

CHAPTER - III
FINANCIAL REPORTING

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Financial Reporting

A 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 are some of the attributes of good governance. 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 2018-19.

3.1 Non-submission/delay in furnishing 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 concerned Accounting Offices *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 ₹ 65,921.35 crore in 2017-18 to ₹ 47,483.36 crore in 2018-19. The outstanding amount of pending Utilisation Certificates constituted 16 *per cent* of the total expenditure (₹ 3,03,616 crore) of the State.

The status of 18,407 UCs aggregating to ₹ 47,483.36 crore due in respect of grants released upto 2017-18 is detailed in **Appendix 3.1**. The age wise position of outstanding UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of UCs

Sr. No.	Range of delay (in years)	Utilisation Certificates pending	
		Number	Amount
1	0-1	5859	10544.00
2	1-3	3403	22268.61
3	3-5	1026	5588.46*
4	5-7	869	3350.10
5	7-9	1750	4098.67
6	9 and above	5500	1633.52*
	Total	18407	47483.36

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

The major defaulting departments are Urban Development Department; (59 per cent); School Education and Sports (nine per cent); Planning (seven per cent); Industries, Energy and Labour Department (six per cent); Tribal Development (five per cent); Rural Development and Water Conservation (three per cent); Social Justice and Special assistance (two per cent) and Public Health (two per cent) in respect of grants disbursed during 2017-18.

Thus, non-submission of 18,407 utilisation certificates amounting to ₹ 47,483.36 crore as on 31 March 2019 indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes. Further, there was no assurance that the money was actually incurred during the financial year for the purpose it was sanctioned/authorised by the Legislature. High pendency of UCs may fraught with the risk of misappropriation of funds and fraud.

Recommendation:

Issues holding up submission of Utilisation Certificates may be identified to ensure their submission within the stipulated time.

3.1.1 Review of utilisation certificates of Public Health Department

Administrative Departments may sanction grants-in-aid (GIA) to an institution or body, subject to the condition that the sanction is in accordance with the rules or principles prescribed in the Bombay Financial Rules 1959, or as prescribed with the previous consent of the Finance Department (FD). As per Appendix 22 Section I of Rule 149 of the Bombay Financial Rules 1959, every grant made for a specific object is subject to the implied conditions: (i) the grant will be spent upon the object within a reasonable time *i.e* one year from the date of issue of communication of sanction of grant, unless otherwise specifically stated (ii) that any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government, before the expiry of the financial year in which it is sanctioned, unless there is a specific provision to the contrary.

3.1.1.1 Discrepancies in submission of utilisation certificate

As per the provision contained in the Bombay Financial Rules 1959, for grants provided for specific purposes, Utilisation Certificates should be obtained by the departmental officer from the grantee institutions and after verification, the Utilisation Certificates should be forwarded to the concerned accounting offices within 12 months from dates of their sanction.

During 2016-18 an amount of ₹ 25.29 crore was released to Vivekanand Medical Foundation & Research Centre (VMFRC), Latur and ₹ 23.74 crore released to Rashtra Sant Tukdoji Regional Cancer Hospital & Research Centre (RSTRCH & RC), Nagpur for setting up of the Tertiary Care Cancer Centre (TCCC).

As per the terms and conditions in the grant released order (January 2017), Utilisation Certificates along with audited statement of accounts were required to be furnished to the Ministry of Health and Family Welfare, Government of India for each financial year separately until the grants are fully exhausted by the grantee. The second instalment of the grant would be released only when the State Government released its share and on furnishing the Utilisation Certificates of first instalment along with audited financial statement and copy of asset register duly certified by the competent authority along with photographs of assets created.

On scrutiny of records it was noticed that the Utilisation Certificates were submitted to the PAO only in March 2019 for drawal of subsequent GIA for ₹ 1.62 crore which was about to lapse at the fag end of the financial year. Further, it was observed from statement of expenditure that Utilisation Certificates for ₹ 25.29 crore was submitted against the actual expenditure of ₹ 22.30 crore upto March 2019 in respect of VMFRC, Latur and Utilisation Certificates for ₹ 23.74 crore submitted against actual expenditure of ₹ 17.57 crore till March 2019 in respect of RSTRCH & RC, Nagpur which indicated that the Utilisation Certificates were submitted to Pay and Accounts office without obtaining Utilisation Certificates from grantee institutions as well as making any verification of the actual utilisation of grant.

3.1.1.2 Non-utilisation of grants

Any unspent balance lying with the grantee on the expiry of one year from the date of sanction should be surrendered forthwith to Government. Audit observed in respect of eight¹ pending UCs involving grants aggregating ₹ 58.62 crore disbursed to AYUSH² during 2017-18 had remained unutilised till March 2019. However, the unspent grants were not surrendered to the Government and continued to be held by the Controlling Officers or the implementing agencies under them.

