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 Opaqueness in Government Account

(a) Opaqueness in Minor Head 800-Other Expenditure

Scrutiny of Union Government Finance Accounts for the year 2015-16 disclosed that under 12 Major Heads of accounts (representing functions of the Government) expenditure of ₹ 14,963.66 crore was incurred out of which ₹ 10,573.45 crore was classified under the Minor head '800-Other Expenditure' alone 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. Some of the functions where opaqueness in expenditure exists are Other Social Services, Other Rural Development, Flood Control and Drainage, Capital Outlays on Minor Irrigation, Capital Outlay on Non- Ferrous Mining and Metallurgical Industries and Capital Outlay on Other Communication Services etc. Details of 12 Major Heads are given in **Annexure 2.1.**

Within these Major heads, expenditure on some significant initiatives such as Below Poverty Line Survey (₹ 287.82 crore), Scheme of investment Promotion (₹ 259.05 crore), Refund of upfront charges of BWA spectrum of BSNL (₹ 4,199.84 crore), Compensation to Public Sector Undertakings in lieu of surrender of CDMA Spectrum (₹ 598.11 crore), ITI Bangalore (₹ 500 crore), Financial Support to MTNL (₹ 492.26 crore), Payment of Interest on MTNL Bond (₹ 384.35 crore), OFC based Network for Defence Services (₹ 2,220 crore) and assistance for Infrastructure Development and Purchase of Land & Building (₹ 623.50 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 to 2014-15 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 CGA has inserted footnotes in the Finance Accounts, giving details of expenditure on significant initiatives merged under the Minor Head '800-Other Expenditure'. Instead of restructuring the accounts to reflect the current activities of the Government by opening separate minor head for significant initiatives, as a short term measure the initiatives are explained through footnotes in Union Government Finance Accounts.

(b) Opaqueness in Minor Head 800-Other Receipts

Scrutiny of Union Government Finance Accounts for the year 2015-16 disclosed that under 20 Major Heads of accounts (representing functions of the Government) receipts of ₹ 23,890.29 crore were recorded out of which ₹ 18,402.72 crore were classified under the Minor head '800-Other Receipts', constituting more than 50 *per cent* of the total receipts recorded under the respective Major Heads. This indicates a high degree of opaqueness in the accounts. Some of the functions where opaqueness in receipts exists are Power, Broadcasting, Defence Services-Air force, Other Fiscal Services, Defence Services- Research and Development and Road Transport etc. Details of 20 Major Heads are given in **Annexure 2.2**.

It is recommended that the Government may conduct a comprehensive review of the structure of Government Accounts and open separate minor heads for recording the transactions under significant initiatives and significant stream of receipts for greater transparency in financial reporting.

2.2.2 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 and some funds of the Telecom Regulatory Authority of India are lying outside the Government Account as detailed below:

(a) Funds of Regulatory bodies lying outside Government Account

Scrutiny of annual accounts of thirteen regulatory bodies and autonomous bodies which also act as regulators in their respective field, showed that these

[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

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 ₹ 3,973.10 crore at the end of March 2016, outside the Government Account, contrary to the above instructions issued in January 2005. Details of 13 bodies are depicted in **Annexure 2.3.**

This aspect of retaining funds outside Government accounts was commented upon in the Reports of the Comptroller and Auditor General on the Accounts of the Union Government for the years ended 2007-08 to 2014-15.

On this issue, 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.

In respect of SEBI, the SEBI General Fund was opened in the Public Account effective from 2013-14.

Department of Economic Affairs (DEA) stated (January 2016) in its oral submission before the Public Accounts Committee with regard to SEBI, that the matter has once again been referred to Ministry of Law for final settlement of the issue. Further, the Chairman SEBI in October 2016 brought out that any insistence on keeping SEBI funds in Government account would seriously undermine the autonomy of SEBI and would militate against the basic canons of governance of markets by statutory regulators as envisaged under the SEBI Act.

The reply of DEA is not acceptable as the CGA had created the SEBI General Fund in the Government account in June 2014 effective from 2013-14. However, the Fund has not been made operational even in the accounts of 2015-16.

Regarding IRDA Fund, Ministry of Finance, Department of Financial Services stated in its ATN (May 2016) that the draft accounting procedure prepared by the O/o Chief Controller of Accounts was submitted to C&AG of India for approval. The C&AG of India has already conveyed to the office of CGA (December 2015) that the revised draft accounting procedure does not mention the mode of bringing IRDA Fund to Public Account.

In respect of IRDA, the revised accounting procedure has been resubmitted to the office of CAG in October 2016.

The Central Council of Homeopathy (CCH) stated (September 2016) that funds were on account of its 'Own Receipts' and had been kept in Council's bank account and should not be treated as funds lying outside Government Accounts. Further, the Indian Nursing Council (INC) stated (October 2016) that it had deposited surplus Fund in fixed deposits as per Indian Nursing Council Act, 1947 and the Fund would be utilized for NUID project, registration of new office building and furnishing/modification of the interiors of the new office.

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

(b) Retention of TRAI General Fund outside Government Account

Section 22 of TRAI Act, 1997 stipulates that:

(1) There shall be constituted a Fund to be called the Telecom Regulatory Authority of India General Fund and there shall be credited thereto -

(a) all grants, fees and charges received by the Authority under this Act, and

(b) all sums received by the Authority from such other sources as may be decided upon by the Central Government.

As per the above regulations TRAI levied and collected of ₹ 49.91 crore on account of registration fee (₹ 2.32 lakh), penalty from telemarketers (₹ 2.66 crore), customer education fee (₹ 8.48 crore) and financial disincentive (₹ 38.75 crore) during 2015-16. These sums were retained by the TRAI and total amount has been shown as **'**Current Assets**'** in its accounts and credited in saving account.

As per Section 22 of the TRAI Act, all these sums were to be credited to the TRAI General Fund maintained by the Department of Telecommunications under Public Account. But these sums have been retained by the TRAI in its saving account.

This has resulted in understatement of receipts of Telecom Regulatory Authority of India General Fund under Public Account by ₹ 49.91 crore.

2.3 Observations with regard to Public Account

2.3.1 Universal Service Obligation Fund

The Universal Service Obligation (USO) Fund 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 introduction 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 collected towards USO is first credited to the Consolidated Fund of India and subsequently, the Central Government credits only a part of the levy collected 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 due to transfer of only a part of the levy collected was commented upon in the Report of the Comptroller and Auditor General of India on Accounts of the Union Government for the years 2009-10 to 2014-15.

