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, 5 and 6 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 Parliament.

2.1 Issues 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 (in para 7.134) that 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 Accounts for the year 2011-12 disclosed that the statements as recommended by the Twelfth and Thirteenth Finance Commissions had not been included in the union accounts. It would be pertinent to mention that most of the States were appending all the above statements to their accounts except the statements relating to (a) committed liabilities in the future and (b) implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows.

It was mentioned in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the year ended 2007-08, 2008-09, 2009-10 and 2010-11 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 seven 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 January 2013.

As pointed out in the last year's Audit Report, the status of implementation of the recommendations of the Twelfth Finance Commission in the financial statements of State Governments is encouraging. However, there has been no compliance by Union Government in this regard.

2.1.2 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 important stakeholders.

Scrutiny of Union Government Finance Accounts for the year 2011-12 disclosed that a total of ₹ 20,728.50 crore under 21 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 non-Ferrous Mining and Metallurgical Industries, 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 **Annex-II A**.

Some significant expenditure items such as expenditure on Heavy water pool management (₹ 5,900 crore), Interest subvention for providing short-term credit to farmers (₹ 3,283 crore), BPL survey (₹ 2,546 crore), Rural Electrification Corporation for Rajiv Gandhi Gramin Vidyutikaran Yojana (₹ 2,237 crore), subsidy to Assam Gas Cracker Complex (₹ 875 crore), subsidy for Haj Charters (₹ 606 crore), were not depicted distinctly in the Finance Accounts but were combined under the minor head, 'Other Expenditure'.

This was commented upon in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the year ended 2007-08, 2008-09, 2009-10 and 2010-11 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'. Instead of restructuring the accounts to reflect the current activities of the Government, piecemeal action has been taken by the Controller General of Accounts to open a few new minor heads for recording substantial expenditure of the Government distinctly.

Despite the assurance given in this regard by Ministry of Finance (September 2010) in its Action Taken Note and reiterating of instructions by the CGA in January 2012 to the Controllers of Accounts to exercise extreme caution while booking significant expenditure under the Minor Head '800-Other expenditure', major restructuring in the account head is awaited to address the problem on a permanent basis.

2.1.3 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[1] to ensure that funds of regulatory bodies were maintained in the Public Account.

Scrutiny of annual accounts of four regulatory bodies viz., the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory Development Authority (PFRDA), and Petroleum and Natural Gas Regulatory Board (PNGRB) revealed that these bodies had retained funds generated through fee charges, unspent grants received from Government of India, interest accrued on government grants, receipt of licensee fees, corpus fund, etc. aggregating ₹ 2,526.55[2] crore at the end of March

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

[2] SEBI –₹1,694.73 crore, IRDA-₹807.98 crore, PFRDA-₹4.64 crore and PNGRB-₹19.20 crore

2012 outside the Government Account contrary to the above instructions issued in January 2005.

This aspect was also commented upon in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the years ended 2007-08, 2008-09, 2009-10 and 2010-11.

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) Fund’ 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 Guideline/procedure. The Ministry should take further action to operationalise the above.

2.1.4 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 [3] under the Public Account. The amounts are to be credited to the Consolidated Fund of India (CFI) in the year to which the advance duties collected from assessees pertain to.

Scrutiny of the Finance Accounts revealed that ₹ 252.28 crore was available under the transitory suspense head as the opening balance in financial year 2011-12. This was to be accounted for as customs receipts in the Consolidated Fund of India during financial year 2011-12. However, the amount remained booked under the suspense head. This resulted in an understatement of the customs receipts of the Government of India by ₹ 252.28 crore in financial year 2011-12. 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 Consolidated Fund of India could imply short devolution of the amount as envisaged by the Finance Commission to States during the financial year 2011-12.

This matter was also commented upon in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the year ended 2010-11.

[3] 8658-136-Customs Receipts Awaiting Transfer to the Receipt Heads

The CGA stated (January 2013) that an amount of ₹ 105.59 crore was transferred from the transitory suspense head and accounted for as customs receipts in the Consolidated Fund of India in the month of April 2011 as per prescribed procedure. It also added that the balance amount of ₹ 146 crore pertained to old period, which would be cleared in 2012-13.

2.2 Observations with regard to Public Account

2.2.1 Universal Service Obligation Fund

The Universal Service Obligation (USO) 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 USO Fund and laid down that the fund is to be utilized exclusively for meeting the Universal Service Obligation 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 and induction of new technological developments in the telecom sector in rural and remote areas, etc. The resources for meeting the USO were to be raised through a 'universal access levy' (UAL). The implementation of USO related activities was to be carried out by the eligible operators to get a subsidy as per the rules.

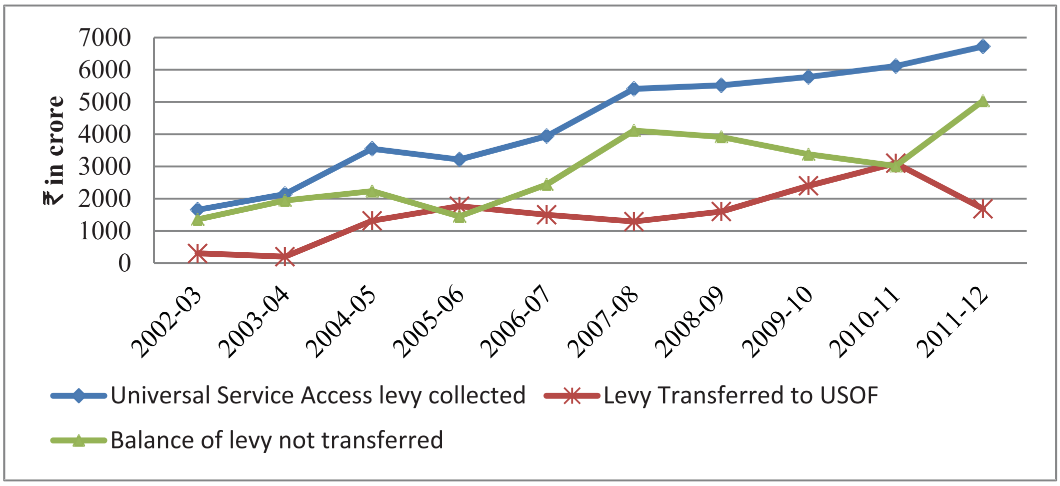
The fund is administered by the Department of Telecommunication (DoT). The levy received towards USO is first credited to the Consolidated Fund of India and subsequently, the Central Government credits the proceeds to the USO Fund in the Public Account of India from time to time, for being utilised exclusively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

The issue of understatement of USO Fund was commented upon in the Report of the Comptroller and Auditor General on Accounts of the Union Government for the year ended 2010-11. The Public Accounts Committee (PAC) also disapproved the diversion of funds exclusively meant for USO activities to other programmes by the Ministry of Finance.

