

Chapter 4 Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate 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.

4.2 Funds outside Consolidated Fund of the State

4.2.1 Building and other Construction Workers Welfare Cess

Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 aimed at providing safety, health and welfare measures for the benefit of building and other construction workers. GoI also enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess at the rate of one *per cent* of the cost of construction, as stipulated under the BOCW Act, with the aim of improving the working conditions of workers and to provide financial aid to them. GoI also framed the relevant Rules under the above Acts. The Act, inter alia, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by all State Governments to exercise the powers conferred under the Act.

Accordingly, the Andhra Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 1999 have been framed under the Act and AP Building & Other Construction Workers Welfare Board (Board) was constituted on 30 April 2007. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

Since the Board is an autonomous Body, total cess details are not depicted in Government Accounts. However, Labour Cess collected from the bills of Government Works executed by the Irrigation and Public Works departments is remitted by respective Pay and Accounts Officers (Works) to the Public Deposit Head of Account of the Labour Board.

The Labour Cess was depicted under two heads of account, *viz.*, 8342-00-120-00-09-000 (Deposits of Andhra Pradesh Building & Other Construction Workers Welfare Board) and 8443- 00-800-00-03-000 (Miscellaneous Deposits) during 2018-19. The State Government clarified that the balances under the latter head of account do not relate to Labour Cess. A new head of account, *viz.*, 8443-00-116-01-09-001 (Deposits of Building and other Construction Workers Welfare Board) was opened in Public Account to account for the amount collected towards Labour Cess during 2019-20.

Further, the labour cess was also being collected directly into the bank account maintained by the Labour board.

The details of labour cess collected during the period 2015-20 are given in **Table 4.1**.

Table 4.1: Amount of Labour cess collected during 2015-20

(₹ in crore)

Year	Amount of cess collected by the State Government (As per Finance Accounts)	Amount of Cess collected directly by the Board	Total Amount of Cess collected
2015-16	140.00	101.26	241.26
2016-17	0	256.8	256.80
2017-18	30.65	229.04	259.69
2018-19	155.28	162.43	317.71
2019-20	62.49	280.5	342.99
Total	388.42	1,424.28	1,812.70

The details of expenditure incurred by the Board on various welfare activities for the construction workers during the five-year period 2015-16 to 2019-20 are given in **Table 4.2**.

Table 4.2: Expenditure incurred by APBOCWW Board during 2015-20

(₹ in crore)

Year	Welfare Activities ³¹	Administrative Expenses	Publicity	Loans and Advances	Total
2015-16	74.08	4.52	15.47	9.38	103.45
2016-17	110.54	5.15	12.54	249.36	377.59
2017-18	78.89	5.33	14.92	260.20	359.33
2018-19	70.04	6.47	52.40	209.63	338.53
2019-20	20.53	3.71	0.08	208.30	232.63
Total	354.08	25.18	95.41	936.87	1,411.53

During the period 2015-20, an amount of ₹ 1,812.70 crore was collected as Labour Cess by the APBOCWW Board and spent ₹ 1,411.53 crore on various welfare schemes, Publicity and Loans & Advances etc. as detailed above.

Further, as per the figures in the Government accounts, the Cess collected during the year 2019-20 under two different heads of accounts and the balances to the end of 31 March 2020 is given in **Table 4.3**.

Table 4.3: Deposit Accounts operated for APBOCWW

(₹ in crore)

Head of Account	Opening Balance	Receipts	Payments	Closing Balance
8342-00-120-00-09-000	237.10	51.62	0.00	288.72
8443-00-116-01-09-001	0.00	10.87	0.00	10.87
Total				299.59

As per Labour and Employment Department's G.O.Ms.No.112, dated 15 December 2009, the cess collected shall be transferred to the Board within 30 days of its collection.

³¹ Marriage Gift, Maternity gift, Fatal Accident relief, Disability relief, Natural Death relief, Hospitalisation relief, Funeral Expenses, Relief to unregistered workers, Vocational training to workers, Atal Pension yojana, Scholarships to children of BOC workers etc.

State Government did not transfer any amount to the Board during the year. The un-transferred balance of ₹ 299.59 crore represents the liability of the State Government.

4.2.2 State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund Rules, 2018 provide for the establishment of a State level authority called "State Compensatory Afforestation Fund Management and Planning Authority". The Authority is to administer the amount received and utilise the monies for undertaking compensatory afforestation activities.

Accounting Arrangements:

The money received from the user agencies towards compensatory afforestation activities are to be credited in "State Compensatory Afforestation Deposits" under interest bearing section in Public Account to Major Head 8336-103 (Civil Deposits). 90 *per cent* of the money collected is to be transferred to the "State Compensatory Afforestation Fund (SCAF)" under Major Head 8121-129 and the balance 10 *per cent* is to be credited into the National Fund i.e. National Compensatory Afforestation Deposits under MH 8336-102. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' and 'State Compensatory Afforestation Fund' will be as per the rate declared by the Central Government on a year-to-year basis. The expenditure on various activities as envisaged in the Act is to be met from Major Head 2406.

Status of State Compensatory Afforestation Fund:

The Government of Andhra Pradesh established State Compensatory Afforestation Fund under Major Head 8121-General and other Reserve Funds under Public Account of Andhra Pradesh in terms of Compensatory Afforestation Act, 2016. Government of India transferred an amount of ₹ 1,734.81 crore from National Ad-hoc Compensatory Afforestation Fund Management and Planning Authority (CAMPA) to the State Compensatory Afforestation Fund, and the same was adjusted in the accounts of 2019-20. During the year 2019-20, the State Government has not received any deposits for credit to the CAMPA fund and hence no amount has been transferred to the National Fund either. The State Government has not credited any interest on the outstanding balance of ₹ 1,734.81 crore as of 31 March 2020.

