

## CHAPTER VIII : CORRECTNESS OF ACCOUNTS

**8.1** Ministry of Finance, Department of Expenditure is responsible for consolidation of monthly accounts of the Union Government from the details rendered to it by the Chief Controllers/Controllers/Pr. PAOs of the ministries/departments of the Union Government and preparation of annual accounts (including summary Civil Appropriation Accounts) on that basis. The Controller General of Accounts is also responsible for overseeing the maintenance of adequate standards of accounting by Central Civil Accounts Offices. Observations in this Chapter relate to the compilation and consolidation processes in the context of the standards of reliability and adequacy in account keeping functions. It also includes observations on the working of selected departmental accounting units.

### **8.2 Non-reconciliation of accounts**

The figures exhibited in the Finance Accounts represent those figures of expenditure and receipt which have been in the books of various Pay and Accounts Offices which are subsequently consolidated. Each of such transactions also represents the receipts and payments booked by the Reserve Bank of India in their books. At the end of the year the net effect of transactions in the Government accounts is represented by 'Deposits with the RBI'. This figure, which is both in the books of Government as well as in the books of RBI, should normally tally. The difference, if any, between these two figures should be reconciled and explained satisfactorily to ensure the accuracy of the accounts.

Para 1.19.4 of the Civil Accounts Manual provides for the reconciliation of these figures. It was, however, noticed from the accounts that the figure of 'Deposits with the RBI' as on 31 March 1999 in the Finance accounts is shown as debit Rs 3525 crore, while that reported by the RBI was debit Rs 2927 crore, thereby reflecting a difference of Rs 598 crore between the two figures. The difference had not been reconciled.

The difference between the book figure of balances lying with RBI and Accounts figure as appearing in the Finance Accounts of Union Government as a whole during the last four years are as under:-

**Table 8.2 : Variation in book figure and account figure of RBD**

<i>Year</i>	<i>(Rupees in crore)</i>		
	<i>As per Finance Accounts</i>	<i>As reported by RBI</i>	<i>Difference</i>
1998-99	3525	2927	598
1997-98	3289	2679	610
1996-97	2377	2071	306
1995-96	2832	2499	333

It will be evident from above that the figures of unreconciled differences are on the rise. An investigation into the reasons for allowing the unreconciled differences to persist, needs to be initiated and its result communicated to audit.

### **8.3 Review of balances not done**

As per paras 13.13.1 and 13.13.2 of Civil Accounts Manual, at the close of a financial year the PAOs shall review and verify the balances under various Debt, Deposit and Remittance heads and ascertain, wherever necessary, whether the correctness of the balances is accepted by the persons/parties by whom the balances are owned or to whom these are due and are required to furnish annually by 15 September each year, a detailed statement showing the unreconciled differences and the cases where acceptance of balances are awaited. The Principal Accounts Officer, in turn, is required to send a consolidated report for the Ministry/Department as a whole to the Controller General of Accounts by 15 October each year. Purpose of conducting this review is to ascertain the quality of maintenance of various books of accounts and reconcile the figures of Debt, Deposits and Remittances. In respect of Civil Departments the review of balances for the year 1998-99 has been completed only in Departments of President's Secretariat, Rajya Sabha and CPAO.

The remaining Principal Accounts Offices have not completed the review of balances and to that extent, the accuracy of balances under Debt, Deposits and Remittance heads has not been verified.

Mention was also made in Para 11.10 of Report No.1 of 1999 of Comptroller and Auditor General of India. In spite of that review of balances had not been completed by almost all the Principal Accounts Offices.

## **8.4 Outstanding under suspense balances**

Government Account is kept on cash basis. Most transactions take place by cheques drawn on accredited Public Sector Banks which also receive money on behalf of the Government. Reserve Bank of India is the main banker of the Government and other authorised Banks function as its agents while handling Government transactions. Transactions through Banks have their final impact on Government cash balance in course of time. Prior to that certain intermediary/adjusting heads are operated and the bookings thereunder are to be finally adjusted at the earliest to reflect Government's receipts and expenditure accurately.

Certain intermediary/adjusting Heads of Account known as "Suspense Heads" are operated in Government Accounts to reflect transactions of receipts and payments which cannot be booked to a final Head of Account due to lack of information as to their nature, or for other reasons. These Heads of Accounts are finally cleared by minus debit or minus credit. If these amounts remain uncleared, the balance under the Suspense Heads would go on accumulating and would not reflect a correct appreciation of state of Government Accounts.

Generally the various minor heads of Suspense Accounts are weighed by the net balances they reflect in the Finance Accounts of that particular year and netted balances are carried forward year after year. The real magnitude of the outstandings under a particular minor head can only be gauged by going through the progressive outstanding balances lying under the debit and credit side severally of that particular minor head which ultimately will have its impact on Government's cash balance. However, in the Finance Accounts, netted figures of debits and credits appear as opening and closing balances under the various minor heads of Suspense. So, netting the figures, divert the attention from the enormity of the situation the Suspense Account actually reflects. All balances under Suspense heads ought to be reviewed at short intervals so that it may be ensured that no item remains unadjusted longer than as reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case. There is, therefore, a need to clear these amounts expeditiously and classify them to appropriate heads of accounts.

### ***8.4.1 Outstanding balances under major suspense accounts***

The position of Suspense balances under major suspense heads for the last five years are given below:

**Table 8.4.1 Outstanding balances under major suspense heads***(Rupees in crore)*

Heads of Account	Net balance as on 31 March				
	1999	1998	1997	1996	1995
Pay and Accounts Office Suspense (PAO Suspense)	Dr. 10.11	Dr. 201.60	Dr. 262.90	Dr. 217.19	Dr. 267.98
Suspense Accounts (Civil)	Dr. 529.89	Dr. 488.82	Dr. 354.84	Dr. 456.84	Dr. 568.99
Suspense Accounts (Postal)	Dr. 471.38	Dr. 760.17	Dr. 68.66	Dr. 48.64	Dr. 97.41
Suspense Accounts (Defence)	Dr. 2417.07	Dr. 1621.72	Dr. 980.42	Dr. 794.38	Dr. 635.18
Suspense Accounts (Railways)	Dr. 286.60	Dr. 163.79	Dr. 145.08	Dr. 121.30	Dr. 215.52
Suspense Accounts Office (Telecommunication)	Dr. 1586.46	Dr. 1398.71	Dr. 1700.10	Dr. 2017.58	Dr. 1830.01
Public Sector Bank Suspense	Dr. 742.77	Dr. 498.86	Dr. 563.28	Dr. 498.73	Dr. 581.35
Suspense Account for purchases abroad	Dr. 1850.71	Dr. 1336.52	Dr. 2151.68	Dr. 1848.78	Dr. 1426.68
Reserve Bank Suspense (Head quarters)	Cr. 369.38	Cr. 369.32	Cr. 198.95	Cr. 172.77	Cr. 178.12
Reserve Bank Suspense Central Accounts Office	Cr. 55.86	Cr. 23.94	Dr. 1.41	Dr. 1039.45	Cr. 48.49
Cash Settlement Suspense	Dr. 226.16	Dr. 258.15	Dr. 205.26	Dr. 191.38	Dr. 186.40
Discount Sinking Fund	Dr. 1967.60	Dr. 3218.69	Dr. 4273.09	Dr. 3004.91	Dr. 2005.61
Others	Dr. 930.49	Dr. 1238.23	Dr. 1007.33	Dr. 253.59	Dr. 127.48
<b>Total</b>	<b>Dr. 10594</b>	<b>Dr. 10792</b>	<b>Dr. 11515</b>	<b>Dr. 10320</b>	<b>Dr. 7716</b>

From the above table it is seen that the net balances under Suspense Accounts (Civil), Suspense Accounts (Defence), Suspense Accounts (Railways), Suspense Accounts Office (Telecommunications), Public Sector Banks Suspense, Suspense Account for purchases abroad, R.B. Suspense (Headquarters) and Reserve Bank Suspense, Central Accounts Office have increased in 1998-99 over the previous year. The balances under PAO Suspense, Suspense Accounts (Postal), Cash Settlement Suspense and Discount Sinking Fund have come down in 1998-99 over the previous year.

