INDUCTION TRAINING FOR NEWLY RECRUITED PANCHAYAT EXECUTIVE OFFICERS

Topic: "GOVERNMENT FINANCE GENERAL IDEA -II".

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GOVERNMENT ACCOUNTING:

Government accounting is a scientific procedure of collecting, classifying, recording, summarizing, and interpreting all the financial transactions including revenues and expenditures of all the government offices. It keeps the record of public funds.

Government accounting is the accounting system which is basically concerned with financial administration of government offices, departments and agencies. Government collects revenue from various sources and spends it for administrative, developmental, defence and other activities. Government is involved in mobilization of resources from various sources which are allocated to these activities through plans, programmes and budgets. It is the duty of the proper authorities to keep records of collection of funds, their allocation for utilization (spending) and audit thereof. All these are referred to as Government Accounting.

Features of Government Accounting

- The government accounts are based on the annual budgets.
- The governments accounts are mainly related to consolidated fund of India, contingency fund and public account.
- The accounts are mainly based on cash basis. Only actual receipts and payments made during the year are recorded.
- The accounts of Government Commercial Undertakings are maintained on accrual basis to comply with the provisions of the companies act.
- Single entry is followed to keep the records of the transactions relating to non commercial nature.
- The constitution requires revenue and capital expenditures to be shown separately in the budget.

Objective of Government Accounting

1. To provide information on achievement of budget targets : The important objectives of Government Accounting is to provide information on achievement of budget targets. This is done by providing information on (i) head wise budgeted amount of resources to be collected and to be spent, (ii) head wise revised budgeted amount of resources to be collected and to be spent and (iii) head wise actual amount of resource collected and spent.
2. To provide information about revenue : The important objectives of Government Accounting is to provide adequate, timely and classified information about revenues generated from various sources. The Government revenues are classified into (i)tax revenues and (ii) non tax revenues.
3. To provide information about expenditure : Another objectives of government accounting is to provide information about expenditure made by various government offices, departments and agencies.
4. To provide information on loans and advances : The government also provides loans to different individuals and institutions from time to time. This accounting information will enable the people to have an idea about the government debt position and the interest burden as being faced by the country.
5. To provide information about availability of cash : Governments transacts on collection and spending of funds, i.e. cash are performed through a wide range of network. Hence there may be a gap between cash receipts and availability of cash for meeting expenses. Timely and proper information on cash availability must flow from one end to another to take proper decision.
6. To provide information about foreign exchange : In addition to the above mentioned objectives of government accounting also provides information about government borrowings in the form of foreign currency and assistance received from foreign country.

Important Terms and Expressions of Government Finance

- **Demand for Grant** – Without sanction from the Parliament, no expenditure can be incurred by any Government Authority. Public Authority can request for the grant of expenditure to the Government, this request is called "**Demand for Grant**".
- **Supplementary Grant** – Sometimes, grants are sanctioned before the end of the financial year, in case where annual budget might be inadequate. Supplementary demand can be made, if need arises to meet the expenditure. For example, amount granted for the Natural Disaster Relief fund, may be found inadequate due to extraordinary disaster by the flood; in such a condition, an additional grant may be asked by the concerned state or ministry.

- **Treasuries** – Treasuries are the units of fiscal system in India. Every Indian States and Union Territory is divided into different districts' headquarters and every district headquarters has one or more than one treasury. Treasuries are conducted by the State Bank of India as an agent of the Reserve Bank of India. Central Government and State Government keep their separate accounts and differences of Central and State Govt. are adjusted by the Reserve Bank of India.
- **Votable and Non-votable Items** – To incur some expenditures, Parliamentary approval is not required; so, these expenditures may be charged from the Consolidated fund or the Public account, these items are known as **Non-votable** items. Some items of expenditure require sanction of the Parliament and cannot be incurred without its grant. Thus, demand for grant for that expenditure may be placed to the government, such items are called as **Votable** Items.

- **Appropriation Act** – After the approval of the budget proposal in the Parliament or Legislature, an Appropriation Bill has to be introduced, when this Bill is passed, it becomes Appropriation Act. Now, money can be withdrawn from the Consolidated Fund of India or the concerned State to meet the grants.
- **Vote on Account** – In certain condition, when government has no time to place full budget in the Parliament, then it uses the special provision of 'Vote on Account.' Under this provision, government obtains the vote of the Parliament for the amount required to incur the expenditure of the items in demand. After sanction obtained in the Parliament, government obtains money from the Consolidated Fund of India.

