CHAPTER 4

QUALITY OF ACCOUNTS & FINANCIAL REPORTING PRACTICES

A sound internal financial reporting system and compliance with relevant rules and procedures contribute significantly to good governance. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational would assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision-making.

This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

4.1 Reconciliation of Cash balances

In terms of provisions of Section 20, 21 and 21 A of the Reserve Bank of India (RBI) Act, 1934, the RBI acts as a banker to both the Central and State Governments. The transactions on behalf of State Government are carried out at offices of RBI and its agency banks authorised to conduct Government Business on its behalf.

While the principal government deposit accounts of the State Governments are maintained at the Central Accounts Section (CAS) of RBI at Nagpur, the regional offices of RBI account for the State Government transactions reported by agency banks through link offices and report to CAS, Nagpur.

As per the Memorandum of Instructions (MoI) of the RBI on the Accounting and Reconciliation of the State Government transactions, the agency branch have to send the Receipt /Payments scrolls on a daily basis in the prescribed form to the concerned sub-treasury / treasury without delays. Also, the consolidated monthly statement of the agency banks prepared by the link banks are to be sent to the RBI which in turn should forward the monthly consolidated statement to the Accountant General.

In view of the above system in place, there should generally not be any difference between cash balance position as per the books of the Accountant General and CAS figures. Even if differences occur in the month wise balance, there should not be any difference between cash balance position at the closing of Annual accounts by April 16 of every year.

However, there was a sizeable net difference (₹ 1,144.16 crore) in the closing balance for the year 2019-20 between the cash balance as per books of accounts of the Accountant General and the cash balance as reported by the RBI. The details of differences in the Cash balance is given in **Table 4.1**.

Table 4.1: Differences in cash balances

Period	Debit difference		Credit difference	
	No. of items	₹ in Crore	No. of items	₹ in Crore
2009-2010 to 2013-2014	238	121.61	254	99.54
2014-2015 to 2018-2019	941	5,526.06	1,224	6,073.43
2019-2020	169	4,568.17	321	5,187.03
Total	**1,348**	**10,215.84**	**1,799**	**11,360.00**

(*Source: Notes to Accounts of respective years*)

Analysis of such occurrences for the last five years revealed that the differences in cash balances were on an increasing trend during the last three years as shown in **Table 4.2** below.

Table 4.2: Trend of differences in cash balances

(*₹ in crore*)

Year	Cash balances as per books of AG (A&E)	Cash balances as reported by RBI	Difference
2015-16	54.51 (Cr.)	48.00 (Dr.)	6.51 (Cr.)
2016-17	305.55 (Cr.)	89.53 (Cr.)	395.08 (Cr.)
2017-18	81.18 (Cr.)	8.12 (Cr.)	89.30 (Cr.)
2018-19	459.88 (Cr.)	37.49 (Cr.)	497.37(Cr.)
2019-20	923.33 (Dr.)	2,067.49 (Cr.)	1,144.16 (Cr.)

(*Source: Statement 2 of Finance Accounts of the respective years*)

The difference is due to belated transfer of Government receipts to the RBI by agency banks and also due to non-reporting of e-receipts by agency banks to PAO (East) which is the accounting authority for all the e-receipts of the State. Out of ₹ 1,144.16 crore difference for the year 2019-20, ₹ 916.11 crore (80.07 *per cent*) relates to e-receipts and the balance ₹ 228.05 crore (19.93 *per cent*) relates to regular transactions occurring at treasuries / PAOs. The Government assured during the exit conference that necessary action would be taken for reconciliation of balances with the RBI.

Further, agency banks are required to adhere to norms specified by Controller General of Accounts, Ministry of Finance for payment of revenue into Government Account and there should be no delay in transmission of remittances by the agency banks to sub-treasury / treasury. Penal interest is to be levied on delayed receipts as per the norms (Clause 5.11 (B) (b) of Memorandum of Instructions of the RBI) and will be made by the Agency banks to State Government. In case, bank fails in making payment of penal interest within the stipulated period, the RBI reserves its discretion / right to debit the bank's account in its book and credit State Government accordingly.

