Chapter 2

Comments On Accounts

The comments relating to significant deficiencies in the presentation (accuracy, completeness and transparency) of the Union Accounts are discussed in the succeeding paragraphs. The comments arising from Appropriation audit are included in Chapters 6, 7 and 8 of this Report. The observations on regularity, economy, efficiency and effectiveness of Government spending are incorporated in Compliance and Performance Audit Reports being presented separately to the Parliament.

2.1 Non-inclusion of statements/information recommended by Twelfth Finance Commission in the Union Finance Accounts

The Twelfth Finance Commission (TFC) in their Report submitted to the Government in November 2004 had recommended the inclusion of eight additional statements/information in Union Government accounts for greater transparency and to enable informed decision making, pending transition from cash to accrual basis of accounting. The recommendation was accepted in principle by the Government. The additional statements recommended by TFC were as follows:

(i) Statement of subsidies given, both explicit and implicit, (ii) Statement containing expenditure on salaries by various departments/units, (iii) Detailed expenditure on pensioners and expenditure on government pensions, (iv) Data on committed liabilities in the future, (v) Statement containing information on debt and other liabilities as well as repayment schedule, (vi) Accretion to or erosion in financial assets held by the government including those arising out of changes in the manner of spending by the government, (vii) Implications of major policy decisions taken by the government during the year or new schemes proposed in the budget for future cash flows and (viii) Statement on maintenance expenditure with segregation of salary and non- salary portions.

It was mentioned in the Report of the Comptroller and Auditor General on the Accounts of the Union Government for the year 2007-08 and 2008-09 that the recommendations of the Twelfth Finance Commission (TFC) to include the said additional statements/information in Union Government accounts had not been complied with, despite a lapse of five years. It was also recommended that the Ministry of Finance set a specific time frame for inclusion of the above additional statements in the Union Finance Accounts. The Action Taken Note of the Ministry was still awaited as of January 2011.

Scrutiny of the Finance and Appropriation Accounts for the year 2009-10 disclosed that the said statements as recommended by TFC have not been included in this year's accounts as well.

The Ministry had expressed its inability (December 2009) to include these statements in Union Government Accounts and stated that the views of the Government on the inclusion of additional statements in the Finance Accounts had been forwarded to the Thirteenth Finance Commission.

The Thirteenth Finance Commission while observing that a significant number of Finance Accounts do not provide all the appendices, recommended that (in para 7.134) the list of appendices to the Finance Accounts be standardised keeping in view the recommendations of the Twelfth Finance Commission and be followed in all the States. Further, in paras 9.41 to 9.61 of their Report, the Thirteenth Finance Commission recommended for providing additional disclosures/ statements regarding revised roadmap for fiscal consolidation through the annual Central Budget/Medium Term Fiscal Policy Statement (MTFP). Hence, the Thirteenth Finance Commission had also felt the need for inclusion of additional statements in the Finance Accounts of the Union and States for better disclosure.

2.2 Unascertainable unspent balances in the accounts of Implementing Agencies

In recent years, there has been a paradigm shift in the Central Government strategy for implementation of flagship programmes and other Centrally Sponsored Schemes (CSS) for poverty alleviation, health care, education, employment, sanitation etc,. Most of these schemes were earlier implemented on cost sharing basis with transfer of central share to State Governments. The Union Government has now started transferring Central Plan assistance directly to State/District level autonomous bodies, societies, non-governmental organisations etc., for implementation of CSS outside the State Government budget. The State and District level implementing bodies keep these scheme funds in their accounts in banks outside Government Accounts.

For the year 2009-10, Union Government made a provision for transfer of central plan assistance of ₹ 93,880[*] crore (as per revised estimate) directly to State/ district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of centrally sponsored schemes. Since the funds are not being spent by the implementing agencies in the same financial year, there remain substantial amounts of unspent funds in their accounts. The aggregate amount of the unspent balances in the accounts of the implementing

[*] As per Expenditure Budget 2010-11 (Volume-I)

agencies kept outside Government accounts is not readily ascertainable. The Government expenditure as reflected in the Accounts to that extent is, therefore, overstated.

A different accounting treatment needs to be adopted for this flow of funds to implementing agencies so that only final expenditure incurred by the implementing agencies is recorded in the Government Accounts, after receiving an assurance on utilisation of the fund.

This subject was also commented upon in the Audit Report for the year 2007-08 and 2008-09 but no discernible steps have been taken yet to address the situation.

2.3 Opaqueness in Government Accounts

There is a global trend towards increased transparency in government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the States for public purposes actually get spent as promised by the Government, while also maximising the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of account in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipt and expenditure on all major activities of the Government in a transparent manner for meeting the basic information needs of all the important stakeholders.

Scrutiny of Union Government Finance Accounts 2009-10 disclosed that ₹ 15,899.73 crore under 24 Major Heads of accounts (representing functions of the Government) was classified under the Minor Head '800-Other expenditure' in the accounts constituting more than 50 *per cent* of the total expenditure recorded under the respective Major Heads. This indicates a high degree of opaqueness in the accounts. Details of the Major Heads such as Other Social Services, Agricultural Financial Institutions, Flood Control and Drainage, Other Outlays on Industries & Minerals, Civil Aviation, Capital Outlays on other Administrative Services, Capital Outlays on Family Welfare, Capital Outlays on Soil and Water Conservation, Capital Outlay on Plantation, Capital Outlay on Other Communication Services, Capital Outlay on Oceanographic Research and Capital Outlay on Foreign Trade etc., with substantial expenditure classified as 'Other Expenditure' are given in **Appendix II-A.**

It can be seen from the appendix that the percentage of 'other expenditure' to total expenditure under the heads '2416-Agricultural financial institutions', '2801-Power', '3053-Civil Aviation' and '3275-Other Communication Services' was as high as 120 *per cent*, 67 *per cent*, 96 *per cent* and 54 *per cent* respectively.

Some significant expenditure items such as on Rural Electrification Corporation for Rajiv Gandhi Gramin Vidyutkiran Yojana (₹ 5,000 crore), Mission Flexible Pool towards utilisation for projects for North-Eastern region and Sikkim (₹ 3,380 crore), Interest subvention for providing short-term credit to farmers (₹ 2,011 crore), subsidy for Haj Charters (₹ 941 crore), Commonwealth Games (₹ 522 crore), are not depicted distinctly in the Finance Accounts but are combined in the minor head 'Other expenditure'.

This was commented upon in the CAG's Audit Report No.CA-13 for the year 2007-08 and Report No. 1 for the year 2008-09 with the recommendation that the Government may conduct a comprehensive review of the structure of Government Accounts to address this deficiency for achieving greater transparency in financial reporting. Although, as an interim measure, Controller General of Accounts (CGA) has inserted footnotes in Finance Accounts giving details of significant expenditure covered under Minor Head '800-Other Expenditure', the restructuring of the accounts to reflect the current activities of the government by way of opening of new heads of account and closure of obsolete heads of account has not been taken up by the Government to address the problem on permanent basis.

The Ministry in its Action Taken Note of September 2010 stated that instruction in this regard had been issued by Controller General of Accounts in January 2010 to the Controllers of the Accounts to exercise extreme caution while booking significant expenditure under the Minor Head '800- Other expenditure'. The Ministry further added that some new minor heads had been opened. However, details of these new heads have not been provided.

2.4 Inadequate disclosure of funds in the Public Account

(i) National Investment Fund

(a) As per the prescribed accounting procedure of National Investment Fund (NIF), the annual income from the invested portfolio with the fund managers is to be initially classified in the Consolidated Fund of India (CFI) as income under minor head '110-Income from Portfolio Management Scheme (Discretionary Mode) of NIF' below major head '1475-Other General Economic Services'. The income is to be transferred thereafter to Major head '8453-Income and Expenditure Account of NIF' in the Public Account for meeting the investment objectives of expenditure on social sector schemes and capital investment in revivable or profitable Public Sector Enterprises.

Scrutiny of the Union Finance Accounts 2008-09 and 2009-10 revealed that while an income of ₹ 84.81 crore and ₹ 226.85 crore had been reflected as income under CFI, the Major head ‘8453-Income and Expenditure Account of NIF’ had not been opened in the Public Account to depict the transfer of income from CFI.

Further, closing balance at the end of year 2009-10 under the head “8452-National Investment Fund” was shown as ‘nil’, though actually a balance of ₹ 1,814[1]crore was available in the Fund as on 31 March 2010. Such depiction leads to confusion and opaqueness, indicating that the accounting procedure adopted was not accurate. In the interest of transparency, the accounting procedure must be suitably modified so as to reflect true balance in the NIF and also the investment made out of this Fund.