The suspense balances should be viewed with reference to the purpose for which suspense heads are operated. While in some cases, viz. 'Discount Sinking Fund' and 'Suspense Account for Purchases Abroad', the amounts are initially booked in the suspense account for eventual clearance over a given time period or as soon as possible, others represent incompleteness of the accounts. While Discount Sinking Fund is to be cleared within five/six years from the original booking, others including Suspense Account for Purchases Abroad ought to be cleared as soon as possible ideally before the close of the financial year. Outstanding balances in the suspense account or their increase is suggestive of slackness of the administration and Controller of Accounts in clearing the balances.

Excluding the items under 'Discount Sinking Fund' and 'Suspense Account for Purchases Abroad', which are designed to be booked initially under suspense head as per the prescribed procedure, the balances under other suspense heads continued to increase.

Principles of operation of some of the regularly operated minor heads of Suspense Accounts are summarised as under:-

***PAO (Suspense)***

This minor head is operated for settlement of inter-departmental and inter-governmental transactions arising in the books of the Pay and Accounts Offices of Union Government/UTs and by AGs when the other party involved is a Pay and Accounts Office to record either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts officer, the adjustment of which in the final heads of accounts is made in the books of the Accounts Officer against whom the minor head has been operated. For recoveries made the head is credited and for payment made the head is debited. On issue/receipt of cheque for recoveries/payments made the head will be (-) credited/(-) debited, as the case may be.

In 1998-99, PAO Suspense reflected a Dr. balance of Rs 10.11 crore. This balance is the net effect of debit and credit entries under the concerned minor head which are required to be handled individually for settlement. Since the depiction of the net effect could not show the magnitude of the adjustment involved, the entry in the Finance Accounts may be suitably annotated.

***Suspense Accounts (Civil)***

This transitory minor head is operated for accounting of transactions, which for want of certain informations/documents viz. vouchers, challans etc. cannot be taken to the final head of expenditure or receipt. For recording receipts, this minor head is credited and for expenditure debited. On receipt of wanting informations, this minor head is cleared by (-) credit/(-) debit per contra credit/debit to the concerned head of account, as the case may be. This minor head has further been divided into 14 sub heads.

In 1998-99, Suspense Accounts (Civil) reflected a Dr. balance of Rs 529.89 crore. This balance is the net effect of debit and credit entries under the concerned minor head which are required to be handled individually for settlement. Since the depiction of the net effect could not show the magnitude of the adjustment involved, the entry in the Finance Accounts may be suitably annotated.

***PSB Suspense***

This minor head is operated by Pay and Accounts Offices whose accredited bank is a public sector bank. Amounts of cheque issued by the PAO and paid by the accredited bank is credited to this minor head. Similarly, amounts of receipt intimated by PSB through receipt scroll is debited to this head. On receipt of accounts from RBI (CAS), Nagpur intimating the adjustments the original booking under PSB Suspense is cleared by (-) credit/(-) debit, as the case may be.

In 1998-99, PSB Suspense reflected a Dr. balance of Rs 742.77 crore. This balance is the net effect of debit and credit entries under the concerned minor head which are required to be handled individually for settlement. Since the

depiction of the net effect could not show the magnitude of the adjustment involved, the entry in the Finance Accounts may be suitably annotated.

***Cash Settlement Suspense***

This minor head is used for settlement of transactions between public works divisions rendering accounts to the same Pay and Accounts Officer and will be operated by the PAO receiving compiled accounts from the public works divisions. This minor head is operated upon initially as transitory head by a works division which renders service/makes supplies to another works division by debiting the head. The head is credited when one division accepts some receipts/revenues on behalf of another division. The head is (-) debited/(-) credited on receipts of cheque /bank draft or issue of cheque/bank draft to/from another division, as the case may be. This minor head will not be operated for fresh booking by Central PAOs except Cabinet Secretariat from April 1993 onwards, though old balances can be cleared from it.

In 1998-99, Cash Settlement Suspense reflected a Dr. balance of Rs 226.16 crore. This balance is the net effect of debit and credit entries under the concerned minor head which are required to be handled individually for settlement. Since the depiction of the net effect could not show the magnitude of the adjustment involved, the entry in the Finance Accounts may be suitably annotated.

However, this minor head is still being operated for fresh booking by PAOs, Water Resources and Urban Affairs and Employment despite the instructions issued by the CGA for non-operation from April 1993 onwards.

***Reserve Bank Suspense, Central Accounts Office.***

This minor head is operated in the books of Union Government for payments of loans, grants-in-aid, share of income tax, share of union excise duty to the State Governments. When the payment is authorised, the respective expenditure head is debited and credit is afforded to this head. On receipts of monthly statement of accounts from RBI adjusting the account of Union Government, this minor head is minus credited by crediting 8675-Deposits with Reserve Bank - 101 - Central Civil. At the time of repayment of loan and payment of interest thereon by the State Government, this head is debited by crediting the loans/interest head. On receipt of monthly statements of accounts from RBI ,(CAS) Nagpur the head is minus debited per contra debit to 8675-101 Deposit with Reserve Bank - Central Civil.

In 1998-99, Reserve Bank Suspense, Central Accounts Office reflects a Cr. balance of Rs 55.86 crore. This balance is the net effect of debit and credit entries under the concerned minor head which are required to be handled individually for settlement. Since the depiction of the net effect could not show the magnitude of the adjustment involved, the entry in the Finance Accounts may be suitably annotated.

***Suspense Account for purchases abroad***

This minor head is operated in the books of Controller of Aid Accounts and Audit, Ministry of Finance, (Department of Economic Affairs) for receipt of foreign loans/grants under direct payment procedure reported through disbursement advices received from foreign government. On receipt of loans/grants, this head is debited by crediting the external debt/grant head. The debits under the head are cleared by pairing/linking them with the credits under the Civil Deposits head 8443-113 deposited by the importers against purchases made by them under the foreign loans/grants

In 1998-99, Suspense Account for purchases abroad reflected a Dr. balance of Rs 1850.71 crore. As compared to previous year, the outstanding which reflected amounts to be recovered by the Government from various importers, increased by Rs 514.19 crore.

**Amounts are due from the importers although the Government has already made payment for the**

The licensing conditions for imports under direct payment system also provide for interest to be recovered from importers at the rate of 9 *per cent* where deposits are made within 30 days from the date of payment to the foreign supplier and where the rupee deposits are made after more than 30 days from the date of payment to the foreign supplier the rate of interest would be 9 *per cent* for the first 30 days and 15 *per cent* for period in excess of 30 days. These interest rates were applicable up to 31 August 1983.

From September 1983, the rate of interest has been enhanced to 12 *per cent* where deposits are made within 30 days. In cases where deposits are made after 30 days, the interest is charged at the rate of 12 *per cent* for first 30 days and at the rate of 18 *per cent* for period in excess of 30 days.