A study undertaken by the O/o AG (A&E) on the reconciliation process of the Government transactions revealed that an amount of ₹ 18.21 crore being the penalty for delayed payments from 2016-17 to 2019-20 is pending to be collected from the agency banks.

Thus, the failure of the State Government in taking effective measures with the RBI to collect the penalty from 2016-17 onwards has resulted in non-remittance/evasion of penalty dues by the Agency banks (₹ 18.21 crore). This also raises a serious concern on the increase in the differences of cash balances year after year as discussed above.

4.2 Funds outside Consolidated Fund or Public Account of State

Article 266 (1) of the Constitution of India, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the "Consolidated Fund of the State".

As per Section 3 (1) of the Building and Other Construction Workers' Welfare Cess Act, 1996, there shall be levied and collected a cess for the purposes of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Central Government may, by notification in the Official Gazette, from time to time specify. The cess levied under sub-section (1) shall be collected from every employer in such manner and at such time, including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required, as may be prescribed. The proceeds of the cess collected shall be paid by the local authority or the State Government collecting the cess to the Board after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected.

In Tamil Nadu, the labour cess is being collected even before the enactment of Central Cess Act (1996) as per the provisions under Section 8-A of the Tamil Nadu Manual Workers Welfare (Regulation of Employment and Conditions of Work) Act 1982 and Rules made thereunder in 1986 based on which the Tamil Nadu Construction Workers Welfare Board (TNCWWB) was established (1994).

It was however noticed that no directions have been issued by the Government for remitting the Labour Cess being collected by various authorities (local authorities like Corporations, Municipalities, Town Panchayats etc., State Government Administrations, firms, Companies, Corporations etc.) to be credited to the Consolidated Fund of the State. The amounts being collected since the establishment of the TNCWWB in 1994 are being directly credited to the bank account of the Board, by the authorities collecting the cess. During the period 2017-18, 2018-19 and 2019-20, an amount of ₹ 521.12 crore, ₹ 567.03 crore and ₹ 627.41 crore respectively has been collected as per the annual accounts of TNCWWB.

Transferring the labour cess directly to the bank account of the Board without bringing it into the Consolidated Fund of the State violates Article 266 (1) of the Constitution of India. Consequently, it is not ascertainable as to how much money was collected by the various authorities and how much money was actually transferred to the Board, in the absence of specific Accounting Head for routing it through the Consolidated Fund of the State.

The audit observation was accepted in the exit conference and it was stated that action would be initiated to bring the cess amount into the Consolidated Fund before routing it to the Board.

4.3 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in Interest-bearing Deposits under the Major Head (MH) 2049-60-101 (Interest on deposits) for discharging the liabilities under MH 8338 (Deposit of Local Funds) and MH 8342 (Other deposits).

During the year 2019-20, the interest payments made in the MH 2049-60-101 (Interest on deposits) for discharging the liabilities under MH 8338 and 8342 as per the Finance Accounts was ₹ 222.11 crore which worked out to 0.05 *per cent* of the total liabilities of the State (₹ 4,23,742.76 crore).

Audit further observed that though provisions were made under MH 2049 for discharging the interest liabilities under the MH 8342 towards various deposits (17 cases for an amount of ₹ 14.19 crore), no expenditure was incurred as detailed in **Appendix 4.1**.

Government in reply stated that the interest payments could not be made due to want of certain documents from the various bodies/authorities.

The fact remains that the non-discharge/deferment of the interest liability of ₹ 14.19 crore towards the 'interest bearing' deposits continue to carry over an increased burden to the future years.

4.4 Non-inclusion of clear-cut liabilities incurred during the financial year

As per the details furnished by the Commercial Tax Department, SGST refunds to be made during the year 2019-20 was ₹ 3,817.79 crore. However, only an amount of ₹ 2,992.78 crore has been refunded as per the books of account of AG (A&E). The difference of ₹ 825.01 crore which is yet to be refunded to the beneficiaries resulted in understatement of revenue deficit and fiscal deficit as pointed out in Para 1.6.1 under Chapter 1 of this report.