- **Public Accounts Committee (PAC)** – Public Account Committee is formed by the Parliament and each Legislature to scrutinize the Appropriation account and Audit the report thereon. All the reports on financial statements those are to be submitted to the President of Indian and in the Parliament are examined by the Public Accounts Committee (PAC). Examination by the PAC is similar to post-mortem of the reports. Members of the PAC are appointed from the Opposition Parties of the Parliament. Member of the ruling party cannot be part of this committee, as this committee is working as a watchdog to look after the affairs of ruling party.

- **Local Government Accounting –** Accounting of the Local government is based on the concept of “fund accounting” and on the budget. Urban local government entities and rural local government entities are two types of local government entities. Accounting of the Local Government in India comprises budget, Receipt, and payment accounts.

Government of India has following three types of Funds for marinating the records of all sorts of financial transactions –

- Consolidated Funds of India
- Contingency Funds of India
- Public Account

Consolidated Funds of India

- As per the Clause 1 of the Article 266 of the Indian Constitution –

"All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund constituted. Similarly, all loans raised by the Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament."

Contingency Funds of India

- As per the Article 267 of the Indian Constitution –

"The Contingency Fund of India records the transactions connected with Contingency Fund set by the Government of India. The corpus of this fund is Rs. 50 crores. Advances from the fund are made for the purposes of meeting unforeseen expenditure which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an imprest account of Government of India and is held on behalf of President by the Secretary to the Government of India, Ministry of Finance, and Department of Economic Affairs."

Public Account

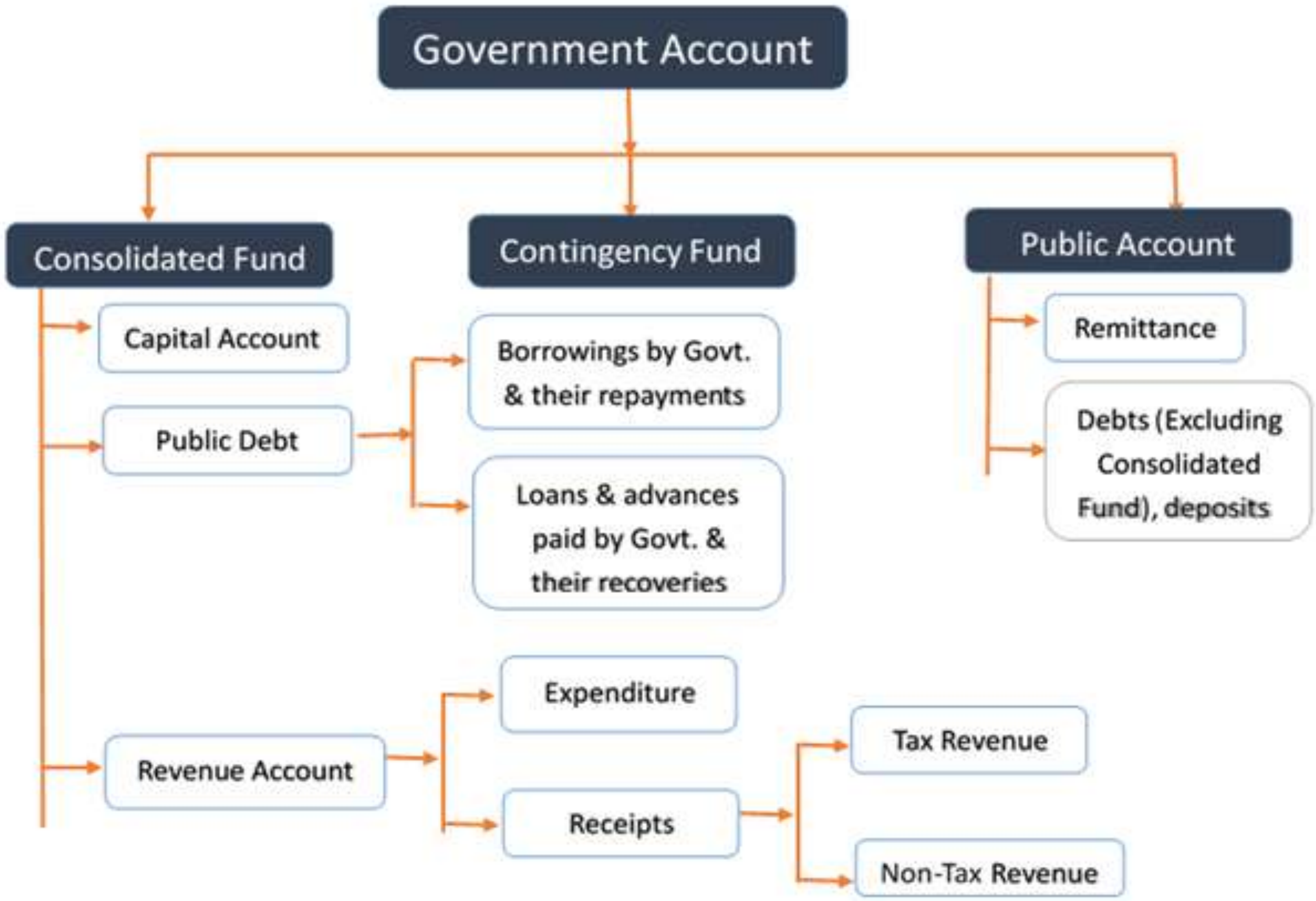
- The Public Account is constituted under Clause 2 of Article 267 of the Indian Constitution, which says –

