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Critical Analysis of Audit Reports under the Maharashtra Public Trusts Act, 1950: Ensuring Financial Transparency, Governance, and Legal Compliance in Public Charitable Trusts

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ABSTRACT

The Maharashtra Public Trusts Act, 1950 (MPT Act) establishes the legal and regulatory framework for the administration of public charitable and religious trusts in Maharashtra. This paper critically examines the audit provisions under Sections 32 to 35 of the MPT Act, with a focus on financial transparency, statutory compliance, and governance accountability. It explores how the mandatory audit process, as prescribed by law, serves not only as a tool for financial scrutiny but also as a mechanism to detect mismanagement, safeguard trust property, and uphold public confidence in charitable institutions.

The paper investigates the legal obligations of trustees in maintaining accurate records, timely submission of audit reports, and compliance with prescribed formats, highlighting the consequences of non-compliance and delayed filings. Through an analytical lens, the paper also evaluates the role of the Charity Commissioner, the significance of auditor independence, and the impact of audit findings on the functioning and credibility of trusts. Furthermore, the paper identifies common challenges such as mismanagement of funds, lack of internal controls, and improper investment practices, and provides recommendations for strengthening accountability through legal reforms, trustee training, digital record-keeping, and regular audits. By addressing both procedural and systemic gaps, this paper underscores the vital role of audit compliance in ensuring that public trusts operate with integrity, transparency, and alignment with their charitable objectives under the MPT Act, 1950.

Keywords: *Maharashtra Public Trusts Act, 1950; Audit Report; Public Charitable Trusts; Financial Transparency; Legal Compliance; Trust Governance; Charity Commissioner; Mismanagement of Funds; Section 33; Asset Management; Trustee Accountability; Audit Irregularities; Non-Compliance; Public Trust Audit; Regulatory Oversight.*

1. INTRODUCTION

Public charitable trusts play a foundational role in delivering key social, educational, and healthcare services across Maharashtra, often filling gaps left by the state. These institutions are entrusted with substantial public funds and donor contributions, necessitating a robust framework for financial oversight and governance. The Maharashtra Public Trusts Act, 1950 (hereinafter referred as MPT Act) lays down statutory mechanisms for the registration, regulation, and auditing of these entities to ensure that public interest is safeguarded and philanthropic intentions are honored.[1]

This paper critically examines the audit provisions under the MPT Act to assess how effectively they promote financial transparency and legal compliance among public trusts. By exploring key statutory provisions such as Sections 32 to 35, the paper investigates how audits are conducted, reported, and enforced, and the extent to which these mechanisms deter mismanagement. The paper also explores how the audit process supports broader governance outcomes like institutional integrity, donor trust, and public accountability.

Furthermore, the analysis brings together doctrinal review and empirical insights from audit reports, case law, and compliance data to highlight gaps between the legal framework and practical implementation. By identifying common failures and successful models, this research offers actionable recommendations for enhancing the financial monitoring ecosystem for public charitable trusts in Maharashtra. The paper seeks to contribute to a rights-based discourse on non-profit governance through a focused lens on audit transparency.

[1] Baxi, *Accountability of Non-Profit Entities in India*, 2020

2. BACKGROUND AND SCOPE

The Maharashtra Public Trusts Act, enacted in 1950, was among the first state-level legislations in India to regulate religious and charitable institutions through a comprehensive statutory system. It empowered the office of the Charity Commissioner with supervisory authority over registration, financial auditing, inquiries, and even removal of trustees when misconduct is identified. Over the decades, the Act has evolved through amendments to strengthen regulatory oversight; yet compliance irregularities and audit defaults remain persistent across many categories of trusts.

