HIGHLIGHTS

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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, Defence Services, Postal Services and Railways. The report gives an overview on Union Government Finances for the year 2018-19 and consists of observations of the CAG on the UGFA and on the Union Government Appropriation Accounts for the year 2018-19.

Chapter 1: Overview of Union Finances

➢ Actual revenue receipts fell short of revised estimates by ₹1,86,382 crore (9.35 *per cent*). As a result of this shortfall, despite compression of revenue expenditure as compared to revised estimates (RE) by ₹1,42,942 crore (5.94 *per cent*), the actual revenue deficit was higher than anticipated by ₹43,440 crore. This combined with higher shortfall in recoveries of loans and advances compared with the shortfall in disbursement, resulted in a higher than anticipated fiscal deficit of ₹15,609 crore. Audit analysis revealed that even though there were clear trends indicating shortfalls in revenue and expenditure as at the end of December 2018, these were not factored in while framing RE. As a result, actuals of both non-debt receipts and expenditure fell short of REs; this is indicative of an unrealistic assessment of financial resources.

(Para 1.2.1)

➢ During 2018-19, the Union Government mobilized ₹1,11,98,260 crore. Of this, 81 *per cent* was deployed for committed expenditure viz repayment of debt; discharge of Public Account liabilities; interest payments and mandatory transfer of tax receipts to States. After Grants-in-aid to States/ UTs and accounting for the closing cash balance, only 16 *per cent* of the resources were available for all other expenditure of the Government of India.

(Para 1.2.3)

➢ In comparison to 2017-18, total receipts of the Union Government grew by three *per cent*. Of this, non-debt receipts grew by 3.75 *per cent* and debt receipts grew by 3.12 *per cent*, while capital receipts fell by five *per cent*. Both Tax Revenue Receipts and Non-Tax Revenue Receipts increased by six and ten *per cent* respectively, over the previous year.The largest contributor to the increase in non-tax revenues was 'Dividend and Profits'.

(Para 1.2.4)

➢ During 2018-19 total expenditure increased by four *per cent* (₹3,60,765 crore). Of this; revenue expenditure increased by 5.67 *per cent* and capital expenditure by 22.89 *per cent* over the previous year. Increase in capital expenditure was largely due to bank "recapitalisation".

(Para 1.2.4)

- The Union Government's total investment in Statutory Corporations Government Companies, Co-operative Banks and Societies etc., increased by ₹1,93,150 crore during 2018-19. During the same year, the Union Government received ₹72,620 crore from disinvestment.

(Para 1.3.1 and 1.3.2)

- Total Public Debt of Union Government grew from ₹59,69,968 crore as on 31 March 2017 to ₹66,51,365 crore (11.41 *per cent*) as on 31 March 2018 and further to ₹73,44,902 crore (10.42 *per cent*) as on 31 March 2019. As on 31 March 2019, the total outstanding Guarantees given by the Union Government was ₹4,47,626 crore.

(Para 1.3.3 and 1.3.4)

- Against the ₹8,82,119 crore reflected in Statement 13 of the UGFA, actual outstanding Public Account liabilities as on 31 March 2019 as worked out by Audit amounted to ₹18,12,015 crore (₹15,09,505 crore as Small Savings and Provident Fund and ₹3,02,510 crore as other obligations).

(Para 1.3.5)

Chapter 2: Observations on the Finance Accounts (UGFA)

Issues of transparency and disclosures

- There was persistent and indiscriminate use of Minor Head 800 "Other Expenditure" / "Other Receipts" resulting in lack of transparency in the UGFA. In respect of 11 expenditure Major Heads, expenditure of ₹7,428 crore, constituting more than 50 *per cent* of the total expenditure booked under these heads, was accounted for under Minor Head 800. Such avoidable booking of expenditure in excess of 50 *per cent* of total expenditure, has persisted for several years under four Major Heads. In 24 receipt Major Heads, receipts amounting to ₹13,678 crore, representing over 50 *per cent* of the total receipts booked under these heads, were booked under Minor Head 800. Such avoidable booking has persisted, despite being pointed out by Audit, in the case of 12 Major Heads/ functions for last several years. The wrong booking of tax revenue of ₹3,531 crore under Minor Head 800 despite the existence of correct Minor Heads, adversely impacted the calculation of net proceeds and their assignment to States.

(Para 2.2.1)

- Critical information relating to total Public Account liabilities; External Debt at current exchange rates; Revenue Deficit and difference with RBI's closing cash balance have been persistently disclosed for years through footnotes in the UGFA rather than in the body, affecting the transparency of the accounts. Further, the UGFA depicted information on significant transactions through 317 footnotes, and these were mainly brief and cryptic. In many instances, footnotes stated that the matter was under reconciliation, and Audit noticed that the footnotes were unchanged over the previous years also, indicating that no efforts had been made towards such reconciliation.

(Para 2.2.2)

- Statement 13 of the UGFA is opaque since it depicts only the net of the credit/ debit balances under suspense heads instead of showing the credits and debits separately. This has resulted in significant understatement of suspense balances both at Major and Minor Head levels.

(Para 2.2.3)

Issues relating to accuracy of accounts

- Through a Journal Entry after the close of the year, Accounting Authorities transferred, ₹10,250 crore from the Central Road Fund, and booked this, in violation of accounting procedure, as non-tax receipts.