Despite CAG's audit observation on USO Fund during earlier years, it was noticed that against the total receipts of ₹ 9,835.70 crore towards Universal Access Levy during the year 2015-16, only ₹ 3,100.00 crore was transferred to 8235.118 – USO Fund in the Public Account, which was in turn utilized to meet the expenditure of ₹ 3,099.97 crore on identified objectives and the closing balance under the USO Fund was shown as ₹ 0.03 crore. This resulted in short transfer of levy to USO Fund by ₹ 6,735.70 crore for the financial year 2015-16.

Further, against the total collection of UAL of ₹ 75,952.93 crore during 2002-03 to 2015-16, a total sum of ₹ 30,083.47 crore (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) was transferred to the Fund and accordingly spent from the Fund during these periods. The remaining levy of ₹ 45,869.46 crore was not transferred to the USO Fund.

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 obligations.

The Department in their reply stated that Cabinet Secretariat directed (July 2003) that DoT may consult MoF while finalizing the amount to be transferred to the USO Fund. Even the clause 9B of the IT Act 2003 states 'the sum of money received towards the Universal Obligation under Section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for universal service obligations. Accordingly, the Central Government may credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the universal service obligations. It did not say all such proceeds would be credited to the Fund. Further keeping money locked in Public Account may not be the most prudent way to utilize resources and in view of this, MoF was not committing any violation of legal provision'.

The reply of the Ministry/Department is not acceptable in view of the fact that the expression "such proceed" occurring in section 9B means "sum of money received towards USO under Section 4". The expression refers to the specific amount of levy paid towards USO by the service providers. Section 9 B, further provides that the USO Fund shall be utilised exclusively for meeting universal service obligations and it is a Non-Lapsable fund. Furthermore, the expression "such proceed" is not followed by the word "as it thinks fit" or similar such expression allowing the Central Government to credit only a part of money received toward USO under Section 4 to the USO fund. Thus, the Section requires that the entire amount of money received towards USO under Section 4 is to be credited to the USO fund.

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 levy and collection of 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 five per cent to be levied and collected on all payments made towards 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 the 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 Act, 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.

It is observed that cess to the extent of ₹ 6,698.30 crore were collected during the period from 1996-97 to 2015-16. Out of this, ₹ 579.16 crore (8.65 *per cent*) only was disbursed to TDB as Grants-in-aid during the same period. TDB, in turn, disbursed financial assistance and loans of ₹ 1,296.81 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.

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' C&AG Audit Reports but the trend is persistent.

In response, the TBD had stated (September 2016) that it had invested the entire ₹ 579.16 crore released to it by the Ministry for onwards implementation of its mandate. However, the fact remains that out of total ₹ 6,698.30 crore received under the R&D cess from inception till the year 2015-16, only ₹ 579.16 crore had been disbursed to TDB by the Ministry. Reply from Ministry was awaited by October 2016.

2.3.3 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 2006-16 showed that a total collection of SHEC of ₹ 73,468.52 crore has been made.

It is observed that unlike the creation of Prarambhik Siksha Kosh in the case of primary/elementary education cess, neither a Fund was designated to deposit the proceeds of SHEC thereto nor schemes were identified on which the cess proceeds were to be spent. Consequently, the commitment of furthering Secondary and Higher Education Cess as envisaged in the Finance Act was not transparently ascertainable.

2.3.4 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 ₹ 27,849.98 crore was collected as Clean Energy Cess[2] during the years 2010-11 to 2015-16. Against this, only ₹ 9,016.46 crore (32.38 *per cent*) had been transferred through head of account 2810.797-Transfer to Reserve Fund to the National Clean Energy Fund[3] in the Public Account, leading to short transfer of Cess to the earmarked Fund by ₹ 18,833.52 crore (67.62 *per cent*).

The Ministry of Finance, Department of Economic Affairs in its reply (August 2016) stated that objective of transfer to NCEF is linked to the absorption capacity of the line Ministries. The Standing committee on Finance in their 2nd Report (16thLok Sabha) recommended that in the absence of specific details of the projects/Schemes, the unutilised funds lying in the NCEF for more than two years may be transferred to Consolidated Fund of India, so that these funds could be utilised for other prioritised schemes. Thus the audit observation to transfer the entire cess amount collected to NCEF without linking to absorption capacity of the line Ministries, is only likely to create pool of unutilised funds and with little public interest. This would also be against the recommendations of the Standing Committee on Finance. It was further stated that as and when there are justified schemes/projects for implementation by the line Ministries, funds would be made available to the extent of Fund due for accumulation under NCEF.

The Ministry's contention that the objective of transfer to National Clean Energy Fund is linked to the absorption capacity of the line Ministries is not tenable as revenue collected from Clean Energy Cess are required to be transferred to NCEF and to be spent only on the specific purpose for which it was levied i.e. for funding research and innovative project in clean energy technology.

The issue was pointed out in CAG's Report No. 1 of 2013, 2014 and Report No. 50 of 2015 but no perceptible action has been taken.

2.3.5 Short transfer of Cess to Central Road Fund (CRF)

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

[2] MH 0038.03.112-Clean Energy Cess
[3] MH 8235.129-National Clean Energy Fund

to time, after deducting the expenses of collection, for being utilized exclusively for the purposes of this Act.

Examination of Statement No. 8 of Union Government Finance Accounts for the years 2010-11 to 2015-16 revealed that against the total collection of ₹ 1,70,682.25 crore, only ₹ 1,43,097.49 crore was transferred to the CRF (Head 8224.00.101) in Public Account resulting in short transfer of ₹ 27,584.76 crore.

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, 2015 and CAG's Audit Report No. 50 of 2015.

2.3.6 Short transfer of Cess to other earmarked funds in Public Account

Scrutiny of Statements No. 8 and 13 of Union Government Finance Accounts for the financial year 2015-16 showed that following Cess collected on certain items during the year were not transferred fully to the earmarked funds in the Public Account. The details of short transfer of cess of ₹ 1,599.31 crore are given in the **Table 2.1.**

Table 2.1: Short transfer of Cess

(₹ in crore)

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)	4.13	Cine Workers Welfare Funds (8229.115)	1.93	2.20
2	Cess on Tea (0038.04.103)	60.12	Development Fund for Tea Sector (8229.126)	Nil	60.12
3	Cess on Iron Ore (0038.04.110)	15.84	Mines Welfare Fund (8229.00.114)	35.42	11.25
4	Cess on Limestone and Dolomite (0038.04.112)	30.83			
5	Swachh bharat Cess (0044.506)	3,925.74	Rasrtiya Swachhata Kosh (8235.135)	2,400.00	1,525.74
Total		**4,036.66**		**2,437.35**	**1,599.31**

In case of cess on Feature Film, the Ministry of Labour and Employment stated (July 2016) that the cess was transferred to the Fund according to the budgetary provision and the remaining portion of the cess of ₹ 2.20 crore would be transferred in the next financial year.

