Chapter 2

COMMENTS ON ACCOUNTS

Comments relating to significant deficiencies in the presentation (accuracy, completeness and transparency) of the Union Accounts are given in the succeeding paragraphs. The comments arising from Appropriation audit are included in Chapters 3, 4 and 5 of this Report. 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 Issue of transparency

2.1.1 Non-inclusion of statements/information in the Union Finance Accounts as recommended by the Twelfth and Thirteenth Finance Commissions

The Thirteenth Finance Commission observed that the Finance Accounts did not provide all the appendices and recommended that (in para 7.134) the list of appendices to the Finance Accounts be standardised, keeping in view the recommendations of the Twelfth Finance Commission and be followed in all the States.

The Twelfth Finance Commission, in their Report submitted to the Government in November 2004, had recommended the inclusion of eight additional statements/information in the Union Government accounts for greater transparency and 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 the Twelfth Finance Commission were in respect of the following:

(i) Subsidies given, both explicit and implicit, (ii) Expenditure on salaries by various departments/units, (iii) Detailed expenditure on pensioners and expenditure on Government pensions, (iv) Committed liabilities in the future, (v) 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 it, (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) Maintenance expenditure with segregation of salary and non- salary portions.

Scrutiny of the Finance and Appropriation Accounts for the year 2010-11 disclosed that the statements as recommended by the Twelfth and Thirteenth

Finance Commissions had not been included in the accounts. It would be pertinent to mention that most of the States were appending all the above statements to their accounts except the statements indicated at (iv) and (vii).

It was mentioned in the Report of the Comptroller and Auditor General on the Accounts of the Union Government for the years 2007-08, 2008-09 and 2009-10 that the recommendations of the Twelfth Finance Commission to include the additional statements/information in the Union Government accounts had not been complied with, despite a lapse of six years. It was also recommended that the Ministry of Finance should 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 still awaited as of February 2012.

The status of implementation of the recommendations of the Twelfth Finance Commission in the financial statements of State Governments is encouraging as a number of disclosures are being given in the financial statements of State Governments as given below:

Sl. No.	Description of Statement	Status of compliance by State Governments	Status of Compliance by Union Government
1.	Statement of subsidies given, both explicit and implicit	Introduced by 27 States in their Finance Accounts	Not complied with.
2.	Statement containing expenditure on salaries by various departments/units	Introduced by 27 States in their Finance Accounts	Not complied with.
3.	Statement of detailed expenditure on pensioners and expenditure on Government pensions	Details shown in the shape of notes in the Finance Accounts by 27 States	Not complied with.
4.	Statement containing data on committed liabilities in the future	Not complied with.	Not complied with.
5.	Statement containing information on debt and other liabilities as well as repayment schedule	Introduced by 27 States in their Finance Accounts	Not complied with.
6.	Statement showing 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	Introduced by 27 States in their Finance Accounts	Not complied with.
7.	Statement showing implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows	Introduced by four States in their Finance Accounts	Not complied with.
8.	Statement on maintenance expenditure with segregation of salary and non-salary portions	Introduced by 27 States in their Finance Accounts	Not complied with.

2.1.2 Unascertainable unspent balances in the accounts of Implementing Agencies (IAs)

In recent years, there has been a paradigm shift in the Central Government's 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 shares to State Governments. 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 (society mode). The State and district level implementing bodies keep these scheme funds in their accounts in banks outside Government Accounts.

For the year 2010-11, the Union Government made a provision for transfer of Central Plan assistance of ₹ 1,22,198.54[1] crore (as per revised estimate, which was about 31 *per cent* of the total Plan expenditure of the Government of India) directly to State/district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of CSS. Since the funds are not being spent by the Implementing Agencies (IAs) 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 IAs kept outside Government accounts is not readily ascertainable. The Government expenditure as reflected in the Accounts to that extent is, therefore, overstated. Also, the Government Accounts do not disclose the exact amount of direct releases.

The Rangarajan Committee on the Efficient Management of Public Expenditure (Committee) observed several drawbacks in the implementation of the society mode. The drawbacks included non-uniform accounting framework for IAs, lack of assurance and accounting of assets created, no centralised data on expenditure incurred by IAs, no assurance on whether the utilisation certificates are authentic, large unspent balances remain as float outside the system and the CAG's audit jurisdiction not being comprehensive over all sub-grantees.

The Committee also observed that the benefits of routing funds through the treasury could not be over-emphasised. It added that while this mode may not address all the ills plaguing the system, it was definitely better than a system with multiple agencies and players over whom the 'State' had little control. The Thirteenth Finance Commission had also stated that the optimal solution

[1]As per Expenditure Budget 2011-12 (Volume-I), Statement -18

would be to route funds through the State Budgets so that the treasury system could report utilisation of funds and the State Government could monitor implementation of schemes.

The Committee further recommended that the switchover to complete treasury mode of transfer of funds may be made straight-forward, possibly beginning with all new schemes from the Twelfth Five Year Plan onwards. For existing schemes, a short transition period was required for necessary adjustment. However, till a complete switchover to the treasury mode was done, accounting, submission of utilisation certificates and auditing of the schemes under the Society mode had to be rationalised.

This subject was also commented upon in the Audit Report for the years 2007-08, 2008-09 and 2009-10 but no discernible steps had been taken to address the situation.

2.1.3 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 Government 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 accounts in which the receipts and expenditure of the Government are reported to the legislature, are constantly reviewed and updated so that they truly reflect receipts and expenditure in respect of 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 2010-11 disclosed that a total of ₹ 18,373.78 crore under 24 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 Major Heads such as Other Social Services, Agricultural Financial Institutions, Flood Control and Drainage, Civil Aviation, Capital Outlays on Other Administrative Services, Capital Outlays on Coal and Lignite, Capital Outlays on non-Ferrous Mining and Metallurgical Industries, Capital Outlay on Plantation, Capital Outlay on Other Communication Services, Capital Outlay on Oceanographic Research, and Capital Outlay on Foreign Trade etc., with substantial expenditure classified as 'Other Expenditure' are given in **Appendix-II A**.

Some significant expenditure items such as expenditure on the Rural Electrification Corporation for the Rajiv Gandhi Gramin Vidyutikaran Yojana (₹ 5,000 crore), the Mission Flexible Pool (₹ 4,168 crore), Interest subvention for providing short-term credit to farmers (₹ 3,531 crore), subsidy for Haj Charters (₹ 870 crore), National Population Register (₹ 1,529 crore), Enumeration under Census (₹ 845 crore) were not depicted distinctly in the Finance Accounts but were combined under the minor head, 'Other expenditure'.

This was commented upon in the CAG's Audit Report No. CA-13 for the year 2007-08, Report No. 1 for the year 2008-09 and Report No. 1 for the year 2009-10 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. As an interim measure, the Controller General of Accounts (CGA) has inserted footnotes in the Finance Accounts, giving details of significant expenditure covered under the Minor Head '800-Other Expenditure'. However, 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 a permanent basis.

The Ministry of Finance in its Action Taken Note of September 2010, stated that instructions in this regard had been issued by the CGA in January 2010 (instruction reiterated in January 2012) to the Controllers of the Accounts to exercise extreme caution while booking significant expenditure under the Minor Head '800- Other expenditure'. The Ministry further added that some new minor heads had been opened. However, details of these new heads had not been provided.

2.1.4 Public funds lying outside Government accounts

The Ministry of Finance, Department of Economic Affairs (DEA) directed all Ministries and departments of the Government in January 2005[2] to ensure that funds of regulatory bodies were maintained in the Public Account.

Scrutiny of the annual accounts of two regulatory bodies viz., the Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority (IRDA), revealed that these bodies had retained their surplus funds generated through fee charges, unspent grants received from

[2]Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. F.1(30)-B(AC)/2004 dated 7 January 2005.

Government of India etc., aggregating ₹ 2,323.29[3] crore at the end of March 2011 outside the Government Account. 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 ₹ 2,323.29 crore lying outside Government accounts.

This subject was also commented upon in the CAG's Audit Report No. CA 13 for the year ended March 2008 and No.1 for the year 2008-09 and 2009-10.

The Ministry of Finance in its ATN of September 2011, stated that separate Funds with the nomenclatures 'The Securities and Exchange Board of India (SEBI) Funds' and 'The Insurance Regulatory and Development Authority (IRDA) Fund' respectively would be opened under Major Head '8235-General and other Reserve Fund' in the non-interest bearing section of the Public Account of India, for operationalising the fund in the Government Account. The Budget Division of the Ministry had also requested the Office of the Chief Controller of Accounts to draw up the detailed accounting procedure based on the stated accounting guidelines/procedure.

2.1.5 Understatement of customs receipts and short devolution to States

As per the prescribed procedure, any advance customs receipts collected, which pertain to a future period have to be kept under a transitory suspense head (8658-136-Customs Receipts Awaiting Transfer to the Receipt Heads) under the Public Account. The amounts are to be credited to the CFI in the year to which the advance duties collected from assesses pertain to.

Scrutiny of the Finance Accounts revealed that ₹ 145.47 crore was available under the head '8658-136-Customs Receipts Awaiting Transfer to the Receipt Heads' as the opening balance in 2010-11. This was to be accounted for as customs receipts in the CFI during 2010-11. However, the amount remained booked under the suspense head. This resulted in an understatement of the customs receipts of the Government of India by ₹ 145.47 crore in 2010-11. The amount collected under customs receipts forms a part of the divisible pool of taxes, which is to be shared between the Centre and the States. Non-credit of this amount to the CFI could imply short devolution of the amount as envisaged by the Finance Commission to States during the year 2010-11.

Further, examination of Statement No.8 of the Finance Accounts for the year 2010-11 revealed that advance tax of ₹ 5.63 crore, which was to be credited to the Public Account was still lying in the CFI under the Head '0037-106-Receipts of advance payments from assessees'.