Although the Act covers a broad regulatory framework including registration, property management, and dispute resolution, this paper focuses exclusively on its audit provisions Sections 32 to 35 due to their direct role in ensuring fiscal accountability. These sections mandate maintenance of books of accounts, compulsory annual audits, duties of auditors, and asset management safeguards. The paper also reviews enforcement measures available to the Charity Commissioner, such as penalties and deregistration, in the context of audit non-compliance.[2]

The scope is further limited geographically to Maharashtra, with particular attention to urban audit practices in Mumbai due to the availability of documentation and case records. The paper draws from primary government reports, legal databases, judgments, and interviews with auditors and trustees where available. Through this localized yet legally rich analysis, the paper aims to make practical and policy-relevant contributions to the ongoing discourse on non-profit financial governance in India.

3. OBJECTIVES AND METHODOLOGY

This paper critically examines the legal framework governing the audit of public charitable trusts under the Maharashtra Public Trusts Act, 1950, while also evaluating the practical efficacy of the audit procedures mandated by law. It explores how statutory audits contribute to ensuring financial transparency, legal compliance, and sound governance within public trusts. The article further aims to identify systemic gaps and enforcement challenges that hinder effective oversight, and to propose practical reforms to strengthen audit mechanisms and promote accountability.

The methodology adopted for this article is primarily doctrinal, involving a close analysis of statutory provisions, rules, and regulatory guidelines under the MPT Act. The paper also incorporates a review of relevant case law and secondary sources, including audit circulars, legal commentaries, and policy papers issued by the Charity Commissioner's office. Supplementing the doctrinal research are qualitative insights drawn from interviews with practicing chartered accountants, legal practitioners, and trust administrators, offering ground-level perspectives on compliance challenges and implementation barriers.[3] This blended approach provides a comprehensive foundation for the paper's critical analysis.

4. OVERVIEW OF THE MAHARASHTRA PUBLIC TRUSTS ACT, 1950

The Maharashtra Public Trusts Act, 1950 (MPT Act) is a foundational piece of legislation enacted to regulate the administration and functioning of public charitable and religious trusts in the state of Maharashtra. Recognizing the need for transparency and accountability in institutions handling public funds and property, the Act provides a comprehensive legal framework governing trust registration, maintenance of accounts, auditing, property management, and regulatory oversight. It seeks to prevent mismanagement and misuse of trust assets by mandating strict compliance with financial and operational norms. Central to the Act is the establishment of the Charity Commissioner's office, which serves as the primary regulatory authority to enforce its provisions. Through its detailed sections and rules, the MPT Act aims to protect the interests of donors and beneficiaries while ensuring that trusts operate in alignment with their declared charitable purposes.

4.1. Purpose and Applicability

The Maharashtra Public Trusts Act, 1950 (MPT Act) is a comprehensive legislative framework designed to regulate all public charitable and religious trusts operating within the state of Maharashtra. The Act applies uniformly to trusts irrespective of their size, purpose, or community affiliation, thereby ensuring a consistent legal mechanism for governance and accountability. Its core purpose lies in bringing transparency to trust administration, ensuring that the management of funds and assets is conducted in a lawful and responsible manner. The Act mandates proper registration, maintenance of books of accounts, submission of audit reports, and public accessibility to trust information. It also regulates the alienation and investment of trust property to prevent unauthorized or improper dealings.

The Act's emphasis on transparency in financial and operational dealings is supported by well-defined statutory duties placed upon trustees, including mandatory audits, disclosures, and compliance with prescribed formats. This legal framework serves not only as a tool for preventing mismanagement and fraud but also as a safeguard for protecting donor intent and beneficiary rights. By laying down uniform standards for functioning, the MPT Act facilitates greater public trust in charitable institutions. The Charity Commissioner, as empowered under the Act, plays a pivotal role in supervising these obligations,

[2] Charity Commissioner Maharashtra, *Annual Report on Public Trust Compliance*, 2022
[3] Desai & Kothari, *Legal Frameworks for Trust Management*, 2019

ensuring that every registered trust complies with statutory expectations.[4]

4.2. Role of the Charity Commissioner

The Charity Commissioner is the cornerstone of regulatory enforcement under the MPT Act. As the supervisory authority, the office of the Charity Commissioner is entrusted with the crucial task of monitoring, inspecting, and guiding the administration of public trusts across Maharashtra. The Commissioner has quasi-judicial powers to call for documents, order inquiries, conduct inspections, and take corrective measures in cases of irregularity or mismanagement. The office plays a decisive role in upholding the legal and ethical responsibilities of trustees, especially in financial matters.