Despite C&AG's audit observation on USO Fund, DoT transferred only ₹ 1,687.96 crore to the USO Fund in the Public Account out of the total receipts of ₹ 6,723.57 crore towards Universal Access Levy during the year 2011-12 and the closing balance under the USO Fund was shown as 'Nil'. This resulted in under-statement of the closing balance of the USO Fund by ₹ 5,035.61 crore for the financial year 2011-12. Resultantly, there was also overall under-statement of the closing balance of USO Fund of ₹ 21,839.45 crore as on 31 March 2012 after taking into account the reimbursement of license fees and spectrum charges to BSNL amounting to ₹ 6,948.64 crore over the period 2002-03 to 2005-06 for fulfilling rural obligation.

A graphical presentation of collection of Universal Access levy and its transfer to USOF over the years is depicted (**Chart 2.1**) below:

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



The Ministry in its reply (January 2013), while agreeing with the facts and figures included in the para, stated that the matter had been taken up with the Ministry of Finance (MoF). MoF opined that provisions for transfer to USOF were based on the requirement and ability of the Department to spend in any financial year and the unutilised funds kept in the Public Account added to the liability of the Government. Further, MoF also stated that the Cabinet had directed that DoT should consult MoF while finalising the amount to be transferred to the USOF.

The reply of the Ministry, therefore, admits that the DoT was not able to plan and spend the funds available under USOF. The Public Accounts Committee (PAC), in its recommendations contained in their Fourteenth Report (Fifteenth Lok Sabha), had observed that the Government should not have any problem in crediting the full amount collected as UAL in the USO Fund especially when proceeds to the Fund were meant to be utilised exclusively for meeting Universal Service Obligation.

Thus depiction of 'Nil' balance under USO Fund in the Finance Accounts for the year 2011-12 was in contravention of the recommendations of the PAC, which clearly stipulated that full amount collected as UAL should be credited to the USO Fund.

2.2.2 Under-utilisation of cess collected under Research & Development Cess fund

The Research and Development Cess Act in 1986 was enacted to provide for the levy and collection of a cess on all payments made for the import of technology for encouraging commercial application of indigenously developed technology and for adapting imported technology to wider domestic application, and for matters connected therewith or incidental thereto. Section 3 of the Act provided for collection of a cess at such rates not exceeding 5 *per cent* to be levied and collected on all payments made towards the import of technology, as the Central Government may, from time to time, specify, by notification, in the official gazette.

The Act enabled the creation of a Fund for Technology Development and Application to be administered by Technology Development Board (TDB). The TDB Fund is maintained outside Government accounts. The Fund is credited with the grants released by the Government of India out of the cess collected by the Government on the import of technology by the industrial concerns under the provisions of the Research and Development Cess Act, 1986, as amended in 1995. The research and development cess collection is administered by Department of Science & Technology. Section 4 of the Act requires the proceeds of the cess levied and collected to be credited to Consolidated Fund of India and Government may, with the approval of the Parliament, pay to the Development Bank (erstwhile Industrial Development Bank of India in this case) such sums required to be utilized on the purposes of the fund.

From the figures given in **Table 2.1** below, it is observed that funds to the extent of ₹ 3,453.55 crore were collected during the period from 1996-97 to 2011-12 by way of cess. Out of this, ₹ 506.41 crore (14.66 *per cent*) only was disbursed to TDB as grants in aid during the same period. TDB in turn disbursed financial assistance and loans of ₹ 1,002.46 crore to industrial concerns attempting commercial applications of indigenous technology or adapting imported technology to wider domestic applications out of the funds made available by the Government.

Table 2.1: Showing collection of cess and its utilisation

(₹ in crore)

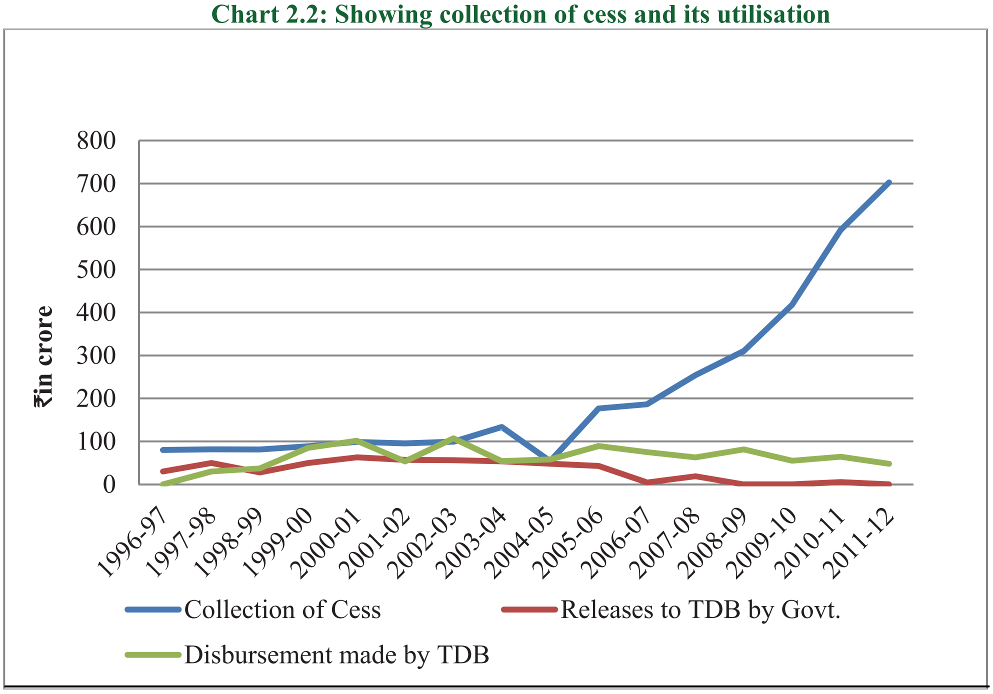
Year	Collection of Cess	Grants released to TDB	Disbursement made by TDB for technology development
1996-97	80.13	29.97	Nil
1997-98	81.42	49.93	30.14
1998-99	81.10	27.99	36.99
1999-00	88.93	50.00	85.23
2000-01	98.91	62.79	101.73
2001-02	95.30	57.00	53.44

(₹ in crore)

Year	Collection of Cess	Grants released to TDB	Disbursement made by TDB for technology development
2002-03	99.47	56.00	107.11
2003-04	133.74	53.65	53.86
2004-05	53.98	48.10	57.91
2005-06	176.61	42.66	89.23
2006-07	186.56	4.32	74.98
2007-08	254.09	19.00	63.01
2008-09	310.33	-	81.60
2009-10	418.22	-	55.04
2010-11	592.22	5.00	64.19
2011-12	702.54	-	48.00
Total	**3453.55**	**506.41**	**1002.46**

A graphical presentation of collection of cess and its utilisation over the years is depicted (**Chart 2.2**) below:

Chart 2.2: Showing collection of cess and its utilisation



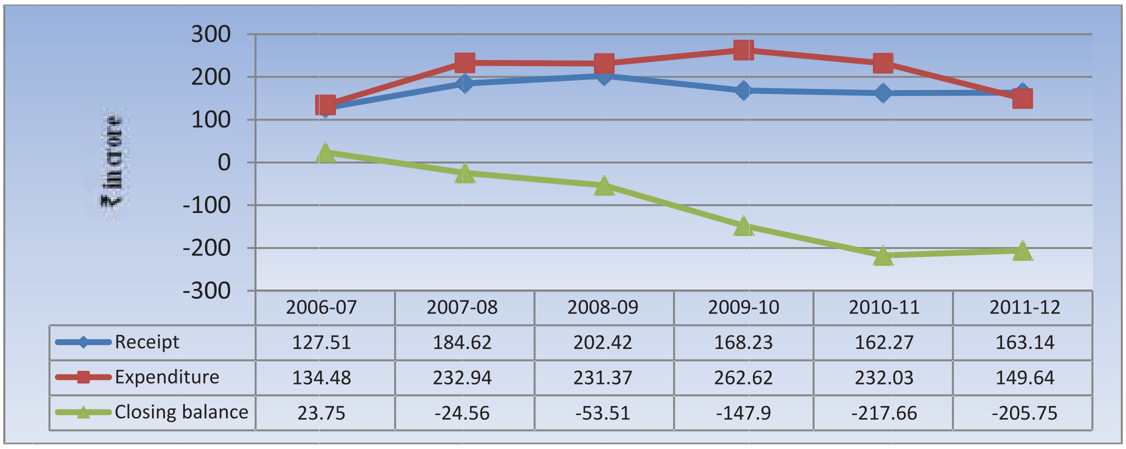
From above chart, it may be observed that the collection of cess under the Act is substantial. However, the utilisation of the cess proceeds for the intended objectives is not optimum. In turn the cess proceeds are being partly utilised to finance the revenue deficit of the Government over the years. Given the under-utilisation of the proceeds for the desired objectives, the levy of cess at the rate presently being collected needs a review.

2.2.3 Inconsistencies and continued adverse balance in Beedi Workers Welfare Fund

Beedi Workers Welfare Fund was created in the Public Account[4] by Beedi Workers Welfare Fund Act, 1976 to provide for the financing of measures to promote the welfare of persons engaged in beedi establishments. For this purpose, the Government introduced a cess in the form of duty of excise on manufactured beedis. The collection by way of this cess was to be credited to the Beedi Workers Welfare Fund in the Public Account.

The aggregate position with regard to expenditure, receipts and closing balance in the Beedi Welfare Fund during the period 2006-07 to 2011-12 is shown in **Chart 2.3** below:

Chart 2.3: Receipt, Expenditure and Adverse Balance in Beedi Workers Welfare Fund



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Receipt	127.51	184.62	202.42	168.23	162.27	163.14
Expenditure	134.48	232.94	231.37	262.62	232.03	149.64
Closing balance	23.75	-24.56	-53.51	-147.9	-217.66	-205.75

Note: Closing balance of year 2011-12 is arrived at after reconciliation.

The chart above indicates that on account of expenditure from the fund being far in excess of the receipts, the balance in the Beedi Workers Welfare Fund over the years had become adverse. There was a continuous adverse balance in the fund during the period 2007-08 to 2011-12, which steadily increased from (-) ₹ 24.56 crore in 2007-08 to (-) ₹ 205.75 crore in 2011-12.

Further, an examination of the Appropriation Accounts of the Union Government for the years 2006-07 to 2011-12 revealed that there were discrepancies in the amounts transferred to the Beedi Workers Welfare Fund and expenditure met there from. This is detailed in **Table 2.2** below:

[4] 8229-200

Table 2.2: Beedi Workers Welfare Fund

(₹ in crore)

Year	Cess Receipt in Consolidated Fund of India	Transfer to Beedi Fund in Public Account		Expenditure from Beedi Fund in Public Account	
		Transfer (As per Appropriation Accounts)	Transfer (As per Head-wise Appropriation Accounts)	Expenditure met from the Fund (As per Appropriation Accounts)	Expenditure met from the Fund (As per Recovery Statement)
1	2	3	4	5	6
2006-07	175.33	127.51	126.37	134.48	133.97
2007-08	169.59	184.62	183.67	232.94	214.25
2008-09	183.60	202.42	201.45	231.37	231.37
2009-10	169.08	168.23	166.83	262.62	262.62
2010-11	166.37	162.27	160.92	232.03	233.62
2011-12	164.48	163.14	150.63	149.64	149.64

As would be seen from the table above, the figures of the amount transferred to the fund as per Appropriation Accounts were larger than the figures of amount transferred as per Head-wise Appropriation Accounts.

Similarly, the figures of expenditure as per Appropriation Accounts also differ from those as per recovery statement in three years. Since Appropriation Accounts are prepared by the CGA on the basis of the more detailed Head-wise Appropriation Accounts, it is not clear as to why different sets of figures were appearing in these Accounts.

2.2.4 Incorrect depiction of transfer to Renewal Reserve Fund

The Renewal Reserve Fund in the Public Account for financing the replacement of the ageing plants and machinery of Ordnance Factories, as on 1 April 2011, had an opening balance of ₹ 490 crore. The receipt in and disbursement from the Fund in the year 2011-12 was ₹ 325 crore and ₹ 311.42 crore respectively. The actual expenditure incurred from the Consolidated Fund of India under the specified head[5] was ₹ 310.25 crore. As per accounting procedure, an equivalent amount matching the expenditure had to be transferred from the Renewal Reserve Fund. However, the disbursement from the fund was in excess of the expenditure by ₹ 1.17 crore.

Further, as against the amount of ₹ 325 crore transferred to the Renewal Reserve Fund in Public Account, net amount of only ₹ 13.58 crore[6] was depicted under the expenditure head[7] in Consolidated Fund of India in the Finance Accounts.

Ministry stated (December 2012 and January 2013) that the expenditure of ₹ 1.17 crore had been incurred for purchase of plant and machinery under Renewals and

[5]Minor head '2079.106-Renewals and Replacements(RR)'
[6] (₹ 325 - ₹ 311.42)
[7] Head 2079.797

Replacements head, which had erroneously been booked to a different code head. Similar comments were included under C&AG's Report No-1 for the previous year 2010-11. Despite that, discrepancy has continued to persist during 2011-12.

2.2.5 Non-crediting of Clean Energy cess in the Fund

A total cess receipt of ₹ 3,646.01 crore (₹ 1,066.46 crore for the year 2010-11 and ₹ 2,579.55 crore for the year 2011-12) was collected on account of Clean Energy cess[8] as per the Union Government Finance Accounts. As per accounting procedure, the cess receipts were to be transferred to the National Clean Energy Fund (Fund) in the Public Account. Of the total receipts of ₹ 3,646.01 crore, only a sum of ₹ 1,066.46 crore was transferred to the earmarked fund. Thus, the non-transfer of remaining amount of ₹ 2,579.55 crore of the 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 2011-12 was understated by the corresponding amount.

