
Accounts

The duties and powers of the Comptroller and Auditor General in relation to accounts are contained in Section 10, 11 and 12 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Earlier it was contained in the Government of India (Audit and Accounts) order 1936 in pursuance of Government of India Act, 1935, according to which Auditor General was responsible for keeping the accounts of the Federation and of each Province.

In 1976, the President relieved C&AG of the responsibility of compiling the accounts of the Union Government in terms of proviso under section 10 of the Act. The Act confers similar powers to the Governor of a State in respect of State Government Accounts. However, except the State of Goa, where accounts compilation is not with the C&AG, in all other States, accounts compilation remains the responsibility of the C&AG.

Under the Act the Comptroller and Auditor General is now responsible for compiling the accounts of:

- (a) All States (except Goa);
- (b) The Union Territories of Chandigarh, Dadra and Nagar Haveli; and
- (c) Indian Audit and Accounts Department.

C&AG is responsible for preparing the two annual accounts viz. Finance Accounts and the Appropriation Accounts of the States and of Union Territories Government as the case may be. While, the former shows annual receipts and expenditure during the year in question, the latter depicts the allocations made by legislature and the expenditure against these during the year.

Under Article 150 of the Constitution the accounts of the Union and the States are kept in such forms as the President may, on the advice of the Comptroller and Auditor General of India, prescribe. These provisions have a great significance because they ensure a uniformity in the structure of the accounts of the Government of India and the State Governments.

The Comptroller and Auditor General also helps the State Governments or the Governments of Union Territories with such information as they may, from time to time, require, and render such assistance in the preparation of their 'Annual Financial Statements' as they may reasonably ask for.

C&AG bifurcated (from March 1, 1984) the combined Audit and Accounts Offices that existed earlier, into two separate independent offices, one for Audit and the other for the Accounts and Entitlement functions. This separation ensures that an independent, separate office audits the accounts of the State Government prepared by the AG (Accounts & Entitlements).

C&AG compiles the monthly Accounts on the basis of initial accounts rendered by Treasuries or Pay & Accounts offices (where these offices perform such functions). The treasuries render such accounts to AG twice a month through a list of receipts and payments along with challans and vouchers. Public Works Divisions and Forest Divisions render compiled monthly accounts to Accountant General. Similarly, in some States, where treasury functions are performed by Pay & Accounts Offices, they render compiled accounts/accounts to the Accountant General. Each month in 27 States, 750 treasuries send 7 million vouchers and 5500 Public Works Divisions and 2200 Forest Divisions render compiled accounts to the Accountants General of the respective States. If one compares the expenditure accounting work, it would be seen that the State Accountants General still compile accounts for 65 per cent of the total civil expenditure of Union and States, excluding expenditure on payment of interest, grants-in-aid, loans and advances to State and Union Territory Governments and public debt, which are compiled by Central Pay & Accounts Offices.

DEVELOPMENTS IN STATE ACCOUNTS & ENTITLEMENT FUNCTIONS—1990s & THEREAFTER

In the beginning of the decade of 1990s, one of the more pressing issues to engage the attention of C&AG was the arrears in the closing of annual accounts in several State AG (A&E) offices. Apparently,

the 1984 restructuring of the Audit Department that created separate Accounts offices in the hope of improving quality of accounts had not generated the desired results. C&AG Somiah soon after taking over charge in March 1990 realized this and took several steps to tackle this problem.

First, he took for consideration, the Parmeswar Committee Report that went into accounting issues and gave their Report in 1989 and referred them to the AGs conference of 1991 for discussion.

Parameswar Committee Report: The Committee in their Report of April 1989, came to the conclusion that the desired improvements had not taken place even after 4–5 years of the restructuring. The recommendations of Parmeswar Committee were discussed by XVIII Conference of Accountants General held in 1991 as a self contained item called 'Strengthening of Accounts and using it as an Aid to Management'. The various recommendations of the Committee discussed in the conference related to deployment of computers for secondary compilation of accounts, Standing Committees to tackle delays in Receipt of Accounts and submissions to the State Government by AG, appreciation note on the monthly accounts by AG, the problem of suspense accounts and strengthening of reconciliation of receipts and expenditure.

Measures for Improving Quality of Accounts: Following the recommendations of above Conference, Headquarters issued instructions prescribing following improved procedures:

- (i) introduction of a check list for the Accountant General (A&E) for watching against deficiencies in the monthly Civil Accounts.
- (ii) Preparation and submission of an 'Appropriation Note' to the State Governments on the monthly accounts providing management information to State Governments. (This Note has much more contemporary relevance after the introduction of Voucher Level Computerization in State AG offices and enactment of Fiscal Responsibility and Budget Management Act by several States). The Format prescribed in 1991 instructions giving items on which AGs will comment in their Appropriation Note, was revised by the Headquarters letter of October 2003.
- (iii) For control of suspense balances relating to DAA Suspense, PAO Suspense and Provident Fund Suspense, instructions spelling out the measures to be taken had been issued.

- (iv) Formation of a State Level Committee consisting of representatives of Accountant General Office/ RBI/ Agency Banks/ State Government was advised for effective reconciliation of differences under Reserve Bank Deposits (State).
- (v) A training module was supplied to all Accountants General (A&E) for providing guidance in organizing Training classes for upgradation of skills of the dealing hands engaged in compilation of accounts.
- (vi) A State Level standing Committee comprising representatives of the Accountant General (A&E) and of the State Government departments was advised to be formed to expedite timely rendition of accounts by accounts rendering units, to tackle effectively reconciliation of departmental figures with those of Accountants General, to ensure timely issuance of re-appropriation and surrender orders by departments and timely closing of annual accounts.

But the main worry of the C&AG at that time was to get rid of arrears in Annual Accounts and in easing the mounting balances in suspense Accounts. C&AG undertook an extensive tour of concerned States' AG offices where these problems were acute and gave detailed directions. These pro-active directions of C&AG as contained in his Tour Notes¹ show his anxiety in the matter.

A look at the state of affairs concerning status of accounts compilation in various States at that time reveals that broadly all the North-Eastern States were in arrears in closing the annual accounts by as much as 1–3 years, other defaulting States were Rajasthan, West Bengal, Maharashtra, Uttar Pradesh, Karnataka, Tamil Nadu in varying degrees from 1–2 years. Thus in 1991 during the first year of C&AG Somiah's tenure the accounts and the concerned Audit Report thereon from NE States were received for C&AG's signatures for the year 1986–87 between June 1990 to June 1991 and for the next couple of years it was received in case of Andhra Pradesh, Arunachal Pradesh, Bihar, Gujarat, Maharashtra, Rajasthan, Mizoram, Manipur, Nagaland after delays varying between 10 months to 2 years.

