807	145	305
2019-20	7150	6884	179	87

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

Reconciliation of receipts has been completed for ₹ 3,13,220 crore (90 per cent) against the total receipts of the Government (₹ 3,49,498 crore) excluding expenditure and receipt adjusted through Transfer Entries and periodical adjustment as shown in Chart 4.4.



(Source: Finance Accounts of respective years)

Non-reconciliation not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.9.1 Non reconciliation of PSU figures with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Maharashtra. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2020 is stated below:

Table 4.12: Difference in Equity, loans, guarantees outstanding as per Finance Accounts vis-à-vis records of State PSUs

(₹ in crore)

Outstanding in respect of	Absolute difference between Finance Accounts and records of State PSUs
Equity	1,01,795.83
Loans	1,303.12
Guarantees	13,716.83

Source: Compiled based on information received from PSUs and Finance Accounts

Audit observed that out of 107 State PSUs, such differences occurred in respect of 58 PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

4.10 Reconciliation of Cash balances

The Cash Balance of the year 2019-20 as per Accounts and as per RBI indicating the unreconciled difference for the year is shown in **Table 4.13**.

Table 4.13: Unreconciled difference of Cash Balance

(₹ in crore)

As per Accountant General's Books	As reported by RBI	Difference
427.05 (Credit)	557.28 (Debit)	130.23(Debit)

Source: Finance Accounts 2019-20

Penal Interest amounting to ₹ 0.08 crore were credited during the year 2019-20 to the State Account by the Agency Banks.

4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India the President of India may on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India 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 Comptroller and Auditor General of India, 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 to the extent enumerated in **Table 4.14**.

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

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: <i>Guarantees Given by the Government – Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year	Limit within which the Government may give Guarantee not fixed by the State Legislature	As limits are not fixed, chances of guarantees going beyond control cannot be ruled out, which could create future liability, if invoked.
2.	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	Disclosure on details of Grant in aid in kind is not received from the Government. Government of Maharashtra incorrectly classify expenditure towards Grants in aid under the Capital section instead of the Revenue section	Due to improper accounting of revenue expenditure into Capital expenditure would result in understatement of Revenue Deficit
3.	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	Not complied (Statement 7 and 18 of Finance Accounts) Disclosure on repayments in arrears from Loanees group, loans in perpetuity, Interest payment in arrears if any were not furnished by Government.	Non-payment of interest and repayments may have an impact on the revenue and fiscal deficit

4.12 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

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

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

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

Autonomous Bodies have been set up by the Government of Maharashtra in the fields of Environment, Housing, Industries, Irrigation, Urban Development, Water Supply and Sanitation. The audit of Accounts of 25 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India (CAG) under Sections 19 and 20 of CAG's (DPC) Act, 1971. The status of entrustment of audit, rendering of Accounts to audit, issuance of Separate Audit Reports and their placement in the Legislature by the Autonomous Bodies are indicated in **Appendix.4.3**.

The Accounts for the year 2019-20 due in June 2020, have not been received from any of the Autonomous Bodies as shown in **Table 4.15**. The Annual Accounts of Maharashtra State Minorities Commission have been rendered only up to 2012-13. The Annual Accounts from 2017-18 onwards of seven³ bodies are yet to be received. Annual Accounts from 2018-19 onwards of seven⁴ bodies are yet to be received. The inordinate delays in submission of Accounts and their presentation to the State Legislature resulted in delayed scrutiny of the functioning of these bodies by the Legislature where Government investments were made.

Table 4.15: Arrears of accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
1	Maharashtra Housing and Area Development Authority (MHADA)	2019-20	1
2	Maharashtra Pollution Control Board (MPCB), Mumbai	2019-20	1
3	Maharashtra Building and other construction Workers Welfare Board (MBOCWFB)	2019-20	1
4	Maharashtra Real Estate Regulatory Authority (MAHA RERA)	2019-20	1

³ Maharashtra Jeevan Pradhikaran; Maharashtra Maritime Board; Maharashtra Water Resources Regulatory Authority; Maharashtra State Legal Services Authority; Maharashtra State Commission for Protection of Child Rights; Slum Rehabilitation Authority Chinchwad (Pune) and Godavari Irrigation Development Corporation;

⁴ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Maharashtra State Commission for Women; Maharashtra State Human Rights Commission; Maharashtra Water Conservation Corporation; Tapi Irrigation Development Corporation and Compensatory Afforestation Fund Management and Planning Authority

