2: COMMENTS ON ACCOUNTS

2.1 Introduction

Comments relating to significant deficiencies in the presentation (accuracy, completeness and transparency) of the Union Finance Accounts are given in the succeeding paragraphs. The comments arising from Appropriation Accounts audit are included in Chapters 3, 4 and 5 of this Report. Observations on regularity, economy, efficiency and effectiveness of Government spending are incorporated in compliance and performance audit reports, being presented separately to the Parliament.

2.2 Issues of transparency

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

The Twelfth Finance Commission, in their Report (para 14.16) submitted to the Government in November 2004, had recommended 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 Thirteenth Finance Commission had 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 this be followed in all the States.

The Fourteenth Finance Commission in their Report of December 2014, while endorsing the views of the earlier Commissions for transition to accrual based accounting, reiterated (in para 17.14) inclusion of various statements in the Finance Accounts of Union and State Governments.

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 information 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 2014-15 disclosed that the statements as recommended by the Twelfth and Thirteenth Finance Commissions had not been included therein. It would be pertinent to mention that most of the States were appending a majority of the above statements to their accounts.

This aspect was mentioned in the Reports of the Comptroller and Auditor General of India on the Accounts of the Union Government for the year ended 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14 successively but no action has been taken by the Government even after a lapse of eleven years.

2.2.2 Opaqueness in Government Account

Scrutiny of Union Government Finance Accounts for the year 2014-15 disclosed that under 11 Major Heads of accounts (representing functions of the Government) expenditure of ₹ 8,646.13 crore 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. Some of the Major Heads where opaqueness in expenditure exists are Capital Outlays on Soil and Water Conservation (100 *per cent* of expenditure was booked under minor head 'other expenditure'), Capital Outlays on Coal and Lignite (100 *per cent*), Capital Outlay on Non-Ferrous Mining and Metallurgical Industries (100 *per cent*), Other Social Services (99.84 *per cent*), Capital Outlay on Other Communication Services (98.81 *per cent*), Flood Control and Drainage (98.72 *per cent*), Agricultural Financial Institutions (95.85 *per cent*), etc. Details of the 11 Major Heads are given in **Annexure 2.1**.

Expenditure on some significant initiatives such as expenditure on interest subvention for providing short-term credit to farmers (₹ 6,000 crore), Below Poverty Line Scheme (₹ 332.34 crore), subsidy for operation of Haj Charters (₹ 577.08 crore) and OFC based Network for Defence Services (₹ 358.08 crore) were not depicted distinctly in the Finance Accounts but were merged under the Minor head, 'Other Expenditure'.

This aspect was commented upon in the Reports of the Comptroller and Auditor General of India on the Accounts of the Union Government for the year ended 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 successively with the recommendation that the Government may conduct a comprehensive review of the structure of Government Account to address this deficiency for achieving greater transparency in financial reporting. As an interim measure, the CGA has inserted footnotes in the Finance Accounts, giving details of expenditure on significant initiatives merged under the Minor Head '800-Other Expenditure'.

The Controller General of Accounts (CGA) replied (September 2015) that it had been sensitising all Ministries/Departments to meaningfully address this matter during the review of Statement of Central Transactions, when it had been noticed that substantial amounts had been provisioned and booked under the Minor head '800-Other Expenditure' which had resulted in the adverse observation of Audit.

2.2.3 Public Fund lying outside Government Account

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. However, it was observed that funds of certain regulatory bodies, funds/receipts collected for compensatory afforestation and some funds of the Telecom Regulatory Authority of India are lying outside the Government Account as detailed below:

a) Funds of Regulators outside Government Account

Scrutiny of annual accounts of fifteen regulatory bodies and autonomous bodies which also act as regulators in their respective field, showed that these bodies had retained funds generated through fee charges, unspent grants received from Government of India, interest accrued on government grants, receipt of license fees, corpus fund, etc. aggregating ₹ 6, 051.25 crore at the end of March 2015, outside the Government Account, contrary to the above instructions issued in January 2005. Details of such bodies and funds retained by them are depicted in **Annexure 2.2.**

In respect of regulatory bodies viz., the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority (IRDA) and Pension Fund Regulatory and Development Authority (PFRDA), 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, 2010-11, 2011-12, 2012-13 and 2013-14.

The Ministry of Finance in its ATN stated (September 2011) 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 funds in the Government Account. It subsequently added (February 2014) that 'as per Section-16 of IRDA Act', all

[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

Government fees and charges received by the Authority, all sums received by the Authority from such other source as may be decided upon by the Central Government would be part of the IRDA Fund. No action to bring the SEBI Fund and IRDA Fund into Government Account, even after a lapse of more than three years, had been taken by the Ministry.

The Department of Economic Affairs (DEA), Ministry of Finance stated (September 2015) that the matter relating to SEBI general funds in Public Account had been referred to the Department of Legal Affairs.

The reply of DEA is not tenable as it has already taken the view of Department of Legal Affairs in July 2010 wherein it was opined that all funds received by SEBI are public money and all public money received on behalf of Government of India would be the part of the Public Account as defined under Article 266(2) of the Constitution of India. Further, correction slips for creations and operation of SEBI General Fund in the Government account have already been issued by the CGA in June 2014, but the Fund has not been made operational in the accounts of 2014-15.

Pharmacy Council of India (PCI) stated (November 2015) that it had deposited its surplus fund in State Bank of India as per regulation of PCI. Further, Food Safety Standards Authority of India (FSSAI) replied (September 2015) that it had not been notified as a regulatory body and OM dated January 2005 issued by the Ministry of Finance does not apply to it.

The replies of PCI and FSSAI are not tenable as they essentially discharge the functions of regulators of sectors concerned. Thus, they ought to be treated as a regulatory bodies and hence the OM of Ministry of Finance dated January 2005 would be applicable to them.

MCI reiterated its last year's reply (October 2015) that it had initiated procedure for purchase of land for staff residential quarters and convention hall and ₹ 300 crore was expected to be utilised.

Furthermore, Central Council of Homeopathy (Council) stated (October 2015) that the expenditure of the Council exceeded the value of Grants received by it.

The replies of the MCI and The Council are not tenable as revenue generated by regulatory functions performed by these bodies should form part of the Government account and the expenditure incurred by these bodies should be brought within the ambit of budgetary process so as to pass through the Parliamentary scrutiny. Hence, surplus funds lying with the regulatory bodies should be brought into the Government account by framing appropriate accounting procedure/rules, on the lines of Central Electricity Regularity

Commission Fund, Telecom Regulatory Authority of India General Fund, etc. appearing in the Public Account.

b) Retention of TRAI General Fund outside Government Account

Scrutiny of annual accounts of the Telecom Regulatory Authority of India (TRAI) for the year ended 31 March 2015 showed that the Authority retained funds of ₹ 35.07 crore generated on account of registration fee (₹ 2.32 lakh), penalty from telemarketers (₹ 2.34 crore), customer education fee (₹ 7.22 crore) and financial disincentive (₹ 25.49 crore). Though there exists TRAI General Fund in Public Account, yet the above receipts were lying in separate bank accounts maintained by the Authority. TRAI had requested the Department of Telecommunication (DoT) in December 2014, April 2015 and June 2015 for approval to transfer the unutilized amount to TRAI General Fund in Public Account, however, a decision thereon was pending with DoT as of August 2015.

(c) Retention of CAMPA funds outside Government Account

Compensatory Afforestation Fund Management and Planning Authority (CAMPA) is the custodian of all Compensatory Afforestation Funds (CAF) collected from user agencies while allowing diversion of forest land for non-forest purposes under the Forest (Conservation) Act, 1980 and also amounts received towards net present value of the forest land so diverted as per Supreme Courts directions. The collected money is held in trust by CAMPA for each State/UT and released to respective State/UT Government based on approved Annual Plans of Operation. The accumulated funds are kept invested in the interim.

The Supreme Court of India in October 2002 directed that the funds for compensatory afforestation were not to be a part of general revenues of the Union, States or part of the Consolidated Fund of India. As such the CAMPA funds are currently kept outside the Consolidated Fund of India or Public Account of India. As per Ministry of Environment and Forest (MoEF) notification dated 13 March 2007, CAMPA was directed to have corporate accounting based on double entry system as per the directions (September 2005) of the Supreme Court. The guidelines on State CAMPA envisaged that State CAMPA would maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Accountant General concerned.

During the period 2006 and March 2015, the Compensatory Afforestation Funds with Ad-hoc CAMPA grew from ₹ 1,324.22 crore to ₹ 35,522.07 crore.

