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CHAPTER

OBSERVATIONS ON FINANCE ACCOUNTS

Chapter 2 Observations on Finance Accounts

2.1 Introduction

The Union Government Finance Accounts (UGFA) contain 16 Statements which present the accounts of receipts and disbursements of the Union for the year, the financial results disclosed by revenue and capital accounts and the accounts of public debt, liabilities and assets.

Under Article 150 of the Constitution, the form of the accounts of the Union and State Governments is prescribed by the President of India on the advice of the CAG. This function is discharged by the Controller General of Accounts (CGA), who is responsible for laying down the general principles of Government Accounting and the Form of Accounts. CGA prepares the UGFA based on inputs received from the Accounting Authorities of Ministries/Departments of the Union Government. Secretaries of Ministries/ Departments are the Chief Accounting Authorities (CAA) of their respective Ministry/Department. They discharge their functions with the assistance of Financial Advisors (FA) and Chief Controllers of Accounts (CCA) of the Ministry/Department concerned.

This Chapter features audit observations that highlight issues and shortcomings in the presentation of financial information in the UGFA in terms of accuracy, completeness, and transparency. As mentioned in the Report on Union Accounts for 2018-19, the fact that several of these deficiencies have persisted despite being regularly highlighted in previous Audit Reports is indicative of lack of effective remedial measures on part of the Accounting Authorities.

2.2 Issues of Transparency and Disclosure

2.2.1 Persistent use of Minor Head 800

Minor Head 800 with nomenclature ‘other receipts’/ ‘other expenditure’, is used under receipt and expenditure Major Heads to account for transactions that are not routine and/ or cannot be accounted under any specific minor head. Repeated use of Minor Head 800 results in opaqueness in accounts and hence, needs to be curtailed.

Audit Reports of the CAG have year after year, pointed out continued use of Minor Head 800 by Ministries/ Departments of the Union Government. These reports have also suggested a comprehensive review of the structure of Government Accounts in order to make financial reporting more transparent. Yet the Union Government has not addressed this issue leading to continued accounting of expenditure and receipts under Minor Head 800.

2.2.1.1 Booking under Minor Head 800-Other Expenditure

During FY 20, expenditure totalling ₹39,838 crore was booked under 'Minor Head 800-Other Expenditure' under various Major Heads. In the case of six Ministries/ Departments involving 11 Major Heads, expenditure of ₹19,153 crore, constituting more than 50 *per cent* of the total expenditure booked under these heads, was accounted for under Minor Head 800. These included expenditure on Optical Fiber Cable based network for Defence Services (₹9,410 crore) under MH 5275-Other Communications Services; Pradhan Mantri Krishi Sinchai Yojana (₹1,999.30 crore) under MH 2701-Medium Irrigation.

Additionally, in certain cases, significant expenditure (though below 50 *per cent* of total expenditure under the concerned Major Head) was booked under Minor Head 800. These included expenditure on Medical and Public Health (₹3,226 crore) under MH-2210, Crop Husbandry (₹2,608 crore) under MH-2401, Defence Services-Army (₹2,530 crore) under MH-2076.

Significant booking of expenditure under Minor Head 800, in excess of 50 *per cent* of total expenditure, has persisted for several years under the following Major heads: Capital Outlay on other Communication services under MH-5275; Flood Control and Drainage under MH-2711; Capital Outlay on Non-Ferrous Mining and Metallurgical Industries under MH-4853 and Capital Outlay on Soil and Water Conservation under MH-4402.

2.2.1.2 Booking under Minor Head 800-Other Receipts

Receipts of ₹16,892 crore were booked under Minor Head 800-Other Receipts during FY 20. In 13 Ministries/Departments, receipts pertaining to 18 Major Heads, amounting to ₹2,921 crore, which were over 50 *per cent* of total receipts booked under these heads, were booked under this Minor Head. These heads included 'Defence Services–Navy', 'Food Storage and Warehousing', 'Labour and Employment', 'Defence Services Research and Development', 'Education, Sports, Art and Culture', etc.

In the following cases, significant receipts (though below 50 *per cent* of total receipts) were booked under Minor Head 800.

- Under Tax/Non-Tax Receipts these included Interest Receipts (₹2,045 crore), Customs Receipts (₹1,245 crore), Police Receipts (₹1,145 crore), Defence Services Receipts-Army (₹897 crore).
- Under Miscellaneous Capital Receipts, receipt of SUUTI etc. (₹2,070 crore).

Further, under Tax Receipts ₹1,720 crore was booked under Minor Head 800, even though the relevant Minor Heads were available. In addition, an amount of ₹1,442 crore of Non-Tax revenue was booked under Minor Head-800-Other Receipts as Tax Revenue.

Such wrong booking under Minor Head 800, despite availability of the correct Minor Heads, impacted the calculation of net proceeds and assignment to States.

As in the case of expenditure, booking of more than 50 *per cent* of total receipts under 800 - Other Receipts has also persisted for several years in the case of 12 Major Heads/functions[18].

In the interest of transparency in accounts, it is recommended that Controller General of Accounts (CGA) may review cases of persistent booking of receipts and expenditure under Minor Head 800 and, on the advice of the CAG, prescribe and ensure operation of new Minor Heads. CGA should also issue suitable directions to all Accounting Authorities to ensure that Direct and Indirect Tax revenues are booked to the correct Minor Heads instead of misclassifying them under Minor Head 800.

2.2.2 Depiction of critical information through footnotes in UGFA

2.2.2.1 Public Liabilities

Statement 2 "Summary of Debt Position" of UGFA for FY 20 depicted the total of liabilities under "Small Savings and Provident Fund" as ₹5,74,880 crore as on 31 March 2020. Information on other liabilities of the Union Government consisting of investment of NSSF of ₹8,06,984 crore, accumulated deficit of NSSF of ₹1,09,462 crore and investment of ₹82,963 crore relating to Post Office Insurance Fund was provided by way of a footnote. Thus, depiction of Public Account Liabilities amounting to ₹9,99,409 crore through a footnote, and not as part of the main body of the Statement or depicting the consolidated picture at any place, did not present an appropriate picture of Public Account Liabilities of the Union Government.

2.2.2.2 External Debt

Statements 2 and 14 of UGFA for FY 20 showed External Debt of the Union Government at historic rate of exchange (₹2,99,250 crore) and disclosed the External Debt as converted at the current exchange rate (rate as on 31 March 2020) as a footnote (₹5,44,394 crore).

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18 0030-Stamps and Registration Fee, 0077-Defence Services- Navy, 0080-Defence Services-Research and Development, 0230-Labour and Employment, 0235- Social Security and Welfare, 0408-Food Storage and Warehousing, 0425-Co-operation, 0701-Medium Irrigation, 0702-Minor Irrigation, 1055-Road Transport, 1056-Inland Water Transport and 1456-Civil Supplies.

It was observed that the latter was ₹2,45,144 crore higher than the amount at historical rate. This disclosure of the value of external debt only through a footnote affected the transparency of the accounts and may also be seen in the light of the FRBM Act 2003 wherein the definition of Union Government Debt includes External Debt valued at current exchange rates.

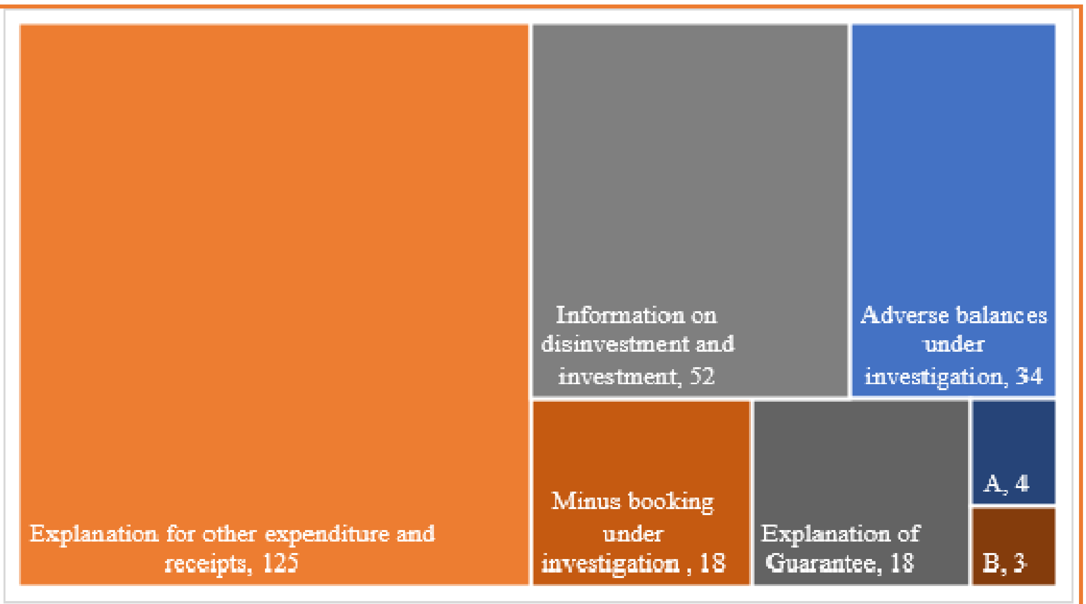
2.2.2.3 Key Fiscal Numbers

Statement 1 "Summary of Transactions of UGFA" did not explicitly give key fiscal numbers such as Revenue Deficit and Fiscal Deficit. Instead, the figure of Revenue Deficit was implicitly conveyed by way of a footnote giving the amount by which expenditure on revenue account exceeded receipts on revenue account. This has implication in terms of variation in depiction of fiscal indicators in the Budget at a Glance and fiscal indicators as derived from UGFA, as brought out for FY 20 in Table 1.1 of this Report.