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
5	Maharashtra Electricity Regulatory Commission (MERC)	2019-20	1
6	Slum Rehabilitation Authority, Mumbai (SRA)	2019-20	1
7	Vidharba Irrigation Development Corporation (VIDC), Nagpur	2019-20	1
8	Rajiv Gandhi Science and Technology Commission (RGSTC)	2019-20	1
9	Maharashtra Khadi and Village Industries Board (MSKVIB), Mumbai	2019-20	1
10	Mumbai Metropolitan Region Development Authority (MMRDA), Mumbai	2019-20	1
11	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2018-19	2
12	Maharashtra Krishna Valley Development Corporation (MKVDC), Pune	2018-19	2
13	Konkan Irrigation Development Corporation (KIDC), Thane	2018-19	2
14	Maharashtra State Commission for Women (MSCW), Mumbai	2018-19	2
15	Maharashtra State Human rights commission (MSHRC)	2018-19	2
16	Tapi Irrigation Development Corporation (TIDC), Jalgaon	2018-19	2
17	Maharashtra Water Conservation Corporation (MWCC), Aurangabad	2018-19	2
18	Maharashtra State Legal Services Authority (MSLSA) Mumbai	2017-18	3
19	Maharashtra Jeevan Pradhikaran (MJP), Mumbai	2017-18	3
20	Slum Rehabilitation Authority Pune & Pimpri Chinchwad Area, Pune	2017-18	3
21	Maharashtra State Commission for Protection of Child Rights (MSCPCR)	2017-18	3
22	Maharashtra Maritime Board (MMB), Mumbai	2017-18	3
23	Maharashtra Water Resources Regulatory authority (MWRRA)	2017-18	3
24	Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad	2017-18	3
25	Maharashtra State Minorities Commission (MSMC)	2013-14	7

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

4.13 Departmental Commercial Undertakings/Corporations/Companies

According to Sections 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations (including Departmental undertakings). Departmental undertakings perform activities of commercial/quasi-commercial nature. They are required to prepare *proforma* accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working. The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

Heads of Government Departments have to ensure that the Undertakings prepare such Accounts and submit the same to the Principal Accountant General (Audit)-I, Maharashtra, Mumbai for audit within a specified time frame. As of March 2020, there were 49 such Undertakings of which, none of the Undertakings had prepared accounts for 2019-20, six had prepared Accounts up to 2018-19, eight up to 2017-18, 17 up to 2016-17, six up to 2015-16 and six up to 2014-15. In respect of five Undertakings, there was large pendency in finalisation of *Proforma* Accounts ranging from 21 to 34 years as these were sick units and not operational and had stopped preparing Accounts. Government Milk Scheme, Mumbai, Worli has been closed since 2008-09. The Department-wise position of arrears in preparation of *Proforma* Accounts and investments made by the Government are given in **Appendix 4.4**.

4.13.1 Submission of accounts by State PSUs

Of the total 107 State PSUs, there were 88 working PSUs *i.e.* 78 Government Companies and 10 Statutory Corporations and 19 inactive PSUs under the purview of CAG as of 31 March 2020. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

Accounts for the year 2019-20 were required to be submitted by all the working PSUs by 30 September 2020. However, out of 78 working Government Companies, four Government Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 30 September 2020 whereas accounts of 74 Government Companies were in arrears⁴. Out of 10 Statutory Corporations, the CAG is the sole auditor in eight Statutory Corporations⁵. None of the 10 Statutory Corporations presented their accounts for the year 2019-20 for audit in time.

Details of arrears in submission of accounts of working PSUs as on 30 September 2020 are given below:

Table 4.16: Position relating to submission of accounts by the working State PSUs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Number of working PSUs	65	66	74 ⁴	83	88 ⁶
2	Number of accounts finalised during the year	57	55	77	65	49
3	Number of accounts in arrears	129	137	141 ^Δ	150	189
4	Number of working PSUs with arrears in accounts	57	53	61	63	81
5	Extent of arrears (numbers in years)	1 to 17 years	1 to 18 years	1 to 19 years	1 to 20 years	1 to 16 years

Source: Compiled based on accounts of PSUs received during the period October 2019 to September 2020

⁴ of these, four were newly incorporated

⁵ Maharashtra Industrial Development Corporation (MIDC), Maharashtra State Road Transport Corporation (MSRTC), Maharashtra Krishna Valley Development Corporation (MKVDC), Konkan Irrigation Development Corporation (KIDC), Tapi Irrigation Development Corporation (TIDC), Vidarbha Irrigation Development Corporation (VIDC), Godavari Marathwada Irrigation Development Corporation (GMIDC) and Maharashtra Water Conservation Corporation (MWCC)