Reply of the Ministry is not tenable as the Ministry had furnished (September 2015) the same reply for financial year 2014-15 that the short transfer of cess of ₹ 2.11 crore pertaining to the financial year 2014-15 would be transferred in financial year 2015-16. However, the Ministry has not yet transferred the amount to the Fund in 2015-16.

In respect of cess on Tea, CGA stated (August 2016) that a reference has been made to the concerned Ministries.

2.3.7 Income Tax Welfare Fund

Ministry of Finance, Department of Revenue created the Income Tax Welfare Fund (ITWF) with a corpus of ₹ 100 crore and transferred the Fund over a period of three years in three tranches of ₹ 30 crore each in the year 2006-07, 2007-08 and ₹ 40 crore in the year 2008-09 in the 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 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 interest accruing on the corpus Fund and additional accretions as specified in para 3 of Income Tax Welfare Fund Rules 2007 shall be utilised for meeting the expenditure on the above purposes.

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 utilization of the Fund would not be reported through the standard Object Heads as is the case with the Demand for Grants presented in the Parliament and hence, the process would not be transparent. GFR Rules also do not permit expenditure from Public Moneys for the benefit of a section of people or individuals unless the expenditure was in pursuance of recognised policy or rules. The purpose cited above could be covered under the standard Object Heads “Rewards”, “Medical Treatment”, “Office Expenses”, Grants-in-aid” in the Demand for Grants of the Ministry. Thus, the Department should not continue the aforesaid Fund.

The matter was commented upon in the CAG’s Audit Report No. 1 for the year 2008-09, 2010-11, 2011-12, 2012-13, 2013-14 and Report No. 50 for the year 2014-15. 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 (June 2016) that after taking into consideration the vetting comments of the Audit, the

Department had already submitted a final ATN in June 2014 on the previous para to the Monitoring Cell, Department of Expenditure.

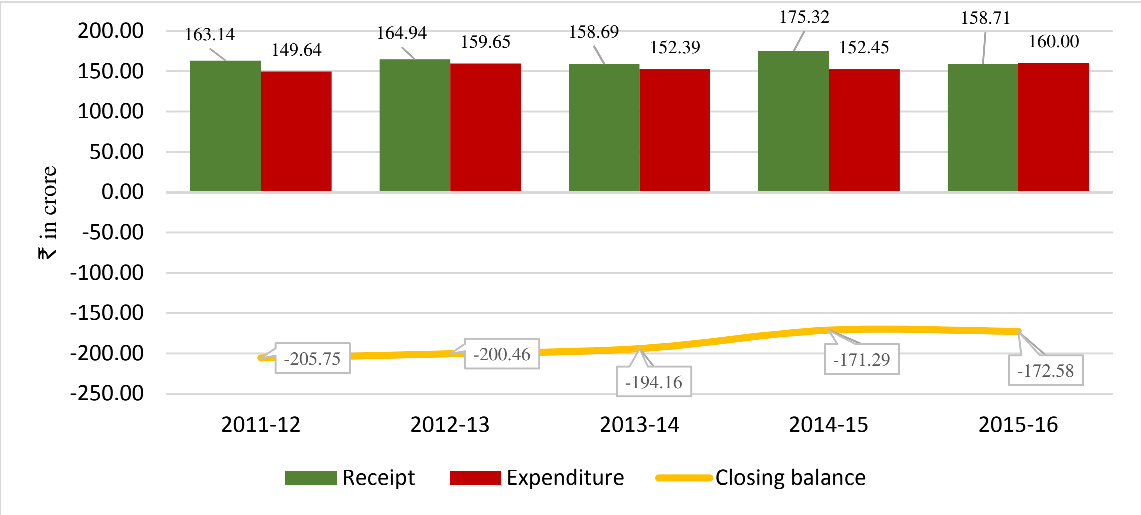
The reply of the Ministry, however, does not acknowledge that Audit never concurred with the Department's action to continue with the ITWF. In fact, even in response to the ATN, Audit has again reiterated closure of the ITWF and crediting the balance available in the said Fund into the Consolidated Fund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

2.3.8 Continued adverse closing balance in Beedi Workers Welfare Fund

Beedi Workers Welfare Fund was created in the Public Account[4] 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 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 2011-12 to 2015-16, 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 closing balance in Beedi Workers Welfare Fund



Closing balance of year 2011-12 was changed by the Department after reconciliation.

[4] MH 8229.200 – Other Development and Welfare Fund

The chart above indicates that there was continuous adverse closing balance in the Fund during the period 2011-12 to 2015-16, which moved from (-) ₹ 205.75 crore in 2011-12 to (-) ₹ 172.58 crore in 2015-16.

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, 2013-14 and 2014-15.

Ministry of Labour and Employment agreed (August 2016) with the audit observations and stated that the adverse balances under the Beedi Worker Welfare Fund would be settled in future.

2.3.9 Irregular retention of balances under Mahila Samridhi Yojna

For providing economic security to the rural women and to encourage savings habit, the Mahila Samridhi 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 savings account in the rural post office. The deposit was accounted in the Public Account under the head 8013.60.101 – Mahila Samridhi 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 (SB) Accounts or to close the account by allowing the withdrawal. However, it was noticed that an amount of ₹ 2.92 crore was still lying under the head 8013.60.101-Mahila Samridhi Yojna for Rural Women as on 31 March 2016. During the financial year 2015-16, adjustment of meagre amount of ₹ 6.50 lakh has been carried out by the department.

The Department in its reply (July 2016) stated that FS division of Postal Directorate has been advised for taking action through CPMG to close MSY accounts or convert into SB account.

2.4 Data Integrity and Reconciliation Issues

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

In Statement No.14 of the Union Government Finance Accounts for the financial year 2015-16, under the Special Deposit of Employees' Deposit Linked Insurance Scheme in the Public Account[5], there is a credit balance of ₹ 2,001.27 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 ₹ 8,149.86 crore had been shown as closing balance in the Public Account as on 31 March 2016. Thus there is a difference of ₹ 6,148.59 crore in the two sets of figures.

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

Comments related to difference in two sets of figures in previous years were made in CAG's Reports for financial year 2013-14 and 2014-15.

In December 2013, the Ministry of Labour and Employment stated that there was 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. However, despite a lapse of nearly three years, no progress on the matter has been made.

2.4.2 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 year 2015-16 revealed that a net loan of ₹ (-)231.71 crore (Debit) as detailed in **Table 2.2**, was still being shown as outstanding against SDFC, though all assets and liabilities of SDFC had already been transferred to Central Government.

