

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 Non-discharge of liabilities in respect of interest towards interest bearing deposits/Reserve Funds

Government has a liability to pay/adjust interest in respect of balances under category J -Reserve Funds (a. Reserve Funds bearing interest) and K-Deposit and Advances (a. Deposits bearing interest) and for this purpose, specific Sub-Major Heads are provided in the List of Major and Minor Heads of Account.

Details of these Funds/Deposits and interests paid by the Government during the year 2022-23 are given in **Table 4.1**.

Table 4.1: Details of Non-discharge of liabilities in respect of interest towards interest bearing deposits/Reserve Funds

Funds/Deposits	Balance on 1 April 2022	Basis for calculation of interest	(₹ in crore)		
			Interest due	Interest paid	Interest short paid
Defined Contribution Pension Scheme for Government Employees	715.87	Interest calculated as per the rate of interest notified by the Government/payable to General Provident Fund i.e. 7.1 per cent	24.88	NIL	24.88
State Compensatory Afforestation Deposit	1,633.30	Interest rate adopted as 3.35 per cent p.a as per order No. 4-28/2019-NPPt.2 dated 11 January 2022 of Environment, Forest & Climate Change	54.72	NIL	54.72
State Disaster Response Fund	661.86	As per circulars issued by the Ministry of Home Affairs (DM Division)(No.32-3/2010-NDM-I) (Interest rate adopted as 7.49 per cent as of 31 March 2023 to the SDRF at the rate applicable to Overdraft under Overdraft Regulation Guidelines of the RBI)	49.57	NIL	49.57

Funds/Deposits	Balance on 1 April 2022	Basis for calculation of interest	Interest due	Interest paid	Interest short paid
State Disaster Mitigation Fund	298.20	As per circulars issued by the Ministry of Home Affairs (DM Division)(No.33-02/2020-NDM-I) (Interest rate adopted as 7.49 per cent as of 31 March 2023 to the SDMF at the rate applicable to Overdraft under Overdraft Regulation Guidelines of the RBI)	22.34	NIL	22.34
Total			151.51	NIL	151.51

Non-payment/short payment of the interest amounting to ₹ 151.51 crore has resulted in understatement of Revenue expenditure by ₹ 151.51 crore.

(A) Non-provision of interest on Zilla Parishad Provident Fund

The deductions on account of Zilla Parishad Provident Fund (ZPPF) subscriptions of Zilla Parishad employees were credited under the MH 8338 up to the year 2019-20. From the year 2020-21 onwards, as per Government orders⁵⁷, GPF transactions of Zilla Parishad employees are being classified under MH 8009 which is an interest-bearing deposit account.

The individual Provident Fund accounts are maintained by the Chief Executive Officer of the Zilla Parishad concerned. The Zilla Parishad employees on retirement/death/resignation are being paid the PF balances outstanding at their credit along with the accumulated interest as final payments. As the subscriptions on account of ZPPF are credited in interest bearing deposit accounts, the State Government is required to pay interest on these subscriptions as was being done to the State Government employees where the GPF subscriptions also being credited under the MH 8009. For State Government employees the interest is being credited at the end of each financial year through annual periodical adjustments wherein provisions are being made under MH 2049.

However, it was observed that the State Government did not credit the interest on annual basis through annual adjustments or otherwise on the balances outstanding to the credit of ZPPF subscription accounts up to the year 2022-23.

It is pertinent to mention that as per Article 303 of APFC Volume I, the State Government will act as a banker for the ZPPF funds. Non-provisioning and non-crediting of interest on an annual basis to the ZPPF subscribers PF Accounts will result in accumulation of liabilities on this account. As complete data on the interest is not furnished by the State Government, the liability on account of the interest to ZPPF Accounts could not be ascertained in Audit to the end of March 2023.

⁵⁷ G.O.Ms.99 Finance (Cash & Debt Management) Department dated 14 August 2019

As the liability towards interest on accounts of ZPPFs was not being discharged by the Government on periodical basis or otherwise by making suitable provisions in the Budget Estimates, there is an understatement of revenue expenditure/revenue deficit as well as accumulation of committed liability in future years.

4.3 Pending liabilities of the state

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 2023. It was observed that an amount of ₹ 27,630.30 crore was pending payment from the State Government under various works and projects to the end of March 2023. The Details are given in **Table 4.2**.