2.2.2.4 Other Footnotes

A total of 254 footnotes had been inserted in 16 statements of the UGFA for FY 20 for disclosing additional information with respect to figures for transactions and for opening and closing balances and changes made thereto.

Figure 2.1: Categorisation of footnotes inserted in UGFA



A: Prior period adjustments and transfers without financial adjustment
B: Balances under reconciliation

These footnotes, though related to significant transactions, were brief and cryptic and in some cases were being repeated year after year without resolution. Such footnotes related to adverse balances under investigation, balances under reconciliation, information awaited, minus booking under investigation, prior period adjustments, transfer without financial adjustment, explanation for minus entries, explanation for other expenditure and receipts and information on disinvestment and investment. Examples of persistent adverse/minus balances under investigation shown as footnotes were 8445.00.800 Railway deposits-Other deposits (₹3,273 debit) implying withdrawals despite unavailability of funds, and 8551.00.101 Defence Advances (₹2,279 credit) implying more receipt of advances against the advances sanctioned. Other examples included explanation of adverse balance in Railway Pension Fund – Commercial Lines (₹33,289 crore debit), details of inclusion (₹1,182 crore) due to finalisation of capital restructure and exclusion (₹195 crore) due to buy back of shares in investment made in Security Printing and Minting Corporation of India Ltd.

Further, these footnotes did not disclose the full nature and implications of adjustments and action taken to address the anomalies.

It is recommended that CGA consider the introduction of a "Notes to Accounts" section or an equivalent consolidated disclosure format as part of UGFA which would enable additional information (beyond that depicted in the individual Statements) to be provided in a consolidated form to aid readability and transparency.

2.2.3 Netting in transactions of Power System Development Fund (PSDF)

Para 3.4 of the List of Major and Minor Heads *inter alia* states that amounts financed from the Reserve Fund/Deposit Accounts will be shown as a deduct entry under minor heads 'Deduct - Amount met from (Name of the Reserve Fund/Deposit Account) with separate code say '902', etc., under the functional major/sub-major head in the revenue, Capital or Loan Section where under the actual expenditure stands debited".

Consolidated /Classified abstract of Ministry of Power showed that that an amount of ₹555.32 crore was transferred from the head of account 2801.05.797 to PSDF. Further, the provision for the expenditure amounting to ₹555.32 crore was made under the head 2801.05.106, and the same head was used for making the deduct entry. Consequently, the net impact of transactions under the functional head 2801.05.106 was nil. Statement 9 of the UGFA, therefore, did not contain any transactions under the head 2801.05.106 due to the netting of transaction of ₹555.32 crore and (-)₹555.32 crore.

CGA in its reply (December 2020) stated that, the accounting transactions are done as per the accounting procedure under 2801.05.106. However, the reply is not tenable as no transactions under the Minor Head 2801.05.106 could be located in Statement 9. This constitutes a significant issue related to transparency.

2.3 Issues relating to Accuracy of Accounts

The accuracy of the Union Finance Accounts for the year is impacted by persistence of significant balances under Suspense and Miscellaneous Heads awaiting final classification and clearance, and adverse balances under Debt, Deposit and Remittances Heads.

2.3.1 Outstanding balances under Miscellaneous and Suspense Heads of Account

Suspense heads are operated in Government accounts to reflect transactions which cannot be booked to a final head of account due to lack of information as to their nature. 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 unadjusted, the balances under the suspense heads accumulate and the accounts would give an inaccurate picture of Government receipts and expenditure.

The minor head-wise ledger for suspense balances is maintained by the Principal Accounts Offices (Pr. AOs) and sub/ detailed head-wise ledger by the PAOs. The Chief Controller of Accounts is required to review the suspense balances and submit a report to the Controller General of Accounts (CGA) for monitoring purposes. The CGA however, does not maintain a year-wise break-up of the outstanding balances under suspense minor heads which hindered the monitoring of clearance of such balances.

Audit scrutiny of balances under suspense and miscellaneous heads was undertaken in five Principal Accounts Offices viz., Central Pension Accounting Office (CPAO), Central Board of Direct Taxes (CBDT), Central Board of Excise and Customs (CBEC), Controller of Aid, Accounts and Audit (CAAA), Higher Education and Ministry of Defence. Observations arising from the scrutiny are discussed in the following sub-sections.

2.3.1.1 Netting of suspense balances

Statement 13 of UGFA gives balances under suspense heads relating to Civil Ministries, Postal, Telecom, Defence and Railways. The aggregate net balance under suspense heads as on 31 March 2020 was ₹71,745 crore (Debit). This balance *inter alia* consisted of ₹28,758 crore (Debit) under Civil, ₹24,372 crore (Debit) under Ministry/ Departments of Defence, ₹14,474 crore (Debit) under Railways and ₹4,141 crore (Debit) for Department of Post.

As mentioned in Para 2.3.1, receipts and payments which cannot be booked to a final head of account for want of required information/details, are accounted as credits and debits respectively under suspense heads. The credits and debits are cleared by minus credit or minus debit once wanting details become available. Thus, credit and debit items are required to be accounted for and shown separately in the accounts to give an accurate picture of balances under each suspense head. Statement 13 of UGFA however, shows balances under suspense heads after netting of credit and debit balances which led to understatement of suspense balances both at Major and Minor Head levels.

An analysis of suspense balances of Civil Ministries revealed that due to netting, the balances were understated by 8.3 *per cent* under PAO Suspense, 70.2 *per cent* under Suspense Account (Civil) and 35.5 *per cent* under PSB Suspense.

Table 2.1: Suspense balances of Civil Ministries

(₹in crore)

Year	PAO Suspense		Suspense Account (Civil)		PSB Suspense	
	Net Suspense	Actual Suspense	Net Suspense	Actual Suspense	Net Suspense	Actual Suspense
FY 18	313.35 *DR*	2,144.03 *DR* 1,830.68 *CR*	1,952.44 *CR*	1,155.37 *DR* 3,107.81 *CR*	12,592.92 *DR*	13,801.89 *DR* 1,208.97 *CR*
FY 19	1,937.51 *DR*	2,650.67 *DR* 713.16 *CR*	737.71 *DR*	1,140.57 *DR* 402.86 *CR*	13,692.04 *DR*	15,978.79 *DR* 2,286.75 *CR*
FY 20	10,620.42 *DR*	11,098.27 *DR* 477.85 *CR*	541.41 *DR*	1,179.60 *DR* 638.19 *CR*	13,268.43 *DR*	16,914.60 *DR* 3,646.17 *CR*

Audit also noticed that in the Department of Expenditure, negative credit balances at the end of FY 19 under Suspense Account (Civil) of ₹0.49 lakh, PSB Suspense of ₹40.90 lakh and Other Nominated Bank Suspense of ₹9.36 lakh were depicted as debit balances at the start of FY 20. Treating minus Credit as Debit balances represented accumulation of suspense and not clearing of suspense balances. As the treatment of Credit and Debit Suspense was to be accounted separately, treating minus Credit as Debit balance misrepresented these balances.

CGA in it reply (October 2020) stated that Suspense Balances are reflected in Statement 13 of the Finance Accounts as per practice in vogue prior to departmentalization of accounts. Secondly, at this stage it is not possible to segregate the years old net balances into debit and credit balances separately under various suspense heads.

However, as mentioned in Para 2.1, CGA is responsible for laying the form of accounts. As departmentalisation of accounts took place some decades ago, CGA should have made the required changes/ improvements in presentation of accounts by now.

It is recommended that CGA may initiate the process by segregating the additions made in the last ten years to the net Suspense Balances into debit and credit balances.

2.3.1.2 Accumulation of balances in PSB Suspense

Public Sector Banks (PSBs) function as agents of the Reserve Bank of India (RBI). When the Government Departments receive the statement of payments made against instructions given to PSBs, the transactions are initially booked as a credit entry against PSB Suspense. This credit of PSB Suspense is cleared by contra credit to Reserve Bank Deposits (RBD) Head when RBI debits the amount from Government account. Similarly, after receiving intimation by PSBs of receipts, the concerned Government Department debits the PSB Suspense. This debit of PSB Suspense is cleared by contra debit to RBD Head when RBI credits the amount into Government account. Failure to clear the PSB Suspense in a timely manner results in incorrect depiction in Government books of its cash balance with RBI.

A. PSB Suspense-Civil

Scrutiny revealed that the major accumulation of PSB Suspense balance was in Central Pension Accounting Office (CPAO) and Higher Education Department.

Table 2.2: Accumulation of PSB Suspense balance (debit)

(Closing balance in ₹crore)

	FY 18	FY 19	FY 20
Central Pension Accounting Office	7,083.04	9,745.49	10,452.33
Higher Education Department	1,588.70	913.39	1,144.45

Further, analysis of addition and clearance of PSB Suspense balance in FY 20 revealed inadequate efforts for clearing PSB Suspense balances both by CPAO and Higher Education Department, as shown in **Table 2.3**.

