

3.1 Introduction

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 timeliness and quality of reporting on the status of such compliances are thus 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.

3.2 Utilisation Certificates

Utilisation Certificates (UCs) should be furnished by the State Government to GoI with regard to the funds provided by the latter for implementation of various socio-economic development programmes. Where specific grants are provided, State Government rules¹ also affirmed the responsibility of the authority drawing the funds, for submission of UCs to the Departmental officers and forwarding them to the Accountant General (Accounts & Entitlements) after verification. However, non-submission/delay in submission of the UCs hampers the objectives of allocating funds and provides scope for mis-utilisation/mis-appropriation/diversion of funds.

Significant irregularities observed during test check of a few Departments are detailed below:

3.2.1 Supplementary Nutrition Programme (SNP)

Supplementary Nutrition Programme (SNP) is one of the main components of ICDS to tackle malnutrition. SNP services are provided to the target groups of pregnant and lactating women and children between seven months to six years through Angan Wadi Centers. The Scheme is funded equally by Centre and State.

During 2015-16, GoI and State Government had released an amount of ₹ 326.38 crore (₹ 182.93 crore by GoI) for implementation of the Programme. Though the Department had utilised only an amount of ₹ 248.11 crore, UCs were furnished for the entire fund released.

3.2.2 Financial Assistance to Girijan Co-operative Corporation

As per Article 94 of APFC Volume-I, no money shall be drawn from Treasury unless it is required for immediate disbursement.

Audit scrutiny showed that during 2014-16, State Government had released ₹ 43.49 crore towards financial assistance to Girijan Co-operative Corporation of which ₹ 20.93 crore was only utilised. The Corporation had retained the balance of ₹ 22.56 crore in Fixed Deposit (₹ 10 crore) and Bank accounts (₹ 12.56 crore) for payment of Pay Revision Commission

¹ Note 1 below Article 211A(2) of Andhra Pradesh Financial Code

arrears of 2015 and terminal benefits of retired employees after the bifurcation of the Corporation subsequent to the division of the composite state of Andhra Pradesh. It was seen that the Department had utilised only ₹ 20.93 crore; however, the UCs were furnished for the entire release of ₹ 43.49 crore.

3.2.3 Submission of UCs without release of Funds

During the year 2015-16, GoI had released² Grants-in-aid of ₹ 60.90 crore as per Article 275(1) of Constitution of India towards implementation of various schemes/activities³. The State Government had released⁴ only an amount of ₹ 40.50 crore to the Tribal Welfare Department. However, the Department had submitted UCs for the total amount of ₹ 60.90 crore.

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 Medical Education, Urban Development and Tribal Welfare etc. Audit of accounts of 16 such bodies has been entrusted to the CAG of India. The delay in submission of accounts of these bodies for audit ranged from three months (four cases) to 87 months (one case) as of November 2016. Age-wise details are shown in the **Table 3.1**. The status of entrustment of audit, rendering of accounts to audit, issue of Audit Reports and their placement in Legislature by the autonomous bodies are given in **Appendix 3.1**.

Table 3.1: Age-wise arrears of Annual Accounts due from the Autonomous Bodies

Sl. No.	Delay in Number of Years	No. of Bodies / Authorities
1.	0-1	5
2.	1-3	1
3.	3-5	5
4.	5-7	4
5.	7-9	1
Total		16

State Government needs to take appropriate measures to ensure that these accounts are compiled and submitted to audit in a timely manner so as to ensure that financial irregularities, if any, do not go undetected.

Further, in order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Heads of Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of such

² 11015/04(2)/2015SG-1, GoI, MoTA, New Delhi dated 11 June 2015 and 30 March 2016

³ Continuation of (7) existing Ekalavya Model Residential Schools (EMRSs), construction of school buildings for EMRSs, construction of compound walls to schools, construction of roads etc.

⁴ G.O.Rt.No.2520 Finance(EBS-III) Department dated 11 August 2015

assistance and the total expenditure of the institutions. Annual accounts of 146 such assisted bodies/authorities, due from 1993-94 to 2015-16 (total number of accounts 839), were not submitted to audit as of November' 2016. Details of these accounts are given in **Appendix 3.2**. Details of accounts not rendered by bodies/authorities for more than 10 years are given in **Appendix 3.2(a)**.

3.4 Un-reconciled expenditure and receipts

To enable Chief Controlling Officers (CCOs) of Departments to exercise effective control over budget and expenditure and to ensure accuracy of their accounts, Financial Rules⁵ stipulate that expenditure recorded in their books are to be reconciled by them every month during the financial year with the books of the Accountant General (Accounts & Entitlements).

As of August 2016, expenditure amounting to ₹53,884 crore (56.88 per cent of total expenditure⁶) was not reconciled by 175 CCOs. Cases where 24 CCOs did not reconcile expenditure of ₹500 crore and above in each case are given in **Appendix 3.3**. Out of these, three major defaulters were Department of School Education ₹7,975 crore, Department of Energy ₹5,416 crore and Department of Municipal Administration & Urban Development ₹3,329 crore. Un-reconciled expenditure involves the risk of non-detection of misuse of public funds and indicates lack of effective internal controls.