Table 4.2: Pending payments as of March 2023

Sl. No.	Particulars	No. of Works / Projects/entities	Amount pending payment (₹ in crore)
1	Power Sector ⁵⁸	03	22,817.05
2	Irrigation & Command Area Development, Flood Control	266	4,054.99
3	Water Supply Schemes	102	310.61
4	Roads	120	240.17
5	APSRTC	01	181.33
6	Bridges	21	26.15
Total			27,630.30

Source: Finance Accounts and information furnished by various entities, accounts of PSUs for the year 2022-23. Note: The above information is prepared based on the information produced by State Departments/Entities etc. and is not exhaustive.

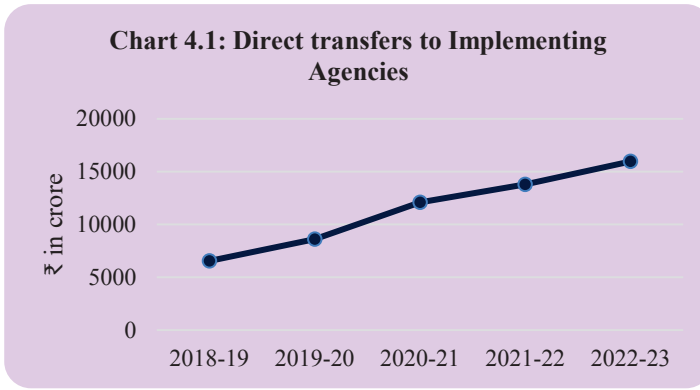
4.4 Funds transferred directly to State Implementing Agencies

Government of India transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations 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 2022-23, GoI transferred ₹ 15,962.92 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 2018-23 are given in **Chart 4.1**.

⁵⁸ AP Southern Power Distribution Company Limited – ₹ 14,352.97 crore; AP Central Power Distribution Corporation Limited – ₹ 4,047.76 crore; AP Eastern Power Distribution Company Limited – ₹ 4,416.32 crore



The increase in direct transfers was mainly under MNREGA (by ₹ 5,173.34 crore), Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) (₹ 480.89 crore) and Promotion of Bulk Drug parks (₹ 225 crore).

Source: Finance Accounts 2022-23

The details of agencies that received funds more than ₹ 100 crore directly from GoI for implementing various developmental schemes during 2022-23 are shown in Table 4.3.

Table 4.3: Agencies that received funds directly from GoI during 2022-23 (above ₹ 100 crore)

Sl. No.	Schemes of Government of India	Implementing Agencies	GoI releases during 2022-23 (₹ in crore)
1	Food Subsidy	Andhra Pradesh State Civil Supplies Corporation	6,635.97
2	Mahatma Gandhi National Rural Guarantee Program	Commissioner, Panchayat raj and Rural development	5,173.34
3	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	Department of Real Time Governance, Andhra Pradesh	2,953.39
4	Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY)	Dr. YSR Aarogyasri Health Care Trust - Ayushman Bharat PM-JAY	480.89
5	Promotion of Bulk Drug parks	Andhra Pradesh Bulk Drug Infrastructure Corporation Limited	225.00

Source: Appendix VI of Finance Accounts 2022-23

4.5 Abstract Contingent bills

Financial Rules⁵⁹ permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules⁶⁰ and State Government orders⁶¹ 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.

Out of total 453 AC bills amounting to ₹ 214.04 crore drawn during the year 2022-23, 279 AC bills amounting to ₹ 23.77 crore (11.10 per cent) were drawn in March 2023. DC Bills in respect of a total of 887 AC bills amounting to ₹ 1,313.91 crore were not received to the end of 31 March 2023.

⁵⁹ Article 102,108 and Appendix 8 of AP Financial code Volume I

⁶⁰ SR18 (d) below TR 16 of AP Financial Code Volume I

⁶¹ GO No.391, Fin (TFR) department, dated 22 March 2002 and G.O.507, Fin (TFR) department, dated 10 April 2002

Details of unadjusted AC bills as pending submission of DC bills are shown in **Table 4.4**.

Table 4.4: Pendency in submission of DC Bills

Year	No. of Unadjusted AC Bills	Amount (₹ in crore)
up to 2018-19	329	726.27
2019-20	85	51.06
2020-21	65	269.92
2021-22	60	88.57
2022-23	348	178.09
Total	887	1,313.91

The age wise analysis of pending DC bills is given in **Table 4.5** below.

Table 4.5: Age analysis of Pending DC Bills

Years	No. of Unadjusted AC Bills	Amount (₹ in crore)
0 to 1 year	348	178.09
2 to 3 years	125	358.49
4 to 6 years	246	695.04
6 years and above	168	82.29
Total	887	1313.91

It is evident from the above that, out of the total pending DC bills, majority number of bills pertains to the year 2022-23, whereas, in terms of the amount majority of the pending DC bills for adjustment pertains to the year 2018-19.