4.5 Delay in furnishing of Utilisation Certificates

Article 210A of the Tamil Nadu Financial Code provides that Utilisation Certificates (UCs) should be obtained by the departmental officers from the organizations to whom grants were given and after verification, the UCs should be forwarded to the Accountant General (Accounts and Entitlements) (AG (A&E)) within 18 months from the date of release of the grants, unless specified otherwise.

It was however noticed that, 51 UCs for ₹ 469.64 crore were outstanding as per the Finance Accounts 2019-20. The Department wise break-up of outstanding UCs is given in **Appendix 4.2** and the year-wise analysis of delays in submission of UCs is summarised in **Table 4.3.**

Table 4.3: Year wise break up of outstanding UCs

Year	No of UCs	Amount (₹ *in crore*)	Defaulting Departments
2017-18	4	40.91	*Commissionerate of Municipal Administration, Directorate of Rural Development and Panchayat, Commissionerate of Industries and Commerce.*
2018-19	13	102.30	*Directorate of Agriculture, Directorate of Town and Country Planning, Directorate of Rural Development and Panchayat, Commissionerate of Industries and Commerce, Tamil Nadu Physical Education and Sports University*
2019-20	34	326.43	*Commissionerate of Municipal Administration, Chennai Metropolitan Water Supply and Sewerage Board, Directorate of Employment and Training, Sports Development Authority of Tamil Nadu, Tamil Nadu Physical Education and Sports University, Tamil Nadu Agricultural University, Directorate of Fisheries and various other departments.*
Total	**51**	**469.64**	

(*Source: NTA of Finance Accounts*)

Non submission of UCs indicates the failure of the departmental officers to comply with the rules to ensure accountability. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure.

4.6 Non-Adjustment of Temporary Advances

The Government of Tamil Nadu does not follow the system of drawal of Abstract Contingency (AC) bills followed by submission of Detailed Contingency (DC) bills, as is the practice in other States. Instead, the Drawing and Disbursing Officers (DDOs) have been empowered to draw Temporary Advances (TAs) under Article 99 of Tamil Nadu Financial Code and the advances should be adjusted by presenting detailed bills and vouchers as soon as possible.

It was noticed that there were 1,752 number of temporary advances amounting to ₹ 367.41 crore drawn by various Drawing and Disbursing Officers (DDOs) under Article 99 of Tamil Nadu Financial Code, Vol. I, which remained unadjusted as on 31 March 2020. The unadjusted amount includes those with a period of pendency for over 10 years. Out of the 1,752 temporary advances pending settlement amounting to ₹ 367.41 crore, 343 items amounting to ₹ 225.16 crore relate to advances remaining unsettled for more than one year.

These advances were to be settled within the stipulated period of 3 months from the date of drawal of advances. Out of the total outstanding Temporary Advances amounting to ₹ 367.41 crore, the major departments which have not submitted settlement bills were Directorate of Integrated Child Development Services (50.07 *per cent*) and Courts (23.19 *per cent*).

The issue of non-adjustment of temporary advance was raised in the State Finance Audit Report of 2018-19, but the State Government has not addressed the issue during 2019-20 also as number of temporary advances pending for adjustment increased from 988 to 1,752 but corresponding unadjusted amount decreased from ₹ 425.51 crore to ₹ 367.41 crore during 2019-20.

Age-wise analysis of the advances pending adjustment is given in **Table 4.4.**

Table 4.4: Age-wise analysis of advances pending

Sl. No	Pendency	Number of Advances	Amount (₹ *in crore*)
1	More than 10 years	14	0.95
2	More than 5 years and less than 10 years	10	44.51
3	More than 1 year but less than 5 years	319	179.70
4	Less than one year	1,409	142.25
Total		**1,752**	**367.41**

(*Source: NTA of Finance Accounts*)

The pendency, involving substantial amounts, indicated laxity on the part of departmental officers in enforcing the codal provisions regarding adjustment of the advances. In these cases, there is no assurance that the expenditure has actually been incurred before the close of the respective financial years. Advances drawn and not accounted for increased the possibility of wastage / misappropriation / malfeasance, etc., of public money and unhealthy practices.