Table 2.2: 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.**

In January 2015, the Controller of Accounts, Department of Economic Affairs, Ministry of Finance had stated that the Government of India had 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 recovery of loans from the Shipping/Fishing companies. It further added that ICICI Bank had remitted money in Government Accounts as principal and interest thereon without giving the details of the loans. The amounts 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, Ministry of Finance for reconciliation.

In its subsequent reply in November 2015, Department of Economic Affairs stated that the issue has already been taken up with the ICICI & PAO (Banking) and they were hopeful of liquidating the adverse balances during the current year. This issue stands unresolved despite it being pointed out in Report No. 1 for the years 2012-13, 2013-14 and Report No. 50 for the year 2015.

2.4.3 Dormant Funds and Deposits

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. Creation of reserve Fund generally involves transfer of sum from the Consolidated Fund of India into Public Account to be utilised for specific purposes. On the other hand deposits of the Government is made by the depositor as a security and or to get some work executed by the Government on behalf of the depositor. Dormant funds/deposits constitute those funds or deposits which are not in operation for a long period of time and might have outlived their utility and clutter the accounts. The dormant funds/deposits in the Public Account need to be closed and the balances therein transferred back to Consolidated Fund of India.

Scrutiny of Finance Accounts showed that 43 funds/deposits[6] having aggregate balance of ₹ 1,538.27 crore at the end of 2015-16, as contained in **Annexure 2.4,** were lying dormant for period ranging from seven to 28 years.

In most of the cases, small balances are lying and their continuance does not appear to serve any purpose. These cases need to be reviewed and considered for closure by crediting the balances to the Consolidated Fund of India.

The CGA stated (August 2016) 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, 2015 and Report No. 50 of 2015 but no discernible action was taken.

2.4.4 Other discrepancies

2.4.4.1 Discrepancies in Guarantee fees

Guarantee fees received during 2015-16 in Statement No. 4 shows a sum of ₹ 778.76 crore whereas the Statement No. 8 depicts a figure of ₹ 779.42 crore, under head 0075.108-Guarantee fee. CGA replied (August 2016) that difference of ₹ 0.66 crore is due to Railway figures and matter has been taken up with the Ministry of Railway. Reply is still awaited.

2.4.4.2 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.

[6] 13 reserve funds, 25 deposits and 5 other liabilities

The following discrepancies have been found in Statement No.11 for FY 2015-16 as detailed in **Table 2.3**.

Table 2.3: Discrepancies in Government investment in PSUs

Sl. No.	Name of PSUs	Observation		Remarks
1.	Bharat Electronics Ltd. Banglore	Progressive investment as on 31 March 2016 was ₹ 60.01 crore as per Union Government Finance Account 2015-16, whereas the progressive investment as per Controller General of Defence Account (CGDA) was ₹ 180.04 crore.		CGDA stated (August 2016) that the matter had been taken up with the Defence PSUs.
2.	Bharat Dynamics Ltd. Hyderabad	Progressive investment as on 31 March 2016 was ₹ 115 crore as per Union Government Finance Account 2015-16, whereas the progressive investment as per Controller General of Defence Account (CGDA) was ₹ 97.75 crore.		CGDA stated (August 2016) that the matter had been taken up with the CGA and on receipt of the approval the corrective measure will be taken.
	Name of PSUs	**Face value of Government share (₹ in crore)**		**Remarks**
		As per Statement No.11 of Finance Accounts of 2014-15	**As per Annual Accounts of CPSU of 2014-15**	
3.	Hindustan Organic Chemicals Limited	309.50	39.48	Overstatement of Government's investment by ₹ 270.02 crore at the end of 2014-15 in Statement No. 11.
4.	The Fertilizers and Chemicals Travancore Limited.	637.77	582.36	Overstatement of Government's investment by ₹ 55.41crore at the end of 2014-15 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 2014-15 in Statement No. 11.
6.	Scooters India Limited	168.61	80.03	Overstatement of Government's investment by ₹ 88.58 crore at the end of 2014-15 in Statement No. 11.
7.	Power Grid Corporation of India Limited	2925.01	3028.84	Understatement of Government's investment by ₹ 103.83 crore at the end of 2014-15 in Statement No. 11.
		2015-16		
8.	Omnibus Industrial Development Corporation of Daman & Diu	22.01	26.07	There was understatement of Government's investment by ₹ 4.06 crore in Statement No.11.

Expeditious efforts need to be made by the CGA, including coordination with the concerned administrative Ministries to address the deficiency brought out.

(a) Incomplete information of investment

In the followings cases, the complete information in respect of details of investment is not available in Statement No 11. The incompleteness was qualified with the footnote that the information was awaited.

Table 2.4: Incomplete information of investment

Sl.No.	Name	Year of Investment	Remarks
1.	State Agro-Industries Corporation	1966-67 to 2001-02	Number of shares and its face value not given.
2.	National Skill Certification and Monetary Reward Scheme	2013-14	Type of share, number of shares and its face value not given.
3.	Rail Infrastructure Development Company (Karnataka) Ltd.	2002-03 to 2009-10	Number of shares and its face value
4.	Railway Energy Management Company	2013-14	Percentage of Governments investment to total paid up capital
5.	National High Speed Rail Corporation Ltd.	2015-16	Percentage of Governments investment to total paid up capital
6.	Elgin Mills Ltd. Kanpur	1977-78	Percentage of Governments investment to total paid up capital
7.	Tata Engineering Locomotive ltd	1971-72	Percentage of Governments investment to total paid up capital

CGA stated in its reply (August 2016) that these information are to be furnished by the concerned Ministries/Department, who has made the investment. Every year during review they are requested to furnish the requisite information. Pending receipt of the requisite information, a footnote to this effect is inserted in the statement.

Reply of the CGA is not acceptable as inserting footnote every year of pending information does not give true picture of investments of the Union Government.

(b) Difference in figures of Dividends

There was a difference in dividends receipts as shown in Statement No 8 and Statement No. 11 of the Finance Accounts as detailed in **Table 2.5**.

Table 2.5: Difference in figures of Dividends

(₹ in crore)

Observation	Statement-8[7]	Statement -11	Difference
Dividend from Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks, Societies etc.	112113	112713	600

CGA stated in (August 2016) that the reconciliation of difference in dividend figures shown in Statement Nos. 8 and 11 is under process.

[7] Major Head 0050, excluding minor head 104-Contribution in lieu of Taxes on Railways Passenger Fares.

(c) Shortfall in payment of Dividends in respect of Statutory Companies

The guidelines issued by the Ministry of Finance, Department of Expenditure in September 2014 envisaged that all profit making CPSEs would declare a minimum dividend of 20 *per cent* (30 *per cent* in case of oil, petroleum, chemical and other infrastructure CPSEs), either on equity or on post tax profit, whichever was higher.