Among the Commissioner's most significant powers is the ability to approve or reject trust budgets, scrutinize audit reports, and demand compliance with statutory obligations. The Commissioner may initiate proceedings against trustees for breaches of trust, misuse of funds, or failure to submit mandatory reports. The office also has the authority to direct the manner of asset investment, regulate the sale or lease of immovable properties, and resolve disputes concerning trust management. In doing so, the Charity Commissioner acts not merely as an administrator but as a protector of public interest and trust beneficiaries. Through sustained oversight, the office ensures that the objectives of the MPT Act are realized in both letter and spirit.[5]

5. STATUTORY AUDIT PROVISIONS UNDER THE MPT ACT

The Maharashtra Public Trusts Act, 1950 lays out a comprehensive statutory framework for financial accountability and audit compliance of public charitable and religious trusts. Sections 32 to 35 of the Act serve as the cornerstone of this framework, detailing the duties of trustees in maintaining accounts, the requirement of audits, responsibilities of auditors, and regulations concerning trust property and investments. These provisions not only enable fiscal oversight but also act as preventive mechanisms against mismanagement, misuse of funds, and breach of fiduciary duty. Their implementation is essential to uphold public confidence and ensure that trust operations align with their stated charitable objectives.

5.1. Section 32: Maintenance of Accounts

Under Section 32 of the MPT Act, every trustee of a public trust is mandated to maintain regular and accurate books of account. These accounts must include detailed records of receipts and disbursements, income and expenditure statements, and the trust's balance sheet. The format and particulars of these accounts must conform to the standards prescribed by the Charity Commissioner. The aim is to ensure uniformity, traceability, and transparency in financial documentation across all registered trusts. Failure to maintain proper accounts not only results in penalties under the Act but also compromises the quality and integrity of the audit process. The absence of structured financial records increases the risk of undetected irregularities and obstructs effective regulatory scrutiny.[6]

5.2. Section 33: Audit Requirements

Section 33 imposes a statutory obligation on all public trusts with annual income exceeding Rs. 25,000 to conduct an annual audit by a qualified auditor. The audit must be completed at the close of each financial year, and the resulting audit report must be prepared in a format approved by the Charity Commissioner typically in Form IX, as prescribed by the Maharashtra Public Trusts Rules, 1951. This section ensures that the financial statements of the trust, including the income and expenditure account and the balance sheet, are subject to professional verification. The auditor must be independent of the trust and duly recognized under the Chartered Accountants Act, 1949. The objective is to detect discrepancies, validate fund utilization, and identify any instances of financial mismanagement. The audit findings must be submitted to the Charity Commissioner within six months from the end of the financial year, ensuring timely compliance and institutional accountability.[7]

5.3. Section 34: Auditor's Duties and Reporting

Section 34 outlines the specific duties and responsibilities of auditors while auditing public trusts. Auditors are legally required to not only verify the accuracy of financial statements but also to report any material irregularities, instances of misappropriation, or breaches of trust that come to their notice during the audit. Their report must explicitly mention any illegal or improper expenditures, omissions to recover money, or loss of property, along with an opinion on whether such lapses were due to misconduct, negligence, or a breach of fiduciary duty by trustees. Additionally, auditors are expected to comment on the trust's investment practices, including adherence to statutory provisions and guidelines, and the payment of statutory dues such as taxes and contributions. Copies of the audit report, along with the balance sheet and income-expenditure account, must be forwarded to the trustee and filed with the Charity Commissioner. This system of statutory reporting ensures a continuous feedback loop between the trust's financial conduct and regulatory oversight.[8]

