

3.1 Introduction

Sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. Such reports assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.2 Utilisation Certificates

Utilisation Certificates (UCs) should be furnished by the State Government to GoI with regard to the funds provided by the latter for implementation of various Socio-Economic Development Programmes. Where specific grants are provided, State Government Rules and Instructions also affirm the responsibility of the Authority drawing the funds for submission of UCs to the Departmental Officer and forwarding them to the Accountant General (A&E) after verification.

Budget controls are effective before payments are released but not after the release when the expenditure is actually committed or incurred. No further amount for a particular scheme can be drawn unless proof of expenditure of the amounts earlier drawn is provided. Hence, all the DDOs have to submit a certificate of expenditure for further drawls. Every Drawing Officer is to furnish the list of bank accounts operated by him and cash balances available therein pertaining to the specific schemes for which further funds are proposed to be drawn. The Treasury officer is not to authorize any further release till the certificate has been given and 75 *per cent* of the amount drawn is already spent or credited back to the Treasury.

During the year 2015-16 Government of Andhra Pradesh released Grants-in-Aid of ₹ 39,693.89 crore, of which, ₹ 36,489.63 crore were released under 312-other Grants in Aid and 319-Grants for creation of Capital Assets. Test-check of these vouchers showed that –

- (i) The details of Bank accounts operated by DDOs/Implementing Agencies along with reconciled balances pertaining to the schemes/programmes were not furnished in many cases, for which funds were proposed to be drawn.
- (ii) The statement of expenditure for the earlier releases were not furnished to Treasury Authorities; instead, UCs were enclosed to the subsequent claim stating that funds were utilized in full for the intended purpose without actual utilisation. Mere furnishing of UCs without actual details of expenditure indicates deficiencies in Financial Reporting. Some of the cases observed are as under:

Table 3.1: Submission of UCs without actual statement of Expenditure

(₹ in crore)

Sl. No	Name of the Department	Amount Drawn (Total funds drawn during the year)	Purpose for which the amount was drawn	Remarks
1	ITE & C	0.94	Imparting IT training to the students in engineering/degree colleges	No Certificate of Utilisation was enclosed. Instead, blank certificate was enclosed indicating the non-adherence to prescribed norms.
2	BC Welfare	25.00 (100.00)	Welfare of Kapus	Out of ₹ 75 crore released in first three quarters ₹ 4.94 lakh only was utilized (0.06 per cent). However, funds in fourth quarter were also released even though Statement of Expenditure was not furnished.
3	Rural Development	8.00 (27.00)	Andhra Yuvashakti Programme	₹ 13 crore only was utilized out of ₹ 19 crore released earlier, however, funds were released without insisting on statement of expenditure.
4	Social Welfare	15.40	Assistance to Nodal Agency for implementing Scheduled Caste sub-plan	Funds for fourth quarter (₹ 3.85 crore) were also released though an amount of ₹ 11.48 crore out of the amount released in first three quarters was still lying idle with the AP SC Co-operative Finance Corporation Limited. Blank UC and Expenditure statement were enclosed with the voucher.
5	Social Welfare	113.30	Weaker Section Housing Programme	Statement of Expenditure was not appended.
6	Medical and Health	59.22 (236.89)	Centralised Purchase of Drugs and Medicines	Statement of Expenditure was not appended.

(iii) Apart from the above, audit observed cases where the UCs were not provided in respect of grants released in previous years. These issues were also communicated through Inspection Reports during the year 2015-16, for which no replies have been received (December 2016). List of such cases is given in **Appendix 3.1**.

Non-submission/incorrect submission of UCs may adversely impact the achievement of the objectives and purpose of the funds released and may also lead to mis-utilisation/diversion of funds.

3.3 Submission of Accounts/Audit Reports of Autonomous bodies

Several autonomous bodies were set up by the State Government in the fields of Education, Urban Development, Tribal Welfare, etc. Audit of accounts of 27 such bodies has been entrusted to the CAG of India. The delay in submission of accounts of these bodies for audit ranged from one to 10 years as of October 2016. Details of the periods upto which accounts were due and rendered are given in **Appendix 3.2**. Age-wise details are shown in the **Table 3.2**

Table 3.2: Age-wise arrears of Annual Accounts due from the Autonomous Bodies

Sl.No	Delay in Number of Years	No. of Bodies / Authorities
1	0-1	10
2	2-3	12
3	4-5	2
4	6-7	2
5	8-9	...
6	10 & above	1
Total		27

The State Government needs to take appropriate measures to ensure that these accounts are compiled and submitted for audit within a fixed timeframe, so as to ensure that financial irregularities, if any, do not go undetected.

Further, in order to identify the institutions which attract audit under Sections 14 and 15 of the CAG's (DPC) Act 1971, the Government/Heads of Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of such assistance and the total expenditure of the institutions. Annual accounts of 345 such assisted bodies/authorities due from 1995-96 to 2015-16 (total number of accounts 1,749) were not submitted to audit as of November 2016. Details of these accounts are given in *Appendix 3.3*.