[3] SEBI-₹ 1,617.43 crore, IRDA-₹ 705.86 crore.

2.2 Observations with regard to Public Account

2.2.1 Universal Service Obligation Fund

The Universal Service Obligation Fund (Major Head 8235 – General and 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 Indian Telegraph (Amendment) Act 2003 gave statutory status to the Universal Service Obligation Fund (USO Fund) and laid down that the fund was to be utilised exclusively for meeting the Universal Service Obligation (USO) by providing access to basic telegraph services, like, provision of public telecommunications and information services and provision of household telephones in rural and remote areas, as may be determined by the Central Government from time to time. It also envisaged creation of infrastructure for provision of mobile services in rural and remote areas, provision of broadband connectivity to villages in a phased manner, creation of general infrastructure in rural and remote areas for development of telecommunication facilities, induction of new technological developments in the telecom sector in rural and remote areas, etc,.

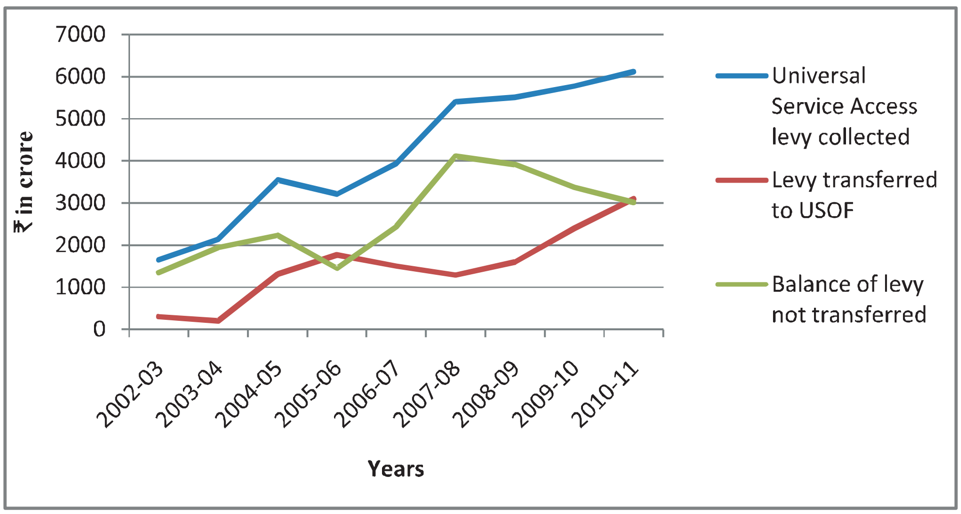
The resources for meeting the Universal Service Obligation (USO) were to be raised through a 'universal access levy' (UAL), which would be a percentage of the revenue earned by all the operators under various licences as decided by the Government, in consultation with the Telecom Regulatory Authority of India (TRAI). The implementation of USO related activities was to be carried out by the eligible operators to get a subsidy as per the rules. These telecom service providers were both public and private sector companies.

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 the proceeds to the USO Fund in the Public Account of India from time to time, for being utilised exclusively for meeting USO. It is a non-lapsable Fund.

The Public Accounts Committee (PAC), in its recommendations contained in their Fourteenth Report (Fifteenth Lok Sabha), observed that the Government should not have any problem in crediting the full amount collected as UAL in the USO Fund and more so, when proceeds to the Fund were meant to be utilised exclusively for meeting Universal Service Obligation. The PAC desired that the proceeds to the USO Fund should not be diverted under any circumstances even temporarily, for purposes other than those for which funds was collected.

A total Universal Levy of ₹ 37,223.92 crore was collected during 2002-03 to 2010-11 by DoT but a disbursement of only ₹ 13,471.44 crore was made from the Fund during this period. Thus, the closing balance of the Fund as on 31 March 2011 should have been ₹ 23,752.48 crore as against the 'nil' balance shown under the Head 8235-General & Other Reserve Funds, 118-Universal Service Obligation Fund in the Public Account of India. There was, therefore, under-statement of the closing balance of the USO Fund by ₹ 23,752.48 crore. Further, short transfer of collection of Universal Levy to the USO Fund implied a lower revenue expenditure and resultantly, a lower revenue deficit. During the financial year 2010-11, the revenue deficit on this account was thus understated by ₹ 3,015 crore. Revenue deficit over the period mentioned above was understated by the amount of short transfer to the Fund.

Chart 2.1: Collection under Universal Access Levy and transfer to USOF



The Department of Telecommunications, in their reply, stated (January, 2012) that the sums of money received towards Universal Service Obligation be first credited to the CFI, and the Central Government, if the Parliament by appropriation made by law in this behalf so provided, credited such proceeds to the Fund from time to time for being utilised exclusively for meeting the Universal Service Collection. They further stated that DoT did not have the power to credit the collection under UAL into the Public Account. In response to the observation of Standing Committee on Information Technology, the Ministry of Finance (MoF) clarified that they had the authority to decide the quantum of funds to be transferred to the USO Fund and this was done on the basis of pending claims and the absorptive capacity of DoT. It was further stated that as the Government was committed to finance various flagship programmes of the Government, the resources could not be locked simply by lodging them in the Public Account.

The reply of the Department is not tenable. The Cess/UAL is being collected for a specific purpose under the law and in the instant case, for development of rural telephony. Hence, the expenditure must reflect the stated purpose of the cess collection.

The PAC in their 49th Report (Fifteenth Lok Sabha) again disapproved the diversion of the funds exclusively meant for USO activities to other programmes by the MoF, PAC impressed upon DoT that the USO Fund should be utilised essentially for USO activities in general and for provision and expansion of rural telephony in particular in accordance with the provisions of the Indian Telegraph (Amendment) Act, 2003. Further, DoT should obtain necessary approvals and transfer all the receipts on account of UAL to the USO Fund in the same year before closure of the financial year so that the fund balances are correctly reflected in the accounts. DoT may also ensure viable schemes for implementation of USO for rural and remote areas so that USO objectives are met and the fund balances are utilised for the purposes for which they are collected. It alsoso observed that instead of taking up the earlier recommendation of the PAC with the MoF, DoT furnished the stock reply which they received from the MoF to a similar recommendation of the Standing Committee on Information Technology. The PAC deplored such a callous approach and cautioned DoT to desist from such a casual attitude and non-serious approach while dealing with the recommendations of PAC.

2.2.2 Non-crediting of Clean Energy Cess in the Fund

A cess receipt of ₹ 1,066.46 crore on account of Clean Energy cess was booked in Statement No.8[4] of the Finance Accounts for the year 2010-11. As per the accounting procedure, the cess receipts were to be transferred to the National Clean Energy Fund in the Public Account. However, no such dedicated Fund had been opened in the Public Account, although the opening of the minor head[5] in the Public Account was notified in March 2011 by the Government. Non-transfer of clean energy cess to the dedicated fund for achieving the desired objective, i.e., funding research and innovative projects in clean energy technology, implied lower revenue expenditure, due to which, the revenue deficit for the financial year 2010-11 was understated by the corresponding amount.

2.2.3 Creation of Income Tax Welfare Fund

Ministry of Finance, Department of Revenue created the Income Tax Welfare Fund (ITWF) and transferred ₹ 100 crore to the Fund over a period of four

[4] Head 0038.03.112-Clean Energy Cess
[5] Head 8235.129-National Clean Energy Fund

years. The Fund was created with the purpose of (i) promotion of welfare, recreation and other outdoor activities of officials of the Income Tax Department, (ii) providing financial help to officials during contingencies such as injuries or accidents, (iii) providing ex-gratia payment to families of 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 would not be transparent. Further, the General Financial Rules (GFR) did 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 was to cover officials/family members of officials who faced injury/death during search/seizure operations and provision of high risk insurance cover to the officials, provision could 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 could be made applicable to officers/staff of other departments facing similar risks in official discharge of duties. The other purposes cited could be covered under the standard object heads 'Rewards', 'Medical treatment', 'Office expenses', 'Grants-in-aid' in the demand for grants of the Ministry.

The matter was commented upon in the CAG's Audit Report No. 1 for the year 2008-09 and Report No. 1 for the year 2009-10. The Ministry, in its Action Taken Note of September 2010, stated that the fund was created after extensive examination and resultant approval by the Finance Minister in January 1998. It added that the genesis of the creation of the fund lay in the successful implementation of Voluntary Disclosure of Income Scheme-97 wherein an additional tax collection of about ₹ 10,700 crore was made over and above the normal tax collection. However, the creation of the fund was neither approved by the Parliament nor by the Cabinet. The General Financial Rules did not permit expenditure from public moneys for the benefit of a section of people or individuals and the utilisation of the fund would not be reported through the standard object heads as is the case with the demands for grants presented in the Parliament and financial reporting to Parliament would be compromised.

Further, the Ministry stated (October 2011) that no expenditure had been incurred out of the accumulated corpus of ₹ 100 crore and no interest had been credited into this fund since its inception in August 2007.

In view of the foregoing, the continuance of the ITWF was untenable.

2.2.4 National Investment Fund (NIF)

In 2005, the Government created a 'National Investment Fund' (NIF), into which the proceeds from sale of minority shareholdings of the Government in profitable CPSEs was to be channelised. Selected asset management companies were entrusted with the management of the corpus of the Fund. The Fund was to be maintained in the Public Account, under the major heads 8452-National Investment Fund. The income from the Fund was to be used for investment in social sector projects and for capital investment in selected profitable and revivable public sector enterprises. As on 31st March, 2011, a total amount of ₹ 1,814[6] crore was transferred by the Government to NIF for further investment.

Though an amount of ₹ 1,814 crore was available in the Fund as on 31 March 2011, the closing balance at the end of year 2010-11 under the head 8452-National Investment Fund was shown as ‘nil’. Such depiction led 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.