[4] Gogate, Law Relating to Public Trusts in Maharashtra, 2018
[5] Maharashtra State Gazette, Office of Charity Commissioner Rules and Procedures, 2021
[6] The Maharashtra Public Trusts Act, 1950, Sec.32
[7] The Maharashtra Public Trusts Act, 1950, Sec.33
[8] The Maharashtra Public Trusts Act, 1950, Sec.34

5.4. Section 35: Asset Management and Investment Regulations

Section 35 deals with the crucial issue of asset management and prescribes strict guidelines for the investment of trust funds. The section prohibits arbitrary or risky investments and stipulates that trust funds must be invested only in securities or instruments notified or approved by the State Government or the Charity Commissioner. These may include government securities, fixed deposits with scheduled banks, or bonds issued by public sector undertakings. The rationale is to safeguard the assets of public trusts and ensure that they are used solely for the advancement of their charitable objectives. Furthermore, the sale, lease, mortgage, or transfer of any immovable property owned by the trust requires prior approval from the Charity Commissioner. Unauthorized or speculative dealings with trust property can lead to penal consequences, including cancellation of registration, financial penalties, or even prosecution of the trustees involved. By enforcing disciplined asset management, Section 35 aims to protect public interest and ensure that trust assets are not subject to personal gain, mismanagement, or institutional erosion.[9]

6. PURPOSE AND IMPORTANCE OF AUDIT IN PUBLIC TRUSTS

The audit of public charitable trusts plays a pivotal role in maintaining financial discipline, legal compliance, and public confidence in the nonprofit sector. Under the Maharashtra Public Trusts Act, 1950, audit is not merely a financial review mechanism but a statutory safeguard that ensures transparency, accountability, and integrity in the functioning of trusts. Given that public trusts handle donations, grants, and properties meant for public welfare, it becomes imperative to subject their financial operations to regular and independent scrutiny. The audit process serves to verify the accuracy of financial statements, detect irregularities, assess fund utilization, and confirm that the trust's activities align with its stated objectives. More importantly, it acts as a check on potential mismanagement, misuse of funds, and governance failures. In doing so, audits reinforce institutional credibility and support regulatory oversight, ultimately ensuring that public resources are used effectively and ethically.

6.1. Ensuring Financial Accountability

Audits serve as a tool to verify whether a trust has maintained proper financial discipline and transparency in handling public funds. The annual audit process, when conducted effectively, can uncover discrepancies, identify misappropriations, and highlight patterns of fiscal mismanagement. Such scrutiny discourages unethical practices and provides confidence to donors and stakeholders regarding the integrity of trust operations.[10]

6.2. Promoting Good Governance

Audits play a pivotal role in institutionalizing governance standards within public charitable trusts. They offer an independent assessment of financial operations and internal controls, which encourages trustees to adhere to defined responsibilities and fiduciary duties. A well-conducted audit can also drive policy reforms within the trust, including budget discipline, risk management, and documentation practices.[11]

6.3. Legal and Statutory Compliance

The audit mechanism under the MPT Act ensures that statutory obligations are met, including filing returns, investment in approved securities, and avoidance of conflict-of-interest transactions. It reinforces the legal framework through timely reporting and assists the Charity Commissioner in initiating action against defaulting trusts. Moreover, non-compliance flagged in audit reports serves as the basis for subsequent inspections or legal proceedings.[12]

7. AUDIT PROCEDURE AND REPORTING REQUIREMENTS

The audit procedure and reporting requirements prescribed under the Maharashtra Public Trusts Act, 1950 form the operational backbone of financial accountability in public trusts. These procedures are designed not only to verify the correctness of financial records but also to evaluate the trust's compliance with statutory obligations and ethical governance standards. The Act mandates that trusts exceeding a specified income threshold must undergo an annual audit conducted by a qualified and independent auditor. The process includes examination of income and expenditure statements, verification of asset registers, scrutiny of donation records, and review of fund utilization. The auditor is also obligated to prepare a detailed report highlighting any financial irregularities, misappropriation of funds, or breaches of trust, and to submit this report in prescribed formats to the Charity Commissioner. Adherence to these procedures ensures that public trusts remain transparent, minimizes the risk of financial abuse, and enables timely regulatory intervention when required.