The Ministry replied (November 2012) that the amount of ₹ 1,066.46 crore (cess collection pertaining to the financial year 2010-11) had been transferred to the Public Account as per Budget provision.

The reply is in contravention of the prescribed accounting procedure, which stipulates that in addition to the maintenance of the Proforma Account by Ministry of Finance, the entire cess levied would be transferred to the Fund so that the same could be effectively monitored through Finance Accounts.

2.2.6 National Investment Fund (NIF)

(i) 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 were 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[9]. 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 31 March, 2012, a total amount of ₹ 1,814[10] crore was transferred by the Government to NIF for further investment.

As per the prescribed accounting procedure of NIF, the annual income from the invested portfolio with the fund managers were to be booked as receipt in the

[8] Head 0038.03.112-Clean Energy Cess.

[9] Major head '8452-NIF'

[10] ₹ 1,651 crore was transferred in the year 2007-08 and ₹ 163 crore in 2008-09.

Consolidated Fund of India (CFI)[11] and then transferred in the ratio of 3:1 to the two prescribed heads in the Public Account[12].

Against a sum of ₹ 708.27 crore earned as income during the period 2008-12, only ₹ 419.37 crore had been transferred to the Public Account leaving the balance amount of ₹ 288.90 crore in the Consolidated Fund of India. Further, the sum of ₹ 419.37 crore was transferred entirely to only one minor head[13] in the Public Account, leaving the other head[14] unopened. This was in violation of the policy prescribing a proportion of 3:1 between the minor heads in the Public Account.

The Ministry of Finance had assured (November 2011) that reconciliation of balances under NIF was underway and the balance amount would be transferred by making appropriate provision in the third supplementary.

(ii) Under the revised accounting procedure, the disinvestment proceeds collected during the period 1 April 2009 to 31 March 2012 were to be transferred to NIF under the prescribed minor head[15] in the Public Account for the period from 1.4.2009 to 31.3.2012.

Scrutiny of the Union Finance Accounts 2011-12 revealed that the said minor head had not been opened and the transfers to / from NIF of ₹ 138.94 crore had been incorrectly booked to a different minor head[16].

The CGA stated (November 2012) that the new minor head had not yet been approved by CAG and that a reference was being made to its Code section. The reply is not tenable as the concurrence of CAG on the opening of new minor head was communicated to CGA in August 2011.

2.2.7 Stressed Assets Stabilisation Fund (SASF)

The Stressed Assets Stabilization Fund (SASF), a Special Purpose Vehicle (SPV), is a 'Trust' constituted by the Government of India pursuant to a provision in the Union Budget 2004-05 to purge stressed and non-performing assets (NPAs) of Industrial Development Bank of India (IDBI) of ₹ 9,000 crore in a cash-neutral transaction. ₹ 9,000 crore of zero-interest special securities loaned to SASF by the government were given to IDBI in lieu of the NPAs transferred.

As per the prescribed accounting procedure, the loan assistance provided to Stressed Assets Stabilisation Fund (SASF) is debited to the prescribed loan

[11] Minor head '1475.110' in Statement No.8
[12] Heads 8453.101 and 8453.102
[13] Head 8453.101
[14] Head 8453.102
[15] Head 8452.102
[16] Head 8452.101

head[17]. Simultaneously, the amount received by SASF is reinvested in special Government securities and the credit, therefore, is accounted for under the head[18] in the Public Account.

Further, the amount due for discharge of securities through redemption would be budgeted for as revenue expenditure[19] with an equivalent amount shown as recovery under the aforesaid loan head. Furthermore, the amount available under the aforesaid head in the Public Account would get dropped proforma at the close of the financial year.

Against the total closing balance of ₹ 9,100 crore depicted under the said head in the Public Account[20] during 2004-05 there was a total disbursement therefrom of ₹ 3759 crore during the period 2004-12. The closing balance as on 31 March 2012 was ₹ 5,341 crore. However, ₹ 100 crore included in the opening balance of this head did not pertain to SASF and was on account of 11.5% Government of India, Industrial Investment Bank of India, Special Security 2021.

The Ministry stated (January 2013) that this wrong transfer of ₹ 100 crore would be corrected in the year 2012-13.

2.2.8 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 three 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

[17] Head 6885.01.101
[18] Head 8012.126
[19] Head 2885
[20] During 2004-05, the amount of ₹ 9000 crore was credited to minor head '8012.104' and subsequently the entire amount of ₹ 7466 crore under minor head '8012.104' was transferred to minor head '8012.126' in 2006-07 through PPA to rectify misclassification of earlier years.

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 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 years 2010-11 and 2011-12. The Ministry, in its Action Taken Note of September 2010, stated that the fund was created after extensive examination 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. Ministry further stated (October 2012) 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.

The General Financial Rules does 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.

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

2.2.9 Short transfer of cess to earmarked Funds

Scrutiny of accounts of Ministry of Labour revealed that the cess collected on account of iron ore, limestone and dolomite and feature films during 2011-12 were not transferred in full to their earmarked funds (Mines Welfare Fund, Cine workers Welfare Fund) in Public Account. There was a short-transfer of ₹ 29.28 crore, as detailed below:

Table 2.3: Short transfer of cesses to their earmarked Funds

(₹ in crore)

Receipt of Cess		Transfer to Public Account		Short transfer to the fund
Name of Cess & Receipt Head	**Amount**	**Name of earmarked fund in Public Account and Head**	**Amount (*excluding direct receipt*)**	
Cess on iron ore 0038.04.110	18.18	Mines Welfare Fund 8229.114	19.00	
Cess on limestone and dolomite 0038.04.112	29.29			
Total	**47.47**		**19.00**	**28.47**
Cess on feature films 0038.04.130	2.31	Cine Workers Welfare Fund 8229.115	1.50	0.81
Total short transfer				**29.28**

**Source: Statement of Central Transactions of Ministry of Labour for the year 2011-12*

Ministry of Labour and Employment stated (November 2012) that Ministry of Finance (MoF) had been requested at RE stage to increase the provision in all Welfare Labour Funds as there were outstanding cess proceeds for transfer. However, the same was not acceded to by MoF.

2.2.10 Unutilised balance of a fund dissolved by Parliament, not credited to Consolidated Fund of India

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 that the balance amount lying in the credit of the aforesaid account was not transferred to the Consolidated Fund of India as envisaged in the Act. Instead, it continued to be operated under a head in the Public Account[21] on year to year basis and was being utilized by the Regional Pay

[21] Coal Welfare and Development Fund

and Accounts Office (RPAO), Dhanbad to meet its establishment expenditure. This was pointed out in the C&AG Audit Report No.1 for the year 2011-12. During the year 2011-12, no expenditure was incurred from this head. An amount of ₹ 2.67 crore was still lying under the Head as on 31 March 2012.