The accumulated funds comprised of principal amounting to ₹ 26,297.29 crore and an interest of ₹ 9,224.78 crore as on 31 March 2015.

The existing paradigm of collection of monies due towards CAF from user agencies, its accountal, expenditure by CAMPA authorities at the Union/State/UT level, its reporting to Parliament and State Legislatures pose significant issues as detailed below:

- The existing amounts of funds with the central CAMPA are significant i.e ₹ 35,522.07 crore as on 31 March 2015.
- The aggregate release made to the State/UT CAMPA authorities till 31 March 2015 was ₹ 6,294.32 crore.
- While receipt and expenditure have been significant, there exists no system in the Ministry to report income and outgoings in respect of CAF either to the Parliament or the State Legislatures.
- The monies collected and spent are not known to the Parliament and the State Legislature in absence of any methodology for authorisation of incurrence of expenditure by legislative authorities.
- Given the fact that the amounts received toward compensatory afforestation are substantial, it is equally disconcerting to note that there exists no system at the level of Centre and States by which the authorities in the Ministry or in the States at the apex level satisfy themselves that the amounts being collected are in conformity with the extant orders under the Forest (Conservation) Act 1980, and various other Acts, Rules and orders of the Supreme Court regulating the collection and utilization of CAF.

As substantial amounts of fund is being collected and expenditure incurred therefrom, there is need to review the existing paradigm of CAMPA by the Ministry, by approaching the Supreme Court, where considered necessary. This should be done in a way that enhances transparency, brings CAMPA within the broader focus of both Parliament and State Legislatures and in greater public view so as to ensure largest possible stakeholders' participation. Towards this end it would be appropriate if the amounts lying in Ad-hoc CAMPA are transferred into the Public Account of India, as was envisaged in the Compensatory Afforestation Fund Bill, 2008 that was passed by Lok Sabha in 2009 and subsequently lapsed on dissolution of the House. Transfers to individual States can be made transparent so as to provide all stakeholders necessary information on the subject. This will ensure that budgetary, financial and performance related indicators/information on CAMPA are suitably reflected in public documents so as to effect greater transparency and accountability in the existing arrangements.

The Ministry of Environment, Forests & Climate Change stated (November 2015) stated that the Union and the State are sought to be addressed to the

Compensatory Afforestation Bill which had been introduced in Parliament and referred to the Department related Parliamentary Standing Committee on Science and Technology, Environment & Forests and that the report was awaited.

2.3 Observations with regard to Public Account

2.3.1 Universal Service Obligation Fund

The Universal Service Obligation (USO) Fund[2] was set up in April 2002 for achieving universal service objectives emphasized 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, viz. public telecommunication and information services and 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 mobile services in rural and remote areas, 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 Fund 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 who get a subsidy as per the rules.

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

The issue of understatement of balances in USO Fund was commented upon in the Report of the Comptroller and Auditor General of India on Accounts of the Union Government for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14. The Public Accounts Committee (PAC) in their Fourteenth Report (Fifteenth Lok Sabha 2009-10) also disapproved the diversion of funds exclusively meant for USO activities to other programmes by the Ministry of Finance.

Despite CAG's audit observation on USO Fund during earlier years, it was noticed that against the total receipts of ₹ 7,537.88 crore towards Universal Access Levy during year 2014-15, DoT transferred only ₹ 2,086.98 crore to

[2] 8235.118 – USO Fund

the USO Fund in the Public Account, which was in turn fully utilized to meet the expenditure on identified objectives and the closing balance under the USO Fund was shown as nil. This resulted in understatement of the closing balance of the USO Fund by ₹ 5,450.90 crore for the financial year 2014-15.

Further, against the total collection of levy of ₹ 66,117.23 crore during 2002-03 to 2014-15, a total sum of ₹ 26,983.47 crore (after taking into account the reimbursement of licence fees and spectrum charges to BSNL amounting to ₹ 6,948.64 crore over the period 2002-03 to 2005-06 for fulfilling rural obligation) was transferred to the fund and fully spent from the fund during these periods. The remaining levy of ₹ 39,133.76 crore was not transferred to the USO Fund. The details of levy collected and their utilisation for USO purposes since its inception are shown in the **Table 2.1**.

Table 2.1: Universal Services Obligation Fund

(₹ in crore)

Year	2002-10	2010-11	2011-12	2012-13	2013-14	2014-15
UAL Collections	31109.36	6114.56	6723.57	6735.47	7896.39	7537.88
Disbursements	10371.44	3100.00	1687.96	625.00	2163.45	2086.98
Reimbursement to BSNL	6948.64*	0.00	0.00	0.00	0.00	0.00

** Transferred during 2002-03 to 2005-06*

The Public Accounts Committee (PAC) in its recommendations contained in their Fourteenth Report (Fifteenth Lok Sabha 2009-10) had also observed that the Government should not have any problem in crediting the full amount collected as UAL in the USO Fund especially when the 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 of the respective years 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 and also resulting in understatement of closing balance by ₹ 39,133.76 crore in the USO Fund at the close of financial year 2014-15.

2.3.2 Under-utilisation of cess collected under Research & Development Cess Fund

The Research and Development Cess Act was enacted in 1986 to provide for the levy and collection of a cess on all payments made for import of technology to encourage commercial application of indigenously developed technology, for adapting imported technology to wider domestic application and for matters connected therewith or incidental thereto. Section 3 of the Act provides collection of 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 enables the creation of a Fund for Technology Development and Application to be administered by Technology Development Board (TDB). The Fund is maintained outside Government account. The Fund is credited with the grants released by the Government of India out of the cess collected 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 initially to the 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 **Table 2.2**, it is observed that cess to the extent of ₹ 5,783.49 crore were collected during the period from 1996-97 to 2014-15. Out of this, ₹ 549.16 crore (9.50 *per cent*) only was disbursed to TDB as Grants-in-aid during the same period. TDB, in turn, disbursed financial assistance and loans of ₹ 1,227.96 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 2.2: Collection of R&D cess and its utilisation

(₹ in crore)

Year	Collection of Cess	Grants released to TDB	Disbursement made by TDB to Industries
1996-2010	2158.79	501.41	890.27
2010-11	592.22	5.00	64.19
2011-12	702.54	0.00	48.00
2012-13	685.62	22.50	116.21
2013-14	737.54	13.50	99.10
2014-15	906.78	6.75	10.19
Total	**5783.49**	**549.16**	**1227.96**

From above table, it may be observed that the utilisation of the cess proceeds for the intended objectives is not optimum. The matter of under-utilisation of the proceeds for the desired objectives and the levy of cess at the rate being collected, was raised in previous years too; however, the trend remains the same.

2.3.3 Continued adverse balance in Beedi Workers Welfare Fund

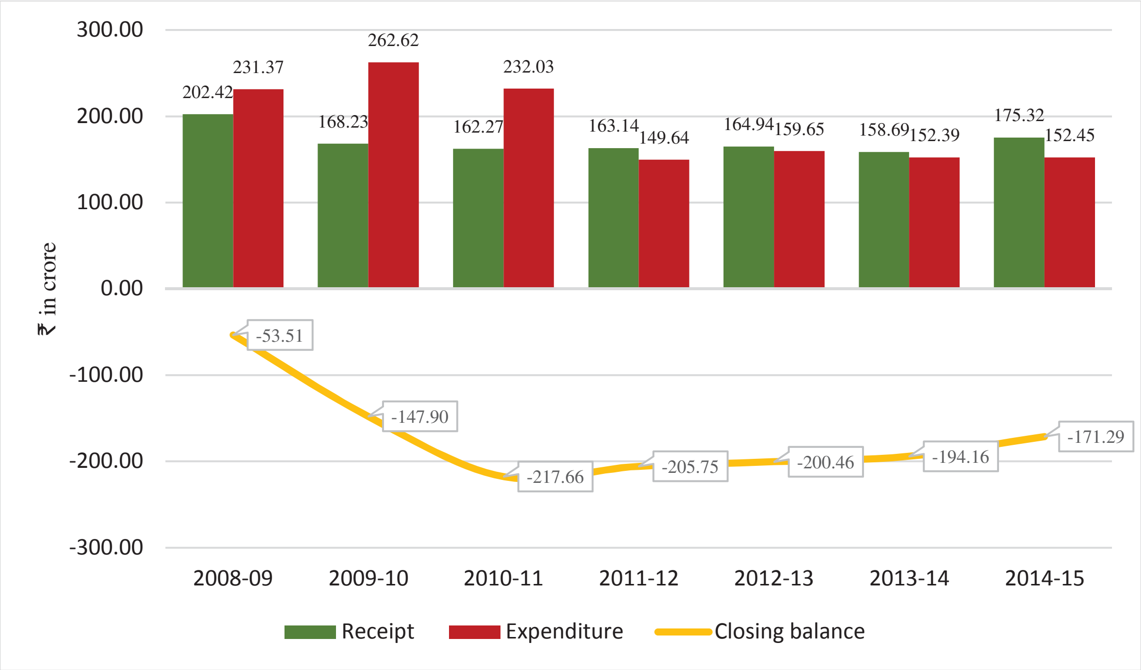
Beedi Workers Welfare Fund was created in the Public Account[3] under Beedi Workers Welfare Fund Act, 1976 to provide for the financing of measures to promote the welfare of persons engaged in beedi establishments. For this

[3] MH 8229.200 – Other Development and Welfare Fund

purpose, the Government introduced a cess in the form of duty of excise on manufactured beedi. The collection of cess is initially credited to the CFI and subsequently transferred through the appropriation to the Beedi Workers Welfare Fund in the Public Account.

