

# Chapter III

## Financial Reporting

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

### 3.1 Delay in furnishing Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the Principal Accountant General (Accounts and Entitlements), Maharashtra, within 12 months from the dates of their sanction. The department-wise position of outstanding UCs is given in **Appendix 31**. The year-wise position of total outstanding UCs in the State as on 31 March 2013 is given in **Table 3.1**.

**Table 3.1: Year-wise position of outstanding UCs as of 31 March 2013**

Year	Number of UCs audited	Amount involved (₹ in crore)
Upto 2010-11	105730	45007.80
2011-12	14284	11737.16
2012-13	29792	26155.77
Total	149806	82900.73

Source : Finance Accounts

The major departments with large pendency were School Education and Sports, Urban Development, Higher and Technical Education, Rural Development and Water Conservation, Planning, Co-operation, Marketing and Textiles and Social Justice and Special Assistance. The large pendency in submission of UCs indicates lack of monitoring of utilisation of grants and loans by the departments.

### 3.2 Non-submission/delay in submission of Accounts by Grantee institutions

In order to identify the institutions which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/heads of departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The details of such assistance released to the

## Financial Reporting

institutions during the year were awaited from Government departments (October 2013).

According to the accounts received for the year 2012-13, 710 institutions attracted audit by the Comptroller and Auditor General of India during 2012-13. Of these, 41 institutions were audited during 2012-13.

**Table 3.2** shows age-wise arrears of annual accounts due up to 2012-13 in respect of 4,558 annual accounts as of September 2013.

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

Delay in number of years	Number of accounts
0-1	1249
1-3	1417
3-5	1095
5-7	700
7-9	31
9 and above	66
<b>Total</b>	<b>5</b>

Non-submission of information regarding grants and loans paid to various institutions and non-furnishing of accounts by them and the risk of mis-utilisation of the funds is brought to the notice of the Government.

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

Several autonomous bodies have been set up by the State Government in the fields of Environment, Housing, Industries, Irrigation, Urban Development and Water Supply and Sanitation. The audit of accounts of 18 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports and their placement in the Legislature by the autonomous bodies are indicated in **Appendix 3.2**.

Delays in submission of annual accounts ranging between two and 17 months were noticed in the case of 13 autonomous bodies. The accounts of both the Maharashtra Pollution Control Board (MPCB), Mumbai for the year 2010-11 and Maharashtra Khadi and Village Industries Board (MSKVIB), Mumbai for the year 2010-11 were furnished to audit only in October 2012, with delay ranging from 15 to 16 months. The accounts of Vidarbha Irrigation Development Corporation (VIDC), Nagpur for the year 2010-11 were furnished to audit only in November 2012, with delay of 17 months. Further, the accounts of Maharashtra State Legal Services Authority (MSLSA), Mumbai for the year 2008-09 was still to be presented in the Legislature. The delays were mainly due to delays in approval of the accounts by the respective Governing Bodies. Accounts of nine bodies from 2011-12 onwards are yet to be received.

The inordinate delays in submission of accounts and presentation of the reports to the State Legislature resulted in delayed scrutiny of the functioning of these bodies, where Government investments are made. Further, it also delays the taking of necessary remedial action.



### 3.4 Delay in finalisation of Proforma Accounts by departmentally managed Commercial Undertakings

The departmental undertakings of certain Government departments, performing activities of quasi-commercial nature, are required to prepare *proforma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of the departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business.

Heads of Government departments have to ensure that the undertakings prepare such accounts and submit the same to the Accountant General (Audit), III, Maharashtra, Mumbai, for audit within a specified time frame. As of March 2013, there were 49 such undertakings, out of which 40 had prepared accounts up to 2011-12. In respect of five undertakings, there was large pendency in finalisation of *proforma* accounts ranging from 13 to 26 years as these were sick units and not operational and had stopped preparing accounts. Milk Transport Scheme, Worli has been closed from 2007-08 onwards. The department-wise position of arrears in preparation of *proforma* accounts and investment made by the Government are given in **Appendix 33**.

### 3.5 Misappropriations, losses, defalcations, etc.

The Bombay Financial Rules, 1959 provide that misappropriation, fraudulent drawal/payment or otherwise discovered in a treasury or any other office/department should be reported immediately by the office concerned to the next higher authority as well as to the Principal Accountant General (Audit), I, Maharashtra, Mumbai and Accountant General (Audit), II, Nagpur.

The State Government reported 245 cases of misappropriation, defalcation, etc., involving ₹ 42.38 crore up to March 2013 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 34**. The nature of these cases is given in **Appendix 35**. The age-profile of the pending cases and the number of cases pending in each category as emerged from these appendices are summarised in **Table 3.3**.

