

Chapter 9

QUALITY OF GOVERNMENT ACCOUNTS

9.1 The Controller General of Accounts (CGA), in the Department of Expenditure, Ministry of Finance is the apex accounting authority for Union civil accounts. He is responsible for consolidation of monthly accounts of the Union government and for overseeing the observance of the required standards of accounting by the Central civil accounts offices. He obtains the details from the Controllers of accounts of the civil ministries for preparation of annual accounts of the union government, viz. summary civil appropriation accounts, and finance accounts including summary transactions of defence, railway, post and telecommunications.

Variation in book figure and accounts figure of RBI

9.2 Table 9.1 indicates the position of unreconciled balances for the last five years. The net cumulative difference of Rs 209 crore, which was mainly due to (i) non-receipt/delayed receipt of bank scrolls; (ii) non-receipt/delayed receipt of clearance memos and inter-government adjustments; (iii) mistakes in put through statements/misclassification, in accounts in government balances with those of RBI remaining unreconciled..

Table 9.1: Unreconciled balances

(Rupees in crore)

Year	Deposits with RBI		
	As per Finance Accounts	As per RBI	Difference
1997-98	3289	2679	610
1998-99	3525	2927	598
1999-2000	2661	2223	438
2000-01	3858	3623	235
2001-02	5353	5144	209

Outstanding balances in suspense heads

9.3 The RBI is the banker of the government and other authorised public sector banks function as the RBI's agents while handling government transactions. In government books certain 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 are booked in intermediate heads of account known as 'suspense heads' pending their final classification.

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Table 9.2 presents outstanding balances in suspense heads as on 31 March 2002. The quality of maintenance of accounts needs to be improved to ensure that the balances in the suspense heads are kept to the bare minimum and to suitably annotate Finance Accounts, at respective places, as to the reasons.

Table 9.2: Outstanding balances under major suspense heads

(Rs in crore)

Heads of account	Net Balance as on 31 March				
	1998	1999	2000	2001	2002
1. Suspense (PAO Suspense)	Dr. 201.60	Dr. 10.11	Cr. 281.11	Dr. 318.75	Dr. 565.12
2. Suspense Accounts (Civil)	Dr. 488.82	Dr. 529.89	Dr. 794.84	Dr. 506.94	Dr. 289.94
3. Suspense Accounts (Postal)	Dr. 760.17	Dr. 471.38	Dr. 93.97	Dr. 100.99	Cr. 7.47
4. Suspense Accounts (Defence)	Dr. 1621.72	Dr. 2417.07	Dr. 111.11	Cr. 628.67	Cr. 643.73
5. Suspense Accounts (Railways)	Dr. 163.79	Dr. 286.60	Dr. 175.26	Dr. 372.79	Dr. 568.02
6. Suspense Accounts (Telecom)	Dr. 1398.71	Dr. 1586.46	Dr. 1563.57	Dr. 923.75	Dr. 658.92
7. Public Sector Bank Suspense	Dr. 498.86	Dr. 742.77	Dr. 806.43	Dr. 586.55	Cr. 51.91
8. Suspense Account for purchases abroad	Dr. 1336.52	Dr. 1850.71	Dr. 1895.20	Dr. 1675.43	Dr. 697.45
9. Reserve Bank Suspense (HQ)	Cr. 369.32	Cr. 369.38	Cr. 173.52	Cr. 172.20	Cr. 172.26
10. Reserve Bank Suspense (CAO)	Cr. 23.94	Cr. 55.86	Dr. 67.85	Dr. 38.64	Cr. 8.69
11. Cash settlement Suspense	Dr. 258.15	Dr. 226.16	Dr. 222.18	Dr. 224.53	Dr. 206.97
12. Discount sinking fund	Dr. 3218.69	Dr. 1967.60	Dr. 794.94	0	0
13. Others	Dr. 1238.23	Dr. 930.49	Dr. 837.62	Dr. 1208.25	Dr. 1196.73
Total	Dr. 10792.00	Dr. 10594.00	Dr. 6908.34	Dr. 5155.75	Dr. 3299.09

Adverse Balances

9.4 Adverse balances arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation, which break up one accounting unit into many. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. The Union finance accounts for the year 2001-02 indicated 51 cases of adverse balances, as shown in **Appendix-XXVII**. Out of these, 13 balances became adverse during the year 2001-02. Out of 38 old cases, two balances are adverse ever since 1976-77, i.e. pre departmentalised period and 36 balances are adverse from 1979-80 to 2000-01. The CGA stated in October 2002 that all items under adverse balances are under investigation and action is being taken in stages to liquidate the balances. It would be desirable to provide suitable explanatory memoranda in the Finance Accounts as to the specific nature of the transactions leading to the adverse balance and progress of

clearance in each case, to improve the quality of accounts, including those cases as might have been hidden during consolidation.

Outstanding under ‘Cheques and Bills’

9.5 This head is an intermediary accounting device for initial record of transactions, which are eventually to be cleared/withdrawn. Under the scheme of departmentalisation of accounts, payment of claims against government is made by the PAOs of different Ministries/Departments by cheques drawn on branches of the RBI or PSU Banks accredited to the Ministry/Department. When claims are preferred in the appropriate bill form to the PAO/Departmental Officer, the payment is authorised through issue of cheques, after exercising the prescribed checks and recording of pay order by the PAO/Departmental officer. At the end of each month, the major head 8670-Cheques and Bills is credited by the total amount of the cheques delivered. On receipt of date-wise monthly statement and monthly statement of balances from Public Sector Banks and RBI Central Accounts Section, Nagpur, the head ‘8670-Cheques and Bills’ is minus-credited and credit is afforded to 8658-108-PSB Suspense or 8675-101 Deposit with Reserve Bank-Central Civil, as necessary. Table 9.3 shows that there were large outstanding balances under the minor heads ‘cheques and bills’ in the Finance Accounts for 2001-02, which had the effect of overstating the government cash balance.

Table 9.3: Outstanding balances under minor heads 2001-02

<i>(Rs in crore)</i>		
1. Pre-audit cheques	Cr.	0.51
2. Pay and Accounts Offices Cheques	Cr.	6209.75
3. Departmental Cheques	Cr.	99.68
4. Treasury Cheques	Cr.	4.62
5. IRLA Cheques	Cr.	0.59
6. Telecommunication Accounts Office Cheques	Cr.	1076.99
7. Postal Cheques	Cr.	5024.39
8. Railway Cheques	Cr.	691.46
9. Defence Cheques	Cr.	4114.24
10. Electronic Advices	Dr.	120.44