This was also commented upon in the last year’s Audit Report but no discernible steps were taken to address the situation.

(b) Under the revised accounting procedure, the disinvestment proceeds collected during the period 1 April 2009 to 31 March 2012 were to be transferred to NIF under the minor head ‘8452-102-Disinvestment proceeds of Government of India for the period from 1.4.2009 to 31.3.2012’. Scrutiny of the Union Finance Accounts 2009-10 revealed that the said minor head had not been opened and the booking of transfers to / from NIF of ₹ 23,552.97 crore had been done under the existing minor head ‘8452-101-Proceeds of Disinvestment of Government equity holding including premium’.

(ii) Universal Service Obligation Fund

Universal Service Obligation Fund (Major Head 8235 – General and other reserve funds, minor head 118) was set up in April 2002 for achieving universal service objectives emphasised in the National Telecom Policy (NTP) 1999. The resources for meeting the Universal Service Obligation (USO) are raised through a ‘universal access levy’ which is a percentage of the revenue earned by all the operators under various licences as decided by the Government, in consultation with Telecom Regulatory Authority of India (TRAI). This has been fixed at five *per cent* of Adjusted Gross Revenue. The implementation of the USO for rural/remote areas is undertaken by fixed service providers, who are reimbursed net cost (i.e. annualised capital recovery plus operating expenses minus annual revenues) from the USO fund.

The fund is administered by the Department of Telecommunications (DoT). The levy received towards USO is first credited to the Consolidated Fund of India and subsequently, the Central Government credits such proceeds to the USO Fund in

[1] ₹ 1651 crore was transferred in the year 2007-08 and ₹ 163 crore in 2008-09.

Public Account of India from time to time, for being utilised exclusively for meeting USO. It is a non-lapsable fund.

A total Universal Levy of ₹ 31,109.36 crore was collected during 2002-03 to 2009-10 by the DoT but a disbursement of only ₹ 10,371.44 crore was made from the Fund during this period. Thus, the closing balance of the fund as on 31 March 2010 should be ₹ 20,737.92 crore as against 'nil' balance shown under the Head 8235-General & Other Reserve Funds, 118- Universal Service Obligation Fund in the Public Account of India. There is, therefore, understatement of closing balance of USO Fund by ₹ 20,737.92 crore.

It is recommended that the Department of Telecom should obtain necessary approvals and transfer all the receipts on account of universal access levy to the Universal Service Obligation Fund in the same year before the closure of the financial year so that the Fund balances are correctly reflected in the accounts. DoT may also ensure viable schemes for implementation of universal service obligations for rural and remote areas so that USO objectives are met and the fund balances are utilised for the purposes for which these are collected.

2.5 Public funds lying outside government accounts

Ministry of Finance, Department of Economic Affairs (DEA) directed all Ministries and departments of the Government in January 2005[2] to ensure that funds of regulatory bodies are maintained in the Public Account.

Scrutiny of the annual accounts of five regulatory bodies viz., Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory Development Authority (PFRDA), Central Electricity Regulatory Commission (CERC) and Petroleum and Natural Gas Regulatory Board (PNGRB) revealed that these bodies were retaining their surplus funds generated through fee charges, unspent grants received from Government of India etc., aggregating to ₹ 2,142.47[3] crore at the end of March 2010 outside the Government Accounts. The Finance Accounts of the Union Government, therefore, do not present a correct and complete picture of government finances to the extent of funds of ₹ 2,142.47 crore lying outside government accounts.

[2] Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. F.1(30)-B(AC)/2004 dated 07 January 2005

[3] SEBI-₹ 1,467.81 crore, IRDA-₹ 622.29 crore, PFRDA- ₹ 0.23 crore, CERC-₹ 33.55 crore and PNGRB-₹ 18.59 crore

The C&AG's Audit Report No. CA 13 for the year ended March 2008 and No.1 for the year 2008-09 had also highlighted retention of funds by IRDA and SEBI outside the government accounts

The Ministry of Finance stated in December 2009 and November 2010 that the broad guidelines, enunciating the arrangement relating to operationalising the SEBI and IRDA Funds in the Public Account had been framed and conveyed to Controller General of Accounts for drawing up the detailed accounting procedure. However, no funds in this regard were opened in the Public Account of the Finance Accounts for the year 2009-10.

CERC stated in November 2010 that the head of accounts for operationalising CERC funds had already been opened by CGA in consultation with Ministry of Power and that the Parliament had passed ₹ 24.25 crore in the first batch of supplementary grants for the year 2010-11 for meeting establishment related expenditure of CERC. It also added that further intimation was awaited from Ministry of Power for the transfer of accumulated funds into the CERC funds under the Public Account of India. PNGRB stated in September 2009 and December 2010 that a clarification on this issue was being sought from Ministry of Petroleum and Natural Gas. Further, Ministry of Finance stated in November 2010 that PFRDA had no objection in following the procedures adopted by SEBI and IRDA in respect of their surplus funds.

2.6 Incorrect accounting of interest on refunds of taxes

Interest payment on refunds of excess tax is a charge on the Consolidated Fund of India and is, therefore, payable through the normal budgetary mechanism. The List of Major and Minor Heads of Account includes a separate minor head '108-Interest on refunds' under the Major Head '2020- Collection of Taxes on Income and expenditure' to record this transaction in the Union Accounts.

Audit scrutiny revealed that no budget provision for interest on refunds was made in the Budget Estimates for the year 2009-10 and the expenditure on interest on income tax refunds amounting to ₹ 12,815 crore (provisional) was treated as reduction in the revenue of the Union Government in Union Government Accounts 2009-10. Such accounting adjustment is not only against the accounting rules but also results in incurring of expenditure on interest payments without obtaining Parliament's approval through budgetary process. In fact, interest on refund of income tax of ₹ 92 crore was budgeted as an expenditure item in the budget for 2001-02. However, at the Revised Estimates stage, the earlier practice of showing the interest on refund as deduct receipt was reverted to.

As a result of classifying the interest on refunds as reduction in revenue, the expenditure as well as revenue of the Union Government was understated by ₹ 12,815 crore (provisional figure as stated by CBDT) in the Union Government Accounts for the year 2009-10.

This practice has been commented upon in the last year's CAG's Report on Union Accounts as well as in CAG's Report on Direct Taxes for the years 2004, 2005, 2006, 2007 and 2008 but no discernible steps have been taken to address the situation.

2.7 Creation of Income Tax Welfare Fund

Ministry of Finance, Department of Revenue created the Income Tax Welfare Fund (ITWF) and transferred ₹ 100 crore to the Fund over the last three years. The Fund was created with the purpose of (i) promotion of welfare, recreation and other outdoor activities of officials of Income Tax Department, (ii) providing financial help to officials during contingencies such as injury or accident, (iii) providing ex-gratia payment to the family of the deceased officials, (iv) providing different forms of medical maintenance including risk insurance for emergencies and serious distress to officials not fully reimbursable under CGHS reimbursement rules, (v) construction /hiring/leasing/ furnishing /maintenance of holiday homes for the use of officials, etc,.

The Comptroller and Auditor General had not agreed to the creation of the Fund on the ground that the activities proposed to be covered by the Fund could be included in the annual budget of the department and be financed through the normal budgetary process. The creation of the Fund under the interest bearing section of the Public Account entailed recurring liability of interest which would not be subject to usual Parliamentary financial control. The utilisation of the Fund would not be reported through the standard object heads as is the case with the demand for grants presented in the Parliament and hence, the process was not transparent. Further, the General Financial Rules (GFR) do not permit expenditure from public moneys for the benefit of a section of people or individuals unless the expenditure was in pursuance of recognised policy or custom. Further, if the objective is to cover officials/family members of officials who face injury/die during search/seizure operations and provision of high risk insurance cover to the officials, provision can be made under a designated scheme of the Government of India or included in the existing provisions under the funds in existence for such purposes. The fund/scheme should be made applicable to officers/staff of other departments facing similar risks in official discharge of duties. The other purposes cited can be covered under the standard object heads

'Rewards', 'Medical treatment', 'Office expenses', 'Grants-in-aid' in the demand for grants of the Ministry.

The matter was commented upon in the last year's Audit Report. The Ministry in its Action Taken Note of September 2010 stated that the fund was created after extensive examination and resultant approval by the Finance Minister in January 1998. It added that the genesis of the creation of the fund lay in the successful implementation of VDIS-97 scheme wherein an additional tax collection of about ₹ 10,700 crore was made over and above the normal tax collection. However, the creation of the fund was neither approved by the Parliament nor by the Cabinet; General Financial Rules do not permit expenditure from public moneys for the benefit of a section of people or individuals and the utilisation of the fund would not be reported through the standard object heads as is the case with the demands for grants presented in the Parliament and financial reporting to Parliament is compromised.