4.3 Pending liabilities during the financial year

Appendix IX of the Finance Accounts depicts the commitments of the Government and list of incomplete capital works, which, *inter-alia*, include pending payments to the end of March 2020 to the extent of information furnished by the Departments concerned. As per this information, an amount of ₹ 1,300.03 crore was pending payment from the State Government as of March 2020. Details are as follows:

Table 4.4: Pending payments as of March 2020

Sl. No.	Particulars	No. of Works / Projects	Amount pending payment (₹ in crore)
1	Irrigation	73	267.59
2	Water Supply Schemes and Others	84	373.25
3	Roads	55	634.84
4	Bridges	12	11.73
5	Buildings	5	12.62
Total		229	1,300.03

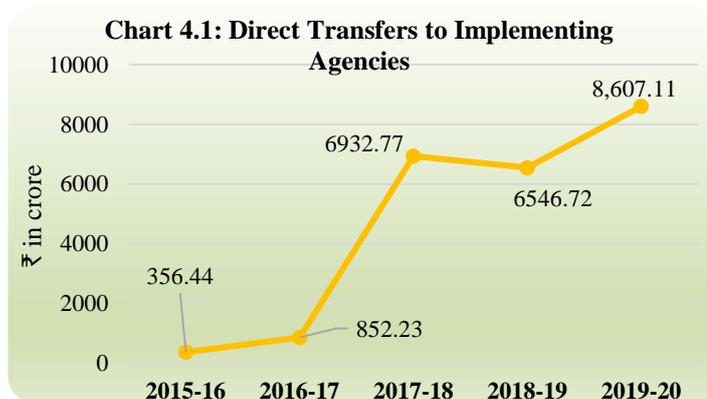
Source: Finance Accounts

4.4 Funds transferred directly to State Implementing Agencies

Government of India transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and programmes. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts. As these funds are not routed through the State budget/ State Treasury system, Finance Accounts do not capture the flow of these funds or the related expenditure.

During the year 2019-20, GoI transferred ₹ 8,607.11 crore directly to State Implementing Agencies/Non-Governmental organisations concerning various Central Schemes/programmes, without routing these funds through the State budget.

The details of direct transfer of funds to implementing agencies during the period 2015-20 are given in *chart 4.1*.



The substantial increase in funds released to implementing agencies directly by GoI from the year 2017-18 onwards was mainly due to “Food Subsidy” scheme implemented by State Civil Supplies Corporation, which received more than 50 per cent of the released funds.

Source: Finance Accounts 2019-20

The agencies that have received funds more than ₹ 100 crore directly from GoI for implementing various developmental schemes and the quantum of such funds during 2019-20 are shown in **Table 4.5**.

Table 4.5: Agencies that received funds directly from GoI during 2019-20 (above ₹ 100 crore)

(₹ in crore)

Sl. No.	Schemes of Government of India	Implementing Agencies	GoI releases during 2019-20
1	Food, sugar Subsidy and Assistance to State Agencies for intra state movement of food grains and FPS dealers margin under NFSA	State Civil Supply corporation limited, Andhra Pradesh	4,992.96
2	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	Department of Real Time Governance, Andhra Pradesh	2,677.75
3	MPs Local Area Development Scheme (MPLADS)	District Collector (eight Districts)	137.50
4	Pradhan Mantri Matru Vandana Yojana	Department of Health, Medical and Family welfare	101.25

Source: Finance Accounts 2019-20

4.5 Abstract Contingent bills

Financial Rules³² permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules³³ and Government orders³⁴ stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Countersigned Contingent bills (DCC Bills) with supporting vouchers within 90 days.

The position of pending DCC bills pertaining to the State as of end of March 2020 is shown in **Table 4.6**.

Table 4.6: Pendency in submission of DC Bills

(₹ in crore)

Year	AC bills drawn		DCC bills submitted		DCC bills pending	
	Number	Amount	Number	Amount	Number	Amount
Up to 2017-18	1,15,392	6,114.67	1,14,960	5,933.90	432	180.77
2018-19	2,592	1,186.37	1,683	289.14	909	897.23
2019-20	917	237.76	408	52.49	509	185.27
Total	1,18,901	7,539	1,17,051	6,276	1,850	1,263

Source: Information furnished by O/o PAG (A&E).

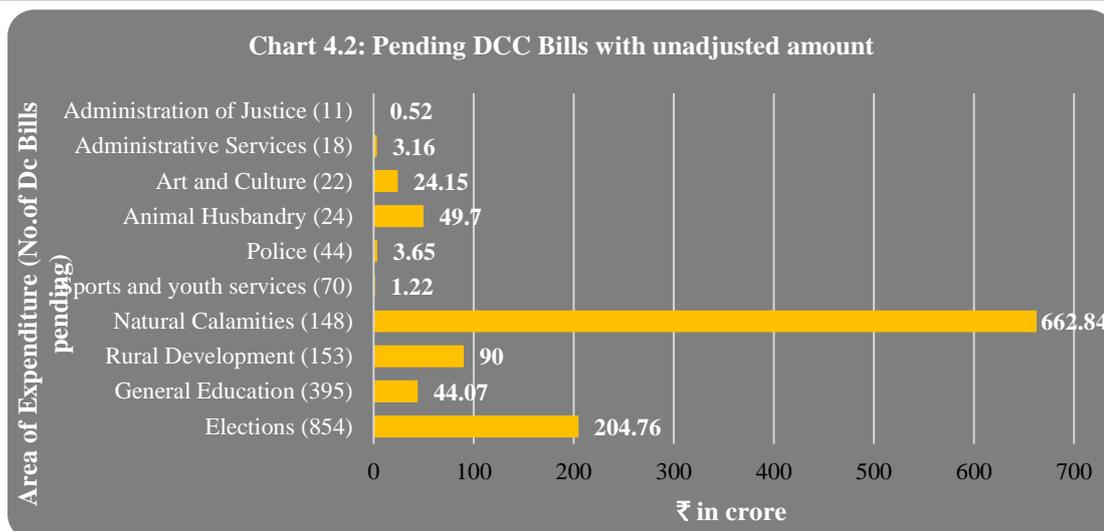
The Departments had drawn 917 Abstract Contingent (AC) bills for an amount of ₹ 237.76 crore in the financial year 2019-20 and submitted 408 DCC bills for an amount of ₹ 52.49 crore. Thus, 509 DC bills amounting to ₹ 185.27 crore were not submitted (as on 30 June 2020). Moreover, out of ₹ 237.76 crore drawn on AC bills during 2019-20, bills amounting to ₹ 106.01 crore (44.59 per cent) were drawn in March 2020 alone.