In December 2012, Principal Accounts Office, Ministry of Coal stated that as per records of RPAO, Dhanbad all the amounts lying under the aforesaid head in the Public Account had been transferred to the Consolidated Fund of India (₹ 8.59 crore). However, as per the records available at Principal Accounts Office and the figure reflected in the Appropriation Accounts, ₹ 11.26 crore was the available balance for transfer from the said head in the Public Account. Hence, as per the figures contained in the Appropriation Accounts previous an amount of ₹ 2.67 crore is still being shown as balance in the Public Account, which needs to be transferred to Consolidated Fund of India.

2.3 Integrity and Reconciliation Issues

2.3.1 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 up to the current year 2011-12.

On this matter being pointed out last year, Ministry of Labour had 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.

However, despite this subject being commented upon in the CAG's Audit Report No.1 for the years 2008-09, 2010-11 and 2011-12, no discernible progress has been made to address this discrepancy.

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

In Statement No.14[22] of the Finance Accounts for the financial year 2011-12, under the Special Deposit of Employees' Deposit Linked Insurance Scheme[23] in the Public Account, a credit balance of ₹ 1,294.21 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 ₹ 5,880.73 crore had been shown as deposited in the Public Account as on 31 March 2012. There is a difference of ₹ 4,586.52 crore in the two sets of figures.

On this matter being pointed out last year, the Principal Accounts Office, Ministry of Labour and Employment stated (January 2012) that two minor heads[24] were being operated for this purpose. However, 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. Further, the Controller General of Accounts (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.

Despite a lapse of nearly one year, further progress on the matter has not been intimated by CGA.

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[25]. 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[26] to the Public Account.

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[22] Statement 14: Statement of debts and other interest bearing obligations of Government
[23] Head 8012.124-Special Deposit of Employees Deposit Linked Insurance Scheme
[24] 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
[25] Head 8012.120-Special Securities issued to Nationalised Banks
[26] Head 3465.01.190.04-Security Redemption Fund

Scrutiny of the accounts revealed that during the years 2008-09 to 2011-12, 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 ₹ 2,500 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 Department of Economic Affairs, revealed that the said Fund had not been created yet and the amount of ₹ 2,500 crore was lying under a suspense head.

The Ministry stated (November 2012) that the opening of minor head under '8235' for Security Redemption Fund was still in process and as a result the said amount could not be transferred to Public Account but kept under PAO (Civil) suspense head. Revised Accounting Procedure has already been submitted for approval.

Despite a lapse of nearly three years the amount of ₹ 2500 crore is still lying under a suspense head as the requisite minor head has not been opened.

2.3.4 Dormant Reserve Funds/Deposits/Other funds

Reserve Funds and Deposits form a part of the Public Account, wherein the transactions in respect of which Government incurs a liability to repay the moneys received and the repayments thereof are recorded. Dormant funds/deposits constitute those funds or deposits which are not in operation for a long period of time. Since the constitution of a reserve fund generally involves transfer of sum from Consolidated Fund of India into Public Account, the dormant funds in the Public Account should be closed and the closing balances therein should be reverted to Consolidated Fund of India.

Scrutiny of Finance Accounts revealed 55 cases of reserve funds/ deposits/other funds, which were lying dormant for periods ranging from three to 23 years. These cases have been depicted in **Annex II-B.**

On being pointed out, Controller General of Accounts did not clarify the reasons for these funds/deposits remaining dormant for such long periods. It is evident from the Annex that the most of the cases involved meagre amounts and hence, their continuance did not serve any logical purpose. The concerned authorities should, therefore, after a review, consider the closure of such funds/deposits by crediting the proceeds therein to Consolidated Fund of India.

2.3.5 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. Rest of the loans, which have not yet been fully repaid, appear in the account with positive balances. Subsequently, when the external debt is aggregated, it gets understated due to netting of negative and positive balances.

Similarly, the balances of debt obtained from a particular country also do not reflect the correct figure of debt because one particular country lends loans for a number of projects which are accounted for separately. Of these, loans on some projects have already been paid off, 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 ₹ 1,70,087.61 crore, as appearing in the Finance accounts, do not reflect the actual dimension of outstanding external debt. As per note below Statement No. 14[27], the external debt at the current rate as at the end of March 2012 was ₹ 3,22,897 crore. Thus, the depiction of external debt in the accounts at historical rate of exchange is not a true reflection of liability.

On this being pointed out last year, the CGA stated 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. It was pointed out that a mechanism be devised by the CGA to depict the actual dimension of the outstanding external debt at historical rate of exchange. However, no progress has been shown in this regard yet.

The CGA stated (November 2012) that reference had been made to Controller of Aid, Accounts and Audit and that audit would be intimated on receipt of reply**.**

2.3.6 Inconsistent depiction of external debt at current rate

The Union Government Finance Accounts depict the position of outstanding external debt[28] at historical rate as well as at at current rate. Audit scrutiny revealed that the aggregate outstanding debt of ₹ 38,976.08 crore contracted from

[27] Statement 14: Statement of debts and other interest bearing obligations of Government
[28] Major head 6002-External Debt

three entities[29] had been shown at historical rate. However, these entities had not been reflected in the position of external debt at current rate. This has resulted in an under-statement of external debt at current rate.

The CGA stated (November 2012) that reference had been made to Controller of Aid, Accounts and Audit and that audit would be intimated on receipt of reply.

2.3.7 Non-depiction of loans given by Union Government

In Statement No. 3 of the Finance Accounts 2010-11 (and for earlier years), loans disbursed to the following Ministries/States/Organisations, detailed in **Table 2.4** below, were reflected. However, the details of these loans have been deleted from the Statement No.3 for the year 2011-12 without assigning any indication as to whether the loans outstanding from these Organisations had been received back/written off during the year 2011-12.

Table 2.4: Non-depiction of loans in Finance Accounts-2011-12

Sl. No.	Name of the Ministry advancing the loan	Organisation	Period to which arrears of loan relates	Total amount of outstanding loan as on 31.3.2012 *(₹ in crore)*
1	Chemicals and petro-Chemicals	Central Institute of Plastic Engineering and Technology	2007-08	47.34
2	Science and Technology	15 cases	1993-94 to 2007-08	59.26

The CGA stated (January 2013) that the reply was awaited from the Ministries.

2.3.8 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 were to be cleared by the end of 2008-09.

However, despite being repeatedly pointed out in Audit Report the minor head continued to appear in Statement No.13[30] of the Finance Accounts, with an outstanding debit balance of ₹ 36.26 crore.