Further, the Ministry stated (October 2010) that no expenditure had been incurred out of the accumulated corpus of ₹ 100 crore and no interest had been credited into this fund since the inception of the fund in August 2007.

2.8 Unauthorized operation of a fund dissolved by Parliament.

The Coal Mines Labour Housing and General Welfare Fund (Fund) was established by an Act of Parliament in 1947 in Public Account of India. Cess levied by the Government on the dispatch of coal and coke was credited to the receipt head- "0038 – Union Excise Duties", and part of the amount collected on account of this cess was being transferred to this fund under the Act. The Act of 1947 was repealed by another Act passed by Parliament in 1986. The Act of 1986 dissolved the Coal Labour Housing Board and envisaged that with effect from October 1986, all moneys and cash balances lying to the credit of the housing account and the general welfare account of the "Coal Mines Labour Housing and General Welfare Fund" constituted under the erstwhile Act, shall become part of, and be credited to the Consolidated Fund of India.

Scrutiny of the records of the Ministry revealed the following discrepancies in violation of the provisions of the Act of 1986:-

(i) Cash/money lying in the Housing General Welfare Accounts as on 1 October 1986 was not credited to the Consolidated Fund of India in terms of the Act.

(ii) The balances in the Fund continued to be operated under Coal Welfare Development Fund in the Public Account of India on year to year basis and reflected in the Finance Accounts of the Ministry till 2009-10.

(iii) The balances in the Fund account were being utilized to meet the establishment expenditure of a regional office of Pay and Accounts Office (RPAO) at Dhanbad of the Ministry of Coal on the plea that there was no separate budget for that office. An amount of ₹ 10.43 crore was spent unauthorisedly out of the fund between 1987-88 and 2009-10 as establishment expenditure.

(iv) Despite the Act of 1986, winding up the fund with effect from 1 October 1986, flow of receipts into the fund continued every year. At the end of year 1986-87, there was a balance of ₹ 7.56 crore in the fund. Between 1987-88 and 2009-10, there were further inflows of ₹ 14.30 crore into and outflows of ₹ 10.43 crore from the fund.

The Ministry failed to implement the provisions of the Coal Mines Labour Welfare Fund (Repeal) Act, 1986 even after 24 years of the same being passed by Parliament and continued to operate a dissolved fund to meet unauthorized expenditure, thus, undermining Parliament's authority over public expenditure. Besides, the expenditure figure of Ministry of Coal was understated throughout these years as establishment expenditure of RPAO, Dhanbad was not included in the expenditure figure booked in Consolidated Fund of India.

The matter was reported to the Ministry in October 2010; the reply was still awaited as of November 2010.

2.9 Continuation of significant changes in accounting procedure without consultation with C&AG

Audit had pointed out about the irregular way in which Ministry of Defence incurred/provided expenditure of ₹ 448 crore during 2005-06 to 2009-10 under a different object head 'Contribution' instead of 'Grant-in-Aid' for Canteen Stores Department without consultation with the Comptroller and Auditor General of India in Para No.2.8 of C&AG's Report No.1 for the year 2008-09 and in Para No.3.3 of Chapter III of Report No.14 of 2010-11 (Performance Audit of Canteen Stores Department).

This comment was also previously made in para 7.21 of C&AG's Reports No.1 of 2007 and in para 7.23 of No.13 of 2007. The above irregular practice diluted the financial control over utilization of these amounts as under the General Financial Rules, utilization certificates could be insisted only for 'Grants-in-Aid'. Though both the object heads 'Grants-in-Aid' and 'Contributions' are standardized object heads under Rule 8 of Delegation of Financial Power Rules, the object head 'Contributions' is intended to classify expenditure towards membership of international bodies. Separate object head exists for reflecting provisions for

Grants-in-Aid. Therefore, booking of CSD disbursements under 'Contribution' head is incorrect.

Ministry is yet to submit Action Taken Note even for the first time as of October 2010 for Audit Para No.2.8 of C&AG's Report No.1 for the year 2008-09: Accounts of the Union Government.

Ministry persisted with the irregular practice without taking any remedial /corrective action. The detail of irregular expenditure incurred/provided for during the period 2005-06 to 2010-11 under the Head 2075.00.108.01.00.32-Contributions is as under.

Table 2.1: Expenditure booked as Contribution

(₹ in crore)

Year	Amount of expenditure booked as 'Contribution' instead of 'Grants-in-Aid'
2005-06	77.38
2006-07	73.12
2007-08	91.82
2008-09	83.95
2009-10(BE)	114.01
2010-11(BE)	141.77
Total	**582.05**

Such a significant change in the accounting policy was made without consultation of Comptroller and Auditor General of India as required under the Constitution of India. It seriously diluted the accountability of such disbursements. It was particularly significant as such disbursements percolated to the Unit/formation and formed part of the unit's Regimental Fund. The grants-in-aid were credited to Regimental Fund by the Services and treated as non-public fund in the hands of the recipients for all purposes. The provision and booking of this expenditure under the object head 'Contribution' was incorrect as the nature of payment remained that of grants from the Consolidated Fund.

2.10 Departmentally Managed Government Undertakings - Position of Proforma Accounts

The General Financial Rules stipulate that the departmentally managed government undertakings of commercial or quasi commercial nature will maintain subsidiary accounts and proforma accounts as may be prescribed by the Government in consultation with Comptroller and Auditor General of India. There were 43 departmentally managed Government undertakings of commercial or quasi commercial nature as of March 2010. The financial results of these undertakings are ascertained annually by preparing Proforma Accounts generally consisting of Trading Account, Profit and Loss Account and Balance Sheet.

While the Government of India Press prepares Proforma Accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Stores Accounts. The position of the summarized financial results of the departmentally managed undertakings on the basis of their latest available accounts is given in **Appendix II-B.**

From the Appendix it will be seen that the proforma accounts were in arrears in respect of 37 undertakings for periods ranging from one to eleven years as shown below:

Table 2.2: Period for which Proforma Accounts are lying in arrears

No. of years	Period	No. of undertakings
1-3	2007-08 to 2009-10	26
4-7	2003-04 to 2006-07	8
8-11	1999-2000 to 2002-03	3
	Total	**37**

The three undertakings for which the proforma accounts were in arrears for a period of 8-11 years are Films Division (Ministry of Information and Broadcasting), Electricity Department, Andaman & Nicobar Islands (Ministry of Power) and Department of Publications (Ministry of Urban Development).

In the absence of proforma account, the cost of services provided by these organisations, which are intended to be managed on commercial basis could not be ascertained. It was also not possible to work out performance indicators like return on investment, profitability etc. for the activities undertaken by these entities.

2.11 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues written off /waived off during the year 2009-10 furnished by the ministries/departments, is given in **Appendix-II-C**. It will be seen from the appendix that in 218 cases, ₹ 4.02 crore were written off during 2009-10. During the year, recoveries waived and ex-gratia payment made in 138 cases aggregated to ₹ 1.02 crore.

2.12 Other observations

2.12.1 Understated Accounting of External Debt

External borrowings raised by the Government of India from lender countries or institutions abroad are recorded in Government Accounts at the historical rate of exchange, i.e. the rate prevailing on the date of transaction/receipt. On account of the subsequent changes in exchange rate the repayments are higher than the amount payable as worked out on the basis of accounts. This overpayment is reflected in the account as negative closing balance every year. Rest of the loans, which have not yet been fully repaid, appear in the account with positive balances. Subsequently, when the external debt is aggregated, it gets understated due to netting of negative and positive balances.

Similarly, the balances of debt obtained from a particular country also do not reflect the correct figure of debt because one particular country lends loans for a number of projects which are accounted for separately. Of these, loans on some projects have already been paid off, yet payment on account of exchange variations is being made which are accounted for as negative balance. This negative balance, when aggregated, understates the balances of outstanding debt from that particular country as well.

Thus, the figure of external debt of ₹ 1,34,083 crore, as appearing in the Finance accounts, do not reflect the actual dimension of outstanding external debt. As per the note below the Statement No. 14[4], the external debt at the current rate as at the end of March 2010 was ₹ 2,49,306 crore. Thus, the depiction of external debt in the accounts at historical rate of exchange is not a true reflection of liability.