Things started improving, albeit slowly but surely, since delays in finalization of accounts and concerned audit reports were cut down in the course of next three years. Submission of Audit Reports and Accounts from the financial years 1992–93 (whose 'due date'²

for presentation was March to May 1994) improved dramatically when most of the State Accountants General got printed copies signed in 1994 itself except Bihar (signed in May 1995) and Jammu & Kashmir (signed in March 1995). Most of the States had got C&AG's signature on the printed reports and accounts by September 1994 for the year 1993-94. Things became even better when practically all the 26 States got the printed copies of audit reports and related accounts signed well in time mostly between March and May 1995. This was a remarkable improvement in pulling up the accounts arrears and these had become practically current and timely. C&AG Somiah's efforts had finally yielded the desired results.

In the first Conference of Accountants General which he convened in January 1991, he pointed out to the delay in submission of accounts and Audit Report and one of the reasons he discovered was the abnormal delay in printing of Audit Reports and Accounts—he cited a case where Bond Copy of the Audit Report was approved by C&AG one year before he got the printed copy to sign. A scrutiny of such printing delays revealed that in the case of Arunachal Pradesh C&AG's Audit Report of 1987-88 took 14 months for printing after the approval of draft Audit Report by C&AG. In the case of Bihar, Vol. II of their Audit Report was signed nearly two years after the approval of the draft Audit Report. A delay of one year was occurring in many other states also and a delay of 5-6 months was usual.

While the arrears in the annual accounts preparation were got over, the next big ticket in the C&AG's reform agenda was reducing the balances under 'Suspense Heads'. The Accountants General Conference of 1991 had discussed the question of suspense balances as a part of the overall topic 'Strengthening of Accounts and using it as an Aid to Management'. C&AG's concern over this subject can be gauged by the fact that during the session on Control and Suspense Accounts, he was present throughout the proceedings and expressed his grave concern on these huge outstanding balances in suspense accounts. The Conference discussed all the important suspense heads like the Departmental Adjusting Accounts suspense (DAA), PAO suspense, Cash Settlement suspense and suspense head relating to Cash Balances of Government i.e. RBI suspense. The Conference also discussed huge balances under Provident Fund suspense.

Detailed instructions for these were issued vide Headquarters circular of 24 April 1991 after the Accountants General Conference

for DAA suspense. What has been the eventual outcome of these recommendations as regards the clearance of balances under the various suspense heads is not easy to establish because no proper evaluation of the problem was conducted on an aggregate basis. However, the current practice of conducting quarterly monitoring of the suspense balances has proved effective.

The recommendations on accounts computerization was about intermediate stage computerization i.e. from the compilation sheets or from classified abstracts. These were initiated in a few Accountants General offices with very limited results; eventually the Audit department had to go for a big computerization programme which was Voucher based in 1997. This decision was taken as a follow-up of the recommendations of the Conference of Accountants General held in 1996 which had advocated computerisation of Accounts from the primary input viz. the vouchers through a scheme Voucher Level Computerization (VLC). VLC would rank perhaps as the most important development of 1990s in the accounting area. A detailed description on this subject is under the subhead that follows.

Every year a time schedule is approved for finalization of annual accounts including their certification by Accountant General (Audit) and printing. With the stabilization of VLC of accounts in the offices of Accountants General (A&E), over the years, the annual closing of accounts and its submission has significantly improved. Not only the arrears in the submission of annual accounts were over taken but also the date of accounts finalization and their submission was targeted by September each year. An analyses of data regarding finalization of annual accounts State-wise from the year 2001-02 to 2005-06, indicated that in majority of States, the Annual Accounts (Finance Accounts and Appropriation Accounts) were signed by the C&AG between September and December with only a very few State accounts slipping over to next year. In most cases accounts were available to state governments during their budget preparation period.

With a view to provide a broad view of governmental activities as reflected in the annual accounts, from the annual accounts of the 1998-99 Accountants General (A&E) are issuing annually a publication titled 'Accounts at a Glance' to follow the presentation of the annual accounts. In Assam, Andhra Pradesh and Tamil Nadu this publication is issued in regional language also.

VOUCHER LEVEL COMPUTERIZATION

Attempts at computerization of State Accounts have a first time mention in the July 1987 Computer Policy of the Department as approved by C&AG. In the forwarding letter to the Document on Computer Policy, the following remarks are made regarding the compilation of State Accounts. 'Before our Department takes up Computerization in the offices of Accountant General (A&E) of the Compilation of Accounts of States, it is necessary to enlist the support of the State Government for this project'. At that point of time, compilation of accounts of Nagaland for 1985–86, was being done on turn key basis by CMC. The Policy clarified that a similar turn key system will be attempted for accounts computerization in Jammu & Kashmir—this was also entrusted to CMC in April 1988 and further modifications were made in 1990. In this system, data entry was done by AG's Staff and processing on AG's hardware in his premises was done under CMC's supervision and guidance. However the experiment was put in abeyance due to disturbed conditions in the valley.

There were several instances of intermediate level computerization of accounts e.g. AG (A&E) Maharashtra who was preparing Finance & Appropriation Accounts through computers from Classified Abstracts that were manually compiled. This was for 1988–89. Other Accountants General who were producing Computerized intermediary level accounts were Nagaland, Andhra Pradesh, Bihar, Rajasthan, Karnataka, Punjab, Tamil Nadu and Himachal Pradesh.

However, all the efforts mentioned above did not yield the desired results, mostly because these were not meant for the Computerization of accounts from the primary document viz. Vouchers and Challans. Resultantly primary accounts continued to be compiled manually. This issue was discussed at length in November 1996 in the XIX Conference of Accountants General on the basis of Action Plan for Computerization for the period 1997–2000, which endorsed the Action Plan for Computerization of accounts from Voucher Level which would also generate DDO—wise and grant wise information. The Conference of course suggested upgrading the technology from the then prevailing dBase to a Relational Data Base Management System like ORACLE. The Conference made several other suggestions also in this regard.

After the C&AG Shunglu approved these recommendations Voucher Level Computerization was executed in the Department

with great vigour with C&AG personally taking keen interest and doing close monitoring of the progress. The VLC Project was the most ambitious project of the 1990s and was meticulously planned with attention given to details. The basic planning for VLC was done at 3 levels:

- ❖ Strategic Plan at apex level (C&AG),
- ❖ Macro Plan at Zonal Level, and
- ❖ Micro Plan at individual field office level.

It was decided that all the A&E offices in the country be grouped into seven zones for simultaneous implementation of VLC scheme at zonal level. In March 1997, C&AG approved following line of action for the project:

- ❖ Use of Relational Data Base Management System (RDBMS) Platform,
- ❖ The User Requirement Specifications (URS) to be formulated by involving the nodal center at Hyderabad and 12 A&E offices,
- ❖ After the URS was formulated, tenders were to be called for software development from software development companies of repute.

