Chapter 2

Comments On Accounts

The comments relating to significant deficiencies in the presentation (accuracy, completeness and transparency) of the Union Accounts are discussed in the succeeding paragraphs. The comments arising from Appropriation audit are included in Chapters 7, 8 and 9 of this Report. The observations on regularity, economy, efficiency and effectiveness of Government spending are incorporated in Compliance and Performance Audit Reports being presented separately to the Parliament.

2.1 Non-inclusion of statements/information recommended by Twelfth Finance Commission in the Union Finance Accounts

The Twelfth Finance Commission (TFC) in their Report submitted to the Government in November 2004 had recommended the inclusion of eight additional statements/information in Union Government accounts for greater transparency and to enable informed decision making, pending transition from cash to accrual basis of accounting. The recommendation was accepted in principle by the Government. The additional statements recommended by TFC were as follows:

(i) Statement of subsidies given, both explicit and implicit, (ii) Statement containing expenditure on salaries by various departments/units, (iii) Detailed expenditure on pensioners and expenditure on government pensions, (iv) Data on committed liabilities in the future, (v) Statement containing information on debt and other liabilities as well as repayment schedule, (vi) Accretion to or erosion in financial assets held by the government including those arising out of changes in the manner of spending by the government, (vii) Implications of major policy decisions taken by the government during the year or new schemes proposed in the budget for future cash flows and (viii) Statement on maintenance expenditure with segregation of salary and non- salary portions.

It was mentioned in the Report of the Comptroller and Auditor General on the Accounts of the Union Government for the year 2007-08 that the recommendations of the Twelfth Finance Commission (TFC) to include the said additional statements/information in Union Government accounts had not been complied with, despite a lapse of four years from the Commission's recommendation. It was also recommended that the Ministry of Finance set a specific time frame for inclusion of the above additional statements in the Union Finance Accounts. The Action Taken Note of the Ministry was awaited as of November 2009.

Scrutiny of the Finance and Appropriation Accounts for the year 2008-09 disclosed that the said statements as recommended by TFC have not been included in this year's accounts as well.

The Ministry stated in December 2009 that (i) statements pertaining to explicit and implicit subsidies given, expenditure on salaries by various departments/units, detailed expenditure on pensioners and expenditure on government pensions and debt and other liabilities as well as repayment schedule were already available in the Expenditure Budget/Accounts at a Glance, (ii) inclusion of other statements pertaining to data on committed liabilities in the future, accretion to or erosion in financial assets held by the government including those arising out of changes in the manner of spending by the government and implications of major policy decisions taken by the government during the year or new schemes proposed in the budget for future cash flows was not practicable given the present cash based accounting/budgeting systems. As regards depicting maintenance expenditure with segregation of salary and non-salary portions, six major heads involving maintenance expenditure had been identified and all the Union Ministries had been intimated to carry out these changes and make suitable budget provision. The Ministry further stated that the views of the Government on the inclusion of additional statements in the Finance Accounts had been forwarded to the Thirteenth Finance Commission.

However, the 13th Finance Commission Report does not explicitly bring out any modifications in the disclosure requirements recommended by the 12th Finance Commission.

2.2 Unascertainable unspent balances in the accounts of Implementing Agencies

In recent years, there has been a paradigm shift in the Central Government strategy for implementation of flagship programmes and other Centrally Sponsored Schemes (CSS) for poverty alleviation, health care, education, employment, sanitation etc,. Most of these schemes were earlier implemented on cost sharing basis with transfer of central share to State Government. The Union Government has now started transferring Central Plan assistance directly to State/District level autonomous bodies, societies, non-governmental organisations etc., for implementation of CSS outside the State Government budget. The State and District level implementing bodies keep these scheme funds in their accounts in banks outside Government Accounts.

For the year 2008-09, Union Government transferred central plan assistance of Rs. 83,224 crore directly to State/district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of centrally sponsored schemes. Since the funds are not being spent by the implementing agencies in the same financial year, there remain substantial amounts of unspent funds in their accounts. The aggregate amount of the unspent balances in the accounts of the implementing agencies kept outside Government accounts is not readily ascertainable. The Government expenditure as reflected in the Accounts to that extent is, therefore, overstated.

This subject was also commented upon in the last year's Audit Report but no discernible steps have been taken yet to address the situation.

2.3 Opaqueness in Government Accounts

There is a global trend towards greater openness in government finances. This is based on a belief that transparent budgetary and accounting practices can ensure that funds raised by the States for public purposes will be spent as promised by the Government, while maximising the benefits derived from spending. One crucial component of a transparent system of accounting is that the forms of account in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipt and expenditure on all major activities of the Government in a transparent manner for meeting the basic information needs of all the important stakeholders.

Scrutiny of Union Government Finance Accounts 2008-09 disclosed that Rs. 28,483.22 crore under 29 Major Heads of accounts (representing functions of the Government) was classified under the Minor Head '800-Other expenditure' in the accounts constituting more than 50 *per cent* of the total expenditure recorded under the respective Major Heads. This indicates a high degree of opaqueness in the accounts. Details of the Major Heads such as Housing, Power, Civil Aviation, Other Rural Development Programmes, Agricultural Financial Institutions, Flood Control and Drainage, Capital Outlay on Foreign Trade & Export Promotion etc., with substantial expenditure classified as 'Other Expenditure' are given in **Appendix II-A.**

Some significant expenditure items such as Indira Awaas Yojana (Rs. 8,799 crore), Mission Flexible Pool towards utilisation for projects for North-Eastern region and Sikkim (Rs. 2,599 crore), subsidy for Haj Charters (Rs. 620 crore), self employment scheme for liberation and rehabilitation of scavengers (Rs. 100

* As per Expenditure Budget 2010-11 (Volume-I)

crore) etc., are not depicted distinctly in the Finance Accounts but are rolled up in the minor head 'Other expenditure'.

This was commented upon in the CAG's Audit Report No.CA-13 for the year 2007-08 with the recommendation that the Government may conduct a comprehensive review of the structure of Government Accounts to address this deficiency for achieving greater transparency in financial reporting. Although, as an interim measure, Controller General of Accounts (CGA) has inserted footnotes in Finance Accounts giving details of significant expenditure covered under Minor Head '800-Other Expenditure', the restructuring of the accounts to reflect the current activities of the government by way of opening of new heads of account and closure of obsolete heads of account has not been taken up by the Government to address the problem on permanent basis.

