2: Comments on Finance Accounts

2.1 Introduction

Comments relating to significant deficiencies in the presentation (accuracy, completeness and transparency) of the Union Government Finance Accounts are given in the succeeding paragraphs. Comments arising from the audit of Appropriation Accounts are included in Chapters 3, 4 and 5 of this Report. Observations on regularity, economy, efficiency and effectiveness of Government spending are incorporated in compliance and performance audit reports being presented separately to Parliament.

2.2 Issues of transparency

2.2.1 Opaqueness in Government Account

(a) Opaqueness in Minor Head 800-Other Expenditure

Scrutiny of Union Government Finance Accounts for the year 2016-17 revealed that under 13 Major Heads of accounts (representing functions of the Government), an expenditure of ₹ 5,078.62 crore, out of total expenditure of ₹ 6,193.77 crore, was classified under the Minor head '800-Other Expenditure' in the accounts. This constituted more than 50 *per cent* of the total expenditure recorded under the respective Major Heads. This resulted in opaqueness in the accounts, as 800-Other Expenditure classification does not reveal the purpose for which the expenditure was incurred. Some of the functions where such opaqueness existed are Capital Outlays on Other Communication Services, Flood Control and Drainage, Special areas Programmes (NER), Minor Irrigation and Non- Ferrous Mining and Metallurgical Industries. Details of the 13 Major Heads are given in **Annexure 2.1**.

A few cases where the expenditure was of higher value but constituted less than 50 *per cent* of the total expenditure were not depicted distinctly in the Finance Accounts but merged under the Minor head 'Other Expenditure'. These included National Mission for Justice Delivery and Legal Reforms (₹ 352.24 crore), Pakal Dul Project-Jammu Kashmir State Power Development Corporation Ltd (₹ 200 crore), Support to Central Public Sector Enterprise (₹ 5,377.14 crore), Development of Automobile Industries (₹ 576.87 crore), Awards to Distinguished Metallurgists (₹ 200.24 crore), Rural Electrification (₹ 598.78 crore), and OFC based Network for Defence Services (₹ 3,210 crore).

This aspect was commented upon in the Reports of the Comptroller and Auditor General of India on the Accounts of the Union Government for the years ended 2007-08 to 2015-16 with the recommendation that the Government may conduct a comprehensive review of the structure of Government Accounts to achieve greater transparency in financial reporting. However, instead of restructuring the accounts to reflect the current activities of the Government by opening separate minor head for significant initiatives, the Controller General of Accounts(CGA) has inserted footnotes in the Finance Accounts, giving details of expenditure on significant initiatives merged under the Minor Head '800-Other Expenditure' as an interim measure.

(b) Opaqueness in Minor Head 800-Other Receipts

Scrutiny of Union Government Finance Accounts for the year 2016-17 revealed that under 22 Major Heads of accounts, receipts of ₹ 38,520.91 crore, out of total receipt of ₹ 62,046.77 crore were classified under the Minor head '800-Other Receipts'. This constitutes more than 50 *per cent* of the total receipts recorded under the respective Major Heads. This resulted in opaqueness in the accounts, as it does not bring out specific sources of revenue of the Government. Some of the functions where opaqueness in receipts exists are Defence Services-Research & Development, Other Rural Development Program, Coal & Lignite, Social Security & Welfare, Interest Receipts, Other Fiscal Services and Road Transport. Details of the 22 Major Heads are given in **Annexure 2.2**.

This aspect had been commented upon in the Report No. 34 of 2016 of the Comptroller and Auditor General of India on the Accounts of the Union Government for the year 2015-2016 with the recommendation that the Government may conduct a comprehensive review of the structure of Government Accounts and open separate minor heads for recording the transactions under significant stream of receipts for greater transparency in financial reporting.

2.2.2 Public Fund lying outside Government Account

In January 2005, the Ministry of Finance, Department of Economic Affairs (DEA) directed[1] all Ministries and Departments of the Government to ensure that funds of regulatory bodies were maintained in the Public Account. However, it was observed that funds of certain regulatory bodies and some funds of the Telecom Regulatory Authority of India are lying outside the Government Account as detailed below.

a) Funds of Regulatory bodies lying outside Government Account

Scrutiny of annual accounts of 14 regulatory bodies and autonomous bodies showed that these bodies had retained funds of ₹ 6,064.08 crore at the end of March 2017, that had been generated through fee charges, unspent grants received from Government of India, interest accrued on Government grants, receipt of license fees and corpus fund outside the Government Account. Details of 14 regulatory bodies are given in **Annexure 2.3.**

[1] Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division), O.M.No.F.1(30)-B(AC)/2004 dated 7 January 2005

Such retention of funds outside Government Account had been commented upon in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the years ended 2007-08 to 2015-16.

The Ministry of Finance in its Action Taken Notes (ATN) stated (September 2011) that separate funds with the nomenclatures 'The Securities and Exchange Board of India (SEBI) Fund' and 'The Insurance Regulatory and Development Authority (IRDA) Fund' would be opened for SEBI and IRDA respectively under Major Head '8235-General and other Reserve Fund' in the non-interest bearing section of the Public Account of India, for operationalising the funds in the Government Account.

In respect of SEBI and IRDA, the SEBI General Fund was opened in the Public Account effective from 2013-14.

Department of Economic Affairs (DEA) in its oral submission before the Public Accounts Committee with regard to SEBI stated (January 2016) that the matter has once again been referred to the Ministry of Law for final settlement of the issue. The Chairman, SEBI, stated in October 2016 that any insistence on keeping SEBI funds in Government account would seriously undermine the autonomy of SEBI and would militate against the basic canons of governance of markets by statutory regulators as envisaged under the SEBI Act. The reply was not accepted by Audit as the CGA had created the SEBI General Fund in the Government account in June 2014 effective from 2013-14. However, the fund had not been made operational even in the accounts of 2016-17.

In July 2017, DEA in its ATN stated that as per the opinion of the Ld. Attorney General of India dated 13 October 2014, "SEBI is not obliged to remit its fund from its General Fund to the Public Fund Account under Article 266(2) of the Constitution of India. Therefore, it would not be appropriate to deviate from the legislative intent of the Parliament as elucidated in Section 14 of SEBI Act, 1992". DEA added that in order to address the issue of accumulation of huge surplus funds, the department was considering to amend the SEBI Act to the effect that surplus funds of SEBI might be transferred to the Consolidated Fund of India as in the case of RBI.

Audit noted that DEA had already taken the view of Department of Legal Affairs in July 2010 wherein Ministry of Law and Justice had opined that all funds received by SEBI are public money and all public money received on behalf of Government of India would be part of Public Account as defined under Article 266(2) of the Constitution. However, the views of the Department of Legal Affairs, Ministry of Law, on the subsequent opinion of the Ld. Attorney General was awaited.

Further, the Office Memorandum F-1(30)-B(AC)/2004 dated 7 January 2005, paragraph 2(iv) of the Ministry of Finance stipulates that "funds of regulatory bodies may also be maintained in the Public Account but operated in such a manner as will protect their independent status". As such, keeping public money outside the Government account is in violation of Government instructions and undermines Parliamentary oversight.

(b) Retention of TRAI General Fund outside Government Account

Section 22 of TRAI Act, 1997, stipulates that:

(1) There shall be constituted a Fund to be called the Telecom Regulatory Authority of India General Fund and there shall be credited thereto:

(a) all grants, fees and charges received by the Authority under this Act, and

(b) all sums received by the Authority from such other sources as may be decided upon by the Central Government.

According to the above provision, all these sums were to be credited to the TRAI General Fund maintained by the Department of Telecommunications under Public Account.

TRAI levied and collected ₹ 14.74 crore on account of penalty from telemarketers (₹ 0.20 crore), customer education fee (₹ 1.22 crore) and financial disincentive (₹ 13.32 crore) during 2016-17. However, these sums were retained by the TRAI and total amount was shown as 'Current Assets' in its accounts and credited in saving account. This resulted in understatement of receipts of Telecom Regulatory Authority of India General Fund under Public Account by ₹ 14.74 crore. This issue was also pointed out in C&AG's Audit Report No. 50 of 2015 and Report No. 34 of 2016.

The Department stated (August 2017) that reference had been issued to TRAI to enquire whether the amount of fee, etc. received in financial year 2016-17 had been remitted to DoT; if not, the same would be remitted immediately to TRAI General Fund.

2.3 Observations with regard to Public Account

2.3.1 Under-utilisation of Cess collected under Research & Development Cess Fund

The Research and Development Cess Act was enacted in 1986 to provide for levy and collection of cess on all payments made for import of technology to encourage commercial application of indigenously developed technology, for adapting imported technology for wider domestic application and for matters connected therewith or incidental thereto. Section 3 of the Act provides for collection of cess at such rates not exceeding five *per cent* to be levied and collected on all payments made towards import of technology, as the Central Government may, from time to time, specify, by notification, in the official Gazette. The Act enables the creation of a Fund for Technology Development and Application to be administered by Technology Development Board (TDB). The Fund is maintained outside the Government account and is credited with the grants released by the Government of India out of cess collected on the import of technology by the industrial concerns under the provisions of the Act, as amended in 1995. The Research and Development Cess collection is administered by the Department of Science & Technology. Section 4 of the Act requires the proceeds of the cess levied and collected to be credited initially to the Consolidated Fund of India and Government may, with the approval of the Parliament, pay to the Development Bank (erstwhile Industrial Development Bank of India in this case) such sums required to be utilized for the purposes of the fund.