Further, out of total pending DC bills, majority of the bills due for adjustment pertains to the AC bills drawn four to six years ago.

Expenditure against AC bills to the end of 31 March 2023 indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

State Government stated that special efforts were made in reducing the outstanding AC bills in the recent past. Efforts are being made to also clear the remaining AC bills.

4.6 Utilisation Certificates

Government gives grants to various bodies for specific purposes. Andhra Pradesh Financial rules⁶² 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.

⁶² G.O.Ms.No.507, Finance (TFR) department dated 10 April 2002

As per Article 211-A of the APFC Volume I, Utilisation Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be furnished by the grantee to the authority that sanctioned it, within a year from the date of receipt.

The status of outstanding UCs to the end of March 2023 could not be ascertained due to non-receipt of the relevant GOs/ sanctions for which UCs are to be watched by Accountant General.

Non-availability of information as to how the Grants-in-Aid were spent over the years is a matter of concern, as it involves huge funds provided to grantee institutions for implementation of various schemes and there is no assurance that the intended objectives of the schemes financed through Grants-in-Aid were achieved. In the absence of accountability for expenditure relating to funds provided dated back to five years, the possibility of fraud and/or misappropriation of these funds cannot be ruled out.

Despite drawing attention of the State Government to the issue year after year in the Audit Reports of the CAG, there was no improvement in forwarding relevant GOs/sanctions for which UCs are to be watched by Accountant General. In view of the huge funds involved, there is a need for a suitable mechanism for monitoring of utilisation of grants, submission of UCs.

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.*

4.7.2 Operation of PD Accounts

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)⁶³ 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 State⁶⁴. The account may be opened again

⁶³ Memo. No. 1596/Accts./5y-4, dated 31 December 1959

⁶⁴ Except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

in the following year, if necessary, in the usual manner⁶⁵.

State Government issued (August 2019) Orders⁶⁶ prescribing the mechanism for opening and operation of PD accounts. These orders specified that PD accounts are virtual bank accounts that were conceptualised by the Government to facilitate smooth operations at the field level for scheme implementation. Funds are adjusted to the PD Accounts for specific purposes by debiting the service heads in the Consolidated Fund of the State and crediting the 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. As per these orders, Finance Department (Cash and Debt Management section of Finance Department) sanctions the opening of a PD Account and forwards copy of the same to Principal Accountant General (A&E).

4.7.3 Status of PD Accounts

The details of PD accounts operated during 2022-23 as per Finance Accounts are given in **Table 4.6**.

Table 4.6: Details of PD Accounts during 2022-23

(₹ in crore)			
Opening Balance as on 01 April 2022	Total amount transferred to PD accounts during 2022-23	Total withdrawals from PD Accounts during 2022-23	Closing Balance as on 31 March 2023
13,466.94	67,135.25	69,377.32	11,224.87

Source: Finance Accounts 2022-23; Note: Administrator wise details are not available in Finance Accounts

4.7.4 Observations on operation of PD Accounts

The credit balances in the PD Accounts represent liabilities of the State Government. On review of some of the PD Accounts, it was observed that certain entities deposited (other than amount adjusted from Consolidated Fund of the State or Lapsed funds) huge amounts by way of challans into Government Account (PD Accounts of PSUs) from their internal resources, loans raised or for ways and means adjustment. The State Government has to repay an amount of ₹ 1,491.81 crore to the entities concerned as of 31 March 2023. The details are given in **Table 4.7** below:

⁶⁵ 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

⁶⁶ G.O.Ms.No.99, Finance (Cash and Debt Management) Department, dated 14 August 2019

Table 4.7: Details of amounts remitted by the Corporations and other entities and amount outstanding as on 31 March 2023

(₹ in crore)					
Name of the entity	Year of deposit	Head of account to which the amount was credited	Amount Deposited into PD Account by way of challans	Amount repaid by the Government (as of 31 March 2023)	Amount to be repaid by the Government*
Streenidhi Cooperative Credit Federation	2019-20 and 2020-21	8443-00-106-01-20-179-001	950	400	550
AP State Civil Supplies Corporation	2022-23	8443-00-106-11-20-059-001	1,800	1,600	200
AP Power Development Company Limited (APPDCL)	2022-23	8443-00-106-01-20-164-001	100	0	100
APGENCO	2022-23	8443-00-106-01-20-165-001	100	0	100
AP Water Resource Development Corporation - Godavari Pennar Interlinking Project (Phase -I)	2022-23	8443-00-106-02-20-002-012	415	16*	399
AP Water Resource Development Corporation – (Chintalapudi Lift Irrigation Scheme)*	2021-22	8443-00-106-02-20-002-008	375.65	232.83*	142.81
Total			6,910.65	5,418.84	1,491.81