4.7 Personal Deposit Accounts

As per the provisions contained under Article 269 of Tamil Nadu Financial Code Volume - I, the Government is authorized to open Personal Deposit (PD) Accounts where money is deposited to be utilized for specific purposes. These PD Accounts are managed by designated Administrators on the basis of sanctions received from the State Government, the Accountant General (A&E) issues permissions for transfer of funds from the Consolidated Fund to the concerned PD Account under Part III – Public Account which is required to be closed at the end of the year.

These transfers are booked as receipts under the Head 8443-00-106-AA and as final expenditure under the concerned service Major Heads relating to PD Accounts permitted to be opened by Accountant General (A&E) during the year.

As of March 2019, 66 accounts amounting to ₹ 184.85 crore under the Major Head 8443 Civil Deposits, Minor Head 106 – AA – Personal Deposits were not closed. During 2019-20, an amount of ₹ 1,247.92 crore (78 accounts) was transferred to PD accounts out of the Consolidated Fund of the State. Out of the total 144 accounts (including the 66 accounts not closed during the previous year), 110 PD accounts amounting to ₹ 1,371.85 crore (including 66 accounts pertaining to the previous year) was closed, leaving a balance of ₹ 60.93 crore in 34 accounts as on 31 March 2020.

Though, there were no inoperative PD accounts during the year, non-closure of PD Accounts created by debiting service head led to depiction of inflated expenditure under the related service head.

4.8 Indiscriminate use of Minor head '800'

Minor Head - 800 Other Expenditure / Other Receipts are intended to be operated only when appropriate heads have not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

During 2019-20, an expenditure amounting to ₹ 23,900.65 crore (10.12 *per cent* of the total expenditure of ₹ 2,36,066.31 crore) under the Revenue and Capital sections was classified under the minor head '800 - Other Expenditure'. Similarly, Revenue receipts aggregating ₹ 6,883.71 crore (3.94 *per cent* of the total Revenue receipt of ₹ 1,74,525.91 crore) were classified under minor head '800 - Other Receipts'.

Instances where 10 *per cent* or more and significant amount of receipts/expenditure booked under minor head '800' are detailed in **Appendices 4.3 and 4.4.**

Classification of such large amounts under the omnibus minor head '800 - Other Expenditure/Receipts' reflects lack of transparency in financial reporting.

4.9 Outstanding balances under Suspense and DDR heads

Annexure to Statement 21 of the 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. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc.

The head "8658-101-PAO-Suspense" is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers (PAO). The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheques/Demand Drafts from the Pay and Account Officers and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Account Officers. Outstanding debit balance under this head would mean that payments have been made by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head increased from ₹ 151.31 crore in 2017-18 to ₹ 185.69 crore in 2019-20. The net debit balance had increased significantly by ₹ 20.77 crore and ₹ 10.62 crore under Central Pension Accounting Office and Ministry of Surface Transport respectively. As the amount expended to the extent of ₹ 187.95 crore (Dr) has not been reimbursed to the State funds, the cash balance outstanding as on 31 March 2020 showed a decreased balance.

4.10 Non-reconciliation of Departmental figures

Controlling Officers of the Departments have to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts. As per Rules 124 and 127 of the Tamil Nadu Budget Manual, departmental accounts maintained by the Chief Controlling Officers (CCOs) and the progressive actuals, month by month are required to be reconciled with those entered in the books of the AG (A&E). As per Rule 128 of the Tamil Nadu Budget Manual, the CCO is required to send a reconciliation certificate to the AG(A&E) after necessary adjustments are made either in the accounts of the CCO or in the books of the AG(A&E).