Department-wise status of pending DCC bills as of end of June 2020 is given in **Chart 4.2**.

³² Article 102, 108 and Appendix 8 of AP Financial code

³³ SR18 (d) below TR 16

³⁴ GO No.391, dt.22-03-2002 and 507, dt.10-04-2002



Source: Finance Accounts of respective years

Advances drawn and not accounted for increase the possibility of wastage/misappropriation/ malfeasance *etc.*

Audit verification of a sample DCC bills revealed instances of expenditure out of funds drawn on AC bills for other than intended purposes as specified in the AC bills such as, (1) renovation of personal office space with the funds provided to meet election expenditure, (2) purchase of stationery and other office expenditure using the funds allocated for professional services (3) transfer of funds to savings bank accounts (₹ 4 lakh) to meet election expenditure *etc.* These instances indicate absence of probity and propriety in public expenditure management. Considering that these instances came to light during a test check, delays in submission/non-submission of DCC bills is a matter of concern and the possibility of misappropriation of funds drawn on AC bills cannot be ruled out.

4.6 Utilisation Certificates

Government gives grants to various bodies for specific purposes. Financial rules³⁵ stipulate that where Grants-in-Aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which after verification, should be forwarded to the Principal Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. Non-submission/delay in submission of UCs weakens the control on utilization of funds and provides scope for mis-utilisation / misappropriation / diversion of funds.

State Government has not provided the Utilisation Certificates to Principal Accountant General (A&E) in respect of the grants received from GoI nor the grants given by it to various entities or pass through grants from GoI to various entities within the State as shown in **Tables 4.7** and **4.8**, despite specific from this office. Further, there was no mechanism in the State Government to watch the flow of pass through grants provided by the GoI. In the absence of such a mechanism, it is not possible to ascertain the

³⁵ Article 211-A of Andhra Pradesh Financial Code

amounts for which the State Government has to provide the utilization certificates.

4.6.1 Grants-in-Aid received by the State Government from GoI

The details of Grants-in-Aid (GIA) received by the State Government from GoI during the period 2015-20 are given in **Table 4.7**.

Table 4.7: Details of Grants received by the State

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Grants received by the State	21,927	23,346	22,761	19,457	21,876
%age of GIA to Revenue Receipts of the State	24.73	23.59	21.66	16.97	19.70

Source: Finance Accounts of respective years

4.6.2 Grants-in-Aid given by the State Government

The details of Grants-in-Aid given by the State Government during the period 2015-20 are given in **Table 4.8**.

Table 4.8: Details of Grants given by the State

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Grants given by the State	79,388	53,979	53,091	60,795	59,915
%age of GIA to Revenue Expenditure of the State	41.37	46.45	43.80	47.25	43.58

Source: Finance Accounts of respective years

In the absence of UCs, it could not be ascertained whether the grantees had utilised the grants for the purposes for which those were given. Non-explanation by the Departmental authorities as to how the Grants-in-Aid were spent over the years is a matter of concern, as it involves public funds provided to them for implementation of specific programmes/schemes and there is no assurance that the intended objectives of providing these funds have been achieved. In the absence of accountability for expenditure relating to funds provided as far back as five years, the possibility of fraud and/or misappropriation of these funds cannot be ruled out.

Despite drawing attention of the State Government to this issue year after year in the Audit Reports of the CAG, there has been no improvement.

4.7 Personal Deposit Accounts

4.7.1 Personal Deposit Account framework

Personal Deposits (PD) are established in two ways:

- Under statutory provisions of the Government or created under any law or rule having the force of law by transferring funds from the Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments.
- Personal Deposit Accounts may also be opened, in favour of specified Government Officers, by transferring funds from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes *etc.*

As per the AP Financial Code, the purpose of PD Accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State. As per Article 271 (iii) (4)³⁶ of the AP Financial Code, Personal Deposit Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State³⁷. The account may be opened again in the following year, if necessary, in the usual manner³⁸.

State Government issued Orders³⁹ in 2019 regarding the mechanism for opening and operation of PD accounts. These orders specified that PD accounts are virtual bank accounts that were conceptualized by the Government to facilitate smooth operations at the field level for scheme implementation. Funds were given under the PD Accounts for specific purposes by debiting the service heads in the Consolidated Fund of the State and crediting the Personal Deposits under Major Head 8443-106-Personal Deposits. Unspent balances in the PD accounts, if any, at the end of the financial year should be lapsed by minus debiting the relevant service heads and debiting the PD accounts. Government (Cash and Debt Management section of Finance Department) sanctions the opening of a PD Account (copied to Accountant General (A&E)).

Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the Annual Financial Statement/Budget. Not transferring the unspent balances lying in PD accounts to Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. While Government orders indicate that ₹ 93,122.02 crore was transferred to PD Accounts during 2019-20, the amount actually made available in these accounts during the year was ₹ 38,599.99 crore. Of this, ₹ 6,727.92 crore was transferred in the month of March 2020.

Operation of PD Accounts lacked clarity and transparency as huge amounts were shown to have been transferred to these accounts during the year but were not actually made available to the departmental officials for incurring expenditure. The gap in the number of PD Accounts and the amount lying in these as per CFMS and Finance Accounts was stated by the Government to be primarily due to transferring of balances from old structure to the new structure outlined in Government Order of August 2019.

³⁶ Memo. No. 1596/Accts./5y-4, Dt. 31-12-1959

³⁷ except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

³⁸ Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases

³⁹ G.O.Ms.No.99 of Finance Department, dated 14 August 2019

4.7.2 Status of PD Accounts

4.7.2.1 Status of PD Accounts as per Finance Accounts

The details of PD accounts operated during 2019-20 as per Finance Accounts are given in **Table 4.9**.

Table 4.9: Details of PD Accounts during 2019-20

(₹ in crore)			
Opening Balance as on 01 April 2019	Total amount transferred to PD accounts during 2019-20	Total withdrawals from PD Accounts during 2019-20	Closing Balance as on 31 March 2020
545.39	38,599.99	31,868.27	7,277.11

Source: Finance Accounts 2019-20; Note: Administrator wise details are not available in Finance Accounts

4.7.2.2 Status of PD Accounts as provided by DTA

The details of PD accounts operated during 2019-20 as per the information provided by Director, Treasury and Accounts (DTA) are given in **Table 4.10**.