Table 2.3: Addition and clearance of PSB Suspense balance (debit) – FY 20

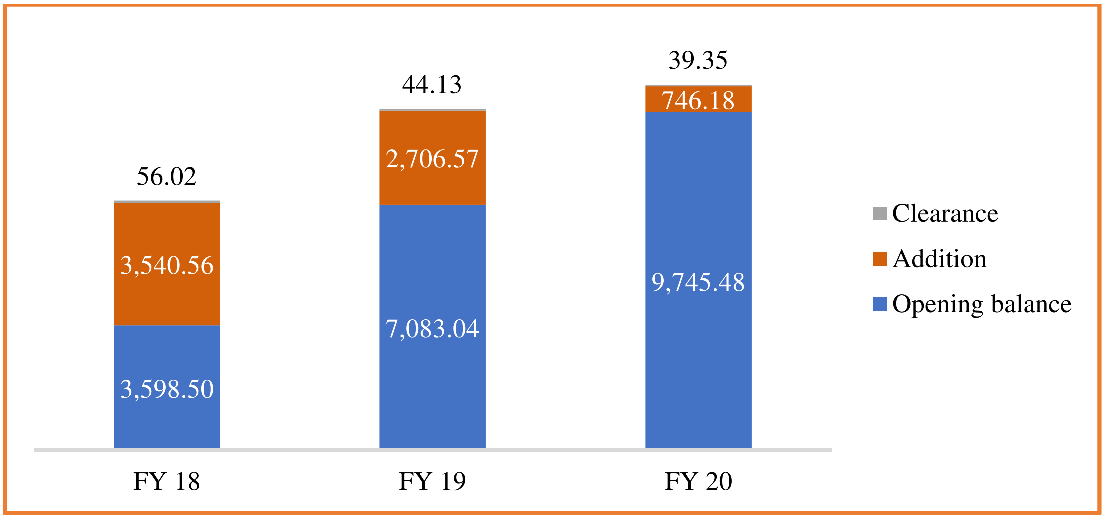
(₹in crore)

	Opening	Addition	Clearance	Closing
Central Pension Accounting Office	9,745.49	746.19	39.35	10,452.33
Higher Education Department	913.38	255.53	24.45	1,144.45

Further, in the case of CPAO, balances under PSB suspense were negative which were awaiting clearance by final booking as pension expenditure under Major Head 2071. Details of balances under PSB suspense during the years FY 18 to FY 20 were as shown in **Figure 2.2**.

Figure 2.2: Trend of PSB Suspense balances (debit) in CPAO

(₹ in crore)



As seen from **Figure 2.2**, from FY 18 to FY 20 PSB Suspense balances increased almost three-fold. This outstanding balance under Suspense had the effect of understating pension expenditure, Revenue Deficit and Fiscal deficit of the Union Government by the amount held under Suspense.

CPAO in its reply (November 2020) stated that the reason for these outstanding balances is the time lag in booking of the put through statement received from the RBI and e-scrolls received form the banks. The reply is not tenable as no concrete action has been taken for the clearance of previous years balances.

B. PSB Suspense-Defence

PSB Suspense relating to Ministry of Defence (MoD) showed a closing net balance of ₹17,913.17 crore (Debit) for 2019-20, a net decrease of ₹3,453.23 crore over the opening balance. The accounts furnished by the Controller General of Defence Accounts (CGDA) to the CGA depicted only the net position and did not give the break-up between the debit and credit balances, rendering the accounts opaque. Nevertheless, Audit found that the net suspense had significantly jumped from ₹125.47 (Credit/*CR*) crore at the end of 2015-16 to the present figure of ₹17,913.17 (Debit/*DR*) as detailed in **Table 2.4**.

Table 2.4: Outstanding balances under PSB Suspense-Defence

(₹in crore)

Year	Opening Balance	Receipt during the year	Disbursement during the year	Closing Balance
FY 16	125.47 *CR*	-	1,979.77	1,854.30 *DR*
FY 17	1,854.30 *DR*	-	7,130.47	8,984.78 *DR*
FY 18	8,984.78 *DR*	-	5,861.64	14,846.43 *DR*
FY 19	14,846.43 *DR*	-	6,519.97	21,366.40 *DR*
FY 20	21,366.40 *DR*	3,453.22	-	17,913.17 *DR*

Audit of the accounting of Defence Pension under MoD showed that a major reason for the accumulation of PSB suspense balances was the non-clearance of pension transactions in the books of the Defence Ministry. The practice of not clearing Pension scrolls starting from FY 16 was continued till FY 20 and was reported upon in CAG's Report No. 4 of 2020 [Paragraph 2.3.2.1(b)].

Ministry stated in its reply (September 2020) that the balances had not been cleared due to insufficient budget provision for Defence Pension during FY 20. These scrolls were also reported to have been subsequently booked during FY 21.

Thus, in violation of basic accounting procedure, and for the express purpose of understating revenue expenditure, defence pension expenditure amounting to ₹17,913.17 crore was kept in PSB Suspense.

2.3.1.3 Suspense accounts 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), MoF. The Government advices donors to make payments directly to suppliers abroad against supplies made to project authorities/ importers[19] in India and an equal amount is kept under the suspense head till payment is received from the concerned line Ministries/ importers. The debit balance under this head indicates outstanding recoveries from the importers/ project authorities, even though the Government has already made payments for these imports.

As on 31 March 2020, an amount of ₹3,812.05 crore (Debit) was lying under suspense, of which ₹75.82 crore pertained to items more than five years old. This issue was also highlighted in the CAG's Audit Report on Union Accounts for 2018-19 but has not been resolved. The continued existence of the suspense items impacts the presentation of external debt in Statement 14 of the UGFA.

2.3.1.4 Outstanding balances under the head 'Cheques and Bills'

The head 'Cheques and Bills' depicts the difference between the payment instructions (through cheques, etc.) issued by Government Ministries and Departments to PSBs and the extent to which such payments have actually been made and correctly booked. Continued existence of unreconciled balances under this Head can distort the cash balances as depicted in Government's books.

In FY 20, 'Cheques and Bills' amounting to ₹67,007 crore were outstanding, representing YoY increase of ₹24,903 crore (59.15 *per cent*), as shown in **Table 2.5**.

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19 Project implementing agencies, viz., CPSUs, State PSUs, State Government, Central Government etc.

Table 2.5: Major outstanding balances under 'Cheques and Bills'

(₹in crore)

Nomenclature	FY 20	FY 19	FY 18
Total Cheques and Bills	67,006.70	42,103.97	34,947.68
Postal Cheques	37,481.94 *CR*	27,272.54 *CR*	21,078.94 *CR*
Railway Cheques	17,964.12 *CR*	1,524.7 *CR*	2,661.56 *CR*
Pay and Accounts Offices Electronic Advices	3,465.13 *CR*	4,208.28 *CR*	4,316.27 *CR*
Electronic Advices	2,652.99 *CR*	1,010.84 *CR*	670.82 *CR*
Pay and Accounts Offices Cheques	2,332.52 *CR*	3,477.53 *CR*	2,083.06 *CR*
Departmental Cheques	1,709.71 *CR*	3,254 *CR*	3,153.96 *CR*
Telecommunication Accounts Office Cheques	852.41 *CR*	862.37 *CR*	868.65 *CR*
Other Cheques	547.88 *CR/DR*	493.71 *CR/DR*	114.42 *CR*

Thus, there was substantial increase in outstanding balances under 'cheques and bills' in case of Postal Cheques (₹10,209.4 crore *CR*, 37.43 *per cent*) and Railway Cheques (₹16,439.42 crore *CR*). On the other hand, balances under PAO Electronic Advices, PAO Cheques, and Departmental Cheques have shown a downward trend.

The existence of persisting balances under the head 'Cheques and Bills' violated the Union Government Account (Receipts and Payments) Rules, 1983 which stipulate that cheques and bills remaining unpaid beyond six months of issue, and not renewed, are to be cancelled and the amount written back in the accounts. Test-check by Audit indicated that a significant number of cheques issued by various Ministries and Departments were time barred for payment and could be written back into the accounts.

As per the nature and nomenclature of the Major Head the balances under this head should remain credit. There were, however, debit/adverse balances of ₹340 crore under three minor heads – Departmental (Cheque Drawing DDOs) Electronic Advices, Defence Cheques, and Treasury Cheques. This is a deterioration compared to FY 17 when there was not a single instance of adverse balance.

CGA stated (September 2020) in its reply that the cases of adverse balances under various minor heads of MH 8670-Cheques and Bills are pointed out to the Controllers of concerned Ministries/ Departments every year. The reply was, however, not tenable due to the persistent outstanding balances and increases under certain heads.

It is recommended that strong steps may be taken to ensure that all Accounting Authorities reconcile and clear balances under this head and also initiate the procedure mentioned above in respect of all Government cheques outstanding for more than six months so that the Government cash balance is correctly depicted.

2.3.2 Rectification through Journal Entry

Para 5.9.1 of Civil Accounts Manual states that each Principal Accounts Office will prepare a 'Statement of Central Transactions' (SCT) at the end of every financial year, representing the progressive effect of all the transactions during the year including that of March supplementary transactions. SCTs will be prepared only for minor head-wise details under different major heads concerned, showing charged, voted, plan and non-plan expenditures distinctly. Alterations are not permitted in the classified or consolidated abstract of any month after they have been closed. However, cases of errors may be discovered after the SCT is prepared and submitted. If an error is discovered in the same year and involves a correction by transfer of amount from one minor head to another under the same major head, or from one major head to another, necessary corrections in the form of Journal Entries (JEs) should be proposed.