The CGA stated (November 2012) that the audit observation had been forwarded to concerned Ministries/Departments and that audit would be intimated on receipt of their replies. It added that balances under this head pertained to 14 State Accountants General and had also requested for giving suitable directions to

[29] IBRD, Kuwait Fund and Sweden
[30] Statement 13: Statement of receipts, disbursements and balances under debt, deposits remittances and contingency fund

concerned State Accountants General to clear their respective balance under this head.

2.3.9 Non-updation of Guarantee Redemption Fund

As per Rule 251 of General Financial Rules 2005, in the event of invocation of guarantee, the obligation may be discharged by sanctioning loan equal to the amount of guarantee outstanding (with the approval of Budget Division, Ministry of Finance). However, any payment on this account would finally be charged to the Guarantee Redemption Fund maintained in the Public Account.

Ministry of Textiles discharged a guarantee of ₹ 1.50 crore invoked during the year. However, the invocation of the same has not been reflected in the head "8235.117-Guarantee Redemption Fund" in the Public Account in terms of the extant rules. The reflection of this transaction under the expenditure and loan statements in Finance Accounts[31] and the related heads in Appropriation Accounts could also not be ascertained.

The CGA stated (December 2012) that the reference had been made to the Ministry of Textiles and that the audit would be intimated on receipt of reply.

2.3.10 Other discrepancies

(a) Inconsistency/Discrepancy in Statement Nos. 9 & 10 of Finance Accounts with regard to amount booked as receipts/disbursement in Reserve Fund and other discrepancies.

(i) It has been noticed that amount transferred to Railway Development Fund (RDF) from Statement-9 & 10 and the amounts booked as receipts in RDF in the Public Account are not matching.

Table 2.5: Inconsistency in transfers to Reserve Fund

(₹ in crore)

Name of fund and head of account	Head of Account in Statement-9 & 10 showing transfers to Public Account	Amount transferred from Consolidated Fund of India	Amount booked as receipt in the Public Account	Difference
Railway Development Fund 8117.101	3006.102	610.00	3568.90	2958.90

The CGA stated (November 2012) that a reference had been made to Ministry of Railways and audit would be intimated on receipt of reply.

[31] Statement No.9 and 15

(ii) An expenditure of ₹ 29,212.92 crore was incurred on National Rural Employment Guarantee Scheme (NREGS). Against this an amount of ₹ 29,215.05 crore was transferred (as disbursement) from the National Rural Employment Guarantee Fund (NREGF) to meet the expenditure on NREGS. Thus, an excess expenditure of ₹ 2.13 crore had been met from Public Account in comparison to the expenditure booked in Consolidated Fund of India on NREGS head.

The Ministry stated (February 2013) that the saving of ₹ 2.13 crore was due to less expenditure incurred by the implementing agencies. Thus, the actual expenditure of ₹ 29,212.92 crore was incurred and debited in the Consolidated Fund.

The reply of Ministry is not satisfactory as it was not explained as to why there was an excess disbursement of ₹ 2.13 crore from NREGF and on which scheme the amount had been defrayed from this fund. The recoupment from fund does not precede but follows the expenditure. The expenditure on NREGS and the amount met from NREGF to finance the expenditure should be identical.

(b) Incorrect depiction of investment against liquidated entities

A fresh investment of ₹ 13 crore in Burn Standard Ltd and ₹ 6 crore in Braithwaite Ltd, respectively, had been depicted in the Finance Accounts for the year 2011-12. However, as per Finance Accounts 2011-12, these two Central Public Sector Enterprises had already been liquidated and merged with Bharat Bhari Udyog Ltd. in 2010-11.

The CGA in its reply (November 2012) stated that the Ministry of Railways had already been requested to explain the investment and audit would be intimated on the receipt of reply.

(c) Non-depiction of investment in Finance Accounts

An investment of ₹ 30 crore was made in 'Support for 50 seater Aircrafts services in NE Region' as reflected in Appropriation Accounts[32]. The effect of this investment had not been reflected in the Finance Accounts[33].

CGA stated (February 2013) that the Principal Accounts Office, Ministry of Development of North-Eastern Region had also not included this in their Statement-11 and that Audit would be intimated on the receipt of reply.

[32] Sub-head 4552-02-202
[33] Statement-11-Investments by Union Government

(d) Non-finalisation of terms and conditions of loan advanced

It may be seen from **Table 2.6** that even after a gap of 17 years of advancing the loan, the terms and conditions of loans had not been finalised. This reflected a laxity on the part of the administering Ministry with regard to the recovery and other aspects of these loans.

Table 2.6: Non-finalisation of terms and conditions of loan advanced

Name of the organisation	Aggregate loans advanced	Earliest period to which loan related
Rajiv Gandhi Cancer Institute and Research Centre, New Delhi	₹ 29.29 crore	1994-95

This year also CGA has replied (November 2012) that the outcome on the finalisation of terms and condition was still awaited.

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.

(e) Inconsistency/Discrepancy in Statement of Finance Accounts and Appropriation Accounts

Comparison of Statements 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 that in five cases, there was difference in amount of investment of ₹168.66 crore made between the two Accounts. These cases are detailed in **Annex II-C.**

2.4 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2011-12 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification, (ii) Increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts, and (iii) persistent outstanding balances on account of lack of timely action for their clearance.

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

2.4.1 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 Governments’ 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 basis of figures furnished by the PAOs periodically. The Chief Controller of Accounts of concerned Pr. Accounts Office is required to review the suspense balances and report to Controller General of Accounts (CGA) for monitoring purposes.

The aggregate net balance under suspense heads in the Union Finance Accounts including Civil, Defence, Railways, Post and Telecommunications was ₹ 19,556.65 crore (Debit) as on 31st March 2012. This balance comprised of ₹ 3,190.07 crore (Debit) in respect of Civil, for Defence ₹ 9,498.65 crore (Debit), relating to Railways ₹ 2,234.01 crore (Debit), for Postal ₹ 2,744.61 crore (Debit), for Telecommunication ₹ 755.63 crore (Debit) 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 outstanding under these heads does not get reported in the annual accounts of 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 are given below:

Table 2.7: Position of Suspense balances under major suspense head in respect of civil Ministries

(₹ in crore)