A key decision taken was that in selecting the software development companies, there should be no compromise on the quality and therefore, companies of national repute and those having previous experience in similar large projects were to be invited. It was decided that the entire work should not be given to one company and may be given to a number of companies on zonal basis. This was necessary because it would not be feasible for one software company to execute the work in 24 offices due to geographical dispersion. It was also decided that in the software development, more and more Accountants General should get involved. Therefore, at the zonal level one AG was nominated as Project incharge and he was to be assisted by a team leader and the select systems group set up in various offices. One IT auditor for each zone was also nominated for assisting the Project to ensure that proper controls are built into the systems at the initial stage itself.

At the Zonal level, the responsibility for coordinating with other Accountants General of the zone rested with the Project incharge. They were asked to float open tenders to short listed software development companies of repute. This process started in December 1997 through publicity in the leading newspapers. Each zone had a separate Committee constituted by Project Incharge to deal with

the selection of vendors. Finally, all the seven zones sent their recommendations regarding their choice of the Vendor to Headquarters. Before sending these names, the Zonal Project Managers had a lot of interaction with the representatives of the software companies to sort out all the issues that were there. The time frame given and agreed by all the firms for completing the work of software development was 6 to 8 months.

Headquarters constituted a High Level Committee consisting of DGACR, PD Staff and PD Railways to:

- (i) Examine whether the provisions of the contracts were acceptable,
- (ii) Discuss with vendors and exploring the possibility of reducing the cost,
- (iii) Consider the recommendations of the seven projects in charge.

The Committee did a commendable job and gave recommendations, which were in line with the recommendations given by the Project incharge as regards the choice of vendor. However, the High Level Committee was able to get substantial reductions from some of the vendors who were quoting very high prices and in addition, they were also able to make them agree to remove certain conditions laid down by the vendors which were not acceptable to Headquarters. The total cost of the software development was about Rs. 354 lakh. The award of work to the vendors, inter-alia, included development of software, involvement of IA&AD's select groups/ IT audit teams in the process of development, installation of the programme, its trial runs, successful completion and training of about 20 people in ORACLE from each zone. The vendors also undertook warranty of the software for one accounting cycle and the time frame for computing the entire work was 6 to 8 months except in North East, where it was 11 months. C&AG approved the selection of vendors in March 1998.

Technical Requirement Specifications (TRS) which actually set out details of the actual work to be done by vendors was prepared by the vendors in consultation with the concerned Accountant General which was finally approved by Headquarters in each case. The success of the programme was to a large extent dependant on the meticulous drawal of the TRS document. In that context, the contribution from Headquarters was not only substantial but proved very useful in as much as it ensured that no office missed out on any important aspect of TRS.

*Implementation in the Accountant General Offices:*The process of organizing a successful implementation programme for the VLC required detailed workout on various aspects. For this purpose, each office was equipped with a 'Core Group' which was involved in development of required infrastructure, training needs and implementation process of VLC. The Core Group consisted of representatives from functional areas and also computer experts. It was a link between the users and the software developers. The Core Group consisted of not only Group 'A' officers but selected Group 'B' officers as well as Group 'C' officials. Along with this, simultaneous attention was required and given to physical infrastructure necessary for housing the computer setup and, more important, to the training requirements. Firstly, Core Group was trained by various Regional Training Institutes and reputed external IT Firms. These persons, in turn, trained local staff inhouse. The training was comprehensive and covered EDP training courses as well as special training courses which included training on ORACLE and ORACLE Database Administration. The System Requirements Specifications (SRS) was prepared by vendors, based on the URS and detailed discussions with the users i.e. 'Core Group' of the concerned office. A review in Headquarters of SRS of each zone was also conducted and on that basis a revised SRS was prepared for each office by the concerned vendor. The System Design Document was also subjected to a review not only at the zonal level but also at the Apex (Headquarters) level. In the review of system design document, a member of the ORACLE Corporation of India was also associated.

An extensive process of testing on implementation was also prescribed and it was decided that various modules (about 16) will be implemented in phases. An IT Auditor was associated with the entire process of testing and implementation. It was his job to monitor the system development process, review the data flow diagram, review in-built input, processing, output control and audit trails. He was free to report to Headquarters or consult Headquarters whenever he thought it necessary.

VLC was completed in different AG offices mostly, as per the schedule but the testing and stabilization time varied from office to office. Operationally, the VLC was divided into four phases for implementation purposes:

- ❖ Phase-0, which covered all Masters and Security Modules;
- ❖ Phase-I covering modules leading to generation of monthly Civil Accounts;

- ❖ Phase-II covering modules leading to generation of annual accounts i.e. Finance Accounts and Appropriation Accounts;
- ❖ Phase-III covering all Subsidiary modules meant for aiding AG's accounting functions like broad sheets, loans, deposits etc.; and
- ❖ Phase-IV GPF module and interfaces.

By April 2007, out of the 27 States where the VLC project was to be implemented, in 14 States VLC Project had been fully implemented, while in 13 States, upto Phase-II, the Project is complete and Phase-III is in progress with some segments completed and some yet to be completed. In Karnataka, only Phase-I had been completed.

*Major Benefits Expected in VLC System:*The VLC commenced in 1998 and by 2003 was operational in most of the States. It was expected to bring in a qualitative difference in the record and accounts compilation. Following major advantages as compared to the existing system were expected:

Additional Data: In addition to the existing major head-wise generation of data, it can generate DDO-wise, object head-wise expenditure for the entire Government or any specific department for various schemes, and for individual grants. Importantly, these accounts provide for automatic generation of a string and inter-related data bank which will contain data for several years facilitating time series analysis.

Speedy Compilation of Accounts: The expectation was that after the system stabilizes, the time required for compilation of accounts would be considerably reduced and it would be possible to generate consolidated annual expenditure data on various items within four months of the completion of the accounting year.

Aid to Financial Management of States: The VLC package was expected to generate a host of information and data for various types of analysis for financial management purpose by the State Government. A major output expected of VLC was the provision for generation of scheme—budget link across the budget and over more than one budget year.

Aid to Audit: VLC could also be used to develop additional information relating to vouchers, challans, projects, schemes, etc. which would be helpful for Audit in their work. It was also to help the Accountant General in their Entitlement functions by integrating the VLC with entitlement functions in a phased manner. Finally, one of the important objectives of VLC was to have a Budget Plan Link based upon the State Budget Plan document. However, the

Budget Plan Link success was dependent upon State Governments providing necessary cooperation.