A list showing selected importer-wise details is given in Appendix XIV. From the Appendix it is also seen that heavy amounts are pending from various importers like Pawan Hans Helicopter : Rs 108.74 crore; N.H.P.C : Rs 12.19 crore; NTPC : Rs 102.88 crore; MMTC : Rs 37.81 crore; Anpara UPSEB : Rs 88.65 crore; Railway Board : Rs 52.98 crore; A.P.S.E.B. Hyderabad : Rs 70.03 crore; Hindustan Zinc Aid : Rs 106.53 crore; and Power Grid Corporation of India : Rs 182.45 crore; West Bengal Power Development Corporation : Rs 254.64 crore Nizamudin Bridge(MOST) : Rs 28.74 crore; Royala Seema Thermal Power Project : Rs 57.23 crore, Helicopter Corporation of India : Rs 21.91 crore, Orissa Power Sector Reform : Rs 36.48 crore, Fertilizer Sector : Rs 102.16 crore, Ministry of Agriculture : Rs 21.87 crore, Pipavav Port Ship-breaking Project, Gujarat : Rs 26.67 crore, Maharashtra Power : Rs 38.31 crore and Health and Family Welfare: Rs 27.37 crore. From the information made available by the Department it is seen that purchases have been made on behalf of various importers in 1998-99 when the payments for the purchases of earlier years are still due from them for as long as more than ten years in some cases.

After recovery of the deposits from the importers the element of interest is worked out and recovered.

Mention was also made in para 11.3.3 of Report No.1 of 1999 of Comptroller and Auditor General of India.

Keeping in view the large amount of outstanding under this suspense head, authorities vested with the work of recovering dues from the importers have to put in more efforts towards recovery.

### **8.5 Increasing number of adverse balances**

The adverse balances are negative balances appearing under those heads of accounts where normally there cannot be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Such situations arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation breaking up one accounting unit into many.

In the Finance Accounts of the Union Government for the year 1998-99, there are 63 cases of adverse balances as given in Appendix XV under Debt, Deposit and Remittance heads. Out of these, 16 balances became adverse during the year 1998-99. 47 cases are continuing to figure in the Finance Accounts from earlier years. Out of 47 old cases, five balances are adverse ever since 1976-77, i.e. pre departmentalised period and 42 balances are adverse from 1979-89 to 1997-98. As per the past practices, all these cases are qualified by a footnote mentioning that adverse balances are under investigation. But so far no findings of investigations were made available to audit.

These represent the aggregate effect of the balances of various account circles taken together. At unit/account circle's level, adverse balances appear in the books of Pay and Accounts Offices and Principal Accounts Offices also but many of these adverse balances get eclipsed since these balances get aggregated when the accounts of the accounting circles are consolidated.

### **8.6 Outstanding under Cheques and Bills**

This head is an intermediary accounting device for initial record of transactions, which are eventually to be cleared/withdrawn. Under the scheme of departmentalisation of accounts, payment of claims against Government is made by Pay and Accounts Offices of different Ministries/Departments by cheques drawn on branches of RBI or Public Sector Banks accredited to the Ministry/Department

When claims are preferred in the appropriate bill form to the PAO/Departmental Officer, the payment is authorised through issue of cheques, after exercising the prescribed checks and recording of pay order by the



PAO/Departmental officer. At the end of the each month, the major head 8670-Cheques and Bills is credited by the total amount of the cheques delivered. On receipt of Date-wise Monthly Statement (DMS)/Monthly Statement of Balances from Public Sector Bank/RBI (CAS), Nagpur showing the payments made by them against the cheques issued, the head 8670-Cheques and Bills is minus credited and credit is afforded to 8658-108-PSB Suspense/8675-101 Deposit with Reserve Bank-Central Civil, as the case may be.

In the Finance Accounts for 1998-99, large balances are lying outstanding under the following minor heads of cheques and bills:-

*(Rupees in crore)*

Pre-audit cheques	Cr.	0.16
Pay and Accounts Offices Cheques	Cr.	5745.20
Departmental Cheques	Dr.	150.11
Treasury Cheques	Cr.	4.62
IRLA Cheques	Cr.	1.32
Telecommunication Accounts Office Cheques	Cr.	2158.01
Postal Cheques	Cr.	12051.36
Railway Cheques	Cr.	266.80
Defence Cheques	Cr.	2670.53

The time-barred cheques are to be cancelled by reversing the original entry, i.e. minus crediting 8670-Cheques and Bills and minus debiting Functional Major/Minor Head to which the expenditure was originally debited.

Sub Rule (2) of Rule 47 of Receipt and Payment Rules 1983 also envisaged that the cases of cheques remaining unpaid for a period of six months after the month of their issue, and not surrendered for renewal, are to be reviewed and cancelled. The amount of the cancelled cheques should be written back in the accounts as prescribed under the Rules.

Such a huge outstanding under the different minor heads reflect that the accounting authorities are not taking any remedial action as provided for under the Rules. To the extent the amounts outstanding under the Cheques and Bills, the Government cash balance stands overstated.

Moreover, the balance under the Departmental Cheques was adverse, i.e. more payments were authorised than the value of the cheques issued. Pr. PAO, CBEC was the main contributor, among others, in rendering the balances adverse under the head. Non-accountal of computer advices, which was introduced under the Electronic Data Interchange System in the Customs Department for honouring drawback refunds as against the issuance of cheques led to more payments than the original booking under the departmental cheques.

### **8.7 Non adjustment of disinvestment**

During 1998-99, Government disinvested equity of Rs 10 crore in Videsh Sanchar Nigam Ltd. (VSNL). Government's investment in this organisation has been reduced to that extent in statement No. 11\* of Union Government Finance Accounts for the year 1998-99. However, in statements Nos 10\* and 12\*, which show the figure of capital expenditure during the year and progressive capital outlay at the end of the year, the said amount of disinvestment was not reduced from the progressive capital outlay. Due to this non-adjustment, the figure of progressive capital outlay of the Government does not reflect correct picture and the same has been overstated. Controller General of Accounts stated that the head of accounts relating to the initial investment made in VSNL was still awaited from the administering Ministry.

This was also pointed out in para 11.5 of Report No. 1 of 1999 of Comptroller and Auditor General of India.

### **8.8 Difference in receipt of divestment and adjustment thereof in the accounts**

Receipts from divestment of equities held by Union Government in Public Sector Undertakings etc. accounted for in the Finance Accounts for 1998-99 was Rs 5369.32 crore. The value of the equity so divested was required to be reduced from the Statement Nos. 10 and 12 showing progressive capital outlay and Statement No. 11 showing Government's investments in equity/capital base of the PSUs etc.

During the year 1998-99, a sum of Rs 329.53 crore was adjusted in Statement Nos. 10 and 11 of the Finance Accounts on account of divestment. Thus, there was difference of Rs 5039.79 crore between receipts from divestment and adjustment of divestment made in the accounts.

On being pointed out, Controller Government of Accounts stated that the difference between the receipt from divestment and adjustment effected in the accounts constituted premium value realised on divestment. As there exists no head in the accounts for recording of premium value on divestment distinctly from face value, the figures of premium could not be verified. There is need to show in the accounts the premium value realised distinctly. This would also help in identifying the cases where adjustment of divestment have not been effected in the accounts.

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\* Statement 10 : Expenditure on capital account during and to the end of the year.  
Statement 11 : Total investment in statutory corporation, Government companies etc.  
Statement 12 : sector wise capital expenditure and loans and advances during and up to  
Year and sources of funding.