3.4 Un-reconciled expenditure and receipts

Generally Accepted Accounting Principles (GAAP) state that the purpose of 'account reconciliation' is to provide accuracy and consistency in financial accounts for which it is necessary to carry out periodic and regular reconciliation of accounts. Hence, Financial Rules¹ stipulate that expenditure and receipts recorded in the books of Chief Controlling Officers (CCOs) be reconciled by them every month during a financial year with those recorded in the books of the AG (A&E) to exercise effective control over budget and expenditure. Further, every Controlling Officer is required to obtain regular accounts and returns from subordinates for amounts released by them and paid into the Treasury, compare the figures with the accounts maintained in the office of the AG (A&E) and reconcile any differences as early as possible before the accounts of the year are closed.

As of November 2016, expenditure amounting to ₹ 31,259.26 crore relating to the financial year 2015-16 was not reconciled, which constituted 28.22 *per cent* of total expenditure² of the year. Further, receipts amounting to ₹ 42,532.69 crore (47.83 *per cent* of total receipts³) were not reconciled during 2015-16. Despite flagging this issue every year in earlier Audit Reports, this trend continued during 2015-16 also.

Instances where expenditure of ₹ 500 crore and above was not reconciled pertaining to 14 CCOs for the year 2015-16 are given in *Appendix 3.4*. Of these, the highest amounts pertain to CCOs

¹ Article 9 of Andhra Pradesh Financial Code

² Includes Revenue, Capital and Loans & Advances (₹ 1,10,795 crore)

³ Include Revenue, Capital and Loans & Advances (₹ 88,933 crore)

of (i) HoD, Rural Development (₹4,438 crore), (ii) HoD, Energy, Secretariat Department (₹3,690 crore) and (iii) HoD, Municipal Administration (₹1,496 crore).

3.5 Personal Deposit Accounts

As per Andhra Pradesh Financial Code (APFC), Personal Deposit (PD) Accounts are created for discharging the liabilities of the Government arising out of special enactment, by debit to the Consolidated Fund. As per Government orders⁴, funds released during a particular financial year shall lapse by 31 March of the next financial year (lapsable deposits under category 'C') and the administrators of PD accounts are required to close such accounts and transfer the unspent balances back to the Government account. In case of any deviations, the Deposit Administrator and the Treasury Officers are to be held personally responsible. The details of PD accounts operated during 2015-16 are given in **Table 3.3**.

Table 3.3: Details of PD Accounts

(₹ in crore)

	Number of accounts	Amount
Total number of PD accounts existing as on 01 April 2015	43,697	13,469.66
Total remittances into existing PD accounts	17,148	47,180.23
New accounts opened at HoD level	14,721	2,817.19
Withdrawals from PD accounts	42,999	41,001.13
PD Accounts closed	Nil	Nil
No. of PD Accounts as on 31 March 2016	58,418	22,465.95

The variation (13 PD accounts) between the closing balance of 2014-15 (43,710 accounts) and the opening balance of 2015-16 was attributed to updating of number of PD Accounts by operating 'PD Accounts Portal' by Government.

There were huge unspent balances lying in PD accounts. Some cases are detailed in **Table 3.4**.

Table 3.4: PD Accounts with huge unspent balances

(₹ in crore)

Sl. No	Name of the PD Administrator	Opening Balance	Amount credited during 2015-16	Expenditure during the year	Unspent balances (as on 31 March 2016)	Percentage of expenditure to total available funds
		(1)	(2)	(3)	(4)	(5)= ((3)*100)/(1)+(2)
1.	MD, Urban Finance & Infrastructure Development Corporation Limited	316.60	920.97	43.26	1,194.31	3.50
2.	MD, AP State Housing Corporation	213.30	2,269.46	466.77	2,016.00	18.80
3.	Society for Employment Generation and Enterprise Development in Andhra Pradesh (SEEDAP)	0	27.12	13.06	14.06	48.10

⁴ GO Ms No.43 dated 22 April 2000

Sl. No	Name of the PD Administrator	Opening Balance	Amount credited during 2015-16	Expenditure during the year	Unspent balances (as on 31 March 2016)	Percentage of expenditure to total available funds
4.	AP State Council of Higher Education	0	83.77	26.98	56.79	32.20
5.	VC&MD, AP State Civil Supplies Corporation Limited	0	2,348.93	2,348.93	0	100
Cheque was issued for ₹ 316.69 crore in favour of Corporation Account (Self cheque) without details. Further, there was a difference of ₹ 25.65 crore between figures of Ledger and PD account portal						
6.	Commissioner and Director of Agriculture (Vaddileni Runalu)	16.80	381.74	85.10	313.44	21.35
7.	AP Education and Welfare Infrastructure Development Corporation	0	134.18	0	134.18	0
8.	AP Technology Services Limited	71.17	315.10	176.42	209.86	45.67
9.	Society for Elimination of Rural Poverty (SERP)	293.25	660.68	867.15	86.78	90.90
10.	AP SC Cooperative Finance Corporation	23.37	784.83	246.75	561.45	30.53

It is evident from the above that funds are lying idle in PD accounts.