Scrutiny of payment of dividends in respect of statutory companies under Ministry of Defence and Department of Telecommunications for the year 2015-16 revealed that there was a shortfall of ₹ 349.20 crore in the dividend declared by the Government Companies in contravention to the extant provision of Ministry of Finance (**Table 2.6**).

Table 2.6: Shortfall in dividend declared by Government Companies

(₹ in crore)

Sl. No.	Name of CPSE[8]	Paid up Capital	Profit after Tax	Dividend declared during 2015-16	20% of paid up capital	20% of Profit after Tax	Minimum dividend required to be declared	Shortfall
1.	BEL	240	1357.67	45.01	48	271.53	271.53	226.52
2.	BEML	41.64	52.65	4.16	8.33	10.53	10.53	6.37
3.	MDNL	187.34	118.03	35.41	37.47	23.61	37.47	2.06
4.	BDL	97.75	562.70	67.62	19.55	112.54	112.54	44.92
5.	GSL	29.1	61.89	9.51	5.82	12.38	12.38	2.87
6.	HSL	301.99	19.00	Nil	60.40	3.80	60.40	60.40
7.	TCIL	43.2	21.37	2.58	8.64	4.27	8.64	6.06

The matter was referred (September 2016) to MoD (Fin) and DoT, however, their reply was awaited.

2.4.4.3 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'.

(a) Interest not reflected in respect of arrears of loans

Scrutiny of disclosure statement revealed that in respect of some entities 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 received against them.The details of such cases are given in **Table 2.7**.

[8] 1-Bharat Electronics Ltd, 2-Bharat Earth Movers Ltd, 3-Mishra Dhatu Nigam Ltd, 4-Bharat Dynamic Ltd, 5- Goa Shipyard Ltd, 6- Hindustan Shipyard Ltd, 7-Telecommunications Consultants India Ltd.

Table 2.7: Interest not reflected in respect of arrears of loans

Sl. No.	Name of Entity	Total loans outstanding on 31 March 2016 (₹ in Crore)	Remark
1.	Shri Sitaram Sugar Co Baithalpur, Uttar Pradesh	3.48	The Ministry of Consumer Affairs and Food & Public Distribution stated (July 2016) that the files relating to the cases were nearly 25 years old and they were not readily traceable. This matter was also highlighted in Audit Report No. 50 of 2015.
2.	Deoria Sugar Mills, Deoria, Uttar Pradesh	3.63	
3.	Raja Bulan Sugar Ltd, Rampur, Uttar Pradesh	1.06	

(b) Interest credited against the adverse balances of loans and advances

In following cases interest was credited against the adverse principal amount of the loan and advance.

Table 2.8: Interest credited against the adverse balances of the loans and advances

(₹ in lakh)

Sl. No.	Heads	Balance as on 01.04.2015	Balance as on 31.03.2016	Interest credited
1.	7601.04.411-Co-operation-Credit Co-operative	-325.22	-326.87	0.22
2.	7601.04.413-Other Co-operatives	-16.86	-14.73	1.38
3.	7601.04.436-Crop Husbandry - Commercial Crops	-1312.83	-1350.28	28.61
4.	7601.04.443-Crop Husbandry – Other Loans	-3367.15	-3,388.37	229.20
5.	7601.04.501-Soil and Water Conservation-Soil Conservation Schemes	-962.29	-990.04	30.39
6.	7610.00.203-Advances for purchase of Other Conveyance	-3910.98	-3936.64	198.54

In respect of heads at Sl. No. 1 to 5, Ministry of Agriculture stated (August 2016) that adverse balances against these heads are due to write off of loans in pursuance of the recommendations of the 13th Finance Commission. Despite the loans being written off, the credits were received from various State Governments under these heads. It further stated that the interest were credited due to the rectification/adjustment pertaining to previous year in the year 2015-16.

The reply indicates absence of proper accounting mechanism regarding Loans and Advances, as the loans had been written off and yet interest pertaining to the previous years, were being credited to Union Government Account in 2015-16.

In respect of Sl. No. 6, CGA stated (August 2016) that the matter has been taken up with the Ministry of Railways, Department of Post and UT Chandigarh and replies were awaited.

(c) Repayment against adverse balances of loans and advances

In following cases, repayment of loan and advance were made against adverse balances of loan and advance.

Table 2.9: Repayment against adverse balances of loans and advances

(₹ in lakh)

Sl. No.	Heads	Balance as on 01.04.2015	Repayment of loan during the year	Balance as on 31.03.2016
1	7601.03.413-Coperation –Credit Co-operatives	-41.84	0.05	-41.89
2	7601.03.501-Soil and Water Conservation –Soil Conservation Scheme	-21.23	0.62	-21.85
3	7601.04.411-Co-operation-Credit Co-operative	-325.22	1.65	-326.87
4	7601.04.436-Crop Husbandry - Commercial Crops	-1312.83	37.45	-1350.28
5	7601.04.443-Crop Husbandry – Other Loans	-3367.15	21.22	-3388.37
6	7601.04.501-Soil and Water Conservation-Soil Conservation Schemes	-962.29	27.75	-990.04
7	7602.04.412- Co-operation-Consumer Co-operative	-0.14	5.79	-5.93

Ministry of Agriculture stated (August 2016) that no repayment of loan was received from States Government in 2015-16. Repayment accounted for was due to rectification/adjustment pertaining to previous years in the year 2015-16.

The reply shows existence of faulty accounting mechanism as the repayment of loan of previous years was being credited in 2015-16. Even the Ministry is not in position to explain to which year the repayment pertains.

(d) Non finalisation of terms and conditions of Loan

Loans of ₹ 29.29 crore were 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 been finalised even after a gap of 21 years.

CGA replied (August 2016) that the matter had been taken up with the Ministry of Health and Family Welfare several times for finalization of terms and conditions.

This issue was highlighted in CAG's Audit Report No. 1 of 2000 to Report No. 50 of 2015. This shows a non-serious approach of the Administrative Ministry with regard to the recovery and other aspects of the loans advanced.

(e) Loans and advances in arrears for more than 20 years.