It was observed that cess amounting to ₹ 7,885.54 crore was collected during the period 1996-97 to 2016-17, out of which, ₹ 609.46 crore (7.73 *per cent*) were disbursed to TDB as Grants-in-aid during the same period. In 2016-17, against a total collection of ₹ 1,187.24 crore, ₹ 30.30 crore, *viz* 2.55 *per cent* only was given as grant to the TDB. TDB, in turn, disbursed financial assistance and loans of ₹ 1,407.49 crore to industrial concerns attempting commercial applications of indigenous technology or adapting imported technology for wide domestic applications out of the funds made available by the Government.

The matter of under-utilisation of the proceeds for the desired objectives and the levy of cess at the rate being collected had been raised in previous years' CAG's Audit Reports also.

In response, the TDB stated (June 2017) that R&D cess has not been released to TDB by the Ministry. They added that the TDB had also approached the Ministry of Science and Technology on various occasions seeking additional budget allocation from R&D Fund. However, till June 2017 no further funds had been allocated to TDB.

Non-release of R&D cess fund to the TDB has resulted in under-utilisation of cess.

2.3.2 Rashtriya Swachhata Kosh

Notification of Ministry of Drinking Water and Sanitation dated 11th February, 2016, stipulates that Swachh Bharat Cess (Cess) levied at the rate of 0.5 *per cent* on all services, should be credited to a dedicated non-lapsable fund '8235.135-Rashtriya Swachhata Kosh' (RSK). It further lays down that RSK shall be maintained by the Ministry of Drinking Water and Sanitation and all proceeds of the cess shall be credited to RSK after due approval of Parliament. The proceeds of cess thus transferred to RSK will be utilised by (i) Ministry of Drinking Water and Sanitation and (ii) Ministry of Urban Development. Further, funds accruing into

RSK would be distributed between two sub-missions i.e. Swachh Bharat Mission (Gramin) and Swachh Bharat Mission (Urban) in the ratio of 80:20.

Scrutiny of Finance Accounts for the period 2015-16 and 2016-17 revealed that against the total collection of ₹ 16,401.13 crore (₹ 3,925.74 crore for 2015-16 and ₹ 12,475.39 crore for 2016-17), only ₹ 12,400 crore (₹ 2,400 crore for 2015-16 and ₹ 10,000 crore for 2016-17) has been credited to RSK. This has resulted in short transfer of cess proceeds of ₹ 4,001.13 crore into RSK. The rules stipulated that the resources of RSK was to be distributed in the ratio of 80:20 between Swachh Bharat Mission (Gramin) and Swachh Bharat Mission (Urban). However, the Ministry of Drinking Water and Sanitation expended the entire amount on Swachh Bharat Mission (Gramin) without leaving any provision for Swachh Bharat Mission (Urban). Further, during 2016-17, since the opening balance of the RSK was adverse by an amount of ₹ 159.42 crore, expenditure of the entire amount of receipt of ₹ 12,400 crore in 2015-16 and 2016-17 resulted in ₹ 159.38 crore remaining adverse balance.

2.3.3 Secondary and Higher Education Cess

The Secondary and Higher Education Cess (SHEC) was introduced in the Finance Act, 2007, to fulfil the commitment of Secondary and Higher Education.

Scrutiny of the Union Finance Accounts for the period 2006-07 to 2016-17 revealed that a total collection of SHEC of ₹ 83,497 crore has been made and is being credited in the CFI without creating any reserve fund in Public Account.

Unlike the creation of Prarambhik Siksha Kosh in the case of primary/elementary education cess, for the SHEC neither a Fund was designated to deposit the proceeds of SHEC nor were schemes identified on which the cess proceeds were to be spent. Consequently, the commitment of furthering Secondary and Higher Education Cess as envisaged in the Finance Act was not transparently ascertainable.

The matter of non-creation of Fund and non-identification of schemes was raised in previous years' Report but the trend is persistent.

2.3.4 National Clean Energy Fund

National Clean Energy Fund (NCEF) was established in 2010-11 for funding research and innovative projects in clean energy technology by levying a Clean Energy Cess on coal produced in India and imported coal.

A total of ₹ 53,967.23 crore was collected as Clean Energy Cess[2] during the years 2010-11 to 2016-17. Against this, only ₹ 15,483.21 crore (28.69 *per cent*) had been transferred through head of account 2810.797-Transfer to Reserve Fund to the

[2] MH 0038.03.112-Clean Energy Cess

National Clean Energy Fund[3] in the Public Account, resulting in short transfer of Cess to the earmarked Fund by ₹ 38,484.02 crore (71.31 *per cent*).

The Ministry stated (August 2017) stated that the transfer to NCEF is done keeping in view the absorption/utilisation capacity of the Ministries/ Departments. The Ministry added that the Standing Committee on Finance had recommended in its Report No. 2 (16th Lok Sabha) on the Demand for Grants 2014-15 to transfer the unutilised funds/funds kept idle for more than two years to Consolidated Fund of India so that these funds could be utilised for other prioritised schemes.

The above reply of the Ministry is not tenable since the funds generated through levy of clean energy cess is required to be transferred to the Fund (maintained in the Public Account of India) by making budget provision under CFI.

The issue had been pointed out in CAG's Report No. 1 of 2013, 2014, Report No. 50 of 2015 and Report No. 34 of 2016 but no perceptible action has been taken.

2.3.5 Short transfer of Cess to Central Road Fund (CRF)

Para 4 of the Central Road Fund Act, 2004, stipulates that the proceeds of the cess levied under Section 3 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the CRF from time to time, after deducting the expenses of collection, for being utilized exclusively for the purposes of this Act.

Examination of Statement No. 8 of Union Government Finance Accounts for the years 2010-11 to 2016-17 revealed that against the total collection of ₹ 2,43,081.78 crore, only ₹ 1,94,951.07 crore was transferred to the CRF (Head 8224.00.101) in Public Account resulting in short transfer of ₹ 48,130.71 crore.

Since the cess is levied for a specific purpose, the entire cess collection should be transferred to the designated Fund in the Public Account. Comment on this issue has been continuously reported in the CAG's Audit Reports No. 1 of 2013, 2014, 2015**,** CAG's Audit Report No. 50 of 2015 and Report No. 34 of 2016.

2.3.6 Short transfer of Cess to other earmarked funds in Public Account

Scrutiny of Statements No. 8 and 13 of Union Government Finance Accounts for the financial year 2016-17 showed that Cess amounting to ₹ 8,376.76 crore collected on certain items during the year were not transferred fully to the earmarked funds in the Public Account. The details of short transfer of cess of are given in **Table 2.1.**

[3] MH 8235.129-National Clean Energy Fund

Table 2.1: Short transfer of Cess

(₹ in crore)

Sl. No.	Receipt of Cess		Transfer to Public Account		Short transfer
	Name of Cess/Receipt head	Amount	Name of Fund	Amount	
1.	Primary Education Cess	20219.88	Prarambhik Siksha Kosh (8229.127)	19732.47	487.41
2.	Cess on Sugar (0038.04.119)	2881.61	Sugar Development Fund (8229.00.105)	2312.81	568.80
3.	Krishi Kalyan Cess (0028.507/0044.507)	8379.16	Krishi Kalyan Kosh (8235.00.141)	3596.28	4782.88
4.	Cess on Tea (0038.04.103)	62.28	Development Fund for Tea Sector (8229.126)	0.00	62.28
5.	Swachh Bharat Cess (0044.506)	12475.39	Rashtriya Swachhata Kosh (8235.135)	10000.00	2475.39
	Total	**44018.32**		**35641.56**	**8376.76**

In case of short transfer of Krishi Kalyan Cess, the Ministry of Agriculture stated (August 2017) that due to non-approval of head of accounts under major head 2416 and 2435, the entire provision obtained in supplementary grant was surrendered. In case of short transfer of Swachh Bharat Cess, Ministry (September 2017) stated that balance amount will be transferred in 2017-18.

2.3.7 Discrepancies in amounts disbursed from Reserve Fund

All "deduct expenditure met from the Reserve Fund" appearing in the statements of recoveries in the Head-wise Appropriation Accounts should be tallied with the disbursement from the Public Account under the corresponding head of accounts in Statement No. 13 of Finance Accounts to ensure that the same amount has been recorded as expenditure therein.

Table 2.2: Discrepancies in amounts disbursed from Reserve Fund

(₹ in crore)

Amount met from the fund			Amount disbursed from Public Account		Difference
Head/Name in Statement No. 9 & 10		Amount	Name of fund	Amount	
Amount met from Central Road Fund	3054.01.903, 3054.04.903, 3054.80.903, 3601.02.903, 3601.02.907, 3602.02.903, 5054.01.903.	48590.38	Central Road Fund (8224.00.101)	48974.16	383.78
Amount met from National Highways Permanent Bridges Fee Fund	5054.01.902	7572.29	National Highways Permanent Bridges Fees Fund (8225.01.101)	7574.63	2.34

As brought out in **Table 2.2** above, an amount of ₹ 383.78 crore and ₹ 2.34 crore have been disbursed more from the Central Road Fund and the National Highways Permanent Bridges Fees Fund respectively.