Finance Department replied that the funds credited into PD account lose their identity as to the nature of the scheme. Hence, Treasury Officers are obtaining scheme-wise certificates of receipts & expenditure. Based on such certification the Treasury Officer takes action to lapse the funds, particularly on request of the PD Administrator. Thus the information to take action for lapsing deposits was not available with the Treasury.

The reply of the department is not consistent with the provisions cited above as the Deposit Administrator and the Treasury Officer are to be held responsible.

3.5.1 PD Account Portal

Audit observed the following issues from examination of the information available on PD Account Portal of Government of Andhra Pradesh:

The website does not indicate the PD account number. Instead, only the 'Deposit Head of account' to which the amount is credited is indicated. As informed by Director of Treasuries & Accounts, 181 Heads of accounts are being maintained by 58,418 PD Administrators. In the absence of unique account numbers and number of accounts, the details being operated under each Deposit Head of Account could not be extracted/verified in audit.

➤ DDO-wise data and Deposit Head of Account-wise data were only available for examination independently in the system, which did not facilitate the correlation of these two statements in audit.

➤ Details of payments in PD Accounts included cheque number, amount, date on which cheque was issued only. However, details such as name of the party to whom payment was made, date on which the cheque was encashed were not available.

3.5.2 Cheques issued by PD Administrators

As per Article 3 of AP Financial Code, unless the amount is immediately required to be paid for the goods & services received/works done, no amount shall be withdrawn. In pursuance of this, it is stipulated⁵ that no self cheque from Deposit Account shall be permitted except for the payment of salaries and petty office expenses. No cheque in the name of the Manager of any bank shall also be allowed so as to eliminate the practice of depositing the amounts in the bank to avoid lapse of funds. In case of any deviations to these stipulations, the Deposit Administrator and the Treasury Officer shall be held personally responsible. Further, drawal through cheques for amounts exceeding ₹ 10 lakh from PD Accounts shall be countersigned by the Secretary to Government, Finance department⁶.

Test-check of 360 paid cheques relating to the month of March, 2016 showed that the counter signature of the Secretary to Government, Finance department was obtained by none of the departments/offices in respect of all the 360 cheques amounting to ₹ 2,410.19 crore though the amount in each case exceeded ₹ 10 lakh. However, Treasury admitted the cheques for drawal of the amounts by the department, despite clear orders. Further, out of these cheques

- 36 Cheques amounting to ₹ 236 crore were issued by DDOs as self cheques.
- 236 cheques for ₹ 1,030.56 crore were issued in favour of the Branch Manager of the banks. Details of parties to whom the payments have been made were not enclosed to these cheques, in the absence of which the genuineness of expenditure could not be verified.

3.5.3 Un-authorised treatment of lapsed deposits as Revenue Receipts

As per rule 192 of Receipts and Payments Rules 1983, read with Article 48 of Account Code Vol.I as well as para 3.10 of general directions in list of Major and Minor Heads, unspent balances of lapsed deposits from PD accounts to Government should be taken as reduction of expenditure under the same classification where the original expenditure was booked. Further, if the unspent balance pertains to the previous years, such lapsed balances should be treated under minor head 912- deduct recoveries below the major head where the original expenditure was booked.

Contrary to the above provisions, the combined state of Andhra Pradesh issued orders⁵ for the remittance of such lapsed deposit as Revenue Receipts. During the year 2015-16, an amount of ₹ 15.17 crore was treated as Revenue Receipt instead of reduction of expenditure, which indicated clear violation of accounting provisions resulting in inflation of Revenue.

3.5.4 PD accounts with negative balances

On examination of Ledger balances in audit, it was seen that 65 Heads of Accounts under Deposits (MH 8342 to MH 8449) were having an aggregate negative balance of ₹ 727.45 crore as on 31 March 2016. Out of this there were no transactions in 40 Heads of Accounts (₹ 126.59 crore) during the year 2015-16. Further, Director of Treasuries and Accounts stated that there were 14,529 accounts with zero balances. Thus, it was apparent that periodical reconciliation of balances by Treasury with PD account Administrators was not being conducted and no action

⁵ GO Ms No.43 of Finance & Planning (W&M) Department dated 22 April 2000.

⁶ Memo No.351/81/DCM-II/2012 (Finance department) dated 04 August 2012

was initiated to close the accounts with zero balances.

3.5.5 Observations on funds transferred through vouchers to PD accounts

Test-check of vouchers through which the amounts were transferred to PD accounts showed the following:

3.5.5.1 Release and adjustment of funds to PD accounts at the fag end of the year

An amount of ₹ 2,250.37 crore was released and adjusted to PD accounts at the fag end of the year (March 2016). While the expenditure is to be incurred against the budget provision allocated evenly throughout the financial year, releasing and placing of funds in PD accounts during the last month of the year is not prudent as it limits the scope for utilization during the same financial year. Some instances are detailed in **Table 3.5**.

