

Chapter-IV

Accounting and Reporting

4.1 Paradigm Shift

Introduction

According to the section 10 & 11 of DPC Act²⁷ of 1971, the CAG shall be responsible for compiling the accounts of the Union and of each State from the initial and subsidiary accounts rendered to the audit and accounts offices under his control by treasuries, offices or departments responsible for the keeping of such accounts. Further according to the Section 11 of the above Act, CAG shall from the accounts compiled by him or by the Government or any other person responsible on that behalf prepare in each year accounts (including, in the case of accounts compiled by him, appropriation accounts) showing under the respective heads the annual receipts and disbursements for the purpose of the Union, of each State and of each Union territory having a Legislative Assembly, and shall submit those accounts to the President or the Governor of a State or Administrator of the Union territory having a Legislative Assembly, as the case may be on or before such dates as he may, with the concurrence of the Government concerned, determine:

The main purpose of compilation of Monthly Civil Accounts (MCA) is to keep the State Government informed of the month wise receipts & expenditure together with the progressive figures (Consolidated Fund, Contingency Fund and Public Account) coupled with the opening and closing cash balances so that the State Government could do the financial planning for the remaining period of the financial year and for the subsequent year.


In the state of Andhra Pradesh, the accounts are compiled based on the initial accounts received from treasuries, which does the primary compilation of vouchers and challans.

Initial Accounts received from Treasuries

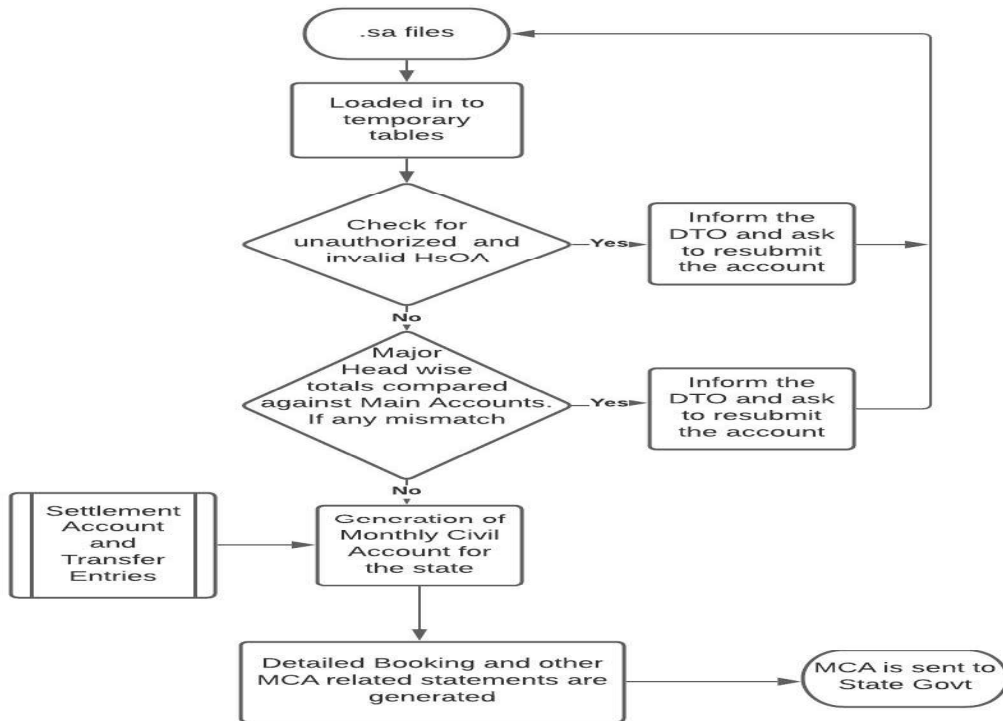
- Vouchers
- Schedules
- Main Accounts
- List of Payments (LOP)
- List of Receipts (LOR)
- Sub-Account wise LOP and LOR
- Verified Date-wise Monthly Statement (VDMS)

²⁷ The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

4.1.1 Change Management

<u>Prior to CFMS Application</u>	<u>CFMS</u>
<p>i) Physical copies of initial accounts</p>  <p>ii) Other digital accounting data which include .SA files (Sub Account files), voucher data, GPF subscription and loan data. Electronic data files were generated at each Accounts Rendering Unit (ARU) and uploaded to website of DTA(Directorate of Treasuries and Accounts) and DWA(Directorate of Works Accounts).</p>	<p>i) Logical Access was enabled in CFMS application for the PAG(A&E) to download digitally signed initial accounts.</p> <p>ii) VDM²⁸ Statement was dispensed as all transactions are processed in e-Kuber of RBI.</p> <p>iii) Platform re-engineered for Works PAOs and Forest Accounts –The use of cheques was dispensed with completely and the accounts of works and forest are now as per treasury model (they have become separate ARUs like treasuries).</p> <p>iv) Application enabled to view the electronic vouchers and challans for verification and checking.</p> <p>v) Electronic data files were mapped with Secure File Transfer Protocol (SFTP²⁹) wherein logical access was provided to the AG.</p>