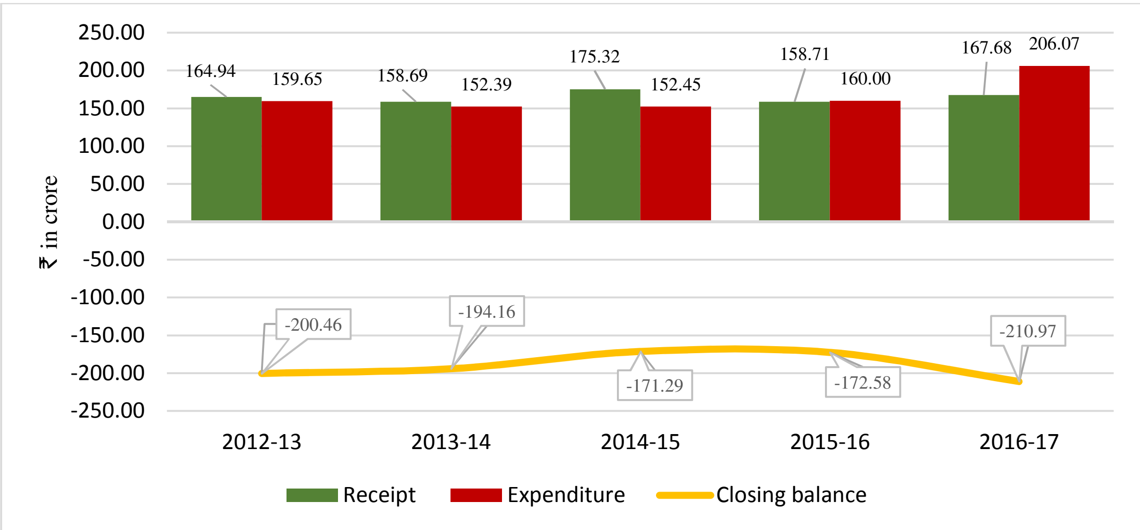
Ministry of Road Transport and Highway stated (October 2017) that these were due to misclassification and would be corrected in financial year 2017-18.

2.3.8 Continued adverse closing balance in Beedi Workers Welfare Fund

Beedi Workers Welfare Fund was created in the Public Account[4] under Beedi Workers Welfare Fund Act, 1976, to provide for the financing of measures to promote the welfare of persons engaged in beedi establishments. For this purpose, the Government introduced a cess in the form of duty of excise on manufactured beedi. The collection of cess is initially credited to the CFI and subsequently transferred through the appropriation to the Beedi Workers Welfare Fund in the Public Account.

On account of expenditure from the Fund being in excess of the receipts, the balance in the Beedi Workers Welfare Fund over the years had become adverse. The aggregate position with regard to expenditure, receipts and closing balance in the Beedi Workers Welfare Fund during the period 2012-13 to 2016-17, as disclosed in the earmarked Fund account appended with Appropriation Account of the Ministry of Labour and Employment, is shown in **Chart 2.1**.

Chart 2.1: Continued adverse closing balance in Beedi Workers Welfare Fund



The chart above indicates that there was continuous adverse closing balance in the Fund during the period 2012-13 to 2016-17, which increased from (-) ₹ 200.46 crore in 2012-13 to (-) ₹ 210.97 crore in 2016-17.

This matter was also commented in the Report of the Comptroller and Auditor General on the Accounts of the Union Government for the years ended 2011-12 to 2015-16.

[4] MH 8229.200 – Other Development and Welfare Fund

Ministry admitted in its reply (June 2017) that the adverse balance under this fund was due to higher provision in expenditure than receipts.

2.3.9 Very old balances under '6001.106-Compensation and other Bonds'

Scrutiny of Statements No. 14 and 14-A of Finance Accounts for the year 2016-17 revealed that an amount of ₹ 19.21 crore was lying under 'Compensation and Other Bond Suspense Accounts' in Statements No. 14-A, out of which, an amount of ₹ 2.36 crore pertaining to the years 1965 or before had been appearing against various types of bonds as shown in **Table 2.3**.

Table 2.3: Very old balances under '6001-106-Compensation and other Bonds'

(₹ in crore)

Sl. No.	Name of Bonds	Credit Balance as on 31-3-2017
1.	PP Bonds 1963	0.57
2.	PP Bonds 1964	0.61
3.	5 year Interest free prize Bonds 1965	1.18
	Total	**2.36**

The Department of Posts stated (August 2017) that these were very old balances appearing in Finance Accounts and were a part of compensation and bonds under the credit head '6001.106-Internal Debt-Compensation and other Bond' of Central Government. Further, the details of the bonds were not available.

The reply is not acceptable as unclaimed balances of these bonds are usually retained in Government Accounts for 20 years from the date of their maturity after which the balances are transferred to Revenue by credit to the head '0075.800-Miscellaneous General Services-Other Receipts'. Corrective action should have been taken by the department for settlement of these old balances.

2.4 Data Integrity and Reconciliation Issues

2.4.1 Transfer of ₹ 6,927 crore to CFI without Cabinet Approval

Point 8 under heading 'Disposal of the Business of the Government of India' in Section 1: 'Some introductory Issues' of "Handbook on writing Cabinet Notes" published by the Government of India, Cabinet Secretariat, stipulates that proposals to vary or reverse a decision previously taken by the Cabinet are required to be placed before the Cabinet.

(a) Transfer of ₹ 5,000 crore relating to the Security Redemption Fund to CFI

The Union Government had invested ₹ 9,996 crore in the rights issue of the State Bank of India (SBI) in the financial year 2007-08. Instead of cash draw down, the Government created a liability in the Public Account by issuing special securities (under the Major Head 8012.00.120-Special Securities issued to Nationalized Banks). These securities were to be redeemed at a future date by creation of a 'Security Redemption Fund'(SRF) by transferring funds from the Consolidated Fund of India (MH 3465.01.797 – Transfer to Reserve Fund) to the Public Account.

During the years 2008-09 to 2015-16, an annual sum of ₹ 625 crore had been booked as expenditure on account of contribution to the Security Redemption Fund. The cumulative balance of ₹ 5,000 crore was kept under Suspense Head. The funds were not credited to SRF in the Public Account despite being pointed out in C&AG Audit Reports for the years 2011-12, 2013-14, 2014-15 and 2015-16.

The Ministry of Finance, Department of Financial Services, in its ATN stated (May 2017) that SRF was to be created in the Public Account of India towards redemption of securities issued to SBI against subscription to the Rights Issue of equity shares in the Bank. The SRF was not formally constituted in the Public Account for want of authorized Head of Account. It added that the Controller General of Accounts (CGA) had not agreed to the creation of the fund in Public Account stating that creation of separate fund for redemption of securities may not be required as this fund will create another credit liability and therefore suggested that redemption can take place from Public Accounts directly. Budget Division of DEA (March 2017) proposed to the Chief Controller of Accounts to write back the entire cumulative balance of ₹ 5,000 crore from Public Account to Consolidated Fund of India in the current financial year and also requested to credit the amount kept under the Suspense head in the CFI under the Major Head 1475 – Other General Economic Services.

Scrutiny of the accounts revealed that DEA booked the entire amount as revenue receipt under Major Head '1475.00.800- Other General Economic Services- as Other Receipt' during the year 2016-17. The action of the DEA is not acceptable as CGA had suggested to redeem securities directly from Public Account without creation of separate fund for such redemption. It had not recommended to write back the entire cumulative balance of ₹ 5,000 crore from Public Account to CFI.

Moreover, the decision to write back the cumulative balance from Public Account of India to Consolidated Fund was not in line with the Cabinet decision (November 2007) where it was decided that amount available in the Fund on the date of maturity of SLR, would be utilized for redemption of these securities.

(b) Transfer of ₹ 1,927 crore relating to the National Social Security Fund to CFI

As a follow up to 'The Un-organized Sector Workers' Social Security Act, 2008', a National Social Security Fund (NSSF) for un-organized sector workers was set up in 2010-11 with an initial allocation of ₹ 1,000 crore. The Ministry of Labour & Employment was the nodal Ministry for implementing the budget announcement on NSSF. The fund was to be used for schemes formulated for welfare of un-organised sector workers. A Committee was constituted for recommending the schemes to be funded from the NSSF.

The fund was to be transferred from the CFI to the NSSF in the Public Account under the Major Head 8235-'General and other Reserve Funds' in the sub head 128 –'National Social Security Fund for Un-organised Sector Workers'. The amount recommended by the Committee for administering schemes and approved by the Cabinet / Cabinet Committee on Economic Affairs (CCEA) was to be provided in the Demand for Grants of different Ministries/Departments against the identified schemes. The amount so provided for particular schemes was to be drawn from NSSF by the concerned Ministry and classified under the functional head.

Scrutiny revealed that no budget provision for NSSF was made during the year 2016-17. Funds lying in the NSSF could not be utilized since its inception, i.e. 2010-11 to 2015-16, and unutilized fund accumulated to ₹ 1,927 crore.