On account of expenditure from the fund being in excess of the receipts, the balance in the Beedi Workers Welfare Fund over the years had become adverse. The aggregate position with regard to expenditure, receipts and closing balance in the Beedi Workers Welfare Fund during the period 2008-09 to 2014-15, as disclosed in the earmarked fund account appended with appropriation account of the Ministry of Labour and Employment, is shown in the **Chart 2.1**.

Chart 2.1: Continued adverse balance in Beedi Workers Welfare Fund



The chart above indicates that there was continuous adverse balance in the fund during the period 2008-09 to 2014-15, which steadily increased from ₹ (-)53.51 crore in 2008-09 to ₹(-)171.29 crore in 2014-15.

This matter was also commented in the Report of the Comptroller and Auditor General on the Accounts of the Union Government for the year ended 2011-12, 2012-13 and 2013-14. However, no action has been taken by the ministry to identify the reasons for incurring more expenditure than the receipt available in the fund, thereby rendering the fund into adverse balance.

2.3.4 Accountal of Education Cess

(a) Primary Education Cess

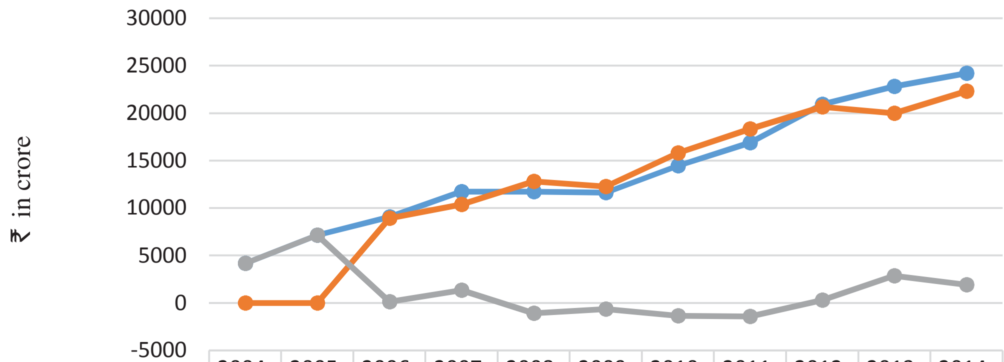
A non-lapsable fund for elementary education known as Prarambhik Shiksha Kosh[4] (PSK) was created in 2005-06 under non-interest bearing section of the reserve funds in the Public Account. This fund is meant to meet the expenditure requirement for elementary education under the schemes of Sarva Shiksha Abhiyaan and Mid-Day Meal Scheme. Through the Finance Act (No. 2) of 2004 a primary education cess of 2 *per cent* was levied on all central taxes. The cess collection is initially credited to the CFI and subsequently transferred after obtaining the Parliamentary authorisation to the PSK to finance the expenditure on elementary education.

Chief Controller of Accounts (CCA), Ministry of Human Resource Development is responsible for maintaining the accounts of the PSK in coordination with the CCA, Central Board of Direct Taxes and Central Board of Excise and Customs in the Department of Revenue.

Scrutiny of Union Finance Accounts for the period 2004-05 to 2014-15 showed that against the total collection of ₹ 1,54,818 crore of primary education cess in the CFI, only ₹ 1,41,520 crore was transferred to the PSK, resulting in short transfer of ₹ 13,298 crore. During the period 2004-15, in some years the transfer was more than the cess collected, while in some years it was less than the cess collected as reflected in **Chart 2.2**. Thus, there is no reconciliation between the CCA of the Ministry of Human Resource Development and the CCA, Central Board of Direct Taxes/Central Board of Excise and Customs in the Department of Revenue.

[4] Major Head 8229.127 – Prarambhik Shiksha Kosh

Chart 2.2: Collection of primary education cess and its transfer to PSK



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total cess collection	4177	7136	9069	11722	11741	11623	14451	16899	20946	22837	24219
Transfer to PSK	0	0	8935	10393	12817	12258	15805	18334	20667	19988	22323
Short/Excess transfer	4177	7136	134	1329	-1076	-635	-1354	-1435	279	2849	1896

Negative figure shows excess transfer to PSK

(b) Secondary and Higher Education Cess

The Secondary and Higher Education Cess (SHEC) was introduced in the Finance Act, 2007 to fulfil the commitment of secondary and higher education.

Scrutiny of the Union Finance Accounts for the period 2006-15 showed that a total collection of SHEC of ₹ 64,228 crore had been made. However, unlike the creation of PSK in the case of primary/elementary education cess, neither a fund was designated to deposit the proceeds of SHEC thereto nor schemes identified on which the cess proceeds were to be spent. Consequently, the commitment of furthering secondary and higher education as envisaged in the Finance Act was not transparently ascertainable from the Union Accounts. Thus, the possibility of the diversion of funds for purposes not mandated under the Finance Act cannot be ruled out.

2.3.5 Incorrect depiction of transfer to Renewal Reserve Fund

In Grant No. 25-Ordnance Factory for the financial year 2014-15, an expenditure of ₹ 400 crore was booked under the Head '2079.00.797- Transfer to Renewal & Replacement (RR) Fund'.

Further, an expenditure of ₹ 441.87 crore on renewal and replacement was incurred under the Head '2079.00.106- Renewal and Replacement', to be met from the Renewal and Replacement Fund in the Public Account.

The depiction of transaction in Statement No 13 of the Union Finance Accounts had correctly been reflected under head 8226.102-Depriciation Reserve Funds of the Government Non-Commercial Departments. However, in Statement No. 9 of the Union Finance Accounts, the transaction had been incorrectly reflected by showing transfer of ₹ (-)41.87 crore to reserve fund, instead of showing transfer of ₹ 400 crore to the RR Fund.

Comment on this issue had continuously been appearing in the CAG's Audit Reports (Para 2.3.9 of No.1 for the year 2011-12; Para 2.2.4 of No.1 of 2013; Para 2.2.4 of No.1 of 2014; para 2.2.5 of Report No. 1 of 2015) but no corrective measures had been taken by the CGA in coordination with the Controller General of Defence Accounts in the Ministry of Defence.

2.3.6 National Clean Energy Fund

National Clean Energy Fund (NCEF) was established in 2010-11 for funding research and innovative projects in clean energy technology by levying a clean energy cess on coal produced in India and imported coal.

A total of ₹ 15,174.38 crore was collected as clean energy cess[5] during the years 2010-11 to 2014-15. Against this, only ₹ 8,916.46 crore had been transferred to the National Clean Energy Fund[6] in the Public Account, leading to short transfer of cess to the earmarked fund by ₹ 6,257.92 crore, as detailed in **Table 2.3**.

Table 2.3: Clean Energy cess

(₹in crore)

Year	Clean Energy Cess collected (0038.03.112)	Transferred to National Clean Energy Fund (2810.797)	Short transfer of Cess
2010-11	1066.46	--	1066.46
2011-12	2579.55	1066.46	1513.09
2012-13	3053.19	1500.00	1553.19
2013-14	3081.72	1650.00	1431.72
2014-15	5393.46	4700.00	693.46
Total	**15174.38**	**8916.46**	**6257.92**

The issue was pointed out in CAG's Report No. 1 of 2013, 2014 and 2015, but no perceptible action has been taken.