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

Sections 14 and 15 of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) envisages audit of accounts of institutions receiving Government grants, subject to conditions stipulated based on the quantum of the grants received. In order to identify the institutions which attract audit under the CAG's (DPC) Act, 1971 the heads of departments 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 (October 2019).

¹ Voucher No/dated/amount 382/12-3-18/ ₹ 0.18 crore ; 386/12-3-2018/ ₹ 18.56 crore; 1755/31-03-18/ ₹ 1.46 crore; 2018/31-3-18/ ₹ 4.72 crore; 1752/31-3-18/ ₹ 9.06 crore; 1753/31-3-18/ ₹ 13.59 crore; 1998/31-3-18/ ₹ 1.83 crore; and 2019/31-3-18/ ₹ 9.22 crore

² Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy

Table 3.2 shows age-wise arrears of Annual Accounts due up to 2018-19 in respect of 6,064 Annual Accounts as of August 2019.

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

Delay in number of years	Number of Accounts
0-1	1429
1-3	810
3-5	484
5-7	799
7-9	720
9 and above	1822
Total	6064

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, increase the risk of mis-utilisation of the funds and the same is brought to the notice of the Government for remedial action.

3.3 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies and placement of Audit Reports before the State Legislature

Several Autonomous Bodies have been set up by the State Government 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 under Section 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 (SARs) 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 87 months. The Slum Rehabilitation Authority (Pune and Chinchwad Area) Pune, rendered the accounts for the period from 2011-12 to 2016-17 in September 2019 after a delay of 87 and 27 months respectively. The Maharashtra Building and other construction Workers Welfare Board rendered the accounts for 2014-15 to 2015-16 in November 2018 after a delay of 41 months and 29 months respectively and the accounts for 2016-17 and 2017-18 in May 2019 after a delay of 23 months and 11 months respectively. The Compensatory Afforestation Fund Management and Planning Authority rendered the accounts for the period from 2011-12 to 2014-15 in February 2016 after a delay between eight months and 44 months, and the accounts for the period from 2015-16 to 2016-17 in August 2018 after a delay of 26 months and 14 months respectively. The Annual Accounts of Maharashtra State Minorities Commission had been rendered only up to 2012-13. The Annual Accounts from 2016-17 onwards of one³ body is yet to be received. Annual Accounts from 2017-18 onwards of seven⁴ bodies were yet to be received. Further, Annual Accounts for 2018-19 of

³ Godavari Marathwada Irrigation Development Corporation

⁴ Maharashtra Jeevan Pradhikaran; Maharashtra Maritime Board; Maharashtra Water Resources Regulatory Authority; Maharashtra State Legal Services Authority; Maharashtra State Commission for Protection of Child Rights; Tapi Irrigation Development Corporation; Maharashtra Water Conservation Corporation

eight⁵ bodies were yet to be received. The inordinate delays in submission of Accounts and their presentation to the State Legislature result in delayed scrutiny of the functioning of these bodies by the Legislature where Government investments are made.

There were delays in submission/finalisation of Accounts by Autonomous Bodies/Commercial Undertakings which dilute accountability and defeats the purpose of preparation of Accounts.

Recommendation:

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.

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 2019, there were 49 such Undertakings of which, 12 had prepared Accounts up to 2017-18, 19 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 20 to 33 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 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 272 cases of misappropriations, defalcations *etc.*, involving ₹ 1,017.16 crore up to March 2019 on which final action was pending. First Information Reports were lodged in all the 272 cases. 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**.

⁵ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Maharashtra State Commission for Women; Maharashtra Pollution Control Board; Slum Rehabilitation Authority, Mumbai; Maharashtra Khadi and Village Industries Board; Maharashtra State Human Rights Commission; Vidarbha Irrigation Development Corporation

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 crore)	Nature/ characteristic of the cases	Number of cases	Amount involved (₹ in crore)
0-5	18	1.54	Theft	71	1.24
5 - 10	51	23.34			
10 - 15	43	981.77*	Misappropriation/ Loss of material	201	1015.92
15 - 20	22	0.59			
20 - 25	43	7.66			
25 and above	95	2.26			
Total	272	1017.16	Total pending cases	272	1017.16

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

* Higher rounding

Around 92 per cent of the amount involved pertains to Finance Department (₹ 937.41 crore). 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 crore)
Departmental and criminal investigation awaited	71	938.72
Departmental action initiated but not finalised	73	62.45
Criminal proceedings finalised but recoveries were pending	3	3.99
Orders for recovery or write-off were awaited	57	1.68
Pending in the courts of law	68	10.32
Total	272	1017.16

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

It may be seen from **Table 3.3** that of 272 cases involving ₹ 1,017.16 crore, 203 cases (75 per cent) involving ₹ 992.27 crore (98 per cent) were pending for more than 10 years. Further, from **Table 3.4** it is seen that 73 cases involving ₹ 62.45 crore were pending for final Departmental action and 57 cases involving ₹ 1.68 crore were pending for want of recovery or write-off orders.