It was however noticed that for the year 2019-20, out of 156/210 CCOs for receipts/expenditure in the State, only 54/93 CCOs had fully reconciled the figures respectively. A further trend analysis for the past three years revealed that the percentage of non-reconciliation has been on the increasing trend as detailed in **Table 4.5** below:

Table 4.5: Status of Non-Reconciliation of Receipts and Expenditure figures by CCOs

Year	Total No. of Controlling Officers	CCOs fully reconciled	CCOs not fully reconciled	% of Non-reconciliation
Receipts				
2017-18	160	74	86	53.75
2018-19	153	78	75	49.02
2019-20	156	54	102	65.38
Expenditure				
2017-18	212	129	83	39.15
2018-19	214	134	80	37.38
2019-20	210	93	117	55.71

(*Source: Data compiled by the Accountant General (A&E), Tamil Nadu*)

Further, due to the process of restructuring of loans during 2018-19, a number of adverse balances were created. As the awareness on restructuring of loan 2018-19 has reached the loanee entities only during 2020-21, the repayment of principal and payment of interest had been recorded under the old loan heads which, in turn, projected excess receipts under old heads and non-receipts under new heads. Hence, the details on arrears on repayment of principal and interest is yet to be reconciled. Government in the exit conference stated that necessary steps would be taken for the reconciliation of balances.

Failure to exercise/adhere to the codal provisions and executive instructions in non-reconciliation not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.11 Non-submission/delay in submission of accounts

Section 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) envisages audit of accounts of institutions receiving Government grants, subject to conditions stipulated based on the quantum of the grants received, etc. In order to identify the institutions which attract audit under the DPC Act, every year, the heads of department were required to furnish to Audit the information about the financial assistance given to various institutions, the purposes for which the assistance was granted and the total expenditure of these institutions/bodies.

The Annual Accounts of 184 institutions/bodies due upto 2019-20 were not received (August 2020) by Audit from the heads of department who released the financial assistance to them. The details are given in **Appendix 4.5** and their age-wise pendency is presented in **Table 4.6.**

Table 4.6: Age-wise analysis of arrears of Accounts of bodies/authorities

Sl. No.	Delay in number of years	No. of Institutions
1	Upto one year	36
2	More than one year and upto three years	82
3	More than three years and upto five years	28
4	Five years and above	38
	Total	**184**

(*Source: Data compiled from information furnished by Heads of Department*)

The major defaulters were educational institutions receiving Government grants for salaries, maintenance, etc. The delay in finalisation of accounts would hamper Audit in providing an assurance to the legislature that the grants were being utilised for the intended objective.

Cases of Adverse Opinion

It was noticed during the audit of the TNCWWB that the cess funds directly remitted to the Board has been added to the Corpus/Capital Fund of the Board which should have been accounted for as income under the Income and Expenditure (I&E) account of the Board for the respective years. Despite repeated comments on this issue made in the Separate Audit Reports (SARs) of the Board for the years 2012-13 to 2017-18, since no action was taken by the Board to rectify its accounts. Hence, an adverse opinion was given in the SAR for the year 2017-18. The treatment of Cess as reserves and not income in the I&E account violates the matching concept of accounting.

4.12 Departmental Commercial Undertakings / Corporations / Companies

The Companies Act stipulates that the financial statements of companies are required to be finalised within six months of the end of the relevant financial year, i.e., 30 September of the next financial year. Failure to submit accounts on time renders the officers of the company liable to penal provisions under the Act, extending to fine of up to ₹ one lakh and with further fine of up to ₹ 5,000 for every additional day of default.

The details of arrears of accounts for the year ending March 2020 is listed in **Table 4.7** below:

Table 4.7: Details of age-wise arrears of PSUs/Companies

Particulars	Nos.
Total No. of PSUs (including Power Sector)	72
Accounts submitted during 2019-20	65
Accounts finalised for 2019-20	63
No. of previous year's accounts finalised during 2019-20	2
No. of accounts in arrears	9
Extent of arrears	1 year

(*Source: Data compiled by the Accountant General (Audit – II), Tamil Nadu*)

In the absence of timely finalization of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time.

The above denotes failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies and corporations comply with the relevant Acts.

4.13 Misappropriation, Losses and Thefts

Article 294 of the Tamil Nadu Financial Code stipulates 'that heads of office' should report all cases of defalcations or loss of public moneys, stores or other movable or immovable properties to the AG (A&E). Further, the Financial Code prescribes the principles and procedures to be followed for enforcing responsibility for losses and disposal of such cases.