Audit observed that JEs were used to transfer expenditure amounting to ₹1,705 crore pertaining to New Pension Scheme (NPS) and a total amount of ₹3,580 crore (₹1,897 crore as receipt and ₹1,683 crore as expenditure) pertaining to Canteen Stores Department (CSD) to Suspense Head (8659.00.140). This was not in accordance with codal provisions relating to use of JEs and resulted in understatement of revenue receipts by ₹1,897 crore and revenue expenditure by ₹1,683 crore.

Ministry of Defence (MoD) in its reply (March 2021) regarding transfer of NPS contribution to suspense head accepted the audit observation and stated that the suspense head would be cleared by transferring the fund to trustee bank in the subsequent year. The Ministry also accepted the audit observation in respect of booking of CSD receipts and expenditure and stated that CSD depots could not finalise their accounts due to Covid-19 scenario.

2.3.3 Accounting of short transfer of IGST to States/UTs pertaining to FY 18

In FY 18 there was a balance of ₹1,76,688 crore left in the IGST at the end of the year. Of this, GoI had provisionally devolved ₹67,998 crore under IGST to the States/UTs adopting Finance Commission formula for devolution of Central Taxes and balance was left unapportioned in the CFI. Report No. 2 of 2019 of the CAG (laid in Parliament in February 2019) had pointed out that the devolution of IGST was in contravention of provision of Article 269A of the Constitution of India. IGST should instead have been first apportioned in terms of the IGST Act between Centre and States /UTs, and devolution was to be made to States/UTs from the Centre's share of IGST. As a result, States/UTs had overall received less funds on account of sharing of IGST. This issue was further elaborated in CAG's Report No. 11 of 2019 (laid in Parliament in July 2019). Prior to this, Audit had flagged this matter to MoF in April 2019 by way of a draft para. In response to the draft para, MoF had intimated that during FY 19, IGST balance had not been devolved and available balances was being apportioned provisionally but was silent on corrective action taken for setting right the devolution done in FY 18.

Proposal to apportion the IGST balance of FY 18

Audit scrutiny of records of Department of Revenue (DoR) revealed that though the issue of apportionment/settlement of IGST balance of FY 18 was continuously deliberated upon, no final decision was taken on the issue till the end of FY 20. A Group of Ministers (GoM) was constituted in December 2019 to examine the issue of IGST settlement for FY 18. Subsequently, in May 2020, a proposal was made by MoF to reverse the IGST devolved in FY 18 and apportion the balance IGST of ₹1,76,688 crore available at the end of FY 18, citing CAG's observations on the issue. The proposal did not mention though whether any report from GoM had been received.

The proposal included apportionment of the afore-mentioned balance of ₹1,76,688 crore left in the IGST between CGST and SGST on 50:50 basis. Thus, all States together would get ₹88,344 crore as SGST. Additionally, 42 *per cent* of the CGST of ₹88,344 crore, which amounted to ₹37,104 crore, would get devolved to the States based on Finance Commission formula. On the other hand, devolution of IGST to the States in FY 18 amounting to ₹67,998 crore was to be recovered from the States. The total fiscal impact was calculated to be net outgo of ₹57,450 crore to the States, as given in the **Table 2.6**.

Table 2.6: Proposal to apportion IGST balance of FY 18

Sl. No.	Particulars	Amount
1	Unapportioned IGST in FY 18	₹1,76,688 crore
2	Amount of IGST devolved in FY 18 to States/UTs	₹67,998 crore
3	Apportionable to CGST	₹88,344 crore
4	Apportionable to SGST/UTGST	₹88,344 crore
5	Devolution to States from Union share	₹37,104 crore
6	Total amount due to States/UTs	₹1,25,448 crore
7	Less reversal of IGST devolved in FY 18	₹67,998 crore
8	Net outgo to the States	₹57,450 crore

Implications for GST compensation paid in FY 18

The afore-mentioned proposal of Union Government highlighted that if balance IGST (after reversing the devolution) was apportioned between CGST and SGST, it would lead to increase in total SGST of the States for FY 18 and hence, to a reduction in compensation payable necessitating refund of compensation already paid to the States/UTs. Thus, GST compensation paid in FY 18 deemed excess amounted to ₹46,169 crore.

Accounting of the transactions involved

The accounting process involved the following transactions:

a) Transfer/apportionment of IGST balance to SGST and CGST

b) Devolution to States from additional amount transferred from IGST to CGST

c) Reversal of IGST devolved to the States in FY 18

d) Adjustment of excess GST compensation paid to States in FY 18

In lieu of the above transactions, approval was obtained for reversal of IGST devolved and apportionment of balance IGST, along with part book adjustment[20] of IGST and compensation between Centre and States/UTs, leading to crediting of the GST Compensation Fund by ₹33,412 crore. To give effect to the above adjustment within FY 20, a JE was issued on 16 June 2020 debiting ₹33,412 crore under the Head 3601.08.797 (₹31,697 crore) and 3602.08.797 (₹1,715 crore) as expenditure on account of transfer to GST Compensation Fund, while crediting the same amount as receipt in the Fund under MH 8235.00.143.

Some States had received more than the amounts due on account of distribution of the devolved IGST based on Finance Commission formula instead of apportionment based on the IGST Act. Hence adjustment of IGST balance of FY 18 during FY 20 was restricted to only ₹33,412 crore to avoid cash recoveries from such states.

Audit scrutiny of the adjustment revealed the following:

a) Though this issue of settlement of IGST balance pertaining to FY 18 had been persisting since long, proposal to make adjustments was made only in May 2020. As a result, the above-mentioned adjustments were approved only in FY 21 and were incorporated in the Accounts of FY 20 after the closure of accounts for the year through a JE. Since this was a fresh expenditure incurred in FY 21, it should not have been accounted for in the Accounts of FY 20 and instead accounted for in the Accounts of FY 21 in accordance with extant accounting norms.

b) Proviso 16.3.4 of the Civil Accounts Manual only envisages use of JEs only to make corrections to Statement of Central Transactions (SCT). In the instant case a JE was used to account for additional transactions not approved during FY 20, which violated laid down procedures.

c) The adjustment was made with reference to the net impact of the transactions without any disclosures of implications in gross terms for various heads of accounts covered by these transactions either in the JE or in the relevant Statements of UGFA.

[20] Adjustment for recovery from the States was limited to ₹33,412 crore to avoid cash outgo/inflows in UGFA for FY 20

d) Further, as per Section 7(2) of the GST Compensation Act, 2017, any excess amount released to a State in a financial year shall be adjusted against the compensation amount payable to such State in the subsequent financial year. However, in this case amounts computed as paid in excess to States/UTs for FY 18 were adjusted against dues of IGST pertaining to that year, instead of compensation payable in FY 21 or later.

DoR replied (February 2021) that the amount of ₹33,412 crore was transferred from CFI to GST Compensation fund as part of an exercise of apportionment of IGST balance pertaining to FY 18 in June 2020. This was done with the approval of the competent authority and in consultation with the CGA.

The reply of the Ministry is not acceptable as the transaction was a fresh expenditure sanctioned in FY 21; therefore, the accounting of ₹33,412 crore in the accounts of FY 20 was not in accordance with laid down accounting norms. Further, the implications/explanations for the netted transaction/adjustment for various heads and how would the adjustments be completed in future years, had not been disclosed at all in the accounting records, and in the UGFA.

2.3.4 Short transfer to GST Compensation Cess as on 31 March 2020

The GST Compensation Cess Act, 2017 provides for levy of a cess for the purpose of providing compensation to the States/UTs for loss of revenue arising due to implementation of GST for a period specified in the Act. CAG's Report No. 4 of 2020 had pointed out short crediting of GST Compensation Cess collections to the GST Compensation Fund in FY 18 and FY 19 totalling to ₹47,272 crore.

In FY 20, against collection of cess of ₹95,553 crore, as per UGFA the transfers to the Fund amounted to ₹1,53,910 crore, i.e. ₹58,357 crore was transferred in excess of collections during this year. However, this excess included, as pointed out in paragraph 2.3.3, an amount of ₹33,412 crore transferred by way of a Journal Entry in June 2020 (after close of FY 20) as partial adjustment of short transfer of IGST to the States/UTs pertaining to FY 18. Therefore, as on 31 March 2020, ₹24,945 crore was transferred in excess of actual collections from CFI during FY 20 as against short transfer reported in CAG's Report No. 4 of 2020 amounting to ₹47,272 crore. Thus, as on 31 March 2020 transfer of Compensation Cess collected in the past years amounting to ₹22,327 crore[21] to the GST Compensation Fund was yet to be done.

2.3.5 Adverse balances

Adverse balances arise due to various factors such as (a) when transactions are erroneously credited instead of being debited and vice versa, (b) when debits are

[21] Short crediting of ₹47,272 crore in FY 18 and FY 19 – excess transfer of ₹24,945 in FY 20 = ₹22,327 crore

accounted under one head and related credits under some other head or vice versa, and (c) when outflows/disbursements from reserve funds are in excess of receipts/balances. These balances thus, represent errors and absence of financial controls and impact the quality and accuracy of accounts. The UGFA for FY 20 showed 72 cases of adverse balances amounting to ₹51,618 crore[22] (₹9,882 crore Credit and ₹41,736 crore Debit). Of these, 36 cases amounting to ₹9,217 crore (₹2,352 crore Credit and ₹6,865 crore Debit) were unresolved for over five years, with the oldest as early as 45 years. Some of the significant adverse balances are depicted in **Table 2.7**.