Table 4.10: Details of PD Accounts operated during 2019-20 as per DTA

Opening Balance as on 01 April 2019*		New PD Accounts opened during 2019-20	Total amount transferred to PD accounts during 2019-20	No. of PD Accounts closed during 2019-20	Total withdrawals from PD Accounts during 2019-20	Closing Balance as on 31 March 2020	
Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
297	425.07	1441	93,122.02	247	68,070.71	1491	25,476.38

Source: Data provided by Directorate of Treasury and Account (DTA); Difference of ₹ 38,072.44 crore in OB from CB of 2018-19 was due to clarification from the State Government that only the accounts under the head of Account 8443-106 shall constitute PD Account and all other deposit accounts have been omitted in the above table.*

Significant variations between CFMS and Finance Accounts

As per the Comprehensive Financial Management System (CFMS) of Government of Andhra Pradesh, the total transfers and withdrawals from Personal Deposit Accounts for the year 2019-20 were ₹ 93,122.02 crore and ₹ 68,070.71 crore respectively, while Finance Accounts 2019-20 show these as ₹ 38,599.99 crore and ₹ 31,868.27 crore respectively resulting in huge variations to the extent of ₹ 54,522.03 crore in receipts and ₹ 36,202.44 crore in payments. The matter was taken up with the State Government for clarification in December 2020; reply is awaited (February 2021).

4.7.3 Transfer of funds from Consolidated Fund to Personal Deposit Accounts

An amount of ₹ 38,599.99 crore was transferred to Personal Deposit Accounts from Consolidated Fund of the State during 2019-20 as per Finance Accounts. Out of this amount, ₹ 37,661.14 crore was transferred from Revenue Heads and ₹ 938.85 crore was transferred from Capital Heads of Consolidated Fund of the State.

Test check of PD Accounts revealed that, ₹ 3,806.20 crore was lying unspent at the end of 31 March 2020 (₹864.18 crore of this was transferred from Capital Heads). Clearly,

the unspent amount lying to the end of the year was not lapsed to Consolidated Fund of the State, resulting in overstatement of expenditure of the State to that extent.

Transferring of funds from Consolidated Fund of the State to Personal Deposit Accounts, without incurring actual expenditure, resulted in inflation of expenditure. Further, the draws in the subsequent years from the PD Accounts would not require Legislative approval and thus would escape Legislative scrutiny through the Appropriation Account mechanism.

4.7.4 Audit of Personal Deposit Accounts

As per Article 271(3) of AP Financial Code, Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases. Test check of Personal Deposit Accounts of State Public Sector Undertakings revealed the following:

4.7.4.1 Andhra Pradesh State Civil Supplies Corporation

During the year, State Government received an amount of ₹ 4,968.05 crore from Government of India towards implementation of Food Subsidy in Andhra Pradesh. Out of this amount, ₹ 3,343.69 crore was lapsed to Consolidated Fund of the State (as minus expenditure under the Major Head 2236- Nutrition) at the end of the financial year. This amounts to diverting the funds released by GoI for food subsidy for other than intended purposes.

4.7.4.2 Andhra Pradesh State Housing Corporation Limited (APSHCL)

During the year 2019-20, ₹ 64.27 crore and ₹ 472.75 crore received as central and matching State share respectively, was credited to the PD Account of APSHCL for implementation of Pradhan Mantri Awas Yojana (PMAY). The entire amount, however, was lapsed to Consolidated Fund of the State (as minus expenditure under the Major Head 2216 - Housing) at the end of 2019-20. Thus the amount released by GoI for implementing a Centrally Sponsored Scheme was diverted by the State Government for other than intended purposes.

APSHCL raised a loan to the tune of ₹ 1,274.28 crore during 2019-20, from Housing Development Corporation (HUDCO) on the guarantee provided by the State Government (*Refer Para 2.7.4 on Off Budget Borrowings*). Out of the total loan amount, APSHCL deposited an amount of ₹ 900 crore in PD Account of APSHCL and thus the amount was made available for the utilisation of the State Government.

4.7.4.3 Andhra Pradesh Industrial Infrastructure Corporation

During the year 2019-20, APIIC credited (October 2019 and March 2020) ₹ 44.63 crore into PD Accounts on the orders of Finance Department to manage the ways and means position of the State and the same was lying unspent to the end of the year.

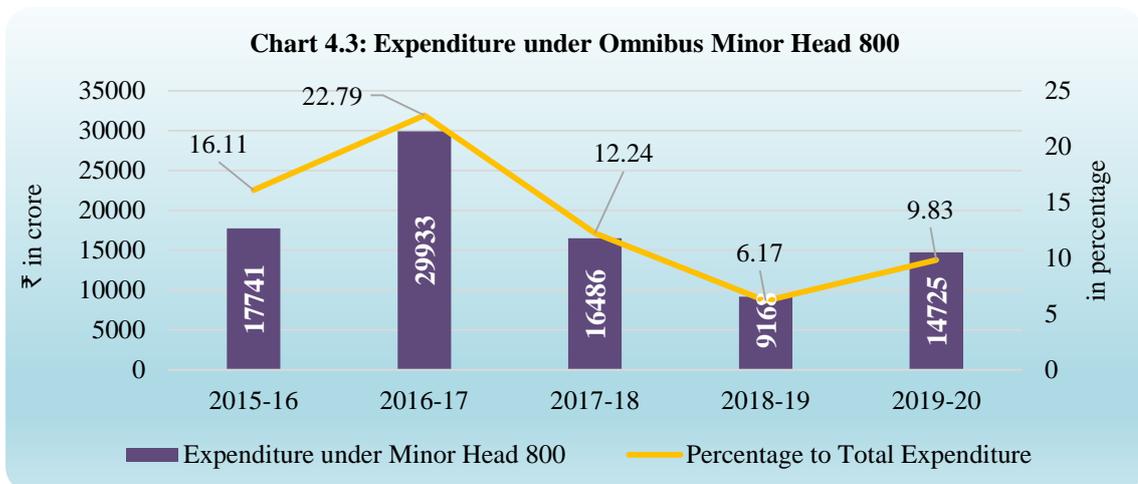
4.7.4.4 Swachha Andhra Corporation

During the year 2019-20, Government of Andhra Pradesh credited an amount of ₹668.52 crore in the PD account of the Corporation out of which, ₹ 305.61 crore was GIA from GoI. Out of the total amount received, an amount of ₹ 194.52 crore was lapsed to Consolidated Fund (as minus expenditure under Major Head 2215- Water Supply and Sanitation) and the amount was diverted for other than intended purposes.

