

## **3: APPROPRIATION ACCOUNTS: 2016-17**

### **3.1 Introduction**

The Appropriation Act passed by Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India (CFI) for identified services. Parliament also sanctions supplementary or additional Grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts authorise disbursements on services, which have been voted by Parliament under various Grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112(3) as well as Articles 273, 275 and 293 of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent vis-à-vis those authorised by the Appropriation Acts.

The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of Civil Ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective Grants. The Comptroller and Auditor General of India submits four Appropriation Accounts, viz. Civil, Defence, Posts and Railways, along with his Audit Reports thereon under Article 151 of the Constitution to the President every year who causes them to be laid before the Parliament. Details of Demands for Grants/Appropriations of various Ministries during 2016-17 are as follows:

<b>Ministry</b>	<b>Number of Demands for Grants/Appropriations</b>
Civil	95
Defence	2
Posts	1
Railways	16
<b>Total</b>	<b>114</b>

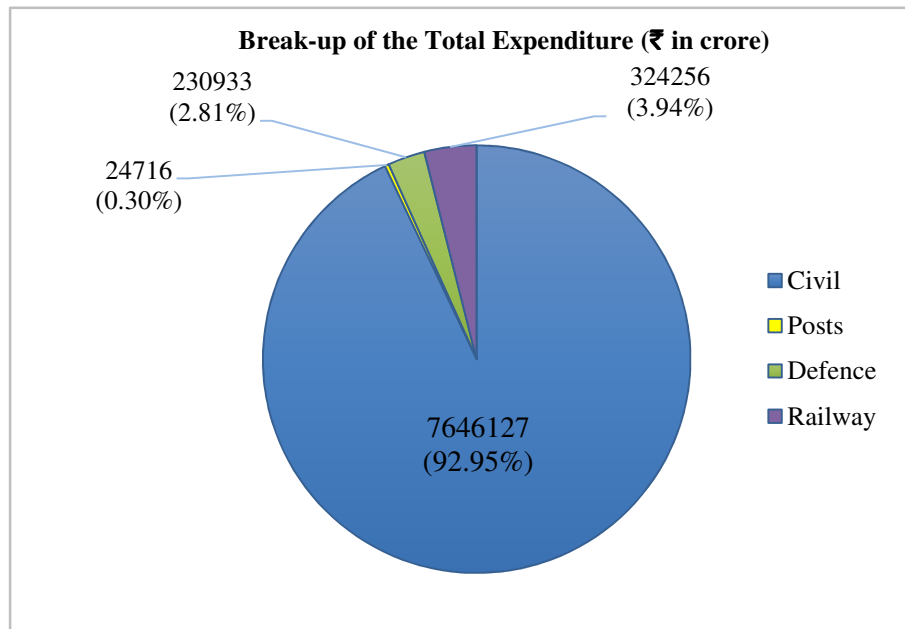
This Chapter contains audit observations on the Appropriation Accounts (Civil, Posts and Defence) including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions obtained without requirement by some Ministries and unrealistic budgeting. The excesses as well as savings in respect of Grants/Appropriations relating to Civil Ministries/Departments, Posts and Defence have been dealt with in this Chapter. Audit findings on Railway Appropriations are available in the related Audit Report for the year 2016-17. However, references to Railways

appropriations have been made, wherever necessary, in order to cover the appropriation process in totality.

**3.2 Summary of total provisions, actual disbursements and savings during 2016-17**

**Chart 3.1** below shows the break-up of expenditure in Ministries/Departments-Civil, Posts, Railways and Defence during the financial year 2016-17. The bulk of the total gross expenditure i.e., 92.95 per cent, was incurred by the Civil Ministries, while 3.94 per cent was incurred by Railways, 2.81 per cent by Defence and 0.30 per cent by Department of Posts.

**Chart 3.1: Break-up of expenditure between Civil Ministries/Departments, Posts, Defence and Railways during the financial year 2016-17**



**Table 3.1** gives the expenditure in Civil Ministries/Departments, Posts, Defence and Railways during the year 2016-17.

