Chapter 2: Comments on Finance Accounts

2.1 Introduction

As per the Allocation of Business Rules, the Controller General of Accounts (CGA) is responsible for the general principles of Government Accounting relating to Union or State Governments and form of Accounts, and framing or revision of rules and manuals relating thereto and also overseeing the maintenance of adequate standard of accounting by Central Civil Accounts Offices. CGA prepares the Finance Accounts based on inputs (Statement of Central Transactions, Journal Entries, Prior Period Adjustments, Proforma Adjustments) received from various Accounting Authorities of the concerned Ministries/Departments of the Union Government.

General Financial Rules (GFR) stipulate that the Secretary to the Government is the Chief Accounting Authority (CAA) of the concerned Ministry/ Department. He discharges his functions with the assistance of the Financial Advisors (FA) and Chief Controller of Accounts (CCA)[1] of the Ministry/Department concerned[2].

The succeeding paragraphs highlight instances where the above authorities failed to fulfil their responsibilities resulting in shortcomings in transparency, presentation, disclosures, accuracy, classification, completeness and other discrepancies in the Finance Accounts of the Government of India. Similar comments have regularly appeared in previous CAG Reports, but continue to persist, primarily because of failure of the above authorities to take any effective measures in this regard.

2.2 Opaqueness in Accounts

Minor head 800 relating to ‘Other Receipts/ Other Expenditure’ is to be operated only in cases when the appropriate Minor head has not been provided in the accounts. If such repetitive receipt or expenditure occurs, it is the responsibility of the accounting authorities to open appropriate Minor heads. Indiscriminate booking of receipts and expenditure under Minor head 800 results in opaqueness in accounts.

(a) Due to failure of the authorities mentioned in paragraph 2.1 above, ₹ 20,855 crore was booked as expenditure under minor head 800-Other Expenditure

1 Includes Principal Chief Controller, Chief Controller and Controller of Accounts as the case may be.

2 Defence Accounts-Financial Advisor, Defence Services; Postal Services Accounts-Joint Secretary and Financial Advisor-Department of Posts; and Railway Accounts-Financial Commissioner, Railway Board.

during 2017-18. Six GoI Ministries/Departments[3] booked ₹ 6,475 crore, representing more than 50 *per cent* of the expenditure against 10 specific Major heads, under Minor head 800.

(b) Similarly, 14 GoI Ministries/Departments[4] booked receipts of ₹ 5,326 crore under Minor head 800-Other Receipts (26 Major heads) which is more than 50 *per cent* of receipts of ₹ 6,228 crore.

The accounting authorities of these Ministries/Departments failed to take corrective action despite the fact that similar comments had been made in previous CAG Reports in respect of these Ministries/Departments.

2.3 Deficiencies in Cess collection and utilisation

A Cess is an additional tax levied by the Government to raise funds for a specific purpose. GoI collected ₹ 2,14,050 crore under 42 Cess in 2017-18. Major Cess that were subsumed under Goods and Services tax (GST) w.e.f 01 July 2017 are Krishi Kalyan Cess, Swachh Bharat Cess, Clean Energy Cess and Cess on Tea, Sugar and Jute etc. However, six[5] Cess continue to be levied.

a. Under-utilisation of Cess collected under Research & Development (R&D) Cess

R&D Cess Act, 1986 provides for levy and collection of a Cess on all payments made for the import of technology. After creation of Technology Development Board (TDB) in 1996, the money collected is to be disbursed as Grants-in-aid to TDB.

₹ 8,077 crore was collected under R&D Cess from 1996-97 to 2017-18. Of this, only ₹ 779 crore (9.64 *per cent*) was disbursed to Technology Development Board (TDB) Further, though the Cess was abolished with effect from April 2017, Cess amounting to ₹ 191.41 crore and ₹ 1.14 crore was irregularly collected during 2017-18 and 2018-19 (September 2018) respectively.

