

Speech of the Controller General of Accounts **Civil Accounts Day 2009**

- 1. Mr. Sundaramurti, Mr. Arun Sharma, Mr. Thakur, Mr. Kumar, former CGAs and Senior Officers, the Awardees and other Colleagues and friends, we have gathered here today to celebrate the 33rd Anniversary of the establishment of the Civil Accounts Organisation and to renew our pledge to work towards effective financial management of the resources of our Government.**
- 2. We have seen our organization grow and change since its inception in 1976. Many of those who contributed to this development are here with us today and many are not. To both we owe our gratitude as it is only with their contribution that we have been able to achieve the present status. To our those colleagues who are no longer in this world, we offer remembrance and a promise of support to their families.**
- 3. Being young and modern, our organization has taken a keen interest in continuously developing processes in sync with the rapid pace of environmental changes in Information Technology and Banking systems. We have refined the receipt and payment processes as well as financial reporting over the years. The expectations of the civil society, the legislature and the executive have been growing and to keep pace we need to strive further to simplify and evolve our systems and codes in tandem.**
- 4. Soon after the advent of personal computers in India, voucher level computerisation was conceived by our organization in mid 80s. This pioneering effort nurtured under the leadership of distinguished Controller Generals of Accounts has**

- now developed into computerized accounting systems of COMPACT and eLekha, which enable financial reporting at the close of each day. ELekha has now matured into a powerful government wide financial management and information system and the recent National eGovernance Award for it is only the first realization of its potential. Many more awards will be bagged by eLekha in future as it moves towards its goal of an Expenditure Information Network in the public domain.
5. We are now discontinuing manual consolidation of monthly accounts through floppies and consolidating monthly accounts from the single stream of e-lekha accounts. I am sure every CCA / CA has customised the e-lekha statements based on the specific requirements of their Ministries. These statements are useful inputs in decision making within the Ministries. We also now need to institutionalise monthly reviews in the first week of the following month in each Ministry adding value by analysis of the salient aspects of the accounting information. I also expect that the web casting of accounts of each Ministry is being significantly preponed and is being enriched by the analysis. The Monthly Accounts Section in my office will benefit from the timely and incisive commentary from all Civil Ministries before we submit our monthly review each month to the Finance Minister.
 6. With the memory of recent shocking events globally and in India, the importance of strengthening "systems" in governance is highlighted. Effective systems are antidotes for corruption. Last September, India had been ranked 85th (with an index of 3.4) when the Corruption Perception Indices of 180 countries were announced by Transparency International.

Corruption in public administration is a vicious cycle in perpetuation of malpractices. The ramifications of diversion of resources meant for development and welfare programmes to individual coffers include inequity, usurpation of programme objectives, and demoralisation of programme functionaries. In the rear of corruption, poor performance also grows, undetected.

7. Even as each of us undertakes to abide by the canons of financial propriety as individuals, we need to address issues related to development of systems, which are less vulnerable to corruption. Implementation of such systems help in reducing administrative discretions and time-lags, achieving greater transparency at all levels and enable participation by a vigilant civil society and media.
8. The focus on measurement of physical performance is now being demanded by the civil society and legislatures – looking back to the wisdom of our senior colleagues we find that it has taken us an interminably long time to realize the significance of their words. The Administrative Reforms Commission and the subsequent accounting reforms had envisaged a concurrence of Plan Accounts & Budget classification to make possible a Performance Budget.
9. The Mukherjee Committee had also hoped that their recommendations would greatly facilitate the linking of financial outlays and programmes / schemes and help introduce performance budgeting. They would enable collection of data relevant for planning & budgeting and studies in depth but the process would not be complete unless a reliable information system on the