Table 3.5: PD accounts to which funds released at fag end of the year

(₹ in crore)

Sl. No	DDO and PD account No.	Amount credited	Name of the scheme	Remarks
1.	AP Tourism Development Corporation Ltd.-10/APSHQT – 8449-120-35	5.67	Pilgrimage Rejuvenation and Spirituality Augmentation Drive (PRASAD)	Funds (₹ 24.06 crore) were already lying in PD account prior to crediting this amount (₹ 5.67 crore).
2.	Commissioner of Rural Development – 6/APSHQT – 8448-120-29	39.37	Group Insurance Scheme (Aam Aadmi Bima Yojana)	Additional funds were drawn despite availability of funds (₹ 86.78 crore) in PD Account to avoid lapse of the funds.
3.	AP Education & Welfare Infrastructure evelopment Corporation (APEWIDC)– 125 APHQ – 8448-110-65	134.18	Construction of buildings for Kitchen cum-Store Rooms under Mid-Day Meals Scheme	The intended purpose was not served due to drawal of funds at the fag end of the year.
4.	Director of Tribal Welfare – 24 APHQ – (8448-110-43)	51.59 ⁷	Gurukulam– Construction of EMRS buildings	Drawl of funds at the end of the year for Economic Support Programme resulted in denial of benefits to the beneficiaries despite additional funds provided.
5.	Commissioner of Civil Supplies – 58 APHQ (8449-120-53-002)	25.58	End to End Computerisation of TPDS operations.	The purpose was not served due to drawal of funds at the end of the year.

3.5.5.2 Amounts diverted from PD accounts:

Funds credited to PD accounts were being transferred to other bank accounts by the departments with the intension of avoiding lapse of the available balance and treasury control over the funds. This results in non-exhibition of funds in the Public Account. Further, transfer of the amounts to other bank accounts has the effect of the amounts being shown as expenditure without actually

⁷ (₹ 29.30 crore of State share and Special Central Assistance of ₹ 22.29 crore)

incurring the same. **Table 3.6** shows the cases, where parts of the amounts credited to PD Account were diverted to other bank accounts:

Table 3.6: Cases where funds diverted from PD accounts to other Bank accounts

(₹ in crore)

Sl No.	DDO, PD Account No.	Name of the scheme	Amount diverted
1.	Commissioner of Rural Development – 6/APSHQT – 8448-120-29	Aam Aadmi Bima Yojana	0.37
2.	Commissioner, Weaker Section Housing Programme – 21 APSHQT – 8443-800-01.	Pradhan Mantri Awas Yojana (Sardar Patel Urban Housing Scheme)	185.22
<p>In the second case, the amount of ₹185.22 crore was again transferred to the PD account of AP Housing Corporation where ₹2,016 crore was available as on 31 March 2016. Out of this, ₹213.30 crore existed as Opening Balance for 2015-16 which indicated that funds were not being utilized fully in previous years also by the Corporation.</p>			

3.5.5.3 Delay in drawal of funds

Audit observed instances where the funds were drawn and kept in PD accounts at the fag end of the year (March 2016) though the Budget Release Orders were issued well in advance to implement the schemes. A few cases are detailed in **Table 3.7**.

Table 3.7: Delay in drawal of funds

(₹ in crore)

Sl. No.	DDO – PD Account No.	Month in which BRO was issued by the Finance department	Amount
1.	CEO, Innovation Society (ITE & C Dept) - (8448-110-70-003)	August 2015	20.31
<p>Intended for establishment of knowledge and incubation centers in 177 Residential Schools. Funds were authorized only in last quarter. Thus, provisions made remained unfruitful.</p>			
2.	AP IIC Ltd – 30 APSHQT (8449-120-17)	August 2015	96.68
<p>Intended for providing water facilities to Autonagar, Mangalagiri IT layout. However, funds were drawn to avoid lapse of provision and purpose was also not served.</p>			
3.	Project Director, State Water & Sanitation Mission - 89 APSHQT (8448-120-33)	November 2015	115.28
<p>Funds were provided as additional funds pending provision of Supplementary Grants for Nirmal Bharat Abhiyan. The purpose for which additional funds were provided did not materialize and provision of additional funds proved unnecessary.</p>			

3.5.5.4 Delay in release of funds

GoI, Ministry of Poverty Alleviation released an amount of ₹334.95 crore in December 2015 and February 2016 as Central Share towards “Pradhan Mantri Awas Yojana” (Sardar Patel Urban Housing Scheme). Subsequently, the GoAP Finance department released the funds of ₹555.64 crore (along with State share) in March, 2016 pending provision of supplementary grant. Due to delayed release of funds by GoI as well as State Government, the funds could not be utilized and were kept in PD account. Thus the very purpose for which funds were sanctioned was not served.