Ministry of Finance stated (November 2011) that as per approved accounting procedure, the amount credited under Major Head 8452 was to be debited at the time of placing it at the disposal of fund manager, which resulted in the Major Head showing a ‘nil’ balance. The Ministry further stated that the accounting procedure was being examined again to ensure that the two types of transactions were captured and depicted separately.

Further, as per the prescribed accounting procedure of NIF, the annual income from the invested portfolio with the fund managers was to be transferred in the ratio of 3:1 to the minor heads ‘101-Amount meant for expenditure on social sector schemes’ and ‘102-Amount meant for revivable or profitable Public

[6] ₹ 1651 crore was transferred in the year 2007-08 and ₹ 163 crore in 2008-09.

Sector Enterprises' below the 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.

The position of the annual income from the invested portfolio with the fund managers, booked as receipts under the minor head '1475-110' in Statement No.8[7] of the Union Finance Accounts for the years 2008-09, 2009-10 and 2010-11 was as detailed in **Table 2.1** below:

Table 2.1: Position of the annual income from the invested portfolio with the fund managers

Years	Income generated from NIF *(₹in crore)*
2008-09	84.81
2009-10	226.85
2010-11	232.24
Total	**543.90**

It is evident from the table above that a sum of ₹ 543.90 crore was collected during the period 2008-11. In the years 2008-09 and 2009-10, the receipts booked under the major head 1475-Other General Economic Services were not transferred to major head '8453-Income and Expenditure Account of NIF' for the respective years. In the year 2010-11, only ₹ 288.12 crore had been transferred to the minor head '101-Amount meant for expenditure on social sector schemes' below the major head '8453-Income and Expenditure Account of NIF', leaving the balance amount of ₹ 255.78 crore in the Consolidated Fund of India. Further, the entire amount of ₹ 288.12 crore had been credited only to the minor head '101-Amount meant for expenditure on social sector schemes' below the major head '8453-Income and Expenditure Account of NIF', leaving the minor head '102-Amount meant for revivable or profitable Public Sector Enterprises' unopened. This was in violation of the policy prescribing a proportion of 3:1 between the minor heads 101 and 102 below major head 8453.

Ministry of Finance stated (November 2011) that it was in the process of reconciliation of balances under NIF and the balance amount would be transferred by making appropriate provision in the third supplementary. The Ministry further added that the minor head '8453-102-Amount meant for revival or profitable Public Sector Enterprises' had been opened in the Public Account in October 2008. However, despite a lapse of two years, this minor head had not been depicted in the Finance Accounts for 2010-11.

[7] Statement 8-Detailed account of revenue receipts and capital receipts by minor heads

Similarly, a new minor head '3475-113-Fees to Portfolio Managers for management of investments from National Investment Fund(NIF)' had been opened in October 2008 but so far it has not been operated in the Finance Accounts, though the NIF scheme is in operation since 2007-08.

2.2.5 Unauthorised operation of a fund dissolved by the Parliament.

The Coal Mines Labour Housing and General Welfare Fund was established by an Act of Parliament in 1947. Cess levied by the Government on the dispatch of coal and coke was credited to the receipt head '0038 - Union Excise Duties' and part of the amount collected on account of this cess was being transferred to this fund under the Act. The Act of 1947 was repealed by another Act passed by the Parliament in 1986. The Act of 1986 dissolved the Coal Labour Housing Board and envisaged that with effect from October 1986, all moneys and cash balances lying to the credit of the housing account and the general welfare account of the 'Coal Mines Labour Housing and General Welfare Fund' constituted under the erstwhile Act shall become part of and be credited to the Consolidated Fund of India.

Scrutiny of the records revealed the following discrepancies in violation of the provision of the Act of Parliament, 1986:

(i) Despite winding up of the fund with effect from 1 October 1986 as envisaged in the Act, the amount lying in the credit of the aforesaid account was not credited to the Consolidated Fund of India. Instead, the balances in the fund continued to be operated under 8229- Development and Welfare Fund 114- Mines Welfare Fund on year to year basis and was being utilised unauthorisedly by the Regional Pay and Accounts Office, Dhanbad to meet its establishment expenditure bypassing the parliamentary authorisation.

(ii) Against the opening balance of ₹ 11.43 crore in the Fund in the Public Account, only ₹ 8.59 crore was transferred to the Consolidated Fund of India[8] till 2010-11. After incurring unauthorised expenditure of ₹ 16.76 lakh in the year 2010-11, the Fund still had a balance of ₹ 2.67 crore lying under the head, which was yet to be transferred to the Consolidated Fund of India.

(iii) The revenue expenditure of the Ministry of Coal amounting to ₹ 420.90 crore had been understated to the extent of ₹ 16.76 lakh as this amount had been met from Public Account out of 'Coal Mines Labour Housing & General Welfare Fund'.

[8] Head 0803.00.800 –Other Receipts

The Ministry had failed to implement the provisions of the Coal Mines Labour Welfare Fund (Repeal) Act, 1986 even after 25 years of the same being passed by the Parliament and continued to operate a dissolved fund to meet unauthorized expenditure, thus, undermining Parliament's authority over public expenditure. This issue was also commented upon in para No.2.8 in the last year's CAG's report on the accounts of the Union Government.

The matter was reported to the Ministry in November 2011. In its reply, the Ministry stated (December 2011) that the reason for not crediting the entire amount was that there were some differences in the figures of Principal Accounts Office and Regional Pay & Accounts Office, Dhanbad and the Ministry had directed them to reconcile the figures with the Principal Accounts Office and adjust the residual amount after carrying out the necessary corrections. Replies to other audit queries are still awaited. The reply of the Ministry needs to be viewed in the context of that the fund, which was to cease operations in 1986, was still continuing to operate for 25 years beyond the date of its closure.

2.3 Integrity and Reconciliation Issues

2.3.1 Incorrect depiction of recoveries in reduction of expenditure

(a) In September 2010, the Government notified the setting up of the National Disaster Response Fund (NDRF), in the Public Account. The existing National Calamity Contingency Fund was to be merged into the NDRF.

Scrutiny of Statement Nos.9 and 13 revealed that the Government continued to operate the NCCF and NDRF concurrently. An amount of ₹ 3,900.01 crore had been shown under the minor head 2245.80.902-Deduct amount met from National Calamity and Contingency Fund (NCCF). However, scrutiny of Statement No.13[9] revealed that, only ₹ 3,560 crore pertained to NCCF (minor head 8235-119) and the remaining ₹ 340.01 crore was provided from National Disaster Relief Fund (NDRF). Further, the authority for the opening of minor head '8235-125-National Disaster Response Fund (NDRF)' was not furnished. Hence, the opening of new minor head for NDRF, transferring funds thereto and meeting expenditure therefrom was irregular.

On this being pointed out, the CGA stated (October 2011) that a reference in this regard had been made to the Department of Economic Affairs and that Audit would be intimated on receipt of reply. In the meantime, CGA opened (in December 2011) a minor head 8235.125-National Disaster Response Fund

[9]Statement 13: Statement of receipts, disbursements and balances under debt, deposits remittances and contingency fund

(NDRF), effective from the financial year 2011-12. Thereafter, in January 2012, the CGA issued a corrigendum, to make the minor head effective from the financial year 2010-11. Not adhering to the prescribed procedure for opening the minor head resulted in improper and concurrent operation of NCCF and NDRF.

Supplementary acted upon incorrectly

(b) Examination of Grant No.35-Transfer to State and UT Governments for the financial year 2010-11 revealed that in the first batch of Supplementary Demands for Grants, the Ministry obtained authorisation for transferring ₹ 3,560 crore to the National Disaster Response Fund (NDRF) in the Public Account from the savings available within the same section of the Grant. However, against this authorisation, an amount of ₹ 3,560 crore was transferred to the National Calamity Contingency Fund (NCCF) in the Public Account.

The matter was brought to the notice (December 2011) of the Ministry and their reply is awaited (February 2012).

Payment from NDRF far in excess of available fund

(c) Examination of Grant No. 35-Transfer to State and UT Governments for the financial year 2010-11 revealed that in the first and third batches of the Supplementary Demands for Grants, authorisations were obtained for transferring ₹ 340.01 crore to NDRF in the Public Account and the amount was correctly transferred. However, against the transfer of ₹ 340.01 crore to the NDRF in the Public Account, a sum of ₹ 3,679.26 crore was booked as expenditure in the Consolidated Fund to be provided to States[10]. It was not clear that when only ₹ 340.01 crore existed in the NDRF in the Public Account, how could an amount of ₹ 3,679.26 crore be provided for as assistance to States from NDRF for calamities of severe nature.

Mismatch in financing of expenditure on calamity relief

(d) An expenditure of ₹ 500 crore was incurred as assistance to States[11]. This was to be met from amounts available in the NCCF. It was observed that while payment of ₹ 500 crore had been made from the Consolidated Fund, the corresponding disbursement in the Public Account to finance this expenditure was of the order of ₹ 3,560 crore.

[10] Head 2245.80.103.02-Assistance given to States from NDRF for Calamities of Severe Nature.

[11] Head 2245.80.103.01-Assistance to States from NCCF for Calamities of Severe Nature

The matter was brought to the notice (December 2011) of the Ministry and their reply is awaited (February 2012).

2.3.2 Discrepancy in balances of Employees' Pension Fund

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 of Labour and Employment issues sanctions in respect of the Government's share of contribution (and for interest thereon) for necessary adjustments by the Pay and Accounts Office in the Union Government accounts. The copies of the sanctions are also forwarded to the 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 ₹ 36,809.06 crore as against ₹ 36,939.04 crore depicted in the Union Government Finance Accounts for the year 2007-08. There was, thus, a difference of ₹ 129.98 crore in the two financial documents. The same difference of ₹ 129.98 crore was continuing upto the current year 2010-11.