### **8.9 Belated reconciliation of investment**

In Statement No. 11 of Finance Accounts, showing Government's investment in equity/capital base of PSUs etc., investment in Air India and Konkan Railway Corporation Ltd. was enhanced by Rs 79.47 crore and Rs 92.00 crore respectively. This enhancement was qualified by a footnote "differs from last year's figures due to reconciliation". This qualificatory statement reflected that the basic records of investment as envisaged under para 10.11.1 of Civil Accounts Manual were not maintained (Form CAM-60) in the respective units

of Pr. PAOs. It should be viewed in the backdrop that last investments in the capital base of the Air India and Konkan Railway Corporation Ltd. were made in the year 1987-88 and 1996-97 but it took 11 years and 2 years respectively for the concerned Pr. PAOs to reconcile and reflect the correct picture of investment in these PSUs.

Thus, while calling for the material of Finance Accounts from accounting units, compiling authorities should ensure that they are compiling the true, correct and complete figures.

### **8.10 Delay in accounting of conversion of loan into equity**

In Statement No. 10 of Finance Accounts 1998-99, which shows the figure of progressive capital expenditure, a sum of Rs 387.43 crore was added in the progressive capital outlay under the power sector (NTPC) on account of conversion of loan into equity but the value of equity by the equivalent amount was not added in the statement No. 11 of the Finance Accounts.

On being pointed out, CGA stated that the effect of conversion of loan into equity of NTPC had been given in the Finance Accounts of 1990-91 i.e. in Statement No. 11.

The contention of the CGA is not tenable in view of the fact that the sanction for conversion of loan into equity was issued in 1990-91 itself but it took eight years to give the accounting effect of conversion in Statement No. 10.

### 8.11 Non-finalisation of terms and conditions of loans advanced

Statement No. 3 of the Finance Accounts, which contains the details of loans advanced by the Union Government, showed that Rs 1123.33 crore were advanced to the following Government owned companies/corporations/non-government institutions, etc. but the terms and conditions of the loans advanced had not yet been finalised.

*(Rupees in crore)*

Sl No.	Name of the Institution	Amount	Earliest period of loan
1.	Delhi Metro Rail Corporation Ltd.	158.00	1997-98
2.	Food Corporation of India	900.00	1986-87
3.	Shipping Credits and Investment Co. of India Ltd., Bombay	41.33	1987-88
4.	Rajiv Gandhi Cancer Institute and Research Centre, New Delhi	24.00	1994-95
	<b>Total</b>	<b>1123.33</b>	

It may be seen that in some cases even after a gap of 12 years of advancing the loan, the terms and conditions of loans had not been finalised. This reflected a non-serious approach of the administering Ministry with regard to the recovery and other aspects of the loans advanced.

On being pointed out, Controller General of Accounts stated that the matter has been taken up with the Ministries concerned and their replies were awaited.

### 8.12 Discrepancies in total investment in nationalised banks

Recapitalisation assistance are provided to nationalised banks to expand their capital base. Investment of recapitalisation assistance into Special Securities commenced from the year 1985-86.

A detailed picture of Government's investment in nationalised banks which were added as special securities as appearing in the Finance Accounts from the year 1985-86 is as under:-

**Table 8.12: Investment in nationalised banks and special securities issued***(Rupees in crore)*

Year	Investment during the year	Government's progressive investment as per Finance Accounts	Special securities created during the year	Outstanding special securities at the end of the year
1	2	3	4	5
Upto 1984-85	--	137.00	--	--
1985-86	400.00	537.00	400.00	400.00
1986-87	400.00	937.00	400.00	800.00
1987-88	200.00	1137.00	200.00	1000.00
1988-89	214.23	1351.23	310.00	1310.00
1989-90	739.37	2090.60	788.42	2098.42
1990-91	770.86	2861.46	707.19	2805.62
1991-92	817.55	2979.01 <sup>A</sup>	705.27	3510.89
1992-93	760.58	3739.59	701.25	4212.13
1993-94	5725.30	9464.89	5722.77	9934.90
1994-95	5288.84	14753.73	4362.54	14297.44
1995-96	850.00*	13673.68 <sup>B</sup>	850.00	15147.44
1996-97	1509.00*	13146.21 <sup>C</sup>	1509.00	16150.94 <sup>D</sup>
1997-98	2700.15	15846.36	2700.00	18712.61 <sup>E</sup>
1998-99	400.00*	13672.62 <sup>F</sup>	400.00	19112.61

Up to 1984-85, Government's investment in the nationalised banks was Rs 137 crore. During 1985-99, Government invested another Rs 20775.88 crore (investment of Rs 850 crore, Rs 1509 crore and Rs 400 crore in 1995-96, 1996-97 and 1998-99 respectively were not reflected in the accounts but included here) in the nationalised banks. Apart from this investment, a sum of Rs 700 crore, Rs 1080.05 crore and Rs 527.47 crore were dropped from the progressive investment in 1991-92, 1995-96 and 1996-97 respectively without assigning any reason, in addition to dropping of Rs 2573.74 crore in 1998-99 (not reflected in the accounts) on account of adjustment of losses of nationalised banks written off.

<sup>A</sup> Investment upto 1990-91 was rs 2861.46 crore. In 1991-92 this figure was corrected by the Ministry as Rs 2161.46 crore, reducing the investment by Rs 700 crore stating the reason as subsequent correction.

\* Investments not reflected in the Finance Accounts.

<sup>B</sup> Investment upto 1995-96 was reduced by the Ministry by Rs 1080 crore stating that the matter was under investigation.

<sup>C</sup> Investment upto 1996-97 was reduced by the Ministry by Rs 527.47 crore stating that the matter was under investigation.

<sup>D</sup> Special securities of Rs 505.50 crore were discharged.

<sup>E</sup> Special securities of Rs 138.33 crore were discharged.

<sup>F</sup> Investment upto 1998-99 was reduced by Rs 2573.74 crore on account of adjustment of losses of nationalized banks but not clearly mentioned in the Finance accounts.

Besides, investments were also not reduced to the tune of Rs 425.23 crore, Rs 1506.21 crore and Rs 1532 crore on account of adjustment of losses of nationalised banks written off during 1994-95, 1995-96 and 1996-97 respectively [refer to table 4.11 (iii)].

At the end of March 1999, the progressive investment in the nationalised banks reflected in the accounts stood at Rs 13672.67 crore, which do not reflect the true picture of the Government's investment in view of the fact that the findings of the investigation stated to be initiated by the Ministry in 1995-96 and 1996-97 have not been brought out as yet.

Further, from the year 1985-86, the amount of investment (recapitalisation assistance) were reinvested into Government Special Securities by the nationalised banks. Upto 1998-99, a sum of Rs 19756.44 crore were reinvested, of which, Rs 505.50 crore and Rs 138.33 crore were discharged in 1996-97 and 1997-98 respectively and as on 31 March 1999 outstanding of Special Securities was Rs 19112.61 crore.

As investment in Government Special Securities started from 1985-86, the progressive investments in nationalised banks should have been higher than the outstanding Special Securities, but due to subsequent dropping/adjustments made for accommodating the losses of nationalised banks the outstanding figure of special securities outstripped the progressive investment figure of nationalised banks.

The adjustment made by dropping the Government investment in them to accommodate the losses of nationalised banks eroded the Government's holding in these banks, while on the other hand, the Government's liability on account of Special securities remained intact.

### **8.13 Understated accounting of external debt**

**External debt are depicted in the accounts at historical rate of exchange, which is not a true reflection of liability.**

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

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

negative balance, when aggregated, understates the balances of outstanding debt from that particular country.

Thus, the figure of external debt of Rs 57254 crore, as appearing in the accounts, do not reflect the actual dimension of outstanding external debt. As per the note below the statement No. 14, the external debt at the current value as at the end of March 1999 was Rs 177934 crore.

