

## 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.

#### Unreconciled accounts balance with the RBI

**9.2** Table 9.1 shows the progressive position of the year-end unreconciled government balances with those of the RBI. The CGA needs to give an explanatory note to the finance accounts for the unreconciled balance at the end of the financial year.

**Table 9.1: Variation in Book Figure and Account Figure of RBI**

*Rs in crore*

Year	Deposits with RBI		
	As Per Finance Accounts	As Per RBI	Difference
1995-96	2832	2499	333
1996-97	2377	2071	306
1997-98	3289	2679	610
1998-99	3525	2927	598
1999-00	2661	2223	438

#### Incomplete review of Debt, Deposit and Remittance balances

**9.3** As per paragraphs 13.13.1 and 13.13.2 of civil accounts manual, the Pay and Accounts Officers (PAOs) shall review and verify the balances under various debt, deposit and remittance heads at the close of a financial year. None of the PAOs, other than those of President's Secretariat, Rajya Sabha and CPAO, had completed the review of balances for the year 1998-99 as of March 2000. The CGA needs to ensure that the PAOs complete the prescribed review of balances before the finalisation of accounts.

## Outstanding balances in suspense heads

**9.4** The RBI is the banker of the government and other authorised public sector banks function as the RBI's agents while handling government transactions. The 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, in intermediate heads of account known as 'suspense heads' pending their final classification. Table 9.2 presents outstanding balances in suspense heads as on 31 March 2000. The CGA needs to improve the quality of maintenance of accounts 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**

		<i>Rs in crore</i>					
Heads of account	Net Balance as on 31 March						
	1995	1996	1997	1998	1999	2000	
Pay and Accounts Office Suspense							
1. Suspense (PAO Suspense)	Dr. 267.98	Dr. 217.19	Dr. 262.9	Dr. 201.60	Dr. 10.11	Cr. 281.11	
2. Suspense Accounts (Civil)	Dr. 568.99	Dr. 456.84	Dr. 354.84	Dr. 488.82	Dr. 529.89	Dr. 794.84	
3. Suspense Accounts (Postal)	Dr. 97.41	Dr. 48.64	Dr. 68.66	Dr. 760.17	Dr. 471.38	Dr. 93.97	
4. Suspense Accounts (Defence)	Dr. 635.18	Dr. 794.38	Dr. 980.42	Dr. 1621.72	Dr. 2417.07	Dr. 111.11	
5. Suspense Accounts (Railways)	Dr. 215.52	Dr. 121.3	Dr. 145.08	Dr. 163.79	Dr. 286.6	Dr. 175.26	
6. Suspense Accounts (Telecom)	Dr. 1830.01	Dr. 2017.58	Dr. 1700.10	Dr. 1398.71	Dr. 1586.46	Dr. 1563.57	
7. Public Sector Bank Suspense	Dr. 581.35	Dr. 498.73	Dr. 563.28	Dr. 498.86	Dr. 742.77	Dr. 806.43	
8. Suspense Account for purchases abroad	Dr. 1426.68	Dr. 1848.78	Dr. 2151.68	Dr. 1336.52	Dr. 1850.71	Dr. 1895.20	
9. Reserve Bank Suspense (HQ)	Cr. 178.12	Cr. 172.77	Cr. 198.95	Cr. 369.32	Cr. 369.38	Cr. 173.52	
10. Reserve Bank Suspense (CAO)	Cr. 48.49	Dr. 1039.45	Dr. 1.41	Cr. 23.94	Cr. 55.86	Dr. 67.85	
11. Cash settlement Suspense	Dr. 186.40	Dr. 191.38	Dr. 205.26	Dr. 258.15	Dr. 226.16	Dr. 222.18	
12. Discount sinking fund	Dr. 2005.61	Dr. 3004.91	Dr. 4273.09	Dr. 3218.69	Dr. 1967.6	Dr. 794.94	
13. Others	Dr. 127.48	Dr. 253.59	Dr. 1007.33	Dr. 1238.23	Dr. 930.49	Dr. 837.62	
<b>Total</b>	<b>Dr. 7716</b>	<b>Dr. 10320</b>	<b>Dr. 11515</b>	<b>Dr. 10792</b>	<b>Dr. 10594</b>	<b>Dr. 6908.34</b>	