OUTCOME OF VLC

VLC has resulted in substantial improvements in quality of accounts, timely rendition of accounts, generation of Financial Reports that help State Administration in better Financial Management and finally its use for Audit purposes is immense but the full potential was yet to be realized. Finance and Appropriation Accounts for the year 2005–06 of all the concerned States were signed by C&AG V.N. Kaul by the first week of January 2007 and were available to State Governments during the crucial period of budget preparation.

AUDIT USE OF VLC DATA

One of the objectives of VLC was to help audit in their work by drawing upon the information and data provided by the VLC system. For this purpose, the provision existed in the concerned module but for a considerable time even after stabilization of VLC not much use was made of VLC data for audit purposes.

To remedy this and lay a roadmap for the use of VLC data in the audit work, a Committee under Smt. A.L. Ganapathi³ was appointed in July 1999. Ganapathi Committee's Report laid out a roadmap for use of VLC data in audit. Headquarters issued detailed directions on the effective utilization of VLC data base in audit in July 2002 and February 2004. In its circular of July 2002, Headquarters asked the field offices to use the VLC data in annual audit planning. Use of the DDO—wise information was advised to be adopted immediately. The offices were also asked to make use of, besides expenditure profile of DDOs, details of purchases, stock position, transfers to PD Account for purpose of local inspections. Use of the data was also recommended for audit of schemes and for updating portfolio files.

A monthly progress report on the use of VLC package was asked for in the initial phase and after the system established, a quarterly progress report was to be sent by each Principal Accountant General/Accountant General (Audit).

In terms of 2004 directions, which were a kind of supplementary instructions, the Accountants General (A&E) were asked to help the Audit Offices in their efforts to use the VLC data for audit use by following methods:

- (i) The effective use of VLC data base by the Audit Offices was dependent upon the provision of functional efficiency of the Nodes earmarked for audit which will be used by the Audit Offices to extract relevant information based on their requirements as well as areas identified by Principal Accountant General, Tamil Nadu.
- (ii) The Audit Offices will have a right to access the VLC data but it should be seen that this access was limited so that the A&E office data does not get corrupted/ edited. Hence, a need to address security concern in the matter as per local requirement was emphasized.
- (iii) The offices were provided a list of 24 items (areas) which were identified to begin with from Mrs. Ganapathi's report for effective utilization of VLC data in audit. In a pilot study in Accountants General, Punjab and Haryana offices, these areas were tested. While enclosing the write-up on the experience of the Haryana office on the pilot study, the A&E offices were requested to help the Audit Offices in designing the queries and reports since most of the Audit Offices did not have much experience in RDBMS (ORACLE).

One of the projects listed in the Perspective Plan 2003–2008 is to harness the full potential of VLC in improving the quality of Central audit and planning for field audits in the States. Specific goals in this regard say that State audit offices would use CAATs in Central Audit. Many States are adopting CAATs in their Central audit functions. The efforts to improve the value of VLC data by using it as data mining facility for audit did result in some improvement. However, the full potential of use of VLC data in audit is yet to be realized and efforts in that direction are being made.

MIGRATION TO ACCRUAL ACCOUNTING SYSTEM

Given the limitations of the cash based accounting system and the variety of needs of the users other than the conventional users of the government accounts and financial reports, over the years there has been a long felt need to have a relook at the existing accounting system.

As early as 1996, a sub-group of the Working Group on Expenditure Policy set up by the Planning Commission in January 1996 headed by A.C. Tiwari, former DAI considered for the first time the feasibility of supplementing cash based system or replacing

it by an accrual based system and matters related to its transition. The Committee on Fiscal Responsibility Legislation, under the Chairmanship of Dr. E.A.S. Sarma, (January 2000) also deliberated on the possibility of introduction of accrual system as part of FRBM initiatives. The RBI Advisory Group on Fiscal Transparency under Montek Singh Ahluwalia, too considered feasibility of accrual accounting in Government.

Within IA&AD, the subject came for discussion even earlier: in November 1993 when in a meeting of DAIs/ADAs to discuss future course of action in respect of O & M and Research Studies, seven research projects were suggested in phase I of studies. This included, 'A study of accrual accounting in Government accounts in other countries vis-à-vis position in India.' It seems this project never took off.

Broadly, these Committees/ Sub-group supported accrual accounting but as an interim measure, suggested additional MIS Statements as initial steps in transition towards accrual accounting.

The Perspective Plan of IAAD, 2003-08 also proposed a 'comprehensive study on the relative merits of cash and accrual accounting'. The C&AG in July 2004, commissioned a study by D.N. Ghosh, former Chairman, State Bank of India and presently, Chairman, ICRA Advisory Services, on 'Conceptual Framework of Government Accounting System in India'. The objective of the study as stated in the Report of D.N. Ghosh was 'to develop a framework for, and evaluate the technical feasibility of reforming the Government accounting system in India so that it evolves into a more transparent and user—friendly system—one that enables users to make better-informed decisions. The focus of the study has been on analyzing the technical changes that are required in the accounting and budgeting processes, with a view to understanding the limitations of cash-based accounting that can be overcome by a more appropriate system'

The terms of reference *interalia* were to:

- (i) study and assess the existing cash based system of government accounting followed by the Union Government and the States,
- (ii) review the international best practices on government accounting including the reforms undertaken by the governments of New Zealand, UK, USA, Australia and Canada,

- (iii) evaluate the feasibility of integrating international best practices into the Indian Government Accounting System Standards,
- (iv) identifying the linkage of the accounting systems with the budgeting and planning process of government and highlight the areas that require modification,
- (v) based on the findings of the sample, departments/ States evolve a framework for implementing an accounting transition that can be used as a template for other departments of government,
- (vi) formulate a road map detailing the starting point, the end-state objectives and a broad trajectory to achieve the changes to the accounting systems including the profile of transition to reach the end-state.

ICRA in consultation with the office the C&AG identified departments of Revenue, Railways, Posts and Urban Development in the Union Government and some departments in the four states of Andhra Pradesh, Bihar, Assam and Gujarat for a sample study. The draft report was submitted by ICRA to the office of the C&AG in December 2004.

The report delineates the existing Government Accounting System and the limitations thereof in view of accounts maintenance being on cash basis. The ICRA report strongly advocates the need for change from cash-based accounting system to a more transparent and user-friendly 'Appropriate Accounting System'. In the Report, road map for the implementation of the suggested reforms has been discussed. Drawing conclusions from the experience of the countries which have already undergone similar reforms by switching over to the accrual based accounting, considered fundamental to the reform process, the consultants expect the entire reform process to take around 12 years to stabilize.