Audit observed that during the year 2016-17, the entire unutilized/accumulated amount of ₹ 1,927 crore lying in Public Account under NSSF was written back to CFI in March 2017 by the Department of Economic Affairs and was credited to the Minor Head '0235.60.800- Social Security and Welfare-Other Receipts'. In this regard, the DEA was asked to inform whether approval of the Cabinet was obtained before the amount of ₹ 1,927 crore was written back to CFI. Their reply was awaited.

2.4.2 Improper accounting procedure for writing back from Reserve Funds

The Union Government has decided to transfer the balances from Reserve Funds to CFI. In the case of Mines Welfare Fund and Cine Workers Welfare Fund, the funds have been closed owing to abolition of cesses.

Table 2.4: Improper accounting procedure for writing back from Reserve Funds

(₹in crore)

Sl No.	Fund	Receipt During 2016-17	Disbursement During 2016-17	Remark
1.	8229.114-Mines Welfare Fund	-314.55	22.44	An amount of ₹ 336.99 crore (₹ 314.55 crore through minus receipt and ₹ 22.44 crore through disbursement) was credited to CFI.
2.	8229.115-Cine Workers Welfare Fund	-6.44	0.95	An amount of ₹ 7.39 crore (₹ 6.44 crore through minus receipt and ₹ 0.95 crore through disbursement) was credited to CFI.
3.	8235.113-National Renewal Fund	-17.70	0.00	An amount of ₹ 17.70 crore through minus receipt was credited to CFI under head 0852.
4.	8235.128-National Social Security Fund for Unorganised Labour	0.00	1927.00	An amount of ₹ 1,927 crore through disbursement was credited to CFI.
5.	8235.200-Other Funds	0.00	1500.00	An amount of ₹ 1,500 crore through disbursement was credited to CFI under head 0235.60.800.
	Total	**-338.69**	**3450.39**	

As brought out in **Table 2.4**, an amount of ₹ 3,789.08 crore (₹ 338.69 crore + ₹ 3,450.39 crore) was transferred back from reserve funds in Public Account through minus receipt as well as disbursement and shown as non-tax receipt to the Union Government during 2016-17. Thus, accounting authorities have adopted two different procedure for transfer of funds.

CGA stated (September 2017) that there was no specific accounting procedure as such for refund from the Public Account to the CFI. The case was dealt with on case to case basis in the Ministry/Departments in consultation with DEA, Ministry of Finance.

2.4.3 Dormant Reserve Funds and Deposits

Funds and Deposits form a part of the Public Account wherein the transactions in respect of which Government incurs a liability to repay the moneys received and the repayments thereof are recorded. Creation of Reserve Fund generally involves transfer of sum from the Consolidated Fund of India into Public Account to be utilised for specific purposes. On the other hand, deposits of the Government is made by the depositor as a security and/or to get some work executed by the Government on behalf of the depositor. Dormant funds/deposits constitute those funds or deposits which are not in operation for a long period of time and might have outlived their utility. Such dormant funds/deposits in the Public Account need to be closed and the balances therein transferred back to Consolidated Fund of India.

Scrutiny of Finance Accounts showed that 40 funds/deposits[5] having aggregate balance of ₹ 703.68 crore at the end of 2016-17, as contained in **Annexure 2.4,** were lying dormant for period ranging from eight to 28 years. In most of the cases, small balances are lying and their continuance does not appear to serve any purpose. These cases need to be reviewed and considered for closure by crediting the balances to the Consolidated Fund of India.

The CGA stated (September 2017) that it had been writing to the concerned accounting authorities. Ministry of Home affairs, Ministry of Agriculture and Farmer Welfare and Department of CAAA have accepted the cases of dormant Reserve Funds.

2.4.4 Other discrepancies

2.4.4.1 Discrepancies in Guarantee Fees

Under Article 292 of the Constitution, the Union Government may give guarantees within such limits, if any, as may be fixed by Parliament by law on behalf of Government Companies/Corporations, Railways, UTs/States Government, local bodies, etc. Against these guarantees, Union Government receives guarantee commission/fee from the Guarantee.

(a) Mismatch in depiction of Guarantee Fees

Statement No. 4 shows a sum of ₹ 983.12 crore as guarantee commission/fees received during 2016-17 whereas Statement No. 8 depicts a figure of ₹ 988.53 crore, under head 0075.108-Guarantee fee.

CGA replied (September 2017) that difference in guarantee fee between Statement No. 4 and Statement No.8 is due to difference in figures provided by Ministry of Power and matter has been taken up with the Ministry of Power.

(b) Short receipt of Guarantee Fees

In seven Ministries/Departments, there is short receipt of guarantee fee by an amount of ₹ 1,021.02 crore during 2016-17 as depicted in **Table 2.5**. below.

Table 2.5: Short receipt of Guarantee Fee

(₹in crore)

Ministry/Department	Guarantee Fee receivable	Guarantee Fee received	Short receipt of Guarantee Fee
Revenue	8.00	0.00	8.00
Industry	15.97	2.53	13.44
Pharmaceuticals	77.95	0.00	77.95
Civil Aviation	1036.05	117.15	918.90
Economic Affairs	177.54	174.94	2.6
MSME, National Small Industries Corporation Limited	0.32	0.24	0.08
Commerce	0.05	0.00	0.05
Total	**1315.88**	**294.86**	**1021.02**

[5] nine reserve funds, 26 deposits and five other liabilities

CGA replied (August 2017) that the issue of short receipt of guarantee fee was best known to Ministries/Department concerned.

2.4.4.2 Deficiencies in Statement No. 11 of Union Government Finance Accounts

Statement No. 11 of the Union Government Finance Accounts provides details of investments in Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks and Societies, like year of investment, type and number of share, face value of share, total amount invested, percentage of Government share and amount of dividend/interest receipt during the year in Discrepancies in Government investment in CPSEs

The following discrepancies have been found in Statement No.11 for FY 2016-17[6] as detailed in **Table 2.6**.

Table 2.6: Discrepancies in Government investment in CPSEs

Sl. No.	Name of PSUs	Observation	Remarks
1.	Bharat Dynamic Ltd. Hyderabad	Progressive investment as on 31 March 2017 was ₹ 97.75 crore as per Union Government Finance Accounts 2016-17, whereas the progressive investment as per Controller General of Defence Account (CGDA) was ₹ 122.18 crore.	CGDA stated (October 2017) that the increase in investment of Union Government of India in Bharat Dynamics Ltd. from ₹ 97.75 crore as on 31.03.2016 to ₹ 122.18 crore as on 31.03.2017 was on account of bonus shares issued during 2016-17. Reply of CGDA is not acceptable as observation was regarding difference in figures of CGDA & CGA, which still remains unreconciled.
2.	Mazagaon Dock Ltd Mumbai	Progressive investment as on 31 March 2017 was ₹ 199.20 crore as per Union Government Finance Accounts 2016-17, whereas the progressive investment as per CGDA was ₹ 249 crore.	CGDA stated (October 2017) that the total paid up share capital of Mazgaon Dock Ltd is ₹ 249 crore as on 31.03.2017 which is due to the bonus Shares issued in the ratio of 1:4 during FY 2016-17 by capitalizing Capital Redemption Reserve (CRR), though the cost of investment to the Government remains at ₹ 199.20 crore. Reply of CGDA is not acceptable as observation was regarding difference in figures of CGDA & CGA, which still remains unreconciled

[6] Wherever figures for 2016-17 are not available, comparison has been done for 2015-16.

3.	Braithwaite and Co Ltd	The Ministry of Corporate Affairs, Govt. of India, by certificate dated November 18, 2015 issued by the office of the Registrar of Companies, Kolkata, West Bengal, has changed the name of the Company to "The Braithwaite Burn and Jessop Construction Company Limited" with effect from November 18, 2015 pursuant to Rule 29 of the Company Incorporation Rules–2014. Hence, the name needs to be checked and corrected.		CGA stated (August 2017) that the Ministry of Railways in its Statement 11 had shown the company by its old name. Changes in the draft UGFA 2016-17 would be carried out after M/o Railways propose for the same. A reference had been made to M/o Railways. On receipt of reply, Audit would be intimated.
4.	GEDSL Pvt Ltd	The full name to be provided and the face value of the shares to be given. Its impact in Statement No. 10 may be elucidated.		CGA stated (August 2017) that the reference had been made to M/o Railways. On receipt of reply, Audit would be intimated.
	Name of PSUs	**Face value of Government share (₹ in crore)**		**Remarks**
		As per Statement No.11 of Finance Accounts of 2015-16	**As per Annual Accounts of CPSE of 2015-16**	
5.	Hindustan Organic Chemicals Limited	309.50	39.48	Overstatement of Government's investment by ₹ 270.02 crore at the end of 2015-16 in Statement No. 11.
6.	The Fertilizers and Chemicals Travancore Limited.	637.77	582.36	Overstatement of Government's investment by ₹ 55.41crore at the end of 2015-16 in Statement No. 11.
7.	Andrew Yule and Company Limited	85.90	58.70	Overstatement of Government's investment by ₹ 27.20 crore at the end of 2015-16 in Statement No. 11.
8.	Scooters India Limited	168.61	80.03	Overstatement of Government's investment by ₹ 88.58 crore at the end of 2015-16 in Statement No. 11.
9.	Power Grid Corporation of India Limited	2925.01	3028.84	Understatement of Government's investment by ₹ 103.83 crore at the end of 2015-16 in Statement No. 11.
10.	Hindustan Teleprinters Ltd, Chennai	18.90	3.90	There has been overstatement by ₹ 15.00 crore at the end of 2015-16 in Statement No. 11.
11.	Bharat Broad band Network Ltd	59.95	60.00	There has been understatement by ₹ 0.05 crore at the end of 2015-16 in Statement No. 11.
		As per Statement No.11 of Finance Accounts of 2016-17	**As per Annual Accounts of CPSE of 2016-17**	
12.	Indian Telephone Industries Ltd, Bengaluru	542.09	530.89	In comparison with the CPSE, there has been overstatement by ₹ 11.20 crore at the end of 2016-17 in Statement No. 11
13.	Mahanagar Telephone Nigam Ltd	354.37	354.38	In comparison with the CPSE, there has been understatement by ₹ 0.006 crore at the end of 2016-17 in Statement No. 11.

