Chapter 3

Financial Reporting

A sound internal financial reporting system based on compliance with financial rules is one of the attributes of good governance. This chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directives during the current year.

3.1 Non-submission of utilization certificates

Financial rules stipulate that for the grants provided for specific purposes, utilization certificates (UCs) should be obtained by the departmental officers from the grantees and, after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise. However, 1088 UCs aggregating to ₹ 1304.41 crore in respect of grants paid upto 2011-12 were in arrears as detailed in **Appendix 3.1**.

The age-wise arrears of UCs are summarised in **Table 3.1.**

Table 3.1: Age-wise arrears of utilization certificates

(₹ in crore)

Sl. No.	Range in No. of years	Utilisation Certificates in arrears	
		No.	Amount
1	9 & above	448	145.54
2	7-9	83	186.61
3	5-7	116	81.88
4	3-5	89	30.65
5	1-3	46	122.07
6	0-1*	306	737.66
Total		**1,088**	**1,304.41**

Source: *Office of Pr.AG (A&E)*

** For the grants paid during 2011-12, the Utilisation certificates will become due only during 2012-13.*

Major cases of non-submission of utilization certificates related to Health and Family Welfare Department (59 *per cent*), Urban Development Department (20 *per cent*) and Rural Development and Panchayat Raj (14 *per cent*). Non-submission of UCs defeats the very purpose of legislative control over public purse. The institutions/departments listed in **Table 3.2** had not submitted UCs for funds aggregating ₹ 88.19 crore released during the period 1997-98 to 2010-11.

Table 3.2: Department wise arrears of utilization certificates

(₹ in crore)

Sl. No.	Schemes/Projects/Entity	Amount	Due from
1	Hyderabad Karnataka Area Development Board	8.48	2009-10
2	Karnataka State Remote Sensing Application Centre	1.05	2005-06
3	Lake Development Authority	11.24	2003-04
4	Karnataka Legislators Local Area development Scheme	43.33	2008-09
5	Revenue Department:-		
	Endowment	12.00	1997-98
	Election	4.00	2010-11
	Compensation to small & very small farmers	8.09	2008-09
	Total	**88.19**	

Source: Inspection Reports of Institutions concerned

Non submission of UCs was fraught with the risk of the funds released for various schemes/programmes having misused or diverted for unauthorized purposes.

As huge amounts are lying unutilized, oversight of release /utilization and accountability should be the priority in order to ensure that the funds are not diverted/ misused.

3.2 Non-receipt of information pertaining to institutions substantially financed by the Government

To identify the institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of service) Act, 1971, heads of the Government departments are required to furnish to Audit every year information about the institutions to which financial assistance of ₹ 25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Thirteen departments did not furnish the information pertaining to 313 institutions receiving grants aggregating ₹ 25 lakh or more for periods ranging from two years to more than 10 years, as detailed in **Appendix 3.2.**

In response to the observations of Audit for the year 2009-10 Finance Department had issued instructions (April 2011) to all the Secretaries of Administrative departments to furnish the required information to the Accountant General directly. However, there was no significant improvement in the position as 313 institutions had still not furnished the particulars.

3.3 Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature

Several autonomous bodies have been set up by the State Government in the field of village and small industries, urban development, etc. The audit of accounts of eleven bodies in the State has been entrusted to the CAG. These are audited with regard to their transactions, operational activities and accounts, conducting regulatory/compliance audit, review of internal management and financial control, review of systems and procedures, etc.

Separate audit reports in respect of one autonomous body for the year 2009-10 and four autonomous bodies for the year 2010-11 were yet to be placed before the State Legislature.

The status of entrustment of audit, rendering of accounts, issuing of audit reports and their placement before the State Legislature are indicated in **Appendix 3.3**.

3.4 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of commercial and quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood also opens the system to the risk of fraud and leakage of public money.

The heads of departments in the Government are to ensure that the undertakings prepare and submit such accounts to Principal Accountant General for audit within a specified time frame. Out of the eight undertakings, which have been closed/transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 3.4.**

The Finance Department had addressed (June 2010/April 2011) the Administrative Departments of these undertakings to finalise the Proforma Accounts and submit the same to Principal Accountant General (A&E). However, the position has not improved as compared to the previous year.