Further, every Controlling Officer should obtain regular accounts and returns from the subordinate entities for amounts released by them and paid into the treasury, compare the figures with the accounts maintained in the Office of the Principal Accountant General (Accounts and Entitlements) and reconcile any differences as early as possible before the accounts for the year are closed. However, receipts amounting to ₹39,360 crore (51.63 per cent of total receipts⁷) under 29 heads were not reconciled by the concerned CCOs during 2015-16.

3.5 Personal Deposit Accounts

As per Andhra Pradesh Financial Code (APFC), Personal Deposit Accounts are created for discharging the liabilities of the Government arising out of special enactment, by debit to the Consolidated Fund. As per Government orders⁸, funds released during a particular financial year shall lapse on 31 March of the next financial year (lapsable deposits under category 'C') and the administrators of PD accounts are required to close such accounts and transfer the unspent balances therein back to the Government account. Further, as per the Government orders, unless the amount is immediately required to be paid for the goods and services received/works done, no amount shall be withdrawn. Further, it is stipulated that no self-cheque from Personal Deposit Account shall be permitted except for the salaries and petty office expenses. No cheque in the name of the Manager of any bank shall also be allowed,

⁵ Article 9 of Andhra Pradesh Financial Code

⁶ Includes Revenue, Capital and Loans and Advances (₹94,719 crore)

⁷ Total receipts (₹76,222 crore)

⁸ G.O.Ms.No.43, Finance & Planning (W&M) Dept. dated 22 April 2000

with a view to preventing the practice of depositing amounts in the banks to avoid lapse of funds. The Deposit Administrator and the treasury officers are to be held personally responsible for any deviations from the above stipulations. Further, the PD account administrators are required to reconcile their balances with those of Treasury and Bank and issue Certificate of Acceptance of Balances (CABs) to Treasuries within a fortnight ending each quarter, failing which the Treasury Officer may direct the Bank to stop further payments until reconciliation is completed and CAB is furnished to Treasury. Every DDO has to verify the monthly receipt and expenditure figures with reference to records maintained by him and a signed confirmation has to be sent to Treasury with remarks by 20th of succeeding month.

As administrator-wise PD accounts details were not rendered to the Office of Accountant General (Accounts & Entitlements), the details of expenditure met from the funds transferred to PD Accounts and transfer of unspent balances back to Government Account could not be verified in Audit. The number of PD accounts in operation in the Telangana State as of 31 March 2016 were 29,311 and the amounts lying in these accounts totaled ₹ 8,019.81 crore. During the year, an amount of ₹ 35,516.54 crore was transferred from the Consolidated Fund to the PD Accounts during the year 2015-16.

Audit of maintenance of PD accounts on a sample basis showed irregularities as detailed below:

3.5.1 Drawal of funds at fag end of the year to avoid lapse of budget

Article 39 of the APFC requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. In test-check of vouchers of DTO, Hyderabad (Urban), the following instances of drawal of funds far in advance of requirement to avoid lapse of budget were noticed:

- a) Grant in aid of ₹ 50 crore was drawn on 30 March 2016 and deposited in the PD account No.347 of Vemulavada Temple Area Development Authority (Authority), Hyderabad towards additional funds by obtaining supplementary grants. However, on the following day, the Authority allowed an amount of ₹ 49 crore to lapse as per Government instructions⁹, retaining the balance fund of rupees one crore.
- b) Government had released¹⁰ an amount of ₹ 50 crore on 31 March 2016 to Yadagiri Gutta Temple Development Authority (YGTDA) and the amount has been lying unutilised in PD account as of August 2016.
- c) Six Departments drew a total amount of ₹ 18.38 crore in March 2016 and the funds were deposited in Personal Deposit Accounts. It was seen that these amounts were allowed to lapse along with the unutilised balances lying in the PD accounts as on 31 March 2016, as per the instructions of Government¹¹.

⁹ G.O.Ms.No.42, Finance (DCM) Department, dated 31 March 2016

¹⁰ G.O.Rt.No.699, Finance (EBS.VII) Department, dated 24 March 2016

¹¹ G.O.Ms.No.42, Finance (DCM) Department, dated 31 March 2016

Table 3.2: Funds drawn and kept in PD Accounts to avoid lapse of appropriation

(₹ in crore)					
Sl. No.	Name of the Office	PD A/C No.	Vr. No/Date of drawal	Amount drawn	Amount lapsed
1.	Tribal Welfare Department (MH 2225)	295 (3 vrs)	5299, 5300, 5311 dt.26/3/16	0.74	3.74
2.	Scheduled Caste Development Department (MH 2235)	40 (5 vrs)	3527, 3528 dt.11/3/16 5305, 5306, 5307 dt.29/3/16	1.46	2.67
3.	Technical Education Department (MH 2203)	275 (6 vrs)	3586, 3587 dt.9/3/16 4610, 4614 dt.10/3/16 5724, 5725 dt.31/3/16	11.87	13.94
4.	Technical Education (MH 2203)	291	5281 dt.31/3/16	1.36	1.36
5.	Municipal Administration & Urban Development(MH 2217)	45	5283 dt.24/03/16	2.75	26.91
6.	Commissioner of BC Welfare (MH 2225)	225 (2 vrs)	5500, 5501 dt.31/03/16	0.20	4.70
Total				18.38	53.32