The CGA stated that the negative balances were on account of exchange variation that would be cleared only when the loans were fully repaid. However, no reply was furnished with regard to actual dimension of external debt at the historical rate of exchange.

2.12.2 Non-finalisation of terms and conditions of loans advanced

Statement No.3[5] of the Finance Accounts, which contains the details of loans advanced by the Union Government, showed that ₹ 29.29 crore was advanced to Rajiv Gandhi Cancer Institute & Research Centre, New Delhi by Ministry of Health and Family Welfare and the earliest period to which loans relate was 1994-95, but the terms and conditions of loans advanced had not yet been finalized

It may be seen that even after a gap of 15 years of advancing the loan, the terms and conditions of loans had not been finalized. This reflected a non-serious approach of the administering Ministry with regard to the recovery and other aspects of the loans advanced.

The Controller General of Accounts (CGA) stated that the matter had been taken up by the Ministry of Health and Family Welfare with Ministry of Finance and

[4] Statement 14: Statement of debts and other interest bearing obligations of Government
[5] Statement 3: Loans and Advances by the Union Government

that audit would be intimated of further development in this regard. This issue was highlighted in Report No.1 of 2000 (para 8.11) and at that time also CGA's reply was same.

2.12.3 Non-allotment of numerical codes to minor head corresponding to the nomenclature of Programmes

In following cases no numerical codes have been allotted to minor head corresponding to the nomenclature of the 'Programmes' in Statement No.10[6] and Statement 14 of Finance Accounts as shown below:

Table 2.3: Non-allotment of numerical codes

S.No.	Major Head	Sub-major Head	Nomenclature of Programme
Statement No.10			
1.	4216	01	Houses for Economically Weaker Section and other Service class
2.	4216	01	Houses for Scheduled Castes and Scheduled Tribes
3.	4216	02	Industrial Housing
4.	4216	02	Housing for shifting of dwellers of Labour colonies
5.	4216	02	Canteen Stores Department
6.	4216	02	Removal of Jhuggi Jhonpri Scheme
7.	4216	02	Subsidised Industrial Housing Scheme
8.	4216	02	Schemes for Industrial Workers
9.	4216	02	Slum Improvement
10.	4216	02	Accommodation for Government Employees
11.	4216	02	D.D.A. for Acquisition and Development of Land
12.	4216	02	Housing for Oustees of Village, Attawa
13.	4701	01	Tikkarpara Naraj Dam
14.	4701	02	Daman Ganga Project
15.	4711	02	Daman Ganga Project
16.	4711	02	Dredging in River Brahmaputra
17.	4861	01	Final Enrichment Plant at Hazira
Statement No.14			
18.	6002	00	Miscellaneous Stores for Border Roads Organisation received from the Government of Japan under deferred payment credit

The Controller General of Accounts stated (September 2010) that the matter had been taken up with the concerned ministries/departments for the allotment of new minor heads and that audit would be intimated of further progress in this regard.

[6] Statement 10: Statement of expenditure on Capital Account during and to the end of the year

2.12.4 Non-depiction of loans given by Union Government

In Statement No. 3 of the Finance Accounts 2008-09 (and for earlier years), loans disbursed to the under mentioned States/Organizations were reflected. However, the details of these loans have been deleted from the Statement No. 3 for the year 2009-10 without giving an indication as to whether the loans outstanding from these States/Organizations had been received back/written off during the year 2009-10.

Table 2.4 (a): Non-depiction of loans in Finance Accounts-2009-10

S. No.	Ministry/ Department	State/UT/Organisation	Period to which loan relates	Total loans outstanding as on 31.3.2009 (₹ in lakh)
1.	PPG	Bihar	2000-01	29.50
2.	-do-	Nagaland	2007-08	31.95
3.	Information Technology	Central Electronics Ltd	1982-83	58.45
4.	Chemicals	Hindustan Insecticides Ltd	1981-82	909.00
5.	Heavy Industries	Burn Standard Co.	1985-86	8935.00
6.	-do-	Andrew Yule & Co	1992-93	13348.00
7.	-do-	Richardson and Cruddas Ltd	1981-82	10118.00
8.	-do-	Tungabhadra Steel Products	1980-81	9241.00
9.	-do-	Bharat Process and Mechanical Engineers Ltd	1981-82	1602.00
10.	-do-	Bharat Brakes and Valves Ltd	1979-80	327.00
11.	-do-	Bharat Yantra Nigam Ltd	1992-93	1852.00
12.	Science & Technology	INTAS	2004-05	350.00
13.	-do-	Biological E Ltd	2004-05	750.00
14.	-do-	Promed Exports	2004-05	200.00
15.	-do-	Virchow Biotech	2005-06	345.00
16.	-do-	Bharat Biotech International	2005-06	750.00
17.	-do-	Dabur Research Foundation	2004-05	200.00
18.	-do-	Dalmia Centre for R&D	2004-05	55.00
19.	Mines	Sikkim Mining Corporation	1991-92	54.00
20.	Steel	MECON Ltd	2006-07	107.00
21.	Shipping	Hindustan Shipyard Ltd	1982-83	14987.00
22.	-do-	Jawaharlal Nehru Port Trust	2003-04	959.04
23.	Railway	East Coach Railway	1973-74	0.76
24.	Urban Affairs	Hindustan Pre-fabs Ltd	1974-75	5395.00

Instead of replying about the current status of loans, the Controller General of Accounts stated (September 2010) that references had been made to the concerned ministries and that audit would be intimated on receipt of replies.

b) Further, the under-mentioned loans and advances paid during 2007-08 and earlier periods are appearing in the Finance Accounts for the year 2009-10 as fresh entry. The details of these loans and advances were not reflected in the Finance Accounts for the year 2008-09.

Table 2.4(b): Non-depiction of loans in Finance Accounts-2008-09

S. no.	Ministry/ Department	State/UT/Organisation	Period to which loan relates	Total loans outstanding as on 31.3.2010 (₹ in lakh)
1.	Chemicals and Petro-chemicals	Hindustan Insecticides Ltd	2005-06	3402.00
2.	Heavy Industries	Andrew Yule & Co	2007-08	5972.00
3.	-do-	Richardson and Cruddas Ltd	1990-91	10178.00
4.	-do-	Tungabhadra Steel Products	1972-73	9976.00
5.	Science & Technology	ABL Biotechnologies	2005-06	45.40
6.	-do-	Bharat Serums and Vaccines	2005-06	190.41
7.	-do-	Sudarshan Biotech Ltd	2005-06	22.40
8.	-do-	Biomix Network Ltd	2005-06	139.80
9.	-do-	Bigtec Pvt Ltd	2005-06	21.00
10.	-do-	Lupin Ltd	2005-06	114.46
11.	Shipping	Hindustan Shipyard Ltd	1995-96	31801.26
12.	-do-	Paradip Port Trust	1986-87	36786.00

Non-depiction of above loans in the Finance Accounts of 2008-09 reflects that Ministries/Departments are not maintaining and updating the Register of Loans in Form CAM-29 as provided for in para 4.29.1 of Civil Accounts Manual 2005 since loans disbursed as early as in 1972-73 to Tungabhadra Steel Products Ltd got reflected in the accounts in the year 2009-10.

In reply, the Controller General of Accounts stated that references had been made to the concerned Ministries and that audit would be intimated on receipt of replies.

2.12.5 Difference in disinvestment and adjustment thereof in the accounts

Receipt from the disinvestment of Union Government's equity holdings in public sector and other undertakings accounted for in the Finance Accounts for 2009-10 to the tune of ₹ 2232.81 crore. The value of equity so disinvested was required to be reduced from Statement No. 10 and 12[7] showing progressive outlay and Statement No. 11[8] showing Government's investments in equity/capital base of PSUs etc.

However, adjustment of only ₹ 1114.63 crore was effected in Statement 10 and 11 of Finance Accounts on account of disinvestment. Thus, there was a difference of ₹ 1118.18 crore between receipts of disinvestment and adjustment of disinvestment made in the accounts.

The Controller General of Accounts stated that a reference had been made in this regard to Ministry of Power to furnish information and that audit would be intimated on receipt of reply.

2.12.6 Non-adjustment of receipt of bonus shares in the accounts

A receipt of ₹ 982.82 crore was shown in the Statement No.8[9] of the Finance Accounts on account of Bonus Share. Against this amount, adjustment of only ₹ 972.48 crore had been shown in Statement No.11 against the Public Sector Undertaking (PSU) from whom Bonus Share has been received. Detail of PSU from which Bonus Share amounting to ₹ 10.34 crore was received is yet to be reflected in Statement No.11.