3.5.5.5 Amounts kept in PD accounts in deviation of the instructions

Though it was specifically stated in the instructions to open a separate bank account to keep the scheme funds, the amounts drawn were kept in PD accounts to avoid lapse of funds. Consequently, scope for non-accounting of all receipts and expenditure in respect of a particular scheme cannot be ruled out. The cases noticed in audit are listed in **Table 3.8**.

Table 3.8: Amounts kept in PD accounts in deviation of the instructions

			(₹ in crore)
DDO, PD account No.	Name of the scheme	Amount adjusted to PD account	
Commissioner, Rural Development-116 APHQ (8448-120-37)	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	450.00	
Commissioner, Family Welfare – 22 APHQ	National Rural Health Mission (NRHM)	197.06	

From the instances discussed above, it is evident that a huge number of PD accounts are being opened every year without review for closure of the old accounts. It is seen that the total number of PD accounts (58,418) is more than that of DDOs (47,957) in the State and the number of accounts newly opened during 2015-16 were much more than the number of schemes being operated by the Government. The purpose of opening such huge number of accounts is also not forthcoming from the records/information made available to audit. Not a single account was closed during the year. Though huge amounts were transferred, data regarding lapsable deposits/deposits with zero or negative balances were not readily available with DTA/Treasury Officers. Non-maintenance of data regarding amounts credited to and expenditure incurred from PD accounts, non-maintenance of accounts scheme-wise, non-submission of Certificate of Accepted Balances, non-conducting of review on C category Deposits/negative or zero balances etc. at Treasury level jeopardise the accountability and transparency in management of public finance.

3.6 Pendency of Detailed Contingent bills

In case of contingent expenditure that requires the countersignature of the controlling authority after payment, the drawing officer is to present abstract bills in Form 57 at the Treasury for payment, and send monthly detailed bills to the controlling authority for countersignature and transmit the same to the Accountant General within one month of drawl of such amounts⁸. In any event, a third AC bill is not to be admitted until the first AC bill is settled. Further, according to various instructions⁹ issued, details of expenditure incurred from the amounts drawn on AC bills are to be submitted to HoD by the DDOs on monthly/quarterly basis.

The position of pending DC bills pertaining to the State of Andhra Pradesh as of November

⁸ SR 18(d) under TR 16 of the Andhra Pradesh Treasury Code read with Articles 102, 108 and Appendix 8 of Andhra Pradesh Financial Code

⁹ GOAP Finance (TFR) Department Memo No.268/15154-A/TFR/2002, dated 18/05/2002 read with GO Ms No.507 Finance (TFR) dept dated 10/04/2002 and GO Ms No.391 Finance (TFR) dept dated 22/03/2002; GO Ms No.285 Finance (TFR-II) Department dated 15/10/2005.

2016 is shown in **Table 3.9**.

Table 3.9: Amount drawn in AC Bills

(₹ in crore)

Year	AC bills drawn		DC bills submitted		DC bills pending	
	Number	Amount	Number	Amount	Number	Amount
Upto 2002-03	82,130	222.00	0	0	82,130	222.00
2003-04 to 2007-08	88,154	774.27	87,774	745.72	380	28.54
2008-09	7,313	155.48	7,292	155.44	21	0.04
2009-10	4,389	452.18	4,364	450.73	25	1.45
2010-11	2,946	736.30	2,911	697.25	35	39.04
2011-12	2,365	926.02	2,333	920.92	32	5.10
2012-13	1,945	591.95	1,885	589.64	60	2.31
2013-14	3,132	1,165.14	2,971	1,053.81	161	111.33
2014-15	2,662	794.04	2,353	452.63	309	341.41
2015-16	734	202.98	251	25.65	483	177.33
Total	1,95,770	6,020.36	1,12,134	5,091.79	83,636	928.55

Source: Information from office of AG(A&E) and O/o PAG(G&SSA)

Out of 83,636 DC bills pending, no details were available in respect of 82,130 AC bills drawn for an amount of ₹ 222 crore up to 2002-03 which was also reported in previous year. In respect of the balance 1,506 bills, Agriculture Department with ₹ 404 crore and Revenue Department with ₹ 259 crore had the highest pendency on submission of DC bills (**Appendix 3.5**). Further, more than 100 DC bills were pending from Departments of Revenue (516), Medical (337), Education (141) and Youth Advancement Tourism and Culture (128) (**Appendix 3.6**).

Thus, it was evident that (i) no mechanism at HoD level existed to watch the details of expenditure incurred from the amount drawn on AC bills by the DDOs on monthly/quarterly basis and (ii) the third AC bill was being allowed even if the earlier bills were not cleared by submitting the DC bill, despite clear instructions.

3.7 Operation of omnibus Minor Head 800

The omnibus Minor Head 800 (other receipts/other expenditure/other deposits) accommodates expenditure/receipts which cannot be classified under the available 'programme- Minor Heads'. The amounts booked under this Minor Head are given in **Table 3.10** below.