The Ministry had stated (January 2010) that the said difference of ₹ 129.98 crore had been identified and was due to the 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. It was stated that the correction would be reflected in the Finance Accounts for the year 2009-10 after final reconciliation. Despite giving the assurance, the correction was not carried out in the accounts for the year 2010-11 by the Ministry.

Further, the Ministry stated (November 2011) that the sanction issuing authority in the Ministry had requested Reserve Bank of India to provide details of bookings made by it from 1971 and as soon as the details were received from them, full reconciliation between the Union Government Finance Accounts figures and those of the Annual Accounts of EPFO would be carried out. Necessary changes would be carried out in the Union Government Finance Accounts and/or Annual Accounts of EPFO, accordingly.

This subject was also commented upon in the Audit Report for the financial years 2008-09 and 2009-10, wherein the need for regular reconciliation to address this discrepancy was impressed upon.

2.3.3 Non-crediting of amount to the Security Redemption Fund

The Union Government had invested ₹ 9,996 crore in the rights issue of the State Bank of India (SBI) in the financial year 2007-08. Instead of cash draw down, the Government created a liability in the Public Account by issuing special securities[12]. These securities were to be redeemed on a future date by creation of a 'Security Redemption Fund', by transferring funds from the Consolidated Fund of India[13] to the Public Account.

Scrutiny of the accounts revealed that during the years 2009-10 and 2010-11, a sum of ₹ 625 crore in each year had been booked as expenditure on account of contribution to the Security Redemption Fund. The amount of ₹ 1,250 crore should have been credited to the Security Redemption Fund in the Public Account with the sole purpose to retire the special securities of ₹ 9,996 crore to SBI on some future date.

However, the records of the office of the Chief Controller of Accounts, Department of Economic Affairs, revealed that the said Fund had not been created yet and the amount of ₹ 1,250 crore was lying under a suspense head.

2.3.4 Non-opening of Warehousing Development and Regulatory Authority Fund

In November 2009, the Warehousing Development and Regulatory Authority Fund[14] (WDRA Fund), effective from financial year 2009-10, was proposed to be opened in the Public Account.

However, the WDRA Fund was not opened/operated in the Public Account section of the Finance Accounts for the year 2010-11.

Further scrutiny of Statement No.9 of the Finance Accounts revealed that sums of ₹ 0.39 crore in 2009-10 and ₹ 4 crore in 2010-11 were booked as expenditure[15], which were eventually to be transferred to WDRA Fund in the respective years, but the amounts could not be transferred as the

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[12] Head 8012.120-Special Securities issued to Nationalised Banks
[13] Head 3465.01.190.04-Security Redemption Fund
[14] Head 8235.127–Warehousing Development and Regulatory Authority Fund
[15] Head 2408.02.103-Assistance to Warehousing Development & Regulatory Authority

corresponding/intermediary heads[16] required to be opened for the purpose were not opened in the concerned statements of the Finance Accounts for the year 2010-11.

2.3.5 Discrepancy in balances of Special Deposit of Employees' Deposit Linked Insurance Scheme

In Statement No.14[17] of the Finance Accounts for the financial year 2010-11, under the Special Deposit of Employees' Deposit Linked Insurance Scheme[18] in the Public Account, a credit balance of ₹ 1,160.83 crore was lying. However, as per the balance sheet of the Employees'Deposit Linked Insurance Scheme, 1976 (EDLI), maintained by the Employees' Provident Fund Organisation (EPFO), a sum of ₹ 5,420.03 crore had been shown as deposited in the Public Account as on 31 March 2011.

On this being pointed out, the Principal Accounts Office, Ministry of Labour and Employment stated (January 2012) that two minor heads[19] with closing balances of ₹ 5,276.01 crore and ₹ 1,160.83 crore respectively were being operated for this purpose, adding that that the Balance Sheet of EPFO was not being maintained by them. The reply of the Ministry did not clarify the difference appearing in the books of the Government and that being shown in the books of EPFO.

However, the CGA intimated (January 2012) that a reference had been made to the Ministry to reconcile the aforesaid figures and to clarify the reasons for operating two minor heads for the purpose.

2.3.6 Incorrect operation of Defined Contribution Pension Scheme for Government Employees

As per the instructions issued by the Office of the CGA, the minor head 8342.117-Defined Contribution Pension Scheme for Government Employees was not to be operated for booking any fresh credits on account of Defined Contribution Pension Scheme with effect from 1 April 2008. Despite these instructions, there was a credit balance of ₹ 154.18 crore under the aforesaid head in the interest-bearing section of the Public Account of the Union Finance Accounts 2010-11. Since the balance was lying in the interest-bearing section, expenditure on account of interest amounting to ₹ 25.39 lakh

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[16]Heads 2408.02.797 Transfer to Reserve Fund; and 2408.02.902-Deduct amount met from WDRA Fund

[17]Statement 14: Statement of debts and other interest bearing obligations of Government

[18] Head 8012.124-Special Deposit of Employees Deposit Linked Insurance Scheme

[19] Heads 8342.00.120-Miscellaneous Deposits in Statement No.13, and 8012.00.124-Special Deposit of Employees Deposit Linked Insurance Scheme in Statement No.14

was also incurred[20], which could have been avoided by clearing the balances as per the extant instructions.

In the books of a number of Principal Accounts Offices of various Ministries/Departments, there were also balances in this head as detailed in the **Table 2.2** below, which reflected that the extant instructions on the issue had not been followed by these Ministries/Departments.

Table 2.2: Balances under the head 8324.117 in some Principal Accounts Offices

Sl. No.	Ministry/Principal Accounts Office	Balances as on 31 March 2011 (*₹ in lakh*)	Reply of Principal Account Office
1	Department of Economic Affairs, Ministry of Finance	0.05	Reasons for balances outstanding under this head were called for but the reply was awaited.
2	Department of Revenue, Ministry of Finance	(-) 4.27	
3	Social Justice & Empowerment	0.62	
4	Culture	(-) 209.41	Ministry replied that the concerned Pay and Accounts Office, i.e. Archaeological Survey of India (ASI), New Delhi and Hyderabad had been asked to take necessary steps to clear the balances.
5	Central Board for Direct Taxes (CBDT), Ministry of Finance	(-) 28.95	Ministry replied that the reasons for keeping the said balance under the head would be submitted as and when received.
6	Central Board for Excise and Customs (CBEC), Ministry of Finance	(-) 25.09	Ministry replied that the reasons thereof were being ascertained from the concerned Pay and Accounts Office and the same would be intimated in due course.

2.3.7 Inconsistency/Discrepancy in Statement Nos. 10 and 11 of Finance Accounts with regard to investments

Examination of Statement No.11 of Finance Accounts, which shows the investment of the Union in the Central Public Sector Enterprises (CPSEs), etc., revealed a number of discrepancies with regard to the amount of investments appearing at the end of financial year 2010-11, as compared with the figures for the financial year 2009-10.

Additional information such as details in respect of dividend/interest received from the CPSEs; remarks column showing the up-to-date cumulative loss, in the cases of loss-making CPSEs; etc., had not been updated in a number of cases. For years together, the remarks included in Statement No.11 against

[20]Head 2049.03.117-Interest on Defined Contribution Pension Scheme

some of the entities had remained unchanged, although a number of such entities had gone into liquidation or had been liquidated /closed or voluntarily dissolved and ceased to exist. As a result, the financial statement does not reflect a true and fair state of affairs. The discrepancies are detailed in the **Table 2.3** below:

Table 2.3: Discrepancies in Investments in CPSEs

(₹ in crore)

Sl. No.	Name of CPSE	Investment at the end of 2010-11 as per Finance Accounts	Remarks
1.	Jessop and Co. Ltd, Kolkata	-	At the end of financial year 2007-08, the investment in CPSE was ₹ 34.56 crore. In the year 2008-09, the CPSE was deleted from Statement No.11, as the unit was completely disinvested. However, adjustment of only ₹ 15.54 crore was reflected in the year 2010-11 in Statement No.10. No clarification was furnished for not reflecting the effect of disinvestment in the respective year, and also short adjustment of ₹ 19.02 crore in the year 2010-11.
2.	State Trading Corporation of India Ltd. (STC)	546.14	In 2010-11, the shareholding of the Government in STC was increased by 58,97,800 shares of ₹ 10 each as compared to 2009-10. Similarly, bonus share was also increased by 51,29,33,400 shares of ₹ 10 each during the year. Thus, a fresh investment of ₹ 5.90 in equity shares and ₹ 512.93 crore in bonus shares had not been shown distinctly in the Finance Accounts of 2010-11.
3.	State Trading Corporation of India Ltd. (STC)	546.14	Bonus shares aggregating to ₹ 614.46 crore had been shown as allotted to the Government in Statement No.11 under these two CPSEs. But as per Statement No.8, capital receipt of only ₹ 101.53 crore had been shown towards value of bonus shares under the minor head 4000.01.102-Value of Bonus Shares, which pertained to Engineers India Ltd. This has resulted in under-statement of capital receipt by ₹ 512.93 crore in respect of bonus share issued by STC. Further, the value of bonus shares allotted had also not been incorporated in Statement No.10 resulting in under-statement of progressive capital outlay.
4.	Engineers India Ltd.	135.45	
5.	Manganese Ore India Ltd.	-	Bonus shares valuing ₹ 124.53 crore were allotted during 2006-07 to the Government. However, Statement Nos. 10 and 11 of Finance Accounts 2006-07 did not depict the issue of bonus shares resulting in under-statement of investment and capital expenditure during the period 2006-07 to 2010-11.
6.	Kudremukh Iron Ore Co. Ltd. (KIOCL)	628.14	A reduction of investment of ₹ 0.21 crore took place in Statement No.11 during 1995-96 on account of allocation of 2,06,770 equity shares to the employees of KIOCL. However, Statement 10 of Finance Accounts for 1995-96 did not depict the aforesaid reduction of investment resulting in over-statement of investment and capital expenditure during the period 1995-96 to 2010-11.