3.5 Misappropriations, losses, etc.

There were 102 cases of misappropriation, losses, etc., involving Government money amounting to ₹ 8.90 crore as at the end of 2011-12 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and the nature of these cases is given in **Appendix 3.6.** The particulars of the pending cases in each category of theft and misappropriation are given in **Table 3.3.**

Table 3.3: Profile of pending cases of misappropriations and theft

(₹ in crore)

Nature of the cases	Number of cases	Amount involved
Theft	17	0.09
Misappropriation	85	8.81
Total	**102**	**8.90**

Source: Office of Pr.AG (G&SSA), Pr.AG (E&RSA) and Pr.AG(A&E)

Around 87 *per cent* of the amount involved pertained to departments of Forests, Ecology and Environment (₹ 1.33 crore), Water Resources (₹ 5.61 crore) and Public Works (₹ 0.79 crore).

3.6 Non- receipt of stores and stock accounts

The annual accounts of stores and stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly accounts of Public Works, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts have been commented upon in successive audit reports. The Public Accounts Committee in its first report (sixth Assembly) presented in February 1980 had also emphasized the importance of timely submission of accounts by the departments.

The position of arrears relating to submission of stores and stock accounts by 12 departments involving 76 offices as of September 2012 is indicated in **Appendix 3.7.**

3.7 Abstract Contingent bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958 the Controlling and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent (AC) bills, by debiting service heads, and are required to present detailed contingent bills (vouchers in support of final expenditure) to the Principal Accountant General (A&E) through treasuries. Detailed bills aggregating ₹149.47 crore, drawn on 15,421 AC bills, were pending as at the end of March 2012, as detailed in **Table 3.4.** Controlling officers should also ensure that no amounts are drawn from the treasury unless required for immediate disbursement**.**

Table 3.4: Pending Abstract Contingent bills

(₹ in crore)

Year	Abstract Contingent bills drawn		Detailed Contingent bills rendered		Outstanding Abstract Contingent bills	
	No. of Bills	Amount	No. of bills	Amount	No.	Amount
Up to March 2009	19,193	130.87	12,448	95.74	6,745	35.13
2009-10	9,348	93.51	8,089	82.60	1,259	10.91
2010-11	9,918	103.42	8,202	78.64	1,716	24.78
2011-12	8,019	97.44	2,318	18.79	5,701	78.65
Total	**46,478**	**425.24**	**31,057**	**275.77**	**15,421**	**149.47**

Source: *Notes to Finance Accounts – 2011-12*

The position of outstanding bills, as also the amount for which NDC Bills were required, has shown an increasing trend during 2009-12. The withdrawal of money on an AC bill is accounted against the functional major head in the consolidated fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. This impacts the fiscal indicators of the Government (Revenue surplus/fiscal deficit). Instructions were issued by the Finance Department to all Principal Secretaries/ Secretaries to Government (June 2010) for settlement of accounts within the stipulated period.

Review of abstract contingent bills in eleven[1] departments was conducted between June-August 2012 and the findings are detailed below:

A review of 3093 AC bills covering ₹ 35 crore drawn during 2007-08 to 2011-12 by 208 DDOs of ten departments in eight districts[2], covering five[3] major heads of account was conducted. Important points noticed are brought out in the succeeding paragraphs.

Rule 33(2) of Manual of Contingent Expenditure specifies the items of expenditure which fall within the ambit/category of Contingent charges. However, it was seen that moneys have been drawn from the Treasury for defraying expenses not falling within the ambit of contingent charges (₹ 8.73 crore- for purchase of equipment and ambulances in the departments of Health & Family Welfare/ Medical Education). The authority of such withdrawal was also accorded by the Finance Department. However, justification in support of expenditure was not furnished. Evidently, the funds were drawn from the Treasury to avoid lapse of Budget Grant.

[1] Revenue, Education(NCC), Kannada & Culture, Health & Family Welfare, Director of Medical Education, Drugs Controller, KHSR&DP, Directorate of Ayush, Women & Child Development, Directorate of Disabled Welfare, Forest.
[2] Bangalore Urban, Tumkur, Ramanagara, Chikballapur, Kolar, Belgaum, Mysore, Gulbarga
[3] 2015, 2204, 2205, 2210 & 2235

3.7.1 Non-submission/delayed submission of detailed bills

According to Rule 37(3) of the Manual, DDOs are required to send detailed bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to PAG (A&E) by the fifteenth of the same month.