2.4 Inadequate disclosure of funds in the Public Account

(i) National Investment Fund

As per the prescribed accounting procedure of National Investment Fund (NIF), the annual income from the invested portfolio with the fund managers is to be initially classified in the Consolidated Fund of India (CFI) as income under minor head '110-Income from Portfolio Management Scheme (Discretionary Mode) of NIF' below major head '1475-Other General Economic Services'. The income was then to be transferred to Major head '8453-Income and Expenditure Account of NIF' in the Public Account for meeting the investment objectives of expenditure on social sector schemes and capital investment in revivable or profitable Public Sector Enterprises.

Scrutiny of the Union Finance Accounts 2008-09 revealed that while an income of Rs. 84.81 crore had been reflected as income under CFI, the Major head '8453-Income and Expenditure Account of NIF' has not been opened in the Public Account to depict the transfer of income from CFI.

Further, closing balance at the end of year 2008-09 under the head "8452-National Investment Fund" was shown as 'nil', though actually a balance of Rs.1,814 crore was available in the Fund as on 31 March 2009. Such depiction leads to confusion and opaqueness, indicating that the accounting procedure adopted was not accurate. In the interest of transparency, the accounting procedure must be suitably modified so as to reflect true balance in the NIF and also the investment made out of this Fund.

(ii) Universal Service Obligation Fund

Universal Service Obligation Fund (Major Head 8235-General & Other Reserve Funds, Minor Head 118) was set up in April 2002 for achieving universal service objectives emphasised in the National Telecom Policy (NTP) 1999. The resources for meeting the universal service obligation (USO) are raised through a 'universal access levy', which is a percentage of the revenue earned by all the telecom operators under various licenses as decided by the Government, in consultation with Telecom Regulatory Authority of India (TRAI). This has been fixed at five *per cent* of Adjusted Gross Revenue. The implementation of the USO for rural/remote areas is undertaken by fixed service providers, who are reimbursed net cost (i.e. annualized capital recovery plus operating expenses minus annual revenues) from the USO fund.

The Fund is administered by the Department of Telecommunications (DoT). The levy received towards USO is first credited to the Consolidated Fund of India and subsequently the Central Government credits such proceeds to the USO Fund in Public Account of India from time to time, for being utilized exclusively for meeting USO. It is a non-lapsable fund.

A total Universal Levy of Rs. 26,163.96 crore was collected during 2002-03 to 2008-09 by the DoT but a disbursement of only Rs. 7,971.44 crore was made from the Fund during this period. Thus, the closing balance of the Fund as on 31 March, 2009 should be Rs. 18,192.52 crore as against 'nil' balance shown under the Head 8235-General & Other Reserve Funds, 118–Universal Service Obligation Fund in the Public Account of India. There is, therefore, understatement of closing balance of USO Fund by Rs. 18,192.52 crore.

The matter was reported by the Comptroller & Auditor General of India in his Report No. PA-1 of 2008 and No. CA-13 for the year 2007-08. The Ministry while partially agreeing to the facts and figures included in the paragraph, stated that as per Indian Telegraph (Amendment) Act, 2003, USO Fund is to be utilized exclusively for meeting the USO and the balance to the credit of the fund will not lapse at the end of the financial year. Clauses 9(A)(2) and 9B of the Indian Telegraph (Amendment) Act 2003 provide that "the sum of money received towards the USO shall first be credited to the Consolidated Fund of India and the Central Government may, if Parliament, by appropriation made by law in this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for the meeting the USO. During the financial year 2002-03 to 2006-07, final allotments amounting to Rs 5,081 crore received through parliamentary approval under USO fund and the entire amount so allocated was fully utilized. Ministry also stated that new schemes have been launched in rural areas viz. shared mobile infrastructure Phase-I, Wire line Broadband connectivity in rural and remote areas. In addition, formulation of Scheme for OFC augmentation between block and district HQ across the country, scheme for induction of new technological developments for rural telecommunications and scheme for supporting renewal energy installation are under final stages of formulation.

It is recommended that the Department of Telecom should obtain necessary approvals and transfer all the receipts on account of universal access levy to the Universal Service Obligation Fund in the same year before the closure of the financial year so that the Fund balances are correctly reflected in the accounts. DoT may also ensure that viable schemes for implementation of universal service obligations for rural and remote areas are planned and executed in timely fashion so that USO objectives are met and the fund balances are utilized for the purposes for which these are collected. At present, the unspent balances collected by way of levy are used to partly finance the budget deficit.

(iii) **Non-Lapsable Central Pool of Resources**

Government of India decided to create a Non-lapsable Central Pool of Resources (NLCPR) in the Union Budget for the year 1998-99 in the Public Account of India titled "Central Resource Pool for Development of North Eastern Region" for funding the specific programmes of economic and social upliftment of North-Eastern States. The broad objective of the scheme was to ensure speedy development of social and physical infrastructure in North Eastern Region (NER) such as roads and bridges, power, education, health, irrigation and flood control, water supply, sanitation, etc., by increasing the flow of budgetary financing. The NLCPR Fund was to be financed from the unspent amount out of the earmarked 10 *per cent* gross budgetary support of Central Ministries intended to be spent on NER.

However, no such reserve fund had been created in the Public Account and the funding of the NLCPR scheme was being effected through the annual budget exercise. Effectively, therefore, there is no "non-lapsable" pool of resources available. NLCPR is being maintained on proforma basis. As of 31st March 2008, there was a closing balance of Rs. 6,963.79 crore in NLCPR.

The Planning Commission and the Ministry of Development of North Eastern Region (DONER) had discussed (June 2008) the framework for utilization of the mandated 10 *per cent* gross budgetary support for NE States. While acknowledging that the utilization of earmarked 10 *per cent* of the budget by various ministries had improved; on the issue of creating a distinct 'account head', the Planning Commission had observed that "the Central Pool" was a notional account being maintained by the Ministry of Finance (Department of Expenditure) since inception and that there was a need for creating a distinct account.

