

## Chapter 6

### QUALITY OF GOVERNMENT ACCOUNTS

**6.1** 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

**6.2** Table 6.1 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 balances at the end of the financial year. CGA stated in October 2001 that the matter had been taken up with the RBI and that the reply would be forwarded to Audit in due course.

**Table 6.1: Variation in Book Figure and Accounts 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
1999-2000	2661	2223	438
2000-01	3858	3623	235

#### Outstanding balances in suspense heads

**6.3** The RBI is the banker of the government and other authorised public sector banks function as the RBI's agents while handling government

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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 6.2 presents outstanding balances in suspense heads as on 31 March 2001. The quality of maintenance of accounts needs to be improved to ensure that the balances in the suspense heads are kept to the bare minimum and to suitably annotate Finance Accounts, at respective places, as to the reasons.

**Table 6.2: Outstanding balances under major suspense heads**

*(Rs in crore)*

Heads of account	Net Balance as on 31 March						
	1995	1996	1997	1998	1999	2000	2001
1. Suspense (PAO Suspense)	Dr. 267.98	Dr. 217.19	Dr. 262.9	Dr. 201.60	Dr.10.11	Cr. 281.11	Dr. 318.75
2. Suspense Accounts (Civil)	Dr. 568.99	Dr. 456.84	Dr. 354.84	Dr. 488.82	Dr. 529.89	Dr. 794.84	Dr. 506.94
3. Suspense Accounts (Postal)	Dr. 97.41	Dr. 48.64	Dr. 68.66	Dr. 760.17	Dr. 471.38	Dr. 93.97	Dr. 100.99
4. Suspense Accounts (Defence)	Dr. 635.18	Dr. 794.38	Dr 980.42	Dr.1621.72	Dr. 2417.07	Dr. 111.11	Cr. 628.67
5. Suspense Accounts (Railways)	Dr. 215.52	Dr. 121.3	Dr. 145.08	Dr. 163.79	Dr. 286.6	Dr. 175.26	Dr. 372.79
6. Suspense Accounts (Telecom)	Dr. 1830.01	Dr. 2017.58	Dr. 1700.10	Dr. 1398.71	Dr. 1586.46	Dr. 1563.57	Dr. 923.75
7. Public Sector Bank Suspense	Dr. 581.35	Dr. 498.73	Dr. 563.28	Dr. 498.86	Dr. 742.77	Dr. 806.43	Dr. 586.55
8. Suspense Account for purchases abroad	Dr. 1426.68	Dr. 1848.78	Dr. 2151.68	Dr. 1336.52	Dr. 1850.71	Dr. 1895.20	Dr. 1675.43
9. Reserve Bank Suspense (HQ)	Cr. 178.12	Cr. 172.77	Cr. 198.95	Cr. 369.32	Cr. 369.38	Cr. 173.52	Dr. 172.20
10. Reserve Bank Suspense (CAO)	Cr. 48.49	Dr. 1039.45	Dr. 1.41	Cr. 23.94	Cr. 55.86	Dr. 67.85	Dr. 38.64
11. Cash settlement Suspense	Dr. 186.40	Dr. 191.38	Dr. 205.26	Dr. 258.15	Dr. 226.16	Dr. 222.18	Dr. 224.53
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	Dr. 863.85
<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>	<b>Dr. 5155.75</b>

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

**6.4** 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 2000-01, suspense account for purchases abroad reflected a debit balance of Rs 1675.43 crore. Main defaulters were as follows: Pawan Hans Ltd. – Rs 57.44 crore; Railway Board - Rs 17.01 crore; Rayala Seema Thermal Power Project - Rs 57.35 crore, Helicopter Corporation of India - Rs 67.23 crore, Ministry of Health and Family Welfare - Rs 27.38 crore; Paradeep Post Trust – Rs 13.70; Department of Agriculture Research and Education (DC) – Rs 34.77; Power Grid Corporation of India Ltd – Rs 326.40 crore; Coal India Ltd (WB) – Rs 20.90 crore; Grid Corporation India Ltd Orissa – Rs 12.19 crore; Ministry of surface Transport – Rs 31.53 crore; Lady Harding Medical College and Associated Hospital – Rs 16.29 crore; Fisheries State Project Unit, Bihar – Rs 10.67 crore; Chennai Metropolitan Water Supply and Sewage Board – Rs 16.06; Bakreshwar Thermal Power Project West Bengal – Rs 27.84 crore; A.P. Transmission Co Ltd. – Rs 14.30 crore.; Delhi Water Supply & Sewage U (MCD) Delhi – R 30.86 crore; Pyrites Phosphates and Chemicals Ltd – Rs 24.94 crore.. Appendix-IX 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**

**6.5** 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 2000-01 indicated 56 cases of adverse balances, as shown in Appendix-X. Out of these, 13 balances became adverse during the year 2000-01. Out of 43 old cases, four balances are adverse ever

since 1976-77, i.e. pre departmentalised period and 39 balances are adverse from 1979-89 to 1999-00. The CGA stated in October 2001 that the adverse balances pertaining to loans largely arose because of the exchange fluctuations, and were being finally written off after full repayment of loans. In the remaining cases, the matter was being followed up with the concerned ministries. The CGA had been annotating all the adverse balances in the finance accounts as being 'under investigation'. It would be desirable 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.

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

**6.6** This head is an intermediary accounting device for initial record of transactions, which are eventually to be cleared/withdrawn. Under the scheme of departmentalisation of accounts, payment of claims against government is made by the PAOs of different Ministries/Departments by cheques drawn on branches of the RBI or PSU Banks accredited to the Ministry/Department. When claims are preferred in the appropriate bill form to the PAO/Departmental Officer, the payment is authorised through issue of cheques, after exercising the prescribed checks and recording of pay order by the PAO/Departmental officer. At the end of each month, the major head 8670-Cheques and Bills is credited by the total amount of the cheques delivered. On receipt of date-wise monthly statement and monthly statement of balances from Public Sector Banks and RBI Central Accounts Section, Nagpur, the head '8670-Cheques and Bills' is minus-credited and credit is afforded to 8658-108-PSB Suspense or 8675-101 Deposit with Reserve Bank-Central Civil, as necessary. Table 6.3 shows that there were large outstanding balances under the minor heads 'cheques and bills' of 2000-01 finance accounts, which had the effect of overstating the government cash balance.

**Table 6.3: Outstanding balances under minor heads 2000-01**

		<i>Rs in crore</i>
(1) Pre-audit cheques	Cr.	0.51
(2) Pay and Accounts Offices Cheques	Cr.	6504.91
(3) Departmental Cheques	Cr.	188.92
(4) Treasury Cheques	Cr.	4.62
(5) IRLA Cheques	Cr.	2.48
(6) Telecommunication Accounts Office Cheques	Cr.	925.28
(7) Postal Cheques	Cr.	5349.15
(8) Railway Cheques	Cr.	315.70
(9) Defence Cheques	Cr.	3686.28

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

**6.7** 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 Centre, New Delhi (Rs 29.29 since 1994-95). CGA stated in October 2001 that the matter had been taken up with the concerned Ministries/Department.