4.1.2. Process flow of initial accounts in VLC



²⁸ Verified Date Wise Monthly Statement – contains day wise receipts and payments transacted at the bank branch

²⁹ Secure File Transfer Protocol (SFTP) is a network protocol for securely accessing, transferring and managing large files and sensitive data. Designed by the Internet Engineering Task Force as an extension of Secure Shell (SSH), SFTP enables access, transfer and management of files over a network

Issues unresolved

4.1.2.1 Non-availability of Minus Debit and Minus Credit for Debt, Deposit, Suspense and Remittance (DDR) Heads of Account.

All major heads of accounts (above Major Head 6000) which do not close at the end of the year and carry the balances of receipts and payments are called Debt, Deposit, Suspense and Remittance Heads (DDR). The receipts (credit (CR)) and disbursements (debit (DR)) under these heads are treated as separate accounts. Hence, a correction to a Debit/Credit entry shall be carried out by means of Minus (-) Debit /Minus (-) Credit respectively. An illustration on the accounting of DDR heads is given below.

Payments made by the State Government on behalf of a Ministry of Govt of India, will be booked as Debits under 8658 – 101 (Pay and Accounts Office-Suspense) by the Treasuries. PAG(A&E) subsequently receives a cheque or DD, on behalf of the State Government, from the PAO of concerned Ministry for such amount booked under 8658-101. On receipt of the cheque/ DD from PAO, the same will be sent to bank for realisation and this shall be booked as deduct (minus) debit in treasury accounts, reducing the debit balance to that extent.

Similarly, receipts collected by the State Government on behalf any central department will be booked as Credit under 8658-101 (Pay and Accounts Office-Suspense). PAG(A&E) subsequently raises a requisition for cheque/ DD, on behalf of the central department, from State Government. Upon realisation of the same, the debit shall be booked as deduct (minus) credit in the treasury accounts.

As Debit and Credit, under the suspense head, represent two different accounts, the original debit and credit shall be squared off a deduct entry and not by credit and debit respectively.

Since the concept of minus debit and minus credit is not available in CFMS, the original debits and credits are being paired off by credits and debits respectively, in turn inflating both debit and credit side of the suspense accounts. AG, in turn is clearing the excess debits and credits under the corresponding suspense heads by posting TEs to effect the deduct entries.

When the above observation was brought to notice, it was replied by the APCFSS that in light of the Orders³⁰ issued by the government, the observations made would be brought to the notice of the concerned members³¹ constituted vide Orders.

Government replied that the observation made by audit team had already been brought to the notice of the DTA / DWA / PAO and Account Rendering Units. Facility for Minus Debit and Minus Credit for Debt, Deposits, Suspense and DDR HoAs is under development.

³⁰ G.O.Ms. No.80 dated 12.10.2021

³¹ Director of Treasuries& Accounts, Director of works Accounts and Pay & Accounts Officer.

4.1.2.2 Primary Database altered – AG (A&E) not kept informed

The monthly accounts are sent from the primary compilers that is District Treasury Officers as well as APCFSS to the secondary compiler of the Accounts *i.e.*, PAG (A&E). Every month, the accounts are sent by the 35 Accounts rendering units in the State as well as CFMS Headquarters to the PAG (A&E) Office.

Audit made a comparison of eight months³² accounts data generated afresh by the CFMS. The criteria adopted for this comparison was a matching of two databases of monthly accounts *i.e.*, generated by the CFMS during the audit period with the data already provided by the CFMS in the relevant months for ensuring the data consistency. Audit efforts to do this exercise for two full years was unsuccessful as the APCFSS or the Government did not provide the monthly accounts sought by us.

This comparison had shown changes in the original database of the CFMS, after data had been submitted to the PAG (A&E) for compilation of Accounts. The PAG (A&E) was not kept informed about these changes. This had not only resulted in loss of data accuracy and completeness of the data with PAG (A&E) when compared to CFMS, but also highlights lack of concurrency controls to prevent inconsistent updating or reading of database.

