

## **PRESS RELEASE**

### **OFFICE OF COMPTROLLER AND AUDITOR GENERAL OF INDIA**

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#### **TRANSPARENT ACCOUNTING OF SUBSIDIES IS ESSENTIAL: MURMU**

States must take steps to maintain proper accounting of subsidies and take prudent measures to reduce fiscal deficits, remove revenue deficits and keep outstanding debts at an acceptable level, said the Comptroller & Auditor General of India, Girish Chandra Murmu, in New Delhi today.

Speaking at the Annual Accountant General's Conclave, Shri Murmu said that the state must meet its capital expenditure, including loans and advances, from its own sources of revenue, or at the least confine the net debt to its capital expenditure. "While we understand the importance of subsidies to help the underprivileged, it is essential to transparently account for such subsidies and we require to distinguish between justifiable subsidies from freebies, which are not fiscally responsible."

Shri Murmu also said that states must initiate measures to earn adequate returns on their investments and recover their cost of borrowed funds without resorting to implicit subsidies. All states, he said, must strive to meet its capital expenditure requirements, including loans and advances, from its own sources of revenue. "States should take steps to earn adequate returns on their investments and recover their cost of borrowed funds without resorting to implicit subsidies."

To improve fiscal management, both the Union Government and many State Governments have been implementing the Fiscal Responsibility and Budget Management (FRBM) Act in recent years. "We however continue to notice fiscal sustainability risks and financial indiscipline in many states due to off-budget borrowings, misclassification of revenue expenditure as capital expenditure and because state guarantees are not getting captured in finance accounting. These factors make qualitative and timely preparation of accounts by the CAG one of the most important responsibilities to tackle these challenges."

Mr Murmu said that state finances have undergone several changes in recent years as a result of implementation of the Fiscal Responsibility and Budget Management (FRBM) Act, computerization of treasuries and implementation of the Integrated Financial Management System (IFMS). The State Accountants General, for example, has implemented the Voucher

Level Computerisation (VLC) system for compiling accounting information at the level of vouchers.

He said the implementation of the Public Financial Management System (PFMS) by the Central Government has wide implications for state accounting as far as sanctions of state grants, funds transfer and monitoring are concerned. “The VLC system needs to interact meaningfully with these systems in real-time and seamlessly. These changes have given us an opportunity to reinvent our approach to remain relevant,” Murmu said.

The Accountant General’s conclave is organised by the CAG’s Government Accounts (GA) Wing. It is attended by Principal Accountants General and Accountants General (A&E) to discuss issues regarding the maintenance of accounts of state governments, as mandated under the Constitution of India.

Article 150 of the Constitution mandates that the accounts of the Union and of the States shall be kept in a manner as prescribed by the President of India on the advice of the Comptroller and Auditor General of India.

Section 10 of the Duties, Powers and Services Act (DPC Act) empowers the CAG to compile accounts of the Central and State Governments. “We have been fulfilling this obligation every year by making finance and appropriations accounts for the state government, which gets tabled on the floor of the legislature to ensure the accountability and transparency of the state finances,” he said.

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