It was the Twelfth Finance Commission (TFC) recommendation for adoption of accrual basis for the Government accounting that finally clinched the vote for this system. The Finance Minister in his explanatory memorandum to the Parliament as to the action taken on the TFC recommendations stated in February 2005 that 'the Government has accepted this recommendation in principle. The Government Accounting Standards Board in the office of the Comptroller and Auditor General of India would be asked to draw detailed road map and operational framework for its implementation'. Pursuant to the decision of the Government of

India, the Government Accounting Standards Advisory Board (GASAB) in the office of the Comptroller and Auditor General of India has suggested a roadmap and an operational framework for migration to accrual accounting. As an interim step for transition to accrual accounting, the TFC has suggested inclusion of additional MIS statements consistent with the recommendation of the Tiwari Committee.

The C&AG lauded the Government decision to migrate from the cash based system of accounts to accrual based as timely. He expressed his view to the Finance Ministry in a communication in February 2006, that he felt for a long time that the cash based system of accounting was 'not the most informative way of presenting government accounts'. He detailed out several other disadvantages of this system. Amongst others, he made the very important observation that 'the greatest weakness of the cash system is that it promotes a bias in favour of short term policies. A bias that is very evident in our system'.

C&AG, Kaul also listed in the same letter some 'major risks' to the smooth implementation of the accounting reform programme, which required consideration by the Ministry of Finance. These included:

- (i) Need for corresponding budgetary reform alongwith the accounting reform—if not done the benefit from the accounting reform will substantially be detracted. While praising the introduction of 'output' budgeting, he advocated full fledged resource accounting and budgeting initiatives.
- (ii) Secondly, he advised the need for co-ordination amongst the various ministries and departments of Government of India 'in the matter of accounting reforms'. He mentioned about the somewhat delayed progress of work programme of GASAB. Partly this was due to jurisdictional issues raised by CGA which was more due to 'an element of professional and territorial rivalry' which 'further exacerbated the problem'. Luckily these problems were resolved quickly and amicably thanks to Finance Ministry's intervention.
- (iii) C&AG emphasized the need for training in accrual accounting amongst various accounting departments of Government of India and the States.

He also advocated for the necessity to sensitize secretaries of important ministries to the issues involved.

GOVERNMENT ACCOUNTING STANDARDS ADVISORY BOARD (GASAB)

GASAB, constituted by the C&AG with the support of Government of India (Ministry of Finance) in August 2002, has a small history behind its constitution. When the incumbent C&AG V.N. Kaul joined office in March 2002, he had been a witness to the several corporate scandals involving accounting juggleries and mis-reporting of material information. He showed his concern about absence of any formalized standards for government accounting. It was true that there existed, as it does today also, detailed set of accounting manual issued by the C&AG (MSO Accounts & Entitlement) and on the Central side CGA has issued accounts code, while similar accounts manuals/ codes have been issued by Railways, Defence and Post and Telecom organizations which has separate accounting functions. But the necessity of integrating the accounting systems and procedures and treatment of accounting transactions under the umbrella of a Uniform Common Accounting Standards was missing as far as Government Accounts were concerned. The then DAI (Accounts) K.N. Khandelwal after discussing the matter with the C&AG and his colleagues on the audit side, drafted a proposal from C&AG to Government seeking their approval for establishment of Government Accounting Standards Board.

The subject of absence of uniform government accounting standards had been felt across all the accounting authorities in the Government of India namely Controller General of Accounts, Controller General of Defence Accounts, Financial Commissioner Railway and member incharge of Postal and Telecom accounts besides of course the C&AG's organization. Even the Institute of Chartered Accountants of India had taken cognizance of this and set up a sub-committee on Government Accounting Standards sometime in early 2002.

Quite clearly, therefore a number of separate uncoordinated efforts were being made towards evolving Government Accounting Standards. In such a scenario therefore, the initiative taken by the C&AG was very timely and appropriate and under his umbrella (he is the supreme audit authority of the country) GASAB was set up with representation from all the important accounting authorities of the Central Government, representative of Ministry of Finance,

Reserve Bank of India and Finance Secretaries of State Governments (four by rotation each year) besides representative from ICAI and NCEAR were also drafted in. The proposal for the constitution of the Board sent by DAI in June 2002 got a supporting nod from Ministry of Finance in August 2002 suggesting inter-alia that the composition of the Board to be as under:

Deputy C&AG, as Chairperson
 Controller General of Accounts
 Financial Commissioner, Railways
 Controller General of Defence Accounts
 Addl. Secretary (Budget), Ministry of Finance, Government of India
 Deputy Governor, RBI or his nominee
 Director General, NCAER, New Delhi
 President, ICAI or his nominee
 Principal Secretary (Finance) of four States by annual rotation
 Principal Director (Accounts), C&AG's office-Member Secretary

The Board, at present, is busy formulating Government Accounting Standards within the frame work of Cash Based Accounting. Up till now, three standards, which are christened as Indian Government Accounting Standards have been finalized for issue by the Ministry of Finance by necessary notification These are: IGAS I—Guarantees given by Government: Disclosure Requirements and IGAS II: Accounting and classification of grants in aid. IGAS IV: General purpose Financial Statements of Government. Besides, eighteen other subjects have been identified for standard setting and the work is in various stages of development.

GASAB is currently also engaged in a very important task assigned to it regarding suggesting a road map and operational framework of transition to accrual accounting. As brought out elsewhere Government of India, on the basis of 12th Finance Commission Recommendations, accepted introduction of accrual accounting in principle in February 2005 and assigned the task to GASAB. GASAB has already finalized the road map and operational framework which was forwarded to Ministry of Finance in May 2005 and February 2007 respectively.

GASAB has conducted a seminar to sensitize parliamentarians to accrual accounting in May 2007 at the behest of Rajya Sabha Secretariat. The Finance Minister has re-emphasized the

government's commitment to move towards accrual accounting. In an effort to sensitize the state governments for transition to accrual accounting, so far nineteen States have agreed to the suggestion of GASAB to introduce accrual accounting in principle and for this purpose seminar-cum-workshops were held in ten States; while eleven States have agreed to carry out pilot studies on accrual based accounting in some departments. Three states have constituted task forces for monitoring and transition. The seminars are usually attended by Finance Minister of the State and the top management in the Finance and other departments. Incidentally, Andhra Pradesh has agreed to attempt a pilot at district level to make all the accounts at district level on accrual basis. A primer on accrual accounting has also been compiled by GASAB secretariat for use in Seminar-cum-workshops.

GASAB has had a smooth sailing barring on some occasions when certain issues, quite unnecessary in fact, regarding the seniority of the head of certain Accounts organization vis-à-vis the Chairman of the GASAB were raised. The matter was resolved when the C&AG requested Ministry of Finance to take suitable measures in this regard.