Table 4.1: showing changes occurred in Primary database rests with CFMS

Sl. No.	Field effected for changes in Primary Database	No. of Records	These changes noticed in the months of
1	DDO Nomenclature -	38,415	All Test checked months
2	Transactions changes	2	June 21
3.	GPF Employee Subscription change in service major head	1,551	All Test checked months
4.	GPF employee Loan data	2,130	All Test checked months
5.	Change in scroll date	303	August 18
6.	Employee Code change	54	All Test checked months
7.	Name of the Employee change	6,715	All Test checked months

a. DDO nomenclature: Changes in nomenclature of the DDO was observed in 38,415 vouchers. These changes made in the master data of DDOs was not conveyed to PAG. This resulted non-matching of primary database with PAG(A&E) database.

b. Transactional variations: In two cases in June 2021, each transaction which was having single payment was later shown as transaction with two different payments. This resulted in inconsistency in data with PAG (A&E) with that of the CFMS.

c. GPF Employee Loan Data: In 2,130 bills, discrepancy of DDO name, Employee name, Employee designation and GPF Account number was noticed in the primary table. This has impact on non-matching of recovery particulars during updation of loans.

d. Employee loans /Voucher Data: In 61 bills, Service major head of employee loans voucher data and in 73 bills, loan employee master data was different from the earlier

³² 8/2018, 12/2018, 5/2019, 4/2019, 11/2020, 3/2021, 4/2021 & 5/2021

data provided to PAG. Thus, information in supporting documents with PAG (A&E) would be inconsistent with that in CFMS.

e. Scroll Date Variation: In 116 transactions of August 2018, variation of scroll date was observed and this is resulting in lacking consistency of the transactional data.

f. Employee Code variation: In 898 cases across eight test checked months the employee codes were different. As recoveries by PAG (A&E) are effected using this information such inconsistency would hamper their functioning.

g. Employee name/designation: In GPF Loan file, for 6,715 Employees either name or designation varied from the data earlier shared with PAG(A&E) office. This has impact of non-matching of recovery particulars during updation of loans.

However, the APCFSS replied in response to the above observations that the changes had occurred in accordance with the request made by the DDOs concerned or were in response to the earlier requests by the PAG(A&E) Office. However, PAG (A&E) was not kept informed of these changes.

Considering the Core Accounting Principles of closing of Government Accounts which cannot be re-opened under any circumstances, it is highlighted that such changes should be brought to the notice of the PAG (A&E) considering the significance of the primary documents based on which the accounts are compiled.

4.2 Discrepancies in the classification master

According to the Article 3 of Andhra Pradesh account code volume-I, wherein instructions were issued for opening new heads of accounts or modifications of the existing ones or instructions relating to the content and manner of maintenance of accounts will be issued by the Controller General of Accounts in the Ministry of Finance on the advice of the Comptroller and Auditor-General.

The following discrepancies are noticed during our examination of the classification master of CFMS.

- i. The Major heads other than ones specified in LMMH³³ are present in the master table.
- ii. The nomenclature of 22 Major heads is different from the names prescribed in LMMH
- iii. Sub Major Head (SMH) ‘00’ is to be operated under Major heads where no exclusive Sub Major head is specified in LMMH. It was found that SMH ‘00’ is appearing under Major Heads where exclusive SMH is available in LMMH
- iv. Sub Major heads other than “00” are used in instances where there is no such prescription in LMMH.

³³ List of Major and Minor Heads

- v. Minor Head 911 is being used under Capital Expenditure, while this Minor head is prescribed for recoveries of over payments under Revenue expenditure heads only, by LMMH

In the above issue, the matter was brought to the notice of the PAG(A&E). It was known that any changes in the LMMH are always conveyed to the department for adoption. PAG(A&E) was not consulted before adoption of the current master.

However, APCFSS replied that on approval of the Appropriation Act for the financial year by the Government, the data file is uploaded in the CFMS application. Reply is not in line with audit observation, as the audit raised a query on discrepancy of Major Heads in the master tables of CFMS with reference to LMMH.

In reply, the Government assured for necessary action (October 2022).

4.3 Managements of Sub-vouchers

To avoid repetitive usage, cancellation of third-party invoice copies is necessary. Although the FSD left decision to the GoAP about the maintenance of the physical copies, GoAP did not review the issue of invoices cancellations/status of retention of physical copies so far, although application was implemented in April 2018.

During the field audit, it was noticed that the physical copies of proceedings along with invoice copies of the vouchers were retained by the DDOs. The same was confirmed in test checked DDOs, wherein invoice copies were retained since implementation of CFMS to date, *without flagging* with 'cancelled' with red ink 'X'.

In the absence of the required directions from the GoAP, the utilisation of the invoice copies by the field offices multiple times cannot be ruled out.

