# HIGHLIGHTS

This Report of the Comptroller and Auditor General of India (CAG) on the accounts of the Union Government analyses the Union Government Finance Accounts (UGFA) and the Appropriation Accounts of Union Civil Ministries. The Report gives an overview on Union Government Finances for FY 20 and consists of observations of the CAG on the UGFA and the Union Government Appropriation Accounts for FY 20.

## Chapter 1: Overview of Union Finances

- Estimates of revenue receipts were scaled down at the Revised Estimates (RE) stage as compared to Budget Estimates (BE) by ₹94,611 crore. However, actual revenue receipts were further lower than RE by ₹2,05,344 crore. This was primarily due to actual collections being less than RE in case of 'Taxes on income other than Corporation Tax' (₹66,652 crore), Corporation Tax (₹53,624 crore), Central Goods and Services Tax (₹19,929 crore), and Non-Tax revenue (₹57,349 crore). Estimates for revenue expenditure were reduced at RE stage by ₹79,776 crore, but actual revenue expenditure fell further short of RE by ₹38,445 crore. Heads under which actual revenue expenditure was lower than REs by a significant amount included Indian Railways-Commercial Lines Working expenses (₹28,639 crore), Interest Payments (₹8,740 crore) and General Education (₹4,764 crore).
- In the case of non-debt capital receipts, the actuals were lower than RE by ₹14,696 crore under "Miscellaneous Capital Receipts", which primarily consisted of proceeds from disinvestment and monetization of National Highways. In the case of capital expenditure, leaving aside savings under head for North East, the variation between actuals and RE (₹2,784 crore) was marginal, with RE having been increased over BE by ₹17,000 crore.

***(Para 1.3)***

- During FY 20, the Union Government mobilised total resources amounting to ₹1,21,07,987 crore. Gross revenue receipts consisting of tax revenue (₹20,10,059 crore), non-tax revenue (₹5,88,328 crore) and external assistance (₹373 crore) contributed 21 *per cent* of resources. Debt receipts (₹73,01,387 crore) constituted 60 *per cent* of total resource mobilization of the Government.
- Out of the total resources mobilised during the year, 83 *per cent* were deployed on committed expenditure, comprising repayment of debt (52 *per cent*), discharge of Public Account liabilities (17 *per cent*), interest payments (five *per cent*) and assignment of mandated portion of gross tax receipts to States (five *per cent*). From the balance, after accounting for Grants-in-aid to States/UTs and closing cash balance (four *per cent*), the Union Government was left with 17 *per cent* of its gross mobilisation to spend on its own activities.

***(Para 1.4)***

- Total receipts grew by 7.23 *per cent* (₹6,28,286 crore) YoY in FY 20. Non-debt receipts increased by 4.42 *per cent* (₹85,381 crore) and debt receipts increased by 8.03 *per cent* (₹5,42,905 crore).

- Tax revenues increased marginally by ₹40,371 crore (three *per cent*) over FY 19, while Non-tax revenues (NTR) grew by ₹1,01,940 crore (21 *per cent*) over the previous year. In the case of NTR, receipts from dividends/ profits increased by ₹72,715 crore (64 *per cent*), which was primarily due to higher receipt of surplus/dividend from Reserve Bank of India.

- Non-debt capital receipts declined compared to FY 19 due to lower premium received, lower Specified Undertaking of UTI (SUUTI) receipts and non-receipt of "Proceeds from Monetisation of National Highways".

- Revenue expenditure increased by ₹3,53,749 crore (15.64 *per cent*) in FY 20 over the previous year. Most of this increase was on account of higher expenditure on "Grants-in-Aid and Contributions" and "Social Services". On the other hand, the expenditure on capital account decreased by ₹11,779 crore (2.95 *per cent*) mainly due to reduction in expenditure on recapitalization of Public Sector Banks.

***(Para 1.5)***

- On the assets side, during the last two years, 34 *per cent* of the cumulative Capital expenditure consisted of investments of the Union Government in Government Companies, Statutory Corporations and Other Joint Stock Companies. The balance 66 *per cent* constituted cumulative expenditure for creation of infrastructure for transport sector, health, education, public works, etc. On the liabilities side, internal debt constituted around 87 *per cent* of total liabilities in FY 20 with internal debt increasing from ₹70,74,941 crore in FY 19 to ₹80,20,490 crore in FY 20.

***(Para 1.6)***

- Gross receipts showed an increasing trend during FY 16 to FY 20, but FY 20 showed the lowest growth of one *per cent*. Gross tax revenues showed a decreasing trend during FYs 17-19, with growth becoming negative in FY 20. Non-tax revenue showed a fluctuating trend during FYs 16-20, with FY 20 seeing a substantial jump primarily on account of increase under share of surplus profits from the Reserve Bank of India (₹79,988 crore).