As of September 2012, 47 of the 208 DDOs of the five test-checked Major Heads of Account/Departments had not submitted detailed bills for ₹ 4.36 Crore drawn on 209 AC bills to their Controlling Officers, as detailed in **Table 3.5**.

Table 3.5: Non-submission of NDC bills

(₹ in crore)

HOA-Description	Non-submission		
	No of DDOs	No of Bills	Amount (Rs)
2015-Elections	7	82	0.83
2204-Sports & Youth Services	7	22	0.35
2205-Art & Culture	1	1	---*
2210-Medical & Public Health	18	84	2.64
2235-Social Security & Welfare	14	20	0.54
Total	**47**	**209**	**4.36**

*The amount is less than ₹ 10,000/- hence not considered for rounding.

Source: Material as furnished by the Departments

Further, there were delays up to five years in forwarding detailed bills for ₹ 30.62 crore on 2,884 AC bills by 143 DDOs during 2007-12 to the Treasury/AG(A&E) as detailed in **Table 3.6**.

Table 3.6: Delay in submission of NDC bills

(₹ in crore)

Delay upto	Number of AC bills	Amount
One month	890	3.09
Six months	1,530	10.21
One year	361	11.83
Two years	88	5.44
Three years	5	0.01
Five years	10	0.04
Total	**2,884**	**30.62**

Source: Material as furnished by the Departments

3.7.2 Delay in remittance of unspent balance

According to existing instructions if, due to unforeseen causes, the advance drawn cannot be disbursed within a day or two, the amount or unspent portion of it shall be refunded to the Treasury forthwith. However, there were delays in remittance of unspent balances ranging from three to 686 days by 25 DDOs in respect of 140 bills amounting ₹ 0.24 crore. It was also observed that in certain cases the adjustment of remitted amount was taken as current revenues under the concerned major heads in those years, in contravention of the rules governing such adjustments.

It was further seen that the Commissioner of Archeology & Museums, Mysore and Deputy Commissioner, Gulbarga drew (March 2011) an amount of ₹ 0.03 crore on three AC bills, and the amounts were not at all utilized for the purpose for which they were drawn. The Commissioner of Archeology and Museums, Mysore refunded (August 2011 to October 2012) the entire amount drawn on three different AC bills after delays ranging between four to nine months whereas the Deputy Commissioner, Gulbarga was yet to refund (August 2012) the amount (₹ 0.47 lakh).

3.7.3 Amount drawn and kept in bank/Personal Deposit account

As per Rule 17 of Manual of Contingent Expenditure, and reiterated in Government order issued during September 2004, money drawn on AC bills is required to be utilized immediately and shall not be kept either in Banks or PD Account. However, a sum of ₹ 5.54 crore was drawn by Director of Medical Education, Bangalore on eight AC bills for purchase of equipment only during the months of March 2009 and 2011 to avoid budget lapse of which ₹ 2.35 crore was deposited in savings bank account. Against this, ₹ 2.02 crore was utilised as at the end of June 2012, leaving a balance of ₹ 0.33 crore, kept in the Savings Bank account (June 2012). Similarly, the Principal, Government College of Pharmacy, Bangalore withdrew/deposited ₹ 0.68 crore drawn between March 2007 and March 2012 (six bills) for procurement of equipment without utilization (July 2012). The amount was kept in savings bank account.

A grant review of Forest department was conducted by the office of Pr.AG (E&RSA), the details of outstanding AC bills are in **Table 3.7**.

Table 3.7: Outstanding AC bills

(₹ in crore)

Year	Total amount drawn on AC bills	Amount for which DC bills submitted	Outstanding AC bills	
			No.	Amount
Forestry and Wild Life				
2008-09	20.87	20.44	49	0.43
2009-10	20.40	20.18	9	0.22
2010-11	18.16	17.51	41	0.65
2011-12	23.63	3.80	1,045	19.83
Total			**1,144**	**21.13**

Source: *Office of Pr. Accountant General, A&E*

It was observed that as on 31 March 2012 there were 1,144 AC bills outstanding for submission of Non-payment Detailed Contingent bills (NDC bills) amounting to ₹ 21.13 crore pertaining to the years 2008-09 to 2011-12, of which an amount of ₹ 19.83 crore (94 *per cent*) related to 2011-12 alone.