Table 2.7: Adverse balances

(₹in crore)

Sl. No.	Amount	Entity/Fund	Remarks
1	35,721 (*DR*)	Ministry of Railways	These indicate that disbursements from Reserve Funds – Railway Pension Fund-Commercial Lines and Depreciation Reserve Funds-Railways (Commercial Lines), were in excess of balances. The balances under Depreciation Reserve Funds-Railways (Commercial Lines) turned adverse in FY 10. Further, out of ₹35,721 crore, ₹33,289 crore pertained to Railway Pension Fund-Commercial Lines. This balance had turned adverse in FY 17 due to less appropriation to the fund compared to expenditure on pension from the fund. Lower appropriation was on account of lower revenue earnings of Railways.
2	4,814.04 (*CR*)	Defence Advances, and Remittances into Banks/ Treasuries-Defence	These balances turned adverse in FY 16 and FY 20, respectively.
3	3,272.99 (*DR*)	Railway Deposits	These balances turned adverse in FY 06.
4	937.30 (*DR*)	Bhopal Gas Leak Disaster Fund - receipts	These are appearing in the accounts since FY 08.
5	928.20 (*CR*)	Bhopal Gas Leak Disaster Fund - payments	

[22] 36 cases totalling to ₹50,588 crore pertain to Debt, Deposit and Remittance heads and the balance to Loans and Advances.

6	211 (*DR*)	Beedi Workers Welfare Fund under the Ministry of Labour and Employment	These balances turned adverse in FY 08.
7	159 (*DR*)	Rashtriya Swachhta Kosh (RSK) under the Ministry of Urban Development	These balances turned adverse in FY 16.

It is recommended that all Accounting Authorities identify the reasons for the adverse balances and rectify the same in a time bound manner.

2.3.6 Dormant Reserve Funds and Deposits

Reserve 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 Funds generally involves transfer of funds from the Consolidated Fund of India into the Public Account to be utilised for specific purposes. On the other hand, deposits of the Government are made by depositors 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 needs to be reviewed and balances may be cleared from the Public Account.

Scrutiny of Finance Accounts showed that eight reserve funds and 16 deposits having aggregate balance of ₹5,416.33 crore at the end of FY 20 were lying dormant for periods ranging from three to 25 years. Four reserve funds and 14 deposits were lying dormant for more than 10 years and balances remained unchanged throughout this period. Likewise, another four reserve funds and two deposits were lying dormant for period ranging from three to 10 years. In most cases, the balances were small, and their continuance did not appear to serve any purpose. The issue has been pointed out in previous Audit Reports, but no perceptible action has been taken.

The continuance of these funds/deposits may be reviewed and considered for closure as per applicable rules.

2.3.7 Improper accounting regarding writing-off of external debt

Rule 38 of the Government Accounting rules stipulated that all amounts due to Government which are found to be irrecoverable shall be written- off from the Debt head of account concerned to an expenditure head as a loss to the Government by Major Head- "8680-Miscellaneous Government Account-Write off from heads of account closing to balance".

Audit observed that an amount of ₹3,108 crore was written off during FY 20 on account of variation in exchange rate of External Debt. However, the same amount was depicted as Credit, implying receipts of External debt during the year under various Minor Heads under Major Head 6002-External debt instead of minus Debit, which was contrary to the provision mentioned in Rule 38 of Government Accounting Rules.

CGA replied (October 2020) that write off on account of variation in exchange rate of external debt is done in terms of provisions of Rule 273 of GFR and Rule 38 of GAR. However, no justification was provided for depicting these amounts as Receipts of External Debt.

2.4 Issues of Data Integrity and Completeness

2.4.1 Incompleteness of Statement of Guarantees

Statement 4 gives the status of guarantees given by the Union Government. As on 31 March 2020, the outstanding guarantees extended by 19 Ministries/ Departments amounted to ₹4,66,881 crore. Further, out of the ₹3,075 crore receivable as guarantee fees for the year, the Union Government received only ₹1,071 crore. Three Ministries/Departments (Department of Pharmaceuticals, Ministry of Civil Aviation and Tourism, and Ministry of Micro, Small and Medium Enterprises, Khadi & Village Industries Commission-KVIC) did not realise guarantee fees of ₹2,027 crore during FY 20. Guarantee fee of ₹11 crore for FY 20 was paid in advance in FY 19 pertaining to Department of Commerce. In addition, guarantee fee of ₹32.14 crore relating to Department of Commerce (₹2.34 crore) and MTNL (₹29.80 crore) received in FY 20 pertained to FY 21.

Further, three Ministries/ Departments viz., Department of Agriculture, Co-operation and Farmers Welfare, Ministry of Consumer Affairs, Food and Public Distribution and Ministry of External Affairs waived off/ exempted guarantee fee receivable by them.

2.4.1.1 Short receipt of Guarantee Fee

General Financial Rules (GFR) stipulate that the rates of guarantee fee would be as notified by the Budget Division, DEA, MoF.

Review of Statement 4, however, revealed that the Accounting Authorities of three Ministries/ Departments failed to realise ₹4,873 crore of guarantee fee during FY 18 to FY 20. Out of this amount, ₹2,027 crore was not realised during FY 20, as depicted in **Table 2.8**.

Table 2.8: Short receipt of Guarantee fee

(₹in crore)

Ministry/Department	Fee receivable	Fee received	Short receipt of fee	Remarks
Civil Aviation	1,912.76	54.92	1,857.84	Air India Limited has not paid guarantee fee due to severe liquidity crunch.
Chemicals and Fertilizers and Pharmaceuticals	88.51	0	88.51	Indian Drugs and Pharmaceuticals Limited is a sick company.
Industry	88.22	7.89	80.33	As per footnotes, KVIC is not a profit-making organization.
Total	2,089.49	62.81	2,026.68	

Out of the three entities in **Table 2.8**, in the case of two entities (Chemicals and Fertilizers and Pharmaceuticals, and Civil Aviation) short receipt had also been pointed out in the earlier CAG's Audit Report on Union Accounts for FY 18 and FY 19.

2.4.1.2 Mismatch of information on outstanding guarantees

General Financial Rules (GFR) entrust the Finance Division/ Financial Advisers of respective Ministries with the responsibility of verifying the accuracy of the information on guarantees which are ultimately incorporated by MoF in the UGFA.

Audit scrutiny of Annual Review Reports received by Budget section, DEA revealed that out of 19 Ministries/ Departments whose guarantees were reported in Statement 4 of UGFA, only 17 Ministries[23] had submitted review reports on guarantees during FY 20. Further, reports of nine out of the 17 Ministries/ Departments were either incomplete or not furnished in the prescribed format.

Scrutiny of the reports of remaining eight Ministries revealed that in the case of the Ministry of Agriculture, the outstanding amount as per Statement 4 of UGFA was higher than the amount as per the review report by ₹13,101.91 crore. DEA replied (February 2021) that the matter has been forwarded to the concerned Ministry for response.

[23] Names of the two Ministries not furnishing the Review Report in FY20: 1. Ministry of Housing and Urban Poverty Alleviation (HUPA) 2. Ministry of Micro, Small and Medium Enterprises

It is recommended that the MoF may ensure submission of accurate and complete information by Ministries/Departments extending Guarantees. In addition, it is reiterated that DEA should create and maintain a reliable and complete database for Guarantees for effective monitoring of FRBM limits and risk of default.

2.4.2 Discrepancies in Statements 9, 10 and 13

2.4.2.1 Discrepancies in amounts disbursed and met from Reserve funds

The amount disbursed from any reserve fund shown in Statement 13 of UGFA and figures for expenditure met from the fund given in Statement 9 of UGFA should exactly match. In the following cases, discrepancies were noticed between the figures appearing in Statements 9 and 10, and Statement 13.

Table 2.9: Details of Amounts disbursed and met from Reserve fund

(₹in crore)

Sl. No.	Description as per Statements 9 and 10	Amount	Amount Disbursed from Reserve Fund in Statement 13	Difference	Remarks
1	Deduct Expenditure Met from Nirbhaya Fund	1,084.69	1034.76	49.93	CGA replied that ₹50 crore has been booked by Defence (Services) under 3601.06.902 as deduct amount met from Nirbhaya Fund but the amount has not been shown disbursed from the Nirbhaya Fund in their SCT. Further, Controller General of Defence Accounts furnished only an interim reply in this regard.
2	Deduct - amount met from Railway Pension Fund	48,726.01	49,187.89	461.88	These discrepancies are result of inconsistent adoption of procedures for transfer to funds and utilisation therefrom.
3	Deduct- amount met from Railway Safety Fund	6,885.74	16,885.74	10,000.00	
4	Amount met from National Compensatory Afforestation Fund	40.80	Nil	40.80	CGA stated that the issue was raised with the Ministry of Environment, Forest and Climate Change but reply was awaited (March 2021).

2.4.2.2 Balances of States under Major Head 8450 - Balance Accounts of UTs

In Statement 13, there were balances under various minor heads under the major head 8450 - Balance Accounts of Union Territories. These were pertaining - 8450.101 (₹40.12 crore *CR*) to Puducherry, 8450.102 (₹16.30 crore *DR*) to Goa, and Daman and Diu, 8450.104 (₹56.82 crore *DR*) to Arunachal Pradesh, 8450.105 (₹124.41crore *DR*) to Mizoram. Pertinently, these UTs had either become States or UTs with legislature long back with separate Public Account. These balances are lying since 2007-08 in respect of Puducherry and since 2002-03 in respect of Arunachal Pradesh, Goa, Daman & Diu and Mizoram.