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3 Ministry of Defence (₹ 1,037 crore out of ₹ 1,705 crore), Department of Telecommunications (₹ 3,866 crore out of ₹ 3,869 crore), Ministry of Water Resources, River Development and Ganga Rejuvenation (₹ 1,350 crore out of ₹ 1,936 crore), Ministry of Mines (100 *per cent* of ₹ 85 crore), Ministry of Commerce (100 *per cent* of ₹ 81 crore), Ministry of Rural Development (₹ 56 crore out of ₹ 99 crore)

4 Major Ministries are Ministry of Defence (₹ 1,376 crore out of ₹ 1,935 crore), Ministry of Agriculture and Farmers Welfare (₹ 1,422 crore out of ₹ 1,470 crore), Ministry of Mines (₹ 1,205 crore out of ₹ 1,217 crore), Ministry of Human Resource and Development (₹ 272 crore out of ₹ 292 crore), Ministry of Urban Development (₹ 573 crore out of ₹ 738 crore) etc.

5 Primary Education Cess, Secondary Education Cess, Education Cess on Imported Goods, Cess on Crude Petroleum Oil, Road Cess, NCCD on Tobacco and Tobacco Products and Crude Petroleum Oil.

b. Short transfer of Cess

Audit noted short transfer of Cess collected in Consolidated Fund of India (CFI) to the dedicated non-lapsable fund in Public Account as depicted in **Table 2.1**.

Table 2.1 : Short transfer of Cess

(₹ in crore)

Name of Cess	Name of Fund	Year of start of collection	Short transfer up to March 2018	Ministry/Department
Swachh Bharat Cess	Rashtriya Swachhata Kosh (RSK)	2015-16	4,891 (from 2015-16)	Ministry of Drinking Water/Ministry of Urban Development
Primary Education Cess	Prarambhik Shiksha Kosh	2004-05	1,977 (2017-18)	Ministry of Human Resource Development
Road Cess	Central Road Fund	1998-99	72,726 (2010-11)	Ministry of Road Transport and Highways
Clean Energy Cess	National Clean Energy Fund	2010-11	44,505 (2010-11)	Ministry of New and Renewable Energy

Comments on short transfer of funds with respect to Road Cess and Clean Energy Cess have been repeatedly pointed out since 2010-11. However, the accounting authorities have taken no action in this regard.

c. Secondary and Higher Education Cess (SHEC)

The Cess was levied in 2006-07 and ₹ 94,036 crore has been collected so far. The Cess is being retained in the CFI, contrary to procedure, though a Fund (Madhyamik and Uchchtar Shiksha Kosh) for this purpose was created in August 2017, and has not been operationalised so far.

This issue has been reported regularly in previous CAG Reports.

2.4 Short receipt of Guarantee Fees

Under Article 292 of the Constitution, GoI may give guarantees within such limits, if any, as may be fixed by Parliament by law. The GFRs stipulate that the rates of guarantee fee would be as notified by the Budget Division, Department of Economic Affairs, Ministry of Finance.

Audit observed that the accounting authorities of five Ministries/Departments, failed to realise ₹ 1,144 crore towards guarantee fees during 2017-18 as depicted in **Table 2.2**.

Table 2.2: Short receipt of Guarantee Fee

(₹ in crore)

Sl. No.	Ministry/Department	Guarantee Fee receivable	Guarantee Fee received	Short receipt of Guarantee Fee
1.	Water Resources	2.59	0	2.59
2.	Chemicals and Petro Chemicals	2.50	0	2.50
3.	Micro, Small and Medium Enterprises (MSME)[6]	78.41	0.24	78.17
4.	Ministry of Chemicals and Fertilizer-Pharmaceuticals	81.47	0	81.47
5.	Civil Aviation	1,148.68	168.97	979.71
	Total	**1,313.65**	**169.21**	**1,144.44**

Similar comments had appeared in the CAG Report of 2016-17 in respect of three Ministries/Departments (MSME, National Small Industries Corporation Ltd., Civil Aviation and Ministry of Chemicals and Fertilizer-Pharmaceuticals. However, no corrective action has been taken.