4.8 Indiscriminate use of Omnibus Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

During 2019-20, the State Government booked an expenditure of ₹ 14,725 crore under Minor Head 800 under 44 Major Heads of Revenue and Capital sections, constituting 9.83 per cent of total expenditure. The extent of operation of Minor Head 800 Other Expenditure, as a percentage of Total Expenditure during 2015-20 is given in **Chart 4.3**.



Source: Finance Accounts of respective years

The usage of Minor Head 800 – other expenditure during 2015-20 shows a mixed trend ranging from 22.79 per cent during 2016-17 to 6.17 per cent during 2018-19, before increasing to 9.83 per cent in 2019-20. Instances (₹ 300 crore and above) of substantial proportion of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.11**.

Table 4.11: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2019-20

(₹ in crore)

Major Head	Expenditure under Minor Head 800	Total Expenditure under Major Head	Percentage of MH 800 to total expenditure under Major Head
2801 - Power	5,895.21	6,840.25	86.18
4070 - Capital Outlay on other Administrative Services	3,391.94	3,427.43	98.96
2401 - Crop Husbandry	983.78	1,021.47	96.39
4875 - Capital Outlay on other Industries	442.53	441.49	100.23
2875 - Other Industries	366.99	145.74	251.81

Source: Finance Accounts 2019-20

In the case of receipts, the operation of Minor Head 800 was lower compared to expenditure, and ranged between 5.80 *per cent* of total receipts in 2015-16 to a low of 1.16 *per cent* of total receipts during 2019-20. During 2019-20, the State Government classified receipts of ₹ 1,290.17 crore, pertaining to 41 Major Heads, under Minor Head '800 - Other Receipts'. Cases (₹ 50 crore and above) where substantial portion of receipts were classified under Minor Head 800 – 'Other Receipts', are given in **Table 4.12**.

Table 4.12: Significant receipts booked under Minor Head 800 – Other receipts during 2019-20

(₹ in crore)

Major Head	Receipts under Minor Head 800	Total Receipts under Major Head	Percentage of Total Receipts under Major Head
0075-Miscellaneous General Services	145.41	166.71	87.22
0070-Other Administrative services	148.12	237.02	62.50
1051-Ports and Light houses	99.60	99.60	100
0700-Major Irrigation	91.72	122.38	74.94

Source: Finance Accounts of respective years

4.8.1 Use of Omnibus Minor Head 800 despite availability of specific Minor Heads

The Omnibus Minor Head – 800 was operated despite the availability of Specific Minor Head in the cases detailed in **Table 4.13**.

Table 4.13: Use of Omnibus Minor Head 800 despite availability/ instruction to open specific Minor Heads

Classification under Minor Head 800	Description of Sub-head used	Related specific Minor Head to be used	Related Specific Minor Head Description	Amount (₹ in crore)
Receipts				
0700-01-800-02	Sale of water for other purposes	0700-01-103	Sale of water for other purposes	0.47

Classification under Minor Head 800	Description of Sub-head used	Related specific Minor Head to be used	Related Specific Minor Head Description	Amount (₹ in crore)
0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	0.17
Expenditure				
2875-60-800-11-16/17	AP Industrial Infrastructure Corporation and AP Handicrafts Development Coporation	2875-60-190	Assistance to Public Sector and other Undertakings	366.99
2801-05-800	YSR Nine hours free power Supply	2801-05	Under 2801-05: Each scheme should have separate minor head	4,031.56
6801-800-05	Loans to APTRANSCO for servicing loans taken by DISCOMs	6801-190	Loans to Public Sector Undertakings	4,689.67

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting as it would not indicate disaggregated information on different activities of the Government separately in the accounts and distorts proper analysis of allocative priorities and quality of expenditure.

State Government assured that corrective measures would be taken in ensuing budgets, to further reduce the usage of Minor Head 800.

4.9 Suspense and Remittance Balances

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. These are finally cleared by minus debit or minus credit when 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 resulting in understatement of Government's receipts and payments.

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

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of balances under major suspense and remittance heads for the last three years is given in **Table 4.14**.

Table 4.14: 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	100.81	12.94	65.72	6.60	91.64	4.66
Net	Dr. 87.87		Dr. 59.12		Dr. 86.98	
102 - Suspense Account-Civil	72.57	118.52	244.23	145.62	101.95	257.72
Net	Cr. 45.95		Dr. 98.62		Cr. 155.57	
107 - Cash Settlement Suspense Account	0	0.45	0	0.45	0	0.45
Net	Cr. 0.45		Cr. 0.45		Cr. 0.45	
109 - Reserve Bank Suspense - Headquarters	21.16	7.36	14.64	7.92	13.71	7.92
Net	Dr.13.80		Dr. 6.71		Dr. 5.78	
110 - Reserve Bank Suspense - CAO	295.76	141.83	252.37	82.73	216.97	83.03
Net	Dr. 153.93		Dr. 169.64		Dr. 133.93	
112 - Tax Deducted at Source (TDS) Suspense	0	162.76	886.67	1114.99	886.67	1,907.21
Net	Cr. 162.76		Cr. 228.32		Cr. 1,020.54	
123 - A.I.S Officers' Group Insurance Scheme	0	0.45	0	0.45	0	0.48
Net	Cr. 0.45		Cr. 0.45		Cr. 0.48	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	836.01	2,040.40	973.25	294.20	973.10	284.34
Net	Cr. 1,204.39		Dr. 679.05		Dr. 688.76	
103 - Forest Remittances	483.96	617.41	438.96	617.55	439.12	617.44
Net	Cr. 178.46		Cr. 178.59		Cr. 178.32	

Source: Finance Accounts of respective years

4.9.1 PAO Suspense

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 indicate 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.