3.7.4 Non submission of NDC bills

As per codal provisions, the Forest department is allowed three months' time against the normal provision of one month for submission of NDC bills. In the office of the Deputy Conservator of Forests (Territorial), Kolar it was observed that on a scrutiny of the AC bills drawn during 2011-12, NDC bills of 43 numbers had not been submitted (July 2012) for an amount of ₹ 0.84 crore even after three months. The AC bills had been drawn for payment of completed works under the scheme heads viz., Karnataka Forest Development Fund (KFDF), Devi Vana (Tree parks), Raising of Seedlings for Public Distribution (RSPD), Degraded Development Forest (DDF), Karnataka Sustainable Forest Management and Bio-Diversity Conservation Project (KSFMBC), Greening Urban Area (GUA) etc. Reasons attributed (July 2012) for the non-submission of the NDC bills were delay in submission of NDC bills by the Range Forest Officers of the Division despite the DCF office issuing a circular (August 2011) for submission of the NDC bills in time. The department stated that further instructions would be issued in this regard.

Similarly, in the offices of the Range Forest Officers, Kolar and Bangarpet, NDC bills for AC bills drawn for an amount of ₹ 1.51 crore for 64 AC bills and ₹ 0.71 crore for 33 AC bills, respectively, in the months of December 2011 to March 2012 had not been submitted (July 2012). The Range Forest Officer attributed (July 2012) the non-submission to sending of the NDC bills to the office of the DCF (T), Kolar for countersignature which had not been returned.

3.8 Personal Deposit Accounts

The Karnataka Financial Code provides for opening of Personal Deposit (PD) accounts with permission from Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. Administrators of the accounts should intimate the Treasury Officer the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of its currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

3.8.1 Funds kept in PD Accounts

The transactions relating to PD accounts for the period 2008-12 are detailed in **Table 3.8.**

Table 3.8: Funds in PD accounts

(₹ in crore)

Year	Opening balance	Receipts/Deposits	Withdrawals	Closing balance
2008-09	691.29	1,593.31	1,438.29	846.31
2009-10	846.31	3,491.10	3,123.18	1,214.23
2010-11	1,214.23	2,201.06	1,942.39	1,472.90
2011-12	1,472.90	2,737.35	2,732.00	1,478.25

Source: *Finance Accounts*

As the balances in the deposit account have been showing an increasing trend over the years, action is required to be initiated to follow the provisions of the code for write back /cleaning up of balances in respect of funds which have outlived its utility.

The balances ₹ 1,478.25 crore mainly related to the following types of accounts.

(₹ in crore)

Sl. No	Administrators	Amount
1	Personal deposits General	188.59
2	Deputy Commissioners	1,195.40
3	H.D.F.C.	8.70
4	Sugar Price Equalization Fund	13.96
	Total	**1,406.65**

Source: DDR Ledger

It was observed that several service major heads of account under the Consolidated Fund were debited during March of each year for transfer to the Deposit Account of the Deputy Commissioners in order to avoid the lapse of budget provision. The amount transferred as also the heads of accounts are indicated in the table below:

(₹ in crore)

Major heads	Year		
	2009-10	2010-11	2011-12
2225, 2515, 2401, 2575, 2245, 2250, 3452, 3456, 4575, 5452, 5465	152.75	171.54	162.83

The number of operative / inoperative PD accounts is indicated in the **Table 3.9** and the details of adverse balances thereof are in **Appendix 3.8**.

Table 3.9: Operative / In-operative PD accounts

(₹ in crore)

Particulars	Personal Deposit Accounts			
	Credit		Debit	
	No. of Accounts	Amount	No. of Accounts	Amount
Operative PD Accounts	24	1,467.31	6	40.14
In-Operative PD Accounts*	21	71.89	11	8.33

Source: *Finance Accounts*

**The period of inoperative status of the personal deposit accounts ranges from 1989-90 to 2006-07, the statutory requirement of closure of such deposit accounts which does not accrue interest, with a net figure of ₹ 63.56 crore(cr) has been brought to the notice of Government and the Director of Treasuries.*

As could be seen from the table, debit balances (adverse) totalling ₹ 40.14 crore appear in respect of six administrators (operative PD Accounts) and ₹ 8.33 crore in respect of 11 administrators (in-operative PD Accounts), indicating the need for reconciliation.

