CHAPTER I: INTRODUCTION : SUMMARY OF RECEIPTS AND DISBURSEMENTS

1.1 Structure of Government Accounts

Before the Government of India Act 1935 came into force, the Governor General in Council was the custodian of the Public Account, which was a single account for the whole of India. All the financial transactions of the erstwhile provincial governments were effected through the central balance and their first effective record was their classification by the Accountant General (AG). The account of each provincial government was only a subsidiary account, and the balance of each provincial government was only an account balance, which was worked out by the AG.

Consequent on the coming into force of the Government of India Act, 1935, the balances of the provincial governments were, with effect from 1 April 1937, physically separated from that of the Central Government and a separate Public Account was set up for each Government, into which all moneys received by a government, whether on revenue account or other account, were paid and credited and from which all disbursements on behalf of that Government were made.

With the adoption of the Constitution, this single Public Account was divided into three separate parts in which the transactions of the Union Government and of each State Governments are recorded; viz. (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

(i) Consolidated Fund

All revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled “The Consolidated Fund of India” established under Article 266(1) of the Constitution of India.

(ii) Contingency Fund

Contingency Fund of India established under Article 267(1) of the Constitution is in the nature of an imprest placed at the disposal of the President to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Parliament. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated

Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

(iii) Public Account

Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(3) of the Constitution and the connected disbursements are also made therefrom. Generally speaking, Public Account funds do not belong to Government and have to be paid back some time or the other to the persons and authorities who deposited them. Parliamentary authorisation for payments from the Public Account is, therefore, not required. The excess of receipt in the Public Account over disbursements during each financial year are utilised by Government as a resource. The accumulated balances in the Public Account, are therefore, a liability of the Government to the account holders.

The table below depicts a summary of the accounts of the Union Government for the five years ending 1998-99.

Table 1.1 (i): Summarised Accounts of Consolidated Fund, Contingency Fund and Public Account

(Rupees in crore)

	1998-99	**1997-98**	**1996-97**	**1995-96**	**1994-95**
Opening cash balance	3284	2374	2829	1174	2402
Consolidated Fund receipts	654249	605472	412911	357933	316391
Consolidated Fund disbursements	694929	664478	441559	379902	354133
Surplus/deficit in C.F.I	(-) 40680	(-)59006	(-)28648	(-)21969	(-)37742
Public Account receipts	159818	169620	127327	113005	107671
Public Account disbursements	118875	109704	99134	89381	71157
Surplus/deficit in Public Account	40943	59916	28193	23624	36514
Contingency Fund disbursements	27	--	--	--	--
Closing cash balance at the end of the year	**3520**	**3284**	**2374**	**2829**	**1174**

Article 266 of the Constitution of India provides that “No moneys out of the Consolidated Fund of India or the Consolidated Fund of State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution”. This provision read with Articles 112 and 114, culminates in the Appropriation Act after the Demand for Grants of a financial year are voted by the Lok Sabha, and the connected Appropriation Bill is passed by the Parliament and assented to by the President of India. Also, Sections 2 and 3 of the Appropriation Act provide as under :

'From out of the Consolidated Fund of India, there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate towards defraying the several charges which will come in course of payment during the financial year in respect of the services specified in column 2 of the Schedule.

The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year'.

It would be observed from table 1.1(i) above that the amount of withdrawal during each year exceeded the amount available in Consolidated Fund of India. Public Account of India, comprising money which does not belong to Government, is being used for expenditure. In that sense, to the extent the balances in the Public Accounts are used for disbursements from the Consolidated Fund of India, it constitutes a borrowing by the Government.

The budget estimates and actuals of Receipts and Disbursements of the Union Government under the different heads of accounts during 1998-99 were as under:

Table 1.1 (ii) : Estimates and actuals of Receipts and Disbursements

(Rupees in crore)

		Budget Estimates	**Actuals**	**Shortfall (-)/ Excess (+)**
1.	**Total Receipt of the Union Government (7+8)**	**796429**	**814067**	**(+) 17638**
2.	Revenue Receipts	247315	239889	(-) 7426
	Tax Revenue[β]	141986	129317	(-) 12669
	Non-Tax Rev[β]enue	105329	110572	(+) 5243
3.	Non-debt Capital Receipts	5000	5874	(+) 874
4.	***Total Revenue and non-Debt Capital receipts (2+3)***	252315	245763	(-) 6552
5.	Recovery of Loans and Advances	11560	13189	(+) 1629
6.	Receipt of Public Debt	412547	395297	(-) 17250
7.	TOTAL RECEIPT IN THE CONSOLIDATED FUND OF INDIA (4+5+6)	676422	654249	(-) 22173
8.	Public Account Receipt	120007	159818	(+) 39811

[β] *Does not include Taxes on Income assigned to States (Rs 14480 crore) under Article 270 of the Constitution.*