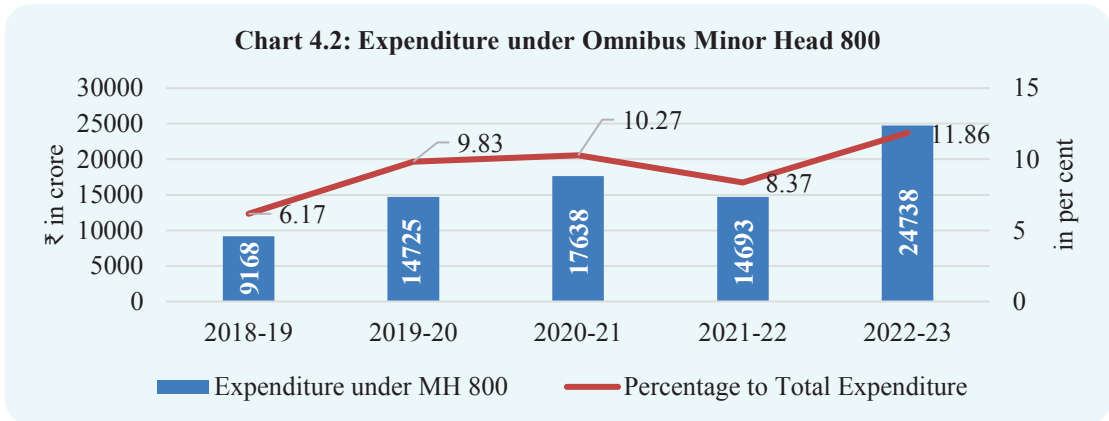
*Represents expenditure incurred from loan amount.

The State Government operates the PD Accounts in non-interest bearing Deposits Section of Government Account. Thus, the PSUs/Other Corporations/Other entities who remitted amounts to deposit accounts are foregoing the benefit of interest on the funds transferred to Government Account.

4.8 Use of Omnibus Minor Head 800

The omnibus Minor Head 800 relates to Other Receipts/ Other Expenditure and 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. Booking of receipts and expenditure under Minor Head 800 affects transparency and renders the accounts opaque.

During 2022-23, the State Government incurred an expenditure of ₹ 24,738.17 crore (68.37 per cent increase compared to previous year) from Minor Head 800 under 43 Major Heads of Revenue and Capital sections, constituting 11.86 per cent of total expenditure. The extent of operation of Minor Head 800 - Other Expenditure, as a percentage of Total Expenditure during 2018-23 is given in **Chart 4.2**.



Source: Finance Accounts of respective years

During the period 2018-19 to 2022-23, the trend of expenditure booked under ‘Minor Head 800 – Other Expenditure’ fluctuated from year to year and ranged from 6.17 per cent to 11.86 per cent of the total expenditure.

Instances (50 per cent and above of the expenditure booked under a major head) where substantial proportion of the expenditure within a given Major Head was classified under the omnibus Minor Head 800 – ‘Other Expenditure’ during 2022-23 are shown in **Table 4.8**.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2022-23

Major Head	Expenditure under Minor Head 800	Total Expenditure under Major Head	Percentage of MH 800 to total expenditure under Major Head
4875-Capital Outlay on other Industries	105.30	105.30	100.00
5452-Capital Outlay on Tourism	53.56	53.56	100.00
2801-Power	15,696.42	18,007.97	87.16
2702-Minor Irrigation	60.86	96.66	62.96
4070-Capital Outlay on Other Administrative Services	47.03	75.10	62.62
2236-Nutrition	5,427.12	9,108.04	59.59
2852-Industries	55.48	98.42	56.37

Source: Finance Accounts 2022-23

During 2022-23, the State Government classified receipts of ₹ 2,269.40 crore (116.09 per cent increase compared to previous year) pertaining to 43 Major Heads, under omnibus Minor Head ‘800 - Other Receipts.’ These receipts constituted 1.44 per cent of the total receipts. The details where substantial proportion of receipts (50 per cent and above of the receipts booked under a Major Head) were classified under Minor Head 800 – ‘Other Receipts’ are shown in **Table 4.9**.