(Para 2.3.1)

- The UGFA depicted an aggregate net balance of ₹56,980.28 crore (Debit) under Suspense heads as on 31 March 2019. In addition there was a net outstanding balance of ₹42,104 crore (Credit) under the Major Heads relating to 'Cheques and Bills'. Suspense heads in Government accounts are operated to reflect transactions of receipts and payments, that cannot be booked to a final head of account, pending information/ documents. Normally, such suspense heads should be cleared before the end of the financial year or soon thereafter. Continued existence of unadjusted suspense heads distorts the depiction of Government receipts and expenditure.

(Para 2.3.2)

- Adverse balances are those which are erroneously accounted as credit instead of debit and vice versa. There were 69 cases of adverse balances in the UGFA of 2018-19, amounting to ₹20,710 crore. Of these, 40 cases amounting to ₹8,138 crore have remained unresolved for over five years.

(Para 2.3.3)

Issues of Data Integrity and Completeness of UGFA Statements

- Monitoring and oversight over guarantees by Ministry of Finance was inadequate and there were discrepancies in some cases between the records of Ministries/ Departments and data included in UGFA. Two Ministries short-received guarantee fee of ₹1,627 crore.

(Para 2.4.1)

- The information contained in the Annual Accounts of five entities and the information contained in the UGFA on the equity investment of

Government in these entities, did not tally. The information on 73 entitites contained in the UGFA was either incomplete or not updated.

(Para 2.4.2)

- Against total loans of ₹2,97,077 crore (including arrears of interest) which were outstanding against State/ UT Governments and other entities as on 31 March 2019, repayment of ₹57,244 crore was in arrears.

(Para 2.4.3)

- In CAG's Report No.2 of 2019 on Accounts of the Union Government for 2017-18, it had been reported that devolution of IGST was not consistent with the scheme of GST/IGST. It was also advised that GoI needs to account for its share correctly. Despite this during 2018-19, a sum of ₹15,001 crore was erroneously transferred and accounted as state's share of net proceeds of IGST instead of being apportioned between Centre and States. In addition, a balance of ₹13,944 crore was left un-apportioned under the head and retained in CFI, even though the amended IGST Act now provides for ad-hoc apportionment of IGST. As a result States overall, received less funds on account of IGST.

(Para 2.4.4)

Issues relating to accounting of Cesses and Levies

- The Union Government collected ₹2,74,592 crore from 35 cesses/ levies in 2018-19. Under the scheme, such cesses and levies are required to be first transferred to designated Reserve Funds and utilised for the specific purposes intended by Parliament. It was observed that the scheme for "Social Welfare Surcharge" on Customs against which ₹8,871.19 crore was collected during the year did not envisage a dedicated fund. Non-creation/ non-operation of Reserve Funds makes it difficult to ensure that cesses and levies have been utilised for the specific purposes intended by the Parliament.

(Para 2.5)

- During the year, GST Compensation Cess of ₹40,806 crore was short-credited to the related Reserve Fund; ₹10,157 crore of the Road and Infrastructure Cess collected during the year was neither transferred to the related Reserve Fund nor utilised for the purpose for which the cess was collected; ₹1,24,399 crore representing the Cess on Crude Oil collected in the last decade had not been transferred to the designated Reserve Fund (Oil Industry Development Board) and was retained in CFI; short transfers during the year to dedicated reserve funds were ₹2,123 crore in the case of Universal Service Levy and ₹79 crore in the case of National Mineral Trust Levy.

(Para 2.5)

Chapter 3: Observations on Appropriation Accounts

- During the year 2018-19, there was excess disbursement of ₹5,204.56 crore over authorization involving two Grants of Defence Services, one grant of Union Civil Ministries and one Grant of the Railways. In the case of the excess relating to Defence Service Grants the excess was a result of short provisioning of funds against projections for items that MoD stated were obligatory in nature. In the case of the other two grants the excess was attributed to payments relating to legal orders. These excess disbursements require regularisation under Article 115(1)(b) of the Constitution.

  (Para 3.2.1)

- Savings of more than ₹100 crore aggregating ₹4,69,669.55 crore had occurred in 79 segments of 57 Grants/ Appropriations. Significant savings totaling to ₹1,31,073.18 crore were on account of regulation of expenditure comprising inter-alia withdrawal of food subsidy to FCI of ₹69,889.71 crore; short transfer (against BE) of GST Compensation Cess to GST Compensation Fund of ₹35,725 crore and reversal of expenditure on Defence pension of ₹5,000 crore. In addition, savings of ₹43,104.51 crore indicate shortfalls in performance in schemes and activities. Savings of ₹1,43,999.12 crore are attributable to reasons that convey gaps in budget formulation.

  (Para 3.2.2)

- Out of savings of ₹4,52,111.82 crore under Civil Grants/ Appropriations, 39.07 *per cent* (₹1,76,630.70 crore) of total savings during the year was not surrendered, but was allowed to lapse. In addition, ₹67,825.68 crore relating to 17 Civil Grants/ Appropriations, was surrendered on the last day of the year i.e 31 March 2019.

  (Para 3.5)

- In violation of basic accounting principles, the Accounting authorities did not book expenditure of approximately ₹14,000 crore under Grant No. 22 - 'Defence Pension', and instead, this continued to be held under 'Suspense'. More seriously, expenditure of ₹5,000 crore booked under Defence Pension head was transferred to Suspense Head through Transfer Entry in March 2019.

  (Para 3.7 and 3.13)

- Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. In violation of this provision, the Central Board of Direct Taxes (CBDT) incurred expenditure of ₹20,566.33 crore during 2018-19 on interest on refunds without the authorisation of Parliament.

  (Para 3.14)