2.5 Adverse balances

Adverse balances are those balances which are erroneously accounted as credit instead of debit and *vice versa*. There are 77 cases of adverse balances under Loans and Advances, Debt, Deposits and Remittances heads amounting to ₹ 14,812 crore, which includes 21 cases that are more than 10 years old as depicted in **Table 2.3.**

Table 2.3: Adverse balances

(₹ in crore)

Sl. No.	Ministry/Entity	No. of Adverse Heads	Amount
1.	Railways	6	7,482
2.	Post	5	55
3.	Labour and Employment	1	211
4.	Urban Development	4	219
5.	Chemicals and Petrochemicals	2	1,865
6.	Water Supply and Sanitation	1	2
7.	Forest, Climate and Environment	2	1
8.	Rural Development	2	102
9.	Power	2	227
10.	MSME	1	1
11.	Mining	1	9
12.	Civil Aviation	1	38
13.	Finance	2	1
14.	Commerce and Industry	1	1,182
15.	States Government	27	106
16.	CGDA Defence	1	1,872
17.	Others	18	1,439
	Total	**77**	**14,812**

6 MSME has two entities *viz*., KVIC and National Small Industries Corporation Ltd.

The adverse balance of ₹ 211 crore in respect of Ministry of Labour and Employment was due to excess withdrawal from the Beedi Workers Welfare Fund. This issue has been regularly commented upon in previous CAG Reports but no corrective action has been taken.

In respect of Ministry of Urban Development, adverse balance was due to excess withdrawal of ₹ 159 crore from Rashtriya Swachhta Kosh (RSK). Though this comment was also made in the CAG Report of 2016-17, no corrective action has been taken.

2.6 Dormant Reserve Funds and Deposits

Dormant funds/deposits are those which are not in operation for long periods of time and might have outlived their utility. Such dormant funds/deposits in the Public Account need to be closed and the balances transferred back to Consolidated Fund of India.

Audit observed that the accounting authorities of Department of Economic Affairs, Ministry of Railways, Department of Telecommunications, Ministry of Home Affairs and States/UTs Government failed to take action to close 34 funds/ deposits[7] with aggregate balance of ₹ 692 crore that had been lying dormant for 10 to 30 years, despite the fact that similar comments on the same Ministries/ Departments had been made even in previous CAG Reports.

2.7 Incorrect depiction of Government investment in the Finance Accounts

Statement 11 of the Finance Accounts of the GoI provides details of GoI investment in Public Sector and other entities. The CGA and CCAs of the concerned Ministries/Departments are responsible for the accuracy and completeness of details contained in Statement 11. Audit found various defects/ discrepancies in succeeding paragraphs.

(a) Discrepancies in depiction of Government investment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies etc.

Cross verification of information on Government Companies/Corporations/Banks and Societies etc. contained in the Finance Accounts with the certified Annual Accounts of the concerned entities revealed the following discrepancies, as detailed in **Table 2.4**.

7 Seven reserve funds, 22 deposits and five other liabilities

Table 2.4: Discrepancies in Government investment

(₹ in crore)

Sl. No.	Entity	Equity investment by Government	
		As per Statement 11 of Finance Accounts for 2017-18	As per Annual Accounts of Entity for 2017-18
1.	Andrew Yule and Company Ltd.	85.90	87.27
2.	Scooters India Ltd.	168.61	80.03
3.	Power Grid Corporation of India Ltd.	2,873.49	2,977.31
4.	North Eastern Agricultural Marketing Corporation, Guwahati	8.89	7.62
5.	Security Printing and Minting Corporation of India Ltd.	0.05	1064.19
6.	Konkan Railway Corporation Ltd.	569.39	4,648.92
7.	Slaughter House Corporation	9.25	1.18*
8.	Bharat Dynamics Ltd. Hyderabad (BDL)	97.75	160.83
9.	Garden Reach Shipbuilders & Engineers Ltd. (GRSEL)	123.84	114.55
10.	Mazagaon Dock Shipbuilders Ltd., Mumbai (MDL)	199.20	224.10
11.	Hindustan Aeronautics Ltd. Bangalore (HAL)	361.50	300.86
12.	Bharat Electronics Ltd. Bangalore (BEL)	152.30	162.74
13.	Goa Shipyard Ltd. Visakhapatnam (GSL)	14.87	29.73

**Investment Register of Ministry of Food Processing Industries.*

(b) Incomplete information on investment

In respect of 17 Entities, Statement 11 contains incomplete information in respect of investment, Face value, number of shares, total paid up capital and percentage of Government's investment.

(c) Discrepancies in depiction of dividends received

Cross verification of dividend information contained in Statement 11 with Statement No 8 (detailed account of revenue receipts and capital receipts by major heads) revealed discrepancies, as detailed in **Table 2.5**.