(₹ in crore)

Sl. No.	Name of CPSE	Investment at the end of 2010-11 as per Finance Accounts	Remarks
7.	National Aviation Company of India Ltd. (NACIL)	2145.00 (₹ 945 + ₹ 1200)	In the year 2007, the Government approved merger of NACIL, Air India and Indian Airlines. As per Finance Accounts for the year 2009-10, the aggregate investment in NACIL, Air India and Indian Airlines together stood at ₹ 1,386.02 crore. Against this amount the merged investment, upto the period 2009-10, was shown as ₹ 945 crore in the year 2010-11 (excluding fresh investment of ₹ 1,200 crore in 2010-11). Thus, there was under-statement of investment in NACIL by ₹ 441.20 crore. CGA stated that investment in NACIL up to 2009-10 had been arrived at by merging the paid-up capital (along with reserves) of both the companies and setting it off against the accumulated losses and inter-company dues. The reply of CGA is incorrect, because as per extant instructions budgetary authorisation was required for writing off the Government investment. Besides, the reduction of investment by ₹ 441.20 crore had also not been accounted for in Statement No. 10, resulting in overstatement of capital expenditure.
8.	Bharat Bhari Udyog Ltd	301.65	In Bharat Bhari Udyog Ltd., five CPSEs, viz., Burn Standard Co. Ltd.; Bharat Brakes & Valves Ltd.; Bharat Process & Mechanical Engineering Ltd.; Braithwaite and Co. Ltd.; and Lagan Jute Machinery Co. Ltd. were merged in 2010-11. The merged investment of six entities up to 2009-10 had been shown as ₹ 276.22 crore (excluding investment of ₹ 25.43 crore in 2010-11), instead of ₹ 182.12 crore in Finance Accounts 2010-11, an overstated investment of ₹ 94.10crore, which remained unexplained.
9.	Bharat Yantra Nigam Ltd. (BYNL)	-	After winding up of BYNL, with an investment of ₹ 150.78 crore up to 2009-10, its investment was transferred to six subsidiaries, viz., Bharat Heavy Plates Ltd.; Bharat Pumps and Vessels Compressors Ltd.; Bridge and Roof Co. Ltd.; Richardson and Cruddas Ltd.; Triveni Structurals Ltd; and Tungabhadra Steel Products Ltd. The aggregate investments of seven CPSEs up to the year 2009-10 worked out to ₹ 224.15 crore. However, against this the aggregate investments of six CPSEs up to 2009-10, had been shown as ₹ 209.51 crore in the Finance Accounts of 2010-11. Thus, differential investment of ₹ 14.64 crore in BYNL transferred to which six CPSEs, remained unexplained.
10.	Bharat Refractories Ltd. (BRL)	-	BRL with an investment of ₹ 26.43 crore up to 2009-10, was merged with Steel Authority of India Ltd. (SAIL) in 2010-11. But the investment of SAIL in 2010-11 had not been increased with the investment value of ₹ 26.43 crore in the BRL. The CGA forwarded a reply of Ministry of Steel stating (October 2011) that after waiver or adjustments or set off, investment held by the Government stood transferred to the transferee company at a token value of one rupee. The reply of CGA is incorrect, because as per extant instructions budgetary authorisation was required for writing off the Government investment. Further, the reduction of

(₹ in crore)

Sl. No.	Name of CPSE	Investment at the end of 2010-11 as per Finance Accounts	Remarks
			investment by ₹ 26.43 crore had not been accounted for in Statement No.10, resulting in overstatement of capital expenditure.
11.	Nationalised Banks	35024.20	The investment in Nationalised Banks for the period upto 2009-10 was ₹ 16,172.97 crore. In the Finance Accounts of 2010-11, the said investment up to 2009-10 had been shown as ₹ 14,906.97 crore. Thus, there was an under-statement of investment up to 2009-10 of ₹ 1,266 crore. The CGA in its reply (December 2011) forwarded the sanction of the Ministry of Finance stipulating the restructuring of paid-up capital of United Bank of India (UBI) by return of excess paid-up capital of ₹ 1,266 crore to the Government and simultaneous infusion of similar amount by the Government to the capital reserve of UBI. The sanction further added that it was only a change of equity capital under the same head of account involving no cash outgo. In view of the sanction order, the reduction of investment in current year's Statement No. 11 and in the last year's Statement No.10 under the head 5465-Investment in General Financial and Trading Institutions was not warranted.
12.	State Tribal Development Finance Corporation (STDFC)	36.50	In Finance Accounts of 2010-11, the investment in STDFC and NSTFC up to the period 2009-10 was overstated by ₹ 10.74 crore and ₹ 66.50 crore respectively as compared to the last year's Finance Accounts. Another investment of ₹ 77.24 crore in 'Support to National /State Finance and Development Corporation' had also been depicted in Statement No.11 in the year 2010-11. It was not clarified as to whether this investment of ₹ 77.24 crore, was in fact the aggregate of the overstated investments in STDFC and NSTFC for the period 2001-02 to 2009-10.
13.	National Scheduled Tribes Finance Corporation (NSTFC)	140.33	
14.	National Investment Fund (NIF)	550.33	Three new Joint Stock Companies (a) NIF, (b) NIF-Jeevan Bima Sahyog Asset Management Co. Ltd, and (iii) NIF UTI Asset Management Pvt Ltd were included in Statement No.11 in 2010-11. SBI Funds Management Pvt. Ltd.; Jeevan Bima Sahyog Asset Management Company Ltd.; and UTI Asset Management Pvt. Ltd. were asset management companies, managing the fund placed with them out of National Investment Fund set up in the Public Account and do not qualify as Joint Stock Companies to be included in Statement No.11.
15.	NIF–Jeevan Bima Sahyog Asset Management Company Ltd.	713.78	
16.	NIF–UTI Asset Management Pvt. Ltd.	550.33	

2.3.8 Inconsistency/Discrepancy in Statement of Finance Accounts and Appropriation Accounts

Comparison of Statements No.9 showing details of expenditure, No.11 showing details of investment of the Government in Central Public Sector Enterprises (CPSEs), and No.13 showing details of debt, deposit and remittances in the Union Finance Accounts, with the Appropriation Accounts, revealed a number of discrepancies with regard to the expenditure, amount of investments and closing/opening balances, which are detailed in the **Table 2.4** below:

Table 2.4: Discrepancies between Finance Accounts and Appripriation Accounts

(₹ in crore)

<table>
<tr><td colspan="7">Statement No.9</td></tr>
<tr><th>Sl.No.</th><th>Name of Head/CPSE</th><th colspan="2">Amount as per Finance Accounts</th><th colspan="2">Amount as per Appropriation Accounts</th><th>Remarks</th></tr>
<tr><td>1.</td><td>2875.10.109-Ghazipur Alkaloid Works</td><td colspan="2">47.60</td><td colspan="2">52.77</td><td>Short booking of expenditure of ₹ 5.17 crore in the Finance Accounts.</td></tr>
<tr><td>2.</td><td>2875.01.110-Neemuch Alkaloid Works</td><td colspan="2">46.15</td><td colspan="2">75.65</td><td>Short booking of expenditure of ₹ 29.50 crore in the Finance Accounts.</td></tr>
<tr><td>3.</td><td>2049.03.104-Interest on State Provident Fund</td><td colspan="2">7127.48</td><td colspan="2">7126.06</td><td>Excess booking of expenditure of ₹ 1.42 crore in the Finance Accounts.</td></tr>
<tr><td colspan="7">Statement No.11</td></tr>
<tr><td>4.</td><td>Food Corporation of India</td><td colspan="2">35.00</td><td colspan="2">10.00</td><td rowspan="4">Investments made through minor heads other than '190-Investments in Public Sector and Other Undertakings' had been treated as investment in equity shares of CPSEs and included in the Statement No.11 of Finance Accounts, which was in contravention of para 4.2 of General Direction to List of Major and Minor Heads of Account.</td></tr>
<tr><td>5.</td><td>Engineers India Limited</td><td colspan="2">84.68</td><td colspan="2">101.53</td></tr>
<tr><td>6.</td><td>National Thermal Power Corporation</td><td colspan="2">Nil</td><td colspan="2">105.19</td></tr>
<tr><td>7.</td><td>National Finance Development Corporation for Weaker Section</td><td colspan="2">155.00</td><td colspan="2">40.00</td></tr>
<tr><td colspan="7">Statement No.13 (₹ in thousand)</td></tr>
<tr><td rowspan="2">8.</td><td rowspan="2">8229.115-Cine Workers Welfare Fund</td><td>O/B</td><td>C/B</td><td>O/B</td><td>C/B</td><td rowspan="2">There is difference of ₹ two thousands in the opening and closing balance of the fund in two financial statements.</td></tr>
<tr><td>28693</td><td>11394</td><td>28691</td><td>11392</td></tr>
</table>

In respect of discrepancies in respect of Statement No.11, the CGA stated (January 2012) that the Ministries had been advised to take budget provision under the 'minor head 190'.

2.3.9 Incorrect depiction of transfer to Reserve Fund in Statement No.9

In Grant No.25-Ordnance Factories for the financial year 20010-11, an expenditure of ₹ 600 crore was booked under the major head 2079-Transfer to Renewal Reserve Fund – Renewal Reserve Fund Ordnance Factories. Further, an expenditure of ₹ 208 crore on renewals and replacements was incurred in this Grant[21], to be met from the Renewal and Reserve Fund.