As on 31 March 2020, there was a debit balance of ₹ 86.98 crore under this head of account. PAO Central Pensions, M/o Finance (₹ 48.65 crore Dr.), Regional PAO, M/o Shipping and Transport (₹ 50.95 crore Dr.) are the major entities from where State Government has to receive the funds.

4.9.2 Suspense Account (Civil)

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 balance outstanding under this head was in respect of FA & CAO, South Central Railway (₹ 69.43 crore). Major Credit balance was shown towards unclassified receipts of ₹ 108.78 crore.

4.9.3 Reserve Bank Suspense – CAO

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 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. 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).

As on 31 March 2020, there was debit balance of ₹ 133.93 crore under this suspense head, awaiting adjustment under Major Head 6004.

4.9.4 Tax deducted at Source (TDS) suspense

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.

As on 31 March 2020, the State Government had a credit balance of ₹ 1,020.54 crore under '8658-112 – TDS Suspense', which indicates that, the tax recovered by the State Government is yet to be passed to Central Government.

4.9.5 Remittance Heads

The departmental officers in the Public Works Departments and Forest Departments in the State Government are empowered to handle the receipts and disbursements in the

divisions. For that purpose, they are operating the head ‘8782-Cash Remittances’. The net debit balances under this head indicates more deposits of the money in the treasury/bank by the Public Work divisions whereas the net credit balance under this head indicates the un-encashed cheques or items of adjustments to be carried out by the divisions with other Accounts officers.

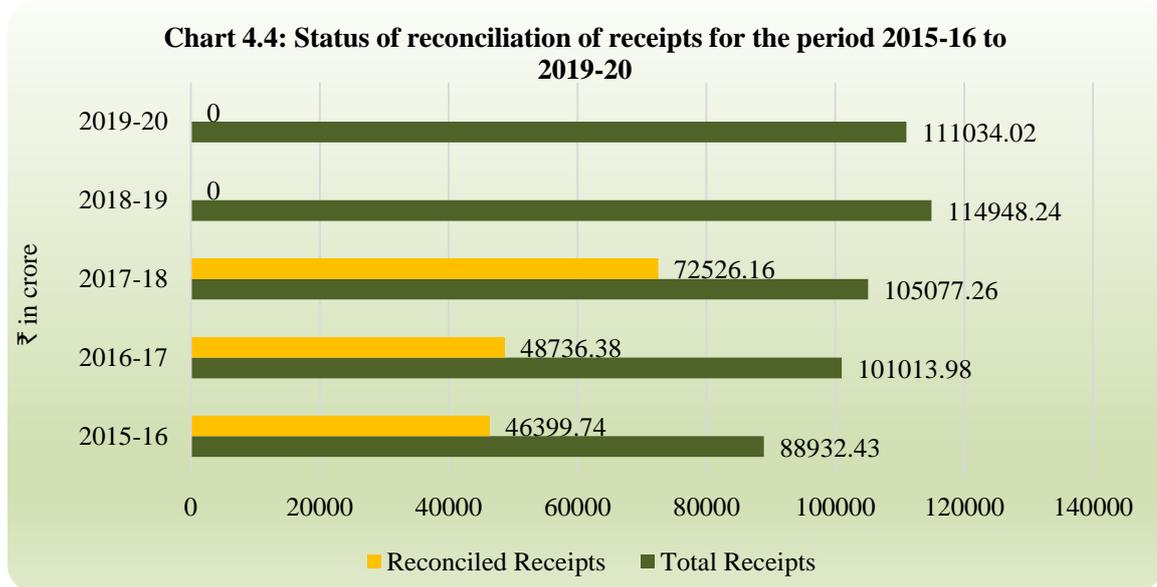
As on 31 March 2020, there was a debit balance of ₹ 688.76 crore under Public Works divisions and a credit balance of ₹ 178.32 crore under Forest Remittances.

4.10 Non-Reconciliation of receipts and expenditure

Generally Accepted Accounting Principles 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 Rules/ instructions⁴⁰ stipulate that expenditure and receipts recorded in the books of Chief Controlling Officers (CCOs) be reconciled with Treasury by 4th of every month and every quarter during a financial year with those recorded in the books of the AG (A&E) to exercise effective control over budget and expenditure.

As of November 2020, expenditure amounting to ₹ 1,21,285.97 crore relating to the financial year 2019-20 was reconciled, which constituted 78.21 per cent of total expenditure⁴¹ of the year. However, receipts were not reconciled during 2019-20.

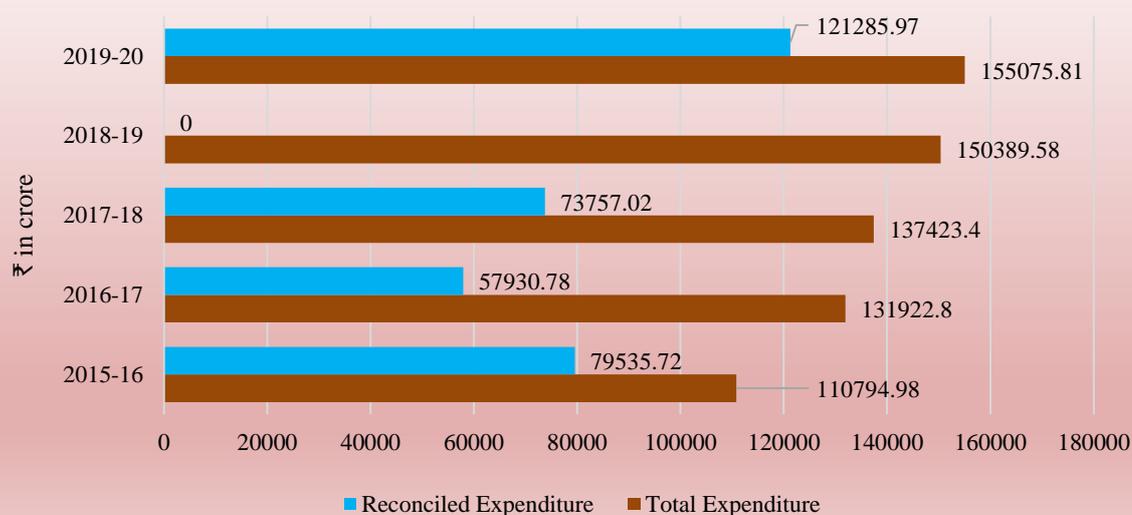
The status of reconciliation of receipts and expenditure for the years 2015-16 to 2019-20 is given in **Charts 4.4** and **4.5**.