Table 4.9: Significant receipts booked under Minor Head 800 – Other receipts during 2022-23

(₹ in lakh)			
Major Head	Receipts under Minor Head 800	Receipts under Major Head	Percentage of Total Receipts
1456-Civil Supplies	10.00	10.00	100.00
0235-Social Security and Welfare	1.05	1.05	100.00
0701-Medium Irrigation	1.22	1.22	100.00
0801-Power	3.92	3.92	100.00
1055-Road Transport	978.17	978.17	100.00
1054-Roads and Bridges	35.14	35.17	99.91
0425-Co-operation	16.27	16.35	99.51
0029-Land Revenue	106.89	109.76	97.39
0059-Public Works	6.24	6.60	94.47
0215-Water Supply and Sanitation	8.59	9.60	89.47
0401-Crop Husbandry	3.42	4.11	83.40
0049-Interest Receipts	6.30	9.10	69.23
0700-Major Irrigation	19.75	36.50	54.11

Source: Finance Accounts 2022-23

4.8.1 Usage of Minor Head 800 despite the availability of specific Minor Heads

It was observed that Omnibus Minor Head – 800 was operated despite the availability of Specific Minor Head in the test checked cases mentioned in **Table 4.10**.

Table 4.10: 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				
0029-00-800-81	Other Receipts	0029-00-101	Land Revenue	96.89
0700-01-800-02/03	Sale of water for other purposes	0700-01-103	Sale of water for other purposes	10.78
0049-04-800-01	Interest on Loans to Government Servants	0049-04-118	Interest on Loans to Government Servants	3.25
0049-04-800-22	Miscellaneous Interest Receipts	Minor Head 801 of each service head	Interest or other earnings from grantee on Unspent Balances	2.10
0215-01-800-02	Collection of payments for services rendered under Chief Engineer (Public Health)	0215-01-104/501	Service fee	3.37
0701-01-800-81	Other Receipts	0701-01-101/102/108	Sale of water/Indirect receipts	1.22
0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	0.29
Expenditure				
2801-80/05-800 - 04/05/06/11/16	Assistance to AP TRANSCO,	2801-80-101	Assistance to Electricity Boards	8,583.33

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)
	DISCOMs, AP Power Finance Corporation			
2801-05-800	YSR Nine hours free power Supply	2801-05	Under 2801-05: Each scheme should have separate minor head	7,113.09
2401-00-800	All agriculture related schemes	2401-103/104/108/109/114/119	Schemes can be implemented under respective type of crops	846.20
2225-01-800	Providing free power supply to SC Households	2801-05	Under 2801-05: Each scheme should have separate minor head	292.49
2210-80-800-11-06	Centralised Purchase of Drugs and Medicine	2210-01-104	Medical Stores Depots	104.33
2216-03-800	Pradhan Mantri Awas Yojana (Grameen)	2216-03	Each class of scheme will be a minor head under respective sub major head	80.00
2250-00-800-11-08	Development Works in Sri Durga Malleswara Swamy Varla Devasthanam	2250-00-103	Upkeep of Shrines, Temples etc	70.00
2852-80-800	Incentives of Industrial Promotion	2852-80-104	Industrial Promotion	55.48
2701-80-800-07	Investigation on Minor Irrigation Schemes including Master Plan	2701-80-005	Investigation	38.42
2701-80-800-07	General Establishment, Chief Engineer, Minor Irrigation	2701-80-001	Direction and Administration	22.44
4225-02/80-800	Construction of Buildings for Integrated Residential Schools, Construction of Buildings for Hostels and Residential Schools	4225-00-277	Education	18.92
5475-00-800-11/13/43	Infrastructure Facilities for Development of IT, IT Infrastructure at newly formed Districts	5475-00-115	Financial Support to Infrastructure Development	13.33
2700-80-800-30	Assistance to APWRDC	2700-80-190	Assistance to Public Sector Undertakings	5.68

Classification of large amounts under the 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 replied that GoAP made consistent efforts to reduce classification of expenditure under Minor Head 800 and reduced booking expenditure substantially under Minor Head 800. It was also stated that though the expenditure was booked under Minor Head 800, there was no loss of information as the details of expenditure are captured through Sub Head and Detailed Heads. A separate team headed by Joint Director (Budget) was nominated to identify all the remaining items of Minor Head 800 operated during 2023-24 and provide correct Head of Account in consultation with PAG (A&E) and no such items will be reflected in the Accounts of 2023-24 by the end of March 2024.

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. 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 in the nature of adjustments in 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 4.11**.