The depiction of transaction in Statement No.13 of the Union Finance Accounts had been correctly reflected under the head 8226.102-Depreciation Reserve Funds of the Government Non-Commercial Departments. However, in Statement No.9 of the Union Finance Accounts, the transactions had been incorrectly reflected by showing transfer to reserve fund an amount of ₹ 392 crore thereby understating the amount of transfer by ₹ 208 crore.

2.3.10 Incorrect depiction of Loan to Shipping Development Fund Committee

The Shipping Development Fund Committee (SDFC) was abolished with effect from December 1986 and its assets and liabilities stood transferred to the Central Government in terms of Section 4 of SDFC (Abolition) Act, 1986. However, in Statement No.15 of Union Finance Accounts for the year 2009-10 and 2010-11, a net loan of (-) ₹ 231.70 crore, as detailed in **Table 2.5** below, was still being shown as outstanding against SDFC, though all assets and liabilities of SDFC had already been transferred to the Central Government.

Table 2.5: Loans outstanding against SDFC

(₹ in crore)

Sl. No.	Name of Head	Amount
1.	7052.01.101-Loans to Shipping Development Fund Committee (SDFC)	53.83
2.	7052.02.101-Loans to SDFC	(-)294.12
3.	7052.60.101-Loans to SDFC	8.59

On this being pointed out last year, the CGA stated (November 2010) that the matter had been referred to the Department of Economic Affairs for clarification.

2.3.11 Understated accounting of external debt

External borrowings raised 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. The rest of the loans, which have not yet been fully repaid, appear in the

[21] Head 2079.00.106-Renewal and Replacement

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, yet payment on account of exchange variations is being made, which are accounted for as negative balance. This negative balance, when aggregated, understates the balances of outstanding debt from that particular country as well.

Thus, the figure of external debt of ₹ 1,57,639 crore, as appearing in the Finance accounts, does not reflect the actual dimension of outstanding external debt. As per the note below Statement No.14, the external debt at the current rate as at the end of March 2011 was ₹ 2,78,877 crore. Thus, the depiction of external debt in the accounts at historical rate of exchange is not a true reflection of the liability.

On this being pointed out last year, the CGA stated that the negative balances were on account of exchange variation that would be cleared only when the loans were fully repaid.

The CGA further stated (November 2011) that the concerned Pay and Accounts Office was booking the receipts and repayments of debt at the prevailing rate of exchange and this position was being depicted in the Finance Accounts. It also added that the depiction of external debt was as per the prescribed format in this regard.

The reply of the CGA is not tenable. A mechanism needs to be devised by the CGA to depict the actual dimension of the outstanding external debt at historical rate of exchange.

2.3.12 Inconsistent depiction of external debt

In Statement No.14, an amount of ₹ 119.50 crore had been depicted under the minor head '6002.233-Loan from the Government of Sweden' as on 31March 2011. Scrutiny of the statement showing country-wise loans at current rates, appended to Statement No.14, did not include loan from Government of Sweden.

The CGA stated (November 2011) that the reflection of loan to Government of Sweden was a misclassification that would be settled in next year's Finance Accounts.

2.3.13 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 loans for ₹ 29.29 crore and ₹ 0.14 crore were advanced to Rajiv Gandhi Cancer Institute and Research Centre, New Delhi by Ministry of Health and Family Welfare and Departmental canteens by Ministry of Information and Broadcasting, respectively. The earliest period to which these loans related was 1994-95 and 1983-84, respectively. However, the terms and conditions of loans advanced had not yet been finalised.

It may be seen that even after a gap of 15-25 years of advancing these loans, the terms and conditions of loans have not been finalized. This reflected a laxity on the part of the administering Ministry with regard to the recovery and other aspects of these loans.

The CGA stated (October 2011) that the matter had been taken up with the Ministry of Health and Family Welfare and Ministry of Information and Broadcasting and that audit would be intimated of further development in this regard.

This issue was highlighted as early as in the Report No.1 of 2000 and at that time the reply of CGA was the same.

2.3.14 Non-allotment of numerical codes to minor head corresponding to the nomenclature of Programmes

In the chart of classification of Government accounts, the nomenclature of each transaction is preceded by numerical codes, which represent service/functions/scheme/object of the transaction to capture the transaction distinctly. In the following cases, no numerical codes have been allotted to minor heads corresponding to the nomenclature of the 'Programmes' in Statement Nos.10, 13 and 14 of Finance Accounts as detailed in **Table 2.6** below:

Table 2.6: Non-allotment of numerical codes

Sl.No.	Major Head	Sub-major Head	Nomenclature of Programme
Statement No.10			
1.	4216	01	Houses for Economically Weaker Section and other Service class
2.	4216	01	Houses for Scheduled Castes and Scheduled Tribes
3.	4216	02	Industrial Housing
4.	4216	02	Housing for shifting of dwellers of Labour colonies
5.	4216	02	Canteen Stores Department

Sl.No.	Major Head	Sub-major Head	Nomenclature of Programme
6.	4216	02	Removal of Jhuggi Jhonpri Scheme
7.	4216	02	Subsidised Industrial Housing Scheme
8.	4216	02	Schemes for Industrial Workers
9.	4216	02	Slum Improvement
10.	4216	02	Accommodation for Government Employees
11.	4216	02	D.D.A. for Acquisition and Development of Land
12.	4216	02	Housing for Oustees of Village, Attawa
13.	4701	01	Tikkarpara Naraj Dam
14.	4701	02	Daman Ganga Project
15.	4711	02	Daman Ganga Project
16.	4711	02	Dredging in River Brahmaputra
17.	4861	01	Final Enrichment Plant at Hazira
Statement No.13			
18.	8116		Railway-Loan to Branch Line Companies
Statement No.14			
19.	6002	00	Miscellaneous Stores for Border Roads Organisation received from the Government of Japan under deferred payment credit

On this being pointed out last year, the CGA stated (September 2010) that the matter had been taken up with the concerned Ministries/Departments for the allotment of new minor heads and that audit would be intimated of further progress in this regard. In the current year also, the reply (October 2011) of the CGA was same.

2.3.15 Non-depiction of loans given by Union Government

(a) In Statement No. 3 of the Finance Accounts 2009-10 (and for earlier years), loans disbursed to the under-mentioned Organisations, detailed in **Table 2.7** below, were reflected. However, the details of these loans have been deleted from the Statement No.3 for the year 2010-11 without assigning any indication as to whether the loans outstanding from these Organisations had been received back/written off during the year 2010-11.

Table 2.7: Non-depiction of loans in Finance Accounts-2010-11

Sl. No.	Name of the Ministry advancing the loan	Organisation	Period to which loan relates	Total amount of outstanding loan as on 31.3.2010 *(₹ in lakh)*
1.	Science and Technology	Indian Vaccine Corporation Ltd, Gurgaon	1993-94	547
2.	-do-	ABL Biotechnologies Pvt Ltd, Chennai	2005-06	45
3.	-do-	Bigtec Pvt Ltd, Bangalore	2005-06	21

Sl. No.	Name of the Ministry advancing the loan	Organisation	Period to which loan relates	Total amount of outstanding loan as on 31.3.2010 *(₹in lakh)*
4.	Water Resources	National Projects Construction Corp Ltd	1985-86	21944

The CGA stated (October 2011) that a reference in this regard had been made to concerned Ministries and that audit would be intimated on receipt of reply.

(b) In case of the under-mentioned loans and advances (**Table 2.8**) reflected in the Finance Accounts for the year 2010-11, there was no mention of the same in the Finance Accounts for the year 2008-09 and 2009-10 .

Table 2.8: Non-depiction of loans in Finance Accounts-2008-09 and 2009-10

Sl. No.	Name of the Ministry advancing the loan	Organisation	Period to which loan relates	Total loans outstanding as on 31 March 2011 *(₹in lakh)*
1.	Science and Technology	Institute of Molecular Medicine	2005-06	309
2.	-do-	Cadila Pharmaceuticals Ltd.	2006-07	190
3.	-do-	Promed Exports Pvt. Ltd.	2006-07	99
4.	-do-	Cell Max Pharma Pvt. Ltd.	2007-08	49
5.	-do-	Thirteen Herbs & Cure Pvt. Ltd.	2007-08	19

Non-depiction of above loans in the Finance Accounts from the respective years reflects that Ministries/Departments are not maintaining and updating the Register of Loans as has been manually prescribed.

The CGA stated (October 2011) that a reference in this regard had been made to concerned Ministries and that audit would be intimated on receipt of reply.

2.3.16 Non-updation of loan advanced by the Union Government

Statement No.3 of the Finance Accounts has over the years been depicting an identical amount of principal in arrears and total amount of outstanding loans to the States as detailed in **Table 2.9** below:

Table 2.9: Non-updation of loans in Finance Accounts

(₹ in lakh)

Name of the Ministry advancing the loan	States	Principal in arrears	Total Loan outstanding	Earlier period to which loan relates
Industry	Madhya Pradesh, Assam, Jammu and Kashmir, and Tripura	29.73	519.24	1992-93 to 1995-96

On this being pointed out, the CGA forwarded (December 2011) the reply of Ministry of Industry stating that the related records were not readily traceable and the progress was slow due to non-receipt of fresh reply from the concerned authorities.

2.3.17 Variation in the balances of guarantees

In Statement No.4[22] of the Finance Accounts, the opening balances of guarantees in the year 2010-11, when compared with the closing balances of the previous year contained variations, as detailed in **Table 2.10** below:

Table 2.10: Variation in the balances of guarantees

Sl. No.	Name of the Ministry/Department	Guarantees as on 31 March 2010		Guarantees as on 1 April 2011	
		(₹ in crore)			
		Amount	No. of Guarantees	Amount	No. of Guarantees
1.	Agriculture and Co-operation	521.66	7	259.69	6
2.	Heavy Industries@	605.81	21	772.90	25
3.	Heavy Industries@	263.99	5	137.28	2
4.	Consumer Affairs	5579.49	17	5579.22	17
5.	Telecommunications	Not shown	-	7.10	1

@These pertain to different categories of guarantees.

