Accounting in Government – Origin, Development and Departmentalization of Accounts, Features of Government Accounts

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Glossary

CAA : Chief Accounting Authority

CGA : Chief Controller of Accounts

DEA : Department of Economic Affairs

DOE : Department of Expenditure

IFA : Integrated Financial Adviser

MOF : Ministry of Finance

Important Features of Government Accounting in India : Origin

- Accounts were maintained in Ancient India
- Arthashastra has procedures of maintenance of accounts, appointment of Treasury Officers, procedure for dealing with Frauds, etc
- During the Medieval period there are records of having separate military and civil accounts
- During the British period the concepts of budgeting, cash accounting, double entry, accounting year, etc got formalized

Important Features of Government Accounting in India : Origin

- The Indian Railways Finances were separated from Central Civil Ministries in 1924-25 (Separation Convention)
- Commercial system was introduced in P&T department in 1925 by introducing a Capital Account to exhibit the value of assets, creation of renewal reserve fund, etc

Important Features of Government Accounting in India

- Till about 1976 the Accounts functions were carried out by an Internal Finance Wing and an External Finance Wing
- Internal Finance Wing of the Department was manned by people from the Administrative Department having some Finance and Accounts background
- External Finance Wing consisted of officials from the Ministry of Finance who had overriding powers
- Payments were done through Treasuries

Departmentalization of Accounts : Civil Ministries

- The audit and accounts functions were carried out by the CAG till 1976 when Departmentalization of Accounts took place. As a result the accounts functions were segregated from the audit functions.

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- *What could be the pros and cons of non separation?*

Features of Departmentalization of Accounts

- Institutional Features
  - Secretary of the Department designated as the Chief Accounting Authority will be assisted by
    - Integrated Financial Adviser
    - Controller General of Accounts
  - Office of the Controller General of Accounts set up
  - Public Sector Banks to take over the role of Treasuries

Integrated Financial Adviser

- Integrated because he/she represented the MoF and also worked under the Secretary of the administrative Ministry
- IFA responsible both for Administrative ministry and the Ministry of Finance.
- Functions related to the Secretary as the CAA were to be exercised by the IFA

Functions of IFA

- Budget formulation, budget monitoring, preparation of outcome and performance budget
- Scrutiny of Projects and programs for approval by the Ministry of Finance.
- Should be associated with new schemes from the beginning
- To make payments to autonomous bodies, etc
- Arrange for payments through P&AO offices
- Consolidation of accounts
- Preparation of the Appropriation Account on behalf of CAA

Functions of IFA

- Organise a sound system of internal check
- Ensure a strong MIS in place
- In matters related to deviation from the budgeting and accounting procedures, consultation with Budget Division, DEA
- FA s will be filled through a scheme of deputation to the administrative department

Controller General of Accounts

- ICAS constituted as a separate Group A service headed by Controller General of Accounts. A CCA is posted in the Ministry
- Reports to the Ministry of Finance, DOE
- General Principles of Government Accounting relating to Union and States, Administration of Receipt and Payment Rules
- Reconciliation of cash balances with RBI
- Consolidation of monthly accounts, preparation of Annual Accounts, and of Finance Accounts and ensuring timely rendition of accounts

Controller General of Accounts

- CCA on behalf of Ministries liaises with Budget division of MoF
- Maintaining a technically sound accounting system
- Inspect offices to ensure rules are being followed
- Is the Cadre controlling authority for ICAS and responsible for all HRD activities
- Revising Treasury rules, Accounts Codes, Provisions of GFR to the extent that they relate to government accounts

Organizational set up of Accounts Department

- Setting up of Principal Accounts Office in New Delhi
- Setting up of Pay and Accounts Offices in ‘big’ offices headed by Accounts Officer
- Setting up of Drawing and Disbursing Officer

Role of PAO & DDO

- DDO prepares the Bills and presents it to the P&AO for payment
- In special cases as in small office where the PAO may not be justified, the DDO may be allowed to draw cheques
- P&AO responsible for arranging payments and also for compiling the accounts and the internal check on bills
- *Who is given the budget? Who compiles the accounts? What could be the scope of Reconciliation?*

Role of Banks

- Receipts And Payments of each Ministry handled by the RBI or the Public/Private Sector Banks as approved by the CGA
- Specimen Signature of the P&A officer will be sent to the bank
- Will issue cheque books
- Cheques
  - Category A : Payee
  - Category B – To the DDO/Designation
  - Category C – To the Government

Form of Accounts : Some important features

- Article 150 of the Constitution provides for the maintenance of the Government Account … in such form as the President, may on the advice of the C&AG prescribe.
- Accounts made in 3 Funds – Consolidated, Contingency and Public
- Appropriation and Finance Accounts
- Voted and Charged Items

Form of Accounts : Some important features

- Annual Financial year (Central, State and UT) from 1st April to 31st March.
- The Government accounts of a year may be kept open for a certain period in the following year for completion of the various accounting processes inter alia in respect of the transactions of March, for carrying out certain inter-departmental adjustments, and for closing the accounts of several Provident Funds and Suspense heads and for affecting adjustments .

Rule 20, GAR

Form of Accounts : Some important features

- With the exception of such book adjustments as may be authorised by these rules or by any general or special orders issued by the Central Government on the advice of the C&AG, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.
- No profit motive.
- Based on receipts

Rule 21, GAR

Form of Accounts : Some important features

- The accounts of Government shall be maintained in Indian currency i.e. rupees.
- All transactions of the Central and State Governments taking place in other countries shall be passed on monthly by the Indian Embassies/Missions to India and brought to account finally in the Indian books after they have been converted into rupees.

Rule 22, GAR

Form of Accounts : Some important features

- Government accounts shall be kept in three parts:-
  - Part-I CFI (including Union Territory Administration or of the State or UT concerned)
  - Part-II Contingency Fund of India of India (including Union Territory Administration or of the State or Union Territory Government concerned)
  - Part-III Public Account of India (including Union Territory Administration/Government or the State concerned)
- There being no separate Public Account in the case of Union Territory Governments, the transactions pertaining to this account shall be booked in the Public Account of the Central Government.

Rule 23, GAR

Accounts Department & Departmentalization of Accounts in Other Departments

- Railways : Separation of accounts from audit formalized in 1929. Financial Commissioner responsible for maintenance of accounts and the HRD functions of the Accounts department. The internal check and passing of bills is done by the Accounts and Finance departments of the divisions and zones
- Defence : Separation effected in 1951
- P&T : Separation effected in 1971

Functions of an Accounts officer

- Accounting
- Auditing
- Financing

References

- Civil Accounts Manual – Government of India Publication
- Government Accounting – Principles & Practices by R Ramanathan
- Codes and Manuals for respective Services
- Government Accounting Rules 1990

Thank You

Housekeeping issues

- Probable questions
  - Short notes on departmentalization, IFA
- For the next class
  - LMMH