- d) Government issued instructions¹² directing the all Administrators of PD accounts allowed to lapse the unutilised balances lying in PD accounts under Category 'C' as on 31 March 2016. It was, however, seen that three PD Administrators had allowed only ₹ 7.82 crore out of ₹ 271.77 crore which was lying unspent as on 31 March 2016 to lapse. The details are given in **Table 3.3** below:

Table 3.3: Unspent balances in the PD Accounts

(₹ in crore)								
Sl. No.	Name of the PD administrator	PD A/c No.	OB as on April 2015	Receipts during the year	Expenditure during the year	Lapsed during March 2016	CB as on March 2016	Balance available as on August 2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Telangana State Schedule Tribes Finance Corporation (Tricor)	170	185.94	136.18	128.98	7.82	185.32	140.59
2.	Sports Authority of Telangana State	41	7.22	36.06	32.36	--	10.92	9.96
3.	Chief Planning Officer, Hyderabad	229	25.91	88.74	39.12	--	75.53	65.64
Total			219.07	260.98	200.46	7.82	271.77	216.19

- e) The Administrators of PD accounts in two Departments drew an amount of ₹ 48.58 crore at the fag end of the financial year in order to avoid lapse of budget and parked the funds in the Personal Deposit Accounts. The unspent balance of ₹ 50.37 crore

¹² G.O.Ms.No.42, Finance (DCM) Department, dated 31 March 2016

lying in the three PD accounts as on 31 March 2016 was not allowed to lapse by the Administrators of PD accounts, in contravention of the Government orders as detailed in **Table 3.4** below:

Table 3.4: Parking of Funds in the PD Accounts

(₹ in crore)

Sl.No.	Name of the Office	PD A/c No.	Vr. No/Date of drawal	Total amount drawn	CB as on 31 March 2016
1.	Department of Collegiate Education	18 (7 yrs)	4404,4405, 4406 dt.14.03.16 4571 dt.28/3/16 4579,5442 dt.29/3/16 5441 dt.31/3/16	34.33	36.12
2.	Telangana State Public Service Commission	324 (5 yrs)	4451,4452 dt.11/3/16 5120,5696,5697 dt.31/3/16	14.25	14.25
Total				48.58	50.37

- f) During 2014-16, Government had released ₹15 crore to the Commissioner, Women Development and Child Welfare, Telangana for implementation of various schemes viz., (i) One Stop Crises Centre for Women Victims (ii) 24/7 Women Helpline (181) (iii) Gender Resource Centre and (iv) She Taxi Services for Women passengers, etc. It was seen that the Department had utilised only an amount of ₹4.08 crore during 2014-16, leaving a balance of ₹10.92 crore lying in a bank account at the end of March 2016.

3.5.2 Non lapsing of Category ‘B’ and Category ‘C’ Deposits

As per the provisions contained in Article 271(iii) of AP Financial Code Vol-I, all category ‘B’ Deposits unclaimed for more than three complete financial years should lapse and be credited to Government Account after the close of three financial years.

As per orders issued in the Composite State of Andhra Pradesh¹³, all funds released during a particular financial year for execution of various schemes and works under Category ‘C’, which remained unspent up to 31 March of next financial year, shall lapse.

On test-check of records in three DTOs¹⁴ and three STOs¹⁵, it was seen that an amount of ₹26.42 crore pertaining to revenue and other deposits, unclaimed for more than three years falling under Category ‘B’, did not lapse.

As per Government instructions¹⁶ the unspent balances in PD Accounts lapsed to Government Account should be taken as reduction of expenditure under the Major Head from which the funds were originally transferred to the PD Account. However, it was seen that the funds lapsed to the PD accounts were accounted for under Receipts, instead of showing reduction of the expenditure to that extent, in violation of the principles of accounting.

¹³ G.O.Ms.No.43, Finance & Planning (W&M) Department, dated 22 April 2000

¹⁴ DTO Ranga Reddy- ₹ 2,628.99 lakh, DTO Nizambad- ₹ 5.45 lakh and DTO Nalgonda- ₹ 4.13 lakh

¹⁵ STO Luxettipeta- ₹ 0.87 lakh, STO Metpally- ₹ 0.19 lakh and STO Korutla- ₹ 2.20 lakh

¹⁶ G.O.Ms.No.43, Finance & Planning (W&M) Department, dated 22 April 2000

3.5.3 PD accounts showing negative balances

Drawal of funds from PD Accounts should be permitted to the extent of receipts available in the Deposit Account. Test-check in Audit showed that there were 34 PD accounts in Treasuries of five districts¹⁷, showing an aggregate negative balance of ₹ 5.29 crore at the end of March 2016. These instances of PD accounts showing negative balances arose due to absence of periodical reconciliation by the Treasury with the Administrators of PD accounts. Further, excess drawals from the PD accounts could not be ruled out.