- Non-debt capital receipts have declined in the last two FYs. Receipts from disinvestment, which is a major part of such receipts, fell from ₹72,620 crore in FY 19 to ₹48,234 crore in FY 20. Disinvestment receipts in the year pertained to Tehri Hydro Development Corporation (₹7,500 crore), National Thermal Power Corporation (₹6,165 crore), Oil and Natural Gas Corporation (₹5,719 crore), Coal India Ltd. (₹5,673 crore), North Eastern Electric Power Corporation Limited (₹4,000 crore), Power Grid Corporation of India Limited (₹3,850 crore), Kamarajar Port Limited (₹2,383 crore), IRCTC Limited (₹1,114 crore), Security Printing and Minting Corporation India Limited (₹821 crore), etc.

***(Para 1.7)***

- Of the total disbursements of ₹1,14,59,551 crore in FY 20, disbursements from CFI was 81.80 *per cent* (repayment of public debt was 55.20 *per cent* and total expenditure from CFI was 26.60 *per cent*) and the balance of 18.20 *per cent* was from Public Account. Of CFI disbursements, the shares of repayment of Public Debt and Loans and Advances were both on a declining trend while the share of Revenue Expenditure was on the rise in last three years.

- The sectoral share of expenditure has remained steady in the last five years. However, the highest YoY growth was seen in the case of Social Sector expenditure. The expenditure on Economic Sector witnessed an increase of ₹43,131 crore in FY 20 over FY 19. This was mainly due to increase in expenditure on 'Crop Husbandry' (primarily under PM Kisan Samman Nidhi) and 'Food, Storage and Warehousing' (Food Subsidy).

- Compared to FY 19, the expenditure on various explicit subsidies increased substantially in FY 20 with total expenditure on subsidy rising by 16.59 *per cent*. Expenditure on food subsidy was, however, significantly understated due to funding through loan from National Small Savings Fund.

***(Para 1.8)***

- As on 31 March 2020, the total outstanding Public Account liabilities were reported to be ₹8,79,325 crore, which included ₹5,74,881 crore of Small Savings and Provident Fund and ₹3,04,444 crore on account of other obligations. This, however, did not include liabilities of ₹9,99,409 crore corresponding to investment of NSSF in Special State Government Securities (₹4,40,438 crore) and Government Undertakings (₹3,66,546 crore), investment of ₹82,963 crore relating to Post Office Insurance Fund, and accumulated deficit (₹1,09,462 crore) in NSSF.

***(Para 1.9)***

- Total debt of the Union Government grew from ₹66,51,365 crore as on 31 March 2018 to ₹73,44,902 crore as on 31 March 2019 and further grew to ₹83,19,740 crore as on 31 March 2020. Public Debt, however, remained within the band of 39-41 *per cent* of GDP in last three years. Market loans due for redemption within seven years amounted to ₹23,54,267 crore (around 37 *per cent* of market loans).

***(Para 1.10)***

- Actual Revenue Deficit exceeded the BE stage and RE stage by 37.43 *per cent* and 33.36 *per cent* respectively, which was attributed primarily to lower tax receipts (₹1,47,995 crore at RE stage) with expenditure not being commensurately compressed. Similarly, actual Fiscal Deficit (FD) as compared to BE stage and RE stage was higher by ₹2,43,970 crore and ₹1,69,001 crore, respectively, which was on account of lower than estimated miscellaneous capital receipts. Further, out of the FD of ₹10,31,126 crore, ₹6,67,237 crore was on revenue account in FY 20, with an YoY increase of 6.66 *per cent*.

***(Para 1.3 and Para 1.10.1)***

## Chapter 2: Observations on Finance Accounts

**Issues of transparency and disclosures**

- There was persistent use of Minor Head 800 by Ministries/ Departments of Government of India (GoI). During FY 20, expenditure totalling ₹39,838 crore was booked under 'Minor Head 800-Other Expenditure' under various Major Heads. Further, receipts of ₹16,892 crore were also booked under Minor Head 800-Other Receipts during FY 20.

***(Para 2.2.1)***

- A total of 254 footnotes had been inserted in 16 statements of the UGFA for disclosing additional information with respect to figures for transactions. These footnotes, though related to significant transactions, were brief and cryptic and in some cases were being repeated year after year without resolution.

***(Para 2.2.2.4)***

**Issues relating to accuracy of accounts**

- Suspense heads relating to Civil Ministries, Postal, Telecom, Defence and Railways only showed net balances under suspense heads and thus, did not disclose the real magnitude of separate credit and debit balances under these heads. This led to significant understatement of suspense balances in the UGFA both at Major and Minor Head levels. Resultantly, the balances were misrepresented by 8.3 *per cent* under PAO Suspense, 70.2 *per cent* under Suspense Account (Civil) and 35.5 *per cent* under PSB Suspense.