2.3.7 Irregular retention of balances under Mahila Samriddhi Yojna

For providing economic security to the rural women and to encourage saving habit among them, the Mahila Samriddhi Yojna (MSY) was started in October 1993 by the Department of Women and Child Development, being the nodal agency of the scheme. Under the scheme, the rural women of 18 years of age and above can open saving account in the rural post office of their own area.

5 MH 0038.03.112-Clean Energy Cess
6 MH 8235.129-National Clean Energy Fund

The deposit was accounted in the Public Account under the head 8013.60.101 – Mahila Samriddhi Yojna for Rural Women.

The scheme had since been discontinued in July 2001 with the stipulation that MSY account should either be converted into savings bank account or to close the account by allowing the withdrawal. However, it was noticed that an amount of ₹ 2.98 crore was lying under head '8013.60.101- Mahila Samridhi Yojna for Rural Women' as on 31 March 2015 after discharging an amount of ₹ 0.12 crore only during the year.

Reply to the audit observation issued in October 2015 is awaited as of November 2015.

2.3.8 Income Tax Welfare Fund

Ministry of Finance, Department of Revenue created the Income Tax Welfare Fund (ITWF) by transfer of ₹ 100 crore over a period of three years from 2006-07 to 2008-09 in interest bearing section of Public Account. 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 medical maintenance not fully reimbursable under CGHS, 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 should be included in the annual budget of the Department and be financed through the normal budgetary process. The objective to cover officials/family members of officials who faced injury/death during search/seizure operations and provision of high risk insurance cover could be provided 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 purpose 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 creation of the Fund under interest-bearing section of the Public Account entailed recurring liability of interest, which would not be subject to usual parliamentary financial control. The utilisation of the Fund would not be reported through the standard object heads as is the case with the demand for grants presented in the Parliament leading to non-transparency. General Financial Rules (GFR) also do not permit expenditure from public moneys for the benefit of a section of people or individuals unless said expenditure was in pursuance of recognised policy.

The matter was commented upon in the CAG's Audit Report No.1 for the year 2008-09, 2010-11, 2011-12, 2012-13 and 2013-14. The Department intimated

(July 2015) 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. It further stated (October, 2015) that after taking into consideration the vetting comments of the Audit, the Department had already submitted a final ATN on the previous para to the Monitoring Cell, Department of Expenditure in June 2014.

The reply of the Ministry, however, does not acknowledge that Audit never concurred with the Department's action to continue with the ITWF. In fact, even in response to the ATN, the vetting comments of Audit has again reiterated closure of the ITWF and crediting the balance available in the said fund into the Consolidated Fund of India.

2.3.9 Customs and Central Excise Welfare Fund

Rule 21 of General Financial Rules (GFRs) stipulates general principles relating to expenditure and payment of money. Accordingly, every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety, i.e. (i) no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage (ii) expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless - (a) a claim for the amount could be enforced in a Court of Law, or (b) the expenditure is in pursuance of a recognized policy or custom.

Government[7] created three funds namely (i) Custom Welfare Fund, (ii) Performance Award Fund, and (iii) Custom Special Equipment Fund for the purpose of promotion of different schemes of staff welfare and procurement of anti-smuggling equipment of specialized nature. The mode of financing the these Funds was by of transfer of 10 *per cent*[8] of the sale proceeds of confiscated goods by customs / excise and fines, penalties in offence cases realized and sustained in appeal/revision etc. Subsequently, the 'Customs Welfare Fund' and the 'Performance Award Fund' were merged into a single fund called 'Customs and Central Excise Welfare Fund[9]' and the allocation of resources between two remaining funds is being done in equal proportion. In 2014-15, an amount of ₹ 291.32 crore was received against the sale proceed of confiscated/seizure of goods. Of ₹ 29.13 crore (being 10 percent of total sale proceed), an amount of ₹ 8.75 crore was transferred to each fund

7 Ministry of Finance, Department of Revenue F.No.13011/3/85-Ad.V dated 30th March, 1985.

8 *One per cent* to Customs Welfare Fund, four *per cent* to Performance Award Fund and five *per cent* to Customs Special Fund for Acquisition of Anti-Smuggling Equipment respectively.

9 Ministry's order No.712/1/2005-Cus-(AS), dated 12 October 2006.

and balance amount of ₹ 11.63 crore remained unallocated. The position of two funds in 2014-15 is given in **Table 2.4.**

Table 2.4: Financial position of two funds

(₹in crore)

Statement showing Receipt, Disbursement and Balances of Welfare Fund				
Name of fund	**Opening Balance**	**Receipt**	**Expenditure**	**Closing Balance**
Customs & Central Excise Welfare Fund	97.84 (98.76)	8.75 (11.36)	6.43 (9.33)	100.16 (100.79)
Special Equipment Fund	22.57 (23.52)	8.75 (8.75)	2.46 (2.67)	28.86 (29.60)

Figures in parentheses in table 2.4 represent the status appearing in Union Government Finance Accounts for 2014-15. There is variation in both the fund balances as per records of the department and Finance Accounts.

During scrutiny of records, cases of irregular utilization of resources from the Customs & Central Excise Welfare Fund were noticed, which are discussed below:

(i) Irregular award of ex-gratia compensation: DOPT issued Office Memorandum in September 2008 that an ex-gratia lump sum compensation is available to the families of Central Government Civilian employees, who die in the performance of their bona-fide official duties under various circumstances viz, death due to accident in the course performance of duties, death attributable to acts of violence by terrorists, anti-social element, enemy action, in specified high altitude.

Audit noticed that out of Welfare fund, in 2014-15, the department paid ex-gratia lump-sum compensation amounting to ₹ 202.50 lakh in 110 cases of natural death which was in violation of aforesaid DOPT Office Memorandum.

(ii) Subsidised transport facility: As per CCS (Revised Pay) Rules, 2008, Transport Allowance is payable to the employees subject to specific condition that it is not admissible to the employees who have been provided with the facility of Government transport or transport facility at subsidized rates.

Audit noticed that Commissionerate, Jawaharlal Nehru Custom House (JNCH) had hired buses for staff transportation from different locations to JNCH due to lack of transport facility, non-connectivity and hardship faced by the officials with a deduction of 25 *per cent* of their entitlement of transport allowance. This proposal was rejected (February-2011) by the Ministry on the ground that there was no provision for partial deduction of transport allowance. However, the Governing Body of Welfare Fund approved the revised proposal that employees' contribution would be 50 *per cent* of their transport allowance (excluding dearness allowance) in June 2011. Scheme was made effective from September 2011. The contribution was further raised to 50 percent including dearness allowance in October 2013.

It was noticed that Department incurred an expenditure of ₹ 54.42 lakh on transport facility between January 2014 to July 2014, out of which the employees contribution was ₹ 24.24 lakh and remaining ₹ 30.18 lakh was paid out of Welfare Fund as subsidy on transport facility. Thus, the department extended un-due benefit to the extent of remaining Transport Allowance to its employees in violation of CCS (Revised Pay) Rules, 2008.

(iii) Un-due benefit of medical financial assistance: Department incurred expenditure of ₹ 158.03 lakh in 232 cases of medical assistance on reimbursement for treatment from private hospitals in 2014-15. In all 232 cases, the employees first got reimbursement according to their normal entitlement under CGHS and thereafter the remaining portion, which was inadmissible under CGHS Rules, was paid to them out of Welfare fund. Thus, the employees covered under CGHS (MA)/CGHS Rules were reimbursed medical claims over and above their normal entitlement. Thus, the payment of ₹ 158.03 lakh on medical assistance was against the objectives for which the fund was created.

From above cases, it is concluded that the Department did not observe the principle of financial propriety, while incurring expenditure from welfare fund for welfare activities.

2.3.10 Short transfer of cess to Central Road Fund (CRF) in Public Account

Para 4 of the Central Road Fund Act, 2004 stipulates that the proceeds of the cess levied under Section 3 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the CRF from time to time, after deducting the expenses of collection, for being utilized exclusively for the purposes of this Act.

Examination of Statement No. 8[10] and Statement No. 13[11] of Union Government Finance Accounts for the years 2010-11 to 2014-15 showed that against the total collection of ₹ 1,01,142.27 crore, only ₹ 99,922.39 crore was transferred to the CRF (Head 8224.00.101) in Public Account resulting in short transfer of ₹ 1,219.88 crore as detailed in **Table 2.5**.

[10] Statement No 8: Detailed Account of Revenue Receipts and Capital Receipts by Minor Heads.