3.5.4 Inoperative PD accounts

As per Article 271 (iii) (4) of A.P.F.C. Vol-I, if a personal deposit account is not operated upon for a considerable period and there is reason to believe that the need for the deposit account has ceased to exist, the same should be closed in consultation with the officer in whose favour the deposit account has been opened. Test-check in Audit of two DTOs¹⁸ it was seen that nine PD accounts, showing a balance of ₹ 0.12 crore, were not closed though these accounts were not in operation for more than three years.

3.5.5 Variations between System and ledger balances

All the transactions of PD Accounts in Treasuries in the State are processed online through a portal with effect from 16 November 2015. The accounts are also maintained manually and the manual ledger is taken as authentic. The system balances and the ledger balances should agree and the balances should be reconciled if there are any variations.

In test-check in Audit it was seen that the variations in system and ledger balances, amounting to ₹ 88.56 crore in respect of ten PD accounts in two DTOs¹⁹ and three STOs²⁰, have not been reconciled.

3.6 Pendency of Detailed Contingent bills

In case of contingent expenditure, the countersignature of the controlling authority is to be required after payment. The Drawing and Disbursing Officer shall present abstract bills in Form 57 at the Treasury for payment and send monthly detailed bills to the controlling authority for countersignature and transmit the same to the Accountant General within one month of drawal of such amounts. In any event, a third AC bill is not to be admitted until the first AC bill is settled²¹.

There were 5,029 DC bills pending for submission for an amount of ₹ 511.71 crore as of March 2016. Failure to adhere to the codal provisions and non-submission of account for drawal of amounts for long periods is a matter of serious concern. The details are in **Table 3.5** below:

¹⁷ Medak- ₹ 120.22 lakh, Karimnagar- ₹ 215.36 lakh, Nizamabad- ₹ 102.50 lakh, Khammam- ₹ 90.03 lakh & Nalgonda- ₹ 0.43 lakh

¹⁸ DTO Khammam- ₹ 11.29 lakh and DTO Nalgonda- ₹ 0.64 lakh

¹⁹ DTO Nalgonda and Adilabad

²⁰ STOs Metpally, Utnoor and Luxettipet

²¹ As per SR 18(d) under TR 16 of the Composite state of Andhra Pradesh Treasury Code read with Articles 102, 108 and Appendix 8 of Andhra Pradesh Financial Code.

Table 3.5: Amount drawn on Abstract Contingent Bills

(₹ in crore)

Year	AC bills drawn		DC bills Submitted		DC bills pending	
	Number	Amount	Number	Amount	Number	Amount
Up to 2007-08	2,118	29.75	385	6.26	1,733	23.49
2008-09	153	12.21	65	6.14	88	6.07
2009-10	105	12.16	26	0.30	79	11.86
2010-11	319	41.77	92	1.38	227	40.39
2011-12	302	35.08	121	18.91	181	16.17
2012-13	502	159.93	171	40.93	331	119.00
2013-14	1,110	194.09	468	124.59	642	69.50
2014-15	1,948	336.10	1286	207.94	662	128.16
2015-16	2793	150.91	1707	53.84	1086	97.07
Total	9,350*	972.00	4,321	460.29	5,029	511.71

Source: Finance Accounts Vol-I, 2015-16 & PAO, Hyderabad

*This includes DC bills pertaining to the period prior to bifurcation dealt by PAO, Hyderabad, Telangana

As of March 2016, the major defaulters in submission of DC bills were Agriculture and Cooperation Department for an amount of ₹185 crore, followed by Revenue Department amounting to ₹148 crore and Home Department for an amount of ₹60 crore. The Department-wise details of pending DC bills are given in *Appendix 3.4*.

During test-check of the records of the Commissioner of Tribal Welfare, Hyderabad, it was observed that under Tribal Sub-plan, an amount of Rupees one crore was released to nine districts (at ₹10 lakh to each district excluding Hyderabad) towards Sri Sevalal Maharaj Birth Anniversary celebrations and ₹10 lakh to Adilabad District for celebration of Jangubhai Festival. The funds were drawn by DDOs on AC bills and DC Bills were not submitted even after the lapse of one year.

3.7 Misappropriations, losses, defalcations etc.

3.7.1 Misappropriation of funds of Internal House Hold Latrines (IHHL) Scheme

As per Article 273 of APFC Vol-I, a Government servant is personally responsible for any loss sustained by the Government through fraud or negligence on his part.

In test-check (June 2015) of records of the District Water & Management Agency, Nizamabad, it was seen that an amount of ₹18.81 lakh, meant for construction of 190 IHHL, was misappropriated by an official as pointed out in Social Audit of MGNREGS which was confirmed by Ombudsman, “MGNREGS”, Nizamabad in November 2014. The misappropriated amount of ₹18.81 lakh has not been recovered.