- physical and economic characteristics of the programme is built up as an integral part of the discipline required for the selection and formulation of programmes and to assist monitoring and evaluation of programmes. This is what the Expenditure Information Network will ultimately do.
10. The initial approach to performance budget in 1970s had envisaged a complete integration with the budget. The same has not been achieved to date largely because of a lack of recognition of the importance of rigorous measurement systems for physical deliverables enabling a scientific translation of resources to program/scheme outputs.
 11. The then Finance Minister in his budget speech in February 2008 announced a new initiative to “put in place a Central Plan Schemes Monitoring System (CPSMS)” to be implemented as a Plan scheme of the Planning Commission and a comprehensive Decision Support System and Management Information System. The intended outcome was to generate and monitor scheme-wise and State-wise releases for about 1,000 Central Plan and centrally sponsored schemes in 2008-09.”
 12. In the implementation of this scheme, which was assigned to the Controller General of Accounts, we have recognized that if we are to map final outcomes against resources employed, we have to traverse several domains and levels of Government. A beginning has been made by formulating a unique sanction ID for each grant released in the Centre. It is heartening that stakeholders are realising that “grants-in-aid” to another entity outside the level of Government is not an adequate report on expenditure. We need

- to consolidate accounts across levels of Government and other agencies to track the expenditure to the last node and record the final object on which resources were spent.
13. Such a tracking would undermine propensities of agencies and individuals to park public moneys which deter its usage in public interest for the purpose and in the manner voted by legislatures and sanctioned by the apex implementation levels. Unauthorised diversion of funds would also be put to a stop when every node is transparently accountable about public funds passing through their hands, if the physicals, which are verifiable, are listed in the public domain. The Right to Information Act, the Outcome Budget and enabled social audit would then empower the citizenry and demand higher levels of effectiveness, not merely a routine satisfaction of the economy consideration.
 14. The first step towards achieving an integrated status across the agencies (including State Governments and local bodies) is the harmonization of the chart of accounts to permit consolidation of sector-wise expenditure to the last node. We have a unitary classification of funds, sectors and services of government account, functions and programmes of government. The details below these heads are not having a unified structure.
 15. We need to strike partnerships across levels of government to align strategies with state governments and audit over time and space with the national vision and wholeheartedly work towards its fulfillment in unison. The Planning Commission as an institution works to achieve this synchronisation but a wider synthesis with Ministry of Finance in GoI and the Departments of

Finance in States and all programme Departments/Ministries for both Plan and non-Plan expenditure management is necessary.

16. The consolidation of financial information across boundaries would inform the planning and decision making process across the country enhancing the design of government interventions. While in a federal republic the traditional concept in accounting of "controlled entities" is not applicable, our Constitution provides a unitary form of accounts. We need to extend the discipline of a minimum workable framework for classification of budget and accounts across the Central and State governments to obtain real time information through a scientific consolidation process electronically.
17. The object heads "salary", "wages", "office expenses" etc. are itemized units of expenditure having the same connotation in any domain. To accommodate the progressive practices in some States like Tamil Nadu, we can also standardize sub-object heads for a more meaningful depiction. In all about fifty object heads should suffice – definitions once agreed should be incorporated in the relevant Rules. Definitions of transfers, subsidies need to be reviewed to ensure both transparency and accountability. They also must serve the purpose of optimising allocative priorities.
18. During this process, we would also need to identify the object heads which would be eliminated across levels during consolidation procedure. A consolidation across Center and States by object heads under each programme would display the way programmes are being

delivered in different domains and in the nation as a whole.

19. The Report of the Expert Group headed by Dr. Ashok Lahiri in July 2004 had also recommended multi-dimensional accounting and major reforms. We need to make strenuous efforts in this direction. We also need to champion other critical changes in our plan, budget and accounting classification structure.
20. The fiscal targets based on financial statements can act as a constraint in programme delivery, particularly in the social sectors. Social sector expenditure is frontloaded and skewed towards revenue by design and this is central to the national objective of equity and inclusive growth. The fiscal responsibility regime has brought to the fore issues about classification of expenditure on revenue account and "the other account".
21. The Lahiri Expert Group had recommended distinct classification for current transfers and capital transfers (transfers to be used for asset formation) – this is a best practice in countries abroad and certain States. The contradiction between the financial code and the economic classification needs to be bridged in consonance with our developmental needs with suitable disclosures and links.
22. The Plan / non-Plan classification also needs to be revisited. There are overlaps and distortions of this distinction over the years making it dysfunctional. Plan expenditure is aimed at incrementing the developmental effort and infrastructure, whereas non-Plan expenditure complements it by managing the assets created. Non-Plan Expenditure can not be portrayed as wasteful per se vis-à-vis Plan expenditure.