CGA stated that the Credit/Debit balance under the heads 8450-Balance Accounts of Union territories are payables/ receivables. Balances of Puducherry, Goa, Daman & Diu, Arunachal Pradesh and Mizoram are old balances and are continuing in the accounts.

The reply of CGA did not address the audit contention and did not provide any roadmap for clearing the irregular balances.

2.4.3 Issues with respect to Government Investments

Statement 11 of the UGFA provides details of the Union Government's investment in Public Sector and other entities. CGA and CCAs of the concerned Ministries/ Departments are responsible for the accuracy and completeness of details contained in this Statement.

Cross verification of information on Government Companies/Corporations/Banks and Societies, etc. contained in the UGFA with the audited Financial Statements of the concerned entities revealed discrepancies as detailed in **Table 2.10**.

Table 2.10: Discrepancies in Government investment

(₹in crore)

Entity	Equity investment by Government			
	As per Statement 11 of UGFA		As per Annual Accounts of Entity	
	Amount	Percentage	Amount	Percentage
Karnataka Antibiotics & Pharmaceuticals Limited	4.43	--	7.98	--
Housing & Urban Development Corporation	--	100	--	89.81

Source: UGFA for FY 20 and Annual Accounts of concerned entities

Further, in respect of 67 entities, Statement 11 contained incomplete information in respect of nature, investment, face value, number of shares, capital and *percentage* of the Union Government's investment in 45 entities. Further, in 22 entities, *percentage* of equity share remained unchanged from the previous year despite having investment / disinvestment in FY 20. For example, in Delhi Metro Rail Corporation (DMRC) investment up to FY 19 was ₹9,842.63 crore, which was enhanced to ₹10,587.93 crore during FY 20, but the percentage of equity remained the same at 50 *per cent.* Similarly, investment in the case of Tehri Hydro Development Corporation (THDC) up to FY 19 was ₹2,723.94 crore, whereas after disinvestment the equity of THDC was decreased by ₹14 crore during FY 20. But the percentage of equity remained the same at 74.45 *per cent* in both the years.

It is recommended that Government may take action to ensure reconciliation (not just one time but on an ongoing basis) of the investment figures depicted in the UGFA with those reflected in the audit Financial Statements of the Government Companies/ Corporations/ Banks and Societies, etc.

2.4.4 Mismatch in figures of Disinvestment

In the following cases, there was mismatch in the disinvestment details furnished by Department of Investment and Public Asset Management (DIPAM), MoF and as depicted in Statement 11 of UGFA.

Table 2.11: Mismatch of figures of disinvestment

(₹in crore)

Public Sector Enterprise	Amount disinvested as per DIPAM (Par value)	Disinvested amount as per Statement 11	Reply/Remarks
North Eastern Electric Power Corporation	3,609	0	CGA stated that the total investment in company is ₹3,387 crore which is less than the amount disinvested and hence, the Ministry of Power has been requested to reconcile the difference.
Rail India Technical and Economic Services Ltd. (RITES)	25	0	--
Indian Rail Catering and Tourism Corporation Ltd.	160	0	As per Statement 11 the total investment in the company was ₹20 crore.

Thus, to the extent shown in **Table 2.11**, Statement 11 was incomplete and did not present the true picture of investment/disinvestment as in the above two cases listed above the amount disinvested is more than the investment in these companies.

2.4.5 Mismatch in information of equity share and *percentage* holding

In 10 cases, there was difference between the figures appearing in Statement 11 and annual accounts of the entity

Table 2.12: Details of equity share and percentage holding

Ministry (Sl. No. in Statement 11)	Entity	As per Statement 11		As per entity's annual accounts	
		Number of equity shares	% holding	Number of equity shares	% holding
Ministry of Petroleum and Natural Gas (SI. No. 6)	Oil and Natural Gas Corporation	4,65,08,54,437	62.98	7,59,96,08,458	60.41
Ministry of Petroleum and Natural Gas (SI. No. 160)	Bharat Petroleum Corporation Ltd.	35,47,83,293	54.93	1,14,91,83,592	52.98
Ministry of Petroleum and Natural Gas (SI. No. 162)	Engineers India Ltd.	12,70,47,788	59.37	3,25,4,04,724	51.50
Ministry of Railway (SI. No. 170)	Container Corporation of India	10,68,49,205	61.80	33,38,84,975	54.79
Ministry of Railway (SI. No. 179)	Indian Railway Catering and Tourism Corp Ltd.	2,00,00,000	100	13,98,40,000	87.40
Ministry of Housing & Urban Affairs (SI. No. 231)	Housing and Urban Development Corporation	1,79,78,412	100	1,79,78,41,253	89.81
Ministry of Power (SI. No. 87)	Power Grid Corporation of India Ltd.	2,68,58,72,408	57.37	2,68,58,72,408	51.34
Ministry of Defence (SI. No. 70)	Bharat Electronics Ltd.	1,14,16,42,457	-	1,24,59,73,978	-
Ministry of Road Transport and Highway (SI. No. 218)	National Highways & Infrastructure Development Corporation Limited	20,00,000	100	10,30,00,000	100
Ministry of Petroleum and Natural Gas (SI. No. 163)	GAIL (India) Limited	62,31,92,787	51.76	2,33,44,49,987	51.76

CGA in its reply stated that the UGFA is compiled based on information furnished by Ministries/Departments. Therefore, the matter has been referred to the concerned Ministries/Departments for explaining the variations.

The reply of CGA is not acceptable as this issue has been brought out in earlier Audit reports as well, but no perceptible corrective action has been taken.

2.4.6 Other discrepancies in Statement 11

Test-check of information in Statement 11 revealed that it did not present data /information in an organized manner as statutory corporations and joint stock companies were interspersed and all entities under one Ministry /Department were not listed seriatim. In many cases, the nomenclature for the administrative Ministry and the name and nature of the entity was not updated. A few such cases are listed below:

(i) Ministry of Industry instead of Ministry of Heavy Industry;

(ii) ONGC as a statutory corporation when it is now a company;

(iii) SIDBI as a company when it is a statutory corporation;

(iv) NSDC under MoF when it is under the Ministry of Skill Development;

(v) SIDBI under Ministry of Industry instead of Department of Financial Services, MoF.

2.4.7 Treatment of assets of Specified Undertaking of UTI (SUUTI)

Specified Undertaking of UTI (SUUTI) was created by an Act of Parliament and includes all business assets, liabilities, and properties of UTI relatable to schemes and development reserve fund as specified in the schedule of the Act. The Undertaking was transferred to an administrator appointed by the Union Government. However, neither SUUTI nor its assets/liabilities are depicted in the UGFA.

In view of the above in CAG's Audit Report No.4 of 2020 on the Union Accounts for FY 19, (para 2.4.2.8) it was pointed out that proceeds from sale of shares held by SUUTI transferred to the Union Government amounting to ₹12,426 crore, cannot be accounted as miscellaneous capital receipts and such proceeds (being part of surplus generated by SUUTI during the year) can only be treated as non-tax revenue. During FY 20, it was observed that SUUTI had similarly remitted ₹2,069.86 crore to the Union Government, which have again been accounted for in the UGFA as 'other receipts' (minor head 800) under Sub-Major Head-01 under major head 4000 Miscellaneous Capital Receipts. This classification under Miscellaneous Capital Receipts was incorrect as remittance from SUUTI was in the nature of transfer of surplus (including proceeds from sale of shares held by SUUTI) earned by SUUTI during the year which could only be treated as non-tax revenue. As a result of the incorrect classification, the capital receipts of Government for the year were overstated and revenue receipts understated.

MoF stated (March 2021) that during FY 20, SUUTI disposed a part of shares held by it and transferred proceeds amounting to ₹1,469.86 crore and transferred proceeds to the Union Government out of sale of SUUTI's stake in Axis Bank Ltd. (₹465.85 crore) and L&T (₹1,004.01 crore). These are disinvestment receipts and from FY 21 onwards, these would be accounted for under the heads for recording disinvestment proceeds – MH 4000.03.190 and MH 4000.04.190. SUUTI also transferred proceeds amounting to ₹600 crore to the Union Government through excess income earned from its investment, etc. Further, pursuant to the observation made in para 8.3 of CAG's Report No. 18 of 2019 (pertaining to FY 18), the income from investment was booked under MH 4000.01.800 (Other receipts).

The reply of MoF does not take into account that after a subsequent audit review of the nature of the transaction as part of the audit of Union Accounts for FY 19, it had been held (CAG's Report No. 4 of 2020: Para 2.4.2.8) that proceeds from SUUTI can only be treated as non-tax revenue and not capital receipts.

It is recommended that the Ministry may review the accounting treatment of surpluses (including proceeds from shares) transferred to the Union Government by SUUTI in consultation with accounting authorities taking into account observations of the CAG contained herein.

2.4.8 Inconsistency in depiction of Investment

Cross verification of Statement 11 of the Finance Accounts with Annexure-C of the Appropriation Accounts revealed inconsistency in depiction of Investment by the Union Government for FY 20, as shown in **Table 2.13**.

Table 2.13: Inconsistency in depiction of Government Investment

(₹in crore)

Ministry/ Department	Company	Investment	
		Finance Accounts	Appropriation Accounts (Annexure C)
Ministry of Shipping	Sagarmala Development Company financed from CRIF	Nil	200.00

Further, there was a mismatch in the names of certain entities between Finance Accounts and Annexure-C of Appropriation Accounts as shown in **Table 2.14**.