[11] Statement No 13: Statement of Receipts, Disbursements and Balances under heads of account relating to Debt, Deposits, Remittances and Contingency Fund

Table 2.5: Short transfer of cess to earmarked funds in Public Account

(₹in crore)

Years	Excise duty on Motor Spirit	Excise duty on HSD Oil	Transfer to CRF	Short Transfer
2010-11	3561.67	13639.39	16600.00	601.06
2011-12	3744.22	14617.83	18677.00	-314.95
2012-13	4098.00	15881.29	19433.73	545.56
2013-14	4712.00	15765.92	19433.72	1044.20
2014-15	5978.42	19143.53	25777.94	-655.99
Total	**22094.31**	**79047.96**	**99922.39**	**1219.88**

Source: Union Government Finance Accounts (Heads: 0038.03.106 and 0038.03.107).
Negative figure shows excess transfer to CRF

Since these are specific purpose cess, the entire cess collection should be transferred to the designated fund in the Public Account. Comment on this issue had continuously been appearing in the CAG's Audit Reports No. 1 of 2013, 2014 and 2015.

2.3.11 Short transfer of cess to earmarked funds in Public Account

Scrutiny of statements No. 8 and 13 of Union Government Finance Accounts for the financial year 2014-15 showed that cess collected on features films and tea during the year were not transferred fully to the earmarked funds in the Public Account. The details of short transfer of cess are given in the **Table 2.6**.

Table 2.6: Short transfer of cess on Feature Films and Tea

(₹in thousand)

Sl. No.	Receipt of Cess		Transfer to Public Account		Short transfer
	Name of Cess/Receipt head	Amount	Name of fund	Amount	
1	Cess on Feature Films (0038.04.130)	38382	Cine Workers Welfare Funds (8229.115)	17305	21077
2	Cess on Tea (0038.04.103)	573771	Development Fund for Tea Sector (8229.126)	Nil	573771

In case of cess on Feature Film, the Ministry of Labour and Employment stated (September -2015) that the cess was transferred to the fund according to the budgetary provision and the remaining portion of the cess would be transferred in the next financial year.

In respect of cess on Tea, CGA stated (September -2015) that a reference had been made to the concerned Ministries and the Audit would be intimated in due course.

2.3.12 Non-closure of National Calamity Contingency Fund

National Disaster Response Fund (NDRF) was constituted as per Ministry of Home's Notification No 1995 dated 28 September 2010. According to para 4.1 of its guidelines, National Calamity Contingency Fund (NCCF) was to be merged with National Disaster Response Fund (NDRF). On scrutiny of Union Government Finance Accounts for 2014-15, it was noticed that the head 8235.119-National Calamity Contingency Fund is still being depicted with closing balance of ₹ 1,484.78 crore in Statement No-13.

Further, an amount of ₹ 3,732.55 crore has been shown as receipt under head 0038.03.108- National Calamity Contingent Duty and against this amount, ₹ 3,460.88 crore was transferred to the head 8235.125-National Disaster Response Fund in Statement No-13 resulting in short transfer of duty of ₹ 271.67 crore into the said fund during the year 2014-15.

The CGA replied (September 2015) that a reference had been made to the Ministry seeking reasons for short transfer. Further, it added that the merger of NCCF and NDRF was under process.

2.4 Integrity and Reconciliation Issues

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

In Statement No.14[12] of the Finance Accounts for the financial year 2014-15, under the Special Deposit of Employees' Deposit Linked Insurance Scheme in the Public Account, there is a credit balance of ₹ 1,768.82 crore. However, as per the balance sheet of the Employees' Deposit Linked Insurance Scheme, 1976 (EDLI), maintained by the Employees' Provident Fund Organization (EPFO), a sum of ₹ 7,511.39 crore had been shown as closing balance in the Public Account as on 31 March 2015. Thus there is a difference of ₹ 5,742.57 (₹ 7,511.39-₹ 1,768.82) crore in the two sets of figures.

The Ministry of Labour and Employment stated (December 2013) that there is discrepancy in the balances of Special Deposit of EDLI Scheme as per balance sheet of EPFO and Union Government Finance Accounts and it would be reconciled in consultation with RBI.

Despite a lapse of nearly two years, no progress on the matter has been noticed. This matter was also pointed out in the CAG's Audit Report No. 1 for the year 2013-14.

[12] MH.8012.124- Special Deposit of Employees Deposit Linked Insurance Scheme.

2.4.2 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[13]. 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[14] to the Public Account.

Scrutiny of the Finance Accounts revealed that during the years 2008-09 to 2014-15, 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 ₹ 4,375 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.

The records of the Department of Economic Affairs revealed that the said Fund had not yet been created till September 2015, despite being pointed out the matter in Audit Report No.1 for the year 2011-12, 2012-13 and 2013-14 resultantly an amount of ₹ 4,375 crore was lying under a suspense head till date.

2.4.3 Incorrect depiction of loan to Shipping Development Fund Committee

The Shipping Development Fund Committee (SDFC) was abolished with effect from 1986 and its assets and liabilities stood transferred to the Central Government in terms of Section 4 of SDFC (Abolition) Act, 1986. Scrutiny of Statement No. 15 of Union Finance Accounts for the years 2010-11 to 2014-15 showed that a net loan of ₹ (-)231.71 crore (Debit) as detailed in **Table 2.7**, was still being shown as outstanding against SDFC, though all assets and liabilities of SDFC had already been transferred to Central Government.

Table 2.7: Incorrect depiction of loans to SDFC

Name of the Head	Amount (₹ in crore)
7052-01-101-Loans to Shipping Development Fund Committee	53.83 Dr.
7052-60-101-Loans to Shipping Development Fund Committee	8.59 Dr.
7052-02-101-Loans to Shipping Development Fund Committee	(-)294.13 Dr.
Total	**(-)231.71 Dr.**

Controller of Accounts, Department of Economic Affairs (DEA), Ministry of Finance stated (January 2015) that the Government of India appointed erstwhile SCICI Ltd, which subsequently merged with ICICI Bank Ltd, as its Designated Person to manage the SDFC portfolio and take such necessary steps as deemed fit to expedite the recovery of loans from the

[13] MH 8012.00.120-Special Securities issued to Nationalised Banks
[14] MH 3465.01.190.04-Security Redemption Fund

Shipping/Fishing companies. It further added that ICICI Bank had remitted money in Government Account as principal and interest thereon without giving the details of the loans. The amount received from ICICI Bank were deposited in Government loan heads resulting in adverse balances in others. This matter was already taken up with ICICI Bank and Department of Financial Services for reconciliation.

The issue stands unresolved despite its being pointed out in Audit Report No. 1 for the year 2012-13 and 2013-14.

2.4.4 Dormant Reserve Funds/Deposits/Other Fund

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 creation 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 transferred back to Consolidated Fund of India.

Scrutiny of Finance Accounts showed that 48 reserve funds/deposits/other funds having aggregate balance of ₹ 1,674.75 crore at the end of 2014-15, as contained in **Annexure 2.3,** were lying dormant for period ranging from two to 26 years.

In most of the cases, small amount is there and their continuance do not appear to serve any purpose. These cases may be reviewed and considered for closure by crediting the balances to the Consolidated Fund of India.

The CGA stated (September 2015) that it had been writing to the concerned accounting authorities, except Accountants General, every year to carry out the review of the dormant funds and consider closure of the said funds, if possible, by crediting the balances to the CFI.

The matter was commented upon in CAG's Audit Report No. 1 of 2013, 2014 and 2015 but no discernible action was taken.

2.4.5 Understated accounting of external debt

External borrowings raised by the Government of India from foreign governments or institutions are recorded in Government Account at the historical rate of exchange, i.e. the rate prevailing on the date of transaction/receipt. On account of the subsequent variations in exchange rate, the repayments are higher than the amount payable as worked out on the basis of accounts. This additional payment 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.

The outstanding external debt at historical rate at the end of 2014-15 was ₹ 1,97,513.77 crore. Although the outstanding external debt at current exchange rate at the end of March 2015 was exhibited at ₹ 3,66,384.10 crore, by way of footnote in the Finance Accounts, yet they do not reflect the true position of external liability due to non-inclusion of some external loans while converting them at current rates as discussed in following para.

The Department of Economic Affairs (DEA), Office of Controller Aid, Accounts and Audit (CAAA) stated (July 2015) that depiction of external debt is made as per Government accounting standards. It further stated that the amount repaid to the donor is equal to the amount received in loan currency for each loan. As loan repayment continues well after 15-40 years, while disbursement in a loan are completed within 5-10 years, the difference may lead to repayments exceeding receipts in equivalent INR (calculated on value date), due to exchange rate variation. The donor-wise foreign loans are exhibited in Finance Accounts with year-end exchange rate as per para 16.6.2 of Civil Accounts Manual. This clearly discloses the actual external debt at the end of the year. However, the reply is not tenable as this does not reflect the true position of external liability.