### 8.13.1 Discrepancies in closing/opening balances

In statement No 14 of the Union Government Finance Accounts for 1998-99, opening balances of external loans brought forward as on 1 April 1998 in foreign currency are at variance with the figures of closing balances as on 31 March 1998 in respect of as many as 18 countries as detailed below:

Table 8.13.1 : Closing and opening balance of external loans

(Donor currency in thousands)

Sl. No.	Name of the country	Closing balance as on 31-3-98	Opening balance as on 1-4-98
1.	Austria (A. Sch.)	527402	527403
2.	Canada (C.\$)	527763	527767
3.	Germany (D.M.)	5194366	5193868
4.	France (F.F.)	5649917	5635656
5.	Japan (Yen)	838344000	838354000
6.	Netherlands (D.G.)	1341148	1341168
7.	Switzerland (Se. Fr.)	51094	51154
8.	U.K. (£ Stg.)	10184	10180
9.	U.S.A. (U.S. \$) including SRP Loans and PL - 480	1692315	1707651
10.	I.B.R.D. (U.S. \$)	6430341	6430581
11.	IDA (SDR) (U.S. \$)	6441113	6441114
12.	Kuwait Fund for Arab Economic Devel.(K.D.)	27653	27654
13.	Organisation of Petroleum exporting countries (US\$)	31647	31648
14.	Saudi Fund (Riyal)	61070	61071
15.	International Fund of Agricultural Development (SDR)	158581	158121
16.	A.D.B. (U.S. \$)	2081557	2077828
17.	Russian Fed. (Rs.)	21981111	21981112
18.	Sweden (Sw. Kr.)	1264323	1264333

On being pointed out, CGA stated in November 1999 that the difference in closing/opening balances is due to the implementation of Integrated Computerised System with a Common Data Base in the office of Controller of Aid Accounts and Audit.

The Controller of Aid Accounts and Audit needs to improve the accuracy of accounts of external debt to ensure that the opening balances agree with the closing balances.

### 8.14 Incorrect classification of expenditure on Centrally Sponsored plan Schemes

For enhancing the ways and means position of State and UT Governments, Union Government extends loans and advances to them. This expenditure is routed through the Consolidated Fund of India. On receipt of the loans and advances from the Union Government, the State and UT Governments concerned account these as receipt in their Consolidated Fund. Accordingly, States/UTs without their own Consolidated Fund are not eligible for loans and advances from Union Government. In other words, loans and advances should be granted to States/UTs with Legislature only.

In the Union Government Finance Accounts for 1998-99, following amounts of loans and advances for Centrally Sponsored Plan Scheme have been shown as outstanding from UTs without Legislature:

**Table 8.14 Loans for Centrally Sponsored Plan Scheme**

*(Rupees in thousand)*

Name of the UT	Amount	Earliest period to which the loan relates
Daman and Diu	21312	1987-88*
Lakshadweep	563	1991-92
Chandigarh	369	1987-88
Andaman and Nicobar Islands	4835	1989-90
<b>Total</b>	<b>27079</b>	

Rather than booking the initial expenditure on loans and advances to the above UTs under the Major Head 7602 - Loans and Advances to UTs, the expenditure on Centrally Sponsored Plan Scheme should have been booked in the Functional Major Heads of the concerned Department of Union Government.

Thus, the initial booking in the Major Head 7602 - Loans and Advances to UTs was incorrect and the outstanding balances of the loans advanced were not stated correctly in the accounts to that extent.

The Controller General of Accounts stated during discussion that the matter was under active examination for remedial measures.

\* Up to 1986-87 the Daman and Diu was a part of greater UT namely, Goa, Daman & Diu



## 8.15 Working of Departmental Accounting units

Chief Controllers/Controllers/Pr. PAOs are responsible for compilation of unit level of annual accounts of the various Ministries/Departments of the Union Government. A review of state of maintenance of accounts in the unit level in respect of following four Ministries/Departments was conducted which disclosed the following.

### 8.15.1 Principal Pay and Accounts Office, Central Board of Excise and Customs

Pr. PAO, Central Board of Excise and Customs compiles the accounts rendered by 47 PAOs working under it. Scrutiny of Finance Accounts of Pr. PAO, CBEC for the year 1998-99 revealed as follows:-

#### (i) Adverse balances

Finance Accounts of 1998-99 contained two cases of adverse balances in the following heads of Accounts:-

*(Rupees in thousand)*

8670-103 - Departmental Cheques	(-) Cr. 2018626
8671-101 - Departmental Balances (Civil)	Cr. 28113

Adverse balances in the accounts occur due to misclassification/accounting error in the upkeepment of the accounts. As such, presence of adverse balance in the accounts distorts the true picture of accounts.

(a) Head of account 8670-103 Departmental Cheques became adverse due to introduction of Electronic Data Interchange System in the Customs Department. Under the new system of payment of drawback, instead of issuing cheques, computer advices were issued to the banks, which in turn, afforded credit in the accounts of the exporter on account of drawback. As per the new accounting system, accounting of computer advices was to be made similar to that of cheques. But the issue of advices was not accounted for resulting in more clearances (payments) than the cheques issued culminating into the adverse balancing of the minor heads.

(b) Head of account 8671-101-Departmental Balances (Civil) receives debit for the cash balance held by departmental officers outside the generally available cash balances. When the account of cash held by an officer is rendered, this head gets cleared. Thus, credit balance under this head reflects that some accounting error/omission has been made rendering the balance of this head adverse.

**(ii) Suspense balances**

Following minor heads of suspense balances reflected huge net outstanding under them as on 31 March 1999:-

*(Rupees in thousand)*

PAO Suspense	(-) Dr. 175713
Suspense Account (Civil)	Dr. 5521
PSB Suspense	Dr. 1114754
Customs Receipt Awaiting Transfer to Receipt Head	Cr. 4199315

**(a) PAO Suspense**

Although the Finance Accounts reflected a net negative debit balance of Rs 1757.13 lakh, the yearwise break up furnished by the Department showed that a debit balance of Rs 10.21 lakh and credit balance of Rs 1767.34 lakh are awaiting adjustment. Thus, a total of Rs 1777.55 lakh awaits adjustment, of which transactions as old as 1987-88 are awaiting final adjustments. The Department stated that the balances in this head are lying on account of sales tax recovered on sale of confiscated goods, the clearances of which depends on the writ petition filed by the State Governments in Supreme Court.

**(b) Suspense Accounts (Civil)**

The Finance Accounts reflected a net debit balance of Rs 55.21 lakh, but the yearwise break up showed that a debit of Rs 239.66 lakh and credit of Rs 184.45 lakh awaited adjustment. Thus, the total magnitude of the amount lying outstanding was Rs 424.11 lakh. The oldest period of outstanding suspense balances related to 1996-97.

**(c) PSB Suspense**

Finance Accounts reflected a net debit balance of Rs 11147.54 lakh whereas the yearwise breakup furnished by the department revealed that outstanding balances under debit was Rs 17299.62 lakh and under credit was Rs 646.78 lakh. Thus, the real magnitude of the outstanding under this head was Rs 17946.40 lakh. Figure of outstanding balances for the year 1998-99 as appearing in the accounts was Rs 11147.54 lakh net debit whereas yearwise details of outstanding showed a net debit balance of Rs 16652.84 lakh. The earliest period of outstanding pertained to the year 1987-88. Moreover, yearwise breakup also revealed that in majority of the cases the outstanding under debits and credits are in negative. Original booking is always made in positive figures and its subsequent clearance is made through negative figures. As such, if there is any outstanding, that should be in positive figure. Negative balances of outstanding, could be as a result of clearances of cases of higher value of figure than the original booking, which could not be verified by Audit.