COMBINED FINANCE AND REVENUE ACCOUNTS OF THE UNION AND STATE GOVERNMENTS IN INDIA

Combined Finance and Revenue Accounts (CFR) were being prepared in the past under the provisions of para 12 of Audit and Accounts Order 1936 as adopted by the Government of India (Provisional Constitution) Order 1947 read with Article 149 of the Constitution of India. Even though, it is no longer the statutory responsibility of the C&AG to prepare this document, yet a conscious decision was taken by C&AG to continue the publication of this document, since it was considered a very informative and useful compilation that presents the accounts of Union and State Governments on a common and comparable basis. The compilation is prepared mainly on the basis of the respective Finance Accounts of the Governments concerned.

The revised format of the document is much leaner as a result of recommendations of a Committee⁴ constituted in December 1997 to examine various Accounts in this compilation from the point of view of their utility and format. This compilation is now prepared in three volumes: The first volume contains major-head-wise summary of receipts and disbursements of various Governments

from the Consolidated Fund, the Contingency Fund and the Public Account; the second volume contains Subsidiary Accounts relating to Economic Services and the third volume contains Subsidiary Accounts relating to the General, the Social Services, etc. The Subsidiary Accounts give details generally by minor heads of the figures shown in the General Accounts in volume-I. Scheme-wise details, which are available in the concerned Finance Accounts of the respective Governments are not given. Detailed Accounts relating to Public Account are also not given. A statement containing details of outstanding balances under Suspense Heads is also given. From the year 2001-02 an overview is included which provides a birds eye view of the operations of the Government on some defined parameters and at the same time provides better analysis and linkage of financial and economic data. This was revised in 2002-03 to enhance the quality of information for various stakeholders.

The CFR Accounts have been prepared up to 2005-06.

TREASURY INSPECTION

The inspection of treasuries which was with the AG (Audit) earlier was transferred to AG (A&E) by the C&AG effective from April 1991. This was in view of the fact that main objective of Treasury inspections is to ensure whether the various checks and procedures prescribed for preparation of initial accounts are duly complied with by the treasuries and also in consideration of the fact that the annual report on the working of treasuries is being prepared by the Accountants General (A&E).

In the XX Accountants General Conference held in April 1999 various recommendations were made on the strengthening of Treasury Inspection by the Accountants General (A&E).

In January 2004, Reserve Bank of India constituted a Committee to explore feasibility of linking treasuries with the offices of the Accountants General (A&E). It recommended submission of accounts by treasuries in electronic format to the Accountant General, which would be accepted by the latter and till such time the system is established to ensure security and accuracy, hard copy of accounts shall also be sent. The Accountant General's office would be required to furnish to the treasuries the details of inter state adjustments directly taken in accounts by the Accountant General. Likewise where pension is authorized by the Accountant General, the Pension Payment Order data shall be made available to the treasuries in the electronic format. The report containing

recommendations of the core group on computerization of treasuries and online connectivity to get information on Government receipts and payments was forwarded by the C&AG's office to all Accountants General (A&E) in June 2006 for their comments.

The Report of the RBI however has not been furnished to the Central Government so far for acceptance and further necessary action by the state governments. The recommendation of the RBI Committee on linking treasuries with AG offices, at the moment, looks tentative because computerization of treasuries in many states is in nascent stage.

C&AG AND ACCOUNTS OF PANCHAYATI RAJ INSTITUTIONS

A significant development was the substantial role assigned to C&AG, in the accounting and auditing of PRIs and ULBs in the wake of entrustment of technical guidance and supervision of PRIs and Urban Local Bodies to him, pursuant to XI Finance Commission recommendations which extensively dealt with various facets of finance and accounts of the Panchayati Raj and Urban Local Bodies Institutions in the Report. The Commission observed that though states had made general provisions for the maintenance of accounts by the panchayats and municipalities and for the audit of their accounts, in many states the formats and procedures for maintenance of accounts by these bodies continued without any improvements over the years. The Commission suggested that the C&AG should be entrusted with the responsibility of exercising, control and supervision over the proper maintenance of accounts and their audit.

A separate office headed by a Dy. Accountant General/Sr. Dy. Accountant General was created in many States under the Pr. Accountant General/ Accountant General (Audit) of that State to look after local bodies audit and accounts including PRIs and ULBs.

ENTITLEMENT FUNCTIONS

The entitlement functions which embrace regulation and authorization of pay and allowances of Gazetted Officers, reporting and authorization of pension payments and maintenance of provident fund accounts of officers and employees of the State Government as per the respective laws, regulations and orders are exercised by the C&AG for certain historical reasons and he carries them out in the nature of an agency function (but free of charge). The burden on this account on the Department over the years in

respect of Pension and GPF functions has increased, while this is considerably reduced as far as pay authorization, etc. to Group 'A' employees is concerned. For example, during 1999–2000 final payment of GPF was authorized in 1,38,031 cases which gradually increased and during 2005-06 final payment of GPF was authorized in 1,67,786 cases. Like-wise authorization of pension, family pension and revision of pension cases which numbered 2,86,329 in 1999–2000 rose to 3,75,379 in 2005–06.

Pension Authorization by state Accountants General is done in 18 states viz. Andhra Pradesh, Assam, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Tamil Nadu, Tripura and West Bengal.

Pursuant to the guidelines of the C&AG's office issued in July 2002 a highly participative programme of Pension Adalats and Pension Awareness Programmes in association with the State Government and the District Administration is regularly held by the Accountants General (A&E) in various districts of the states where the pending pension cases are taken up for on the spot settlements. The results have been encouraging. During 2005–06 Accountants General (A&E) conducted 41 Pension Adalats at 34 locations and authorized pension in 2248 cases. A booklet containing pension documentation guidelines for the state government officers has been circulated among field offices for distribution amongst the state government offices.

GPF Account is maintained by C&AG in respect of employees of 19 states viz. Meghalaya, Uttar Pradesh, Maharashtra, Haryana, Assam, Chhattisgarh, Himachal Pradesh, Gujarat, Kerala, Tripura, Madhya Pradesh, Nagaland, Uttarakhand, Andhra Pradesh, Manipur, Karnataka, Orissa, West Bengal and Tamil Nadu, while 9 states have their own arrangements in that regard.

In Assam, on the request of the state government, GPF accounting for around 2.5 lakh provincialised teachers on their confirmation as Government Employees was taken over by the Accountant General (A&E) in a phased manner.

The annual accounts statements are sent to the subscribers by end of July each year. To facilitate online inquiries by serving or retired state government employees in regard to their pension and GPF accounts Interactive Voice Response System (IVRS) was started in states of Gujarat, Haryana, Karnataka, Maharashtra, Tamil Nadu and Uttar Pradesh. The project is being launched in the remaining states also. IVRS has elicited an enthusiastic response. Information

regarding GPF accounts is also made available on the website hosted by Accountants General (A&E), Andhra Pradesh, Harayana, Karnataka, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh.