⁶ The data pertaining to MKVDC, KIDC, TIDC, VIDC, GMIDC and MWCC is included from the year 2017-18

^Δ of these 5 were newly incorporated

^Δ After including seven accounts pertaining to MKVDC, KIDC, TIDC, VIDC, GMIDC and MWCC which were in arrears as on 01 April 2017 and included from the year 2017-18

Of these 88 working State PSUs, 43 PSUs had finalised 49 annual accounts during the period 1 October 2019 to 30 September 2020 which included three annual accounts for the year 2019-20 and 46 annual accounts for previous years. Further, 189 annual accounts were in arrears which pertain to 81 working PSUs. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The PSUs and their concerned Departments were informed regularly and meetings were also held for liquidating the arrears of accounts.

The GoM had provided ₹ 23,182.86 crore (Equity: ₹ 12484.79 crore, Loan: ₹ 4848.13 crore, Grant: ₹ 5849.94 crore) to 25 working State PSUs, accounts of which were in arrears as on 30 September 2020 whereas no investment was made in the remaining 56 working PSUs during the period for which accounts were in arrears. Details of investment made by State Government in 25 working State PSUs during the years for which accounts were in arrears are shown in **Appendix 4.5**.

In the absence of finalization of accounts and their subsequent audit in 25 PSUs, it could not be ensured whether the investment and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoM may also consider availing external assistance relating to preparation of accounts wherever there is lack of expertise.

Timeliness in preparation of accounts by inactive State PSUs

In addition to above, as on 30 September 2020, there were arrears in finalisation of accounts by inactive PSUs. Out of 19 inactive PSUs, all PSUs had arrears of 27 accounts.

Table 4.17: Position relating to arrears of accounts in respect of inactive PSUs

No. of inactive companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
14	2019-20	1
1	2018-19 to 2019-20	2
1	2017-18 to 2019-20	3
2	2016-17 to 2019-20	4
1	First Accounts awaited.	

Source: Compiled based on accounts of PSUs received during the period October 2019 to September 2020

10 PSUs⁷ did not finalise even one account during 2019-20.

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

Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) envisages audit of accounts of institutions

⁷ Vidarbha Quality Seeds Limited, Development Corporation of Vidarbha Limited, Maharashtra Land Development Corporation Limited, Maharashtra Industrial Gas Transmission Company Limited, Maharashtra State Housing Corporation Limited, Maharashtra Electronics Corporation Limited, Maharashtra State Textile Corporation Limited, The Gondwana Paints and Minerals Limited, The Pratap Spinning, Weaving and Manufacturing Company Limited and Vidarbha Tanneries Limited

receiving Government grants, subject to conditions stipulated based on the quantum of the grants received, etc. In order to identify the institutions which attract audit under the DPC Act, every year, the heads of department were required to furnish to Audit the information about the financial assistance given to various institutions, the purposes for which the assistance was granted and the total expenditure of these institutions/bodies. The details of such assistance released to the institutions during the year were awaited from Government Departments (December 2020).

Table 4.18 shows age-wise arrears of Annual Accounts due up to 2019-20 in respect of 7,734 Annual Accounts as of December 2020.

Table 4.18: Age-wise arrears of Annual Accounts due from Institutions

Delay in number of years	Number of Accounts
0-1	2071
1-3	1363
3-5	776
5-7	203
7-9	841
9 and above	2480
Total	7734

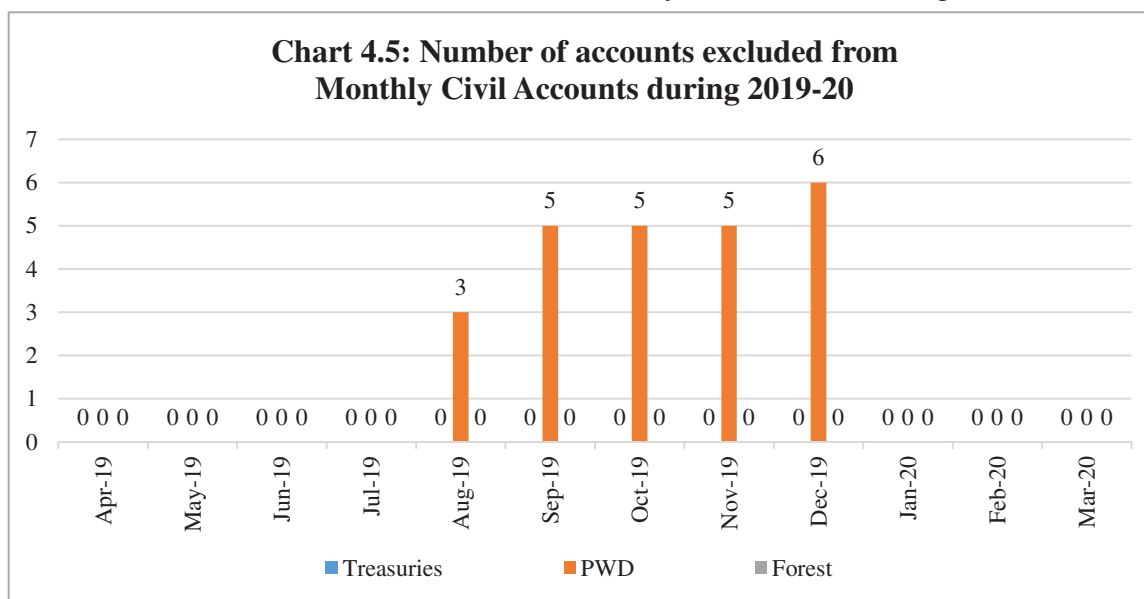
Source: Information obtained from Pr Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur

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

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

4.15 Timeliness and Quality of Accounts

Chart 4.5 shows the excluded accounts from Monthly Civil Account during 2019-20.



(Source: O/o the Accountant General (A&E)-I, Mumbai, TM Section)

During August 2019 to December 2019, 24 accounts were excluded from Monthly Civil Accounts due to late receipt of Accounts from PWD. However, before closure of March 2020 Monthly Civil Account, all excluded accounts were received and included.

4.16 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 263 cases of misappropriations, defalcations etc., involving ₹ 80.43 crore up to March 2020 on which final action was pending. First Information Reports were lodged in all the 263 cases. The age-profile of the pending cases and the number of cases pending in each category as emerged from these appendices are summarised in **Appendix 4.6**.

4.17 Comments on Accounts of State PSUs

Forty working companies forwarded their 46 audited accounts to the Accountant General during the period 1 October 2019 to 30 September 2020. Of these, 24 accounts of 24 companies were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are shown in **Table 4.19**.

Table 4.19: Impact of audit comments on Working Companies

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of account	Amount	No. of account	Amount	No. of account	Amount
1.	Decrease in profit	5	881.36	6	511.12	5	227.26
2.	Increase in profit	3	159.98	3	2,236.12	2	7.85
3.	Increase in loss	6	14,005.89	4	380.19	2	2.86
4.	Decrease in loss	1	5.77	2	113.22	--	--
5.	Non-disclosure of material facts	1	45.24	1	587.71	3	7,457.55
6.	Errors of classification	--	--	5	331.78	--	--

Source: Compiled from comments of the Statutory Auditors/C&AG

During the year 2019-20, the Statutory Auditors had issued qualified certificates on 14 and adverse certificate / disclaimer (which means that accounts do not reflect a true and fair position) for one account. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 20 instances of non-compliance to the Accounting Standards in five accounts.

Similarly, three working Statutory Corporations⁸ forwarded their three accounts to AG during the year 2019-20.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in **Table 4.20**.

Table 4.20: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	0.55	1	4.35	1	36.49
2.	Increase in profit	1	0.4	1	0.17	-	-
3.	Increase in loss	-	-	-	-	1	820.10
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	-	-	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/C&AG in respect of Statutory Corporations

4.18 Follow up action on State Finances Audit Report

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

4.19 Conclusions

- The pending amount of Utilisation Certificates has reduced from ₹ 47,483 crore in 2018-19 to ₹ 20,775 crore in 2019-20. The outstanding amount of pending Utilisation Certificates constituted 6.13 *per cent* of the total expenditure (₹ 3,38,690.64 crore) of the State.
- There was significant drawal, through AC bills on the last day of the financial year of ₹ 370.92 crore through 139 AC bills (35 *per cent*), which indicated that the drawal was primarily to exhaust the budget provision and reveals inadequate budgetary control.
- Retention of huge amount of funds in PLAs not only led to expenditure booked under the service heads being inflated without actual outgo, but also resulted in dilution of treasury control over actual expenditure.

⁸ Maharashtra State Warehousing Corporation (MSWC), TIDC and MSRTC.

4.20 Recommendations

- (i) The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (ii) The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.
- (iii) The Finance Department should review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.

Nagpur
The 27 August 2021



(LHUNKHOTHANG HANGSING)
Principal Accountant General (Audit)-II,
Maharashtra

Countersigned

New Delhi
The 31 August 2021



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India