

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2166

ANSWERED ON:12.12.2008

EXPANSION OF AUDIT THROUGH CAG

Gaikwad Shri Eknath Mahadeo;Mane Smt. Nivedita;Rao Shri Kavuru Samba Siva;Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

- (a) The details of financing and accounting procedures followed in public private partnership projects and investments made till date in major infrastructure and other sectors of the economy;
- (b) Whether the Government has any information regarding undue benefit given to private firms developing infrastructure projects;
- (c) If so, the details thereof;
- (d) Whether the Government proposes to develop new techniques and methods, to properly audit the projects in infrastructure and other sectors, developed on Public Private Partnership model and expand public audit through CAG;
- (e) If so, the details thereof; and
- (f) The details of the recommendations of the 12th Finance Commission regarding accrual based accounting and the action taken thereon.

Answer

Minister of State in the Ministry of Finance (Shri Pawan Kumar Bansal)

(a) Central Government can finance upto 20% of the project cost of PPP projects in the form of Viability Gap Funding (VGF). The sponsoring Ministry/State Government/Statutory entity, as owner of the project, can provide assistance restricted to a further 20% of the project cost. The rest of the financing is to be brought in by the private developer by tapping debt/equity source.

As per the information available on the web site of Ministry of Finance (www.pppindiadatabase.com), a total of 300 PPP projects in the sectors such as Airports, Roads, Urban Development, Railways, Roads and Energy are underway in the country with a combined project cost of Rs 1,35,876 crore.

No special Government accounting procedures are prescribed in respect of PPP projects. Where the Central or State Government makes an investment in cash in such projects, the same is duly reflected in the accounts of the Government. Any revenues flowing to Government from a PPP Project would also get reflected in Government Accounts as Cash receipt.

(b) and (c) No, Sir.

(d) and (e) In view of the increasing role of Public Private Partnership projects in infrastructure, social and other sectors, the C&AG of India is currently developing guidelines for audit of PPP Projects, in line with international best practices.

(f) 12th Finance Commission had, inter alia, recommended that Central Government should gradually move towards accrual based accounting. Government have accepted this recommendation 'in principle'. The road map for transition path to an Accrual Accounting System has been drawn up by the Government Accounting Standards Advisory Board.