The CGA forwarded (October 2011) the replies of the concerned Ministries /Departments stating that the differences in the opening and closing balances of guarantees were attributable to recasting of the Statement for the last three years and inadvertent mistakes in the last year's Statement.

However, aforesaid variations in the outstanding balances of guarantees were not suitably explained in the Statement.

2.3.18 Variation in the depiction of guarantee fees

The guarantee fees received in 2010-11 as per Statement No.8 under the minor head '0075.108-Guarantee Fees' was ₹ 582.83 crore, which was at variance with that depicted in Statement No.4, showing guarantee fees of ₹ 530.06 crore. The two sets of figures appearing in different statements of the Finance Accounts required to be reconciled so as to reflect true and fair state of affairs of this receipt of the Government.

The CGA stated (October 2011) that a reference in this regard had been made to concerned Ministries and that Audit would be intimated on receipt of reply.

[22]Statement 4-Guarantees given by the Union Government

2.3.19 Operation of discontinued minor head

The minor head '111-Departmental Adjusting Account' under major head '8658-Suspense Accounts' became inoperative with effect from the accounts for the year 1982-83 in the books of Departmental Accounting Authorities. As per instructions issued by the CGA to the various accounts rendering authorities, the outstanding balances under this minor head was to be cleared by the end of 2008-09. However, in Statement No.13 of the Finance Accounts, the minor head continued to appear with an outstanding balance of ₹ 59.83 crore (Debit).

The CGA stated (October 2011) that all the concerned authorities were being asked to liquidate the balances.

2.4 Outstanding Suspense balances and other observations

The accuracy of the Union Finance Accounts 2010-11 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification, (ii) 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.

A general review of outstanding balances under Debt, Deposit, Remittance and Suspense heads was carried out in the office of CGA and five Principal Accounts Offices (Pr.AOs) viz. Central Board of Direct Taxes, (CBDT), Central Pension Accounting Office (CPAO), Ministry of Home Affairs (MHA), Controller of Aid Accounts and Audit (CAA&A) and Ministry of Road Transport and Highways (MoRTH), for last five years These Pr.AOs were selected on the basis of concentration of balances and their accumulation over the years. The audit findings have been discussed in the succeeding paras.

2.4.1 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 Pay and Accounts Offices (PAOs) sub/ detailed head-wise, as may be necessary, and by Pr.AOs minor head-wise on the basis of figures furnished by the PAOs periodically. The Chief Controller/Controller of Accounts (CCAs/CAs) of concerned Ministry/Department 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 ₹ 10,862.85 crore (Debit) as on 31 March 2011. This balance comprised ₹ 2,929.13 crore (Credit) in respect of Civil Ministries, ₹ 8,081.47 crore (Debit) for Defence, ₹ 2,566.09 crore (Debit) relating to Railways, ₹ 1,325.58 crore (Debit) for Postal, ₹ 685.16 crore (Debit) for Telecommunication and ₹ 1,133.68 crore (Debit) 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 in respect of Civil Ministries (Major Head 8658) for the last five years as detailed in **Table 2.11** below:

Table 2.11: Position of suspense balances under major suspense heads in respect of Civil Ministries

(₹ in crore)

Name of Minor Head	2006-07		2007-08		2008-09		2009-10		2010-11	
	Debit	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**
101-PAO Suspense	1844.33	692.30	2882.39	617.77	2512.92	524.57	2880.09	1172.22	3374.13	1131.37
Net	**(-) 1152.04**		**(-) 2264.62**		**(-)1988.35**		**(-) 1707.87**		**(-) 2242.76**	
102-Suspense Account (Civil)	1022.42	308.95	1087.28	10310.30	1608.78	1443.21	1942.11	1447.74	1943.09	9781.95
Net	**(-) 713.47**		**9223.02**		**(-) 165.57**		**(-)494.37**		**7838.86**	
107-Cash Settlement	383.18	16.57	362.14	16.58	349.49	16.57	371.03	16.57	374.62	19.81
Net	**(-) 366.61**		**(-) 345.56**		**(-) 332.92**		**(-) 354.46**		**(-) 354.81**	
108-PSB Suspense	4979.41	1029.07	6517.28	782.19	3526.51	1942.36	2435..52	1775.10	3091.85	1052.85
Net	**(-) 3950.34**		**5735.09**		**(-) 1584.16**		**(-) 660.42**		**(-) 2039.00**	

(₹in crore)

Name of Minor Head	2006-07		2007-08		2008-09		2009-10		2010-11	
	Debit	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**	**Debit**	**Credit**
109-Reserve Bank Suspense (HQ)	259.05	185.11	11.37	190.89	11.37	190.04	11.37	185.26	11.67	185.14
Net	**(-) 73.94**		**179.52**		**178.67**		**173.89**		**173.47**	
110-Reserve Bank Suspense Central Accounts Office	116.12	294.59	209.18	48.57	339.41	47.09	92.02	128.83	28.52	193.74
Net	**178.48**		**(-) 160.61**		**(-) 292.32**		**36.81**		**165.22**	
115-Purchase etc., abroad	994.46	-	536.65	-	877.79	-	1894.85	-	940.82	-
Net	**(-) 994.46**		**(-) 536.65**		**(-) 877.79**		**(-)1894.85**		**(-) 940.82**	
129-Material Purchase Settlement	127.62	96.17	156.31	107.84	167.82	115.88	195.25	143.11	202.22	102.16
Net	**(-) 31.45**		**(-) 48.47**		**(-) 51.94**		**(-) 52.14**		**(-) 100.06**	
136-Custom Receipts Awaiting Transfer to Receipt Head	-	112.15	-	114.97	-	152.15	-	145.47	-	252.28
Net	**112.15**		**114.97**		**152.15**		**145.47**		**252.28**	
138-Other Nominated Banks (Private Sector Banks)	646.05	1449.94	2.34	170.68	1.55	40.38	2.88	100.70	36.28	294.80
Net	**803.89**		**168.34**		**38.83**		**97.82**		**258.52**	

Note: (-) represents debit balance.

It would be seen that debit balances under PAO Suspense, Suspense Account (Civil), and Material Purchase Settlement have increased in 2010-11 over the previous years. Similarly, credit balances under Suspense Account (Civil), Custom Receipt Awaiting Transfers to Receipt Head and Other Nominated Banks (Private Sector Banks) have also increased in 2010-11 over the previous years. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by CGA, hindering 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 a cheque is issued by the Accounts Officer in whose books the initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realisation of a cheque from the Accounts Officer on whose behalf the 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 2011, the outstanding debit balance under this head was ₹ 3374.13 crore and the outstanding credit balance was ₹ 1,131.37 crore. The outstanding balances were mainly in respect of Ministry of Supply ₹ 1,969.19 crore (Debit); Department of Expenditure: ₹ 462.03 crore (Credit); Central Board of Direct Taxes (CBDT): ₹ 761.50 crore (Debit), Ministry of External Affairs: ₹ 340.38 crore (Debit); Ministry of Road Transport and Highways: ₹ 459.22 crore (Credit); Department of Atomic Energy ₹ 104.28 crore (Credit), indicating the payments made (Debit) or received (Credit) by these departments /ministries on behalf of other PAOs which were yet to be recovered/paid by them as on 31 March 2011. The large debit and credit balances under PAO suspense and their continuous accumulation indicated significant control deficiencies.

Test check of the accounts of Pr.AOs revealed that in the CBDT, ₹ 317.93 crore (Debit) and (-) ₹ 443.57 crore (Credit) pertaining to the period from prior to 1986-87 up to 2010-11 were outstanding which included ₹ 358.34 crore (Debit) and (-) ₹ 758.24 crore (Credit) pending settlement for more than three years. In Ministry of Home Affairs, balances of ₹ 28.24 crore (Debit) and ₹ 32.75 crore (Credit) were outstanding at the end of the year 2010-11, which included debit balance of ₹ 0.27 crore pending for more than five years. 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 the 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 balances under this minor head as on 31 March 2011 was ₹ 9,781.95 crore (Credit) and ₹ 1,943.09 crore (Debit) indicating that receipts and expenditures of ₹ 11,725.04 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 ₹ 9,083.29 crore (Credit); Ministry of Home Affairs: ₹ 799.65 crore (Debit); Ministry of External Affairs: ₹ 597.78 crore (Credit); 'High Commission': ₹ 435.76 crore (Debit) and Department of Commerce (Supply Division): ₹ 597.66 crore (Debit). It was stated by the Pr.AO, DEA, that the main reason for the steep rise in outstanding balances was because the relevant minor heads were not opened for credit of ₹ 1,250 crore for Security Redemption Fund and ₹ 7000 crore for Special Bonds issued against securitization of balances under Postal Life Insurance. However, the reasons for not opening the minor heads were not furnished by the Pr AO.

Test check of the balances in Principal Accounts Offices revealed that in CBDT, balance of ₹ 8.45 crore (Debit) and ₹ 0.04 crore (Credit) were outstanding at the end of year 2010-11 which included debit balance of ₹ 6.57 crore and credit balance of ₹ 0.04 crore, which were pending settlement for more than three years. In the Ministry of Home Affairs, balances of ₹ 799.66 crore (Debit) and ₹ 0.01 crore (Credit) were outstanding since 2008-09. The Pr. AOs did not provide any evidence regarding 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 the 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 suppliers abroad against the supplies made to the project authorities/ importers and an equal amount is kept under the suspense head till the payments are 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 2010-11, the suspense accounts balance for purchases abroad was ₹ 940.82 crore (debit). Major debtors as on 31 March 2011 were Helicopter Corporation of India Ltd. (₹ 67.24 crore); Pawan Hans Ltd. (₹ 57.44 crore); Pyrites, Phosphates and Chemicals Ltd. (₹ 24.95 crore); Coal India Ltd. (₹ 23.18 crore) and seven Government Ministries/Departments (₹ 541.16 crore). It was also observed that ₹ 239.58 crore was outstanding from different organisations since 2002. A list showing the details of amounts outstanding since 2002 in respect of major importers is given in **Appendix II-B**. 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 the recovery of the outstanding amounts.