The Department replied (June 2015) that action would be taken to recover the amount and to file a criminal case against the official concerned.

3.7.2 Fraudulent drawal of pay and allowances

In test-check of records of STO Vemulawada, it was seen that a total amount of ₹ 17.88 lakh was fraudulently drawn by the Mandal Education Officer, Vemulawada towards pay and allowances in the name of three ex-employees by fabricating the bills from April 2015 to January 2016.

The Department did not furnish any reply on these fraudulent drawal.

3.8 Operation of Omnibus Minor Head – 800

Omnibus Minor Head - 800 (other expenditure/other receipts/other deposits) accommodates expenditure/receipts which could not be classified under the available programme Minor Heads. The transactions under this Minor Head during the current year are detailed below:

3.8.1 During 2015-16, expenditure aggregating ₹ 11,358.78 crore, constituting 13 *per cent* of the total expenditure²² (₹ 89,486 crore), was classified under Minor Head 800-Other Expenditure in respect of over 47 Major Heads involving both Revenue and Capital sections. Of these, ₹ 10,398.81 crore alone pertained to 13 Major Heads. The entire expenditure under capital outlay on Roads and Bridges, Other Social services and Capital Outlay on Other Administrative Services was classified under the omnibus Minor head 800- Other Expenditure, instead of depicting the same under the relevant minor heads below their functional major heads as indicated in *Appendix 3.5*.

3.8.2 Revenue receipts aggregating ₹ 10,369.64 crore and constituting 14 *per cent* of total Revenue receipts were classified under Minor Head 800-Other Receipts involving 47 Major Heads. Of these, ₹ 9,874.60 crore pertained to 13 Major Heads alone and the entire receipt under Rural Development Programme and Agricultural Programme was classified under the omnibus minor head 800- Other Receipts, as indicated in *Appendix 3.5(a)*.

3.8.3 Other Deposits

An amount of ₹ 586.55 crore has been lying under the Major Head 8443-Civil Deposits, Minor Head 800-Other Deposits under various items of deposits.

Classification of substantial amounts under this omnibus head 800-Other Expenditure/ Other Receipts/Other deposits affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

3.9 Debt, Deposit and Remittance Heads

A review of Debt, Deposit and Remittance heads conducted during 2015-16 showed the following:

²² Revenue: ₹ 75,896 crore, Capital: ₹ 13,590 crore

3.9.1 Adverse Balances under MH 6003- Internal Debt

Article 293 of the Constitution of India empowers the State Government to borrow funds within the territory of India, upon the security of the Consolidated Fund of the State within such limits as may vary from time to time, to be fixed by an Act of the State Legislature.

Adverse balances (Minus balances) under loan heads indicate that repayment was more than the loans availed. Government Departments directly availing loan had classified such loan amounts as their receipts, while Special Purpose Vehicles and Companies/Corporations, these amounts do not enter Government accounts.

During 2015-16, there were adverse balances amounting to ₹ 349.53 crore under Internal Debt “MH 6003-105-05-Loans from NABARD for Warehousing Infrastructure Fund (₹(-)153.07 crore), MH 6003-108-08- for Other Cooperatives (₹(-)3.90 crore), MH 6003-109-12-Loans from Telangana Transco Bonds (₹(-)47.16 crore) and MH 6003-109-13-Loans from Telangana Power Finance Corporation (₹(-)145.40 crore) due to accounting the payments and not loan receipts. These adverse balances under MH-6003-Internal debt in Government accounts understate the liabilities of the Government.

3.9.2 Adverse Balances under Loans and Advances

There were adverse balances in respect of 29 Heads of accounts aggregating ₹ 184.68 crore to the end of March, 2016. Non-apportionment of outstanding balances under institutional loans pertaining to Andhra Pradesh & Telangana as on 01 June 2014 and non-inclusion of opening balances under loan heads resulted in adverse balances.

3.9.3 Deposits and Advances

Government receives deposits for various purposes by or on behalf of various public bodies and members of the public. Government sometimes decides to set aside sums from the revenues of a year or a series of years, to be accumulated in a fund. The balance at the credit of such a fund is held as a deposit and expended on specified objects.

Deposits are broadly categorized into two, and the balances outstanding against them as of 31 March 2016 are given below:

- (i) Deposits bearing Interest: ₹ 169.78 crore.
- (ii) Deposits not bearing Interest: ₹ 4,196.59 crore.

Some of the irregularities noticed in operation/accounting of these deposits are detailed below:

3.9.3.1 Adverse Ledger Balances under Deposit Accounts

A deposit account depicts a positive balance or nil balance. A negative balance indicates that the expenditure is more than the amount deposited which mainly arises due to misclassification of expenditure.