Ministry of Finance stated that the creation of a distinct head of account for NLCPR would not be feasible since it was difficult for Ministries/Departments to estimate the quantum of funds likely to remain unutilized by the close of the financial year for transfer to NLCPR. Transfer of these unutilized amounts in the subsequent year would have implications on Government of India finances and also adversely affect deficit targets. Ministry of Finance, therefore, expressed the view that the NLCPR could continue to be maintained on proforma basis.

The Ministry of DONER, however, stated (February 2010) that 'the creation of non-lapsable pool in Public Account will be beneficial for deciding the nature and quantum of projects to be funded. Instead of getting budgetary support for the scheme, the Ministry should be allowed to draw the funds directly from the pool as per need'.

The present practice of maintaining NLCPR on proforma basis is in violation of the Cabinet decision taken in November 1997 which provided for creation of a separate fund in the Public Account of India. Unless a non-lapsable fund is created, the unutilized balance of NLCPR will continue to be part of the Consolidated Fund of India and may not be used for the purpose it was intended to be. The budgetary and accounting issues raised by the Ministry of Finance and Ministry of DONER can be addressed in consultation with the CAG and other stakeholders.

2.5 Public funds lying outside government accounts

Ministry of Finance, Department of Economic Affairs (DEA) directed all Ministries and departments of the Government in January 2005[1] to ensure that funds of regulatory bodies are maintained in the Public Account.

Scrutiny of the annual accounts of five regulatory bodies viz., Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory Development Authority (PFRDA), Central Electricity Regulatory Commission (CERC) and Petroleum and Natural Gas Regulatory Board (PNGRB) revealed that these bodies were retaining their surplus funds generated through fee charges, unspent grants received from

[1] Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. F.1(30)-B(AC)/2004 dated 07 January 2005

Government of India etc., aggregating to Rs. 1,747.37 [2]crore at the end of March 2009 outside the Government Accounts. The Finance Accounts of the Union Government, therefore, do not present a correct and complete picture of government finances to the extent of funds of Rs. 1,747.37 crore lying outside government accounts.

The C&AG's Audit Report No. CA 13 for the year ended March 2008 had also highlighted retention of funds by IRDA and SEBI outside the government accounts

The Ministry of Finance in its Action Taken Note of June 2009 had stated that the operational details for keeping SEBI funds in Public Account were being worked out. In December 2009, the Ministry stated that the broad guidelines, enunciating the arrangement relating to operationalising the SEBI and IRDA Funds in the Public Account had been framed and conveyed to Controller General of Accounts for drawing up the detailed accounting procedure.

CERC stated in July 2009 that a separate minor head 126-CERC Fund under Major Head 8235-General and other Reserve Funds had been approved by the Controller General of Accounts and that this fund would be opened in the Demands for Grants during 2009-10. PNGRB stated in September 2009 that a clarification on this issue was being sought from Ministry of Petroleum and Natural Gas.

PFRDA stated in November 2009 that it was wholly financed by the grants from Government of India (GOI) and the unspent balance at the end of the financial year was set off against the grants of the previous year. It also added that its status was not akin to that of SEBI and IRDA and that it did not fall under the purview of the Government's instructions of January, 2005. However, the said instructions of the Ministry of Finance do not differentiate between the regulatory bodies.

2.6 Incorrect accounting of interest on refunds of taxes

Interest payment on refunds of excess tax is a charge on the Consolidated Fund of India and is, therefore, payable through the normal budgetary mechanism. The List of Major and Minor Heads of Account includes a separate minor head '108-Interest on refunds' under the Major Head '2020- Collection of Taxes on Income and expenditure' to record this transaction in the Union Accounts.

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[2] SEBI-Rs. 1,235.83 crore, IRDA-Rs. 470.74 crore, PFRDA-Rs. 0.42 crore, CERC-Rs. 26.29 crore and PNGRB-Rs. 14.09 crore

Audit scrutiny revealed that no budget provision for interest on refunds was made in the Budget Estimates for the year 2008-09 and the expenditure on interest on income tax refunds amounting to Rs. 5,785.36 crore was treated as reduction in the revenue of the Union Government in Union Government Accounts 2008-09. Such accounting adjustment is not only against the accounting rules but also results in incurring of expenditure on interest payments without obtaining Parliament's approval through budgetary process. In fact, interest on refund of income tax of Rs 92 crore was budgeted as an expenditure item in the budget for 2001-02. However, at the Revised Estimates stage, the earlier practice of showing the interest on refund as deduct receipt was reverted to.

As a result of classifying the interest on refunds as reduction in revenue, the expenditure as well as revenue of the Union Government was understated by Rs. 5,785.36 crore in the Union Government Accounts for the year 2008-09

This practice was also commented upon in the Reports of the Comptroller and Auditor General (Direct Taxes) of 2004, 2005, 2006, 2007 and 2008.

2.7 Creation of Income Tax Welfare Fund

Ministry of Finance, Department of Revenue created the Income Tax Welfare Fund (ITWF) and transferred Rs. 100 crore to the Fund over the last three years. The Fund was created with the purpose of (i) promotion of welfare, recreation and other outdoor activities of officials of Income Tax Department, (ii) providing financial help to officials during contingencies such as injury or accident, (iii) providing ex-gratia payment to the family of the deceased officials, (iv) providing different forms of medical maintenance including risk insurance for emergencies and serious distress to officials not fully reimbursable under CGHS reimbursement rules, (v) construction /hiring/leasing/ furnishing /maintenance of holiday homes for the use of officials, etc,.

The Comptroller and Auditor General had not agreed to the creation of the Fund on the ground that the activities proposed to be covered by the Fund could be included in the annual budget of the department and be financed through the normal budgetary process. The creation of the Fund under the interest bearing section of the Public Account entailed recurring liability of interest which would not be subject to usual Parliamentary financial control. The utilisation of the Fund would not be reported through the standard object heads as is the case with the demand for grants presented in the Parliament and hence the process was not transparent. Further, the General Financial Rules (GFR) do not permit expenditure from public moneys for the benefit of a section of people or individuals unless the expenditure was in pursuance of recognised policy or custom. Further, if the objective is to cover officials/family members of officials who face injury/die during search/seizure operations and provision of high risk insurance cover to the officials, provision can be made under a designated scheme of the Government of India or included in the existing provisions under the funds in existence for such purposes. The fund/scheme should be made applicable to officers/staff of other departments facing similar risks in official discharge of duties. The other purposes cited can be covered under the standard object heads 'Rewards', 'Medical treatment', 'Office expenses', 'Grants-in-aid' in the demand for grants of the Ministry.