The Controller General of Accounts stated that a reference had been made to Ministry of Defence regarding the booking of remaining amount of ₹ 10.34 crore.

2.12.7 Merger of Air India and Indian Airlines

Government of India approved the merger of Air India and Indian Airlines in March 2007. Consequent to the above, a new company viz., National Aviation Company of India Limited (NACIL) was incorporated under the Companies Act, 1956. However, in Statement No.11 of the Finance Accounts of 2009-10, Air India with an investment of ₹ 153.84 crore, Indian Airlines with investment of ₹ 432.14 crore and NACIL with investment of ₹ 800.05 crore are being shown as separate companies.

Though the scheme of amalgamation of Air India Limited and Indian Airlines Limited with National Aviation Company of India Limited was approved by

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[7] Statement 12: Sector-wise capital expenditure and loans and advances during and upto year and sources of funding.
[8] Statement 11: Total investment in statutory corporations, Government companies etc.
[9] Statement 8: Detailed account of revenue receipts and capital receipts by minor heads.

the Board of Directors of all the three companies, in the Union Finance Accounts for the year 2009-10 they are being shown as three separate PSUs.

This issue was also highlighted in the last year's Audit Report but no discernible progress has yet been noticed nor has this been explained.

2.12.8 Incorrect depiction of loan to SDFC

Shipping Development Fund Committee (SDFC) was abolished with effect from December 1986 and its assets and liabilities stood transferred to Central Government in terms of Section 4 of SDFC (Abolition) Act, 1986. However, in Statement 15[10] of the Union Finance Accounts for the year 2009-10, a loan of ₹ 62.42 crore was still being shown as outstanding against SDFC. Since the assets and liabilities of SDFC had already been transferred to Central Government, it is not clear as to how the Central Government was showing an outstanding loan against itself.

The CGA stated (November 2010) that the matter had been referred to the Department of Economic Affairs for clarification.

2.12.9 Unreconciled discrepancy in the balance of Employees' Pension Fund

As per the Employees' Pension Scheme, 1995, the Central Government's contribution to the Employees' Pension Fund is to be kept in the Public Account of the Government of India. The Ministry of Labour and Employment issues sanctions in respect of Government's share of contribution (and for interest thereon) for necessary adjustments by the PAO in the Union Government accounts. The copies of the sanctions are also forwarded to Employees Provident Fund Organisation (EPFO) for making necessary entries in its Annual Accounts. As such, the balances of the Government's share of Pension contribution to the Employees' Pension Fund, as depicted in the Public Account and in the accounts of EPFO should agree.

Scrutiny of the records revealed that as per the annual accounts of EPFO for the year 2007-08, the closing balance of the Central Government's contribution (including interest) to the Pension Fund was ₹ 36,809.06 crore as against ₹ 36,939.04 crore depicted in the Union Government Finance Accounts for the year 2007-08, giving rise to a difference of ₹ 129.98 crore in the two financial documents.

[10] Statement 15: Statement of Loans and Advances by the Union Government

The Ministry had stated (January 2010) that the said difference of ₹ 129.98 crore had been reconciled and that this difference was due to overlapping of figures of Employees Deposits Linked Insurance Scheme (EDLI) under Employees' Pension Fund under the same Major Head '8342-Other Deposits' in the accounts up to year 1990-91 and that the correction would be reflected in Finance Accounts for the year 2009-10 after final reconciliation.

Further, the Ministry stated (October 2010) that the exact amount had not yet been arrived at and in the absence of actual amounts the correction could not be carried out.

This subject was also commented upon in the last year's Audit Report but no discernible progress has been noticed. Regular reconciliation is required to address this discrepancy.

2.12.10 Unsettled audit observations on the Finance Accounts of 2007-08

Despite a lapse of two years, the elaborate reasons on the following issues relating to the Finance Accounts for the year 2007-08 have not been furnished by Controller General of Accounts:

a) Investment in Nationalised Banks, as depicted in Statement No. 11 of Union Government Finance Accounts, was ₹ 15,915.55 crore as on 31.3.2007. On 31.3.2008 the investment came down to ₹ 11,806.97 crore with the reasoning indicated in the Finance Accounts as 'due to reconciliation'.

b) Investment in Hindustan Petroleum Corpn Ltd, as depicted in Statement No.11 of Union Government Finance Accounts, was reduced from ₹ 174.91 crore in 2006-07 to ₹ 173.08 crore in 2007-08 with the reasoning indicated in the Finance Accounts as 'due to reconciliation'.

During the audit of Finance Accounts for the year 2008-09, audit called for detailed reasons for difference in the figures of investments in the above cases. However, instead of furnishing the correct and detailed reasons, the Controller General of Accounts stated that the matter had already been referred to Ministry of Finance, Department of Economic Affairs and Ministry of Petroleum and Natural Gas and audit would be intimated on receipt of reply.

From the reply of the Controller General of Accounts, it could be concluded that it has been treated as a routine matter and to that extent reflecting the true and fair affairs of the Government transactions in the Finance Accounts has been compromised.

2.12.11 Non-updation of loan advanced by the Union Government

The same position is being depicted in Statement No.3 of the Finance Accounts over the years against the following outstanding loans with no change in their principal amount in arrears or in the total amount of outstanding loans.

(₹in lakh)

Ministry	States/Organisation	Principal in arrears	Total Loan outstanding	Earlier period to which loan relates
Industry	Madhya Pradesh, Assam, Jammu and Kashmir and Tripura	29.73	519.24	1992-93 to 1995-96

On being pointed out, the Controller General of Accounts furnished the routine reply that the matter had already been referred to the Ministry of Industry and that audit would be intimated of further development in this regard. Immediate attention to this issue is required to ensure that correct position is stated in the Accounts.

2.12.12 Conversion of loan into equity has not been reflected in the Accounts

In Statement No.3 of Finance Accounts, a loan amounting to ₹ 86.79 crore had been shown as converted into equity in respect of Birds Group of Companies. The effect of this conversion had not been reflected in Statements No.10, 11 and 12 of the Finance Accounts by raising the Governments equity in the PSU concerned.

On being pointed out, the Controller General of Accounts stated in a routine manner that a reference in this regard had been made to Ministry of Steel and that audit would be intimated on receipt of reply. Such issues, if attended to promptly, would enable more accuracy in the Accounts.

2.12.13 Operation of discontinued minor head

The minor head '111-Departmental Adjusting Account' under Major Head '8658-Suspense Accounts' became inoperative with effect from the accounts for the year 1982-83 in the books of Departmental Accounting Authorities. As per instructions issued by the Controller General of Accounts to the various accounts rendering authorities, the outstanding balances under this minor head was to be cleared by the end of 2008-09. However, in Statement No.13[11] of the Finance Accounts, the minor head continued to appear with an outstanding balance of ₹ 60.80 crore (Dr).

[11] Statement 13: Statement of receipts, disbursements and balances under debt, deposits remittances and contingency fund

The Controller General of Accounts stated that all the concerned authorities were being asked to liquidate the balances.

2.12.14 Non-opening of minor head

A Minor Head '8235-126- Central Electricity Regulatory Commission Fund' was inserted in the List of Major and Minor Heads of Account through Correction Slip No.669 dated 19 January 2009 effective from the financial year 2008-09. Yet the minor head had not been opened in the Public Account in Statement No.13 of the Finance Accounts for the year 2008-09 and 2009-10.

The Ministry stated that the other related heads for the operationalisation of CERC Fund had been opened recently and that the booking under the head would begin from the year 2010-11.

2.12.15 Investment in State Bank of India (SBI)

Subscription in the rights issue of SBI to the tune of ₹ 9,996.01 crore and acquisition cost of RBI stake in SBI to the tune of ₹ 35,531.33 crore has been shown as separate entries in Statement No.11 of Finance Accounts instead of merging them as one entry being investment in the State Bank of India.

The Controller General of Accounts stated a reference in this regard had been made to Department of Economic Affairs.

2.12.16 Non-updation of data on dividends received from PSUs

Statement No. 11 of Finance Accounts, details in respect of dividend/interest received from the PSUs and remarks column showing the up-to-date cumulative loss, in case of loss making PSUs, had not been updated in a number of PSUs. As a result, the financial statement does not reflect true and fair state of affairs in the PSUs.

The Controller General of Accounts stated that references in this regard had been made to concerned departments and that audit would be intimated on receipt of reply.