3.6 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 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. Such reconciliation had been completed only for an expenditure of ₹ 1,65,613 crore (68 *per cent*) against the total expenditure of the Government (₹ 2,43,734 crore) and reconciliation of receipts has been completed for ₹ 1,67,637 crore (94 *per cent*) against the total receipts of the Government (₹ 1,79,006 crore) (excluding expenditure and receipt adjusted through Transfer Entries and periodical adjustment).

Major defaulting Departments were Parliamentary Affairs, Urban Development; Maharashtra Legislature Secretariat; General Administration; Public Health; Industries Energy and Labour; Finance; Water Supply and Sanitation; Housing *etc.* Non-reconciliation of Accounts has an impact on the assurance of completeness and correctness of the receipt and expenditure figures by the Department, which may result in frauds, defalcation and over draws *etc.* remaining undetected.

3.7 Opaqueness in Government Accounts

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. During 2018-19, expenditure aggregating ₹ 18,563.21 crore was classified under Minor Head '800 – Other expenditure' against 23 Major Heads under Revenue and Capital sections and revenue receipts aggregating to ₹ 1,449.12 crore were classified under omnibus Minor Head '800 – Other Receipts' under 12 Major Heads under Revenue and Capital Sections.

It was observed that while the expenditure under the Minor Head 800 increased from ₹13,397.54 crore in 2017-18 to ₹ 18,563.21 crore in 2018-19, Revenue receipts under the Minor Head 800 have decreased from ₹ 2,645.08 crore to ₹ 1,449.12 crore.

Details of significant transactions (involving more than ₹ 20 crore and constituting more than 20 *per cent* of the relevant Major Head) of receipts (22 items involving ₹ 1,449.12 crore) and expenditure (63 items involving ₹ 18,563.21 crore) at sub-head level are given in **Appendix 3.6**.

More efforts are required on the part of Finance Department to classify the expenditure/receipts under correct respective minor heads instead of Minor Head 800. Booking of large amounts under the omnibus Minor Head 800 – Other Expenditure/Receipts affects the transparency in financial reporting as it fails to indicate disaggregated information on different activities of the Government separately in the accounts.

Recommendation:

The Finance Department in consultation with the Accountant General (Accounts & Entitlement) may conduct a comprehensive review of all items presently appearing under Minor Head '800-Other Expenditure' and ensure that in future all such receipts and expenditure are booked under the appropriate heads of accounts to avoid opaqueness in the accounts.

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

As per Rule 302 of Maharashtra Treasury Rules, 1968, read with Resolution of Finance department (July 2007), a Drawing and Disbursing Officer (DDO) may draw money from treasury for contingent expenditure through Abstract Contingent (AC) bill in form MTR 29 and should submit the details of expenditure through Detailed Contingent (DC) bill (vouchers in support of final expenditure) against the AC bills drawn in form MTR 30 within one month to the Pay and Accounts Office or Treasury. Further, the DDOs should obtain a clearance certificate from the respective Accountant General. Also as per Note(4) below Rule 306, a register of AC bill should be maintained by the DDOs in the prescribed form in order to watch the submission of DC bills in respect of amounts drawn on AC bills within stipulated period as specified in Rule 303.

It was seen that of ₹ 861.82 crore drawn through 2,363 AC bills during 2018-19, ₹ 210.88 crore through 172 AC bills (24 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.

As on 31 March 2019, 2,612 DC bills amounting to ₹ 1,964.37 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, 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 2016-17	1520	788.11	411	59.51	1109	728.60
2017-18	1075	417.38*	626	10.88	449	406.50*
2018-19	2363	861.82 [#]	1309	32.55	1054	829.27
Total	4958	2067.31	2346	102.94	2612	1964.37^s

* Differs from previous years pending DC Bills, due to rectification of error during previous year

Additions during year 2018-19

\$ ₹ 758.44 crore drawn by the department in respect of service provided by Haffkine Bio-pharmaceutical Corporation Limited

Source: Finance Accounts 2018-19

Most of the outstanding Abstract Contingent Bills relate to Home Department (789 bills amounting to ₹ 795 crore). Advances drawn and not accounted for, increases the possibility of wastage/misappropriation/malfeasance etc.

Recommendation:

The Government may 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.

Mumbai
The 22 July 2020



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Countersigned



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New Delhi
The 24 July 2020