2.4.6 Inconsistent depiction of external debt at current rate

Two foreign loans of ₹ 6.15 crore (6002.296-International Sugar Organisation) and ₹ 0.01 crore (6002.298-Defence Certificate) have been depicted as outstanding as on 31 March 2015. However, these foreign loans when converted at current exchange rates do not depict these loans as outstanding.

Further, a loan amounting to ₹ 1.90 crore from Italy has not been shown under the head 6002-External Debt maintained at historical rate of exchange, although it was included in the statement showing foreign loans at current rate of exchange.

The CAAA in their reply (August 2015) stated that the outstanding unclaimed amount in respect of International Sugar Organisation was lying in the accounts for more than 29 years. With regard to loan from Italy it stated that the same was still outstanding and the repayment would commence from June 2027 and added that to rectify the misclassification in accounts, reference has been made to CGA for carrying out the correction in the Finance Accounts.

In respect of foreign loan - Defence Certificate, the CGA replied (September 2015) that the balance pertained to pre-departmentalised period.

2.4.7 Other discrepancies

(a) Incomplete depiction of information in Statement No. 11 of Union Government Finance Accounts

Statement No. 11 of the Finance Accounts provides details of the investment of the Union Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks and Societies, etc. Scrutiny of this Statement for FY 2013-14 showed that there is variation in the Government's investments in a number of CPSUs as disclosed in Statement No. 11 of Union Government Finance Accounts and those available in the Balance Sheet of the concerned CPSUs. Due to non-availability of Balance Sheets for FY 2014-15 of some CPSUs, the discrepancies noticed in 2013-14 has been included in this observation. In addition to difference in the investment figures, the Statement No.11 is incomplete in many aspects, viz., non-updation information relating to Government investment percentage in total paid up capital; dividend received; remarks columns; mis-match between dividend shown in this Statement and Statement No.8 showing the receipt of the Government, etc. The discrepancies noticed in Statement No.11 is detailed in **Table 2.8**.

Table 2.8: Discrepancies in disclosures of Government investment in PSUs

Sl. No.	Name of PSUs	Face value of Government share (₹ in crore)		Remarks
		As per Statement No.11 of Finance Accounts of 2013-14	As per Annual Accounts of CPSU	
1.	Bharat Immunological and Biological Corporation Limited	15.41	25.59	In addition to understatement of Government's investment by ₹ 10.18 crore at the end of 2013-14, the cumulative loss shown in Statement No. 11 is only up to the year 2005. As on 31 March 2014, the cumulative loss as per the accounts of CPSU was ₹ 341.13 lakh, which needs to be reflected/adopted in Statement No. 11.

2.	Hindustan Organic Chemicals Limited	309.50	309.48	Overstatement of Government's investment by ₹ 0.02 crore at the end of 2013-14 in Statement No. 11.
3.	The Fertilizers and Chemicals Travancore Limited	637.77	582.36	Overstatement of Government's investment by ₹55.41 crore at the end of 2013-14 in Statement No. 11.
4.	ITI Ltd	270.09	258.89	Overstatement of Government's investment by ₹ 11.20 crore at the end of 2013-14 in Statement No. 11.
5.	Andrew Yule and Company Limited	85.90	58.70	Overstatement of Government's investment by ₹ 27.20 crore at the end of 2013-14 in Statement No. 11.
6.	HMT Limited	1855.58	1344.32	Overstatement of Government's investment by ₹ 511.26 crore at the end of 2013-14 in Statement No. 11.
7.	Scooters India Limited	168.61	80.03	Overstatement of Government's investment by ₹ 88.58 crore at the end of 2013-14 in Statement No. 11.
8.	Power Grid Corporation of India Limited	2925.01	3028.84	Understatement of Government's investment by ₹ 103.83 crore at the end of 2013-14 in Statement No. 11.
9.	Container Corporation of India Limited	38.50	120.49	Understatement of Government's investment by ₹ 81.99 crore at the end of 2013-14 in Statement No. 11.
10.	Steel Authority of India Limited	3532.10	3304.29	In 2013-14 there was overstatement of Government's investment by ₹ 227.81 crore in Statement No. 11. However, in 2014-15 the Government's investment in Statement No.11 has come down to ₹ 3,097.77 crore, as a result of disinvestment of ₹ 206.53 crore during 2014-15 and rectification of inaccuracies of ₹ 227.81 crore.
11.	The Shipping Corporation of India Ltd	301.44	296.94	In 2013-14 there was overstatement of Government's investment by ₹ 4.50 crore in Statement No. 11, which was qualified by a remarks 'includes ₹ 4.50 crore being cost of equity shares of Jayanti Shipping Co. acquired for consideration other than cash'. In 2014-15, the investment has been reduced at ₹ 296.94 crore by deletion of remarks in Statement No.11.
12.	India Tourism Development Corporation Ltd	129.39	74.64	In 2013-14 there was overstatement of Government's investment by ₹ 54.75 crore in Statement No. 11 due to inclusion of premium at the rate of ₹ 30 per share on 182,50,000 shares in the investment figure, which do not form part of share capital in the balance sheet. In 2014-15 the same position is continuing in Statement No.11.
13.	Indian Renewable Energy Development Agency Ltd (IREDA)	844.60	744.60	Financial Statement for 2013-14 of IREDA depicts Government's equity investment as ₹ 744.60 crore and grants as ₹100 crore. There was overstatement of Government's investment by ₹100 crore in Statement No.11 for 2013-14. In 2014-15 the Government's investment stood at ₹ 1,084.60 crore as per Statement No.11, as a result of additional investment of ₹ 240 crore.

14.	North Eastern Electric Power Company Limited	760.19	3362.92	In Statement No.11 this CPSU appear at two places with Government's investment at ₹ 2,386.44 crore and ₹ 760.19 crore (aggregating ₹ 3,146.63 crore in 2013-14). Thus there was understatement of Government's investment by ₹ 216.29 crore in 2013-14. In 2014-15 the Government's investment stood at ₹ 3,187.66 crore as a result of additional investment of ₹ 41.03 crore in entry at Sl.No.85 of Statement No.11.
15.	North Eastern Handicrafts and Handlooms Development Corporation Limited	6.00	2.00	Overstatement of Government's investment by ₹ 4 crore during 2013-14 in Statement No. 11. In 2014-15 additional investment of ₹ 2.50 crore has been made and total investment reflected as ₹ 8.50 crore in Statement No.11.
16.	State Farms Corporation of India Limited	89.87	31.49	Overstatement of Government's investment by ₹58.38 crore at the end of 2013-14 in Statement No. 11. In 2014-15 also the Government's investment stood at the level of ₹ 89.87 crore.

	Name of PSUs	Discrepancies	Reply/Remarks
17.	Hemisphere Properties India Ltd	An investment of ₹ 192 crore under head 4859.01.190 was made in the Department of Telecommunications during 2014-15. Whereas in Statement No 11 of Union Government Finance Accounts for 2014-15, there is investment of ₹ 0.03 crore only in 'Hemisphere Properties India Ltd'.	CGA stated (September 2015) that a reference had been made to the Department of Telecommunications and Audit would be intimated accordingly in due course

Differences in depiction of dividend (2014-15)

Sl No.	Entity	Head	Statement No-8 (₹ in crore)	Statement No-11 (₹ in crore)	Reply/Remarks
1.	Nationalised Bank	0050.108	2455.99	2923.13	The CGA stated (September - 2015) that a reference had been made to the Ministry of Finance and the Audit would be intimated in due course.
2.	Dividend from total Statutory Companies and Joint Stock Companies	0050.101	32996.05	35974.30	

(b) Inconsistencies/discrepancies in Statement No. 15 of Union Government Finance Accounts

Section 3 of Statement No. 15 of Union Government Finance Accounts depicts the 'Repayments in arrears from Other Loanee Entities or Institutions'. Scrutiny of this disclosure revealed that in some cases principal amount of the loans advanced are in arrears, while the interest against those loans in arrears have not been reflected. Further, in some cases though the loan and advances have adverse balance, yet interests have been shown as having been received against them. The details of such cases are given in **Table 2.9**.