Expeditious efforts need to be made by the CGA, including co-ordination with the concerned administrative Ministries, to address the deficiency brought out.

(a) Variation in depiction of Investment in Finance Accounts and Annexure C of Appropriation Accounts

Statement No. 11 of Union Government Finance Accounts and Annexure -C of Appropriation Accounts for financial year 2016-17 show the investment of the Union Government. On comparison of the two, it was found that there was variation in the amount depicted as investment as detailed in **Table 2.7** below.

Table 2.7:- Variation in depiction of Government Investment

(₹in crore)

Sl. No.	Ministry	Name of company	Investment		Reply of CGA (November 2017)
			UGFA	Annexure- C	
1.	Finance	SIDBI	Nil	100.00	It was not taken as investment in its Statement No. 11 by Ministry of Finance, therefore, not reflected in Finance Accounts.
2.	New and Renewable Energy	Grid Interactive Renewable Power	Nil	100.00	As per the SCT, investment was made under the head 4810.00.190 and the expenditure was met by booking under 4810.00.902. But it was not taken as investment in its Statement No. 11 by Ministry of New & Renewable Energy. Therefore, it did not form part of Statement No. 11 of Finance Accounts.
3.	Petroleum and Natural Gas	Gas Authority of India	Nil	450.00	It was not taken as investment in its Statement No. 11 by Ministry of Petroleum & Natural Gas, therefore, not reflected in Finance Accounts as well. It was pointed out to the Ministry of P&NG but no reply was received.
4.	Power	NTPC	40.00	45.66	Investment in Tehri Hydro was made under the head 4801.01.190. Investment in Annexure 'C' pertains to bookings made under the head 4801.02.190 which was met by **recovery** under the same minor head. Since, it was not taken as investment in its Statement No. 11 by Ministry of Power, therefore, not reflected in Finance Accounts.
5.	Social Justice & Empowerment	National Handicapped Finance and Development Corporation	30.00	22.80	Additional investment of ₹ 7.20 crore was made under the following heads: 4235.02.789- ₹ 4.80 crore 4235.02.796-₹ 2.40 crore.

(b) Understatement of investment of ₹ 1,182.39 crore

Security Printing & Minting Corporation of India Ltd. (SPMCIL) was established in January 2006 to manage four India Government Mints, two Currency Presses, two Security Presses and one Security Paper Mill (which were earlier being managed directly by the Ministry of Finance, Government of India). Assets and Liabilities of those entities, prevailing as on 09 February 2006, were taken over in the books of the SPMCIL. The difference arising out of such transfer of Assets & Liabilities was to be paid/adjusted as decided by Ministry of Finance. After a lapse of nine years, the Department of Economic Affairs (February 2015) finalized its capital structure. Accordingly, total liability of ₹ 2,364.88 crore (payable by the SPMCIL) was divided into 50 *percent* Government Equity of ₹ 1,182.44 crore and 50 *per cent* loan of ₹ 1,182.44 crore (repayable in 25 years).

In respect of Government Equity of ₹ 1,182.44 crore, during the year 2016-17, DEA reflected the amount of Equity in SPMCIL as ₹ 1,182.44 crore in Statement No. 11, whereas in Statement No. 11 of Union Government Finance Accounts, it was depicted as ₹ 0.05 crore, which resulted in understatement of investments to the tune of ₹ 1,182.39 crore.

(c) Incomplete information of investment

There are 28 cases of incomplete information in respect of investment in Statement No. 11 as detailed in **Annexure 2.5**.

CGA stated (August 2017) that these information were to be furnished by the concerned Ministries/Department, who have made the investment. Every year during review they are requested to furnish the requisite information. Pending receipt of the requisite information, a footnote to this effect is inserted in the statement.

Inserting footnote every year of pending information does not give complete information of investments of the Union Government.

(d) Shortfall in payment of Dividends in respect of Statutory Companies

As per para 4.3 of the Guidelines on Capital Restructuring of CPSEs issued by Ministry of Finance vide OM.No.5/2/2016-Policy dated 27 May 2016, every CPSE would pay a minimum annual dividend of 30 *per cent* of Profit After Tax (PAT) or five *per cent* of the net worth, whichever is higher, subject to the maximum dividend permitted under the extant legal provisions. However, Telecommunication Consultants India Ltd (TCIL) and Indian Telephone Industries Ltd (ITI Ltd) did not comply with these guidelines resulting in shortfall in payment of dividends amounting to ₹ 89.51 crore during 2015-16 as depicted in **Table 2.8**. below.

Table 2.8: Shortfall in dividend declared by Government Companies

(₹ in crore)

Sl. No. (1)	Name of CPSE (2)	Paid up Capital (GOI Share)# (3)	Profit After Tax (4)	Dividend declared during 2015-16 (5)	30% of PAT (6)	Net worth (7)	5 % of Net worth (8)	Minimum dividend to be declared (9)	Shortfall (10) = (9)-(5)
1	TCIL	59.20	36.52	3.652	10.956	463.68	23.18	23.18	19.53
2	ITI Ltd	270.09	251.19	Nil	69.98[7]	Negative	NA	69.98	69.98

**Stand alone accounts have been considered in respect of TCIL.*
#source: Union Government Finance Accounts 2015-16

The matter was referred (September 2017) to the Ministry of Communication. However, their reply was awaited (October 2017).

2.4.4.3 Interest payment in arrear

Section 1 of Statement No. 3 of Union Government Finance Accounts consists of loans and advances by the Union Government to the (i) State Governments, (ii) UT Governments, (iii) Foreign Government, (iv) Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc. and (v) Government Servants and the interest in arrears against them.

Arrear of interest payment in respect of State Governments and UT Government have been increasing since 2013-14. **Table 2.9** below shows the interest payments in arrears from 2013-14 to 2016-17.

Table 2.9: Interest payment in arrears

(₹ in crore)

Year	State Governments	UT Governments	Other Loanees (Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc.)
2013-14	1098.03	0.00	19092.48
2014-15	1389.29	302.77	46831.21
2015-16	1479.56	618.22	41073.88
2016-17	1488.21	927.48	31727.64

During 2016-17, increase in arrears was ₹ 8.65 crore and ₹ 309.26 crore against State and UT Governments respectively. In case of Other Loanees, arrears had reduced during 2016-17 by ₹ 9,346.24 crore. However, this constitutes 92.93 *per cent* of the total interest of ₹ 34,143.33 crore in arrears.

CGA stated (August 2017) that the figures appearing in the Statement No. 3 were based on the information furnished by the Ministries/Departments.

[7] Government has 94.8 *per cent* in ITI ltd. Dividend comes 92.87% of 30% of PAT (₹ 251.19 crore).

2.4.4.4 Inconsistencies/discrepancies in Statement No. 15 of Union Government Finance Accounts

Statement No. 15 of Union Government Finance Accounts consists of loans and advances by the Union Government in three sections alongwith additional disclosures. Section 1 comprises details of loan and advance made to Ministries, Section 2 comprises repayments in arrears from States/UTs Government and Section 3 includes repayments in arrears from Other Loanees Entities or Institutions and additional disclosures encompass fresh loans and advances made during the year. Discrepancies noticed in the Statement No. 15 have been discussed in succeeding paras.

a) Discrepancies in accounting of Loan and Advances

Section -1 of Statement No. 15 revealed that there was an adverse opening balance of ₹ 28,397.01 lakh in the head of account '6860.04.797- Transfer to RF/Deposit Accounts' since 2000-01. An amount of ₹ 55,000 lakh was disbursed under this minor head during 2016-17 where there was already adverse opening balance of ₹ 28,397.01 lakh in the head of account. There should not have been transfer from the head where there was already adverse balance.

Ministry of Consumer Affairs confirmed (February 2017) the transfer of ₹ 55,000 lakh to the Fund.

b) Loans and Advances to Government Servants

Sums advanced or loans granted to the Government servants appear in the account with positive balance every year. In few cases, over- repayment of loan made by the government servants is reflected in the account as negative closing balance. Subsequently, when the loans and advances are aggregated, they turn positive and understated as well.