7.1. Approved Audit Formats and Forms (e.g., Form IX)

To ensure consistency, transparency, and regulatory comparability in the financial reporting of public trusts, the Charity Commissioner has prescribed a standardized audit report format 'Form IX' under the Maharashtra Public Trusts Rules, 1951. This form serves as the official structure within which every trust auditor must present the financial results, observations,

[9] The Maharashtra Public Trusts Act, 1950, Sec.35
[10] ICAI, *Audit Guidelines for Charitable Trusts*, 2021
[11] FICCI, *Handbook on Non-Profit Governance*, 2019
[12] Maharashtra Law Journal, *Case Commentary on Trust Compliance*, 2020

and compliance details. Form IX covers all key financial parameters including the trust's income, expenditure, surplus or deficit, outstanding liabilities, fixed assets, investment details, and capital accounts.

In addition to financial metrics, the form also includes critical compliance disclosures such as the filing status of statutory returns, observations regarding violations (if any), and whether the trust has adhered to Sections 32 to 35 of the MPT Act. It specifically mandates the auditor to comment on proper utilization of grants and donations, disclosure of foreign contributions, verification of administrative expenses, and conformity with asset investment norms under Section 35.

By enforcing the use of Form IX, the Charity Commissioner's office facilitates uniformity across trusts, making it easier to conduct comparative assessments, highlight financial irregularities, and identify patterns of non-compliance. The standard format also reduces ambiguity in audit findings and strengthens accountability in financial governance. Uniform reporting thus becomes an essential regulatory tool to uphold the public interest and confidence in charitable and religious institutions.[13]

Diagram: Structure of Form IX - Audit Report Format

FORM IX - AUDIT REPORT **[Under Rule 19(1) of Maharashtra Public Trusts]**
PART A: Basic Information
Name of Public Trust: Registration Number: Address: Name of Auditor: Period of Audit:
PART B: Financial Summary
1. Income (Donations, Grants, Rent, Interest, etc.) 2. Expenditure (Program-related, Admin, Salaries, etc.) 3. Surplus / Deficit for the Year 4. Assets & Liabilities Summary 5. Capital Account & Fund Position
PART C: Compliance Verification
6. Maintenance of Accounts under Section 32 7. Audit Conducted as per Section 33 8. Balance Sheet & Income-Expenditure under Section 34 9. Investment Verification under Section 35 10. Comments on Statutory Dues, Delays, Irregularities
PART D: Auditor's Remarks and Certification
a. Cases of Misappropriation / Irregularities b. Loss or Waste of Trust Property c. Breach of Trust or Misconduct (if any) d. Suggestions for Improvement Auditor's Signature & Seal Date:

7.2. Audit Filing Timelines and Legal Obligations

Trusts are legally obligated to file their audited statements within 90 days from the end of the financial year. Delayed submission attracts penalties and may result in compliance notices or inquiries. Filing audit reports on time is crucial for

[13] Charity Commissioner Office, *Guidelines on Audit Formats*, 2021

continued registration and for receiving benefits under the Income Tax Act, 1961. Timely audits also support efficient internal planning and resource mobilization. [14]

7.3. Role of Chartered Accountants and Authorized Auditors

Only chartered accountants or auditors approved by the Charity Commissioner can conduct audits of public trusts. Their duties go beyond number-crunching to include evaluation of governance practices, internal controls, and conformity with laws. The professional ethics and accountability expected from auditors is critical, as audit findings can lead to prosecutions or disqualification of trustees in serious cases.[15]