2.12.17 Incorrect information on the existence of National Dairy Development Board (NDDB)

In the remarks column of Statement No.11 of Finance Accounts, NDDB, Anand, a PSU under Ministry of Agriculture, was incorrectly stated to have been voluntarily dissolved and ceased to function. The NDDB, initially registered as a society under the Societies Act 1860, was merged with the erstwhile Indian Dairy

Corporation, Baroda, a company formed and registered under the Companies Act 1956, by an Act of Parliament - the NDDB Act 1987 (37 of 1987), with effect from 12 October, 1987 and is very much in existence.

The Controller General of Accounts stated that references in this regard had been made to Ministry of Agriculture to clarify the above remark and that audit would be intimated on receipt of reply.

2.12.18 Incorrect information in respect of Hindustan Shipyard Limited

In Statement No.11 of the Finance Accounts, Hindustan Shipyard Limited, a fully owned Government of India Undertaking, was being shown under the Ministry of Shipping, while Hindustan Shipyard Limited on their website proclaim that they are under the administrative control of the Ministry of Defence.

On being pointed out, the Controller General of Accounts stated that reference in this regard had been made to Ministry of Defence and audit would be intimated on receipt of reply.

2.12.19 Discrepancy in the amount of guarantee fee received

In Statement No. 4[12] of Finance Accounts showing the guarantees given by Union Government, the guarantee fee received from various institution for whom the Union Government stood as guarantor, had been shown as ₹ 445.92 crore while in Statement No.8 showing the receipts of Union Government, the guarantee fee received had been shown as ₹ 622.14 crore under the Head 0075-108-Guarantee Fee.

On being pointed out to reflect the details of guarantee fee for the remaining amount in Statement No.4, the Controller General of Accounts stated that reference in this regard had been made to Ministry of Finance and that audit would be intimated on receipt of reply.

2.13 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2009-10 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification, (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts, and (iii) persistent outstanding balances on account of lack of timely action for their clearance.

[12] Statement 4: Statement on Guarantees by Union Government

Audit conducted a general review of outstanding balances under Debt, Deposit, Remittance and Suspense heads and also carried out a detailed examination of records pertaining to the last five years in the office of CGA and five Principal Accounts Offices (Pr.AOs) viz. Central Board of Direct Taxes (CBDT), Ministry of Health & Family Welfare (MH&FW), Controller of Aid Accounts and Audit (CAA&A), Ministry of External Affairs (MEA) and Department of Economic Affairs(DEA). These Pr.AOs were selected on the basis of concentration of balances and their accumulation over the years. The Audit findings are reported below:

2.13.1 Outstanding balances under major Suspense accounts

Certain intermediary/adjusting heads of accounts known as 'Suspense heads' are operated in government accounts to reflect transactions of receipts and payments which cannot be booked to a final head of account due to lack of information as to their nature or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amount under them is booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately.

The ledger for suspense balances is to be maintained by Pay and Accounts Offices (PAOs) sub/ detailed head-wise, as may be necessary, and by Principal Accounts Offices minor head wise on the basis of figures furnished by the PAOs periodically. The Chief Controller/Controller of Accounts of concerned Principal Accounts Office is required to review the suspense balances and report to CGA for monitoring purposes.

The aggregate net balance under the Suspense Heads in the Union Finance Accounts including Civil, Defence, Railways, Posts and Telecommunications was ₹ 16,110.40 crore (debit) as on 31 March, 2010. This balance comprised of ₹ 4,795.53 crore (debit) in respect of Civil Ministries, ₹ 8,240.34 crore (debit) for Defence, ₹ 1,869.19 crore (debit) relating to Railways, ₹ 345.83 crore (debit) for Postal, ₹ 274.16 crore (credit) for Telecommunication and ₹ 1,133.68 crore (debit) in respect of Redemption of Government of India Compensation (Project Exports to Iraq) Bonds 2001. The Finance Accounts reflect the net balances under Suspense Heads and, therefore, the real magnitude of outstandings under these heads does not get reported in the annual accounts of the Government presented to the Parliament. The correct balances under these heads can be worked out only by aggregating the debit and credit balances separately under various Suspense Heads. Netting of debit/credit balances leads to significant understatement of Suspense balances in the Finance Accounts. This understatement takes place both at the minor head as well as major head level. The position of suspense balances under major suspense heads in respect of Civil Ministries (Major Head 8658) for the last five years is given below:

Table 2.5: Position of suspense balances under major suspense heads in respect of Civil Ministries

(₹ in crore)

Name of Minor Head	2005-06		2006-07		2007-08		2008-09		2009-10	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
101-PAO Suspense	1720.37	121.15	1844.33	692.30	2882.39	617.77	2512.92	524.57	2880.09	**1172.22**
Net	**(-) 599.22**		**(-) 1152.04**		**(-) 2264.62**		**(-) 1988.35**		**(-)1707.87**	
102-Suspense Account (Civil)	1013.92	308.14	1022.42	308.95	1087.28	10310.30	1608.78	1443.21	1942.11	**1447.74**
Net	**(-) 705.78**		**(-) 713.47**		**9223.02**		**(-) 165.57**		**(-)494.37**	
107-Cash Settlement	318.75	16.57	383.18	16.57	362.14	16.58	349.49	16.57	371.03	**16.57**
Net	**(-) 302.18**		**(-) 366.61**		**(-) 345.56**		**(-) 332.92**		**(-)354.46**	
108-PSB Suspense	1690.31	848.86	4979.41	1029.07	6517.28	782.19	3526.51	1942.36	2435.52	**1775.10**
Net	**(-) 841.45**		**(-) 3950.34**		**(-) 5735.09**		**(-) 1584.16**		**(-)660.42**	
109-Reserve Bank Suspense (HQ)	261.29	195.48	259.05	185.11	11.37	190.89	11.37	190.04	11.37	**185.26**
Net	**(-) 65.81**		**(-) 73.94**		**179.52**		**178.67**		**173.89**	
110-Reserve Bank Suspense Central Accounts Office	73.22	312.55	116.12	294.59	209.18	48.57	339.41	47.09	92.02	**128.83**
Net	**239.32**		**178.48**		**(-) 160.61**		**(-) 292.32**		**36.81**	
115-Purchase etc., abroad	1008.98	-	994.46	-	536.65	-	877.79	-	1894.85	**-**
Net	**(-) 1008.98**		**(-) 994.46**		**(-) 536.65**		**(-) 877.79**		**(-)1894.85**	
129-Material Purchase Settlement	124.73	74.00	127.62	96.17	156.31	107.84	167.82	115.88	195.25	143.11
Net	**(-) 50.74**		**(-) 31.45**		**(-) 48.47**		**(-) 51.94**		**(-)52.14**	
136-Custom Receipts Awaiting Transfer to Receipt Head	-	120.39	-	112.15	-	114.97	-	152.15	-	**145.47**
Net	**120.39**		**112.15**		**114.97**		**152.15**		**145.47**	
138-Other Nominated Banks (Private Sector Banks)	5.38	3.60	646.05	1449.94	2.34	170.68	1.55	40.38	2.88	100.70
Net	(-)1.78		803.89		168.34		38.83		**97.82**	

Note: (-) represents debit balance.

It would be seen that debit balances under Suspense Account (Civil), Suspense Account for Purchase Abroad, Material Purchase Settlement have increased in 2009-10 over the previous years. Similarly, credit balances under PAO Suspense and Material Purchase Settlement have also increased in 2009-10 over the previous years. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by CGA for effective monitoring of clearance of such balances.

PAO Suspense

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 either recoveries effected or payments made by an Accounts officer on behalf of another Accounts officer against whom the minor head “PAO Suspense” has been operated. Credit under the head is cleared by ‘minus credit’ when cheque is issued by the accounts officer in whose books initial recovery was accounted for. Debit under ‘PAO Suspense’ is cleared by ‘minus debit’ on receipt and realisation of cheque from the accounts officer on whose behalf payment was made. Outstanding debit balance under this head would mean that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the PAO on behalf of other PAO, which are yet to be paid.

In March 2010, the outstanding debit balance under this head was ₹ 2,880.09 crore and under credit was ₹ 1,172.22 crore. The outstanding balances were mainly in respect of Ministry of Supply ₹ 1,914.82 crore (Dr); Department of Economic Affairs: ₹ 629.05 crore (Cr); CBDT (Revenue): ₹ 290.82 crore (Dr), Ministry of External Affairs: ₹ 339.20 crore (Dr), Ministry of Road Transport and Highways: ₹ 280.51 crore (Cr); Department of Atomic Energy ₹ 122.73 crore (Cr), indicating the payments made (Dr) or received (Cr) by these departments /ministries on behalf of other PAOs which were yet to be recovered/paid by them as on 31 March 2010. The heavy debit and credit balances under PAO suspense and their continuous accumulation indicated significant control deficiencies.