In four States of Kerala, Manipur, Meghalaya and Nagaland authorization of pay and allowances to Gazetted Officers continues to be with the C&AG. In the states of Assam, Bihar, Karnataka, Jharkhand and Tamil Nadu authorization of pay and allowances of specified levels of Gazetted Officers in some departments is done by the C&AG. The emoluments of high-ranking dignitaries like, Governor, Judges of the High Court, MLAs, MLCs, are processed in the Accountant General (A&E) offices.

DEVELOPMENTS IN ENTITLEMENT FUNCTIONS

Post 1990, the major area of development concerns computerization of GPF and Pension authorization.

GPF computerization, initiated in 1989, was completed in 16 offices involved in this function and in three offices this was in progress (as of April 2007). An improved software has also been implemented now in most of the states. Similarly, Pension computerization which started in 1990, has been fully implemented in all the 18 offices involved in this function. In 2005, it was decided to develop a standardized Oracle based Pension application and implement the same across the country.

Even though the workload on these functions has tremendously increased over the years, thanks to improved work methods, availability of new technology and a strict monitoring from Headquarters backed by C&AG's personal interest in the expeditious disposal of entitlement cases, the present system ensures speedy settlement.

There has been increased awareness in the C&AG's organization that its role as service provider must be performed with efficiency and in a timely manner with a view to minimize the grievances on this account. C&AG has personally shown a great interest in this and often issued suo-moto directions towards improving systems and procedures to enhance the efficiency and promptness of delivery. He has also introduced a system of evaluation of performance of AG offices in these areas- some of these are:

- (i) System Review of Maintenance of GPF: An objective review was detailed in Headquarters D.O. letter of 6 January 2004, as amplified by Director (Accounts) letter of 19 August 2004.

- (ii) C&AG also rates Accounts & Entitlement offices work in relation to accounting as well as entitlement functions done by them in terms of Performance Indicators that are transparently intimated to all Accounts and Entitlement offices.

A Citizen's Charter was adopted in April 2003 by Accountant General (A&E) offices for providing better entitlement services to the serving and retired government employees. The Citizen's Charter is displayed in all the Accountant General (A&E) offices performing these functions.

The department has initiated action as of March 2006 for hosting key indicator/ information on the monthly accounts of the 25 state governments on C&AG's website.

OTHER DEVELOPMENTS IN ACCOUNTS

Delinking Finance Accounts & Appropriation Accounts Presentation from Audit Reports: Earlier, Finance Accounts and Appropriation Accounts were presented to State Legislature alongwith Audit Report (Civil). This meant that Annual Accounts even if ready for submission could not be submitted till Audit Report on that was also ready. In February 1999, C&AG took a decision to delink the presentation of Finance Accounts & Appropriation Accounts to the Legislature from the Audit Report (Civil) beginning from the year 1997-98. After the C&AG has signed these Accounts, these can be sent to Government for placement in House.

Certification of Net Proceeds of the Taxes and Duties: In terms of Article 279 of the Constitution, C&AG is made responsible for ascertaining and certifying the net proceeds of taxes collected by the Union but distributed between the Union and States. Accordingly, C&AG issues every year, certificates of net proceeds of (a) Income tax, other than Corporation Tax under Article 270, (b) Union Duties of Excise under Article 272 and the Estate Duty under Article 269(1)(b).

However, enactment of 80th amendment to the Constitution in June 2000, (applicable from 1 April 1996 onwards), had important implications for C&AG's certification of the net proceeds. C&AG was requested by Government of India for issue of certification of net proceeds for the years from 1996-97 onwards afresh in accordance with the amended article 270 of the Constitution.

The taxes and duties, which have been brought within the purview of certification by C&AG office, in addition to taxes and duties on (a) Income Tax other than Corporation Tax, (b) Union Duties of Excise and (c) Estate Duty, are:

- (i) 0020—Corporation Tax
- (ii) 0023—Hotel Receipt Tax
- (iii) 0024—Interest Tax
- (iv) 0028—Expenditure Tax
- (v) 0032—Taxes on Wealth
- (vi) 0033—Gift Tax
- (vii) 0037—Customs Duty
- (viii) 0044—Service Tax
- (ix) 0045—Other taxes and duties on commodities & services

On receipt of the request of the Ministry of Finance, Government of India (July 2000) for issue of certificates of net proceeds for the years from 1996–97 onwards afresh in accordance with the amended Article 270 of the Constitution, C&AG decided to issue certificates in respect of Direct Taxes & Services and other Expenditure Taxes for the years 1996–97, 1997–98 and 1998–99 subject to qualification that CGA may adopt applicable rate for states share accordingly. (This qualification was necessitated by the non-receipt of Presidential Orders despite several reminders to Ministry of Finance regarding the share of net proceeds). These certificates for the years 1996–97, 1997–98 and 1998–99 in respect of Direct Taxes etc. were issued on the basis of Finance Accounts figures which were also certified by C&AG. In case of the new taxes and duties other than Income Tax, Union Excise Duties and Estates Duty brought within the purview of certification, audited figures were not available and the figures were only available in the Finance Accounts of the respective years. In respect of these taxes and duties it was not found practical and feasible to get the test check of these figures by the field offices at the Zonal Accounts offices at this late stage. Accordingly, decision taken was that for these taxes and duties the gross proceeds may be taken from the Finance Accounts figures for the years 1996–97, 1997–98 and 1998–99 which is also audited and certified by C&AG.

From the year 1999–2000 to 2003–04 certificates of net proceeds in respect of Direct Taxes were issued on the basis of audited figures. As regards Indirect Taxes, for seeking clarification in regard to treatment of non shareable Excise Duties etc. for certification purposes in view of the recommendation No. 6.16 of the Tenth Finance Commission, the C&AG office referred the matter to Budget

Division, Plan Finance Division and Department of Revenue in February 2005 at DAI (LB&AEC) level to Secretary, Department of Revenue, Ministry of Finance. A response to these was still awaited.