***(Para 2.3.1.1)***

- In FY 18 there was a balance of ₹1,76,688 crore left in the IGST at the end of the year. Of this, GoI had provisionally devolved ₹67,998 crore under IGST to the States/UTs adopting Finance Commission formula for devolution of Central Taxes. The issue of unapportioned IGST balance was commented upon in CAG's Report No. 2 of 2019 and further discussed in detail in CAG's Report No. 11 of 2019. Subsequently, in May 2020, the Government decided to apportion the balance IGST of ₹1,76,688 crore between Centre and the States on 50:50 basis and reverse the IGST devolved in FY 18, citing CAG's observations on the issue.

  To partially adjust the balance IGST, sanction was accorded for expenditure amounting to ₹33,412 crore in June 2020 towards transfer to GST Compensation Fund. Audit observed that the adjustment involving expenditure of ₹33,412 crore was approved only in FY 21 but incorporated in the accounts of FY 20 after the closure of accounts for the year through a Journal Entry, which violated laid down procedures. It was also noticed that the adjustment was made only with reference to the net impact of the transactions without any disclosures of implications in gross terms for various heads of accounts covered by these transactions either in the Journal Entry or in the relevant Statements of UGFA. Further, the amounts computed as paid in excess to States/UTs for FY 18 were adjusted against dues of IGST pertaining to that year, instead of compensation payable in FY 21 or later as provided in the GST Compensation Act 2017.

***(Para 2.3.3)***

- In FY 20, against collection of cess of ₹95,553 crore, transfers to the GST Compensation Fund amounted to ₹1,53,910 crore, i.e. ₹58,357 crore was transferred in excess of collections. However, this excess included an amount of ₹33,412 crore transferred by way of a Journal Entry in June 2020 (after close of FY 20). Therefore, as on 31 March 2020, ₹24,945 crore was transferred in excess of actual collections from CFI during FY 20 as against short transfer by 31 March 2019 amounting to ₹47,272 crore. Thus, transfer of Compensation Cess collected in past years of ₹22,327 crore to GST Compensation Fund was yet to be done as on 31 March 2020.

***(Para 2.3.4)***

- An amount of ₹3,108 crore was written off during FY 20 on account of variation in exchange rate of External Debt. However, the same amount was depicted as Receipts of External debt during the year, which was contrary to the provision under Government Accounting Rules.

***(Para 2.3.7)***

**Issues of Data Integrity and Completeness**

- Accounting Authorities of three Ministries/Departments (Chemicals and Fertilizers, Pharmaceuticals, Industry and Civil Aviation) failed to realise ₹2,027 crore towards guarantee fees during FY 20.

***(Para 2.4.1)***

- Statement 11 of UGFA contained incomplete information in respect of nature, investment, face value, number of shares, capital and *percentage* of the Union Government's investment in 45 entities, while in 22 entities *percentage* of equity share did not change from the previous year despite having investment/ disinvestment in FY 20. Further, in respect of three entities, there was mismatch in the disinvestment details furnished by Ministry of Finance (MoF) and as depicted in Statement 11.

***(Para 2.4.3 and 2.4.4)***

- Specified Undertaking of UTI (SUUTI) disposed of a part of shares held by it and transferred proceeds from the sale as well as income from investments to the Union Government during FY 20. The receipts amounting to ₹2,069.86 crore were accounted in UGFA as 'other receipts' (minor head 800) under major head 4000 'miscellaneous capital receipts'. However, these receipts should have been booked as Non-Tax Revenue.

***(Para 2.4.7)***

**Issues relating to accounting of Cess/Levies**

- Parliament had approved the transfer of Universal Access Levy (UAL) amounting to ₹8,350 crore to the Universal Service Obligation (USO) Fund in the BE of FY 20. Against the total collection of UAL amounting to ₹7,961.53 crore in FY 20, only ₹2,926 crore was transferred to the USO Fund, resulting in short transfer to the USO Fund by ₹5,035.53 crore.

***(Para 2.6.1)***

- As per Statement 8 of UGFA for the period FY 10 to FY 20, the total cess on crude oil collected was ₹1,28,461 crore. Statement 9 of UGFA for the above-mentioned years showed that no funds out of the net proceeds of cess were transferred to Oil Industry Development Board. Further, only ₹15,506 crore had been spent in last five years on activities pertaining to development of oil industry by the Ministry as against collections of ₹72,384 crore by way of cess during this period.