23. In the Eleventh Plan it is envisaged that a high level Committee shall be constituted to deal with these and other classification issues by devising classification and redefining organisational mandates for an efficient management of resources. Since the prescription of the form of accounts for the Union and the States is delegated by the President of India to the Controller General of Accounts, we need to steer this deliberation further.
24. Development/revision of standards and manuals in accrual basis of accounting to the extent required after a cost benefit analysis are perhaps the need of the hour. The executive also needs to improve the system of performance measurement. Norms of costing and rigorous methodology for estimating expenditure would then substitute the incremental budgeting approach. Our organization, with the technical knowledge and a ready appreciation of matters of detail can help in this effort. Harmonisation of our accounts with international financial and statistical practices also needs to be kept sight of without compromising our needs.
25. Global and national events have once again brought to fore the importance of adhering to the prescribed systems in letter and spirit and demand greater accountability from the accounting profession. Internal Audit assumes importance, as the mother of internal controls. A demand from the civil society for systems makes the role of the internal auditor even more significant and well received. After the issue of the new GFRs, the role of Secretary of a Ministry as the Chief Accounting Authority has been highlighted. Many of the officers here have contributed significant observations on the performance of schemes in the Ministries after

having conducted risk-based internal audit. These reports have been received well in the Ministries and today we would like to felicitate all those who have participated in this action. Our Centre of Excellence for Internal Audit is now more than a year old and has within this period done some excellent work in pushing forward the frontiers of Internal Audit in government. Our partners i.e. INGAF, FMRRS, IIA and NIFM have all supported us fully in improving the internal audit skills of the Officers.

26. Utilisation Certificates are an important step for the proper usage of public funds. The heads of accounting formations have been bestowed a singular responsibility in ensuring that UCs for grants/loans released are regularly obtained. Departmental officers who have released grants and submitted UCs are required to forward the same after scrutiny and acceptance to the Accounts Officers. With the new responsibility making this a pre-condition to the further release of grants we are directly helping in establishing accountability for the use of government funds. I am sure that all of the CCAs/CAs are ensuring that the UC database management under their control is scientific and fool-proof.
27. A standard has been defined by the office of the Controller General of Accounts for the financial statements of Central Autonomous organizations. Transition to accrual basis and improved systems are taking place in these bodies. For 100% enforcement of the mandate received, internal audit must expand its role to value for money audit and examine these accounts and provide an assurance on the UCs.
28. With the electronic transfers now being enabled, we have perhaps made a difference in the lives of

millions of Indians who can readily receive/pay their dues from/to the Government of India into their bank accounts instantaneously, without delay or interacting with officials. Already 90% of Excise, 70% of Income Tax and 70% of Service Tax are coming in through the electronic route. The float in terms of the time taken for credit to Government's account with RBI has consequently come down to T+1 from T+3/5. The reduction of the float has resulted in considerable savings to the government. In respect of ePayments by PAOs it is expected that all payments by 2009 end will be electronic. As we scale up hundred percent to this mode we must strengthen our reconciliation systems to ensure a completely risk free delivery. The cash management in the Government of India stands to gain tremendously from the electronic transfers, both in timeliness and prediction. The delivery of government interventions would benefit from the accuracy and outreach.

29. The frontiers are opening up – we as a young body, unified in knowledge and determination should reach out to achieve the necessary progress. On this day let us also take a pledge to toil hard with honesty and integrity in raising our organization further.
30. On this day I also wish all success and happiness to the members of our organization.

Thank you