As of 31 March 2020, 333 cases of misappropriation, shortages and theft involving a total amount of ₹ 14.62 crore, were pending disposal. The department-wise break-up of these are detailed in **Appendix 4.6**. The age-profile of the pending cases and the reasons for pendency are summarised in **Tables 4.8 and 4.9** below:

Table 4.8: Age Profile and nature of cases

Range in years	Number of cases	Amount involved (*₹ in lakh*)
0 - 5	2	198.16
6-10	10	110.47
11-15	34	358.96
16 - 20	29	359.92
21 and above	258	434.87
Total	**333**	**1,462.38**

(*Source: Information furnished by Heads of Department*)

Table 4.9: Reasons for pendency of the cases

Reasons for the pendency	Number of cases	Amount (*₹ in crore*)
Awaiting departmental and criminal investigation	162	7.88
Departmental action initiated but not finalised	110	2.37
Criminal proceedings finalised but recovery of the amount still pending	16	1.64
Awaiting orders for recovery or write off	24	0.72
Pending in Courts of law	21	2.01
Total	**333**	**14.62**

(*Source: Information received from Heads of Department*)

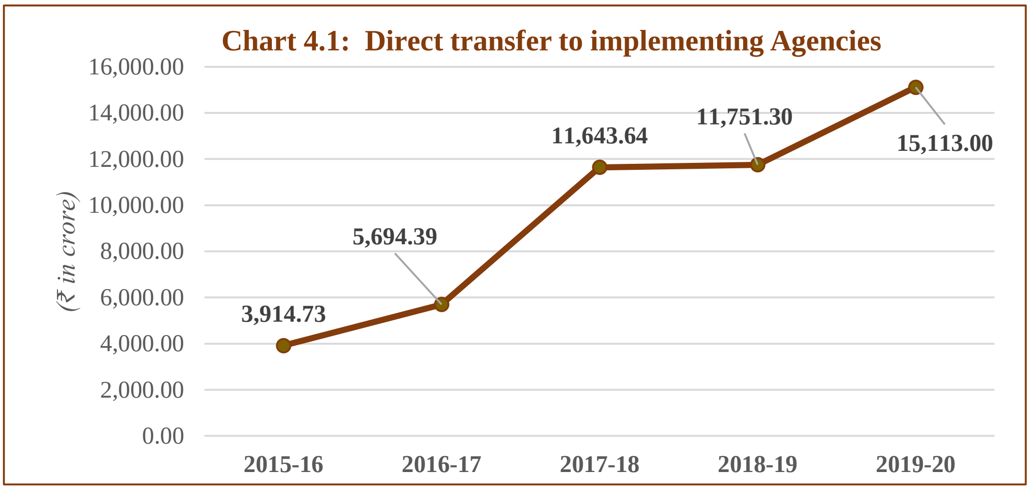
4.14 Funds transferred directly to State Implementing Agencies

Government of India (GoI) transfers substantial funds directly to State Implementing Agencies (SIAs) for implementation of various schemes and Programmes. The details of Funds transferred by Government of India directly to SIAs as per the Public Financial Management System (PFMS) portal of the Controller General of Accounts (CGA) is listed in Appendix VI of Volume-II of the Finance Accounts. Since these funds are not routed through the State

Budget/State Treasury System, Finance Accounts do not capture the flow of these funds or the related expenditure.

During the year 2019-20, GoI transferred ₹ 15,113 crore directly to the SIAs implementing various Central Schemes / programmes.

The trend of direct transfer of funds to implementing agencies during the period 2015-20 is given in **Chart 4.1**.