Table 2.5: Discrepancies in depiction of dividends received

(₹in crore)

Observation	Statement-8	Statement -11	Difference
Dividend received on investments in Public Sector and other entities	91,367	91,229	138

CGA stated (August 2018) that the difference pertains to Ministry of Railways which has not been shown by them in their Statement No. 11. The reply is not acceptable, since the CGA prepares the Finance Accounts, which is signed by the CGA and countersigned by the Secretary, Department of Expenditure. It is, therefore, their responsibility to ensure that there is no inconsistency in the accounts.

(d) Discrepancies in depiction of percentage of Government Investment

In six cases, as shown in **Table 2.6**, Government Investment had increased during 2017-18 but percentage of Government investment was not shown as increased.

Table 2.6: Discrepancies in depiction of percentage of Government Investment

(₹in crore)

Sl. No.	Name of Enterprise	Amount invested up to 31 March 2017	Amount invested up to 31 March 2018	Percentage of investment as on 31 March 2017 & 2018
1.	Indian Medicines Pharmaceuticals Corporation Ltd.	49	51	98
2.	Industrial Finance Corporation of India Ltd.	983	1,017	56
3.	Konkan Railway Corporation Ltd.	411	569	52
4.	Delhi Metro Rail Corporation Ltd.	9,767	9,843	50
5.	MAHA (Nagpur & Pune Metro Rail Corporation)	225	825	50
6.	National Minority Development Finance Corp. Ltd.	908	1,078	82

(e) Inconsistencies in depiction of Investment in Finance Accounts and Appropriation Accounts

Cross verification of Statement 11 of the Finance Accounts with Annexure-C of the Appropriation Accounts revealed inconsistencies in depiction of Investment by GoI for the financial year 2017-18, as detailed in **Table 2.7**.

Table 2.7: Inconsistencies in depiction of Government Investment

(₹ in crore)

Sl. No.	Ministry	Company	Investment	
			Finance Accounts	Appropriation Accounts (Annexure C)
1.	Department of Telecommunications	Indian Telephone Industries (ITI)	200	337
2.	Social Justice and Empowerment	National Handicapped Finance and Development Corporation	-	25

2.8 Non-recovery of outstanding Loans and Advances

Statements 3 and 15 of the Finance Accounts for the year 2017-18 showed that total loan outstanding against State/UT Governments and other entities as on 31 March 2018 was ₹ 2,73,261 crore, against which ₹ 53,985 crore represented Loans and Advances in arrears as detailed in **Table 2.8**.

Table 2.8: Total outstanding Loans and Advances

(₹ in crore)

		Arrears as on 31 March 2018		
Sl. No.	Name of Loanee	Principal	Interest	Total
1.	State Government	366	1,577	1,943
2.	Union Territories	1,512	1,239	2,751
3.	Other Loanee	16,437	32,854	49,291
	Total	18,315	35,670	53,985

Age-wise analysis of outstanding loans in arrears is given in **Table 2.9**.

Table 2.9: Age wise details of Loans and Advances in Arrears

(₹ in crore)

				Arrears as on 31 March 2018
Sl. No.	Category of Loanee	No. of States/UTs	Period of Arrears (in years)	Amount
1.	States/UTs Government	16	>25	1,990
		11	15-25	2,705
2.	Entities	82	>25	31,606
		24	15-25	7,273
		48	5-15	9,243
		4	<5	1,168
	Total	185		53,985

Source: Section 2 and 3 of Statement 15

GoI should review the balances of outstanding Loans and Advances for appropriate action.

2.9 Treatment of un-apportioned Integrated Goods and Services Tax (IGST)

The amount of IGST collected is required to be apportioned between Centre and States as per the procedure prescribed in the IGST Act.

Audit observed that GoI has devolved ₹ 67,998 crore under IGST to States/UTs. Only 50 *per cent* of the IGST revenues are of the Centre, and devolution is possible only from the Central Share. Thus the devolution, as done, is not consistent with the scheme of GST/IGST. CAG has advised that GoI needs to account for its share correctly and devolution should take place from the Central share only. The remaining 50 *per cent* should be apportioned to the States as per the law.

Ministry of Finance, Department of Economic Affairs in its reply (September 2018) stated that IGST shall be provisionally devolved as per the Budget formulation by Department of Revenue subject to final outcome on approval of accounting process.