Public Sector Bank Suspense

In the Government accounting system, 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 31 March 2011 aggregated ₹ 3,091.85 crore (Debit) and ₹ 1,052.85 crore (Credit). The departments against which major balances were outstanding were Department of Commerce (Supply Division) ₹ 277.39 crore (Debit); Central Pension

Accounting Office; ₹ 507.12 crore (Credit); Ministry of Road Transport & Highways: ₹ 106.93 crore (Credit); CBEC: ₹ 504.54 crore (Debit); Ministry of Home Affairs ₹ 466.65 crore (Debit); CBDT:₹ 955.62 crore (Debit) and Ministry of Agriculture ₹ 231.10 crore (Debit). It was observed that there was significant increase of outstanding balance during 2010-11 in the case of Ministry of Agriculture, Ministry of Home Affairs and CBEC. The Pr.AO Ministry of Home stated that the balances appearing under this head were mainly due to non-receipt of scrolls from the bank at the time of closing of the accounts.

Test check of balances in Pr.AOs revealed that in CBDT, balances of ₹ 86.98 crore (Debit) and (-) ₹ 868.64 crore (Credit) were outstanding at the end of the year 2010-11 which included debit balance of ₹ 43.15 crore and credit balance of ₹ 31.85 crore which were pending for more than 22 years. In CPAO, balances of (-) ₹ 24.41 crore (Debit) and ₹ 485.51 crore (Credit) were outstanding at the end of the year 2010-11, which included debit balance of ₹ 1.83 crore and credit balance of ₹ 94.20 crore, which were pending settlement for more than 10 years. In the Ministry of Home Affairs, balance of (-) ₹ 14.76 crore (Debit) and (-) ₹ 481.41 crore (Credit) were outstanding at the end of the year 2010-11 which included debit balance of (-) ₹ 0.70 crore and credit balance of (-) ₹ 0.04 crore, which were pending settlement for more than three years.

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 and 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-Deposits with RBI-101-Central Civil. The outstanding balance under this minor head as on 31 March 2011 was ₹ 28.52 crore (Debit) and ₹ 193.74 crore (Credit). The outstanding RBI (CAO) suspense balances were mainly against the Ministry of Road Transport and Highways: ₹ 8.19 crore (Debit); Ministry of Urban Development: ₹ 7.53 crore (Credit); Department of Supply: ₹ 6.69 crore (Debit); Ministry of Shipping: ₹ 145.63 crore (Credit); Department of

Statistics: ₹ 4.15 crore (Credit) and Ministry of Social Justice and Empowerment: ₹ 4.12 crore (Credit).

Test check of balances in Pr.AOs revealed that in Ministry of Road Transport and Highways, a net debit balance of ₹ 8.19 crore was outstanding at the end of the year 2010-11. The year-wise debit and credit break-up of the balance was not maintained by the Pr.AO for effective monitoring of clearance of outstanding balances.

2.4.2 Large number of adverse balances under Debt, Deposit and Remittances (DDR) heads in Union Finance Accounts

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 2010-11, there were 47 cases of adverse balances under debt, deposit and remittances heads as given in **Appendix II-C**. Out of these, four balances became adverse during the year 2010-11 and 43 cases figured in the Finance Accounts of earlier years. These include 28 cases outstanding for more than five years, 13 for more than 10 years and four 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.

2.4.3 Adverse balances under Debt, Deposit and Remittances (DDR) heads at Pr.AO level

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. Many of these adverse balances get eclipsed since these balances get aggregated when the accounts of the accounting circles are consolidated. To find out the magnitude of the adverse balance at the unit level, Pr.AOs of Ministry of Home Affairs, CPAO, CBDT, Ministry of Road Transport and Highways and CAA&A were selected for detailed examination. This examination revealed that there were 12 heads of accounts with adverse balances at the end of year 2010-11, six of which have not been reflected in the 47 cases of adverse balances mentioned in para 2.4.2. The adverse balances noticed during the audit of the Pr.AOs are given in **Appendix II-D.** The observations on the adverse balances in Pr.AOs are given below.

(i) Central Pension Accounting Office

Scrutiny of records in the Central Pension Accounting Office disclosed that there were adverse balances lying uncleared under the heads '7610-201-House Building Advance' (₹ 6.48 lakh-Credit) since 2010-11, '7610-202-01-Advance for purchase of Motor Conveyances' (₹ 0.61 lakh-Credit) since 2009-10 and under the head '7610-800-Other Advances (₹ 0.01 lakh-Credit) since 2004-05 at the end of the year 2010-11. The Controller of Accounts (Pension) stated that the adverse balances were due to recoveries effected against the advances taken from other account circles and the action would be taken to clear the adverse balances at the earliest.

(ii) Controller of Aid, Accounts and Audit

The adverse balances of ₹ 7107.44 crore in the accounts of Controller of Aid Accounts and Audit under the major head '6002 –External Debt' at the end of the year 20010-11 was due to exchange losses at the time of repayment of loans. An audit paragraph on this subject was included in the CAG's Report No. 1 for the year 2009-10. The Ministry, in their Action Taken Note, stated that a sum of ₹ 4560.11 crore had been written off and a continuous effort to write-off the adverse balances in respect of fully disbursed and repaid loans was being undertaken in a timely manner.

(iii) Controller of Accounts- Ministry of Home Affairs

Scrutiny of records in the office of the Controller of Accounts, Ministry of Home Affairs revealed that an adverse balance of ₹ 5.90 lakh (Credit) was lying under the head 7610-00-203- Advance for the purchase of other conveyances. The period since this amount was pending was not furnished by the Principal AO and it was stated that the adverse balance was being reconciled with the concerned PAOs and necessary action would be taken shortly. Further, there was an adverse balance of ₹ 0.05 lakh (Debit) under the head '8342-00-110- Telephone Application Deposit', which was lying uncleared for the last four years. The Pr.AO stated that the concerned PAO had been instructed to clear the amount lying unadjusted under the head.

2.4.4 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 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 accredited banks.

When claims are preferred in the appropriate bill to the PAO/departmental officer, the payment is authorised 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 Statements (DMS)/Monthly Statements 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 the head '8658-108-PSB Suspense/ 8675-101-Deposits with Reserve Bank-Central Civil', as the case may be.

In the Finance Accounts for 2010-11, large balances were lying outstanding under the following minor heads of 'Cheques and Bills' detailed below in **Table 2.12**:

Table 2.12: Outstanding balances under the following minor heads of 'Cheques and Bills'

(₹in crore)

Pre Audit Cheques	Cr	0.40
Pay and Accounts Office Cheques	Cr	11138.28
Departmental Cheques	Cr	1169.77
Treasury Cheques	Cr	4.56
IRLA Cheques	Cr	0.59
Telecommunication Accounts Cheques	Cr	1460.10
Postal Cheques	Cr	7395.21
Railway Cheques	Cr	2921.48
Defence Cheques	Cr	3344.06
Electronic Advices	Cr	35.20
Pay and Accounts Offices Electronic Advices	Cr	40.61

Rule 45 of Receipt and Payment Rules, 1983 envisages that a cheque shall be payable at any time within three months after the month of issue. Further, Rule 47(2) envisages that 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 are outstanding under the 'Cheques and Bills', the Government cash balance stands overstated. In reply, CGA in

October 2010, stated that instructions were being issued to the concerned CCAs to write back the cheques outstanding for more than three months.

Test check of the five Principal Accounts Offices revealed that 2,563 cheques amounting to ₹ 77.22 crore in MHA, 503 cheques amounting to ₹ 5.38 crore in Ministry of Road Transport & Highways (MoRTH), 12,192 cheques amounting to ₹ 31.72 crore in CBDT and 109 cheques amounting to ₹ 3.53 crore in CPAO had remained unpaid for more than six months but had not been cancelled by the Pr.AOs.

2.4.5 Review of balances not carried out by Principal Accounts Offices

As per the 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 Office, in turn, is required to send a consolidated report for the Ministry/ Department as a whole to the CGA by 15 October each year. The 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 2006-07, 2007-08, 2008-09 and 2009-10 was completed only in 26, 36, 40 and 21 departments respectively, out of a total of 68 Pr.AOs.

Failure to carry out review of balances and lack of timely action by the Pr.AOs is reflected in the 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.

2.4.6 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 will maintain subsidiary accounts and proforma accounts as may be prescribed by the Government in consultation with Comptroller and Auditor General of

India. There were 44 departmentally managed Government undertakings of commercial or quasi commercial nature as of March 2011. 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-E**.

From the appendix, it will be seen that the proforma accounts were in arrears in respect of undertakings for periods ranging from one to 12 years as shown in **Table 2.13** below:

Table 2.13: Period for which Proforma Accounts are lying in arrears

No. of years	Period	No. of undertakings
1-4	2007-08 to 2010-11	33
5-8	2003-04 to 2006-07	6
9-12	1999-2000 to 2002-03	1
	Total	**40**

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.

2.4.7 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues written off /waived off during the year 2010-11 furnished by the ministries/departments, is given in **Appendix II-F**. It will be seen from the annexure that in 25,469 cases, ₹ 5,600.26 lakh was written off during 2010-11. During the year, recoveries waived and ex gratia payment made in 1,837 cases aggregated ₹ 4,606.83 lakh.