Table 2.14: Inconsistency in depiction of names of entities

Ministry/Department	Name of Entity	
	Finance Accounts	Appropriation Accounts
Department of Social Justice and Empowerment	Venture Capital Fund for OBCs	Venture Capital Fund for SCs and STs

In reply, CGA furnished (February 2021) only an interim reply stating that the matter had been taken up with the concerned Ministries.

2.5 Issues with respect to Statement on Loans and Advances

Audit scrutiny of Statement 15 of the UGFA which contains information on loans and advances by the Union Government revealed the following:

2.5.1 Non-recovery of outstanding Loans and Advances

Against the total loans (including interest) of ₹3,24,061 crore outstanding against State/UT Governments and other entities as on 31 March 2020, arrears in recovery amounted to ₹58,707 crore (19 *per cent*), as detailed in **Table 2.15**.

Table 2.15: Total outstanding Loans and Advances

(₹in crore)

Arrears as on 31 March 2020			
Category of Loanee	**Principal**	**Interest**	**Total**
State Government	3,90	1,715	2,105
Union Territories	2,206	1,867	4,073
Other Loanees[24]	17,456	35,073	52,529
Total	**20,052**	**38,655**	**58,707**

Age-wise analysis					
Category of Loanee	**No. of States/UTs/ Entities**	**Period of arrears (in years)**	**Principal**	**Interest**	**Amount**
States/UTs Government	22	>25	5,83	1,687	2,270
	05	15-25	2,013	1,895	3,908
Other Entities	79	>25	6,301	24,761	31,062
	28	15-25	3,113	4,991	8,104
	41	5-15	6,050	5,288	11,338
	7	<5	1,992	33	2,025
Total	**155**		**20,052**	**38,655**	**58,707**

Ministries/ Departments involved in making these advances stated that records were not available for providing complete information on such advances. Under these circumstances, the prospect of any recovery would appear remote.

It is recommended that MoF may direct the concerned Ministries/ Departments to review the balances of outstanding Loans and Advances for appropriate action in a time bound manner, including write-off, after following extant procedures.

[24] 155 Other Loanee entities constitute Corporations, CPSEs, Societies, Sugar mills, Canteens and private entities, etc.

2.5.2 Interest not reflected in respect of arrears of loans

Section 3 of Statement 15 of Union Government Finance Accounts depicts the 'Repayments in arrears from Other Loanee Entities or Institutions'. Scrutiny of this statement revealed that in cases such as 'Shri Sitaram Sugar Co. Baithalpur, UP', 'Deoria Sugar Mills, Deoria, UP', 'Raja Bulan Sugar Ltd, Rampur, UP', though the principal amount of the loans advanced were in arrears, interest against the arrear loans were not reflected.

The same observation had been made last year and CGA office had intimated that the matter had been taken up with the concerned ministries. It is noted that the no action has been taken to address the matter yet.

2.5.3 Loan outstanding under head of account 6801.800- Other Loans

Statement 15 of UGFA for FY 20 showed that under Major Head 6801 relating to Loans for Power Projects, there was an outstanding loan of ₹101.20 crore against the minor head 800-Other Loans.

Audit observed that in September 2018 the Ministry of Power had intimated the Pay and Accounts Office that these outstanding loans seemed to pertain to loans given to State Electricity Boards (SEBs) in the 1980s for "Generation Assets" and since the SEBs had now been unbundled, it was not clear whether at that stage the liabilities were transferred to the successor entities. Moreover, it was not clear as to where were these liabilities /loans were held after the unbundling. It also pointed out that there seemed to be no avenues available for recoveries of such loans. Further, as the assistance was for thermal assets, recoveries from discoms would not be appropriate. However, no action appears to be taken in this regard.

Matter was taken up with the Ministry of Power (January 2021), but reply was awaited (March 2021).

2.5.4 Loan outstanding against REC Ltd

Audit observed that a loan amounting to ₹8.11 crore was outstanding against REC Ltd (Formerly Rural Electrification Corporation Limited) since 2004-05. However as intimated by REC Ltd to the CCA office in September 2018, the entire amount due along with interest had been repaid by the company during 2003-04 and 2004-05 and there was no further outstanding loan. Thus, there was a contradiction between the records of CCA office and REC Ltd regarding pendency of loan amounting to ₹8.11 crore.

Audit also observed that though as per the records of CCA office, the above loan was outstanding against REC Ltd since 2004-05, the name of the concern was not found in Section 3: Repayments in arrears from Other Loanee Entities or Institutions of Statement 15 of the Union Government Finance Accounts for FY 20.

The Ministry was requested (January 2021) to ascertain the outstanding loan against REC Ltd and to rectify the discrepancies pointed out by Audit. The reply was awaited (March 2021).

2.6 Issues relating to accounting of Cess/Levies

Government imposes levies/cess and other charges to raise funds for specific purposes. Accounting of collection of such receipts is, in most cases, regulated by legislation and rules which often provide for creation of Reserve Funds to ensure that these levies/charges/cesses are used for intended purposes. It is the responsibility of CGA to frame the appropriate accounting procedures for the monitoring of such receipts, including initiating the operation of appropriate Reserve Funds in the Public Account. In FY 20, cesses[25] amounting to ₹1,98,402 crore were collected and out of this ₹1,20,026 was transferred to reserve funds[26].

2.6.1 Universal Access Levy

The Universal Service Obligation (USO) Fund was set up in April 2002 for achieving universal service objectives by providing access to telephone services in rural and remote areas and creation of infrastructure for mobile services and broad band in these areas. The resources for meeting these obligations were to be raised through a 'Universal Access Levy' (UAL). The levy so collected is first credited to the CFI and subsequently, transferred, based on the appropriation approved by Parliament, to a non-lapsable USO Fund created in the Public Account for being utilized exclusively for the purposes for which the levy is collected.

During FY 20, Parliament had approved the transfer of UAL amounting to ₹8,350 crore to the USO Fund in the budget. Audit scrutiny of Statements 8, 9 and 13 showed that total collection of UAL during FY 20 was, however, only ₹7,961.53 crore of which only ₹2,926 crore was transferred to the USO Fund. Thus, there was short transfer of UAL to the USO Fund amounting to ₹5,035.53 crore.

The issue of short transfer of the levy to the USO Fund has been brought out in earlier reports of the CAG on the Union Accounts for the years 2009-10 to 2014-15 and 2018-19 but the matter is yet to be resolved.

2.6.2 National Mineral Trust Levy

The Union Government set up the National Mineral Exploration Trust in 2015-16 in accordance with the Mines and Minerals (Development and Regulation) Act. The Trust is funded through payments made by holders of mining leases as a *percentage* of royalty paid which is collected by State Governments and thereafter paid to the

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25 Excluding GST Compensation Cess, which is dealt with separately in Para 2.3.4

26 Central Road Fund (₹90,252 crore), Prarambhik Shiksha Kosh (₹26,848 crore crore) and Universal Service Obligation Fund (₹2,926 crore).

Union Government. The amount so collected is to be transferred to the National Mineral Exploration Trust Fund in the Public Accounts.

Scrutiny of Statements 8, 9 and 13 showed that the collection on this account was ₹664.85 crore and transfer to the fund was ₹100 crore, resulting in short transfer of ₹564.85 crore.

2.6.3 Non-transfer of cess to Oil Industry Development Board

Oil Industry (Development) Act, 1974 provides for establishment of Oil Industry Development Board (OIDB) for the development of Oil Industry and for that purpose levy a duty of excise on crude oil and natural gas as a cess. The Act provides for crediting the cess first in the Consolidated Fund of India (CFI) and thereafter paying to the board such sums as Parliament may approve to be kept in the Oil Industry Development Fund (OIDF). This fund was *inter alia* to be used for taking up measures conducive for the development of the oil industry.

Audit scrutiny of Statement 8 of UGFAs for the period FY 10 to FY 20, showed that the total cess on crude oil collected was ₹1,28,461 crore. Corresponding scrutiny of Statement 9 showed that no funds out of the net proceeds of cess had been transferred to OIDB. It is also significant that since inception of OIDB only ₹902.40 crore had been transferred to OIDB and since 1991–92, no funds out of the cess collected by the Government were transferred to OIDB.

In the context of the above it is pointed out that the Parliamentary Standing Committee on Petroleum & Natural Gas (15th Lok Sabha) had also noted that funds collected from this annual cess were being allocated by the MoF in violation of the OIDB Act. When the matter was pursued by Ministry of Petroleum and Natural Gas (MoPNG), MoF stated (January 2015) that the Government was financing various activities from the budget which included proceeds from the Cess, and this qualified as being for development of the oil industry in terms of the OIDB Act. It may, however, be noted that treatment of the cess as a general pool tax defeats the very purpose of levy of the cess which was to create a non-lapsable pool of funds for specified use. Further, Audit observed that only ₹15,506 crore had been spent in the last five years on activities pertaining to development of oil industry by the Ministry as against collections of ₹72,384 crore by way of Cess during this period.

Due to non-transfer of the Cess over the past 10 years to OIDB, the same was retained in CFI. As a result, there was no assurance if the cess was used for the purpose for which these were collected.

2.6.4 Health and Education Cess

In FY 19 Primary Education Cess (@ two *per cent* on all taxes) and Secondary and Higher Education Cess (@ one *per cent* on all taxes) on Income Tax and Corporation Tax were discontinued, and in their place, a new cess viz., the Health and Education Cess at the rate of four *per cent* was introduced. The Primary Education Cess and Secondary and Higher Education Cess on imported goods were also removed and replaced with a Social Welfare Surcharge on duties of customs to provide for social welfare schemes of the Government.