9.	**Total disbursement by the Union Government (15+16+17)**	**796429**	**813831**	**(+) 17402**
10.	Revenue Expenditure	295383	300456	(+) 5073
	Interest Payments included in Revenue expenditure	75000	77882	(+) 2882
11.	Capital Expenditure	28168	25200	(-) 2968
12.	Loans and Advances	36241	46594	(+) 10353
13.	***Total expenditure of the Union Government (10+11+12)***	**359792**	**372250**	**(+) 12458**
14.	Repayment of Public Debt	359080	322679	(-) 36401
15.	TOTAL DISBURSEMENT OUT OF CONSOLIDATED FUND OF INDIA (13+14)	718872	694929	(-) 23943
16.	Public Account Disbursement	77557	118875	(+) 41318
17.	Contingency Fund	--	27	--
18.	Revenue Deficit (10-2)	48068	60567	(+) 12499
19.	Fiscal Deficit {13-(4+5)}	91025[ψ]	113298.	(+) 22273

1.2 Annual Accounts.

Annual Accounts of the Union Government are presented as one volume of Finance Accounts and five volumes of Appropriation Accounts.

The accounts of the Union Government are prepared in six volumes, viz., the Finance Accounts covering the consolidated position of the Union Government and Appropriation Accounts relating to Civil Ministries, Postal Services, Telecommunications, Defence Services and Railways.

The Finance Accounts present the details of all the transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts on the other hand, present the details of amounts actually spent by Government vis-à-vis the amounts authorised by the Parliament in the budget grants. Any expenditure in excess of the grants requires regularisation by the Parliament.

[ψ] As appearing in the budget at a glance 1999-2000 after netting. However, on the basis of figures appearing in the BE column, the Fiscal Deficit worked out to Rs 95917crore.

· Including the Contingency Fund withdrawal not recouped during the year, the Fiscal Deficit would be Rs 113325 crore

1.3 Finance Accounts

Unlike the Appropriation Accounts, which include the expenditure against the authorisation from the Consolidated Fund of India, the Finance Accounts deal with the details of receipt and disbursement from all three parts of Government accounts viz. the Consolidated Fund, the Public Account and the Contingency Fund. They comprise the accounts of the Union Government as a whole, incorporating transactions of Civil Ministries, Defence, Posts, Telecommunications and Railways.

The Finance Accounts are presented in two parts: Part I containing Summarised Statements and Part II containing Detailed Accounts and other statements. Apart from the summary of all the transactions in the Government Account, the Finance Accounts contain the following statements:

(a) Summary of debt position

(b) Loans and advances by Union Government

(c) Guarantees given by the Union Government

(d) Summary of balances

These are supported by detailed statements of revenue receipts, capital receipts, revenue and capital expenditure, investments made by Government and detailed account of debt liabilities and other public account transactions as well as account of the Contingency Fund.

1.4 Audit Reports of the CAG

Audit Reports of the CAG are presented in different volumes based on the categories of transactions.

The Finance Accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller & Auditor General of India in accordance with the CAG's (Duties, Powers & Conditions of Service) Act, 1971. CAG certifies the accounts and also submits Audit Reports to the President in terms of Article 151 of the Constitution of India.

CAG's Audit Reports on the accounts of the Union for the year ended March 1999 are structured as follows:

Report No.	Containing observations on
1 of 2000	Union Government : (Civil) - Accounts of the Union Government
2 of 2000	Union Government :(Civil) - Transaction Audit Observations
3 of 2000	Union Government :(Civil) - Performance Appraisals
4 of 2000	Union Government : (Civil) - Other Autonomous Bodies
5 of 2000	Union Government : (Scientific Departments)
6 of 2000	Union Government : (Post & Telecommunications)
7 of 2000	Union Government : (Defence Services) Army & Ordnance Factories
8 of 2000	Union Government : (Defence Services) Air Force & Navy
9 of 2000	Union Government : (Railways)
10 of 2000	Union Government : Indirect Taxes (Customs)
11 of 2000	Union Government : Indirect Taxes (Central Excise and Service Tax)
12 of 2000	Union Government : (Direct Taxes)

In addition to these, several Audit Reports (Commercial) are also submitted to the President on the working of public enterprises under the Union Government.

1.5 Reporting Parameters

In all chapters in this Report, for the facility of comparison, receipts and expenditure of all sectors have been presented in terms of quick estimates of GDP* for 1998-99 at current market prices notified by the Central Statistical Organisation. For the earlier years also, the quick estimates figures of GDP were used for analysis. Though after presentation of every year's Audit Reports, final f*igures of GDP are available, the reporting parameters with reference to quick estimates used in earlier Reports have been retained for the relevant years to maintain uniformity. Figures from the Finance Accounts have been suitably rounded off, wherever necessary.

* Quick Estimates : Rs 1762609 crore

1.6 Analysis and Audit Findings

In the chapters that follow, an analysis of various important facets of the figures included in the Finance Accounts has been presented. Wherever possible, a trend spanning a period of five years or more has been presented for a balanced appreciation. The observations pertaining to the correctness and validity of accounts are based on the test check of accounts and detailed scrutiny in selected areas.