Table 3.10: Receipts and Expenditure under MiH 800

Year	Expenditure under Minor Head 800 (₹ in crore)	Percentage of total expenditure	Receipts under Minor Head 800 (₹ in crore)	Percentage of total Receipts
2014-15	21,880	17.16	1,766	1.94
2015-16	17,741	16.11	5,146	5.80

Source: Finance Accounts

Expenditure aggregating ₹17,741 crore constituting 16.11 *per cent* of Revenue and Capital Expenditure (₹1,10,121 crore) was classified under Minor Head 800 – Other expenditure under 43 Major Heads in the revenue and capital sections (**Appendix 3.7**).

Revenue receipts aggregating ₹5,146 crore constituting 5.80 *per cent* of total Revenue receipts (₹88,648 crore) were classified under Minor Head 800 – Other receipts against 46 Major Heads. (**Appendix 3.8**)

3.7.1 Other Remittances

Remittances of ₹16,638 crore (18.77 *per cent* of total receipts¹⁰) and payments of ₹14,641 crore (13.30 *per cent* of total expenditure¹¹) under the Major Head 8443-Civil Deposits were shown under Minor Head 800 during the year 2015-16. Classification of substantial amounts under this omnibus head adversely affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

Further, test-check of vouchers relating to 2015-16 showed that an expenditure of ₹4.10 crore (Social Welfare Department: ₹0.15 crore and Education Department: ₹3.95 crore) was booked under Minor Head 800, instead of the correct Minor Heads.

3.8 Debt, Deposit and Remittance heads

Review of Debt, Deposit and Remittance (DDR) heads conducted during 2015-16 disclosed the following.

3.8.1 Adverse Balances under MH 6003-Internal Debt

Adverse balances (Minus balances) under Loan heads indicate that repayment was more than the loans availed of. The Government Departments which directly avail of the loan have been classifying such loan amounts as their receipts, while in respect of Special Purpose Vehicles and Companies/Corporations, these amounts do not enter Government accounts. In such cases, loan repayments are being booked as debit under MH-6003-Internal debt in Government accounts which result in adverse balances and understatement of liabilities of the Government and affects financial reporting to that extent.

During the year 2015-16, there were adverse balances amounting to ₹21.95 crore and ₹88.20 crore under “MH 6003-108-Loans from National Co-operative Development Corporation (NCDC)” and “MH 6003-109-Loans from other Institutions”, respectively, due to accounting of repayments of loans under MH 6003 without corresponding credits. Further, adverse balance of

¹⁰ Total Revenue Receipts : ₹ 88,648 crore

¹¹ Total Expenditure (Revenue and Capital): ₹ 1,10,121 crore

₹ 1.15 crore continued under “MH 6003-101-Market loans”. Occurrence of these balances was due to non-accounting of releases of loans by NCDC and other Institutions while accounting repayment through MH 6003-Internal Debt of the State Government.

3.8.2 Adverse Balances under ‘Loans and Advances’ and Deposits

Negative balances under the heads “Loans & Advances” and “Deposits” indicate that the payments are more than the amounts availed of or misclassified. As of 31 March 2016, adverse/negative balance of ₹ 194.35 crore and ₹ 749.92 crore were noticed under “Loans and advances” and “Deposits”, respectively. Thus, there is a need to reconcile the balances under Loan heads.

3.8.3 Loans and advances rolling for a long Period

As per GO MS No.507 Finance (TFR) Department dt.10 April 2002 (vide Para 11), all the loans and dues payable to the Government are to be recovered at the amount/rate of installments prescribed along with interest due before any further drawls are made against such scheme. However, loans and advances (both principal and interest) disbursed to Corporations, companies and co-operative Societies for an amount of ₹ 3,467.43 crore remained in arrears from 2011-12 onwards. Even the agreements for these loans were not furnished by the Government to Audit.

3.8.4 Deposits and Advances

The Government receives deposits for various purposes on behalf of various public bodies and members of the public, which are accounted for by repayment or otherwise. The Government sometimes decides to set aside sums from the revenues of a year or a series of years, to be accumulated as a “fund”. The balance at the credit of such a “fund” is held as a deposit and expended on specified objects.

Deposits are broadly categorized into two categories; the balances outstanding against them as of 31 March 2016 are given below:

- (i) Deposits bearing Interest: ₹ 5,326 crore
- (ii) Deposits not bearing Interest: ₹ 25,389 crore.

Some of the irregularities noticed during the current year under this head are given below.

3.8.4.1 Inoperative Deposits Accounts

As per Para (iii) of Chapter IX of APFC Vol.I, if any Deposit Account is not operated upon for a considerable period and there is reason to believe that the need for the Deposit Account has ceased, the same should be closed in consultation with the officer in whose favour the Deposit Account has been operated.