3.9 Reconciliation of receipts and expenditure

All the Drawing and Disbursing Officers are required to reconcile the Receipt and Expenditure of the Government with the figures accounted for by the Principal Accountant General (A&E). Out of 79 CCOs for Receipt Heads, 60 CCOs have reconciled fully and out of 194 CCOs for Expenditure Heads, 138 CCOs have reconciled fully. In respect of expenditure, reconciliation has been completed for a value of ₹ 5,35,63.72 crore (66.44 *per cent*) against a total expenditure (Revenue and Capital) ₹ 8,06,20.72 crore and in respect of receipt for a value of ₹ 6,85,00.50 crore (98.00 *per cent*) against a total receipt (Revenue and capital) of ₹ 6,98,95.46 crore.

Loans and Advances, (both Receipts and expenditure) were not reconciled by any of the CCOs concerned. In spite of specific instructions of the Finance department, barring the Treasury Officer from honouring non-salary bills etc. to ensure that the reconciliation process is full and complete, the position of reconciliation in respect of loans disbursed/received has not improved over the years.

3.10 Bookings under Minor Head 800 – 'Other Receipts' and 'Other Expenditure'

The expenditure of the government under the Consolidated Fund is classified under revenue and capital. Revenue expenditure, broadly, indicates the consumption expenditure of the Government, while capital expenditure represents that on asset creation, investment activity etc., Below the functional major heads are sub-major heads and minor heads representing the sub-functions/ programmes. The Minor head 800 is an omnibus head which is opened in the accounts when a particular item of expenditure/receipt cannot be accommodated in any of the existing minor heads under the functional major head. ₹ 9,171.47 crore under Revenue, Capital and Loan Major Heads of accounts on expenditure side (representing functions of the Government) were classified under the Minor Head'800-Other Expenditure' in the accounts constituting about 11.12 *per cent* of the total expenditure(Revenue, capital and Loan) recorded under the respective Major Heads.

Similarly ₹ 1,432.76 crore under Revenue, Capital and Loans Major Heads of accounts on receipts side were classified under the Minor Head '800 Other Receipts' in the accounts constituting about 2.04 *per cent* of the total receipts (Revenue, capital and Loan) recorded under the respective Major Heads.

State Government in its reply to PAC (July 2011) had intimated that a committee had been constituted comprising representatives of State Government, Audit Office and Accounts Office to scrutinize the existing classification in accordance with the List of Major and Minor Heads of Accounts. Accordingly meetings were held and as a result of the Committee's deliberation 61 Major Heads Revenue - 47 Major Head (249 Minor Heads), Capital-13 Major Heads (16 Minor Heads) and Loan - 1 (1 Minor Head) were identified and shifted from Minor Head 800 to appropriate Minor Heads during 2012-13 budget. Further the State Government has sought clarification from Controller General of Accounts in respect of several minor heads which could not be identified to appropriate final head.

3.11 Comments on Accounts

3.11.1 Transparency in accounts

To bring out greater transparency and to enable informed decision making in Government Accounts, the XII FC had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of subsidies given, both explicit and implicit, expenditure on salaries by various departments/units, detailed expenditure on pensioners and expenditure on Government pensions, data on committed liabilities in the future, information on debt and other liabilities as well as repayment schedule, 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, implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows and maintenance expenditure with segregation of salary and non-salary portions.

Presently, details of salary in respect of State sector only, is captured in accounts and those regarding the District sector are included under the grants released to PRI institutions. From 2011-12, in respect of Urban Local Bodies, separate budget documents give particulars of amounts in respect of salaries. The data on salary expenditure, as shown in the separate budget document overlaps with that of the amount indicated against the State sector relating to salary of Constitutional dignitaries, for example, Governor, Speaker of the Legislative Assembly/Chairman of the Legislative Council. The appendix on maintenance expenditure does not give data on salary expenditure. The appendix on subsidy does not provide information regarding implicit subsidies. Accounting reforms are required to be undertaken to bring the data available into accounts to make the accounts more transparent. The State Government had earlier stated (November 2011) that Zilla Panchayats (ZPs)/ Taluk Panchayats preferred salary bills on pink and yellow color bills respectively and these are accounted by Chief Accounts Officer of the Zilla Panchayat for each ZP. There were 30 ZPs in the State and there is no mechanism at present for consolidation of accounts of all the 30 ZPs. It has therefore become difficult to furnish the salary details of district sector accounts. However, the PAC in its report (December 2011) has recommended to the Finance Department to depict salaries in total, taking into account the district sector also, if possible, by opening a separate sub-head to capture the data.