### **Suspense Account for Purchases Abroad**

**9.5** The government makes direct payment for imports financed out of foreign loans and credit, by importers holding license for imports, under a 'direct payment procedure'. The Controller of Aid Accounts and Audit in the Department of Economic Affairs of the Ministry of Finance, keeps accounts of these transactions and operates the minor head 'Suspense Account for Purchases Abroad' for the purpose. These suspense balances must be cleared by payment of advance deposits by the importers. The importers have to pay interest on delayed payments, under the licensing agreements. At the end of 1999-00, suspense account for purchases abroad reflected a debit balance of Rs 1895.20 crore. Main defaulters were as follows: Pawan Hans Helicopter Ltd. - Rs 108.50 crore; NHPC - Rs 3.04 crore; UPSEB (ANPARA) - Rs 77.83 crore; Railway Board - Rs 33.27 crore; APSEB - Rs 186.05 crore; Hindustan Zinc Aid - Rs 105.29 crore; and Energy Efficient Grant - 344.43 crore; West Bengal Power Development Corporation - Rs 270.93 crore; MOST (Nizamudin Bridge) - Rs 28.74 crore; Rayala Seema Thermal Power Project - Rs 57.23 crore, Helicopter Corporation of India - Rs 21.91 crore, Orissa Power Sector Reform - Rs 31.06 crore, Pipavav Port Ship-breaking Project, Gujarat - Rs 15.18 crore, Maharashtra Power - Rs 38.31 crore; Health and Family Welfare - Rs 27.36 crore; National Highways - Rs 10.53 crore. Appendix X gives the details. The government needs to activate recovery of its dues from the importers and clear the outstanding debits in the suspense account.

### **Adverse Balances**

**9.6** 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 1999-00 indicated 50 cases of adverse balances, as shown in Appendix XI. Out of these, 9 balances became adverse during the year 1999-00. Out of 41 old cases, four balances are adverse ever since 1976-77, i.e. pre departmentalised period and 37 balances are adverse from 1979-89 to 1998-99. The CGA stated that the adverse balances in matters of loans largely arose because of the exchange fluctuations, and were being finally written off after full repayment of loans. In the remaining cases, he

stated that he was following up the matter with the concerned ministries. The CGA had been annotating all the adverse balances in the finance accounts as being 'under investigation'. This situation must not continue in an open ended manner. The CGA needs to provide suitable explanatory memorandum in the finance accounts as to the progressive status of the adverse balances in each case, to improve the quality of accounts, including those cases as might have been hidden during consolidation.

#### **Loss of interest of Rs 43.78 lakh on account of adverse balance**

**9.7** Statement No. 14-A of Union government finance accounts compiled by chief controller of accounts, department of economic affairs, ministry of finance, revealed an adverse balances of Rs 4.52 crore against five years zero coupon bond 2000 (I series). This adverse balance arose on account of the premature payment of Rs 7 crore (II series) in zero coupon bond 2000 (I series) by the RBI, and resulted in loss of interest of Rs 43.78 lakh.

#### **Outstanding under 'Cheques and Bills'**

**9.8** 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 the 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 below shows that there were large outstanding balances under the minor heads 'cheques and bills' of 1999-00 finance accounts, which had the effect of overstating the government cash balance.

**Table 9.3: Outstanding balances under minor heads 1999-00**

		<i>Rs in crore</i>
(1) Pre-audit cheques	Cr.	0.48
(2) Pay and Accounts Offices Cheques	Cr.	5532.58
(3) Departmental Cheques	Cr.	181.37
(4) Treasury Cheques	Cr.	4.62
(5) IRLA Cheques	Cr.	2.20
(6) Telecommunication Accounts Office Cheques	Cr.	1996.77
(7) Postal Cheques	Cr.	11785.79
(8) Railway Cheques	Cr.	124.68
(9) Defence Cheques	Cr.	2742.26

### **Advancing of loans without finalisation of terms and conditions**

**9.9** The Union government has yet to finalise terms and conditions of the loans advanced to Shipping Credits and Investment Company of India Ltd., Bombay (Rs 41.33 crore, since 1987-88), and Rajiv Gandhi Cancer Institute and Research Center, New Delhi (Rs 29.26 since 1994-95).

### **Incorrect Classification of Expenditure**

**9.10** The UTs without their own consolidated fund, are not eligible for loans and advances from Union government, as the their loans would form part of the centre's own funds. Yet, the statement 15 of Union government finance accounts for 1999-00 exhibits the amounts of such loans and advances for centrally sponsored plan schemes to such UTs, per details shown in Table 9.4.

**Table 9.4: Loans for Centrally Sponsored Plan Schemes**

			<i>Rs in thousand</i>
Name of the UT	Amount	Earliest period of loan	
(1) Daman and Diu	21296	1987-88	
(2) Lakshadweep	563	1991-92	
(3) Chandigarh	369	1987-88	
(4) Andaman and Nicobar Islands	4835	1989-90	
<b>Total</b>	<b>27063</b>		

Note: Up to 1986-87 the Daman and Diu was a part of greater UT namely, Goa, Daman & Diu