8. CRITICAL ISSUES IDENTIFIED IN AUDIT PRACTICES

Despite the detailed statutory framework laid down under the Maharashtra Public Trusts Act, 1950, several critical issues persist in the actual conduct and implementation of audit practices in public charitable trusts. These challenges undermine the effectiveness of audits as tools for ensuring transparency and accountability. Common problems include inadequate maintenance of financial records, delays in audit report submissions, lack of auditor independence, and superficial audit reviews that fail to detect deeper financial or governance irregularities. In many cases, the audit process becomes a mere formality rather than a robust evaluation of financial integrity and legal compliance. Mismanagement of funds, non-verification of donations, unauthorized transactions, and poor asset management further contribute to systemic weaknesses. These issues not only hamper regulatory oversight but also erode public trust in charitable institutions. Identifying and addressing such audit-related deficiencies is therefore essential to strengthening the credibility, governance, and legal accountability of public trusts in Maharashtra.

8.1. Mismanagement and Diversion of Funds

One of the most alarming issues identified in audit reports is the diversion of trust funds for unauthorized or non-charitable purposes. Several cases indicate financial manipulation, such as inflated expenses, fictitious receipts, or personal use of trust assets by trustees. For instance, a 2021 audit review by the Charity Commissioner's office in Mumbai highlighted over 300 cases where expenditure was diverted towards activities not permitted under the trust deed.[16] Such irregularities not only erode public trust but also violate fiduciary duties imposed under the MPT Act.

8.2. Delays in Audit Report Filing

Despite statutory mandates requiring timely submission of audit reports, many trusts default repeatedly. These delays obstruct regulatory review and hinder detection of financial lapses. As per a report by the Comptroller and Auditor General (CAG), over 40% of registered trusts in Maharashtra had not submitted audit reports for more than two years, resulting in administrative pendency and enforcement failures.[17] The lack of deterrence mechanisms for late filings encourages a culture of non-compliance.

8.3. Lack of Financial Oversight and Internal Controls

Several audit reports reveal a disturbing absence of internal control mechanisms, including lack of verification for cash flows, receipts, and fixed assets. Many trusts operate without formal approval of budgets or financial policies. In some cases, financial transactions were conducted without vouchers or bank reconciliation. This lack of internal auditing or third-party checks facilitates embezzlement and non-transparent practices, weakening the accountability framework intended by Sections 32-35 of the Act.[18]

8.4. Improper Asset Management and Investment Violations

The MPT Act restricts investments to government securities or those approved by the Charity Commissioner. However, several trusts have flouted these norms by investing in speculative ventures or using immovable property for private benefit. Audits have uncovered multiple cases where rental income was either unrecorded or underreported, and asset registers were not updated. For example, a Pune-based educational trust was found to have leased its premises to a private party without market valuation or approval, violating Section 35 of the Act.[19]

8.5. Legal Implications of Non-Compliance

Failure to comply with statutory audit provisions can lead to serious legal consequences. Trustees may face fines, removal, or even prosecution under Sections 66 and 67 of the MPT Act. The Charity Commissioner also has powers to suspend or deregister non-compliant trusts and freeze their bank accounts. Notably, in *State v. Jeevan Jyoti Trust*, the Bombay High Court upheld penal action against trustees who repeatedly failed to submit audit reports, terming it a breach of public duty.[20]

[14] The Maharashtra Public Trusts Rules, 1951, r. 19
[15] ICAI, *Code of Ethics for Chartered Accountants*, 2022
[16] Charity Commissioner Mumbai, *Audit Inspection Report*, 2021
[17] CAG Report on Public Institutions, 2022
[18] Deshpande, *Transparency in Nonprofit Governance*, 2020
[19] Indian Express, "Trust Mismanagement in Pune", Jan 2022
[20] State v. Jeevan Jyoti Trust, 2020 SCC OnLine Bom 1867

This underscores the importance of stringent enforcement and judicial support for regulatory actions.