(*Source: Finance Accounts*)

The details of agencies that received funds of more than ₹ 100 crore during the year 2019-20 are detailed in **Table 4.10** below:

Table 4.10: List of Agencies which received funds of more than ₹ 100 crore directly from GoI

Sl. No	Schemes of Government of India	Implementing Agency	Amount released by GoI during 2019-20 (₹ *in crore*)
1	Food subsidy for decentralised procurement of foodgrains under NFSA	Tamil Nadu Civil Supplies Corporation Limited (TNCSCL)	2,345.36
2	Payment for indigenous urea	Madras Fertilizers Limited (MFL) and SPIC	2,299.32
3	Pradhan Manthri Kissan Samman Nidhi	Department of Agriculture	2,159.21
4	Metro Projects	Equity Capital in respect of Chennai Metro (CMRL)	1,380.40
5	Payment for Indigenous P and K Fertilizers	Various fertilisers Limited Companies	515.66
6	Member of Parliament Local Area Development Scheme (MPLAD)	District Collectors	275.00
7	Indian Leather Development Programme	MSME Technology Development Centre	116.86

(*Source: Finance Accounts*)

Further, as per GoI decision (08 July 2015), all assistance to Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) under various schemes would be released to the State Government and not directly to the Implementing Agencies[1] and hence, these funds would be routed through the State budget from the year 2015-16 onwards. However, in Tamil Nadu, the

[1] State Implementing Agency includes any organisation/institution including non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

funds under Mahatma Gandhi National Rural Guarantee Programme, which is a Centrally Sponsored Scheme, was released directly to SIAs without routing it through the State budget since 2015-16.

4.15 Follow up on State Finance Audit Report

The Public Accounts Committee had 10 sittings on SFAR from 2013-14 to 2019-20. As of December 2020, out of 157 paragraphs/reviews selected for discussion for the period 2008-09 to 2017-18 on the State Finance Audit Report of Tamil Nadu, 16 paragraphs/reviews have been discussed and 141 paragraphs/reviews are pending discussion.

4.16 Conclusion and recommendations

The failure of the State Government in taking effective measures with the RBI to collect the penalty from 2016-17 onwards for the delayed remittances of Government receipts by the agency banks to Government account, has resulted in non-remittance/evasion of penalty dues (₹ 18.21 crore) by the Agency banks. This also raises a serious concern on the increase in the differences of cash balances year after year.

Recommendation: *The exercise of identifying the reasons for the huge differences in the cash balances which is on the increasing trend has to be taken up immediately for early reconciliation of the same and the timely collection of penalties for the delayed remittances by the agency banks has to be ensured.*

(Paragraph 4.1)

Transferring the labour cess directly to the bank account without bringing it into the Consolidated Fund of the State under the appropriate Head of Account violates Article 266 (1) of the Constitution of India. Consequently, it is not ascertainable as to how much money was collected by the Cess Assessment Officers in the absence of specific Accounting Head and how much money was transferred to the Board.

Recommendation: *The Government should issue directions for remitting the cess being collected into the Consolidated Fund of the State before routing it to the Board.*

(Paragraph 4.2)

Continued withdrawals of the entire provisions made for the interest liabilities towards the 'interest bearing' deposits not only indicated poor budgetary control, but, also the non-discharge of interest liabilities continues to carry over the burden on to the future generations.

Recommendation: *The Government should ensure that the interest liabilities towards the 'interest bearing' deposits are made as per the provisions.*

(Paragraph 4.3)

Non submission of UCs (₹ 469.64 crore) indicates the failure of the departmental officers to comply with the rules to ensure accountability besides defeating the intended objective of providing these Grants. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure.

Recommendation: *The Finance Department should ensure that the administrative departments releasing grants collect UCs as per the time limits stipulated in the grant orders and to not release further grants to defaulting grantees.*

(Paragraph 4.5)

The non-adjustment of Temporary Advances involving substantial amounts (₹ 367.41 crore drawn and pending over a period of years) indicated laxity on the part of departmental officers in enforcing the codal provisions regarding adjustment of the advances.

Recommendation: *The Finance Department should ensure that all controlling officers adjust the temporary advances drawn in a time bound manner and the adjustment bills should not be kept pending beyond the prescribed period.*

(Paragraph 4.6)

(R. AMBALAVANAN)
Principal Accountant General
(Audit-I), Tamil Nadu

Chennai
The 25 August 2021

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 31 August 2021