As seen from the Accounts, 16 Deposit Accounts under the head 8443-Civil Deposits amounting to ₹ 290.85 crore and 28 Deposit Accounts worth ₹ 58.72 crore under 8449-Other Deposits were inoperative for over three years. Inoperative Deposit Accounts under the Major Head 8443 inter alia included Trust Interest Funds (₹ 240 crore), Civil deposits-Other Funds (₹ 32.64 crore), Deposits for payment of honorarium to the enumerators connected with

1981 Census(₹9.34 crore), Deposits of AP Irrigation Development Corporation(₹4.44 crore), Deposits of A.P States SC's Co-operative Finance Corporation – Engineering Fund (₹10.33 crore), etc.

3.8.4.2 Unclaimed Deposits of General Provident Fund (GPF)

Non-remittance of unclaimed General Provident Fund deposits (₹1.27 crore) into Consolidated Fund of the State was commented upon in the CAG's Audit Report on State Finances for the year 2014-15. However, the amount was yet to be remitted to Consolidated Fund as of March 2016.

3.8.4.3 Inoperative Reserve Funds

“Reserve Funds” are created for specific purposes by the Government out of their own balances with sub divisions - one for the Funds bearing interest and the other for the Funds not bearing interest.

A test-check of Ledger on these funds showed that as of 31 March 2016, an amount of ₹17.82 crore under Reserve Fund bearing interest and ₹46.60 crore under Reserve Fund not bearing interest, were lying inoperative. No reserve funds have been closed during the year by the State Government.

3.9 Outstanding balances under Suspense Account (Major Head 8658)

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final head of account for some reason or the other. Based on information furnished by the State Government, these are finally cleared by minus debit or minus credit and the amount is taken to its final head of account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated which results in understatement of Government's receipts and payments.

Transactions and net balances in Minor Heads 101-PAO Suspense, 102-Suspense Account (Civil), 110-Reserve Bank Suspense-Central Accounts Office and 112-Tax Deducted at Source Suspense under Major head 8658-Suspense Account are detailed below.

3.9.1 Pay and Accounts Office – Suspense (MiH 101)

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

The outstanding debit balance in this account to the end of March 2016 was ₹75.44 crore and the credit balance was ₹13.05 crore. The outstanding debit balance mainly relates to Regional PAO, Hyderabad (₹62.83 crore) and PAO, Central Pensions, New Delhi (₹7.92 crore) whereas the credit balance is mainly in respect of PAO, Department of Economic Affairs, New Delhi (₹12.65 crore).

3.9.2 Suspense Account- Civil (MiH 102)

This Minor Head is operated by the Accountants General to accommodate provisionally the differences noticed in the transactions which cannot be taken to the final head of expenditure/receipt accounts for want of certain information/documents viz., challans, vouchers etc. Receipts are credited and expenditure is debited to this account and cleared on receipt of required information by minus credit and minus debit respectively. Outstanding debit balance under this head implies 'payment made' but could not be debited to the final head of expenditure for want of certain particulars and outstanding credit balance represents the 'receipts' which could not be credited to final receipt head of account for want of details.

Major debit balances outstanding under this head were in respect of Tungabhadra Project (₹ 135.74 crore) and FA & CAO, South Central Railway (₹ 58.43 crore). Major Credit balance was shown towards unclassified receipts of ₹ 101.54 crore followed by the receipts from Tungabhadra Project (₹ 57.47 crore).

3.9.3 Reserve Bank Suspense – Central Accounts Office (MiH 110)

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

There were balances of ₹ 271.47 crore (credit) and ₹ 475.31 crore (debit) in this account which are required to be cleared expeditiously.

3.9.4 Tax deducted at Source (TDS) Suspense – (MiH 112)

This Minor Head is intended to accommodate receipts on account of Income tax deducted at source viz., interest payments on State Government securities, salary bills of State Government employees and pension bills etc., by State Treasury officers/State Pay and Accounts Officers/ other Departmental officers who render compiled accounts of State Government as well as from interest payments on State Government securities made at Public Debt offices of the RBI in the books of State Accountant General to enable them to settle transactions with Zonal Accounts Officers concerned of Central Board of Direct Taxes by means of Cheques/Bank Drafts.

Receipts on account of TDS are credited to Major Head 8658 – Suspense accounts under Minor Head 112 – TDS Suspense. These credits are to be cleared by the end of each financial year and credited to the Income Tax Department. However, there was outstanding credit balance of ₹ 232.78 crore under this head as on 31 March 2016. Though this head is meant for

accommodating the credit balances, a debit balance of ₹100.04 crore was also reflected in the accounts.

3.9.5 Inter – State Suspense – MH 8793

Transactions arising in State Treasury relating to another State Government are classified under this category. On receipt of monthly accounts from Treasury and on completion of booking, transactions are verified and advice is issued to the RBI for effecting necessary transfer of balances from one State to another. On receipt of intimation of adjustment by RBI through “Clearance Memos”, the accounts shown under this head are cleared. An amount of ₹997.30 crore was lying un-adjusted as on 31 March 2016 for want of Clearance Memos from RBI. The major portion of this amount was in respect of Telangana State (₹982.68 crore) as a consequence of bifurcation issues.