**Table 3.3: Profile of misappropriations, losses, defalcations, etc.**

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristic of the cases	Number of cases	Amount involved (₹ in lakh)
0-5	19	1687.28	Theft	27	38.09
5 - 10	24	1329.28			
10 - 15	26	124.72			
15 - 20	35	837.41	Misappropriation/ Loss of material	218	4199.75
20 - 25	35	207.71			
25 and above	106	51.44	Total	245	4237.84
			Cases of losses written off during the year	0	0
<b>Total</b>	<b>245</b>	<b>4237.84</b>	<b>Total pending cases</b>	<b>245</b>	<b>4237.84</b>

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

## Financial Reporting

**Table 3.4: Reasons for the delay/pendency of cases**

Reasons for the delay / pendency of cases	Numbr of Cases	Amount (₹ in lakh)
Departmental and criminal investigation awaited	44	1414.71
Departmental action initiated but not finalised	68	2290.60
Criminal proceedings finalised but execution of certificate cases for the recovery of the amount was pending	23	33.92
Orders for recovery or write-off awaited	45	37.42
Pending in the courts of law	65	461.19
<b>Total</b>	<b>245</b>	<b>4237.84</b>

It is seen from the above, that out of 245 cases involving ₹ 42.38 crore, 202 cases (82 *per cent*) involving ₹ 12.21 crore (29 *per cent*) were pending for more than 10 years. Further, while 68 cases involving ₹ 22.91 crore were pending for final departmental action, 45 cases involving ₹ 0.37 crore were pending for recovery or write-off orders.

### 3.6 Opaqueness in Government Accounts

There is a global trend towards greater openness in Government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the Government for public purposes will be spent as promised by the Government, while maximizing the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of accounts in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of all major activities of the Government in a transparent manner.

Minor Heads 800-Other Expenditure/ Other Receipts are intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Heads 800 is to be discouraged, since it renders the accounts opaque. Details of significant transactions (involving more than ₹ 50 crore and constituting more than 50 per cent of the relevant Major Head) of receipts (four items involving ₹ 445.31 crore) and expenditure (23 items involving ₹ 10,902.51 crore) at sub-head level, are given in **Appendix 3.7**.

### 3.7 Reconciliation of Receipts and Expenditure

All Controlling Officers are required to reconcile the receipts and expenditure of the Government with the figures accounted for by the offices of the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements), II, Nagpur and the Pay and Accounts Office, Mumbai. Such reconciliation had been completed for a value of ₹ 1,05,485.94 crore (72.12 *per cent*) of expenditure against the total expenditure of the Government, amounting to ₹ 1,46,266.40 crore and for receipts of ₹ 3,156.39 crore (2.92 *per cent*) of the total receipts of the Government amounting to ₹ 1,08,147.53 crore.

### 3.8 Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

As per the MTR, Drawing and Disbursing Officers (DDOs) are required to submit Detailed Contingent (DC) bills (vouchers in support of final expenditure) against Abstract Contingent (AC) bills drawn, within 30 days to the offices of the Principal Accountant General (Accounts and Entitlements) I, Maharashtra, Mumbai, the Accountant General (Accounts and Entitlements) II, Maharashtra, Nagpur and the Pay and Accounts Office, Mumbai.

As on 31 March 2013, 11,953 DC bills amounting to ₹ 1000.23 crore were not received in the offices of the Principal Accountant General (Accounts and Entitlements) I, Maharashtra, Mumbai, Accountant General (Accounts and Entitlements) II, Maharashtra, Nagpur and the Pay and Accounts, Mumbai. Year-wise details and the department-wise position are given in **Table 35** and **Appendix 36** respectively.

**Table 3.5: Pendency in submission of DC bills against AC bills**

(₹ in crore)

Year	AC bills drawn		DC bills received		Outstanding AC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2010-11	100253	3392.16	90161	2861.98	10092	530.18
2011-12	3500	256.42	2953	163.76	547	92.66
2012-13	2930	419.36	1616	41.97	1314	377.39
<b>Total</b>	<b>106683</b>	<b>4067.94</b>	<b>94730</b>	<b>3067.71</b>	<b>119</b>	<b>1000.23</b>

Source : Finance Accounts

#### 3.8.1 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills in Revenue and Forest Department

During the audit scrutiny of records relating to Revenue and Forest Department it was observed that as on 31 March 2013, 1,472 Abstract Contingent (AC) Bills involving an amount of ₹ 41.25 crore were outstanding for submission/clearance. Of this 828 DC Bills (₹ 5.08 crore) pertaining to 14 district treasuries of Western Maharashtra were outstanding upto 2000-01. **Table 36** below gives details of unadjusted AC bill noticed during the test check in few districts.