The State Government had further stated (October 2011) that the maintenance expenditure was split into work charged establishment and maintenance at sub head level in the List of Major and Minor Heads of Accounts. Efforts would be made to provide estimates separately either at sub head level or object head level from 2012-13 Budget estimate.

According to the requirement of the XII FC, the major policy initiatives of the Government for the year are required to be brought out in the form of an appendix to finance accounts. This, requirement is now being fulfilled with the Government tabling before the Legislature a mid-term review of State Finances, wherein major policy initiatives of the Government are detailed.

3.11.2 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information. DDR heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance accounts 2011-12 has been adversely affected by factors like (i) large number of transactions under suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads. A general review of the transactions showed the following:

a) 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 amounts under them are 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 balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Pr. AG (A&E), are indicated in **Table 3.10**.

Table 3.10: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2009-10		2010-11		2011-12	
	Dr	Cr	Dr	Cr	Dr	Cr
101 – Pay and Accounts Office Suspense	75.84	18.27	60.49	0.05	71.14	2.45
Net	Dr. 57.57		Dr. 60.44		Dr.68.99	
102 – Suspense Account (Civil)	29.21	11.23	25.24	6.86	24.51	6.71
Net	Dr. 17.98		Dr. 18.38		Dr.17.80	
110 – R B Suspense – Central Accounts Office	33.17	1,07.34	59.24	99.82	1,40.20	1,82.48
Net	Cr. 74.17		Cr. 40.58		Cr.42.28	

Source: DDR Ledger/Finance Accounts

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs.

❖ ***Pay and Accounts Office (PAO) Suspense***

This minor head is operated for the settlement of inter-departmental and intergovernmental transactions arising in the books of PAOs and the Accountant General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer, against whom the minor head "PAO Suspense" has been operated. Credit under the head is cleared by 'minus credit' when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realisation of cheque from the Accounts Officer on whose behalf payment was made. Outstanding debit balance under this head would mean that payments have been made by the Accountant General on behalf of a PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the Accountant General on behalf of a PAO, which are yet to be paid. The net debit balance under this head has been showing an increasing trend. On clearance/settlement of this, the cash balance of the State Government will increase.

❖ ***Suspense Account (Civil)***

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

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

This minor head is operated in the books of State Government for repayment of loans and payment of interest in respect of Central Loans received by the Government. 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. The credit balance under this head was ₹ 42.28 crore, an increase of ₹ 1.70 crore over the previous year indicating that corresponding clearances had not been made by the concerned Pay and Accounts Offices.

b) Adverse balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. As revealed by Finance Accounts for the year 2011-12, adverse balances under E-Public Debt amounted to ₹ 106.81 crore, while under F-Loans and Advances it was ₹ 70.76 crore and under Public Account ₹ 12.52 crore (debit) and ₹ 4.10 crore (credit). The adverse balance under E-Public Debt was mainly on account of credits not being accounted under the Consolidated Fund (NCDC Loans-6003-108). In respect of Government of India Loans (6004), it was on account of write-off of Central Loans on the recommendations of Thirteenth Finance Commission (balances outstanding as per books of accounts as at 31 March 2010). In respect of loans and advances it was on account of non-reconciliation/misclassification in accounts. In respect of Public Account transactions it was on account of misclassification/non-rendition of accounts.

3.12 Conclusion

Detailed bills, against abstract contingent bills, have been found wanting since long and large sums of money were being retained in PD Accounts against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 34 *per cent* of total expenditure and two *per cent* of total receipts respectively. There were adverse balances under certain DDR heads, which required remedial action for clearance.

3.13 Recommendations

Accounting reforms by introducing separate object heads to capture data on salary/ non-salary items of expenditure in respect of the maintenance, salary expenditure of the staff of Panchayat Raj Institutions, as recommended by the Finance Commission, is required to be undertaken. Immediate steps need to be taken for review of status of PD accounts and closure of inoperative ones. Review of suspense heads needs to be done to bring the transactions to the final heads in the accounting year itself.

BANGALORE **(D.J. BHADRA)**

The **Principal Accountant General**
(General and Social Sector Audit)

COUNTER SIGNED

NEW DELHI **(VINOD RAI)**

The **Comptroller and Auditor General of India**