Table 2.9: Inconsistencies/Discrepancies in Statement No. 15

Interest not reflected in respect of arrears of loans			
Sl. No.	**Name of Entity**	**Total loans outstanding on 31 March 2015 (₹ in lakh)**	**Remark**
1.	Shri Sitaram Sugar Co Baithalpur, Uttar Pradesh	347.53	The Ministry of Consumer Affairs and, Food & Public Distribution stated (October 2014) that the files relating to the cases were nearly 25 years old and they were not readily traceable.
2.	Deoria Sugar Mills, Deoria, Uttar Pradesh	362.87	
3.	Raja Bulan Sugar Ltd, Rampur, Uttar Pradesh	105.85	

Interest credited against adverse amount of loan and advance					
Sl. No.	**Heads**	**Balance as on 01.04.2014**	**Balance as on 31.03.2015**	**Interest credited**	**Remark**
1.	6404.00.800-Other Loans	-46423.31	-46423.31	16.57	CGA stated (September 2015) that a reference had been made to the concerned Ministries and the Audit would be intimated in due course
2.	6416.00190-Loans to PSU	-2127.75	52081.59*	242.34	
3.	6801.00.205-Transmission and Distribution	-13124.91	-13611.03	59.79	
* Interest free loan of ₹ 56,207 lakh was disbursed during the year.					

Incomplete depiction in Section-3/Additional Disclosure		
Sl. No.	**Discrepancies**	**Reply of CGA/Ministry**
1.	Loans of ₹ 29.29 crore was granted to Rajiv Gandhi Cancer Institute and Research Centre, New Delhi" in 1994-95 by the Ministry of Health and Family Welfare but the terms and conditions of loans had not finalised even after a gap of 20 years. This issue was highlighted as early as in Report No. 1 of 2000. Even after a gap of 20 years of advancing the loan, the terms and conditions of loans had not been finalized. This shows a non-serious approach of the administering Ministry with regard to the recovery and other aspects of the loans advanced.	CGA replied (September 2015) that the matter had been taken up with the Ministry of Health and Family Welfare several times for finalization of terms and condition.

2.5 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2014-15 is adversely affected by factors like (i) large number of transactions under Suspense heads awaiting final classification and their eventual clearance from suspense heads, (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts, etc.

A general review of outstanding balances under Debt, Deposit, Remittance and Suspense heads was carried for the last three years and the findings are discussed in subsequent paragraph.

2.5.1 Outstanding balances under major Suspense Accounts

Certain intermediary/adjusting heads of accounts known as "Suspense heads" are operated in Government account 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 the respective final heads of accounts. If these amounts remain un-cleared, 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 the 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 the Controller General of Accounts (CGA) for monitoring purposes.

The aggregate net balance under suspense heads in the Union Finance Accounts including Civil, Defence, Railways, Posts and Telecommunication was ₹ 24,571.66 crore (Debit) as on 31 March 2015. This balance comprised of ₹ 1,888.78 crore (Credit) in respect of Civil, Defence ₹ 20,966.74 crore (Debit), Railways ₹ 1,761.08 crore (Debit), Postal ₹ 2,450.20 crore (Debit), Telecommunication ₹ 148.74 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. As both debits and credits under suspense heads are operated for different purposes, the balances outstanding separately under debits and credits represents the real magnitude of the outstanding balance requiring clearance from the 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 three years is given **Table 2.10**:

Table 2.10: Position of Suspense balances under major suspense heads in respect of Civil Ministries

(₹in crore)

Name of Head	2012-13		2013-14		2014-15	
	Debit	Credit	Debit	Credit	Debit	Credit
101-PAO Suspense	3348.71	331.95	2737.37	156.44	2532.65	532.93
Net	**Dr 3016.76**		**Dr 2580.93**		**Dr 1999.72**	
102-Suspense Accounts (Civil)	1200.82	4039.04	1194.54	4670.36	1130.15	5292.32
Net	**Cr 2838.22**		**Cr 3475.82**		**Cr 4162.17**	
107-Cash Settlement Suspense Accounts	404.99	36.34	497.97	36.34	497.80	36.34
Net	**Dr 368.65**		**Dr 461.63**		**Dr 461.46**	
108-PSB Suspense	4352.63	1104.38	5969.95	2988.75	3688.87	3222.01
Net	**Dr 3248.25**		**Dr 2981.20**		**Dr 466.86**	
109-Reserve Bank Suspense (HQ)	11.37	188.73	11.37	185.41	11.59	185.07
Net	**Cr 177.36**		**Cr 174.04**		**Cr 173.48**	
110-Reserve Bank Suspense Central Accounts Office	59.07	114.38	58.39	502.62	51.17	1158.25
Net	**Cr 55.31**		**Cr 444.23**		**Cr 1107.08**	
115- Suspense Accounts for Purchases etc. abroad	504.63	52.00	1941.34	52.00	978.30	0.0001
Net	**Dr 452.63**		**Dr 1889.34**		**Dr 978.30**	
129-Material Purchase Settlement Suspense Accounts	213.35	87.01	212.08	78.32	210.27	66.86
Net	**Dr 126.34**		**Dr 133.76**		**Dr 143.41**	
136-Customs Receipts awaiting transfer to receipt head	-	222.56	--	223.26	--	20.75
Net	**Cr 222.56**		**Cr 223.26**		**Cr 20.75**	
138-Other Nominated Banks (Pvt. Sector Banks) Suspense	1.38	481.94	51.98	593.43	5.60	550.22
Net	**Cr 480.56**		**Cr 541.45**		**Cr 544.62**	

It would be seen that credit balances under PAO Suspense, Suspense Account (Civil), PSB Suspense and Reserve Bank Suspense Central Account Office heads have increased in 2014-15 over the previous year. 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.

(a) 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.

At the end of March 2015, the outstanding debit balance under this head was ₹ 2,532.65 crore and under credit was ₹ 532.93 crore. Thus, an aggregated balance of ₹ 3,065.58 crore was awaiting clearance from this head.

The outstanding balances were mainly in respect of Department of Supply ₹ 1,530.65 crore (Debit), Ministry of External Affairs ₹ 542.99 crore (Debit), Department of Atomic Energy ₹ 310.71 crore (Credit), Ministry of Road Transport and Highways ₹ 146.12 crore (Credit) and Central Board of Excise and Custom (CBEC) ₹ 21.62 crore (Credit), indicating payment made (Debit) or received (Credit) by these Departments/ Ministries on behalf of other PAOs which were yet to be recovered/ paid by them as on 31st March 2015. The heavy debit and credit balances under PAO suspense and their continuous accumulation indicated significant control deficiencies.

(b) Suspense Accounts (Civil)

This transitory minor head is operated for accounting of the transactions which cannot be taken to the final head of expenditure or receipt for want of certain information/ documents viz. vouchers, challans etc. 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 minor/sub-minor /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 2015 was ₹ 5,292.32 crore (Credit) and ₹ 1,130.15 crore (Debit). An aggregated balance of ₹ 6,422.47 crore was required to be handled individually for settlement, which had not been booked to the final heads of account. The major balances outstanding pertaining to Department of Economic Affairs ₹ 4,584.93 crore (Credit), Department of Supply ₹ 597.55 crore (Debit), Ministry of External Affairs ₹ 598.31 crore (Credit) and High Commission ₹ 435.76 Crore (Debit).

(c) Suspense Accounts for Purchases etc. abroad

The minor head 'Suspense Accounts for Purchases etc. 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/Importer. 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 2014-15, the outstanding debit balance under this head was ₹ 978.30 crore. Major debtors as on 31 March 2015 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 ₹ 219.57 crore was outstanding from different organizations since 2005. A list showing the details of amounts outstanding since 2005 is given in **Annexure-2.4.**

It was noticed from the information made available by the CAA&A 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.

(d) Public Sector Bank Suspense (PSB Suspense)

In the Government accounting system, the designated banks conduct Government business on behalf of the Reserve Bank of India. When a cheque is issued for payment of a bill, the amount is debited to the final head of account. When the cheque is encashed by a public sector bank, it initially pays the amount from its own cash balance and then claims reimbursement from the Central Accounts Section (CAS), RBI Nagpur, which maintains the account of each ministry/department. Similarly, when Government receipts are paid into the designated/ accredited bank, it passes on the proceeds to the Central Accounts Section RBI Nagpur. As there is a time lag in booking of a Government Transaction carried out by the bank, in Government cash balances, the minor head 'Public Sector Bank Suspense' is operated in Government books to account for the transitions awaiting settlement. Clearance of balances (both credit and debit) is required to be conducted within the minimum possible time otherwise the cash balance of government with RBI would present an erroneous position.