Name of Head	2007-08		2008-09		2009-10		2010-11		2011-12	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
101-PAO Suspense	2882.39	617.77	2512.92	524.57	2880.09	1172.22	3374.13	1131.37	3213.12	740.00
Net	**(-) 2264.62**		**(-) 1988.35**		**1707.87**		**(-) 2242.76**		**(-) 2473.12**	
102-Suspense Account (Civil)	1087.28	10310.30	1608.78	1443.21	1942.11	1447.74	1943.09	9781.95	2050.60	3409.87
Net	**9223.02**		**(-) 165.57**		**(-) 494.37**		**7838.86**		**1359.27**	
107-Cash Settlement Suspense Account	362.14	16.58	349.49	16.57	371.03	16.57	374.62	19.81	363.32	36.10
Net	**(-) 345.56**		**(-) 332.92**		**(-) 354.46**		**(-) 354.81**		**(-) 327.22**	
108-PSB Suspense	6517.28	782.19	3526.51	1942.36	2435.52	1775.10	3091.85	1052.85	2881.34	1292.70
Net	**(-)5735.09**		**(-) 1584.16**		**(-) 660.42**		**(-) 2039.00**		**(-) 1588.64**	
109-Reserve Bank Suspense (HQ)	11.37	190.89	11.37	190.04	11.37	185.26	11.67	185.14	11.37	185.80
Net	**179.52**		**178.67**		**173.89**		**173.47**		**174.43**	
110-Reserve Bank Suspense Central Accounts Office	209.18	48.57	339.41	47.09	92.02	128.83	28.52	193.74	45.50	65.52
Net	**(-) 160.61**		**(-) 292.32**		**36.81**		**165.22**		**20.02**	
115- Suspense Accounts for Purchases etc. Abroad	536.65	--	877.79	--	1894.85	--	940.82	--	661.19	-
Net	**(-) 536.65**		**(-) 877.79**		**(-) 1894.85**		**(-) 940.82**		**(-) 661.19**	
129-Material Purchase Settlement Suspense Account	156.31	107.84	167.82	115.88	195.25	143.11	202.22	102.16	208.56	86.30
Net	**(-) 48.47**		**(-) 51.94**		**(-) 52.14**		**(-) 100.06**		**(-) 122.26**	
136-Custom Receipts awaiting transfer to receipt head	--	114.97	--	152.15	--	145.47	--	252.28	--	249.50
Net	**114.97**		**152.15**		**145.47**		**252.28**		**249.50**	
138-Other Nominated Banks (Pvt. Sector Banks)	2.34	170.68	1.55	40.38	2.88	100.70	36.28	294.80	5.82	243.39
Net	**168.34**		**38.83**		**97.82**		**258.52**		**237.57**	

It would be seen that debit balances under Suspense Account (Civil), Reserve Bank Suspense, Central Accounts Office and Material Purchase Settlement Suspense Account have increased by ₹ 130.83 crore in 2011-12 over the previous years. Similarly, credit balances under Cash Settlement Suspense Account, PSB Suspense and Reserve Bank Suspense (HQ) head have increased by ₹ 256.80 crore in 2011-12 over the previous years. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by the CGA hindering effective monitoring of clearance such balances.

PAO Suspense

This minor head is operated for the settlement of inter-departmental and inter-Governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts officer against whom the minor head 'PAO Suspense' has been operated. Credit under the head is cleared by 'minus credit' when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realization of cheque from the Accounts Officer on whose behalf payments were 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 2012, the outstanding debit balance under this head was ₹ 3,213.12 crore and under credit was ₹ 740.00 crore. The outstanding balances were mainly in respect of Department of Supply ₹ 2,325.29 crore (Debit), Central Board of Direct Taxes (Expenditure) ₹ 121.59 Crore (Debit), Ministry of External Affairs ₹ 402.97 crore (Debit), Central Board of Excise and Custom ₹ 19.67 crore (Credit), Ministry of Home Affairs ₹ 30.98 crore (Debit), Ministry of Road Transport and Highways ₹ 182.41 crore (Credit), Ministry of Health and Family Welfare ₹ 30.60 crore (Debit) and Finance (Expenditure) ₹ 284.97 crore (Credit) indicating the payment made (Debit) or received (Credit) by these department/ Ministries on behalf of other PAOs which were yet to be recovered/ paid by them as on 31 March 2012. The heavy 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 CBDT, ₹ 0.03 crore (Debit) and (-) ₹ 121.56 crore (Credit) pertaining to the period prior to 1986-87 till 2011-12 were outstanding which included ₹ 358.34 crore (Debit) and (-) ₹ 758.24 crore (Credit) pending settlement for more than four years. In Ministry of Home Affairs, balances of ₹ 67.73 crore (Debit) and ₹ 36.94 crore (Credit) were outstanding at the end of the year 2011-12 which included debit balance of ₹ 0.12 crore (Debit) pending settlement for more than four years. In Ministry of External Affairs, balances of ₹ 410.30 crore (Debit) and ₹ 7.33 crore (Credit) were outstanding at the end of the year 2011-12, which included ₹ 20.55 crore (Debit) and ₹ 0.20 crore (Credit) pending settlement for more than four years. The Pr. AOs did not provide any evidence regarding efforts made to clear the old balances. In addition to this, the Department of Supply stated (November 2012) that year-wise break up of credit and debit balances under the head '8658- PAO Suspense' had not been maintained.

Suspense Account (Civil)

This transitory minor head is operated for accounting of the transactions, for want of certain information/ documents viz. vouchers, challans etc., which 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 balances under this head would mean payments made, which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts received, which could not be credited to the final receipt head for want of details.

The outstanding balance under this minor head as on 31 March 2012 was ₹ 3,409.87 crore (Credit) and ₹ 2,050.60 crore (Debit) indicating the receipts and expenditure of ₹ 5,460.47 crore, which were required to be handled individually for settlement, had not been booked to their final heads of account. The major balances outstanding pertaining to Ministry of Home Affairs ₹ 932 crore (Debit), Department of Supply ₹ 597.62 crore (Debit), Ministry of External Affairs ₹ 598.10 crore (Credit), Central Board of Excise and Custom ₹ 2.31 crore (Debit) and Central Board of Direct Taxes ₹ 9.55 crore (Debit).

Test check of the balances in Principal Accounts Offices revealed that in CBDT, balance of ₹ 9.59 crore (Debit) and ₹ 0.04 crore (Credit) were outstanding at the end of year 2011-12 which included debit balance of ₹ 8.96 crore (Debit) and credit balance of ₹ 0.19 crore (Credit) pending settlement more than three years. The Pr. AOs did not provide any evidence regarding efforts 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 supplier abroad against the supplies made to the project authorities/ importers and an equal amount is kept under the suspense head till the payment is received from the concerned Line Ministry. The debit balance under this head indicates the amount, which is yet to be recovered from the importers/project authorities, although the Government has already made the payment for these imports.

In 2011-12, suspense accounts balance for purchases abroad was ₹ 661.19 crore (Debit). Major debtors as on 31 March 2012 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). It was also observed that ₹ 238.88 crore was outstanding from different organisations since 2003. A list showing the details of amounts outstanding since 2003 is given in **Annex II-D.**

It was noticed from the information made available by the department that subsequent payments had been made on behalf of various importers/project authorities while the payments for earlier purchases were still due from them. Concrete steps need to be taken by CAA&A for recovery of the outstanding amounts.