**Table 3.1: Expenditure under Charged and Voted during the year 2016-17**

(₹ in crore)									
Civil		Posts		Defence		Railways		Total	
7646127		24716		230933		324256		8226032	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
1343888	6302239	24713	3	230740	193	323849	407	1923190	6302842
17.58%	82.42%	99.99%	0.01%	99.92%	0.08%	99.87%	0.13%	23.38%	76.62%

**Table 3.2** gives the total provisions (both Charged and Voted) and disbursements of the Government during the financial year 2016-17. **Annexure 3.1** presents the details of the summary of Appropriation Accounts of Civil Ministries, Posts, Railways and Defence Services.

**Table 3.2: Provision, disbursement and savings during 2016-17**

(₹ in crore)

Departments	Total Provision	Disbursements	Savings (-) Excess (+)	Percentage of Saving /Excess as compared to Total Provision
Civil	7647199.05	7646126.71	(-)1072.34	0.01
Posts	23832.36	24716.30	(+)883.94	3.71
Defence Services	233639.90	230932.73	(-)2707.17	1.16
Railways	362110.10	324255.89	(-) 37854.21	10.45
<b>Grand Total</b>	<b>8266781.41</b>	<b>8226031.63</b>	<b>(-) 40749.78</b>	<b>0.49</b>

Under the Civil Ministries/Departments, the net saving of ₹ 1,072.34 crore was due to saving of ₹ 1,90,226.60 crore in 93 Appropriations/Grants and excess expenditure of ₹ 1,89,154.26 crore under two Appropriations/Grants.

Out of the overall saving of ₹ 1,90,226.60 crore in Civil Ministries /Departments, savings of more than ₹ 10,000 crore occurred in Grant No. 17-Department of Food and Public Distribution (₹ 53,478 crore), Grant No. 74-Ministry of Road Transport and Highways (₹ 46,838 crore), and Grant No. 29-Department of Economic Affairs (₹ 13,355 crore).

The overall excess expenditure of ₹ 1,89,154.26 crore in Civil Ministries /Departments, occurred in Grant No. 33 – Appropriation-Repayment of Debt (₹ 1,86,954.42 crore) and Grant No. 21 – Defence Pension (₹ 2,199.84 crore).

There were savings in 194 number of segments<sup>1</sup> of the 93 Grants/Appropriations and excess in three number of segments of two Grants under the Grants/Appropriations relating to Civil Ministries/Departments, savings in two segments and excess in one segment of one grant of Posts, savings in two segments and excess in two segments of two grants of Defence and savings in 26 segments and excess in six segments of 16 grants of Railways<sup>2</sup>. **Annexure 3.2** presents an abstract of the savings and excess.

### 3.3 Charged and voted disbursements

As per Article 112(2) of the Constitution, a distinction is made between Charged and Voted expenditure. Charged expenditures are defined in Articles 112(3), 273, 275(1) and 293(2) of the Constitution. Estimates of Charged expenditure are not subject to the vote of Parliament as enshrined in Article 113(1) of the Constitution but can be discussed in either House of the Parliament. **Annexure 3.3** contains the details of disbursements actually made against authorised demands (Grants and Appropriations) of the Civil Ministries/Departments for the period 2000-01 to 2016-17.

<sup>1</sup> There are four segments viz. Revenue Voted, Revenue Charged, Capital Voted and Capital Charged in each Grant/Appropriation.

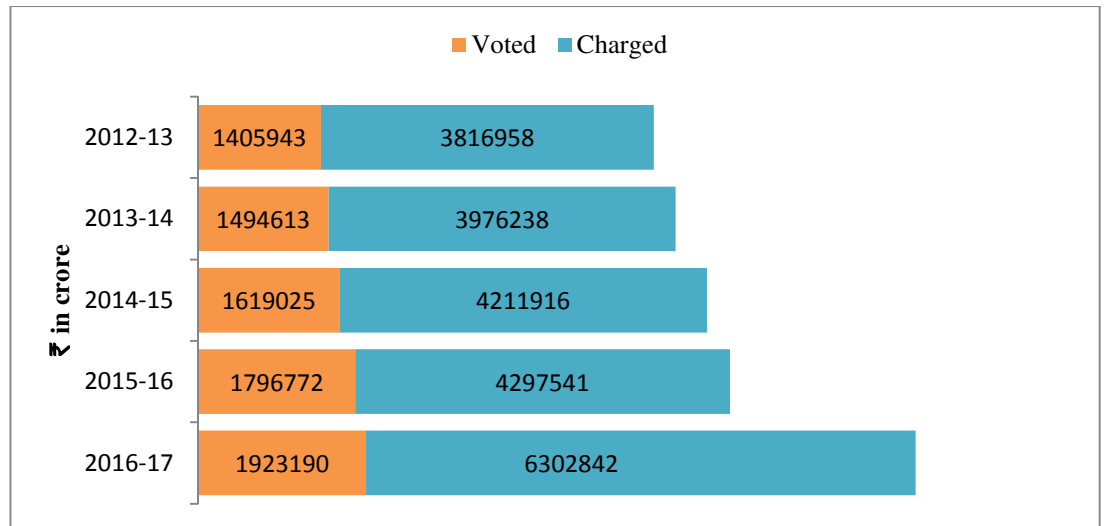
<sup>2</sup> Grant No. 16 of Railways is having three Voted and three Charged Segments.