Head "7610- Loans to Government Servants etc." in Statement No. 15 of Union Government Finance Accounts for 2016-17 shows ₹ 331.02 crore and ₹ 194.25 crore as opening and closing balances respectively for the financial year 2016-17.

Further, during the audit of Statement of the Central Transactions (SCTs) of the Ministries, it was noticed that in nine Ministries, there were adverse balances against head 7610-Loans to Government Servant due to over-repayment.

Due to netting of the figure, Union Government Finance Accounts did not reflect the actual figure in Statement No. 15. Cases of the adverse closing balances have been shown in **Annexure 2.6**.

Ministry of Skill Development and Entrepreneurship stated (July 2017) that the adverse balances represented more recoveries against the loan and advances subscribed by Government Servant.

Ministry of Food Processing Industries stated (September 2017) that the adverse balance had arisen due to adjustment of recoveries against booking of "Other Advance".

Ministry of Information and Broadcasting confirmed (September 2017) adverse balances and stated that all Pay and Accounts Offices had been directed to take effective steps to clear adverse balances under head 7610.

The replies reflect the inadequate control of the Ministries in respect of accumulation of loans and advances to government servants.

c) Interest credited against the adverse balances of Loans and Advances

Section 1 of Statement No. 15 revealed that in some cases though the loan and advances have adverse balance yet interests have been shown as received against them. **Table 2.10** shows cases in which interest was credited against the adverse principal amount of the loans and advances.

Table 2.10: Interest credited against the adverse balances of the Loans and Advances

(₹in lakh)

Sl. No.	Heads	Balance as on 01.04.2016	Balance as on 31.03.2017	Interest credited
1.	6216.02.190-Loans to Public sector and Other Undertakings	-5474.51	-5792.67	430.62
2.	6401.00.104-Agricultural Farms	-1.41	-2.57	7.65
3.	6405.00.106-Mechanisation of Fishing Crafts	-5.32	-5.32	0.66
4.	7610.00.203-Advances for purchase of Other Conveyance	-3936.59	-3927.07	229.79

CGA stated that the reference had been made to the concerned Ministries/Departments.

(d) Repayment against adverse balances of Loans and Advances

In some cases, though the loan and advances had carried adverse balance, yet repayments have been made shown against them. **Table 2.11** shows six cases in which repayments have been made against the adverse principal amount of the loan and advance resulting in further increase of adverse balances.

Table 2.11: Repayment against adverse balances of Loans and Advances

(₹in lakh)

Sl. No.	Heads	Balance as on 01.04.2016	Repayment of loans during the year	Balance as on 31.03.2017
1.	6215.02.800-Sewerage and Sanitation	-208.55	4.11	-212.66
2.	6216.02.190-Loans to Public Sector and Other Undertakings	-5474.51	318.16	-5792.67
3.	6401.00.104-Agricultural Farms	-1.41	1.16	-2.57
4.	6402.00.102-Soil Conservation	-77.52	0.66	-78.18
5.	6425.00.108-Loans to Other Co-operatives	-8807.18	67.89	-8835.07*
6.	7610.00.203-Advances for purchase of Other Conveyances	-3936.59	10.78	-3927.07*

* In Sl. No. 5 and 6, ₹40 lakh and ₹20.38 lakh respectively were received as loan during the year from the Government of India by the respective agencies.

In respect of Sl. No. 1, Ministry of Urban Development stated (September 2017) that it was on account of misclassification. It added that the records were very old and misplaced and they would be settled as soon as possible.

In respect of other cases, the CGA stated (September 2017) that the matter had been taken up with the concerned Ministry/Department.

(e) Difference in opening balance of Loan and Advances

Scrutiny of section 1 of Statement No. 15 for the year 2016-17 revealed that there were difference in opening balance of loans in the books of Chief Controller of Accounts (CCA) and the Controller General of Accounts (CGA) in the two ministries. **Table: 2.12** show the details of differences.

Table: 2.12 Difference in opening balance of Loan and Advances

(₹in crore)

Ministry	Particulars	Head	OB	CB
New and Renewable Energy	CCA	6810.00.190-Loans to Public Sector and Other Undertakings	272.44	264.13
	CGA		203.90	195.59
Shipping	CCA	7051.00.190- Loans to Public Sector and Other Undertakings	812.69	783.37
	CGA		218.08	188.76

CGA stated (August 2017) that the concerned Ministries had been asked to reconcile the figures.

(f) Interest not reflected in respect of arrears of loans

Section 3 of Statement No. 15 revealed that in respect of some State Governments and entities, principal amount of the loans advanced were in arrears while the interest against these loans in arrears have not been reflected. Details of such cases are given in **Table 2.13**.

Table 2.13: Interest not reflected in respect of arrears of loans

Sl. No.	Name of Entity	Total loans outstanding on 31 March 2017 (₹ in Crore)	Remark
1.	Gujrat	3.16	CGA stated (August 2017) that the concerned Ministries had been asked to reconcile the figures.
2.	Himachal Pradesh	0.12	
3.	Karnataka	2.34	
4.	Kerala	1.39	
5.	Madhya Pradesh	4.61	
6.	Maharashtra	8.24	
7.	Odisha	1.26	
8.	Punjab	0.27	
9.	Tamil Nadu	7.40	
10.	Shri Sitaram Sugar Co Baithalpur, Uttar Pradesh	3.48	The Ministry of Consumer Affairs and Food & Public Distribution stated (September 2017) that the files relating to the cases were
11.	Deoria Sugar Mills, Deoria, Uttar Pradesh	3.63	

Sl. No.	Name of Entity	Total loans outstanding on 31 March 2017 (₹ in Crore)	Remark
12.	Raja Bulan Sugar Ltd, Rampur, Uttar Pradesh	1.06	nearly 26 years old and they were not readily traceable. This matter was also highlighted in Audit Report No. 50 of 2015 and Report No. 34 of 2016.
13.	Hindustan Machine Tool Ltd	54.60	CGA stated (July 2017) that the matter had been taken with the Ministry for clarification.

(g) Loans and advances in arrears for more than 20 years.

Statement No. 3 and Sections 2 and 3 of Statement No. 15- Loans and Advances made by the Union Government for the year 2016-17 showed that total loan outstanding against State/UT Governments and other entities as on 31 March 2017 was ₹ 2,62,177.59 crore. Out of this, repayment of ₹ 25,943.30[8] crore was shown as loans and advances in arrears ranging from 1 to 50 years. Further, out of the amount of ₹ 25,943.30 crore, ₹ 11,302.46 crore (43.57 *per cent*) had been in arrears for more than 20 years (cases of more than ₹ 10 crore) on account of non-recovery. Further, an amount of ₹ 25,540.37 crore being the interest on principal amount for the same period also remained in arrears. This shows that a significant amount of loans and advances repayments in arrears **(Annexure 2.7)**.

CGA stated (July 2017) that the reasons for non-recoveries of principal and interest amount were called from the concerned Ministry/ Department.

2.4.5 Understatement of Customs Receipts

As per the prescribed procedure, advance customs receipts pertaining to a future period, are kept under a suspense head (8658.136-Custom Receipts awaiting transfer to Receipt Head) in the Public Account. The advance receipts are credited to the Consolidated Fund of India in the year to which it pertains.

Scrutiny of the Finance Accounts revealed that ₹ 19.73 crore were available under the suspense head as the opening balance in financial year 2016-17. This was to be accounted for as customs receipts in the CFI. However, a sum of only ₹ 1.27 crore was cleared during 2016-17 and closing balance of ₹ 18.46 crore remained booked under the suspense head. This resulted in understatement of the customs receipts of the Government of India by ₹ 18.46 crore in financial year 2016-17.

Central Board of Excise and Custom stated (August 2016) that booking under this head was a continuous process and this amount will be transferred to final head during 2017-18.

[8] ₹ 1,850.22 crore is outstanding against States, ₹ 2,078.82 crore against UTs and ₹ 22,014.26 crore is outstanding against Loanee Entities or Institutions

Reply of the CBEC is not tenable as there has been no receipt under this head since 2014-15 and the entire closing balances of ₹ 20.75 crore during 2014-15 should have been transferred to CFI in 2015-16 itself.

2.5 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2016-17 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts.

Review of outstanding balances under major suspense accounts for the year 2016-17 was conducted in the office of Controller General of Accounts and six Principal Accounts Offices *viz*. Department of Supply, Ministry of External Affairs, Central Board of Excise and Custom (CBEC), Ministry of Road Transport & Highways, Ministry of Urban Development and Controller of Aid Accounts and Audit (CAA&A). These offices were selected on the basis of concentration of balances and their accumulation over the years. The audit findings are detailed below in the succeeding paragraphs:

2.5.1 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 un-cleared, the balances under the suspense heads would accumulate and would not reflect Governments' 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 AOs minor head wise on the basis of figures furnished by the PAOs periodically. The Chief Controller of Accounts of concerned Principal Accounts Office is required to review the suspense balances and report to the CGA for monitoring purposes.