The Ministry replied (March 2010) that the purpose of creating fund away from the control of GFR and other rules was to provide flexibility and that ITWF was not first of its kind. The reply is not tenable as all departmental regulations, in so far as they embody orders or instructions of a financial character or have important financial bearing are governed by GFR which does not permit expenditure from public moneys for the benefit of a particular section of people or individuals.

2.8 Significant changes in accounting procedure without consultation with CAG

Canteen Stores Department (CSD) of the Ministry of Defence is responsible for providing consumer goods of high quality to the troops and their families at prices cheaper than the market rates. All expenditure and receipts of CSD are accounted for in the Consolidated Fund of India. The Ministry had been following the practice under which funds equivalent to 50 *per cent* of total net profit generated by CSD in a particular year were appropriated/distributed as '*Grants-in-Aid*' under the head 2075.00.108.01.00.31. However, from the year 2005-06, Ministry of Defence started booking this expenditure under a different object head '*Contribution*' under 2075.00.108.01.00.32. The provision and booking of this expenditure under the object head 'Contribution' was incorrect as the nature of payment remained that of grants from the Consolidated Fund. An expenditure of about Rs. 448 crore was incurred/provided for during 2005-06 to 2009-10 irregularly as 'Contribution' instead of 'Grants-in-Aid' as per details given below:

Table 2.1 : Expenditure booked as Contribution

(Rupees in crore)

Year	**Amount of expenditure booked as 'Contribution' instead of 'Grants-in-Aid'**
2005-06	77.38
2006-07	73.12
2007-08	91.82
2008-09(BE)	91.61
2009-10(BE)	114.01
Total	**447.94**

The above irregular practice diluted the financial controls over utilization of these amounts as under the General Financial Rules, utilization certificates could be insisted only for 'Grants-in-Aid'.

Such a significant change in the accounting policy was made without consultation with the Comptroller and Auditor General of India as required under the Constitution of India. It seriously diluted the accountability of such disbursements. It was particularly significant as such disbursements percolated to the Unit/Formation and formed a part of the unit's Regimental Fund. The grants-in-aid were credited to Regimental Fund by the Services and treated as non-public fund in the hands of the recipients for all purposes.

2.9 Inadmissible re-appropriation of funds

Re-appropriation of funds from Capital section to Revenue section or vice-versa is not permissible under Rule 10 of Delegation of Financial Powers Rules (DFPR), 1978. Further, re-appropriation of Funds from Plan to non-Plan section is permissible only with prior approval of Ministry of Finance.

Ministry of Water Resources issued a re-appropriation order on 31st March, 2009 involving re-appropriation of funds of Rs. 14,23,29 (ths) from the Capital (Plan) section of the grant to the Revenue (non-Plan) section in contravention of the above provisions of DFPR. On being pointed out in Audit, the Controller General of Accounts made a disclosure in the Appropriation Accounts of Grant No.103-Ministry of Water Resources stating that " the Ministry of Water Resources made an erroneous re-appropriation of Rs. 14,23,29 (ths) from Capital to Revenue Section of the Grant. Therefore, it was not given effect and hence not shown in the accounts."

The irregular order for re-appropriation of funds of Rs. 14,23,29 (ths) from the Capital (Plan) section of the grant to the Revenue (non-Plan) section made by the Ministry if taken into account had the effect of altering the Parliamentary authorization for Revenue (Voted) expenditure from Rs. 906,28,00 (ths) to Rs. 920,51,29 (ths) and for Capital (Voted) expenditure from Rs. 111,37,00 (ths) to Rs. 97,13,71 (ths).

2.10 Departmentally Managed Government Undertakings - Position of Proforma Accounts

The General Financial Rules stipulate that the departmentally managed government undertakings of commercial or quasi commercial nature should maintain subsidiary accounts and proforma accounts as may be prescribed by the Government in consultation with Comptroller and Auditor General of India. There were 43 departmentally managed Government Undertakings of commercial or quasi commercial nature as of March 2009. The financial results of these undertakings are ascertained annually by preparing Proforma Accounts generally consisting of Trading Account, Profit and Loss Account and Balance Sheet. While the Government of India Presses prepare Proforma Accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Stores Accounts. The position of the summarized financial results of the departmentally managed undertakings on the basis of their latest available accounts is given in **Appendix II-B.**

From the Appendix it will be seen that the proforma accounts were in arrears in respect of undertakings for periods ranging from-one to twenty four years shown below:

Table 2.2 : Position of Proforma Accounts in Arrears

Period for which accounts were lying in arrears		
No. of years	**Period**	**No. of undertakings**
1-8	2002-03 to 2008-09	26
9-16	2000-01	2
17-24	1992-93	1
	Total	**29**

In the absence of proforma accounts, the cost of services provided by these organisations, which are intended to be managed on commercial basis could not be ascertained. It was also not possible to work out performance indicators like return on investment, profitability etc., for their activities. The delay in compilation of accounts in respect of departmentally managed undertakings was brought to the notice of the Secretaries of the concerned Ministry.

2.11 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues written off /waived off during the year 2008-09 furnished by the ministries/departments, is given in **Appendix-II-C**. It will be seen from the appendix that in 299 cases, Rs. 385.53 lakh were written off during 2008-09. During the year, recoveries waived and ex-gratia payment made in 1629 cases aggregated to Rs. 127.41 crore.

2.12 Misclassification of expenditure under the Object Head "Contributions".

The Delegation of Financial Powers Rules codify the object heads, code and description/definition. These are to form the basis of preparation of the Detailed Demands for Grants and consolidation of the Union Government Accounts.