**Table 3.6: Outstanding AC bills as of March 2013 (unadjusted advance drawn in anticipation of expenditure)**

Year to which the AC bill pertains	AC bills drawn by	Unadjusted AC bills		Purposes/exigencies for which the AC bill was drawn	Reasons for non-submission of DC bill	Period of delay
		Number of AC bills	Amount (₹ in crore)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1992-93 to 2011-12	Collector, Raigad	29	0.84	State Legislative Election	Basic records like cash books, bill register, vouchers, etc., are misplaced	More than 20 years
1987-88 to 2007-08	Collector, Pune	15	0.13	Not Available	Register of AC/DC bills, vouchers, purpose, items on which expenditure was incurred, reason for delay were not furnished to audit	More than 20 years

## Financial Reporting

(1)	(2)	(3)	(4)	(5)	(6)	(7)
1993-94 onwards	Tahsildar, Alibag	54	0.65	Various purposes	Non-maintenance of AC/DC bill register	More than 20 years
1996-97 and 2012-13	Tahsildar, Chiplun	5	0.10	Not Available	N.A. (One bill of ₹ 0.03 crore has been submitted but clearance certificate is awaited)	More than 15 years
March 2003	Collector Buldhana	2	0.38	Construction of TILR office	Non receipt of utilization certificate from EE, Buldhana and EE, Khamgaon	More than 10 years
January 2011	Collector, Yawatmal	1	0.27 <sup>53</sup>	Disaster preparedness and mitigation plan	Utilisation Certificate is pending from Tahsildar	More than two years
March 2011	Collector, Amravati	1	0.25 <sup>53</sup>	Disaster preparedness and mitigation plan	The activity for which AC bill is drawn is still in progress and require more time and additional grant	More than two years
March 2012	Collector, Sindhudurg	3	0.10	Zilla Parishad elections	The amount sanctioned was less than the amount demanded for payment of overtime allowance to election staff. DC bills would be submitted on receipt of the balance amount.	More than one year
January, February and November 2012	Tahsildar, Sawantwadi	26	0.30	----	Non maintenance of records	More than one year
October 2012	Tahsildar, Guhagar	2	0.02	Gram Panchayat elections	Not Available	11 months
<b>Total</b>		<b>138</b>	<b>3.04</b>			

### 3.9 Conclusion

Non-submission of utilisation certificates for ₹ 82,900.73 crore indicated lack of proper monitoring by the departments of utilisation of grants and loans. Non-submission of the annual accounts for audit by the grantee institutions was fraught with the risk of mis-utilisation of funds. Due to delays in finalisation of accounts by autonomous bodies/commercial undertakings, the Government's investments in these organisations could not be scrutinised by audit. The large number of the outstanding cases of misappropriations, losses, *etc.* and non-recovery of amounts indicated lack of efforts by the departments to make good the losses and fix responsibility.

Expenditure and receipts to the tune of ₹ 40,780.46 crore and ₹ 1,04,991.14 crore respectively were not reconciled with the figures of Offices of the Principal Accountant General (Accounts and Entitlements) I, Mumbai, Accountant General (Accounts and Entitlements) II, Maharashtra, Nagpur and the Pay and Accounts office, Maharashtra, Mumbai.

The Controlling Officers did not submit Detailed Contingent bills in respect of ₹ 1000.23 crore drawn on Abstract Contingent bills up to 31 March 2013. Significant amounts of expenditure and receipts under Central and State

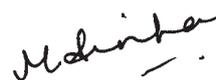
<sup>53</sup> Amount kept in State Bank of India

Schemes, booked under the Minor head '800-Other expenditure' and '800-Other receipts' were not distinctly depicted in the State Finance Accounts of 2012-13, affecting the openness in financial reporting.

### 3.10 Recommendation

- The departments should ensure timely submission of utilisation certificates in respect of the grants released for specific purposes to the grantee institutions.
- The annual accounts in respect of the autonomous bodies should be submitted in time to the Principal Accountant General (Audit) I, Maharashtra, Mumbai and Accountant General (Audit) II, Maharashtra, Nagpur.
- Departmental enquiries in respect of all fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.
- A monitoring mechanism should be put in place in the departments to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules.

Mumbai,  
The 4 March, 2014



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The 10 March, 2014