In response, it was replied by the APCFSS that 'after exercising the due diligence and examination of the details and supporting documents pertaining to bills, DDO sends the bills to STO for pre-audit. It was further replied that after completion of necessary verifications, the bill would be processed for payment'. The fact remains that there was no clear guidance on the management of sub-vouchers and hence, there is no assurance on repetitive use of these documents.

Government replied that retention of physical vouchers is the responsibility of DDO, and observation was brought to the notice of the DTA and Finance for further course of action. It was further replied that the observation is administrative issue and not a technical lapse in the application development. However, instructions were given to the DDOs and Treasury Officers / PAOs / PAOs (W) by the DTA / PAO / DWA, to enter the Transaction / Bill No. on each supporting documents.

4.4 Accounting of expenditure from Contingency Fund of the State

Article 267(2) of the Constitution of India states that “*The Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled “the Contingency Fund of the State” into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor of the State to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under Article 205 or Article 206*”

In simpler terms, the expenditure, incurred for unforeseen circumstances, from the Contingency Fund shall be recorded by DDOs under the Major Head “8000 Contingency Fund”. The service major heads of the departments, which need to incur these expenses, will be Minor Head under 8000. All such expenses will be recouped to the contingency fund after the necessary supplementary provision for this expenditure is approved by the Legislature. On receipt of such approval by legislature, PAG(A&E) adjusts this expenditure which is booked under MH 8000 in the respective service Major Heads of the departments concerned.

In the incumbent system, we have observed that while the Budget release orders of the Finance Department showed that the budget is released under the MH 8000 only, the Heads of Department had issued orders for expenditure in the service major head directly. Due to lack of facility with the DDOs to raise a bill under the MH 8000, the expenditure is booked directly under the service Major Head.

Consequently, the monthly accounts from treasuries did not show any expenditure under the contingency fund MH 8000. These transactions had to be adjusted by PAG(A&E) in the MH 8000 to ensure accuracy of accounts, based on the supporting documents. Incidentally, PAG(A&E) was making a journal entries both for the debit and minus debit to this Head at the time of preparation of Final accounts.

Fig 4.1: BRO issued by Finance Department in which budget is allotted under MH 8000

G.O.Rt.No.: 4673

Dated:08-01-2022

Reference to the G.O Sanctioning the Scheme	Description of the Scheme	Head of Account	Amount of Advance Sanction Rs.
G.O.Rt.No.1029 Home(Services.IV)Depa rtment Dt.12.11.2018	MVOP No.73/2013 & 220/2014 filed by Smt. M. Pushpavathi and 2 others & Sri B. Murali at Hon'ble MACT, Ananthapuram and MVOP Nos.60,61,&62 filed by Sri H.V. Anand Rao and two others at Hon'ble MACT Hirayur of Chitradurg Distict, Karnataka- Sanction of an amount of Rs.30,84,807/- - Administrative Sanction accorded - Orders -Issued.	MJH: 8000 Contingency Fund MJH: 2055 Police MH: 109 District Police SH: 03 District Police Force DH: 500 Other Charges SDH: 501 Compensation (Non-R&R) V/C: Charged	30,85,000.00

Fig 4.2: Memorandum issued by the HOD to field office on drawal of said amount under MH 2055

(Amount in Rs.)

Sl. No	Head of Account	Amount to be distributed	Unit Officer	DDO code	Remarks
1	2055-00-109-00-03-500-501- CC Compensation (Non-R&R) (Charged)	Rs.30,85,000/-	Superintendent of Police, Ananthapuram District	10011002005	Towards compensation along with interest and proportionate cost in MVOP. Nos. 73/2013, 220/2014, 60/2013, 61/2013 and 62/2013 filed by Smt. M. Pushpavathi, Sri B. Murali, Sri H.V. Anand Rao, Smt. H. Jyothi and Sri Dhanush

PAG(A&E) is mapping all the expenditure service heads with a three-digit minor head for using it under the MH 8000. Mapping of some regularly used service heads of departments for contingency fund are detailed in **Appendix V**. This could be adopted as it is in CFMS to comply with the procedure of expenditure from the Contingency Fund of the state.

The Government accepted the observation and assured for necessary action (October 2022).

Conclusion

The reporting framework of accounts to PAG(A&E) did not change at all, except for the discontinuation of physical vouchers from treasuries.

The department could not implement few key principles of accounting in the system. Particularly, the contingency fund accounting is not implemented as per the procedure of expenditure from the fund, leading to inaccurate accounts. The lack of feature of Minus debit and Minus credit led to inflated debits and credits in the initial accounts.

As there is no clear guidance on management of sub-vouchers, there is no assurance on the repetitive use of these documents, indicating absence of a significant internal control technique.