As per the codal provisions²³, the PD Administrator should reconcile the balances in their PD accounts with the Bank every month and with the treasuries every quarter taking into account all the transactions of receipts and payments. A certificate of acceptance of balances should be issued by the administrator to the treasuries within a fortnight after the ending of each quarter to ensure accurate maintenance of accounts. There were adverse balances aggregating ₹ 1,108.36 crore under MH 8342, 8443, 8448 and 8449 as on 31 March 2016. This was a clear indication of the fact that the reconciliation process was not carried out by the concerned PD administrators.

3.9.3.2 Civil Advances

As per paragraph 10.7.3 of Budget Manual, the Minor Head ‘Civil Advances’ is meant for recording Departmental advances, objection book advances, service fund advances, etc. “Civil Advances” include Forest & Revenue advances, other Departmental advances and other advances. There should normally be a debit balance under advance heads. However, during 2015-16, a credit balance of ₹ 13.84 crore was reflected in the accounts, due to non-apportionment of certain balances between AP and Telangana States.

3.9.3.3 Non-receipt of cheques in support of payments

Manual of Treasury Accounts Department stipulates that payments have to be supported by cheques/vouchers containing the full details of payments made. However, in violation of the provision, treasuries have not furnished 920 cheques to Principal Accountant General (Accounts & Entitlements) in support of payments valued at ₹ 88.24 crore up to the end of March 2016. The highest number of cheques pending from DTOs are from Warangal (228 cheques valued at ₹ 14.62 crore) and the least number of cheques was pending from Nalgonda (21 cheques valued at ₹ 0.81 crore).

Drawal of cheques exceeding ₹10 Lakh each without countersignature of Finance Secretary

As per Government orders²⁴, drawal of cheques exceeding ₹ 10 lakh each from Personal Deposit Accounts should be countersigned by the Secretary to Government, Finance Department. In violation of these orders, DTO (Urban), Hyderabad allowed drawal of ₹ 3,159.63 crore through 384 cheques exceeding ₹ 10 lakh each during the month of March, 2016 without counter signature of the Secretary, Finance Department. Further, sanction orders/Letter of credits were not appended while drawing amounts from PD Accounts.

3.9.3.4 Non-reimbursement of Interest on Zilla Parishad Provident Fund (ZPPF)

The deductions made from the salaries of Zilla Parishad employees towards Provident Fund and payments made therefrom are included in the deposit account under MH 8338. The individual Provident Fund Accounts are maintained by the Chief Executive Officer (CEO) of the district. On retirement/death of any employee, interest is paid along with the accumulated credits during final settlement. The State Government has to pay interest on un-invested balances lying under deposits

²³ Note(4) under instructions 22 under TR 16 of APTC Vol-I

²⁴ Memo No.351/81/DCM-II/2012 (Finance Department), dated 04 August 2012

bearing interest. As per the instructions²⁵ pertaining to the Composite State of Andhra Pradesh, the Director of Local Fund Audit shall consolidate the total interest payable on the balances and send proposals to Finance and Planning (Finance Budget) Department for providing the necessary budget provision towards interest on ZPPF.

However, the interest liability on account of ZPPF was not discharged by the State Government on deposits of ZPPs on the Provident Fund contributions at the rate applicable to the interest on GPF. An amount of ₹ 716.64 crore towards interest bearing deposits on ZPPF was pending for allotment of budget provision by Government. District and year-wise details on non-reimbursement of ZPPF are shown in *Appendix 3.6*.

3.10 Outstanding balances under Suspense Account (Major Head 8658)

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 and results in understatement of Government receipts and payments.

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2015-16 are detailed below:

3.10.1 Pay and Accounts Office – Suspense (Minor Head 101)

This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. Transactions under this Minor Head represent recoveries effected (Credit) and payments made (Debit) by the PAO on behalf of PAO, against whom the Minor Head PAO Suspense has been operated. Credit under this head is cleared by 'minus credit' when cheque is issued by the PAO in whose books initial recovery is accounted for. Outstanding credit balance under this Head means that payments are received by the PAO on behalf of other PAOs, which are yet to be paid. Similarly, Debit is cleared by 'minus debit' on receipt and realization of cheque from the PAO on whose behalf payment was made. Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO, which is yet to be recovered.

The outstanding debit balance (31 March 2016) under this Head was ₹94.98 crore and the credit balance was ₹6.39 crore. The major outstanding debit balances were in respect of PAO, Central Pensions, New Delhi (₹85.11 crore) and the major outstanding credit balances were in respect of M/o Shipping and Transport (₹4.44 crore) and PAO Shipping and Transport, Bangalore (₹1.66 crore). The outstanding balances under PAO Suspense need to be adjusted at once.

²⁵ G.O.Ms No. 317 Panchayat Raj (Accounts-I) department, dated 13 July 1984

3.10.2 Suspense Account - Civil (Minor Head 102)

The transactions which cannot be taken to final Head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers etc.) are initially booked under this suspense head. Receipts are credited and expenditure is debited to this account and cleared on receipt of the required information by minus credit and minus debit, respectively. Outstanding credit balance under this head means receipts could not be credited to final receipt head of account for want of details and outstanding debit balance means payments made could not be debited to the final head of expenditure for want of certain particulars.

