

CHAPTER - III
FINANCIAL REPORTING

Financial Reporting

A sound internal financial reporting 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 compliances is thus, one of the attributes of good governance. The Reports on compliance and controls, if effective and operational, 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/non-compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the Grants provided 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 concerned Accounting Offices *i.e.* Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai, Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai within 12 months from the dates of their sanction. The Department-wise position of outstanding UCs is given in **Appendix 3.1**. The year-wise position of total outstanding UCs in the State as on 31 March 2016 for Grants released up to 2014-15 and grants released during 2015-16 for which UCs were to be received is given in **Table 3.1**.

Table 3.1: Year-wise position of Outstanding UCs as of 31 March 2016

Year	Number of UCs awaited	Amount involved (₹ in crore)
Upto 2013-14	36062	28854.21
2014-15	3896	6824.81
2015-16	16149	27410.20
Total	56107	63089.22

Source : Finance Accounts 2015-16

The major Departments with large pendency (amount-wise) were Urban Development; Planning; Tribal Development; Co-operation, Marketing and Textiles; Rural Development and Water Conservation; and Revenue and Forest. The large pendency in submission of UCs indicates lack of monitoring of utilisation of Grants and loans by the Departments.

3.2 Non-Submission/delay in submission of Accounts by Grantee Institutions

According to Rule 149 of Bombay Financial Rules, 1952 read with Appendix 22, for identification of institutions which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of Departments are required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The details of such assistance released to the institutions during the year were awaited from Government Departments (September 2016).

Table 3.2 shows age-wise arrears of Annual Accounts due up to 2015-16 in respect of 7,192 Annual Accounts as of August 2016.

Table 3.2: Age-wise arrears of Annual Accounts due from Institutions

Delay in number of years	Number of Accounts
0-1	1785
1-3	926
3-5	778
5-7	1303
7-9	666
9 and above	1734
Total	7192

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

Non-submission of information regarding Grants and loans paid to various institutions and non-furnishing of Accounts by them and the risk of mis-utilisation of the funds has been brought to the notice of the Government.

3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Several Autonomous Bodies have been set up by the State Government in the fields of Environment, Housing, Industries, Irrigation, Urban Development, and Water Supply and Sanitation. The audit of Accounts of 21 bodies in the State has been entrusted to the Comptroller and Auditor General of India. 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 3.2**.

The delay in submission of Annual Accounts ranged between one month and 138 months. The Accounts of Maharashtra State Human Rights commission had been rendered only upto 2002-03 in December 2014, after a delay of 138 months. The Accounts of Maharashtra State Legal Services Authority, Mumbai had been received only up to 2008-09 which was yet to be presented in the Legislature. The Accounts of Maharashtra Khadi and Village Industries Board and Maharashtra State Minorities Commission had been rendered only upto 2011-12. Further, Accounts from 2014-15 onwards of three bodies namely, Maharashtra Jeevan Pradhikaran, Maharashtra State Commission for Women and Maharashtra Pollution Control Board were yet to be received, and the Accounts of Maharashtra Maritime Board and Maharashtra Pollution Control Board were not presented to Legislature after 2004-05.

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 are made.

3.4 Delay in finalisation of *Proforma* Accounts by Departmentally managed Commercial Undertakings

As per Rule 18 of Government Accounting Rules, 1990, the Departmental Undertakings of certain Government Departments, performing activities of Quasi-Commercial nature, are required to prepare *Proforma* Accounts in the prescribed format annually showing the working results of financial operations so that Government can assess their performance. The finalised Accounts of the Departmentally managed Commercial and Quasi-Commercial Undertakings reflect their overall financial health and efficiency in conducting their business.

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 2016, there

were 49 such Undertakings of which, 40 had prepared Accounts up to 2014-15 and three up to 2013-14. In respect of five Undertakings, there was large pendency in finalisation of *Proforma* Accounts ranging from 16 to 29 years as these were sick units and not operational and had stopped preparing Accounts. Milk Transport Scheme, Worli has been closed since 2008-09 and Accounts have not been prepared. The Department-wise position of arrears in preparation of *Proforma* Accounts and investments made by the Government are given in **Appendix 3.3**.

3.5 Misappropriations, losses, defalcations 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 357 cases of misappropriations, defalcations etc., involving ₹ 81.69 crore up to March 2016 on which final action was pending. The Department-wise breakup of pending cases and age analysis are given in **Appendix 3.4**. The nature of these cases is given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category as emerged from these appendices are summarised in **Table 3.3**.

Table 3.3: Profile of Misappropriations, Losses, Defalcations etc.

Age-profile of the pending cases			Nature of the pending cases		
Range in Years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristic of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	55	1483.83	Theft	88	70.28
5 - 10	56	1839.06			
10 - 15	41	3653.75	Misappropriation/ Loss of material	269	8099.06
15 - 20	46	565.08			
20 - 25	31	443.01			
25 and above	128	184.61			
Total	357	8169.34	Total pending cases	357	8169.34

Source: Data furnished by various Departments and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai

The reasons for which the cases were outstanding have been broadly categorised in **Table 3.4**.