**(d) Customs receipt awaiting transfer to receipt head**

Under this head, advance deposit of customs duties made by importer/exporter are recorded. Previously the advance deposit of customs duties were credited in the head 8443-106-Civil Deposits- Personal Deposit. From the year 1998-99, according to the revised procedure, the advance customs duties were to be credited under the Head 0037-106-Customs-Receipts of advance payments from assesseees. In the accounts of the month of March, the Head 0037-106 is to be minus credited by affording credit to the head 8658-136-Suspense Accounts Customs-Receipts Awaiting Transfer to Receipts. Again in the accounts for the month of April, each year, the adjustment made in the month of March should be reversed by minus crediting the head 8658-136 and crediting the head 0037-106. The outstanding credit of Rs 41993.15 lakh was cleared in the accounts for the month of August 1999 only, whereas it was required to be cleared in the accounts for the month of April 1999.

**(iii) Cheques and Bills**

Two minor heads of this major head reflects a large outstanding as under:-

*(Rupees in thousand)*

PAO Cheques	Cr. 664770
Departmental Cheques	(-) Cr. 2018626

Details of yearwise breakup of outstanding under both the heads were not made available to Audit. Moreover, the balance under departmental cheque was adverse, i.e. more payments were shown as authorised than the cheque issued, due to non-accounting of newly introduced computer advice for payment of drawback refunds. Thus, the computer advices are susceptible to omission for the purposes of accounting. Further, non-availability/non-maintenance of yearwise position of outstanding under this head indicates the vulnerability in clearing the outstandings

**(iv) Civil Deposits (Personal Deposits)**

Under this head advance deposit of customs duties made by assesseees are credited. However, from 1998-99, the procedure was revised and credit of advance duties were required to be given to a new minor head 106 Receipt of advance payments from assesseees under the major head 0037-Customs. As regards the old balances as on 31 March 1998 under the head 8443-Civil Deposits-106 Personal Deposit, these were required to be transferred to the new minor head under the major head 0037 by bringing the old balance to NIL. Assurances to this effect was also given by the Pr. PAO, CBEC to the Controller General of Accounts vide their UO dated 14 December 1994. Despite this, as on 31 March 1999 credit balance of Rs 1164.19 lakh was outstanding under this head. Thus, in the process of maintenance of accounts codal provisions were not observed.

**(v) Ledger of balances under DDR heads**

Under sub para 5.9.2 of para 5.9 of Civil Accounts Manual, the Pr. PAO is required to maintain a ledger in form CAM-40, comprising the transactions of all PAOs under his jurisdiction put together, with minor head wise details. No such ledger was maintained, although this is the initial and permanent record and in case of any discrepancy this is the only source for reconciliation. Thus, in the absence of permanent record, it could not be ensured that the balances appearing in the Finance Accounts with regard to DDR Heads are authentic.

**(vi) Review of balances**

No review was conducted for the department as a whole and consolidated report sent to the Controller General of Accounts by 15 October 1999 by the Pr. PAO CBEC, as required in sub paras 13.13.1 and 13.13.2 of para 13.13 of Civil Accounts Manual. Thus, in the absence of review of balances, the authenticity of balances appearing under the DDR heads can not be verified.

**8.15.2 Principal Pay and Accounts Office, Ministry of Home Affairs**

Principal Pay and Accounts Office, Ministry of Home Affairs, compiles the Accounts rendered by 17 PAOs working under it. Scrutiny of Finance Accounts of the Pr. PAO for the year 1998-99 revealed as follows:-

**(i) Non-maintenance of Investment Register**

Upto 1998-99, Ministry of Home Affairs' total investment, as per statement No. 11 of Finance Accounts, in Public Sector Undertakings etc. was Rs 855.96 crore and a sum of Rs 56.08 lakh was received on account of dividend from them. However, the figures of investment could not be verified with initial records as no Investment Register in form CAM-60 was maintained as required in terms of Para 10.11.1 of Civil Accounts Manual.

**(ii) Adverse balances**

Finance Accounts of 1998-99 contained six cases of adverse balances in the following heads of accounts:-

<i>(Rupees in thousand)</i>			
(a)	6235-01-110	Loans for rehabilitation of Tibetan Refugees	Cr. 11
(b)	6235-01-800	Other loans	Cr. 24
(c)	7601-05-102	Loans and advances to State Government-State Plan Scheme-Development Border Area	Cr 10496
(d)	8443-107	Civil Deposits-Trust Interest Funds	Dr. 5
(e)	8449-120	Other Deposit-Misc. Deposit	Dr. 45
(f)	8670-103	Cheques and Bills-Departmental cheques	(-) Cr. 361368

Adverse balances in the accounts occur due to misclassification/accounting error in the upkeepment of the accounts. Pr. PAO did not furnish the reasons for the above adverse balances. As such, presence of adverse balances in the accounts distorts the true picture of the accounts.

**(iii) Suspense balances**

Following minor heads of suspense balances reflected huge net outstanding under them as on 31 March 1999.

*(Rupees in thousand)*

PAO Suspense	Cr. 70120
Suspense Accounts (Civil)	Dr. 903668
P.S.B. Suspense	Dr. 633111
R.B. Suspense, CAO	Cr. 194594

**(a) PAO Suspense**

Although statement No. 13 of Finance Accounts for 1998-99 showed a net outstanding balances of Rs 701.20 lakh credit, the yearwise breakup of debits and credits made available showed balances of Rs 219.56 lakh and Rs 289.37 lakh respectively, which on being netted, comes to Rs 69.81 lakh credit. Thus, the Finance Accounts and the yearwise breakup made available to audit, a copy of which was also sent to CGA, showed two different sets of figures outstanding under the minor head of Suspense. Transactions awaiting adjustment in this minor head are old and prior to 1986-87.

**(b) Suspense Accounts (Civil)**

Statement No. 13 of Finance Accounts showed a net outstanding balance of Rs 9036.68 lakh debit whereas in the yearwise breakup furnished by the department, there was debit balance of Rs 142.44 lakh and credit balance of Rs 51.21 lakh, which comes to Rs 91.23 lakh debit on being netted. Thus, there was a difference of Rs 8945.45 lakh debit in two sets of figures. Transactions awaiting adjustment in the minor head are as old as 1993-94.

**(c) PSB Suspense**

Statement No. 13 of Finance Accounts reflected a net debit balance of Rs 6331.11 lakh whereas the yearwise breakup furnished by the department showed a net debit balance of Rs 6319.74 lakh. Thus, there was a difference of Rs 11.37 lakh in the two sets of figures. The yearwise breakup reflected a debit balance of Rs 1076.68 lakh and credit balance of (-) Rs 5243.06 lakh. Transactions awaiting adjustment in the minor head are as old as 1987-88.

**(d) RB Suspense, CAO**

Statement No. 13 of the Finance Accounts showed a net credit balance of Rs 1945.94 lakh whereas the yearwise details furnished by the department

reflected a net credit balance of Rs 2475.91 lakh. Transactions awaiting adjustment in the minor head are as old as 1995-96.

Figures of all the minor heads of Suspense balances appearing in the statement No. 13 of Finance Accounts did not tally with the initial records maintained by the Pr. PAO. Thus, the authenticity of accounts prepared by Pr. PAO could not be verified.

**(iv) Cheques and Bills**

The two minor heads of this major head reflects a huge outstanding which are as under:-

<i>(Rupees in thousand)</i>	
PAO Cheques	Cr. 3905980
Departmental Cheques	(-) Cr. 361368

**(a) PAO Cheques**

Under this minor head, Rs 39059.80 lakh credit is outstanding. The yearwise breakup furnished by the department showed that cheques issued even prior to 1986-87 are outstanding.