3.9.6 Adverse Balances under ‘MH 8670 – Cheques and Bills’

When cheques are issued by various authorities viz., PAO, Treasuries, initially it is credited to the MH 8670-Cheques and Bills. This head is cleared by minus credit on clearance of the cheque from the bank/treasury. Thus, this head is operated always with credit balance only, indicating the amount of cheques yet to be encashed. Contrary to this, the account is showing a Debit balance of ₹220.56 crore as on 31 March 2016 which is appearing as the amount cleared through banks was more than that issued through cheques and requires reconciliation.

3.10 Functioning of Treasuries

3.10.1 Excess payment of Pensionary benefits

Excess payment of pension amounting to ₹19.96 lakh was noticed during Treasury Inspection conducted in 2015-16. It occurred mainly due to (i) non observance of time limit for Family pension (₹5.92 lakh) and (ii) inadmissible relief on pension (₹5.58 lakh).

3.10.2 Parking of Funds in CINB account

As per e-payment system, being implemented from 1 April 2014, the list of beneficiaries as furnished by DDOs along with bank account numbers, transaction identification numbers etc., are to be sent to Bank for e-payments. When the Bank credits the net amount of each bill initially to Corporate Inter-Net Banking (CINB) account, Treasury Officer has to credit the amounts to the individual beneficiaries by debiting CINB account. Due to various reasons viz., incorrect account numbers or IFSC codes, omissions occurring in names of the beneficiaries etc., amounts intended to be credited into payees accounts were reverted back to CINB account as failed transactions. Hence Treasury Officers are required to reconcile and rectify all such reversals. However, audit of selected Treasuries showed that an amount of ₹17.40 crore was lying idle in CINB account pending rectification by Treasury officers/Bank authorities to the end of financial year 2015-16.

3.11 Non-receipt of supporting documents

Manual of Treasury Accounts Department stipulates that payments have to be supported by cheques/vouchers containing full details of payments made. However, in violation of these provisions, various supporting documents have not been received from Treasuries as discussed under

3.11.1 Non-receipt of vouchers from PAO/Treasuries

Significant quantum of wanting vouchers in respect of all treasuries was observed. During the year 2015-16, vouchers numbering 5,213 for an amount of ₹1,825.17 crore were kept under objection for want of physical vouchers, of which 2,719 vouchers for ₹1,782.64 crore related to PAO (AP State Headquarters) only. The recurrence of missing vouchers every year indicates laxity at the level of Account Rendering Units to forward complete account to the office of the Principal Accountant General (A&E).

3.11.2 Non-receipt of cheques from DTOs

Treasuries had not furnished 417 cheques to PAG (A&E) in support of payments valued at ₹13.40 crore to the end of March, 2016. Major portion of cheques were pending from DTOs Chittoor (57 Cheques valued at ₹3.21 crore) and Visakhapatnam (85 cheques valued at ₹2.02 crore). In the absence of physical cheques, audit could not assess the correctness of payments to that extent.

3.12 Conclusion

Various instances of non-observance of financial rules and procedures and absence of proper financial controls were noticed in audit.

Cases of UCs being submitted incorrectly without statement of expenditure for large amounts both by the State Government and implementing agencies were seen. DC bills were not being submitted in time (delay ranging up to a decade) in violation of prescribed rules, indicating lack of effective controls besides raising apprehensions about proper end use of funds. Some of the autonomous bodies/authorities which were in receipt of grants/loans from Government have failed to adhere to timelines in submitting their accounts. There was no machinery existing in Government to furnish information on the quantum of Grants sanctioned to various institutions.

Once the budget has been allocated to some service, amounts can be transferred to a Personal Deposit Account for ensuring its uninterrupted progress. But the idea of allocation of money with a view to transferring the same to a personal deposit account without even conceiving a project does not conform to the intention and spirit of the rules. During the year 2015-16, 14,721 new PD Accounts were opened without closing even a single account for which reasons were not forthcoming from the records/information made available to audit. Though payments of ₹41,001.13 crore were made from 42,999 PD accounts, there was no proper mechanism to watch authenticity of expenditure incurred. There was no separate procedure to watch the amounts kept outside the Public account i.e. funds diverted to other bank accounts except verification during internal audit of DTOs/STOs. This indicated lack of exercise of controls and deficiencies in financial monitoring system.

The omnibus Minor Head 800 continued to be operated for recording the expenditure/receipts relating to several items even for earmarked heads of accounts. This affects the transparency in financial reporting and distorted the analysis of allocative priorities and quality of expenditure.

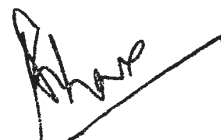
Non-reconciliation of expenditure (28 per cent of total expenditure) and receipts (48 per cent of total receipts) continued to remain an area of concern during the year despite being highlighted in earlier years' Reports.



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