⁴⁰ Article 9 of Andhra Pradesh Financial Code and GO.Ms No. 42 of Finance Department Dated 13 April 2015

⁴¹ Includes Revenue, Capital and Loans & Advances (₹ 1,55,075.81 crore)

Chart 4.5: Status of reconciliation of expenditure for the period 2015-16 to 2019-20



Source: Finance Accounts of respective years

It is evident that, more than 50 *per cent* of Receipts and Expenditure was reconciled during 2015-16 and 2017-18. During the year 2018-19, none of the CCOs have reconciled the receipts and Expenditure stating that CFMS being single source of truth, departmental reconciliation can be dispensed with. However, as CFMS is in the initial stage of implementation, AG (A&E) has proposed to continue departmental reconciliation. Although the State Government agreed to the proposal, they did not take any action for reconciliation of figures with the AG (A&E) during the year 2018-19.

During 2019-20, though 78 *per cent* of the expenditure was reconciled, CCOs have not reconciled their receipts with O/o AG (A&E).

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

4.11 Compliance to Indian Government 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. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Andhra Pradesh in 2018-19 and deficiencies therein are detailed in **Table 4.15**:

Table 4.15: Compliance to Accounting Standards

Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
IGAS 1: Guarantees given by the Government – Disclosure requirements	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.	Not complied (Statement Nos. 9 and 20 of Finance Accounts)	While the government has disclosed the maximum amount of guarantees given during the year, detailed information like number of guarantees for each institution was not furnished. The Statements are incomplete to that extent. <i>(Refer to Paragraph 2.8 for further audit findings on Guarantees)</i>
IGAS 2: Accounting and Classification of Grants-in- Aid	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.	Not complied (Statement No. 10 of Finance Accounts)	State Government made budgetary provision and classified GIA amounting to ₹ 0.43 crore under Capital Major Heads of Account, instead of under the Revenue Section. It did not also furnish any information regarding GIA paid in kind during the year. <i>(Refer to Table 1.9 of Paragraph 1.8.4 for further audit findings on impact of classifying Grants in Aid under Capital Section)</i> Non-compliance led to understatement of Revenue Deficit and overstatement of capital expenditure.
IGAS 3: Loans and Advances made by Governments	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 No. 18 of Finance Accounts)	While the State government complied with the format prescribed by the Standard, the information in this regard is incomplete, since the details of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. <i>(Refer to Paragraph 2.5.4.2 for further audit findings on Loans and Advances)</i>

Source: Indian Government Accounting Standards and Finance Accounts

4.12 Submission of Annual Accounts by Autonomous Bodies and Public Sector Undertakings (PSUs)

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Section 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act).

There were 35 ABs coming under the audit purview as per Section 19 or 20 of the CAG’s DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. There was a delay in submission of accounts by such entities to Audit ranging from one to eight years as of September 2020. Details of the periods up to which accounts were due and rendered are given in *Appendix 4.1*. Age-wise details are shown in **Table 4.16**.

Table 4.16: Age-wise arrears of Annual Accounts

Sl.No	Delay in Number of Years	No. of Bodies / Authorities
1	0-1	02
2	2-3	20
3	4-5	06
4	6-7	04
5	8 or more	03
Total		35

Further, in order to identify the institutions⁴² which attract audit under Sections 14 of the CAG’s (DPC) Act 1971, Rule 83 of the Regulations on Audit and Accounts (2007) mandates the Government/Heads of Department 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. However, the same was not being furnished by the State Government/HoDs. In the absence of such information, the bodies/authorities which attract audit under Section 14 of CAG’s (DPC) Act, 1971 could not be ascertained by audit. .

Apart from these authorities/bodies, Public Sector Undertakings established by the State are also to be audited by the C&AG⁴³. Annual accounts of 210 such authorities/bodies (1623 Accounts) and 93 PSUs (185 Accounts) were not submitted to Audit as of September 2020. Details of the periods up to which accounts were due and rendered, based on the previous accounts received, are given in *Appendix 4.2* and *Appendix 4.3*.

Delay in submission of Accounts is being brought to the notice of the State Government periodically through Audit Reports. In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/ Authorities and their accounting cannot be vouched. Apart from reflecting on the inadequate monitoring

⁴²Educational Institutions, Government Organisations, Autonomous bodies, etc.,

⁴³ As per Section 19 of CAG’s DPC act 1971

by the State Government, absence of accounts indicates lack of accountability from these bodies/authorities for the funds released by Government of Andhra Pradesh.

4.13 Deposits of Local Funds

Andhra Pradesh Panchayat Act, 1994 provides that Zilla Praja Parishad (ZPP), Mandal Praja Parishad (MPP) and Gram/Village Panchayat (GP) would maintain ZPP, MPP and GP funds respectively (under the classification 8448 – Deposits of Local Funds – 109 – Panchayat Bodies Funds) which would include all the money realized or realizable under the Act and all money otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipts of a Panchayat.

Andhra Pradesh Municipalities Act, 1965 envisages that the Municipal Fund is to be held by the Municipality. All the money realized or realizable under the Act and all money otherwise received by the municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds – 102-Municipal Funds. The details of balances, receipts and payments under these funds are given in **Table 4.17**.