Scrutiny of the Statement No. 15- Loans and Advances made by the Union Government for the year 2015-16 revealed that total loan outstanding against State/UT Governments and other entities as on 31st March, 2016 was ₹ 2,56,353.52 crore. Out of this, repayment of ₹ 26,333.68 crore[9] is shown as loans and advances in arrears ranging from 2 to 50 years. Further, out of the amount of ₹ 26,333.68 crore, ₹ 11,321.87 crore (42.99 *per cent*) has been in arrears for more than 20 years (cases of more than ₹ 10 crore[10]) on account of non-recovery. Further, an amount of ₹ 29,770.45 crore being the interest on principal amount for the same period also remained in arrears. This shows that a significant amount of loans and advances repayments of which are in arrears are unlikely to be recovered **(Annexure 2.5).**

In its reply (July 2016) CGA stated that recovery of loans and payment of principal and interest amount was watched by concerned Ministry/Department. However references are being made to the concerned Ministry/Department and Audit will be intimated in due course.

2.4.5 Understatement of the Customs Receipts

As per the prescribed procedure, advance customs receipts pertaining to a future period, is kept under a transitory suspense head (8658.136-Custom Receipts awaiting transfer to Receipt Head) in the Public Account. The advance receipts are credited to the Consolidated Fund of India (CFI) in the year to which this pertains.

Scrutiny of the Finance Accounts revealed that ₹ 20.75 crore were available under the transitory suspense head as the opening balance in financial year 2015-16. This was to be accounted for as customs receipts in the Consolidated Fund of India during financial year 2015-16. A sum of ₹ 1.02 crore was cleared during 2015-16 and closing balance of ₹ 19.73 crore remained booked under the suspense head. This resulted in an understatement of the customs receipts of the Government of India by ₹ 19.73 crore in financial year 2015-16.

In its reply (August 2016) CGA stated that this amount will be transferred to final head during 2016-17.

2.5 Important factors affecting accuracy of accounts

The accuracy of Union Finance Accounts 2015-16 is adversely affected by factors like (i) large number of outstanding balances under Suspense heads awaiting final classification, (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads of accounts, etc.

[9] ₹ 4,749.73 crore is outstanding against States and UTs and ₹ 21,583.95 crore is outstanding against Loanee Entities or Institutions

[10] In case of other entities.

Review of outstanding balances under major suspense accounts for the year 2015-16 has been conducted in the office of Controller General of Accounts. The audit findings are detailed below in the succeeding paragraphs:

2.5.1 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 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 ₹ 22,119.80 crore (Debit) as on 31 March 2016. This balance comprised of ₹ 2,332.43 crore (Debit) in respect of Civil, for Defence ₹ 14,404.02 crore (Debit), for Railways ₹ 1,802.06 crore (Debit), for Postal ₹ 2,602.40 crore (Debit), for Telecommunication ₹ 154.79 crore (Credit) 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. 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 at 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 in **Table 2.10.**

Table 2.10: Suspense balances under Major Suspense Heads in respect of Civil Ministries

(₹in crore)

Head	2013-14		2014-15		2015-16	
	Debit	Credit	Debit	Credit	Debit	Credit
101-PAO Suspense	2737.37	156.44	2532.65	532.93	2630.22	588.76
Net	**Dr 2580.93**		**Dr 1999.72**		**Dr 2041.46**	
102-Suspense Account (Civil)	1194.54	4670.36	1130.15	5292.32	1175.93	5982.81
Net	**Cr 3475.83**		**Cr 4162.17**		**Cr 4806.88**	
107-Cash Settlement Suspense Account	497.97	36.34	497.80	36.34	413.60	36.33
Net	**Dr 461.63**		**Dr 461.46**		**Dr 377.27**	
108-PSB Suspense	5969.95	2988.75	3688.87	3222.01	5982.12	2273.08
Net	**Dr 2981.20**		**Dr 466.86**		**Dr 3709.04**	
109-Reserve Bank Suspense (HQ)	11.37	185.41	11.59	185.07	12.31	297.06
Net	**Cr 174.04**		**Cr 173.48**		**Cr 284.75**	
110-Reserve Bank Suspense Central Accounts Office	58.39	502.62	51.17	1158.25	56.15	541.24
Net	**Cr 444.23**		**Cr 1107.08**		**Cr 485.09**	
115- Suspense Accounts for Purchases etc. abroad	1941.34	52.00	978.30	0.0001	1991.46	0
Net	**Dr 1889.34**		**Dr 978.30**		**Dr 1991.46**	
129-Material Purchase Settlement Suspense Account	212.08	78.32	210.27	66.86	212.32	61.09
Net	**Dr 133.76**		**Dr 143.41**		**Dr 151.23**	
136-Custom Receipts awaiting transfer to receipt head	--	223.26	--	20.75	--	19.73
Net	**Cr 223.26**		**Cr 20.75**		**Cr 19.73**	
138-Other Nominated Banks (Pvt. Sector Banks) Suspense Transaction connected with war, 1939	51.98	593.43	5.60	550.22	196.20	607.33
Net	**Cr 541.45**		**Cr 544.62**		**Cr 411.13**	

It would be seen that Debit and Credit balances under PAO Suspense, Suspense Account (Civil), Reserve Bank Suspense (HQ), Suspense Account for Purchases Abroad and Other Nominated Banks Suspense Account have increased in 2015-16 over the previous year. The year-wise break-up of the balances outstanding under the suspense minor heads was not maintained by the CGA.

(a) PAO Suspense

In PAO suspense, at the end of March 2016, outstanding debit balance was ₹ 2,630.22 crore and credit balance was ₹ 588.76 crore. Thus, an aggregated balance of ₹ 3,218.98 crore was awaiting clearance from this head.

The outstanding balances were mainly pertained to Department of Supply ₹ 1,517.49 crore (Debit), Ministry of External Affairs ₹ 658.09 crore (Debit), Department of Atomic Energy ₹ 221.30 crore (Credit), Ministry of Road Transport and Highways ₹ 234.71 crore (Credit) and Central Board of Excise and Custom (CBEC) ₹ 55.10 crore (Credit), indicating that the payment made

(Debit) or received (Credit) by these Departments/ Ministries on behalf of other PAOs were yet to be recovered/ paid by them as on 31 March 2016. The outstanding balance with Ministry of External Affairs was mainly due to unsettled claims in respect of officers' journey abroad where hospitality and accommodation charges were paid by the Ministry. The large debit and credit balances under PAO suspense and their continuous accumulation indicated significant control deficiencies.

(b) Suspense Accounts (Civil)

The outstanding balance under this minor head as of 31 March 2016 was ₹ 5,982.81 crore (Credit) and ₹ 1,175.93 crore (Debit). An aggregated balance of ₹ 7,158.74 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 ₹ 5,209.92 crore (Credit), Department of Supply ₹ 597.52 crore (Debit), Ministry of External Affairs ₹ 640.23 (Credit) and High Commission ₹ 435.76 crore (Debit).