During 2016-17, the total disbursements of ₹ 76,46,127 crore under the civil Ministries/Departments were higher by ₹ 21,16,654 crore (38.28 per cent) as compared to the total disbursements of ₹ 55,29,473 crore during 2015-16. It had increased by 59.51 per cent from ₹ 47,93,466 crore in 2012-13. The charged disbursements increased by 65.14 per cent from ₹ 38,16,395 crore in 2012-13 to ₹ 63,02,239 crore in 2016-17 and voted disbursements increased by 37.54 per cent from ₹ 9,77,071 crore to ₹ 13,43,888 crore over the same period. The charged disbursement of the civil Ministries/Departments during 2012-13 was 80 per cent of the total disbursements which increased to 82 per cent during 2016-17.

In 2016-17, the major charged disbursement comprised of *Appropriation-Repayment of Debt* (₹ 56,78,823 crore), *Appropriation-Interest Payments* (₹ 5,04,515 crore) and *Transfers to States* (₹ 1,13,314 crore). Since estimates of charged disbursements are not subject to vote by Parliament, effectively the scope of financial control by Parliament is limited to about 18 per cent of the total disbursement of the Union civil Ministries /Departments.

Viewed against the background of total disbursements amounting to ₹ 82,26,032 crore from the CFI including Civil, Posts, Defence Services and Railways, the percentage of charged disbursements was 77 per cent (₹ 63,02,842 crore) during the financial year 2016-17.

**Chart 3.2: Disbursement under Charged and Voted sections during the years 2012-13 to 2016-17**



### APPROPRIATION ACCOUNTS 2016-17: AN ANALYSIS

#### 3.4 Grants/Appropriations with excess disbursements

Article 114(3) of the Constitution provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law. Rule 52(3) of General Financial Rules (GFR), 2005, stipulates that no disbursements shall be made which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a supplementary Grant or through an advance from the Contingency Fund. There was an excess disbursement of ₹ 1,90,270.18 crore over the authorisation from the CFI during 2016-17 out of which an excess disbursement of ₹ 1,89,154.26 crore occurred in three segments of two Grants/Appropriations in Civil Ministries/Departments, ₹ 936.48 crore in one segment of one Grant of Posts, ₹ 146.31 crore in two segments of one Grant of Defence and ₹ 33.13 crore in six segments of three Grants of Railways.

The details of excess expenditure requiring regularisation under Article 115(1)(b) of the Constitution are given in **Table 3.3**.

**Table 3.3: Details of excess disbursement over Grants/Appropriations**

Sl. No	Description of Grant/ Appropriation	Amount in ₹	Reasons for excess as stated by the Ministries/Departments
<b>Civil Revenue (Voted)</b>			
1.	21 –Defence Pension	Grant Expenditure Excess 856246000000 878241577250 21995577250	Due to requirement of additional funds owing to increased rate of relief of Pensions/Growth in Pensions and implementation of various Government Orders/7th CPC orders for revision of pensions; and booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. 2 (10)-B (AC)/2017 dated 05.09.2017.
<b>Revenue (Charged)</b>			
2.	21 -Defence Pensions	<i>Appropriation</i> <i>Expenditure</i> <i>Excess</i> 13600000 16408608 2808608	<i>Due to implementation of Court Judgments.</i>
<b>Capital (Charged)</b>			
3.	33 -Appropriation – Repayment of Debt	<i>Appropriation</i> <i>Expenditure</i> <i>Excess</i> 54918687800000 56788231993269 1869544193269	<i>Due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations.</i>
<b>Posts Revenue (Voted)</b>			
4.	13 -Department of Posts	Grant Expenditure Excess 232724100000 242088875842 9364775842	Due to payment of committed liabilities of salary and pension on account of implementation of 7 <sup>th</sup> CPC.