**(b) Departmental Cheques**

Under this minor head, a negative credit balance of Rs 3613.68 lakh appeared in the accounts. In this head also cheques issued prior to 1986-87 are outstanding.

It is interesting to note that the balance under this minor head has become adverse, i.e. negative credit, which implied that Banks have authorised more payments than the amounts of cheques issued by the D.D.O.

To the extent the balances lying outstanding under the major head "Cheques and Bills" the department's cash balances are understated. Moreover, uncleared balances under this head do not reflect true and fair picture of accounts besides reflecting ineffective monitoring by the Pr. PAO.

Under sub Rule (2) of Rule 47 of Receipt and Payment Rules 1983 accounting authorities are required to review the cases of cheques remaining unpaid for a period of six months after the months of issue and not surrendered for renewal. These unpaid cheques should be cancelled and amounts should also be written back in the accounts. The large outstanding amount under this head dated back prior to 1986-87, indicated that the authorities responsible to maintain the accounts did not exercise proper checks.

**(v) Ledger of balances under DDR Heads**

Under sub para 5.9.2 of para 5.9 of Civil Accounts Manual, the Pr. PAO is required to prepare a ledger in form CAM-40 comprising the transactions of all PAOs under his jurisdiction put together, with minor head wise details. A scrutiny of the ledger revealed that the figures of opening balances of the following major/minor head of DDR Heads of account did not match with the opening balance figures of corresponding head as shown in statement No. 13 of accounts:-

*(Rupees in thousand)*

Sl. No.	Major/Minor head	Figures as per	
		Statement No. 13	Ledger (CAM-40)
1.	6235-01-110	Cr. 11	Cr. 55
2.	6235-01-200	Dr. 6122	Dr. 5716
3.	7601-04-102	Cr. 8824	Not shown
4.	7601-01-053	Dr. 23195	-do-
5.	7602-02-101	Dr. 11517453	Dr. 11379839
6.	7610-00-200	Dr. 44479	Dr. 44417
7.	8005-01-101	Cr. 24425584	Cr. 24416114
8.	8005-60-101	Cr. 23	Not shown
9.	8550-103	Dr. 387662	Dr. 387665
10.	8550-104	Dr. 86081	Dr. 86090
11.	8658-101	Cr. 92938	Cr. 92653
12.	8658-107	Dr. 2	Dr. 248118686
13.	8658-110	Cr. 105224	Cr. 201001

The difference between the ledger, which is the initial and permanent record, and the statement No. 13 of the Finance Accounts reflects that the accounts compiled by the Pr. PAO was not based on the initial and permanent sets of record and are not verifiable.

**(vi) Review of balances**

No review was conducted for the Ministry as a whole and consolidated report sent to the Controller General of Accounts by 15 October by the Pr. PAO, Ministry of Home Affairs, as required in sub paras 13.13.1 and 13.13.2 of para 13.13 of Civil Accounts Manual. Thus, in the absence of review of balances, the balances appearing under the DDR heads could not be certified.

**8.15.3 Principal Pay and Accounts Office, Ministry of Human Resource Development**

Pr. PAO, Ministry of Human Resource Development compiles the account rendered by 10 PAOs functioning under it. Scrutiny of the Finance Accounts for the year 1998-99 revealed as follows:-

**(i) Adverse balances**

The balances of minor head 103-Departmental Cheques under the major head 8670 Cheques and Bills of Rs 9.47 lakh Dr. was adverse. Department stated that a sum of Rs 11.33 lakh was misclassified and booked under the head 8670-102 PAO Cheques instead of 8670-103-Departmental Cheques, which was cleared subsequently from the head 8670-103- Departmental Cheques rendering the balances of the head 8670-103 adverse. This misclassification was corrected in August 1999.

**(ii) Suspense balances**

Outstandings under the various minor heads of suspense balances as on 31 March 1999 were as under:-

*(Rupees in thousand)*

PAO Suspense	Dr. 144
Suspense Accounts Civil	Dr. 1053
PSB Suspense	Cr. 12924

**(a) PAO Suspense**

Statement of Finance Accounts showed a net debit balance of Rs 1.44 lakh. Yearwise breakup of outstanding furnished by the department showed that a debit balance of Rs 2.58 lakh and credit balance of Rs 1.14 lakh awaits adjustment. As such, the actual magnitude of the outstanding under PAO Suspense (Debits and Credits taken together) was Rs 3.72 lakh. The oldest period of outstanding was 1996-97.

**(b) Suspense Accounts Civil**

Finance Accounts showed a net debit balance of Rs 10.53 lakh. On being requested to furnish the yearwise position, the Department stated that the entire debit of Rs 10.53 lakh related to the year 1998-99 itself. The version of the department was not correct in view of the fact that a debit balance of Rs 10.31 lakh was the opening balance of outstanding under this head as on 1 April 1998.

**(c) PSB Suspense**

Accounts reflected a net credit balance of Rs 129.24 lakh. Yearwise details of the outstandings furnished by the Department showed that the entire outstanding pertained to the year 1998-99 only. Here again the statement of the Department is incorrect because as on 1 April 1998 there was an opening balance of outstanding to the extent of Rs 9.56 lakh.



**(iii) Cheques and Bills**

The balances under the various minor heads as on 31 March 1999 were as under:-

*(Rupees in thousand)*

PAO Cheques	Cr. 13116723
Departmental Cheques	Dr. 947

**(a) PAO cheques**

PAO cheques of a large amount of over Rs 1311 crore were outstanding for adjustment. Yearwise breakup furnished by the Department showed that cheques issued as back as in 1987-88 were outstanding.

**(b) Departmental cheques**

Under this head a sum of Rs 9.47 lakh debit is outstanding, which is an adverse balance. This head became adverse in the year 1998-99 due to misclassification of transactions of Rs 11.33 lakh as explained in sub-para (i) above. However, for this minor head the Department did not furnish the details of yearwise outstanding.

Thus, failure to clear cheques as old as those issued in 1987-88 reflected that the accounting authority failed to take appropriate action as envisaged under Sub Rule (2) of Rules 47 of Receipt and Payment Rules 1983.

**(iv) Ledger of balances under DDR heads**

Under sub para 5.9.2 of para 5.9 of Civil Accounts Manual, a ledger is required to be prepared by the Pr. PAO showing therein the transactions of all PAOs under his jurisdiction with minor headwise details. Test check of the ledger revealed that the opening and closing balances of the major/minor heads of accounts are not tallying with the figures of the corresponding head shown in the Finance Accounts as detailed below :-

*(Rupees in thousand)*

Sl. No.	Major/Minor head	Figures as per			
		Finance Accounts		Ledger (CAM-40)	
		Opening balance	Closing balance	Opening balance	Closing balance
1.	8658-101	Dr. 1728	Dr. 144	Dr. 1825	Dr. 240
2.	8658-102	Dr. 1031	Dr. 1053	Dr. 1032	Dr. 1055
3.	8658-108	Cr. 956	Cr. 14351	Cr. 950	Cr. 14356
4.	8670-102	Cr. 3634686	Cr. 13116723	Cr. 3634688	Cr. 13116725
5.	8670-103	Cr. 584	Dr. 947	Cr. 563	(-) Cr. 967

Thus, the difference between the two sets of records put a question mark on the quality of maintenance of accounts. The figures reflected in the accounts should be based on the ledger balances as this is the initial and permanent set of records.