World Bank Paper on State Government Accounting and Auditing: A development worth a mention relates to a paper prepared by the World Bank in May 1998 with the avowed intention of stimulating change in the State Government accounting and auditing system in order to make them an effective means of financial management and control. The paper was forwarded by the Ministry of Finance to the C&AG for his views in May 1998. The thrust of the paper that concerned accounting was on the lack of reliability of accounts figures compiled by the State Accountants General, delay in the finalization of accounts and conflict of interest as both audit and accounting functions of the State Government were with the C&AG. The paper had suggested separation of audit and accounts functions, computerization of accounts, doing away with the operation of treasury system, development of Government Accounting Standards and introduction of accrual based accounting. The C&AG's detailed response to this paper in September 1998 indicates the prevailing thinking at that time on the issues raised in the Paper. The C&AG said that the paper was based on assumptions and lacked appreciation of the totality of financial management in the Government. The Government of India was informed about the developments which had taken place or were under way in the Audit Department that had an important bearing on the issues raised in the paper by the World Bank. It is noteworthy that the C&AG at that time was not in favour of migration to accrual accounting system from the existing cash based system for various reasons stated in his reply.

Association of Accountant General (Audit) in Checking of Accounting by AG (A&E): As a follow up of recommendation of the XVIII Conference of the Accountants General on 'strengthening of accounts and using it as an aid to management'. Headquarters office issued directions to all AG (A&E) and (Audit) in January 1992 stating that 'as extension of the year end check and certification of the Finance and the Appropriation Accounts by the Accountant General (Audit), CAP or any other staff of his office could be profitably utilized for test—checking the correctness of the compiled accounts from month to month and for watching, clearance of DAA and other suspense heads.' This was made effective from January 1992. This assigned an important and meaningful role to Central Audit Parties of AG

(Audit) and the expectation was that this would provide a meaningful check on monthly accounts and other basic records that form the basis of final accounts of states. The objective of such checking of accounts that spread throughout the year was to help in timely detection and rectification of errors in compilation and accounting, eventually that would avoid large scale corrections at the year end accounts finalization. A model check list was also prescribed for the purpose. These checks were to be exercised only after the accounts of the month are sent to Government. Any corrections pointed out by Audit check would be carried out in subsequent month

However, with the introduction of VLC system, the exact role of CAP is somewhat diluted in such checking.

NOTES: CHAPTER-17

¹ C&AG Somiah's tour notes were voluminous and contained several points on accounts. There were several queries on deficiencies in the system of accounts. He suggested resolving these through State Level Standing Committees

² Used in the normative sense—there is an internal calendar prescribed though legally no date is prescribed.

³ At that time Principal Accountant General, Karnataka.

⁴ The Committee was headed by K.N. Khandelwal, Addl. Dy. C&AG (Accounts & Entitlement).

LIST OF KEY EVENTS

8–10 January 1991	Accountants General's Conference discussed an item 'Strengthening of Accounts and using it as an aid to Management'.
April 1991	Transfer of the inspection of treasuries from Accountants General (Audit) to AsG (A&E).
1991	Improved procedures i.e. check list, 'Appropriation Note' etc. were introduced. Format of Appropriation Note was revised in October 2003.
January 1992	Instructions issued for involving staff of Accountants General (Audit) in test checking of monthly compiled Accounts and clearance of DAA and other Suspense heads.
January 1996	A sub group of the Working Group on Expenditure Policy set up by the Planning Commission headed by Shri A.C. Tiwari, former Deputy C&AG, considered feasibility of supplementing/replacing cash based system of accounting with accrual based system.
December 1997	A Committee finalized the revised format of Combined Finance and Revenue Accounts.
1998	Introduction of voucher level computerization. By 2003, VLC became operational in most of the states.
1998–99	From the Annual Accounts of 1998-99 Accountants General (A&E) started issuing a publication titled 'Accounts at a Glance'
July 1999	Ganapathi Committee's Report laid out a roadmap for use of VLC data in audit.
June 2000	With 80 th amendment to the constitution applicable from 1 April 1996 onwards, C&AG's certification of net proceeds of taxation was widened to include nine other Taxes and Duties.
July 2002	Headquarters asked field offices to use VLC data (DDO wise information, etc.) in annual audit planning.
August 2002	C&AG constituted Government Accounting Standards Advisory Board (GASAB)
February 2004	Accountants General (A&E) were asked to help the audit offices in using VLC data for audit.
May 2005	GASAB finalized the operational framework of transition to accrual accounting and forwarded this to Ministry of Finance.
April 2006	IRLA System was abolished with effect from April 2006.
May 2007	A seminar for members of Parliament for sensitizing them on accrual accounting was conducted in Parliament House.
November 2007	IGAS IV on General Purpose Financial Statements of Government—another standard dealing with Finance Accounts and Appropriation Accounts, issued to Government after approval by GASAB and CAG.

DOCUMENT

No. 780-41-ADAI (RS)/99 vol-II

To
All Principal Accountants General (Audit)/
Accountants General (Audit)
(As per mailing list)

Sub: Use of VLC data.
Sir/Madam,

I am enclosing herewith the relevant extract of recommendations of Smt. A.L. Ganapathi Committee on use of VLC in field audit offices for your information and guidance on how to make use of this package in our audit work. It has now been decided that these recommendations of using the VLC data in planning annual audit and review using the DDO—wise information on the VLC system may be adopted immediately. Similarly, expenditure profile of the DDOs, details of purchases, stock position, amounts transferred to PD Account may also be made use of during outside audit inspections. The VLC data may also be used for audit of schemes including pattern of release of Central/ State Government funds, delay in release, quantum of unused balance etc. and such data as available in the VLC system may also be collected to update the portfolio files maintained in the Audit offices.

You are also requested to kindly furnish monthly progress reports on use of VLC package in your office to begin with and quarterly progress reports once the system stabilizes.

In case of any technical difficulty to use the VLC package as per the recommendations of the Committee please feel free to seek help from the concerned A&E offices who are being requested separately to extend full cooperation and help in our attempt to make successful use of VLC package in Audit offices as well.

Encl: as above.

Yours sincerely,
SD/-

(M.M. Nim)

Principal Director (RS)

No. 787-41-ADAI (RS)/99 vol-II dated 15 July 2002

Copy to the OSD (RS-SCS) for information and necessary action at his end please.

Principal Director (RS)

GLOSSARY OF ABBREVIATIONS

CAAT	Computer Assisted Audit Techniques
CAP	Central Audit Party
CFR	Combined Finance and Revenue Accounts
CGA	Controller General of Accounts
CMC	Computer Maintenance Corporation Ltd.
DAA	Departmental Adjusting Accounts
DDO	Drawing and Disbursing Officer
GASAB	Government Accounting Standards Advisory Board
ICAI	Institute of Chartered Accountants of India
IVRS	Interactive Voice Response System
MIS	Management Information System
MLA	Member of Legislative Assembly
MLC	Member of Legislative Council
NCEAR	National Council of Applied Economic Research
PAO	Pay and Accounts Office
RBI	Reserve Bank of India
TFC	Twelfth Finance Commission
TRS	Technical Requirement Specifications
URS	User Requirement Specifications
VLC	Voucher Level Computerization