Table 4.11: Balances under Suspense and Remittance Heads

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101- PAO Suspense	103.18	23.85	87.15	52.82	92.49	4.41
Net	Dr. 79.33		Dr. 34.33		Dr. 88.08	
102 - Suspense Account- Civil	436.71	1,862.94	797.36	339.39	275.62	173.82
Net	Cr. 1,426.23		Dr. 457.97		Dr. 101.80	
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	14.2	8.50	14.19	8.50	13.02	8.17
Net	Dr. 5.70		Dr. 5.69		Dr. 4.85	
110 - Reserve Bank Suspense - CAO	148.54	71.18	178.94	71.38	163.54	70.34
Net	Dr. 77.36		Dr. 107.56		Dr. 93.20	

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
112 - Tax Deducted at Source (TDS) Suspense	886.67	2,044.16	0	1,452.69	0	1,450.49
Net	Cr. 1,157.50		Cr.1,452.69		Cr. 1,450.49	
123 - A.I.S Officers' Group Insurance Scheme	0	0.48	0	0.42	0	0.45
Net	Cr. 0.48		Cr. 0.42		Cr. 0.45	
139 - GST-Tax Deducted at Source Suspense	NA	NA	0	152.14	0	74.78
Net	NA		Cr. 152.14		Cr. 74.78	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	76,007.40	75,318.10	76,007.40	75,313.17	75,981.24	75,286.95
Net	Dr. 689.30		Dr. 694.23		Dr. 694.29	
103 - Forest Remittances	439.12	617.42	439.16	617.43	439.16	617.43
Net	Cr. 178.27		Cr. 178.27		Cr. 178.27	

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 Accountant 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 the 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 2023, there was a debit balance of ₹ 92.49 crore (increased by ₹ 5.34 crore over previous year) and the credit balance of ₹ 4.41 crore (decreased by ₹ 48.41 crore over previous year) under this head of account. PAO Central Pensions, M/o Finance (₹ 44.83 crore), Regional PAO, M/o Shipping and Transport (₹ 54.11 crore) are the major entities from where State Government has to receive the funds. PAO. Department of Mines, New Delhi (₹ 4.40 crore) is the major entity to which State Government has to make the payments.

4.9.2 Suspense Account (Civil)

This Minor Head is operated by the Accountant 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.

The outstanding debit balance as on 31 March 2023 was ₹ 275.62 crore and the credit balance was ₹ 173.82 crore which decreased by ₹ 521.74 crore and ₹ 165.57 crore respectively. To the end of 31 March 2023, major debit balance outstanding under this head was in respect of Tungabhadra Project suspense of ₹ 203.40 crore and major Credit balance was in respect of other items payments of ₹ 67.96 crore and Unclassified Suspense of ₹ 64.48 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 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 (Minor Head 110 – RBS (CAO) is cleared by minus debit to MH 8675-RBD-Minor Head 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 2023, the outstanding debit and credit balances under this head were ₹ 163.54 crore (decreased by ₹ 15.40 crore over previous year) and ₹ 70.34 crore (decreased by ₹ 1.24 crore over previous year) respectively awaiting adjustments.

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 the 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 2023, the State Government had a credit balance of ₹ 1,450.49 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 GST - Tax deducted at Source (TDS) suspense

This Minor Head is intended to accommodate receipts on account of Goods and Services Tax (GST) deducted at source, in the books of Central P.A.O., separated Accounts Offices of Union Territories and State Accountants General to enable them to

settle transactions with Central Board of Indirect Taxes and Customs (CBIC) as per instructions issued by Department of Revenue from time to time.

As on 31 March 2023, the State Government had a credit balance of ₹ 74.78 crore under '8658-139 – TDS Suspense', which indicates that the tax recovered by the State Government is yet to be passed to CBIC.

4.9.6 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 2023, there was a debit balance of ₹ 694.29 crore under Public Works divisions and a credit balance of ₹ 178.27 crore under Forest Remittances.

4.10 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 2022-23 and deficiencies therein are detailed in **Table 4.12**.

Table 4.12: 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 guaranteed amount 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)	Though sector-wise details were disclosed, class-wise details were not incorporated. The Government has disclosed the maximum guaranteed amount given during the year, but detailed information like number of guarantees invoked were not furnished. The Statements were incomplete to that extent. (<i>Refer to Paragraph 2.8</i> for further audit findings on Guarantees)
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	Not Complied (Statement No. 10 of Finance Accounts)	State Government made budgetary provision and classified GIA amounting to ₹ 2.70 crore under Capital Major Heads of Account, instead of under the Revenue Section during 2022-23.

Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
	grantee, irrespective of the end use.		It did not also furnish any information regarding GIA paid in kind during the year. (<i>Refer to Paragraph 3.7.2</i> for further audit findings on impact of classifying Grants in Aid under Capital Section) 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)	Though 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 2.5.5.2</i> for further audit findings on Loans and Advances)

Source: Indian Government Accounting Standards and Finance Accounts

Non-Compliance with the Accounting Standards would impact the objective of financial statements to present a true and fair view of the financial position and cash flows apart from hindering fiscal transparency.

4.11 Submission of Annual Accounts by Autonomous Bodies

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 42 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 30 September 2023. 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 4.13**.

Table 4.13: Age-wise arrears of Annual Accounts

Sl.No	Delay in Number of Years	No. of Bodies / Authorities	Number of Accounts due
1	Up to 1 year	09	09
2	2-3	10	25
3	4-5	09	32
4	6-7	06	37

Sl.No	Delay in Number of Years	No. of Bodies / Authorities	Number of Accounts due
5	8 or more	08	80
	Total	42	183

Further, in order to identify the institutions⁶⁷ which attract audit under Sections 14 and 15 of the CAG's (DPC) Act 1971, Rule 88 of the Regulations on Audit and Accounts (2020) 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.

Annual accounts of 198 such authorities/bodies (1,764 Accounts) were not submitted to Audit as of August 2023. Details of the periods up to which accounts were due and rendered, based on the previous accounts received, are given in **Appendix 4.2**.

The State Government replied that the Autonomous Bodies, Development Bodies/Authorities would be advised to submit the Accounts at the earliest.

4.12 Submission of Annual Accounts of Public sector Undertakings (PSUs)

According to Section 395 of the Companies Act, 2013, every State Government shall cause an annual report on the working and affairs of the Government Company to be prepared within three months of its Annual General Meeting and as soon as may be after such preparation, lay before the House or both Houses of the State Legislature together with a copy of the audit report and comments upon or supplement by the Comptroller and Auditor General of India to the Audit Report.

Annual accounts of 90 PSUs (342 Accounts) out of 103 PSUs were not submitted to Audit as of 30 September 2023. Details of the periods up to which accounts were due and rendered, are given in **Appendix 4.3**.

Due to delay in submission of annual accounts by the PSUs, release of the grants and loans disbursed to these Bodies/Authorities and expenditure therefrom cannot be vouchsafed in timely manner. As many of the PSUs are substantially financed from public funds, the State Government shall initiate action for timely finalisation and submission of accounts by the PSUs and evolve an action plan for clearance of arrears in finalisation of accounts.

The State Government has replied that all the PSUs would be advised to submit the Accounts at the earliest.

4.13 Deposits of Local Funds

The Deposits of Local Funds under 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

⁶⁷Educational Institutions, Government Organisations, Autonomous bodies, etc.,

all the money realised or realisable under the Act and all monies otherwise received by the PRIs, such as Finance Commission grants of GOI, receipts on account of State Finance Commission awards as well as own revenue (composed of tax and non-tax receipts).

Andhra Pradesh Municipalities Act, 1965 envisages that the Municipal Fund is to be maintained by the Municipality concerned. All the money realised or realisable 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 4.14**.

Table 4.14: Deposits of Local Funds

			(₹ in crore)				
Year	Sl.No		2018-19	2019-20	2020-21	2021-22	2022-23
Gram Panchayat/ Village Panchayat Fund (8448-109-01)	1	OB	1,825.39	1,540.04	2,888.32	2,650.05	1,724.93
	2	Receipts	1,764.20	2,717.07	4,255.93	3,444.21	1,941.91
	3	Payments	2,049.55	1,363.78	4,494.21	4,369.33	2,647.56
	4	CB	1,540.04	2,888.32	2,650.05	1,724.93	1,019.28
Mandal Praja Parishad Funds (8448-109-02)	5	OB	297.18	326.32	230.92	573.12	862.36
	6	Receipts	1036.6	372.01	468.69	481.90	402.32
	7	Payments	1007.47	467.40	126.49	192.67	497.35
	8	CB	326.32	230.92	573.12	862.36	767.33
Zilla Praja Parishad Funds (8448-109-03)	9	OB	786.09	437.69	504.95	810.30	1071.95
	10	Receipts	194.63	261.53	579.87	497.71	387.24
	11	Payments	543.03	194.27	274.53	236.06	521.47
	12	CB	437.69	504.95	810.3	1071.95	937.71
Total PRI Funds	13 (4+8+12)		2,304.05	3,624.25	4,033.47	3,659.24	2,724.32
Municipal Funds (8448-102)	14	OB	3,434.47	2,806.92	4,210.06	4,761.98	3,431.17
	15	Receipts	4,431.57	4,021.78	3,052.20	3,893.78	3,453.81
	16	Payments	5,059.12	2,618.64	2,500.28	5,224.59	2,677.51
	17	CB	2,806.92	4,210.06	4,761.98	3,431.17	4,207.48