9. LEGAL IMPLICATIONS OF NON-COMPLIANCE

Non-compliance with the statutory provisions of the Maharashtra Public Trusts Act, 1950 can lead to serious legal consequences for public charitable trusts and their trustees. The Act imposes clear obligations regarding maintenance of accounts, timely audits, submission of financial reports, and lawful management of trust assets. Failure to adhere to these requirements not only undermines the trust's credibility but also attracts punitive measures from the Charity Commissioner. These may include imposition of fines, initiation of inquiries, suspension or removal of trustees, and even deregistration of the trust. Trustees may also face personal liability for financial mismanagement, breach of trust, or unauthorized transactions. In cases involving fraudulent or illegal activity, criminal prosecution may follow. Thus, the legal framework under the MPT Act functions as both a deterrent and corrective mechanism, ensuring that public trusts operate within the boundaries of law and uphold their fiduciary responsibilities with integrity.

9.1. Penalties and Legal Action

The MPT Act prescribes a range of penalties for non-compliance, ranging from fines to criminal prosecution. Under Section 66, if a trustee fails to file an audit report within the prescribed period, the Charity Commissioner may impose monetary penalties. Continued non-compliance can lead to the initiation of criminal proceedings under Section 67, where trustees may be subjected to imprisonment for willful defiance. The punitive aspect of the Act is aimed at ensuring that trustees understand the legal seriousness of audit requirements and that failure to comply is not treated as a mere procedural lapse.[21]

9.2. Deregistration of Trusts

Trusts that persistently flout statutory audit obligations can face the ultimate penalty of deregistration. The Charity Commissioner, after due inquiry under Section 41D, has the authority to suspend or remove trustees and dissolve the trust. In a 2019 case involving a Mumbai-based trust that failed to submit financial reports for four consecutive years, the Commissioner ordered its deregistration, citing public interest and breach of fiduciary responsibilities.[22] Deregistration not only terminates the trust's operations but also bars it from accessing public or donor funding.

9.3. Trustee Liability

Trustees bear individual and collective responsibility for compliance under the MPT Act. Courts have repeatedly emphasized that trustees cannot abdicate their duties or shift blame to accountants or subordinate staff. In *P.J. Foundation v. Charity Commissioner*, the Bombay High Court held trustees accountable for mismanagement and emphasized their duty of care and diligence under the law.[23] Trustee liability is both civil and criminal, extending to restitution, penalty, and potential removal from office. This accountability mechanism reinforces the fiduciary nature of their role and the statutory obligations arising therefrom.

10. RECOMMENDATIONS AND CORRECTIVE MEASURES

A key recommendation to enhance financial governance in public charitable trusts is to strengthen internal financial control systems and adopt standard accounting procedures. This includes mandatory use of double-entry bookkeeping, third-party reconciliation, and digitization of records. Trusts should be encouraged to adopt internal audits in addition to statutory audits, fostering continuous monitoring. A uniform accounting software linked to the Charity Commissioner's portal could enhance oversight and detect anomalies in real time.[24]

Improving the governance capacity of trustees is equally essential. Many audit lapses stem from trustees' lack of knowledge about financial and legal obligations. Hence, regular training and certification programs must be mandated for newly appointed trustees. Legal literacy modules focusing on fiduciary responsibilities, audit timelines, and asset management will professionalize trust administration. Additionally, introducing performance-based evaluations for trustees and establishing independent compliance review boards could incentivize good practices.[25]

Another corrective measure is the incorporation of technology to streamline compliance. The Charity Commissioner's office should implement a centralized online filing system with automated reminders, analytics, and red-flag indicators for audit delays or discrepancies. Digital dashboards can assist regulators and the public in assessing trust performance and compliance history. This not only increases transparency but also reduces bureaucratic delays and human errors in the review process.[26]