**(v) Review of balances**

No review was conducted for the Department as a whole and consolidated report sent to the Controller General of Accounts by 15 October by the Pr. PAO, Ministry of Human Resource Development, as required in sub paras 13.13.1 and 13.13.2 of para 13.13 of Civil Accounts Manual. Thus, in the absence of review of balances, the balances appearing under the DDR heads are not authentic.

**8.15.4 Principal Pay and Accounts Office, Ministry of Finance, Department of Economic Affairs**

Principal Pay and Accounts Office, Ministry of Finance, Department of Economic Affairs compiles the accounts rendered by 13 PAOs functioning under it. Scrutiny of Finance Accounts for the year 1998-99 revealed as follows:-

**(i) Non-maintenance of Investment Register**

Upto 1998-99, Department of Economic Affairs' total investment as per statement No. 11 of Finance Accounts in 17 statutory corporations, Government Companies, Cooperative Banks, Societies, International Bodies, etc, were to the tune of Rs 18099.56 crore. However, the figures of investment could not be verified with initial records as no Investment Register was maintained in Form CAM-60, as required in terms of Para 10.11.1 of Civil Accounts Manual. In the absence of permanent records like Investment Register, the authenticity of the figure of investment was not verifiable.

**Adverse balances**

Finance Accounts of 1998-99 contained as many as 18 cases of adverse balances which are as under:-

*(Rupees in thousand)*

	<b>Head of Account</b>	<b>Amount</b>
a)	6001-101-Market loan bearing interest-10.50% Loan, 1998	(-) 1687
b)	6001-101-Market loan not bearing interest-6.75% Loan, 1994	(-) 2596
c)	6001-106-Compensation and Other Bonds- (i) P.P. Bonds, 1964	(-) 3841
d)	(ii) 5 Year Interest Free Prize Bonds, 1965	(-) 13514
e)	(iii) Special Bearer Bonds, 1991	(-) 86285
f)	(iv) 9% Relief Bond, 1987	(-) 10696854
g)	(v) 9% Relief Bond, 1993	(-) 1566872
h)	7601-07-106-Nagaland	(-) 229
i)	7601-07-106-Punjab	(-) 3773
j)	8002-103-Small Savings-Treasury Savings Deposit Certificates	Dr. 81
k)	8002-106-National Development Bonds	Dr. 24146
l)	8342-116-Deposits of SBI under NRI Bonds Scheme	Dr. 34
m)	8443-105-Criminal Court Deposits	Dr. 72
n)	8443-800-Other Deposits	Dr. 4395
o)	8448-104-Funds of Insurance Association of India	Dr. 1
p)	8449-119-Advance Deposits for ADB Assisted Projects	Dr. 1398303
q)	8656-105-Nickle Coinage Account	Cr. 556915
r)	8670-103-Departmental Cheques	Dr. 166936

In respect of cases at (a), (e), (f) and (g), the Pr. PAO stated that the balances became adverse due to excess scrolling of payments by the RBI, details/clarifications of which were being called for. For cases at (b), (h) to (r), Pr. PAO stated that the balances became adverse due to misclassification, which were being rectified in the accounts of 1999-2000. For cases at (c) and (d) the Pr. PAO stated that these were adverse prior to pre-departmentalisation and these would be written off to Government Account.

The presence of adverse balance in so many heads of accounts compromised the correctness and quality of the maintenance of accounts.

**(ii) Suspense balances**

Following minor heads of suspense balances reflected huge outstanding under them as on 31 March 1999.

**(Rupees in thousand)**

<b>PAO Suspense</b>	<b>Cr. 398414</b>
Suspense Accounts Civil	Cr. 2193625
PSB Suspense	Dr. 615908
RB Suspense Headquarter	Cr. 1967001
RB Suspense CAO	Cr. 204510
Transaction on behalf of RBI	Dr. 90517

**(a) PAO suspense**

Statement No. 13 of Accounts reflected a net credit outstanding balance of Rs 3984.14 lakh, whereas the yearwise breakup furnished by the Pr. PAO showed a debit balance of Rs 144.06 lakh. There was wide disparity between the outstanding figures appearing in the accounts and yearwise data of outstanding supplied by the Department, in so far as accounts reflected a credit balance but Department's information showed debit balance. In view of the above disparity, the authenticity of accounts under this head was questionable.

**(b) Suspense Accounts Civil**

Accounts of the Pr. PAO reflected a net credit outstanding of Rs 21936.25 lakh, whereas yearwise breakup showed a net credit balance of Rs 21947.23 lakh. Here again there was a difference of Rs 10.98 lakh between the two set of figures. Moreover, if the yearwise breakup of outstanding was to be taken into account, a sum of Rs 22042.95 lakh (debit of Rs 47.86 lakh and credit of Rs 21995.09 lakh) awaits clearance from this minor head of Suspense Accounts. Transactions prior to 1986-87 are awaiting adjustment.

**(c) PSB Suspense**

Statement No. 13 reflected a net debit outstanding of Rs 6159.08 lakh. Yearwise details of outstanding furnished by the department showed that a debit balance of Rs 10959.27 lakh and credit balance of Rs 4800.19 lakh was outstanding. Transactions even prior to 1986-87 are outstanding under this head. From the yearwise details it was observed that the real magnitude of outstandings awaiting adjustment was Rs 15759.46 lakh (debit of Rs 10959.27 lakh and credit of Rs 4800.19 lakh)

(d) RB Suspense Headquarters Cr. 19670.01 lakh

(e) RB Suspense CAO Cr. 2045.10 lakh

(f) Transaction on behalf of RBI Dr. 905.17 lakh

The Pr. PAO did not furnish the yearwise details of outstanding under the above minor heads and stated that the breakup was not available. In the absence of yearwise breakup of outstanding, the oldest period of outstanding could not be ascertained. Moreover, the Department may also not be in a position to clear the outstandings under the above heads due to non-availability of details with them.

**(iii) Cheques and Bills**

Outstanding under the minor heads of this major head were as under:-

<i>(Rupees in thousand)</i>	
PAO Cheques	Cr. 3544900
Departmental Cheques	Dr. 166936

**(a) PAO cheques**

In the accounts for the year 1998-99, a sum of Rs 35449.00 lakh credit was outstanding under the head. The Pr. PAO did not furnish the breakup of outstandings.

**(b) Departmental cheque**

In the accounts for the year 1998-99, Rs 1669.36 lakh debit was outstanding under the head. The balance under the head was adverse, i.e. more payments were stated to have been made than the value of the cheques issued, which is a serious lapse. The Department in this case also did not furnish the details of outstanding. The Department did not initiate any investigation to find out the reasons for adverse balance.

The accounting authorities did not take the appropriate action as envisaged under sub rule (2) of Rule 47 of Receipt and Payment Rules 1983.

**(iv) Ledger of balances under DDR heads**

Under sub para 5.9.2 of para 5.9 of Civil Accounts Manual, the Pr. PAO is required to maintain a ledger in form CAM-40 comprising the transactions of all PAOs under his jurisdictions put together, with minor head wise details. But no such ledger was maintained, although this is the initial and permanent record and in case of any discrepancy this is the only source for doing the reconciliation. In the absence of permanent record, it could not be ensured that the balances appearing in the Finance Accounts with regard to DDR heads were authentic.

**(v) Review of balances**

No review was conducted for the department as a whole and consolidated report sent to the Controller General of Accounts by 15 October by the Principal Pay and Accounts Office, Ministry of Finance, Department of Economic Affairs, as required in sub paras 13.13.1 and 13.13.2 of para 13.13 of Civil Accounts Manual. Thus, in the absence of review of balances, the balances appearing under the DDR heads could not be verified.