Scrutiny of the Detailed Demands for Grants of the Ministry of External Affairs revealed that a large amount of expenditure of the Ministry is being incurred under the object head 'Contributions' below the Major Head '2061-External Affairs' and Major Head '3605-Technical and Economic Cooperation with Other Countries'.

The object head 'Contributions', as per the Delegation of Financial Powers Rules, is intended to classify expenditure towards membership of international bodies. There is a separate object head for reflecting provisions for Grants-in-aid. In the Detailed Demands for Grants, while the Ministry correctly classified the contributions to Commonwealth Secretariat, United Nations, SAARC etc. under the Object Head 'Contributions', the expenditure incurred towards Aid to Countries had also been incorrectly budgeted and accounted for under the same head instead of the Object Head 'Grants-in-aid'.

2.13 Other observations

2.13.1 In Statement 15 of the Union Finance Accounts depicting the loans and advances by the Union Government, loan of Rs. (-) 294.12 crore* has been shown as outstanding against Shipping Development Fund Committee (SDFC). However, SDFC stood abolished with effect from December 1986 and all its assets and liabilities stood transferred to Central Government in terms of Section 4 of SDFC (Abolition) Act, 1986.

The CGA stated (October, 2009) that the matter had been referred to the Department of Economic Affairs for clarification.

2.13.2 In Statement-7 of the Union Finance Accounts depicting the distribution between voted and charged expenditure, loans and advances given to State Governments have been depicted as charged expenditure and that advanced to Union Territory (UT) Governments as voted expenditure although purpose of loan to both the Governments is for non-Plan schemes.

*Adverse balance

The CGA endorsed (February, 2010) the reply of Ministry of Home Affairs (MHA) stating that the loans to UT Governments were classified under the voted section because the budget of UT Governments came under MHA and the said loans were disbursed to cover gap in resources with no guarantee to receive repayments.

2.13.3 Government of India approved the merger of Air India and Indian Airlines in March 2007. Consequent to the above, a new company viz., National Aviation Company of India Limited (NACIL) was incorporated under the Companies Act, 1956. However, in the Finance Accounts of 2008-09, Air India with an investment of Rs.153.84 crore and Indian Airlines with investment of Rs. 432.14 crore are being shown as separate companies.

Though the scheme of amalgamation of Air India Limited and Indian Airlines Limited with National Aviation Company of India Limited was approved by the Board of Directors of all the three companies, in the Union Finance Accounts for the year 2008-09 they continue to be shown as two separate PSUs.

The CGA stated (November, 2009) that the discrepancy was due to the fact that the scheme of amalgamation and the corresponding accounting transactions had not been made available to the concerned Principal Accounts Office by the Ministry of Civil Aviation and Tourism.

2.13.4 As per the Employees' Pension Scheme, 1995, the Central Government's contribution to the Employees' Pension Fund is to be kept in the Public Account of the Government of India. The Ministry issues sanctions in respect of Government's share of contribution (and for interest thereon) for necessary adjustments by the PAO in the Union Government accounts. The copies of the sanctions are also forwarded to Employees Provident Fund Organisation (EPFO) for making necessary entries in its Annual Accounts. As such, the balances of the Government's share of Pension contribution to the Employees' Pension Fund, as depicted in the Public Account and in the accounts of EPFO should agree.

Scrutiny of the records revealed that as per the annual accounts of EPFO for the year 2007-08, the closing balance of the Central Government's contribution (including interest) to the Pension Fund was Rs 36,809.06 crore as against Rs 36,939.04 crore depicted in the Union Government Finance Accounts for the year 2007-08, giving rise to a difference of Rs 129.98 crore in the two financial documents. The Ministry stated (January 2010) that the said difference of Rs. 129.98 crore had been reconciled and that this difference was due to overlapping of figures of Employees Deposits Linked Insurance Scheme (EDLI) under Employees' Pension Fund under the same Major Head 8342 in the accounts up to year 1990-91 and that the correction would be reflected in Finance Accounts for the year 2009-10 after final reconciliation.

2.14 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2008-09 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification, (ii) increasing magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts, and (iii) persistent outstanding balances on account of lack of timely action for their clearance.

Audit conducted a general review of outstanding balances under Debt, Deposit, Remittance and Suspense heads and also carried out a detailed examination of records pertaining to the last five years in the office of CGA and five Principal Accounts Offices (Pr.AOs) viz. Central Board of Excise and Customs (CBEC), Ministry of Home Affairs (MHA), Controller of Aid, Accounts and Audit (CAA&A), Ministry of Urban Development (MUD) and Department of Commerce (Supply Division). These Pr.AOs were selected on the basis of concentration of balances and their accumulation over the years. The audit findings are reported below:

2.14.1 Outstanding balances under major Suspense accounts

Certain intermediary/adjusting heads of accounts 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 when the amount under them is booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately.

The ledger for suspense balances is to be maintained by PAOs sub/ detailed head-wise, as may be necessary, and by Principal Accounts Offices minor head wise on the basis of figures furnished by the PAOs periodically. The Chief Controller / Controller of Accounts of concerned Principal Accounts Office is required to review the suspense balances and report to CGA for monitoring purposes.

The aggregate net balance under the Suspense Heads in the Union Finance Accounts including Civil, Defence, Railways, Posts and Telecommunications was Rs. 18,880.85 crore (Dr) as on 31 March, 2009. This balance comprised of Rs. 4,890.01 crore (Dr) in respect of Civil Ministries, Rs. 7,408.78 crore (Dr) for Defence, Rs. 1,630.86 crore (Dr) relating to Railways, Rs. 3,285.64 crore (Dr) for Postal and Rs. 531.88 crore (Dr) for Telecommunication and Rs. 1,133.68 crore (Dr) in respect of Redemption of Government of India Compensation (Project Exports to Iraq) Bonds 2001. The Finance Accounts reflect the net balances under Suspense Heads and, therefore, the real magnitude of outstandings under these heads does not get reported in the annual accounts of the Government presented to the Parliament. The correct balances under these heads can be worked out only by aggregating the debit and credit balances separately under various Suspense Heads. Netting of debit/credit balances leads to significant understatement of Suspense balances in the Finance Accounts. This understatement takes place both at the minor head as well as major head level. The position of suspense balances under major suspense heads of Civil Ministries for the last five years is given below:

Table 2.3: Outstanding Balances under Major Suspense Heads

(Rupees in crore)

Name of Minor Head	2004-05		2005-06		2006-07		2007-08		2008-09	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
101-PAO Suspense	1803.25	237.75	1720.37	121.15	1844.33	692.30	2882.39	617.77	2512.92	524.57
Net	**(-) 1565.50**		**(-) 599.22**		**(-) 1152.04**		**(-) 2264.62**		**(-) 1988.35**	
102-Suspense Account (Civil)	1013.35	314.60	1013.92	308.14	1022.42	308.95	1087.28	10310.30	1608.78	1443.21
Net	**(-) 698.75**		**(-) 705.78**		**(-) 713.47**		**9223.02**		**(-) 165.57**	
107-Cash Settlement	253.25	16.04	318.75	16.57	383.18	16.57	362.14	16.58	349.49	16.57
Net	**(-) 237.21**		**(-) 302.18**		**(-) 366.61**		**(-) 345.56**		**(-) 332.92**	
108-PSB Suspense	1324.66	280.08	1690.31	848.86	4979.41`	1029.07	6517.28	782.19	3526.51	1942.36
Net	**(-) 1044.58**		**(-) 841.45#**		**(-) 3950.34**		**(-) 5735.09**		**(-) 1584.15**	
109-Reserve Bank Suspense (HQ)	259.05	185.07	261.29	195.48	259.05	185.11	11.37	190.89	11.37	190.04
Net	**(-) 73.98**		**(-) 65.81**		**(-) 73.94**		**179.52**		**178.67**	
110-Reserve Bank Suspense Central Accounts Office	60.07	380.70	73.22	312.55	116.12	294.59	209.18	48.57	339.41	47.09
Net	**248.63**		**239.32**		**178.48**		**(-) 160.61**		**(-) 292.32**	
115-Suspense Accounts for Purchase etc., abroad	1082.73	-	1008.98	-	994.46	-	536.65	-	877.79	-
Net	**(-) 1082.73**		**(-) 1008.98**		**(-) 994.46**		**(-) 536.65**		**(-) 877.79**	

(Rupees in crore)

Name of Minor Head	2004-05		2005-06		2006-07		2007-08		2008-09	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
129-Material Purchase Settlement Suspense A/c	(-)118.09	45.82	(-)124.73	74.00	(-) 127.62	96.17	156.31	107.84	167.82	115.88
Net	**(-) 72.26**		**(-) 50.74**		**(-) 31.45**		**(-) 48.47**		**(-) 51.94**	
136-Custom Receipts Awaiting Transfer to Receipt Head	-	103.85	-	120.39	-	112.15	-	114.97	-	152.15
Net	**103.85**		**120.39**		**112.15**		**114.97**		**152.15**	
138-Other Nominated Banks (Private Sector Banks)	-	-	5.38	3.60	646.05	1449.94	2.34	170.68	1.55	40.38
Net	**-**		**(-)1.78**		**803.89**		**168.34**		**38.83**	

It would be seen that debit balances under Suspense Account (Civil), Reserve Bank Suspense - Central Accounts Office, Material Purchase Settlement Suspense Account have increased in 2008-09 over the previous years. Similarly, credit balances under Public Sector Bank Suspense, Material Purchase Settlement Suspense Account and Customs Receipts Awaiting Transfer to Receipt Head have also increased in 2008-09 over the previous years. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by CGA for effective monitoring of clearance of such balances.

PAO Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer against whom the minor head “PAO Suspense” has been operated. Credit under the head is cleared by ‘minus credit’ when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under ‘PAO Suspense’ is cleared by ‘minus debit’ on receipt and realisation of cheque from the accounts officer on whose behalf payment was made. Outstanding debit balance under this head would mean that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the PAO on behalf of other PAO, which are yet to be paid.

In March 2009, the outstanding debit balance under this head was Rs. 2,512.92 crore and the credit balance was Rs. 524.57 crore. The outstanding balances were mainly in respect of Ministry of Supply Rs. 1,433.04 crore (Dr), CBDT (Revenue): Rs. 330.95 crore (Dr) , Ministry of External Affairs: Rs. 323.53 crore (Dr), Ministry of Road Transport and Highways: Rs. 172.63 crore (Cr), Department of Atomic Energy Rs 156.04 crore (Cr), indicating the payments made (Dr) or received (Cr) by these departments /ministries on behalf of other PAOs which were yet to be recovered/paid by them as on 31 March 2009. The heavy debit and credit balances under PAO suspense and their continuous accumulation indicated significant control deficiencies.

Test check of the accounts of Principal Accounts Offices revealed that in MHA, Rs. 12.73 crore (Dr) and Rs. 11.37 crore (Cr) pertaining to the period 1991-92 to 2008-09 were outstanding which included Rs. 0.15 crore (Dr), which were pending settlement for more than five years. In Department of Commerce (Supply Division), balances of Rs 848.34 crore (Dr) and Rs 26.03 crore (Cr) were outstanding pertaining to the period from 2002-03 to 2008-09. The debit / credit break up of net balance of Rs 604.73 crore (Dr) outstanding prior to 2002-03 was not made available to audit. The Pr.AOs did not provide any evidence regarding efforts made to clear the old balances.

Suspense Account (Civil)

This transitory minor head is operated for accounting of the transactions, which for want of certain information/documents viz., vouchers, challans etc., cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the minor head is cleared by 'minus' debit or 'minus' credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts. Outstanding debit balance under this head would mean payments made which could not be debited to final expenditure head for want of details like vouchers etc,. Outstanding credit balance would mean amounts received which could not be credited to the final receipt head for want of details.

The outstanding balance under this minor head as on 31 March 2009 was Rs.1,443.21 crore (Cr) and Rs. 1,608.78 crore (Dr) indicating that receipts and expenditures of Rs. 3,051.99 crore, which were required to be handled individually for settlement, had not been booked to their final heads of account. The major balances outstanding pertained to Department of Economic Affairs Rs 816.65 crore (Cr), Ministry of Home Affairs: Rs. 751.46 crore (Dr); High

Commission: Rs. 435.76 crore (Dr) and Department of Commerce (Supply Division): Rs. 318.95 crore (Dr).