Public Sector Bank Suspense

In the Government accounting system, the designated banks conduct Government business on behalf of the Reserve Bank of India. When the 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 transitions awaiting settlement. On receipt of accounts from RBI (CAS), Nagpur the original booking under PSB Suspense is cleared by minus credit/ minus 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 2012 aggregated to ₹ 2,881.34 crore (Debit) and ₹ 1,292.70 crore (Credit). The department against which major balances were outstanding were Department of Commerce (Supply Division) ₹ 276.83 crore (Debit) CBEC ₹ 784.12 crore (Debit), CBDT (Expenditure) ₹ 795.69 crore (Debit), CPAO ₹ 789.61 crore (Credit), School Education and Literacy ₹ 124.99 crore (Credit), Health and Family Welfare ₹ 115.46 crore (Credit) and Ministry of Home Affairs ₹ 178.21 crore (Debit). It was observed that there was significant increase of outstanding balance during 2011-12.

Test check of balances in Principal Accounts Offices revealed that in CBDT the outstanding PSB balance included debit balance of ₹ 1,945.56 crore and credit balance of (-) ₹ 364.37 crore credit pending settlement from 5 to 23 years. In CBEC the outstanding PSB balance included debit balance of (-) ₹ 100.67 crore and credit balance of ₹ 152.19 crore pending settlement for more than three years. In MHA, the outstanding PSB balance included (-) ₹ 0.75 crore (Debit) and ₹ 6 crore (Credit) pending settlement for more than 3 years. The Pr. A.O of MHA stated that the matter had been taken up with concerned PAOs/Regional PAOs and accredited bank for early settlement of the balances lying unadjusted.

Reserve Bank Suspense, Central Accounts Office (CAO)

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 Central Accounts Section (CAS), Nagpur the head is minus debited by per contra debit to '8675-Depostis with RBI-101-Central Civil'. The outstanding balance under this minor head as on 31 March 2012 was ₹ 45.50 crore (Debit) and ₹ 65.52 crore (Credit). The outstanding RBI (CAO) suspense balances were mainly against the Ministry of Road Transport and Highways ₹ 7.77 crore (Debit), Department of Supply ₹ 23.07 crore (Debit), Ministry of Urban Development ₹ 7.53 crore (Credit), Ministry of Minority Affairs ₹ 7.13 crore (Credit) and Department of North Eastern Region ₹ 7.68 crore (Credit).

Test check of balances in Principal Accounts Offices revealed that in Department of Supply, a net debit balance of ₹ 23.07 crore was outstanding at the end of the year 2011-12. 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. Further, scrutiny of the Statement No. 13 in respect of CBDT revealed that against a 'nil' opening balance a disbursement of ₹ 3.63 crore was depicted which resulted in a debit balance of ₹ 3.63 crore under the head "8658.110-R.B.Suspense". The department stated that a couple of Zonal AOs had wrongly booked this amount under this head.

2.4.2 Large number of adverse balances under Debt Deposit and Remittance (DDR) Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced.

In the Finance Accounts of the Union Government for the year 2011-12, there are 44 cases of adverse balances under debt, deposit and remittances heads as given in **Annex II-E**. Of these, four balances became adverse during the year 2010-11 and the remaining 40 cases were outstanding in earlier years. These include 20 cases outstanding for the period 2005-10, 10 cases for the period 2000-05 and 10 cases for the period prior to 2000-01. Though the footnotes to the adverse balances in the Finance Accounts mentioned that those were under investigation, the findings of such investigation by the CGA and subordinate offices and efforts made to clear them were not made available to audit.

2.4.3 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediately 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 during the month and the same amount debited in the '8658-Suspense'. On receipt of Date-wise monthly Statements (DMS)/ monthly Statement of Balances from Public Sector Bank/ RBI (CAS), Nagpur showing the payments made by them against the cheques issued, the head '8670 – Cheques and Bills' is minus credited and credit is afforded to '8658-108-PSB Suspense/ 8675-101-Deposit with RBI-Central Civil', as the case may be.

In the Finance Accounts for 2011-12 large balances are lying outstanding under the following minor heads of 'Cheques and Bills' as detailed below:

Table 2.8: Outstanding balances under the following minor heads of 'Cheques and Bills'

(₹ in crore)

Pre-audit Cheques	Debit	1668.25
Pay and Accounts Office Cheques	Credit	5030.43
Departmental Cheques	Credit	2090.00
Treasury Cheques	Credit	1673.21
IRLA Cheques	Credit	0.59

(₹ in crore)

Telecommunication Accounts Cheques	Credit	1264.13
Postal Cheques	Credit	10634.65
Railway Cheques	Credit	2630.36
Defence Cheques	Credit	1944.13
Electronic Advice	Debit	114.93
Pay and Accounts Offices Electronic advices	Credit	133.04

Rule 45 of Receipt and Payments 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 and 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.

Test check of the six Pr. AOs revealed that 7,524 cheques amounting to ₹ 93.67 crore in MHA, 5,085 cheques amounting to ₹ 186.34 crore in MEA, 8,194 cheques amounting to ₹ 48.45 crore in CBEC, 469 cheques amounting to ₹ 5.35 crore in Department of Supply and 12,107 cheques amounting to ₹ 25.28 crore in CBDT had remained unpaid for more than six months but had not been cancelled by the Pr. AOs and corresponding entry was not made in the concerned head of accounts.

2.4.4 Review of balances not carried out by Principal Accounts Offices

As per Civil Accounts Manual, at the close of a financial year the PAOs shall review and verify the balances under various DDR heads and to ascertain, wherever necessary, whether the correctness of the balances is accepted by the person/ parties by whom the balances are owed or to whom these are due and are required to furnish annually by 15 September of 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 of the ministry/ department as a whole to the Controller General of Accounts by 15 October of 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, deposit and remittances.

In respect of civil department, the review of balances for the year 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 was completed only in 26, 36, 38, 22, 16 and 04 departments respectively, out of a total 72 Pr. AOs.

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

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

2.4.5 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 41 departmentally managed Government undertakings of commercial or quasi commercial nature as of March 2012. 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 prepares 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 enclosed **Annex II-F**.

From the annexure, it will be seen that the Proforma Accounts were in arrears in respect of undertakings for periods ranging from-one to twelve years shown below:

Table 2.9: Period for which Proforma Accounts are lying in arrears

No. of years	Period	No. of undertakings
1-4	2008-09 to 2011-12	29
5-8	2004-05 to 2007-08	4
9-12	2000-01 to 2003-04	2
	Total	**35**

In the absence of proforma account, 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.

2.4.6 Losses and irrecoverable dues written off/waived

Rule 33 of General Financial Rules, 2005 envisages that any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of, Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer., even when such loss has been made good by the party responsible for it. Petty losses of value not exceeding Rupees two thousand need not be reported.

Statement of losses and irrecoverable dues written off /waived off during the year 2011-12 furnished by the ministries/departments, is given in the **Annex II-G.** It will be seen from the Annex that in 171 cases, ₹ 817.63 lakh were written off during 2011-12. During the year, recoveries waived and ex gratia payment made in 105 cases aggregated to ₹ 151.05 lakh.