(c) Suspense Account for purchases etc. abroad

Suspense accounts balance for purchases etc. abroad as on 31.03.2016 was ₹ 1,991.46 crore (Debit). It was also observed that ₹ 220.51 crore was outstanding from different organizations since 2007 and major debtors were Helicopter Corporation of India Ltd. (₹ 67.24 crore), Pawan Hans Ltd. (₹ 57.44 crore), Pyrites, Phosphates and Chemicals Ltd. (₹ 24.95 crore) and Coal India Ltd.(WB) (₹ 23.18 crore).

It was noticed from the information made available by the CAA&A that subsequent payments had been made on behalf of various importers/projects authorities while the payments for earlier purchases were still due from them. The issue was pointed out in the CAG's Report No. 50 of 2015.In their Action Taken Note dated 29 February 2016, Ministry of Finance, Department of Economic Affairs, Aid, Accounts and Audit division stated that the Office of CAA&A has been making continuous efforts for early settlement of outstanding dues. The outstanding suspense amount is monitored regularly and reminders sent to the Project implementing authorities to clear the suspense balances. However, the position of suspense balances was on higher side in 2015-16 as compared to the previous year figure of ₹ 978.30 crore.

Ministry in its reply (August 2016) stated that out of the outstanding suspense account balance of ₹ 1,991.46 crore as on 31.03.2016, ₹ 1,702.73 crore has been cleared in 2016-17 and ₹ 288.71 crore remains outstanding.

(d) Public Sector Bank Suspense (PSB Suspense)

The outstanding PSB balances as on 31 March 2016 were ₹ 5,982.12 crore (Debit) and ₹ 2,273.08 crore (Credit). Thus, an aggregated balance of ₹ 8,255.20 crore was required to be cleared at the end of March 2016. The major balances outstanding pertained to Central Board of Direct Taxes (CBDT) (Expenditure) ₹ 1,072.35 crore (Credit)**,** Central Pension Accounting Office (CPAO) ₹ 780.82 crore (Credit), Department of Supply ₹ 285.70 crore (Debit), Ministry of Road Transport and Highways ₹ 525.45 crore (Debit)**,** Central Board of Excise and Custom (CBEC) ₹ 527.09 crore (Debit), Ministry of Shipping ₹ 120.24 crore (Debit), Ministry of Labour & Employment ₹ 437.78 crore (Debit), Ministry of Culture ₹ 380.87 crore (Debit), Ministry of Power ₹ 158.30 crore (Debit), Ministry of Information & Technology ₹ 214.01 crore (Debit), Social Education & Literacy ₹ 202.90 crore (Credit), Ministry of Youth Affairs & Sports ₹ 126.85 crore (Debit) and Higher Education ₹ 105.88 crore (Debit).

(e) Reserve Bank Suspense, Central Accounts Office (CAO)

The outstanding balances under this minor head as on 31 March 2016 was ₹ 56.15 crore (Debit) and ₹ 541.12 crore (Credit) with aggregated balance of ₹ 597.27 crore to be cleared by the end of March 2016. The outstanding RBI (CAO) suspense balances pertained mainly to Ministry of Shipping ₹ 367.99 crore (Credit), Ministry of Commerce ₹ 115.24 crore (Credit), Department of Supply ₹ 37.68 crore (Debit) and Ministry of Road Transport and Highways ₹ 8.19 crore (Debit).

Audit further selected Ministry of External Affairs for examination of suspense balances in detail and observed the following:

- In Suspense Accounts (Civil) MEA had closing balance of ₹ 21.39 (Debit) crore in 2007-08.It further increased by ₹ 546.21 crore (Credit) and thus the closing balance remained ₹ 524.82crore (Credit) in 2008-09. The increase of ₹ 546.21 crore (Credit) comprised erroneous booking of ₹ 309 crore (credit) and ₹ 163 crore (-Debit) in respect of Kathmandu pensioners in February and March 2009 which had not been corrected till date. It was also noticed that Ministry has also booked excess clearance of ₹ 41 crore (-Debit) in respect of Kathmandu pensioners in 2015-16 resulting in a huge closing balance of ₹ 640.23 crore (Credit) lying unsettled.
- In respect of Suspense Accounts-PSB, balance were cleared during 2015-16 by booking ₹ (-)628 crore (credit) and ₹ (-)41 crore (debit) which includes ₹ 622.48 crore (₹ 39.37 crore + ₹ 539.54 crore + ₹ 43.57 crore) of RBI put-through pertaining to period 2012-13 (September 2012). It was noticed that the entry of ₹ (-)622.48 crore of RBI put through was left out in 2012-13 and adjusted in March 2016 through TE. This indicates that the

Ministry needs to strengthen the mechanism to ensure that all the entries have been taken in the account.

- Opening balance under the head Reserve Bank Suspense-CAO for 2015-16 was ₹ 70.83 lakh (Debit) which increased to ₹ (-)153.31 lakh (Debit) due to misclassification of ₹ (-)203.00 lakh (Debit) at the time of rejection of claim by RBI. Ministry stated (August 2016) that the misclassification would be settled in the next financial year i.e. 2016-17.

Further, during the review of 'Suspense Balances' of Ministry of Power for the year 2015-16 under the Head- Reserve Bank Suspense Headquarters (8658-00-109), Circle-101, it was noticed that the opening balance had been depicted as "Nil" whereas an amount of ₹ 112 crore was booked as (-)Debit.

The Department stated that said amount inadvertently booked under the Head-Reserve Bank Suspense Headquarters (8658-00-109), Circle -101 which had been rectified in March 2016 through Transfer Entry on 31 May 2016. Audit noted that this had not been rectified by the CGA in their accounts.

Furthermore, test check of balances in Principal Accounts Office of CBDT showed that balance of ₹ (-)1,52,478.10 crore (Debit) and ₹ (-)45,242.65 crore (Credit) were outstanding at the end of the year 2015-16 which included debit balance of ₹ 43.15 crore and credit balance of ₹ 31.85 crore outstanding for period up to 1988-89.

CGA stated (October 2016) that the concerned Ministries/Departments were instructed to liquidate the suspense balance at the time of review of Statement No. 13 of Union Government Finance Accounts.

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 2015-16, there were 78 cases of adverse balances under debt, deposit and remittances heads as given in **Annexure-2.6**. Eight cases became adverse during 2015-16 and remaining 70 cases were outstanding from earlier years. These included 37 cases outstanding for more than one year up to five years, 15 cases for more than five years up to 10 years and 18 cases for more than 10 years old.

CGA stated (September 2016) that 27 cases under Major Head 7601 (S.No 48-74), the adverse balance was due to write off of balances on recommendation of the 13th Finance Commission and the matter was under active consideration for adoption of these balances by the Ministry of Finance.