Test check of the balances in Principal Accounts Offices revealed that in the Department of Commerce (Supply Division), balance of (-) Rs 45.20 crore (Dr) and (-) Rs 324.94 crore (Cr) were outstanding pertaining to the period from 2002-03 to 2008-09. The debit / credit break up of net balance of Rs 39.21 crore (Dr), which was outstanding prior to 2002-03 was not made available to Audit. The department did not furnish any reply on the efforts made to clear old outstanding balances.

Suspense account for purchases abroad

The minor head 'suspense accounts for purchases abroad' is operated in the books of Controller of Aid, Accounts and Audit (CAA&A), Ministry of Finance (Department of Economic Affairs). The government advises the donor to make payments directly to the supplier abroad against the supplies made to the project authorities/ importers and an equal amount is kept under the suspense head till the payment is received from the concerned line Ministry. The debit balance under this head indicates the amount, which is yet to be recovered from the importers/project authorities, although the Government has already made the payment for these imports.

In 2008-09, suspense account balance for purchases abroad was Rs. 877.79 crore (Dr). Major debtors as on 31st March 2009 were Helicopter Corporation of India Ltd. (Rs. 67.24 crore); Pawan Hans Ltd. (Rs. 57.44 crore); Pyrites, Phosphates and Chemicals Ltd. (Rs. 24.95 crore); Coal India Ltd.(WB) (Rs. 23.18 crore); and five Government Ministries (Rs.479.18 crore). It was also observed that Rs. 264.36 crore was outstanding from different organisations since 2000. A list showing the details of amounts outstanding since 2000 in respect of major importers is given in **Appendix II-D**. It was noticed from the information made available by the department that subsequent payments had been made on behalf of various importers/project authorities while the payments for earlier purchases were still due from them. Concrete steps need to be taken by CAA&A for recovery of the outstanding amounts.

An audit paragraph on this subject was included in the C&AG's Report No. CA-13 for the year 2007-08. The Ministry, in their Action Taken Note, stated that the remedial actions such as monitoring the outstanding suspense amount through a computerized system had been put in place and the matter was being regularly pursued with the importers. It also stated that an amount of Rs. 111.62 crore had been cleared during the year 2008-09.

Public Sector Bank Suspense

In the government accounting system, the designated banks conduct government business on behalf of the Reserve Bank of India. When a cheque is issued for payment of a bill, the amount is debited to the final head of account. When the cheque is encashed by a public sector bank, it initially pays the amount from its own cash balance and then claims reimbursement from the Central Accounts Section (CAS), RBI Nagpur which maintains the account of each ministry/department. Similarly, when government receipts are paid into the designated/accredited bank, it passes on the proceeds to the Central Accounts Section, RBI Nagpur. As there is a time lag in booking of a Government transaction carried out by the bank in government cash balances, the minor head 'Public Sector Bank Suspense' is operated in government books to account for the transactions awaiting settlement. On receipt of accounts from RBI (CAS), Nagpur the original booking under PSB Suspense is cleared by (-) credit/(-) debit, as the case may be. These amounts are not reflected in the cash balance of the Government.

The outstanding PSB balance for the year ending 31st March 2009 aggregated to Rs. 3,526.51 crore (Dr) and Rs.1,942.36 crore (Cr). The departments against which major balances were outstanding were Department of Economic Affairs: Rs 1,513.65 crore (Dr), Science and Technology: Rs 553.83 crore (Dr), Department of Earth Science: Rs 355.56 crore (Cr), Urban Development: Rs. 270.72 crore (Cr), CBEC: Rs. 256.79 crore (Cr); Ministry of Home Affairs: Rs 247.93 crore (Cr), and CBDT (Revenue): Rs. 212.81 crore (Dr). The debit and credit balance under this minor head had increased over the years thus adversely affecting the correct disclosure of Government cash balances in the accounts. Efforts made for clearing the balances were called for but no reply was furnished to Audit.

Test check of balances in Principal Accounts Offices revealed that in MUD, balances of (-) Rs 554.89 crore (Dr) and (-) Rs 284.15 crore (Cr) were outstanding pertaining to the period from 2002-03 to 2008-09, which included debit balance of (-) Rs 8.75 crore and credit balance of (-) Rs 10.53 crore that were pending for more than six years. In Department of Commerce (Supply Division), balance of Rs. 55.07 crore (Dr) and Rs. 1,102.92 crore(Cr) were outstanding pertaining to the period from 2002-03 to 2008-09.

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 receipt of monthly statements of accounts from RBI adjusting the account of Union Government, the minor head is minus credited by crediting 8675-Deposits with RBI-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 statement of accounts from RBI (CAS) Nagpur the head is minus debited by per contra debit to 8675-101-Deposits with RBI-101-Central Civil. The outstanding balance under this minor head as on 31 March 2009 was Rs. 339.41 crore (Dr) and Rs. 47.09 crore (Cr). The outstanding RBI (CAO) suspense balances were mainly against the Department of Supply: Rs. 96.27 crore (Dr), Ministry of Minority Affairs: Rs. 54.77 crore (Dr) and Ministry of External Affairs: Rs 161.03 crore (Dr). The CGA office did not furnish any reply about the nature, details, and pendency of these outstanding balances and the efforts made by it to clear them.

Test check of balances in Principal Accounts Offices revealed that in MUD, balance of (-) Rs 7.38 crore (Dr) at the end of the year 2008-09 was outstanding, which included debit balance of (-) Rs 4.57 crore pending for more than three years. In Department of Commerce (Supply Division), balance of Rs 79.46 crore (Dr) and Rs. 0.77 crore (Cr) were outstanding pertaining to the period from 2002-03 to 2008-09. The debit / credit break up of net balance of Rs 16.95 crore (Dr) outstanding prior to 2002-03 was not made available to audit

2.14.2 Adverse balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not 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.