Test check of the accounts of Principal Account Offices revealed that in MEA, ₹ 361.38 crore (Dr) and ₹ 22.18 crore (Cr) pertaining to the period 2000-01 to 2009-10 were outstanding which included ₹ 61.02 crore (Dr) and ₹ 74.30 crore (Cr) which were pending settlement for more than five years. In Department of

Economic Affairs, balances of (-) ₹ 3.51 crore (Debit) and ₹ 625.54 crore (Cr) were outstanding at the end of the year 2009-10 which included debit balance of (-) ₹ 0.15 crore and credit balance of (-) ₹ 0.04 crore which were pending for more than four years. The Pr.AOs did not provide any evidence regarding efforts made to clear the old balances.

Suspense Account (Civil)

This transitory minor head is operated for accounting of the transactions, which for the want of certain information/documents viz., vouchers, challans etc., cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts. Outstanding debit balance under this head would mean payments made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts received which could not be credited to the final receipt head for want of details.

The outstanding balance under this minor head as on 31 March 2010 was ₹ 1,447.74 crore (Cr) and ₹ 1,942.11 crore (Dr) indicating that receipts and expenditures of ₹ 3,389.85 crore, which were required to be handled individually for settlement, had not been booked to their final heads of account. The major balances outstanding pertained to Department of Economic Affairs ₹ 833.39 crore (Cr), Ministry of Home Affairs: ₹ 763.09 Crore (Dr); Ministry of External Affairs: ₹ 513.57 crore (Cr); High Commission: ₹ 435.76 crore (Dr) and Department of Commerce (Supply Division): ₹ 606.20 crore (Dr).

Test check of the balances in Principal Accounts Offices revealed that in Department of Economic Affairs, balance of ₹ 1.53 crore (Dr) and ₹ 834.92 crore (Cr) were outstanding at the end of the year 2009-10 which included debit balance of ₹ 0.17 crore and credit balance of ₹ 209.92 crore which were pending for more than four years. In CBDT, balance of ₹ 8.33 crore (Dr) and ₹ 0.04 crore (Cr) were outstanding pertaining to the period from 1991-92 to 2009-10 which included ₹ 0.05 crore (Dr) which were pending settlement for more than five years. The Pr. AOs did not furnish any reply on the efforts made to clear old outstanding balances.

Suspense account for purchases abroad

The minor head 'Suspense accounts for purchases abroad' is operated in the books of Controller of Aid Accounts and Audit (CAA&A), Ministry of Finance (Department of Economic Affairs). The government advises the donor to make payments directly to the supplier abroad against the supplies made to the project authorities/ importers and an equal amount is kept under the suspense head till the payment is received from the concerned Line Ministry. The debit balance under this head indicates the amount, which is yet to be recovered from the importers/project authorities, although the Government has already made the payment for these imports.

In 2009-10, suspense accounts balance for purchases abroad was ₹ 1,894.85 crore. Major debtors as on 31st March 2010 were Helicopter Corporation of India Ltd. (₹ 67.24 crore); Pawan Hans Ltd. (₹ 57.44 crore); Pyrites, Phosphates and Chemicals Ltd. (₹ 24.95 crore); Coal India Ltd.(WB) (₹ 23.18 crore); and seven Government Ministries (₹ 216.11 crore). It was also observed that ₹ 235.95 crore was outstanding from different organisations since 2001. A list showing the details of amounts outstanding since 2001 in respect of major importers is given in **Appendix II-D**. It was noticed from the information made available by the department that subsequent payments had been made on behalf of various importers/project authorities while the payments for earlier purchases were still due from them. Concrete steps need to be taken by CAA&A for recovery of the outstanding amounts.

An audit paragraph on this subject was included in the C&AG's Report No. 1 for the year 2008-09. The Ministry, in their Action Taken Note, stated that the outstanding suspense amount was being tracked efficiently and the matter was being regularly pursued with the importers. It also stated that an amount of ₹ 534.72 crore had been cleared up to 31.05.2010.

Public Sector Bank Suspense

In the government accounting system, the designated banks conduct government business on behalf of the Reserve Bank of India. When a cheque is issued for payment of a bill, the amount is debited to the final head of account. When the cheque is encashed by a public sector bank, it initially pays the amount from its own cash balance and then claims reimbursement from the Central Accounts Section (CAS), RBI Nagpur which maintains the account of each ministry/department. Similarly, when government receipts are paid into the designated/accredited bank, it passes on the proceeds to the Central Accounts Section, RBI Nagpur. As there is a time lag in booking of a Government transaction carried out by the bank, in government cash balances, the minor head 'Public Sector Bank Suspense' is operated in government books to account for the transactions awaiting settlement. On receipt of accounts from RBI (CAS), Nagpur the original booking under PSB Suspense is cleared by (-) credit/(-) debit, as the case may be. These amounts are not reflected in the cash balance of the

Government.

The outstanding PSB balance for the year ending 31st March 2010 aggregated to ₹ 2,435.52 crore (Dr) and ₹ 1,775.10 crore (Cr). The departments against which major balances were outstanding were Department of Revenue ₹ 352.77 crore (Cr); Central Pension Accounting Office; ₹ 754.71 crore (Cr.); Ministry of Road Transport & High ways: ₹ 83.39 crore (Cr); CBEC: ₹ 209.36 crore (Dr); Ministry of Home Affairs ₹ 161.76 crore (Cr), and CBDT (Revenue): ₹ 1,414.48 crore (Dr). The debit and credit balance under this minor head had increased over the years thus adversely affecting the correct disclosure of Government cash balances in the accounts. Efforts made for clearing the balances were called for but no reply was furnished to audit.

Test check of balances in Principal Accounts Offices revealed that in CBDT, balances of ₹ 945.66 crore (Dr) and (-) ₹ 449.57 crore (Cr) were outstanding at the end of the year 2009-10 which included debit balance of ₹ 43.35 crore and credit balance of ₹ 31.87 crore which were pending for more than 20 years. In Department of Economic Affairs, balance of (-) ₹ 6.13 crore (Dr) and ₹ 0.82 crore (Cr) were outstanding at the end of the year 2009-10 which included debit balance of ₹ 3.26 crore and credit balance of (-) ₹ 0.76 crore which were pending settlement for than three years.

Reserve Bank Suspense, Central Accounts Office

This minor head is operated in the books of Union Government for payments of loans, grants-in-aid, share of income tax and share of Union Excise Duty to the State Governments. When the payment is authorised, the respective expenditure head is debited and credit is afforded to this head. On receipt of monthly statements of accounts from RBI adjusting the account of Union Government, the minor head is minus credited by crediting 8675-Deposits with RBI-101-Central Civil. At the time of repayment of loan and payment of interest thereon by the State Government, this head is debited by crediting the loans/interest head. On receipt of monthly statement of accounts from RBI (CAS) Nagpur the head is minus debited by per contra debit to 8675-Deposits with RBI-101-Central Civil. The outstanding balance under this minor head as on 31 March 2010 was ₹ 92.02 crore (Dr) and ₹ 128.83 crore (Cr). The outstanding RBI (CAO) suspense balances were mainly against the Department of Supply: ₹ 82.88 crore (Cr): Ministry of Minority Affairs: ₹ 54.77 crore (Dr) and Ministry of External affairs ₹ 14.53 crore (Dr).

Test check of balances in Principal Accounts Offices revealed that in MEA, balance of (-) ₹ 0.09 crore (Dr.) and (-) ₹ 14.62 crore (Cr) were outstanding at the end of the year 2009-10 which included debit balance of (-) ₹ 0.09 crore and credit balance of ₹ 5.94 crore which pertained to the year 2007-08.

2.13.2 Large number of adverse balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced.

In the Finance Accounts of the Union Government for the year 2009-10, there are 51 cases of adverse balances under debt, deposit and remittances heads as given in **Appendix II-E.** Out of these, four balances became adverse during the year 2009-10 and 47 cases figured in the Finance Accounts of earlier years. These include 22 cases outstanding for more than five years, 11 for more than 10 years and four cases are more than 20 years old. Though the footnotes to the adverse balances in the Finance Accounts mentioned that they were under investigation, the findings of such investigation by the CGA and subordinate offices and the efforts made to clear them were not made available to Audit.