The aggregate net balance under suspense heads in the Union Finance Accounts including Civil, Defence, Railways, Posts and Telecommunication was ₹ 41,284.70 crore (Debit) as on 31 March 2017. This balance comprised of ₹ 13,695.59 crore (Debit) in respect of Civil, ₹ 20,214.59 crore (Debit) for Defence, ₹ 2,042.77 crore (Debit) for Railways, ₹ 4,302.83 crore (Debit) for Postal, ₹ 104.76 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 outstanding balances under these heads does not get reported in the annual accounts of Government presented to 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 under-statement of suspense balances in the finance accounts. This under-statement 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 three years is given in **Table 2.14** below.

Table 2.14: Suspense balances under Major Suspense Heads in respect of Civil Ministries

(₹in crore)

Head	2014-15		2015-16		2016-17	
	Debit	Credit	Debit	Credit	Debit	Credit
101-PAO Suspense	2532.65	532.93	2630.22	588.76	2295.24	1113.97
Net	**Dr 1999.72**		**Dr 2041.46**		**Dr 1181.27**	
102-Suspense Account (Civil)	1130.15	5292.32	1175.93	5982.81	1134.11	533.76
Net	**Cr 4162.17**		**Cr 4806.88**		**Dr 600.35**	
107-Cash Settlement Suspense Account	497.80	36.34	413.60	36.33	384.88	36.34
Net	**Dr 461.46**		**Dr 377.27**		**Dr 348.54**	
108-PSB Suspense	3688.87	3222.01	5982.12	2273.08	11061.70	957.22
Net	**Dr 466.86**		**Dr 3709.04**		**Dr 10104.48**	
109-Reserve Bank Suspense (HQ)	11.59	185.07	12.31	297.06	12.28	185.07
Net	**Cr 173.48**		**Cr 284.75**		**Cr 172.79**	
110-Reserve Bank Suspense Central Accounts Office	51.17	1158.25	56.15	541.24	59.93	575.01
Net	**Cr 1107.08**		**Cr 485.09**		**Cr 515.08**	
115- Suspense Accounts for Purchases etc. Abroad	978.30	--	1991.46	--	2653.36	--
Net	**Dr 978.30**		**Dr 1991.46**		**Dr 2653.36**	
129-Material Purchase Settlement Suspense Account	210.27	66.86	212.32	61.09	207.99	60.79
Net	**Dr 143.41**		**Dr 151.23**		**Dr 147.20**	
136-Custom Receipts awaiting transfer to receipt head	--	20.75	--	19.73	-	18.46
Net	**Cr 20.75**		**Cr 19.73**		**Cr 18.46**	
138-Other Nominated Banks (Pvt. Sector Banks) Suspense Transaction connected with war, 1939	5.60	550.22	196.20	607.33	28.46	729.71
Net	**Cr 544.62**		**Cr 411.13**		**Cr 701.25**	

It would be seen that debit balances under Suspense Account (Civil), three heads *viz.* PSB Suspense, RBI Suspense Central Account Office and Suspense Account for Purchases Abroad, have increased in 2016-17 over the previous year. Similarly, Credit balances under PAO Suspense, Reserve Bank Suspense Central Accounts Office and Other Nominated Banks Suspense Account have increased in 2016-17 over the previous year. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by the CGA hindering effective monitoring of clearance of such balances.

(a) 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 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 realization of cheque from the Accounts Officer on whose behalf payments were 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.

At the end of March 2017, outstanding debit and credit balances under this head were ₹ 2,295.24 crore and ₹ 1,113.97 crore respectively. Thus, an aggregated balance of ₹ 3,409.21 crore was awaiting clearance from this head.

The outstanding balances were mainly from Department of Supply ₹ 1,060.28 crore (Debit), Ministry of External Affairs ₹ 575.60 crore (Debit), Department of Atomic Energy ₹ 172.80 crore (Credit), Department of Space ₹ 504.13 crore (Credit) and Ministry of Road Transport & Highways ₹ 407.25 crore (Credit) indicating the payment made (Debit) or received (Credit) by these Departments/ Ministries on behalf of other PAOs which were yet to be recovered/ paid by them as on 31 March 2017. The heavy debit and credit balances under PAO suspense indicated significant control deficiencies.

(b) Suspense Accounts (Civil)

This transitory minor head is operated for accounting of the transactions which cannot be taken to the final head of expenditure or receipt for want of certain information/ documents *viz.* vouchers and challans. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/ documents, the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned minor/sub-minor /minor heads of accounts. Outstanding debit balances 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 of 31 March 2017 was ₹ 533.75 crore (Credit) and ₹ 1,134.11 crore (Debit). An aggregated balance of ₹ 1,667.86 crore was required to be handled individually for settlement. The major balances outstanding pertained to Information and Broadcasting ₹ 20.34 crore (Credit), Department of Supply ₹ 596.92 crore (Debit), Ministry of External Affairs ₹ 333.31 (Credit) and High Commission ₹ 435.76 crore (Debit).

(c) Cash Settlement Suspense Account

In accordance with the instructions contained in Note (4) below the Major Head 8658.00.107- Cash Settlement Suspense Account in the list of Major Minor Head of the Accounts and instructions issued by Ministry of Finance, year after year in this regard, Central PAOs (except Cabinet Secretariat) are not permitted to operate the minor head 8658-00-107-Cash Settlement Suspense Account. As per above cited provisions, it should have been ensured that no new accretions appeared under this head during 2016-17 but old items could be cleared by operating the minor head. Further, it was also instructed to all accounting authorities that all accumulation under this minor head be cleared till the end of financial year 2016-17.

The outstanding balance under this minor head as of 31 March 2017 was ₹ 384.88 crore (Debit) and ₹ 36.34 crore (Credit). An aggregated balance of ₹ 421.22 crore was required to be handled individually for settlement, which had not been booked to the final heads of account. The major balances outstanding pertained to Ministry of Urban Development ₹ 153.63 crore (Debit) and NCT, Delhi ₹ 177.49 crore (Debit).

However, it was noted that balances were lying outstanding against 31 accounting authority under this minor head which were to be cleared by the end of financial year 2016-17. Over and above clearing the outstanding, Ministry of Urban Development and the NCT Delhi were operating the suspense balances, which is a contravention of the instructions issued by Ministry of Finance.

(d) Suspense Account for purchases abroad

The minor head 'Suspense accounts for purchases abroad' is operated in the books of the (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/Importer. 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 2016-17, the outstanding debit balance under this head was ₹ 2,653.36 crore. Major debtors as on 31 March 2017 were Pyrites, Phosphates and Chemicals Ltd. ₹ 24.95 crore and Coal India Ltd. ₹ 23.18 crore. It was also observed that ₹ 104.87 crore was outstanding from 38 organizations up to 2007. The details of outstanding amount is given in **Annexure-2.8.**

It was noticed from the information made available by the CAA&A 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.

(e) Public Sector Bank Suspense (PSB 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 transitions awaiting settlement. Clearance of balances (both credit and debit) is required to be conducted within the minimum possible time. Otherwise, the cash balance of government with RBI would present an erroneous picture.

The outstanding PSB balance for the year ending March 2017 aggregated to ₹ 11,061.70 crore (Debit) and ₹ 957.22 crore (Credit). The aggregate balance of ₹ 12,018.92 crore was required to be cleared at the end of March 2017.

The departments against which major balances were outstanding were Central Board of Direct Taxes (CBDT) (Expenditure) ₹471.64 crore (Credit)**,** Central

Pension Accounting Office (CPAO) ₹ 3,598.50 crore (Debit), Skill Development and Entrepreneurship ₹ 975.75 crore (Debit), Department of Supply ₹ 285.57 crore (Debit), Ministry of Road Transport and Highways ₹ 300.01 crore (Debit), Central Board of Excise and Custom (CBEC) ₹ 576.73 crore (Debit), Ministry of Minority Affairs ₹ 1,165.51 crore (Debit), Ministry of Health & Family Welfare ₹ 233.25 crore (Debit), Ministry of Culture ₹ 368.47 crore (Debit), Department of Coal ₹ 218.41 crore (Debit), Ministry of Information & Technology ₹ 813.33 crore (Debit), Social Education & Literacy ₹ 191.70 crore (Credit), Ministry of Youth Affairs & Sports ₹ 126.87 crore (Debit) and Higher Education ₹ 113.93 crore (Debit).

On further analysis, it was observed that there was an increase in closing balances of PSB Suspense in respect of Ministry of Minority Affairs, Central Pension Accounting Office, Central Board of Excise and Customs as brought out in **Table 2.15**. below.

Table 2.15: Increase in the Debit balances under Public Sector Bank

(₹ in crore)

Name of PAO/Department	Opening Balance	Receipt	Disbursement	Closing Balance
Ministry of Minority Affairs	68.29	(-)1235.93	(-)2.13	(-)1165.51
CPAO	780.82	(-)4421.81	(-) 42.49	(-)3598.50
Central Board of Excise and Customs	(-)527.08	(-)118.30	(-)68.65	(-)576.73

The Ministry of Minority Affairs stated (September 2017) that the balance increased due to payment /authorizations made by PAO during last week of the financial year. Balances lying under this head were due to non-timely incorporation of e-scroll of DBT payment because of technical error on the part of Bank/PFMS. Matter was pursued with the bank for reconciliation.

The Central Pension Accounting Office accepted (September 2017) that the facts and stated that efforts are being made to minimize the suspense balances.