The outstanding balances as of 31 March 2016 were ₹9.89 crore (debit) and ₹0.25 crore (credit). Debit balances outstanding were in respect of Financial Advisor and Chief Accounts Officer (FA & CAO), South Central Railway (₹9.89 crore) and major credit balances outstanding were in respect of unclassified suspense (₹0.25 crore).

3.10.3 Reserve Bank Suspense - Central Accounts Office (Minor Head 110)

Whenever transfer of huge 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 receipt of sanction from the PAO of the Ministry concerned, the State Accountant General concerned gives credit to MH 6004 – Loans and Advances from Central Government duly debiting MH 8658 – Suspense Accounts, 110-RBS (CAO) and awaits adjustment memo from CAS, RBI, Nagpur. On receipt of the adjustment memo from CAS, RBI, Nagpur the Suspense Account (Minor Head 110-RBS (CAO) is cleared by minus debit duly debiting MH 8675–RBD–Minor Head 106 State concerned. 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 adjusted.

The outstanding balances under this head as of 31 March 2016 were ₹22.54 crore (Debit) and ₹177.68 crore (Credit), indicating that an amount of ₹200 crore needed to be adjusted (both debit and credit) under this head.

3.10.4 Tax Deducted at Source (TDS) Suspense – (Minor Head 112)

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 CBDT by means of Cheques/ Bank Drafts.

Receipts on account of TDS are credited to Major Head 8658 – Suspense Accounts under Minor Head 112 –TDS Suspense. These credits are to be cleared by the end of each financial

year and credited to the IT Department. Though this Head is meant to accommodate credits, a debit balance of ₹ 2.44 crore was reflected in the accounts which needs to be rectified.

3.10.5 Inter- State Suspense – MH 8793

Transactions arising in State Treasury relating to another State Government are classified under this category. On receipt of monthly accounts from Treasury and on completion of booking, transactions are verified and advice is issued to the RBI for effecting necessary transfer of balances from one State to another. On receipt of intimation of adjustment by RBI through ‘Clearance Memos’ the accounts shown under this head are cleared. Payments (Debit) of ₹ 483 crore was lying un-adjusted in respect of Government of Goa and ₹ 638 crore in respect of Andhra Pradesh as on 31 March 2016.

3.11 Functioning of Treasuries

There were significant irregularities in functioning of Treasuries during the year 2015-16, as detailed under.

3.11.1 Passing of bills in excess of budget provision and Non utilisation of budget funds

As per provisions of Budget Manual, the treasury control on budget is exercised in the case of all items of expenditure except (a) Salaries (b) Pensions and (c) certain specified items like ex gratia payments, Obsequies charges etc., which are exempt from treasury control. The budget provision is placed at the disposal of Chief Controlling Officer (CCO) who further distributes the budget on quarterly basis among Sub Controlling Officers (SCO). SCO further distributes the budget among DDOs. Director of Treasuries and Accounts (DTA) captures the SCO-wise budget in the system whereas District Treasury Officer (DTO) capture the DDO-wise budget, based on the distribution statements submitted by the CCOs/SCOs.

During the inspection of two DTOs²⁶ it was seen that 15 DDOs had drawn funds amounting to ₹ 0.45 crore without any budgetary provisions. In DTO, Medak and STOs, Dubbaka and Chevella, 118 DDOs did not utilise an amount of ₹ 71 crore allocated through the budget. It was further seen that in three DTOs²⁷, the expenditure in 14 DDOs exceeded the budgetary provisions by ₹ 3.90 crore.

3.11.2 Excess payment of pensionary benefits

Test-check of records relating to payment of pension and family pension in nine DTOs, 35 STOs and nine APPOs showed that there was an excess payment of ₹ 0.23 crore, as detailed in *Appendix 3.7*.

Despite computerization of pension package at Treasuries, excess payments of pensionary benefits were observed.

²⁶ DTOs Medak and Mahbubnagar

²⁷ DTOs Medak, Mahbubnagar and Khammam.

3.11.3 Pension undrawn for more than one year

As per amended instruction 60 under TR 16 of Andhra Pradesh Treasury Code (A.P.T.C) Vol-I, when a pensioner has failed to receive his pension for one/three years, as the case may be, the Disbursing Officer should make enquiries through the District Police, as to the cause of his non-appearance, stating clearly where the pensioner was residing, and the pension should not be paid till the enquiry is completed and the payment of pension shall be continued if no objection is found as a result of the enquiry.

As per amended SR 86 (b) of TR 16 under A.P.T.C Vol-I, if the pensioner appears later and if the amount of arrears exceeds Rupees five lakh the payment of such arrears shall not be paid without obtaining approval of the previous sanctioning authority.

During inspection of six APPOs²⁸, 1,319 cases of pensions not drawn for more than one year were noticed. However, no inquiry was initiated by the pension disbursing authority to ascertain the reasons for non-drawal.