The outstanding PSB balance for the year ending 31st March 2015 aggregated to ₹ 3,688.87 crore (Debit) and ₹ 3,222.01 crore (Credit). Thus, an aggregated balance of ₹ 6,910.88 crore was required to be cleared at the end of March 2015. The Departments/Ministries against which major balances were outstanding were Central Pension Accounting Office (CPAO) ₹ 799.41 crore (credit), CBDT (Expenditure) ₹ 696.71 crore (Credit), MEA ₹ 527.87 crore (credit), Ministry of Science & Technology ₹ 480.46 crore (Credit), Central Board of Excise and Custom ₹ 437.12 crore (Debit), Ministry of Culture ₹ 379.79 crore (Debit), Ministry of Steel ₹ 300.00 crore (Debit) and DoS ₹ 277.44 crore (Debit).

(e) 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 authorized, the respective expenditure head is debited and credit is afforded to this suspense head. On receipt of monthly statement 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 suspense 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 contra debit to '8675-Depostis with RBI-101-Central Civil'.

The outstanding balance under this minor head as on 31 March 2015 was ₹ 51.17 crore (Debit) and ₹ 1,158.25 crore (Credit) with aggregated balance of ₹ 1,209.42 crore to be cleared at the end of March 2015. The outstanding RBI (CAO) suspense balances were mainly against the Ministry of Rural Development ₹ 634.28 crore (Credit), Ministry of Shipping ₹ 367.99 crore (Credit), Ministry of Commerce ₹ 111.49 crore (Credit), DoS ₹ 32.36 crore (Debit), MoRTH ₹ 7.77 crore (Debit).

2.5.2 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 2014-15, there are 75 cases of adverse balances under debt, deposit and remittances heads as given in **Annexure-2.5**. Four cases became adverse during the year 2014-15 and remaining 71 cases were adverse from earlier years. These included 39 cases for more than one year up to five years, 18 cases for more than five years up to ten years and 14 cases for more than ten years old. Though the adverse balances in the Finance Accounts are qualified by the CGA through footnotes that the adverse balance was under investigation but the findings of such investigation by the CGA and its subordinate offices and efforts made to clear them were not made available to audit.

2.5.3 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediate accounting head for initial recording 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 form to the PAO/Departmental officer, the payment is authorized through issue of cheques after exercising the prescribed checks and recording of pay order. At the end of each month, the major head '8670 – Cheques and Bills' is credited by the total amount of the cheques delivered during the month. On receipt of Date-wise Monthly Statements (DMS)/Monthly Statement of Balances from Public Sector Banks/(CAS) RBI, Nagpur showing the payments made by them against the cheques issued, the head '8670-Cheques and Bills' is minus credited and credit is afforded to the Suspense Head '8658.108-PSB Suspense'/'8675.101-Deposits with RBI-Central Civil', as the case may be.

In the Finance Accounts for 2014-15 large balances are lying outstanding under the various minor heads of 'Cheques and Bills' as detailed in **Table 2.11.**

Table 2. 11: Outstanding balances under the head 'Cheques and Bills'

(₹ in crore)

8670.101	Pre-audit Cheques	Credit	0.43
8670.102	Pay and Accounts Office Cheques	Credit	12470.67
8670.103	Departmental Cheques	Credit	891.19
8670.104	Treasury Cheques	Credit	4.62
8670.105	IRLA Cheques	Credit	0.59
8670.106	Telecommunication Accounts Office Cheques	Credit	1104.05
8670.107	Postal Cheques	Credit	12744.89
8670.108	Railway Cheques	Credit	2524.11
8670.109	Defence Cheques	Credit	686.19
8670.110	Electronic Advices	Credit	41.08
8670.111	Pay and Accounts Offices Electronic Advices	Debit	561.22
8670.112	Principal Controller of Communication Accounts Offices Electronic Advice	Credit	40.08

Rule 45 of Central Government Account (Receipts and Payments) Rules, 1983 envisages that a cheque shall be payable at any time within three months after the date 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 and reflects erroneous position.

Test check in the Principal Accounts Offices revealed that 3040 cheques amounting to ₹ 441.40 crore in Ministry of External Affairs, 487 Cheques amounting to ₹ 1.53 crore in Department of Supply, 168 Cheques amounting to ₹ 4.37 crore in Ministry of Road Transport and Highways, 11835 cheques amounting to ₹ 18.73 crore in CBDT and 2654 cheques amounting to ₹ 25.91 crore in Ministry of Home Affairs had remained unpaid for more than six months.

2.5.4 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 Debt, Deposit and Remittance (DDR) heads to ascertain, wherever necessary, whether the correctness of the balances is accepted by the persons/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 to the Principal Accounts Office, a detailed statement showing the un-reconciled 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 departments, the review of balances for the year 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 was completed only in 22, 21, 20, 15 and 22 departments respectively out of a total of 72 PrAOs.

Large numbers of adverse balances in Finance Accounts for several years are indicative of the failure of the PrAOs in carrying out timely reviews and follow up action so that adverse balances in the accounts are cleared.

The CGA replied (September 2015) that letters have been issued to all the Ministries/Departments to furnish the report on Review of Balances.

2.5.5 Departmentally managed Government Undertakings- Position of Proforma Accounts

Rule 84 of General Financial Rules, 2005 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 the CAG.

There were 42 Departmentally managed Government Undertakings of commercial or quasi commercial nature as of March 2015. The financial results of these Undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading Account, Profit and Loss Account and Balance Sheet. While the Government of India Presses prepare proforma accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Stores Accounts. Only three Departmentally managed Government Undertakings have prepared the proforma accounts for the financial year 2014-15 as detailed in **Table 2.12**

Table 2.12: Period for which Proforma Accounts are lying in arrears

Sl. No.	No. of Undertakings	Financial Year of the account	Delay in preparation of Proforma Accounts
1	03	2014-15	No delay
2	03	2013-14	One year
3	28	2008-09 to 2012-13	2–5 years
4	08	2007-08 and before	6 years and more

Further, the proforma accounts of three Undertakings were in delay for a period of one year, while 28 Undertakings had not prepared their accounts and the delay ranged from two to five years. In the case of Government Press, Andaman and Nicobar Islands, Ministry of Urban Development, the proforma accounts had not been prepared since the financial year 1979-80 onwards. Similarly in cases of Port Management Board, Andaman and Nicobar Islands, Ministry of Shipping and Department of Publications, in the Ministry of Urban Development, the proforma accounts had not been prepared since the financial year 1990-91 and 2000-01 onwards respectively. The details of Departmentally managed Government Undertakings together with the financial year for which the proforma accounts was last prepared is given in **Annexure 2.6**.

In the absence of availability of updated proforma accounts, the cost of services provided by these organisations, which are intended to be managed on commercial basis, could not be ascertained. It was also not possible to work out performance indicators like return on investment, profitability etc. for their activities.

2.5.6 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 ₹ 2,000 need not be reported.

Details of losses written off and recovery waived off during 2014-15 were called for from all civil Ministries/Departments. However, information was made available by only 37 Ministries/Departments. Out of 37, in seven Ministries/Departments 974 cases of losses amounting to ₹ 85.06 crore were written off, and recoveries amounting to ₹ 187.73 crore in 28 cases were waived off, as detailed in **Annexure 2.7**.

2.6 Conclusion

There are significant deficiencies relating to disclosures, accuracy, completeness, and transparency in the Union Finance Accounts for 2014-15. Many of these discrepancies are recurring without any noticeable corrective actions taken by the concerned accounting authorities, though commented upon in the successive Audit Reports. Several Regulatory Bodies acting as 'State' within the meaning of the Constitution of India, also maintained large amount of funds outside the Consolidated Fund of India. Specific purpose cess being collected were also not credited to the earmarked funds in the Public Account, thus leading to inaccurately reflecting the unspent amount of cess collected by the Government over the years. There were also several cases of discrepancies in the figures reflecting the Government's holding in the equity base of the Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks, Societies, etc. as depicted in the Finance Accounts vis-à-vis the corresponding figures reflected in the certified balance sheets and Annual Accounts of such entities. Accumulation of large suspense balances in the accounts would lead to mismatch of cash balance position in the books of the Union Government as depicted in Finance Accounts, in comparison to cash balance available in the books of Reserve Bank of India. In respect of Debt, Deposit and Remittance Heads where balances are carried over from year to year, the accounts and transactions were not maintained and tracked in a proper manner, in a number of Ministries/Departments, leading to a large number of adverse balances in the concerned head of accounts and accumulation of suspense balances.