Finally, the audit ecosystem itself must be supported through the empanelment and continuous training of auditors. Only qualified chartered accountants with prior experience in non-profit audits should be enlisted. A rotation system of auditors will prevent conflicts of interest. Additionally, periodic audits of the auditors' own work by the Charity Commissioner can

[21] The Maharashtra Public Trusts Act, 1950, Sec.66–67
[22] Charity Commissioner Mumbai, *Annual Compliance Order*, 2019
[23] P.J. Foundation v. Charity Commissioner, 2018 SCC OnLine Bom 902
[24] Deshmukh, *Financial Accountability in Indian Nonprofits*, 2022
[25] FICCI & Deloitte, *Governance in Indian Philanthropy*, 2021
[26] NITI Aayog, *NGO Darpan Portal Review*, 2020

maintain quality control. These institutional reforms can go a long way in restoring faith in the public trust system and safeguarding the financial sanctity of philanthropic institutions in Maharashtra.

11. CASE-BASED OBSERVATIONS

Several audit-related controversies and compliance success stories in Maharashtra illustrate both systemic shortcomings and corrective potential in public trust governance. One illustrative case involves the deregistration of a trust in Thane district in 2020 for failing to file audit reports for over five years. Upon investigation, the Charity Commissioner discovered severe fund misappropriation and non-disclosure of key financial transactions. The trust's bank accounts were sealed, and trustees faced disqualification and legal proceedings.[27] This case underscores how robust enforcement of audit provisions under Sections 33 and 34 can deter malpractice.

In contrast, the *Shri Gajanan Maharaj* Trust in *Shegaon* is frequently cited as a model for audit compliance and transparency. The trust voluntarily publishes detailed financial reports online, undergoes both internal and external audits, and maintains clear asset registers. Its practices demonstrate that financial openness enhances public trust and donor confidence, allowing the trust to expand its services and social impact. It has received commendations from the Charity Commissioner's office for setting best practices in non-profit financial management.[28]

Another significant observation arises from the case of a Mumbai-based educational trust that implemented ERP-based financial tracking integrated with audit dashboards. This real-time monitoring system allowed auditors and the Charity Commissioner to review financial data proactively. It not only eliminated delays in audit submission but also significantly reduced errors and discrepancies. The case reflects how digital tools, when effectively deployed, can align trust operations with the spirit of the MPT Act and raise the bar for institutional accountability.[29]

12. CONCLUSION

The audit mechanism under the Maharashtra Public Trusts Act, 1950 plays a pivotal role in ensuring transparency, good governance, and legal compliance among public charitable institutions. However, the analysis of audit reports and field-based observations indicate that while statutory provisions exist, their implementation is often compromised due to systemic inefficiencies, delayed reporting, lack of enforcement, and inadequate trustee accountability. These shortcomings risk undermining the credibility and purpose of charitable trusts, thereby impacting public trust and donor confidence in philanthropic institutions.

There is a compelling need to revamp audit practices through a combination of legislative refinement, technological adoption, and capacity-building initiatives. Reforms must focus on strengthening internal financial controls, mandating digital audits, empowering the Charity Commissioner's office with real-time oversight tools, and institutionalizing trustee training. Moreover, building stronger partnerships with certified auditors and ensuring periodic review of audit standards will improve the financial integrity of public trusts. Successful case examples show that with proactive governance and transparent systems, compliance becomes not only achievable but sustainable.

As a final point, the future of public trust accountability lies in an integrated approach that balances regulatory rigor with support mechanisms. Legal mandates must be matched by infrastructural and procedural support to foster compliance. Ultimately, audit reports are not mere formalities they are instruments of public accountability. Their critical evaluation and reform are essential for realizing the constitutional vision of equitable development through transparent charitable governance.

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