In the Finance Accounts of the Union Government for the year 2008-09, there are 64 cases of adverse balances under debt, deposit and remittances heads as given in **Appendix II-E.** Out of these, six balances became adverse during the year 2008-09. The rest 58 cases were continuing from earlier years. These include 27 cases outstanding for more than five years, 16 for more than 10 years and six cases for more than 20 years. Though the footnotes to the adverse balances in the Finance Accounts mentioned that they were under investigation, the findings of such investigation by the CGA and subordinate offices and the efforts made to clear them were not made available to Audit.

Adverse balances at the minor head level 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 PAOs and Pr.AOs also but many of these adverse balances get eclipsed since these balances get aggregated when the accounts of the accounting circles are consolidated. For example, audit of the five selected Pr.AOs of Department of Commerce (Supply division), MUD, MHA, CBEC and CAA&A revealed that there were 20 heads of accounts with adverse balances at the end of year 2008-09, seven of which have not been reflected in the 64 cases of adverse balances mentioned above. The adverse balances noticed during the audit of Pr.AOs of Department of Commerce (Supply division), MUD, MHA, CBEC and CAA&A are given in **Appendix II-F.** The observations on the adverse balances in the audited Pr. PAOs are given below:

(i) Chief Controller of Accounts, Department of Commerce (Supply Division)

Scrutiny of records in the office of Chief Controller of Accounts, Department of Commerce (Supply Division) disclosed that an adverse balance of Rs. 1,533.36 crore (Dr) was lying uncleared under the head 8443 – 'Civil Deposits' – 103 'Security Deposits' at the end of the year 2008-09. Further, an adverse balance of Rs. 51.80 crore (Dr) under the head 8670- 'Cheques and Bills' -103 'Departmental Cheques' and Rs 40.40 crore (Dr) under the head 8443- 'Civil Deposits'-800 'Other deposits' was also lying uncleared at the end of the year 2008-09. The Pr.AO stated that the adverse balance was due to misclassification and would be rectified in the current year's account.

(ii) Pr. Chief Controller of Accounts - CBEC

Scrutiny of records in Pr. CCA, CBEC disclosed that an adverse balance of Rs. 3,622.41 crore (Dr) was lying uncleared under the head 8670-Cheques and Bills-103 'Departmental Cheques' at the end of the year 2008-09 for more than 4 years. The Pr. AO stated that the Departmental cheques have been pending due to non- receipt of list of payments from Commissionerates. Further, an adverse balance of Rs. 29.15 crore (Dr) was appearing under the head 8443- Civil deposits- 106 'Personal Deposits' for more than seven years. The Pr AO did not furnish the reason for the adverse balance and efforts made to clear the adverse balances.

(iii) Controller of Aid, Accounts and Audit- CAA&A

The adverse balances of Rs. 5,912.57 crore in the accounts of Controller of Aid, Accounts and Audit under the major head 6002 –External Debt at the end of the year 2008-09 was due to exchange losses at the time of repayment of loans. The department stated that action for write off of adverse balances would be taken when each individual loan extended by a donor was fully repaid according to amortization schedule of each agreement.

(iv) Chief Controller of Accounts, MUD

There was an adverse balance of Rs. 12.27 crore (Dr) under the head 8011-Insurance & Pension fund-l03 'Central Government Employees Group Insurance' which has been lying since 2006-07. The Pr. AO stated that the matter was under examination and all concerned PAOs had been instructed to clear the adverse balance urgently.

2.14.3 Outstanding balances under the head "Cheques and Bills"

This head is an intermediary accounting head for initial record of transactions, which are eventually to be cleared. Under the scheme of departmentalization 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 accredited banks.

When claims are preferred in the appropriate bill to the PAO/departmental officer, the payment is authorized through issue of cheques, after exercising the prescribed checks and recording of pay order. At the end of 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-Deposits with Reserve Bank-Central Civil, as the case may be.

In the Finance Accounts for 2008-09, large balances are lying outstanding under the following minor heads of "Cheques and Bills":

Table 2.4 : Position of outstanding balances under 'Cheques and Bills'

(Rupees in crore)

Pre Audit Cheques	Cr	0.46
Pay and Accounts Office Cheques	Cr	7793.49
Departmental Cheques	Dr	1093.95
Treasury Cheques	Cr	4.62
IRLA Cheques	Cr	0.59
Telecommunication Accounts Office Cheques	Cr	1518.15
Postal Cheques	Cr	9105.07
Railway Cheques	Cr	2878.84
Defence Cheques	Cr	4947.70
Electronic advices	Dr	51.17
Pay and Accounts Offices Electronic advices	Cr	39.17

Receipt and Payment Rules, 1983 envisage 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 reversed and cancelled by minus crediting 8670-'Cheques & Bills' and minus debiting the functional major/minor head to which the expenditure was originally debited and the amount is to be written back in the accounts.

Such large outstanding amounts under different minor heads reflect that the accounting authorities are not taking necessary action as required to be taken under the rules. To the extent the amounts outstanding under the 'Cheques and Bills', the Government cash balance stands overstated. In reply, CGA in September 2009 stated that instructions were being issued to the concerned CCAs to write back the cheques outstanding for more than six months.

Test check of the five Principal Accounts Offices revealed that 3094 cheques amounting to Rs 289.16 crore in MUD, 13837 cheques amounting to Rs 124.68 crore in CBEC and 1810 cheques amounting to Rs 83.53 crore in MHA had remained unpaid for more than six months but had not been cancelled by the Pr AOs.

2.14.4 Review of balances not carried out by Principal Accounts Offices

As per Civil Accounts Manual, at the close of a financial year the PAOs shall review and verify the balances under various DDR 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 2005-06, 2006-07 and 2007-08 was completed only in 16, 21 and 26 departments, respectively, out of a total 67 Principal Accounts Offices.

Failure to carry out review of balances and lack of timely action by the Pr. AOs is reflected in adverse balances lying outstanding for many years as brought out in the preceding paragraphs.

It is recommended that the Ministry of Finance may put in place a more effective control mechanism for constant review and timely action for clearance/settlement of balances under DDR and Suspense heads to improve accuracy and quality of Government Accounts.

The CGA office in reply to the audit observation from para 2.14.1 to 2.14.4 has stated (December, 2009) that a Work Group had been formed to look into the old suspense balances and to make efforts to clear / write off the same at the earliest.