Table 4.17: Deposits of Local Funds

			(₹ in crore)				
Year	Sl.No		2015-16	2016-17	2017-18	2018-19	2019-20
Gram Panchayat/ Village Panchayat Fund (8448-109-01)	1	OB	1,827.46	1,646.46	2,104.93	1,825.39	1,540.04
	2	Receipts	1,737.16	2,166.62	2,185.08	1,764.20	322.50
	3	Payments	1,918.17	1,708.16	2,061.19	2,049.55	860.18
	4	CB	1,646.46	2,104.93	2,228.82	1,540.04	1,002.37
Mandal Praja Parishad Funds (8448-109-02)	5	OB	394.79	290.32	261.92	297.18	326.32
	6	Receipts	228.33	219.02	789.06	1,036.60	271.60
	7	Payments	332.80	247.42	674.23	1,007.47	434.20
	8	CB	290.32	261.92	376.75	326.32	163.72
Zilla Praja Parishad Funds (8448-109-03)	9	OB	900.09	780.07	886.67	786.09	437.69
	10	Receipts	329.93	525.11	475.16	194.63	62.23
	11	Payments	449.95	418.52	313.74	543.03	154.79
	12	CB	780.07	886.67	1,048.09	437.69	345.13
Total PRI Funds	13 (4+8+12)		2,716.85	3,253.51	3,653.65	2,304.05	1,511.21
Municipal Funds (8448-102)	14	OB	1,691.39	1,875.87	3,670.50	3,434.47	2,806.92
	15	Receipts	1,824.40	4,181.94	4,236.34	4,431.57	4,021.78
	16	Payments	1,639.92	2,387.31	4,276.79	5,059.12	2,618.64
	17	CB	1,875.87	3,670.50	3,630.05	2,806.92	4,210.06

Source: Finance Accounts of respective years

As is evident from the above table, there were huge funds lying unspent under Municipal Funds. During the year 2019-20, the closing balance of ₹ 4,210.06 crore under Municipal Funds includes ₹ 1,126.97 crore of XIV FC grants and ₹ 1,098.47 crore of unspent amount of Centrally Sponsored Schemes. An amount of ₹ 614.72 crore of XIV FC grants was lying unspent under the funds pertaining to Panchayat Raj Institutions. Further, under the classification 8448-04-109-05 under Deposits of Local Funds, there was also an amount of ₹ 1,770.61 crore pertaining to XIV FC grants to PRIs lying unspent to the end of 2019-20.

4.14 Timeliness and Quality of Accounts

Principal Accountant General (A&E) receives the compiled accounts of the State from 13 District Treasuries, 19 Public Works Pay and Accounts Offices (PAOs) (out of which 16 PAOs also render Forest Accounts), other PAOs and Advices of the Reserve Bank of India. There was no exclusion of primary accounts during 2019-20.

Non-Submission of Utilisation Certificates, pendency in Detailed Contingent Bills, Non-Reconciliation of Receipts/Expenditure of the State, Discrepancies in Personal Deposit Accounts and Non-adherence to Indian Government Accounting Standards by the State Government affected the completeness, transparency and disclosure of Accounts.

4.15 Underutilisation of GoI share in respect of centrally sponsored schemes

Government of India released ₹ 16,608.72 crore and ₹ 11,781.33 crore towards implementation of 72 and 59 Centrally Sponsored Schemes during 2018-19 and 2019-20 respectively, to Andhra Pradesh as detailed in *Appendix 4.4* and *4.5*.

In respect of 30 of these schemes during 2018-19 and 32 schemes during 2019-20, the State Government expended 43.38 *per cent* and 59.68 *per cent* out of total GoI releases (₹ 4,514.95 crore and ₹ 5,961.71 crore respectively) towards implementation of the schemes, leaving the balance amount unutilised. The expenditure on these schemes was less than the contribution of GoI, which suggests that these schemes were not implemented as envisaged and Government of Andhra Pradesh did not contribute its matching share for these schemes.

State Government stated that a majority of GoI grants were received at the fag end of the year, which had resulted in underutilisation of those grants in the same financial year.

4.16 Follow up action on Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken.

As on 31 March 2020, Finance Department has not furnished the Explanatory Notes (ENs) for the State Finances Audit Reports for the years 2016-17 and 2017-18. Recommendations of Public Accounts Committee (PAC) on Audit Reports on State Finances for the years 2014-15 and 2015-16 were placed before State Legislature on 06 February 2019.

4.17 Conclusion

Operation of PD Accounts lacked clarity and transparency as huge amounts were shown to have been transferred to these accounts during the year but were not actually made available to the departmental officials for incurring expenditure. About one third of budgeted funds were shown as closing balance in PD Accounts while the State had huge Revenue Deficit. Further, there was a big gap in the number of PD Accounts and the amount lying in these as per CFMS and Finance Accounts, primarily due to transferring of balances from old structure to the new structure outlined in Government Order of August 2019. This requires reconciliation, as significant variations were observed between the balances of CFMS and of Finance Accounts. Transferring of funds from Consolidated Fund of the State to Personal Deposit Accounts without incurring actual expenditure, resulted in inflation of Expenditure. It is imperative to curtail the usage of Personal Deposit Accounts to maintain the sanctity of budgetary process.

Non-submission of accounts by Autonomous Bodies, Development Bodies/Authorities and PSUs was in violation of prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government Departments.

Diversion of Grants-in-Aid provided by the Government of India for implementation of Centrally Sponsored schemes for other than intended purposes defeats the envisaged objectives of implementation of the schemes and could affect release of further grants from the GoI.

4.18 Recommendations

- 1. State Government should review all PD accounts to ensure that the funds lying unutilised in these accounts are immediately remitted to the Consolidated Fund of the State and initiate appropriate action against departmental officers who fail to comply with the rules.*
- 2. State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs and DCC bills.*
- 3. State Government should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in a time bound manner, to assess their financial position.*

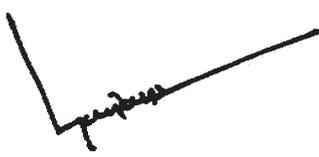
4. *Internal control mechanism needs to be strengthened and the Government needs to formulate an action plan expeditiously to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.*
5. *State Government should discourage the use of omnibus Minor Head 800 and in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under this Head and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.*

Hyderabad
The 22-7-2021


(HEMA MUNIVENKATAPPA)
Accountant General (Audit)
Andhra Pradesh

Countersigned

New Delhi
The 26-7-2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India