The CBEC stated (September 2017) that there was not much increase under this head.

(f) Reserve Bank Suspense, Central Accounts Office (CAO)

This minor head is operated in the books of the 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 authorized, the respective expenditure head is debited and credit is afforded to this suspense head. On receipt of monthly statement of accounts from RBI adjusting the account of Union Government, the MH 8675-Deposits with RBI – 101 - Central Civil is cleared by minus credit. At the time of repayment of loan and payment of interest thereon by the State Government, this suspense head is debited by crediting the loans/interest head. On receipt of monthly statement of accounts from RBI Central Accounts Section (CAS), Nagpur**,** minus debit is effected by contra debit to the MH '8675-Depostis with RBI-101-Central Civil'.

The outstanding balances under this minor head as on 31 March 2017 was ₹ 59.93 crore (Debit) and ₹ 575.01 crore (Credit) with aggregated balance of ₹ 634.94 crore to be cleared by the end of March 2017. The outstanding RBI (CAO) suspense balances were mainly against the Ministry of Shipping ₹ 367.99 crore (Credit), Ministry of Commerce ₹ 115.00 crore (Credit), Department of Supply ₹ 37.68 crore (Debit) and Ministry of Road Transport and Highways ₹ 8.19 crore (Debit).

Thus, accumulation of large suspense balances in the accounts led to mismatch of cash balance position in the books of the Union Government as depicted in Finance Accounts, in comparison to cash balance available in the books of Reserve Bank of India.

2.5.2 Large number of adverse balances under Debt, Deposit and Remittance (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 2016-17, there were 76 cases of adverse balances under debt, deposit and remittances heads as given in **Annexure-2.9**. Eight cases became adverse during 2016-17 and remaining 68 cases were outstanding from earlier years. These included 38 cases outstanding for more than one year up to five years, 10 cases for more than five years up to 10 years and 20 cases for more than 10 years old.

Though the adverse balances in the Finance Accounts were qualified by the CGA through footnotes that the adverse balances were under investigation but the findings of such investigations by the CGA and its subordinate offices and efforts made to clear them were not made available to audit.

The CGA stated (October 2017) that the Principal Pay and Accounts Offices of Ministries/Departments were instructed to review and liquidate/clear the adverse/suspense balances under various heads. It was added that while reviewing of the material of Finance Accounts for the year 2016-17 they were asked to clear the adverse balances under DDRs heads.

2.5.3 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 form 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 during the month. On receipt of date-wise Monthly Statements (DMS)/Monthly Statement of Balances from Public Sector Banks/(CAS) RBI, 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 the Suspense Head '8658.108-PSB Suspense'/ '8675.101-Deposits with RBI-Central Civil', as the case may be.

In the Finance Accounts for 2016-17, large balances were lying outstanding under the various minor heads of 'Cheques and Bills' as detailed in **Table 2.16** below.

Table 2.16: Outstanding balances under the head 'Cheques and Bills'

(₹ in crore)

8670.101	Pre-audit Cheques	Credit	0.43
8670.102	Pay and Accounts Office Cheques	Credit	4466.07
8670.103	Departmental Cheques	Credit	2309.76
8670.104	Treasury Cheques	Debit	0.06
8670.105	IRLA Cheques	Credit	0.59
8670.106	Telecommunication Accounts Office Cheques	Credit	865.76
8670.107	Postal Cheques	Credit	20721.53
8670.108	Railway Cheques	Credit	4098.43
8670.109	Defence Cheques	Credit	649.74
8670.110	Electronic Advices	Credit	365.59
8670.111	Pay and Accounts Offices Electronic Advices	Credit	6210.88
8670.112	Principal Controller of Communication Accounts Offices Electronic Advice	Credit	54.92
8670.113	Treasury Electronic Advices	Credit	5.21
8670	**Cheques and Bills (Total)**	**Credit**	**39748.85**

Rule 45 of Central Government Account (Receipts and Payments) Rules, 1983 envisages that a cheque shall be payable at any time within three months from the date 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 and Bills' and minus debiting the functional major/minor head to which the expenditure was originally debited and amount is to be written back in the accounts.

Large outstanding amounts under different minor heads reflect that accounting authorities are not taking necessary action as required to be taken under the rules. To the extent the amounts are outstanding under the 'Cheques and Bills', the Government cash balance stands overstated and reflects an erroneous position.

Test check in the Principal Accounts Offices revealed that 3,425 cheques amounting to ₹ 59.92 crore in Ministry of External Affairs, 40 cheques amounting to ₹ 0.05 crore in Department of Supply, 965 cheques amounting to ₹ 164.61 crore in Ministry of Road Transport and Highways and 13,191 cheques amounting to ₹ 141.59 crore in Central Board of Excise and Customs remained unpaid for more than six months.

In the case of Ministry of Urban Development, the details of outstanding cheques for more than six months were not made available to audit.

The CGA stated (October 2017) that the Principal Pay and Accounts Offices of Ministries/Departments were instructed to review and liquidate/clear the adverse/suspense balances under various heads. It was further added that while reviewing the material of Finance Accounts for the year 2016-17, they were asked to clear the balances under Cheques and Bills.

2.5.4 Review of balances not carried out by Principal Accounts Offices

As per the Civil Accounts Manual, at the close of a financial year the PAOs shall review and verify the balances under various Debt, Deposit and Remittance (DDR) heads to ascertain whether the correctness of the balances is accepted by the persons/parties by whom the balances are owed or to whom these are due. The accounting authorities are required to furnish annually by 15 September of each year to the Principal Accounts Office, a detailed statement showing the un-reconciled differences and the cases where acceptance of balances are awaited. The Principal Accounts Office, in turn, is required to send a consolidated report of the Ministry/Department to the Controller General of Accounts by 15 October of 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 DDR.

In respect of civil departments, the review of balances for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 was completed only in 48, 46, 45, 50 and 57 departments respectively out of a total 70 Principal Accounts Offices.

Large numbers of adverse balances in Finance Accounts for several years are reflective of the failure of the Principal Accounts Offices in carrying out timely reviews and take follow up action.

2.6 Departmentally managed Government Undertakings- Position of Proforma Accounts

Rule 84 of the General Financial Rules, 2017, stipulates that 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 the Comptroller and Auditor General of India. 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 Presses prepare Proforma Accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Store Accounts.

Audit received information in respect of 81 departmentally managed Government undertakings of commercial or quasi commercial nature as contained in **Annexure 2.10**. Out of these, accounts were lying in arrears in 55 undertakings as of March 2017 as depicted in **Table 2.17** below.

Table 2.17: Period for which Proforma Accounts are lying in the arrears

Sl. No.	No. of undertakings	Financial year of the account	No. of Years in arrears
1.	31	2015-16	1
2.	14	2012-13 to 2014-15	2–4
3.	5	2008-09 to 2011-12	5-8
4.	5	2007-08 and before	9 years or more
Total	**55**		

Proforma Accounts of 31 Undertakings were delayed for a period of one year. In respect of 14 Undertakings, accounts were delayed from two to four years. In case of Port Management Board, Andaman and Nicobar Islands, Ministry of shipping, the Proforma Accounts had not been prepared since the financial year 1991-92 onwards.

In the absence of availability of updated Proforma Accounts, 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 their activities.

2.7 Losses and irrecoverable dues written off/waived

Rule 33 of the General Financial Rules, 2017, envisages that any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of, Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it. Petty losses of value not exceeding Rupees ten thousand need not be reported.

Statement of losses written off and recovery waived off during 2016-17 were called from 67 Ministries/Departments. However, information was made available by only 44 Ministries/Departments. Out of 44, in 10 Ministries/ Departments, 98 cases of losses amounting to ₹ 250.79 lakh were written off and recoveries amounting to ₹ 1.36 lakh in five cases were waived off, as detailed in **Annexure 2.11.**

2.8 Conclusion

There are significant deficiencies relating to disclosures, accuracy, completeness, and transparency in the Union Finance Accounts for 2016-17. Many of these discrepancies are recurring without any noticeable corrective actions taken by the concerned accounting authorities though commented upon in previous Audit Reports. Several Regulatory Bodies acting as 'State' within the meaning of the Constitution of India, maintained large amount of funds outside the Government Accounts. Specific purpose cess being collected was not credited to the earmarked funds whenever created in the Public Account. Under-utilisation of Cess collected was also noticed. There were several cases of discrepancies in the figures reflecting the government's holding in the equity base of the Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks, Societies, etc. A large proportion of loans advanced by Union Government to States/UTs Government and other entities were not being recovered and the repayments due from these entities were in arrears for more than 20 years. Accumulation of large suspense balances in the accounts led to mismatch of cash balance position in the books of the Union Government as depicted in the Finance Accounts in comparison to cash balance available in the books of Reserve Bank of India. In respect of Debt, Deposit and Remittance Heads where balances are carried over from year to year, the accounts and transactions were not maintained and tracked in a proper manner in a number of Ministries/Departments leading to a large number of adverse balances in the concerned head of accounts and accumulation of suspense balances. Proforma Accounts of 50 Undertakings were delayed ranging from one to eight years and Proforma Accounts of five Undertakings were delayed for more than nine years.