In six cases, Major Head 6002 (S.No. 17-21), the adverse balance was due to exchange rate variation and would be liquidated as per the codal provision. Rest included pre-departmentalised period (two cases) which had been taken up with the concerned Ministry/Department to take necessary action to liquidate the adverse balances. However, this needs to be addressed through a time bound initiative.

2.5.3 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial record of transactions which are eventually to be cleared. Under the scheme of departmentalization of accounts, payment of claims against Government is made by Pay and Accounts Offices of different Ministries/Departments by cheques drawn on branches of RBI or accredited banks.

When claims are preferred in the appropriate bill 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 2015-16, large balances were lying outstanding under 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	0.42
8670.102	Pay and Accounts Office Cheques	Credit	7671.62
8670.103	Departmental Cheques	Credit	1064.42
8670.104	Treasury Cheques	Credit	4.62
8670.105	IRLA Cheques	Credit	0.59
8670.106	Telecommunication Accounts Office Cheques	Credit	910.69
8670.107	Postal Cheques	Credit	12626.62
8670.108	Railway Cheques	Credit	4872.47
8670.109	Defence Cheques	Debit	60.24
8670.110	Electronic Advices	Credit	30.31
8670.111	Pay and Accounts Offices Electronic Advices	Credit	1914.84
8670.112	Principal Controller of Communication Accounts Offices Electronic Advice	Credit	39.48
8670	**Cheques and Bills (Total)**	**Credit**	**29075.84**

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 amount is to be written back in the accounts.

Such large outstanding amounts under different minor heads reflect that 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 showed that 808 cheques amounting to ₹ 12.44 crore in Ministry of External Affairs, 521 cheques amounting to ₹ 1.56 crore in Department of Supply, 406 Cheques amounting to ₹ 105.42 crore in Ministry of Road Transport and Highways, 13,355 cheques amounting to ₹ 20.53 crore in CBDT and 691 cheques amounting to ₹ 0.69 crore in Department of Economic Affairs (Ministry of Finance) remained unpaid for more than six months.

Total outstanding balance under the Head-8670- 'Cheques and Bills' stood at ₹ 29,075.84 crore (credit) as on 31 March 2016. Efforts are therefore required on the part of the concerned PAOs of the Ministries/Departments to carry out reconciliation with the banks.

2.5.4 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 (under the MH 8012.00.120-Special Securities issued to Nationalized Banks). 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 (MH 3465.01.797-Transfer to Reserve Fund) to the Public Account.

Scrutiny of the Finance accounts revealed that during the years 2008-09 to 2015-16, a sum of ₹ 625 crore each year had been booked as expenditure on account of contribution to the Security Redemption Fund. The amount of ₹ 5,000 crore[11] 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, an amount of ₹ 5,000 crore was lying under a suspense head till date.

[11] ₹ 625 crore each year accumulated over a period of eight years (2008-09 to 2015-16) works out ₹ 5,000 crore.

In its reply, in November 2015, Department of Economic Affairs stated that the amount is lying under 8658-Suspense Account (Civil) as the proposed minor head for Security Redemption Fund has not been opened till date as the accounting procedure is under process and regular correspondence is being done among Budget Division, CGA and C&AG. The amount will be transferred to new head as & when the same is approved by the competent authority.

The reply of the Ministry is not tenable as the C&AG of India has already given its observations/suggestions regarding revised/modified accounting procedure, in May 2014.

2.5.5 Currency, Coinage and Mintage Account

This transitory major head of account (8656) is operated to account for stock of coins (face value) after minting. This head of account is debited by face value of coin taken into stock by minus debit to capital head 4046 which accounts for purchase of metal. Difference between the face value of coins and cost of metal is transferred to revenue head 0046 after the coins are put into circulation. Thus, debit entry in this head represents face value of minted coins in stock and a credit entry represents profit to be transferred to revenue on circulation of coins. It was noticed that after the creation of Security Printing and Minting Corporation of India in 2006, stock of minted coins amounting to ₹ 2,003.91 crore (credit balance of ₹ 131.19 crore and debit balance of ₹ 2,135.10 crore) had remained static since March 2006. The figure represent the value of coins remained in stock which was yet to be put into circulation.

2.5.6 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 DDR.

In respect of civil departments, out of 70 Principal Accounts Offices, the review of balances for 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 was completed only in 38, 35, 37, 40 and 27 departments respectively.

Audit recommends that the Ministry of Finance may put in place an effective control mechanism to review and liquidate the balances under various Suspense Heads. The Ministries/Departments are also required to clear the adverse balances under Debt, Deposit and Remittance (DDR) heads and balances under Cheques and Bills for depiction of accurate Government Accounts.

2.6 Departmentally managed Government Undertakings- Position of Proforma Accounts

Rule 84 of 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 61 departmentally managed Government undertakings of commercial or quasi commercial nature in respect of which information was received. Out of these, in respect of 37 undertakings accounts were lying in arrear as of March 2016. 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 Store Accounts.

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

Sl. No.	No. of undertakings	Financial year of the account	No. of Years in arrears
1	16	2014-15	1
2	7	2011-12 to 2013-14	2-4
3	9	2007-08 to 2010-11	5-8
4	5	2006-07 and before	9 years and more
Total	**37**		

Table 2.12 shows that Proforma Accounts of 16 Undertakings were delayed for a period of one year. In respect of 7 Undertakings, accounts were delayed from two to four years. In case of Government Press, Andaman and Nicobar Islands, Ministry of Urban Development, the proforma accounts had not been prepared since 1987-88 onwards. Similarly in case of Port Management Board, Andaman and Nicobar Islands, Ministry of shipping, the Proforma Accounts had not been prepared since the financial year 1991-92 onwards.

The details of departmentally managed Government Undertakings for which the proforma accounts were in arrears is given in **Annexure 2.7**

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.

2.7 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 2015-16 were called for from all civil Ministries/Departments. However, information was made available by only 38 Ministries/Departments. Out of 38, in 11 Ministries/Departments, 1,007 cases of losses amounting to ₹ 56.10 crore were written off, and recoveries amounting to ₹ 0.11 crore in 19 cases were waived off, as detailed in **Annexure 2.8**

2.8 Conclusion

There are significant deficiencies relating to disclosures, accuracy, completeness, and transparency in the Union Finance Accounts for 2015-16. 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 Government Accounts. Specific purpose cess being collected was not credited to the earmarked funds whenever created in the Public Account. 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 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. A large proportion of loans advanced by Union Government to States/UT Government and other entities are not being recovered as the repayments due from these entities are in arrears for more than 20 years. 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. Proforma Accounts of 32 Undertakings were delayed ranging from one to nine years and Proforma Accounts of 5 Undertakings were delayed for more than nine years.