Audit of Statements 8, 9 and 10 of the UGFA regarding collection of the above-mentioned cesses and their transfer to dedicated reserve funds revealed that in FY 20, the total collection under these cesses was ₹39,241 crore. As no new reserve funds had been created for the Health and Education Cess, BE and RE for FY 20 continued to provide for transfer of proceeds of this cess to the Prarambhik Shiksha Kosh (PSK), and Madhyamik and Uchchatar Shiksha Kosh (MUSK) that were created for Primary Education Cess, and Secondary and Higher Education Cess, respectively.

In the RE for FY 20, ₹28,920 crore was approved for transfer to PSK and ₹14,460 crore was approved for transfer to MUSK. In the case of PSK, an amount of ₹26,848 crore was transferred to the fund during FY 20, while in the case of MUSK no transfers were made as the reserve fund was yet to be operationalized. However, audit scrutiny showed that ₹974 crore was directly utilized for heads/schemes that had been proposed to be funded through MUSK, leaving a shortfall of ₹13,486 crore. No expenditure was envisaged for the health sector out of the cess nor was any dedicated fund created for the purpose.

2.6.5 Road and Infrastructure Cess

Cesses in the nature of additional excise duties on petrol and diesel collected under the Central Road Fund Act, 2000 are to be credited to the Central Road Fund (CRF) to the extent provided by Parliament through appropriation by law. The Finance Act 2018 re-designated the Fund as the Central Road and Infrastructure Fund (CRIF) with effect from 01 April 2018, enlarging its scope of deployment[27] and increasing the quantum of cess.

Audit scrutiny of Statements 8 and 13 of the UGFA and information in budget statements revealed that Statement 13 continued to depict the Fund as CRF instead of CRIF. Further, against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation. However actual transfer to the Fund was only ₹90,252 crore. Part of the short transfer was due to erroneous transfers

[27] Development and maintenance of National Highways, development of rural roads, development and maintenance of other state roads, construction of roads either under or over the railways, conversion of existing standard lines into gauge lines and electrification of rail lines and undertaking other infrastructure projects etc.

of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively. These funds were, however, fully utilised for the purposes for which the CRIF had been created. Similarly, ₹6,853 crore was not transferred to CRIF on the ground that accounting procedures for CRIF had not been finalised; the amount, however, was spent for intended purposes as General Budgetary Support (GBS). This left ₹3,705 crore, which was not transferred/ utilized for the purpose for which the cess was collected.

It is recommended that MoF review the balance amounts of cesses collected under the CRF/ CRIF Act so that amounts not spent for the intended purposes are computed and transferred to the CRIF.

2.7 Issues relating to Reconciliation and Improper Accounting

2.7.1 Monetization of National Highways Fund

As per the approved accounting procedure, receipts towards monetization of National Highways shall be booked under head 4000.01.106-Proceeds of Monetization of National Highways. The amount thus received is to be transferred to the Monetization of National Highways Fund in the Public Account under the head of account 8225.03.101- Monetization of National Highways Fund through Revenue head 3054.80.797-Transfer to Reserve Fund/Deposit Account. The expenditure incurred from the fund is to be booked under the budget provision made under 5054.01.337-Road Works and the amount so incurred is to be recouped from the fund through head of account 5054.01.905-Deduct amount met from Monetization of National Highways Fund.

Audit observed from the consolidated/classified abstract of Ministry of Road Transport and Highways (MoRTH) that the amount of ₹5,000 crore was transferred to the fund in the Public Account through capital head 5054.80.797 instead of the approved revenue head 3054.80.797. Further, the expenditure of ₹5,000 crore incurred from the fund was booked under the head 5054.01.190-Investment in Public Sector & other Undertakings instead of the approved head 5054.01.337.

In addition, though there were no receipts on account of monetisation of National Highways in FY 20, funds were transferred to the "Monetization of National Highways Fund" through General Budgetary Support (GBS) instead of from proceeds from monetisation. These funds provided through GBS were then used for making capital expenditure in the form of investment in NHAI instead of as Road Works.

MoRTH in its reply (Feb 2021) did not address the issues raised in the audit observation.

2.7.2 Un-apportioned IGST

As per Article 269A (1) of Constitution of India, "Goods and services tax on supplies in course of inter-State trade or commerce shall be levied and collected by the Union Government and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council". Further, according to amendment to Section 17 of the IGST Act 2017, "the amount not apportioned under sub-section (1) and sub-section (2) may, for the time being, on the recommendations of the Council, be apportioned at the rate of 50 *per cent* to the Union Government and 50 *per cent* to the State Governments or the Union territories, as the case may be, in ad hoc basis and shall be adjusted against the amount apportioned under the said sub-sections".

Scrutiny of Statement 8 of UGFA revealed that an amount of ₹9,125.21 crore remained unapportioned (after cross utilization of ITC, apportionment of IGST and advance apportionment of IGST) under the Major Head '0008 - Integrated Goods and Services Tax (IGST)' even though the Act provided for ad-hoc apportionment of balances. This amount was retained in the CFI even though 50 *per cent* of the same was due to States/UTs and hence, to this extent is a liability of the Union Government.

2.7.3 Incorrect booking of receipt from sale of enemy properties

In August 2019, CGA opened a minor head 4000.05.101/102 pertaining to sale of financial assets and non-financial assets effective from FY 20. An amount of ₹1,882.40 crore towards receipts from sale of enemy properties was booked under the head of account 4000.04.190.22.01.00- Custodian of Enemy Property of India (CEPI) instead of the newly opened head of account 4000.05.101- Sale of Financial Assets.

DIPAM accepted (January 2021) that booking of the sale proceeds of enemy shares under 4000.04.190 was incorrect.

2.7.4 Financing of Revenue Expenditure from 'National Investment Fund'

Government constituted 'National Investment Fund' (NIF) in November (2005), into which the proceeds from investment of Government equity in selected CPSEs are channelized. As per Receipt Budget of FY 21, the funds so credited to NIF will be withdrawn and used for financing expenditure on infrastructure projects, the health sector and investment in Indian Railways as Capital Expenditure in FY 20.

During scrutiny of the Finance Accounts of FY 20, it was noticed that contrary to what was stated in the receipt budget, revenue expenditure was incurred using NIF funds by the Ministry of Health and Family Welfare. An expenditure of ₹43 crore related to medical education, training and research under the functional Head 2210 was met from National Investment Fund.

The matter was referred to the DEA (January 2021) and reply was awaited (March 2021).

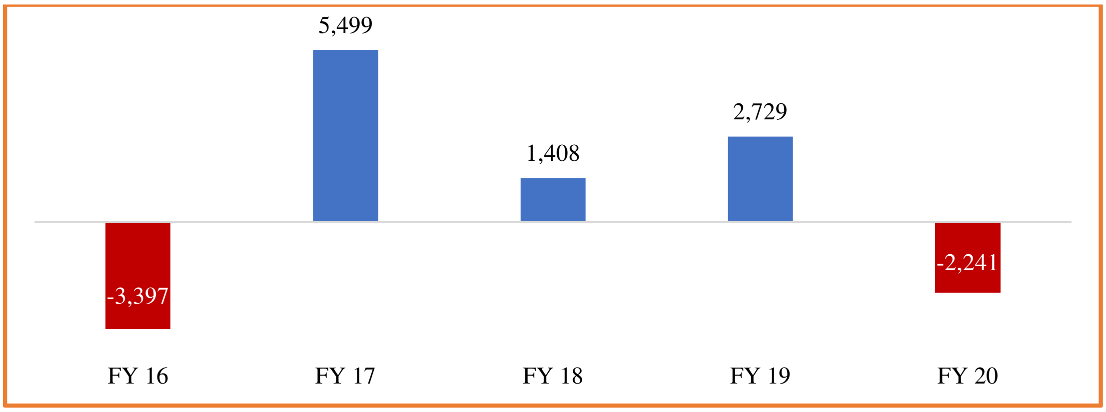
2.7.5 Negative Cash Balance in UGFA

During FY 16, the closing cash balance of Union Government was (-) ₹3,397 crore when the minimum cash holding as maintained by RBI on 31 March was ₹100 crore. As a result of this negative closing cash balance DEA, MoF enhanced the minimum cash holding limit on 31 March from ₹100 crore to ₹5,000 crore in in FY 18.

The closing cash balance in UGFA in last five years is given in **Figure 2.3**.

Figure 2.3: Closing Cash Balance in UGFA

(₹in crore)



During FY 20, however, the closing cash balance again turned negative to (-) ₹2,241 crore. Thus, despite increase in minimum cash holding limit by RBI for 31 March, the Union Government failed to maintain positive cash balance in UGFA as the residual transactions pertaining to FY 20 were in excess of the cash holding maintained by RBI on 31 March 2020. Further, as compared to last year, the residual transactions increased more than three-fold from ₹2,272 crore for FY 19 to ₹7,594.51 crore for FY 20.

CGA in its reply stated that the negative cash balance was the accounting balance and arose due to the residual transactions for FY 20 during 01 April to 10 April 2020 by RBI. However, due to reporting of net payment of ₹7,594.51 crore as residual transactions by the agency banks, the balance as on 31 March 2020 was negative.

The reply is not acceptable as the residual transactions during 01 April to 10 April get included in the cash balance of UGFA every year and are, therefore, implicit in the calculation of minimum cash holding.