***(Para 2.6.3)***

- Though the new Health and Education Cess was levied at a composite rate of four *per cent*, BE and RE for FY 20 continued to provide for transfer of proceeds of this cess to the erstwhile Prarambhik Shiksha Kosh, and Madhyamik and Uchchatar Shiksha Kosh that were created for Primary Education Cess, and Secondary and Higher Education Cess, respectively. Further, no expenditure was envisaged for the health sector out of the cess nor was any dedicated fund created for the purpose.

***(Para 2.6.4)***

- Statements 8 and 13 of the UGFA and information in budget statements revealed that Statement 13 continued to depict the Fund as Central Road Fund instead of Central Road and Infrastructure Fund (CRIF). Further, against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation. However, actual transfer to the Fund was ₹90,252 crore only. Part of the short transfer was due to erroneous transfers of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by Ministry of Railways and to 'Other Funds' by Ministry of Power, respectively.

***(Para 2.6.5)***

**Issues relating to Reconciliation and Improper Accounting**

- Ministry of Road Transport & Highways transferred an amount of ₹5,000 crore to the Monetization of National Highways Fund in the public account through capital head 5054.80.797 instead of the approved revenue head 3054.80.797. Further, the expenditure of ₹5,000 crore incurred from the fund was booked under the head 5054.01.190-Investment in Public Sector & other Undertakings instead of the approved head 5054.01.337. Though there were no receipts on account of monetisation of National Highways in FY 20, funds were transferred through

Gross Budgetary Support instead of from proceeds from monetisation. These funds were used for making capital expenditure in the form of investment in National Highways Authority of India instead of as Road Works.

***(Para 2.7.1)***

- In FY 20, an amount of ₹1,882.40 crore towards receipts from sale of enemy properties was booked under head of account 4000.04.190.22.01.00-Custodian Property of India instead of the newly opened head of account 4000.05.101- Sale of Financial Assets.

***(Para 2.7.3)***

## Chapter 3: Observations on Appropriation Accounts

- During FY 20, there was excess disbursement of ₹32,637.79 crore over authorization involving two Grants of Ministry of Defence and one Grant pertaining to Department of Revenue (DoR). In case of the excess relating to DoR, the excess amounted to ₹31,934.48 crore and was reported to be due to transfer of more funds to GST Compensation Fund in order to apportion balance IGST pertaining to FY 18. Audit examination revealed that the excess expenditure could have been avoided as the Government could have taken timely action to address the matter of short transfer of IGST. This matter had been reported in the Reports of the CAG, which were available with the Government since February/ July 2019, giving sufficient scope to have made required provision in the Supplementary Demand for Grant for FY 20.

***(Para 3.2.1)***

- During FY 20, the total savings under all the grants and appropriations were ₹4,10,158.38 crore and constituted 3.97 *per cent* of total authorisations. Savings of ₹100 crore or more occurred in 74 segments of 61 Grants/Appropriations and amounted to ₹4,07,358.03 crore. Further, out of the 13 Grants/ Appropriations with savings of ₹5,000 crore or more in FY 20, six had such substantial savings in FY 19 and FY 18 as well.

***(Para 3.2.2)***

- Significant savings totaling to ₹1,65,250 crore were on account of regulation of expenditure comprising *inter alia* reduction of food subsidy to Food Corporation of India of ₹76,000 crore at RE stage, ₹50,000 crore due to non-release of Ways and Means Advance to FCI, short transfer of ₹27,473.27 crore to National Investment Fund/ Central Road and Infrastructure Fund, etc. In addition, savings of ₹94,289 crore represented gaps and shortfalls in performance in schemes and activities, while savings of ₹58,097 crore were attributable to unrealistic budget estimation. Further, there were savings of ₹21,300 crore due to non-transfer of funds to Reserve Funds.

***(Para 3.2.2.3)***

- In 25 sub-heads under 14 Grants/Appropriations, supplementary provisions amounting to ₹2,168.90 crore were obtained during FY 20 in anticipation of higher expenditure, but final expenditure was even less than the original provisions.

  ***(Para 3.3)***

- Scrutiny of Grants/Appropriations having surrenders/lapsed amounts of ₹100 crore or more revealed that at least ₹1,70,103.02 crore relating to 33 Grants/ Appropriations was either surrendered on 31 March 2020 or was allowed to lapse.

  ***(Para 3.6)***

- Under PSB Suspense head, there were accumulated balances of ₹9,745.49 crore pertaining to Civil Pension expenditure and ₹17,045.71 crore pertaining to Defence Pension expenditure. This was due to non-clearance of pension scrolls in the accounts of relevant financial year, resulting in understatement of expenditure and postponement of liability to subsequent year(s).

  ***(Para 3.9.1)***