Source: Finance Accounts of respective years;

The balances in respect of Finance Commission grants received by Local Bodies to the end of the year 2022-23 are tabulated below:

Table 4.15: Deposits of Local Funds – FC grants

			(₹ in crore)	
Institutions		Balance to the end of 31 March 2022	Balance to the end of 31 March 2023	
Panchayat Raj Institutions (PRIs)				
Gram Panchayat/ Village Panchayat Fund		940.16	340.68	
Mandal Praja Parishad Funds		491.30	378.80	
Zilla Praja Parishad Funds		498.24	247.34	
Total PRIs		1,929.70	974.82	
Urban Local bodies (ULBs)				
Municipal Funds		818.88	755.49	
Municipal Corporation funds		808.02	1,118.22	
Total ULBs		1,626.90	1,873.71	

As can be seen from **Table 4.14**, an amount of ₹ 974.82 crore (35.78 per cent of total funds with PRIs) of FC grants was lying unspent under Municipal Funds.

During the year 2022-23, in respect of total Municipal Funds (PRIs+ULBs) the closing balance of ₹ 4,207.48 crore includes ₹ 1,873.71 crore of FC grants.

4.14 Timeliness and Quality of Accounts

Principal Accountant General (A&E) receives the compiled accounts of the State from 26 District Treasuries, 13 Combined District Treasuries (united districts prior to district reorganisation), 38 Public Works Pay and Accounts Offices (PAO (W)) (Roads and Buildings, Water Supply and Sanitation /Public Health Engineering, Panchayat Raj, Forest Divisions, Irrigation / Water Resources Divisions), three Pay and Accounts Offices and Advices of the Reserve Bank of India. There was no exclusion of primary accounts during 2022-23.

Non availability of information and data on Submission of Utilisation Certificates, pendency in submission of Detailed Contingent Bills, Increased usage of Minor Head 800 and Non-adherence to Indian Government Accounting Standards by the State Government affected the completeness, transparency and disclosure of Accounts.

State Government in its reply stated that with the introduction of Comprehensive Financial Management System (CFMS) all the transactions and expenditure details are traceable to the Government as well as Office of the Principal Accountant General. Further, substantial improvement was made in submission of detailed vouchers for contingent bills and all the Accounting Standards are being followed by the State Government.

While appreciating the fact of making transactions traceable to the Government as well as PAG, the transactions still lacks certain documents such as Utilisation Certificates and increase in usage of Minor Head 800 despite availability of specific minor heads and non-adherence to IGAS affects the quality and transparency in accounts.

4.15 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.

Finance Department has not furnished the Explanatory Notes (ENs) for the State Finances Audit Reports for the years 2016-17 to 2021-22 as of September 2023. 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.

4.16 Conclusion

Non-payment/short payment of the interest amounting to interest bearing Reserve Funds/Deposits has resulted in understatement of Revenue expenditure by ₹ 151.51 crore.

The liability towards interest on accounts of ZPPFs was not being discharged by the Government on periodical basis or otherwise by making suitable provisions in the Budget Estimates, there is an understatement of revenue expenditure/revenue deficit as well as accumulation of committed liability in future years.

Operation of the PD Accounts in non-interest bearing Deposits Section of Government Account resulted in foregoing of interest on the funds transferred and deposited to Government Account by the Local Bodies/PSUs/Other Corporations/Other entities.

Classification of large amounts under the 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.

Non-Compliance with the Accounting Standards would impact the objective of financial statements to present a true and fair view of the financial position and cash flows apart from hindering fiscal transparency.

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

Non availability of information and data on Submission of Utilisation Certificates, pendency in submission of Detailed Contingent Bills, Increased usage of Minor Head 800 and Non-adherence to Indian Government Accounting Standards by the State Government affected the completeness, transparency and disclosure of Accounts.

4.17 Recommendations

- 1. 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 Utilisation Certificates and Detailed Countersigned Contingent bills.*
- 2. 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.*
- 3. 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.*