Adverse balances at the minor head level represent the aggregate effect of the balances of various account circles taken together. At unit/account circle's level, adverse balances appear in the books of PAOs and Pr.AOs also but many of these adverse balances get eclipsed since these balances get aggregated when the accounts of the accounting circles are consolidated. For example, audit of the five selected Pr.AOs of Department of Economic Affairs, CBDT, MEA, MH&FW, and CAA&A revealed that there were 19 heads of accounts with adverse balances at the end of year 2009-10 nine of which have not been reflected in the 51 cases of adverse balances mentioned above. The adverse balances noticed during the audit of Pr.AOs are given in **Appendix II-F.** The observations on the adverse balances in Pr. PAOs are given below.

(i) Principal Chief Controller of Accounts- MEA

Scrutiny of records in Pr. CCA,MEA disclosed that an adverse balance of ₹ 19.40 crore (Dr) was lying uncleared under the head 8443- Civil Deposits-113 'Deposit for Purchase Abroad etc.' at the end of the year 2009-10 for more than 27 years. Out of the total outstanding amount of ₹ 19.40 crore, ₹ 13.94 crore pertains to SAIL. This was pointed out in the C&AG's Report No. CA-13 for the year 2007-08 but the claim still remains to be settled. Further, an adverse balance of ₹ 26.03 crore (Dr) was appearing under the head 8443- Civil Deposits-117-'Deposits for Work Done for Public Bodies or Private Individuals'. Payments made by missions/ports on behalf of public bodies or private individuals are booked under this head. Debit balance under this head reflects that an amount of ₹ 26.03 crore has been spent/booked by the missions on behalf of public bodies/ private individuals in excess of the deposits under this head. The Pr. AO has stated that an amount of ₹ 1.75 crore pertains to BSNL which was incurred by Embassy of India, Kathmandu during the period from 01.10.2000 to 31.08.2005 towards Salary, TA etc. on the personnel of Telecom Department, Government of India posted there. Details of the rest of the amount and the period since this amount was pending were not furnished by the Pr.AO.

(ii) Controller of Aid, Accounts and Audit-CAA&A

The adverse balances of ₹ 62.77 crore in the accounts of Controller of Aid, Accounts and Audit under the major head 6002 –External Debts at the end of the year 2009-10 was due to exchange losses at the time of repayment of loans. An audit paragraph on this subject was included in the C&AG's Report No. 1 for the year 2008-09. The Ministry, in their action taken note stated that adverse balance in respect of 7 countries/donors had been cleared and action to write off adverse balance of other cases would be taken as and when each individual loan extended by a donor was fully repaid according to amortization schedule of each agreement.

(iii) Principal Chief Controller of Accounts- CBDT

There was an adverse balance of ₹ (-) 8.72 lakh (Dr) under the head '7610.203-Advance for purchase of other conveyance' since 2003-04. The Principal CCA stated that the matter had been taken up with the Zonal Accounts Offices for early settlement.

(iv) Controller of Accounts- DEA

Scrutiny of records in the office of Chief Controller of Accounts, Department of Economic Affairs revealed that an adverse balance of ₹ 294.12 crore was lying under the head 7052-02-101-Loans to Shipping Development Fund Committee, which has been appearing in the accounts since 2002-03 due to incorrect classification of interest amount as principal amount. This had already been pointed out in para 2.9.2 (ii) of CAG's Audit Report No. CA-13 for the year 2007-08 but the adverse balance still persists. The Pr.AO stated that the adverse balance would be settled in the financial year 2010-11. Further, huge adverse balances of ₹ 13.58 crore (Cr) under the head 7605-Advance to Foreign Governments (052-Tukmenistan, 053-Kyrqhyztan, 058-Uzbekistan); ₹ 62 crore (Dr) under the head 8013.01.101-'Deposits Scheme for Retiring Government Employees' and ₹ 109.02 crore (Dr) under the head 8342.120-'Misc. Deposits' were also lying uncleared at the end of the year 2009-10. The adverse balances were appearing in the accounts for more than three years. The Pr.AO stated that adverse balance under the head 7605 was due to exchange rate fluctuation and interest receipt wrongly booked as principal whereas the other adverse balances were due to misclassification by the PAOs and efforts were being made to liquidate the balances.

(v) Chief Controller of Accounts, MH&FW

There was an adverse balance of ₹ 0.57 crore (Dr) under the head 8342.00.117-Defined Contributory Pension Scheme for Government Employees. The Pr.AO stated that adverse balance was due to more payment in the year 2007-08 than the receipts up to the year 2007-08 and the matter would be taken up with the PAOs to rectify the same.

2.13.3 Outstanding balances under the head "Cheques and Bills"

This head is an intermediary accounting head for initial record of transactions, which are eventually to be cleared. Under the scheme of departmentalization of accounts, payment of claims against Government is made by Pay and Accounts Offices of different ministries/departments by cheques drawn on branches of RBI or accredited banks.

When claims are preferred in the appropriate bill to the PAO/departmental officer, the payment is authorized through issue of cheques, after exercising the prescribed checks and recording of pay order. At the end of each month, the major head 8670 –Cheques and Bills is credited by the total amount of the cheques delivered. On receipt of Date-wise Monthly Statement (DMS)/Monthly Statement of Balances from Public Sector Bank/RBI (CAS), Nagpur showing the payments made by them against the cheques issued, the head 8670-Cheques and Bills is minus credited and credit is afforded to 8658-108-PSB Suspense/8675-101-Deposits with Reserve Bank-Central Civil, as the case may be.

In the Finance Accounts for 2009-10, large balances are lying outstanding under the following minor heads of 'Cheques and Bills'

(₹ in crore)

Pre Audit Cheques	Cr	0.41
Pay and Accounts Office Cheques	Cr	8729.50
Departmental Cheques	Cr	394.07
Treasury Cheques	Cr	4.59
IRLA Cheques	Cr	0.59
Telecommunication Accounts Cheques	Cr	1380.42
Postal Cheques	Cr	6107.36
Railway cheques	Cr	2851.61
Defence Cheques	Cr	4089.93
Electronic advices	Dr	40.91
Pay and Accounts Offices Electronic advices	Cr	40.61

Rule 45 of Receipt and Payment Rules, 1983 envisages that a cheque shall be payable at any time within three months after the month of issue. Further, Rule 47(2) envisages that cheques remaining unpaid for a period of six months after the month of their issue, and not surrendered for renewal, are to be reversed and cancelled by minus crediting '8670-Cheques & Bills' and minus debiting the functional major/minor head to which the expenditure was originally debited and the amount is to be written back in the accounts.

Such large outstanding amounts under different minor heads reflect that the accounting authorities are not taking necessary action as required to be taken under the rules. To the extent the amounts outstanding under the 'Cheques and Bills', the Government cash balance stands overstated. In reply, CGA in October 2010, stated that instructions were being issued to the concerned CCAs to write back the cheques outstanding for more than three months.

Test check of the five Principal Accounts Offices revealed that 6574 cheques amounting to ₹ 166.15 crore in MEA, 2251 cheques amounting to ₹ 8.22 crore in MH & FW, 7565 cheques amounting to ₹ 16.06 crore in CBDT and 863 cheques amounting to ₹ 1.06 crore in DEA had remained unpaid for more than six months but had not been cancelled by the Pr AOs.

2.13.4 Review of balances not carried out by Principal Accounts Offices

As per Civil Accounts Manual, at the close of a financial year the PAOs shall review and verify the balances under various DDR heads and ascertain, wherever necessary, whether the correctness of the balances is accepted by the persons/parties by whom the balances are owned or to whom these are due and are required to furnish annually by 15 September each year, a detailed statement showing the unreconciled differences and the cases where acceptance of balances are awaited. The Principal Accounts Officer, in turn, is required to send a consolidated report for the ministry/ department as a whole to the Controller General of Accounts by 15 October each year. The purpose of conducting this review is to ascertain the quality of maintenance of various books of accounts and reconcile the figures of debt, deposits and remittances.

In respect of civil departments, the review of balances for the year 2005-06, 2006-07, 2007-08 and 2008-09 was completed only in 20, 26, 36 and 38 departments respectively, out of a total 68 Principal Accounts Offices.

Failure to carry out review of balances and lack of timely action by the Pr. AOs is reflected in adverse balances lying outstanding for many years as, brought out in the preceding paragraphs.

It is recommended that the Ministry of Finance may put in place a more effective control mechanism for constant review and timely action for clearance/settlement of balances under DDR and Suspense heads to improve accuracy and quality of Government Accounts.

The CGA office in reply to the audit observation from **para 2.13.1 to 2.13.4** has stated (November, 2010) that a Work Group had been formed to look into the old suspense balances and to make efforts to clear / write off the same at the earliest.