It was also seen in STO Tanduru and APPO Secunderabad, that there were huge number of Original PPOs lying idle from 2012-13, where pension had ceased to be payable after the death of pensioner/beneficiary without sending the PPOs to the Pension Authorizing Authorities for their cancellation.

3.11.4 Un accounted Expenditure of ₹15.50 crore in the Accounts of PAO, Hyderabad

As per Para 1.3(10) of Chapter IX of PAOs manual, expenditure (Major head wise) of branch offices of PAO should be consolidated and main accounts, together with sub accounts, will be prepared by the main accounts section of PAO, Hyderabad. PAO has to certify that the Major Head totals agree with the main accounts figures and cheques issued during each month.

- 1) On scrutiny of vouchers of PAO for the month of March, 2016, it was seen that the expenditure amounting to ₹10.50 crore in four vouchers²⁹ of three DDOs³⁰ was not included either in the list of payments or in the monthly account. It was further noticed that an amount of Rupees five crore, encashed by the DDO vide cheque No.5290 dated 31 March 2016, was also not included in the monthly account. The details of these transactions are given in **Appendix 3.8**.
- 2) As per Government sanction³¹ for Home Department, an amount of ₹2.45 crore was drawn³² by the Commissioner of Printing, Stationery and Purchase Department (DDO) under the account head 2058-103-04-10 towards Guard Charges and Service Tax for the period from 01 April 2015 to 31 December 2015. The same was adjusted to the account head 0055-102-81-001 Other Receipts of the Director General, Telangana Special

²⁸ APPOs Malakpet, Secunderabad, Tarnaka, Narayanguda, Motigally and Nampally

²⁹ Vr.Nos.1, 2, 47 and 48, dated 31 March 2016

³⁰ Asst. Secretary to Govt, YATC Dept, Asst. Secretary to Govt, Planning Dept, Joint Director, IT Electronics & Communication Dept.

³¹ G.O.Rt.No.359, Home (Services-IV) Department, dated 9 March 2016

³² Vr.Nos.212, 213, dated 31 March 2016

Protection Force. However, the said transactions were also not included in the Accounts (March 2016), either as expenditure or as receipts.

Non-inclusion of ₹ 17.95 crore (₹ 15.50 crore and ₹ 2.45 crore) in the accounts of 2015-16 has resulted in understatement of expenditure by ₹ 17.95 crore. Further, it also resulted in understatement of receipts by ₹ 2.45 crore. This is indicative of lack of controls over preparation and compilation of accounts and makes the system vulnerable to the risk of subsequent drawal of the same amounts.

3.11.5 Non-receipt of vouchers from Treasuries/PAO

As per Manual of Treasury Accounts Department³³, all payments are to be supported by vouchers/cheques containing full details of the corresponding transactions. However, during 2015-16 vouchers numbering 10,852 were not submitted by the PAO, Hyderabad (7,906 vouchers) and the Treasuries (2,946 vouchers) to the Principal Accountant General (Accounts & Entitlements) in support of expenditure of ₹ 3,531.54 crore (PAO: ₹ 3,389.32 crore and Treasuries: ₹ 142.22 crore). Possibility of fraudulent drawls cannot be ruled out in the absence of all the supporting vouchers.

3.12 Conclusion

There were delays in submission of annual accounts by several autonomous bodies/authorities which diluted the accountability and defeated the very purpose of preparation of accounts.

Utilisation certificates were furnished without actual utilisation in respect of funds drawn for execution of various schemes. Detailed Contingent bills were not submitted (₹511.71 crore) for periods dating back to 2003 in violation of the prescribed rules and regulations, which is indicative of lack of internal controls, besides raising apprehensions about the proper end use of the funds.

There were huge accumulations of balances in the Personal Deposit accounts due to drawal of funds in advance of requirements and lapsing of unspent balances at the end of the year. All these point to lapses in monitoring and control over these accounts.

The omnibus Minor Head 800 continued to be operated during the year for recording expenditure and receipts relating to several items even where there were earmarked heads of accounts. The expenditure booked under this head affects transparency in financial reporting and distorts any meaningful analysis of allocative priorities and quality of expenditure.

Substantial adverse balances remained under Public Debt and Deposit heads. Large outstanding balances under suspense heads affect the quality of financial reporting. Lapsing of deposits, non-submission of DC bills and excess payment of pension/family pension indicate ineffective internal controls.

The interest liability (₹716.64 crore) on account of ZPPF was not discharged by the Government on deposits of ZPPs on the PF contributions.

³³ Para 197 (i)(a) of Manual of Treasury Accounts Department (Volume-I)

It was also observed that there was non-reconciliation of 57 per cent (₹53,884 crore) of the total expenditure and 52 per cent (₹39,360 crore) of the total receipts with the books of Accountant General (A&E) during the year indicating disregard of codal provisions and financial rules by the controlling officers. Similarly, 10,852 vouchers in support of payments made for an amount of ₹3,532 crore from the PAO/Treasuries were not received, which made the system vulnerable to the risk of misappropriation and fraud.

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