Table 3.4: Reasons for the delay/pendency of cases

Reasons for the delay/pendency of cases	Number of cases	Amount (₹ in lakh)
Departmental and criminal investigation awaited	93	5599.50
Departmental action initiated but not finalised	115	1435.05
Criminal proceedings finalised but recoveries were pending	13	43.78
Orders for recovery or write-off were awaited	53	61.03
Pending in the courts of law	83	1029.98
Total	357	8169.34

Source: Data furnished by various Departments and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur and Pay and Accounts Office, Mumbai

It may be seen from above that of 357 cases involving ₹ 81.69 crore, 246 cases (69 per cent) involving ₹ 48.46 crore (59 per cent) were pending for more than 10 years. Further, while 115 cases involving ₹ 14.35 crore were pending for final Departmental action, 53 cases involving ₹ 0.61 crore were pending recovery or write-off orders.

3.6 Opaqueness in Government Accounts

There is a global trend towards greater openness in Government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that

funds raised by the Government for public purposes will be spent as promised by the Government, while maximizing the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of Accounts in which the receipts and expenditure of the Government are reported to the Legislature are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of all major activities of the Government in a transparent manner.

Minor Heads 800-Other Receipts/Other Expenditure are intended to be operated only when the appropriate Minor Head has not been provided in the Accounts. Routine operation of Minor Heads 800 is to be discouraged, since it renders the Accounts opaque. Details of significant transactions (involving more than ₹ 20 crore and constituting more than 20 *per cent* of the relevant Major Head) of receipts (two items involving ₹ 105.85 crore) and expenditure (39 items involving ₹ 14,829.25 crore) at sub-head level are given in **Appendix 3.6**.

3.7 Reconciliation of receipts and expenditure

All Controlling Officers are required to reconcile the receipts and expenditure of the Government with the figures accounted for by the Offices of the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai or Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be. Such reconciliation had been completed for an expenditure of ₹ 1,45,160 crore (77 *per cent*) against the total expenditure of the Government (₹ 1,89,100 crore), and for receipts of ₹ 1,25,710 crore (96 *per cent*) against the total receipts of the Government (₹ 1,31,376 crore). Major defaulting Departments were Tourism and Cultural Affairs; Food, Civil Supplies and Consumer Protection; Home; Urban Development; Employment and Self-employment; Water Supply and Sanitation; School Education and Sports; Industries, Energy and Labour; Sales Tax *etc.* Incomplete reconciliation affects the correctness and completeness of Accounts.

3.8 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

As per the Maharashtra Treasury Rules, 1968, the Drawing and Disbursing Officers are required to submit Detailed Contingent (DC) bills which are vouchers in support of final expenditure, against Abstract Contingent (AC) bills drawn, within 30 days to the Offices of the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai or the Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur or the Pay and Accounts Office, Mumbai, as the case may be.

As on 31 March 2016, 3,535 DC bills amounting to ₹ 863.13 crore were not received in the Offices of the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai/Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur/Pay and Accounts Office, Mumbai. Year-wise details and the Department-wise position are given in **Table 3.5** and **Appendix 3.7** respectively.

Table 3.5: Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	Number	Amount	Number	Amount	Number	Amount
Up to 2013-14	109489	4379.88	107703	3839.03	1786	540.85
2014-15	4017	382.47	3622	205.81	395	176.66
2015-16	2508	182.42	1154	36.80	1354	145.62
Total	116014	4944.77	112479	4081.64	3535	863.13

Source : Finance Accounts 2015-16

3.9 Conclusion and Recommendations

- (i) Utilisation Certificates (56,107) amounting to ₹ 63,089.22 crore as on 31 March 2016 were not furnished by the Grantee Institutions indicating absence of adequate monitoring in utilization of Grants and loans given for specific purposes. Similarly, 3,535 Detailed Contingent Bills amounting to ₹ 863.13 crore were not submitted by the Drawing and Disbursing Officers of various Departments of which, 1,354 bills amounting to ₹ 145.62 crore pertained to 2015-16.

The sanctioning authorities/concerned Departments may evolve a mechanism to ensure that utilisation certificates in respect of the Grants released for specific purposes are furnished by the grantee institutions on time. The Government may also ensure timely submission of Detailed Contingent Bills by the Drawing and Disbursing Officers as stipulated in Maharashtra Treasury Rules, 1968, and disallow drawal of funds on Abstract Contingent Bills to Departments who have not rendered Detailed Contingent Bills for previous withdrawals.

- (ii) There were delays in submission/finalisation of Accounts by Autonomous Bodies/Commercial Undertakings which dilutes accountability and defeats the purpose of preparation of Accounts.

The Controlling Departments may identify the reasons for delay in finalisation of Accounts of Autonomous Bodies/Undertakings and institute remedial measures to ensure that arrears in Accounts are cleared in a time bound manner.

Mumbai,
The 30 January 2017


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