“The transactions relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to ‘Remittance’ and `Suspense’ shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of Government. Parliamentary authorization for payments from the Public Account is therefore not required.”

Similarly, all states of India has the same structure as described above.

General Structure of Government Accounts

The general structure of the government accounts is illustrated below –



FORMS OF ACCOUNTS

- As per the Article 150 of the Constitution of India — the accounts of the Union and of the States shall be kept in such form as the President may prescribed, on the advice of the Comptroller & Auditor General.

EXPENDITURE OPERATING SYSTEM

- DBT (Direct Beneficiary Transfer)
- FTO (Fund Transfer Order)
- CHEQUE ISSUE (A/C Payee)
- RTGS (Real Time Gross Settlement)
- CTOS (Central Treasury Operating System
- NEFT (National Electronic Funds Transfer)
- CASH (Below Rs. 500/-)

LIST OF RECORDS FOR CASH SECTION:-

- CASH BOOK
- REGISTER OF FUND RECEIVED BY CHEQUE /DRAFT/e-TRANSFER etc.
- TR-5 RECEIVED REGISTER
- BANK PASS BOOK
- CASH ANALYSIS
- BANK RECONCILIATION STATEMENT
- CHEQUE ISSUE REGSITER
- BILL REGSITER
- F.T.O. REGSITER

- **FUND RECEIVED REGISTER**
- **WORK ORDER REGISTER**
- **BUDGET CONTROLL REGSITER**
- **PROJECT REGSITER**

Cash & Accounts

- 1. All monetary transactions should be entered in the cash book in the prescribed form as soon as they occur and duly attested.

- 2. The cash book should be closed regularly and completely checked, and at the end of each month the cash balance verified physically.

- 3. In respect of Government moneys paid into the bank, the relevant entry in the cash book should not be attested unless the bank's receipt on the challans is verified.

- 4. No money should be disbursed unless a legal aquittance from the person(s) entitled to receive the amount drawn on a bill is obtained.

- 5. For all moneys received, receipts in the prescribed form GAR 6 should be issued and it should be ensured that such receipts have duly been entered in the cash book.

- 6. All moneys received in cash or by cheques /Demand Drafts should be promptly paid into the bank.

- 7. Except where otherwise specifically provided, any loss or shortage of public money, stamps, stores or other properties caused by defalcation or otherwise should be immediately reported to the next higher authority as well as to the Principal Accounts Officer and the concerned Audit Officer.

Withdrawal from Government Account

- 1. No expenditure should be incurred without the sanction of the competent authority.
- 2. All charges actually incurred must be drawn and paid at once and under no circumstances be allowed to stand over to be paid from the next years' grant.
- 3. No money should be drawn in anticipation of demand or to prevent lapse of budget grant.

- 4. Expenditure relating to two or more major heads should not be included in one bill and full account classification must be recorded on each bill.
- 5. Expenditure control register should be maintained to exercise an effective check over expenditure against the budget allotment .
- 6. Contingent charges should not be drawn in advance in abstract bills except in the case of contingent charges requiring counter signature by the Controlling authority after payment. In such cases the amount of each sub voucher in support of the charges should be given in the Abstract bill.

Stores

- 1. Purchase orders should not be split up to avoid the necessity of obtaining the sanction of higher authority.
- 2. All materials received shall be examined, counted measured or weighed as the case may be, when delivery is taken and they should be taken in charge by responsible Government Officer.
- 3. A physical verification of all stores should be made at least once in every year.
- 4. Previous sanction of the Controlling authority should be obtained to the write off of all losses, deficiencies or depreciation in the value of stores.

THANK YOU