Sl. No	Description of Grant/ Appropriation	Amount in ₹	Reasons for excess as stated by the Ministries/Departments	
<b>Defence</b>				
<b>Capital (Voted)</b>				
5.	23 -Capital Outlay on Defence Services	Grant Expenditure Excess	784995662000 786041132013 1045470013	Due to payment of Customs and Excise duties; Committed Liabilities payment in respect of Cabinet Committee of Secretaries approved Contracts for Rockets for Smerch, payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect to emergency procurement, committed liabilities payment for rolling stock, additional requirement sought for carry over works, China Study Group(CSG) Roads, Infra Development in Eastern Sector and Married Accommodation Project, land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur), enhancement of requirement in respect of specialist and general purpose vehicles, higher outgo due to payment of Customs duty on imported equipment, substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects and other Capital works during the last quarter of the Financial year, additional expenditure for progressing Strategic Projects, obligatory contractual payments released through letter of Credit in respect of 15 Heavy Light Helicopter, 51 Mirage & Interim Maintenance Services schemes, MiG 21 up-gradation, custom duty introduced on Defence Goods and Exchange Rate Variations.
<b>Capital (Charged)</b>				
6.	23 -Capital Outlay on Defence Services	Appropriation Expenditure Excess	895838000 1313471564 417633564	Due to settlement of more court cases than anticipated.
<b>Railways</b>				
<b>Revenue (Charged)</b>				
7.	4 -Repairs and Maintenance of Permanent Ways and Works	Appropriation Expenditure Excess	17161000 17938229 777229	Due to materialisation of more decretal payments, than anticipated.
8.	7 -Repairs and Maintenance of Plant and Equipment	Appropriation Expenditure Excess	7145000 7197739 52739	
<b>Capital (Voted)</b>				
9.	16 -Railway Safety Fund (RSF)	Grant Expenditure Excess	107803000000 108027229844 224229844	Due to materialisation of more store debits than anticipated, more materialisation of contractual payments than anticipated and better progress of works.

**Report of the CAG on  
Union Government Accounts 2016-17**

Sl. No.	Description of Grant/ Appropriation	Amount in ₹		Reasons for excess as stated by the Ministries/Departments
<b>Capital (Charged)</b>				
10.	16 -Capital	Appropriation Expenditure Excess	2200043000 2280518428 80475428	Due to materialisation of more decretal payments, than anticipated.
11.	16 -Railway Safety Fund (RSF)	Appropriation Expenditure Excess	170872000 192285542 21413542	
12.	16 - Railways Funds (Depreciation Reserve Fund, Development Fund and Capital Fund)	Appropriation Expenditure Excess	206755000 211154326 4399326	

Note: Grants/Appropriations figures include Supplementary Grants/Appropriations, if any.

### 3.5 Persistent excess in Grants

A scrutiny was undertaken of the Grants registering persistent excess for the five years period from 2012-13 to 2016-17. The scrutiny revealed that persistent excesses occurred during the period 2012-13 to 2016-17 in the Revenue charged segment of one Appropriation. The Grant wise and year wise details of persistent excesses against authorisation are given in **Table 3.4** below.

**Table 3.4: Persistent excess in Grants/Appropriations**

Sl. No.	Description of Grant/Appropriation	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Amount in ₹</b>						
<b>Civil Revenue (Charged)</b>						
1.	Defence Pensions					
	Appropriation-	8200000	42300000	100000000	30000000	13600000
	Expenditure-	48160400	49786943	145450236	31465728	16408608
	Excess-	39960400	7486943	45450236	1465728	2808608

Persistent excess in the Grant of Defence Pensions is a matter of concern. Despite recommendations of the Public Accounts Committee to minimise the cases of excesses, persistent excesses have been noticed in the Grant. Ministry needs to ensure concerted efforts and devise effective mechanisms to observe financial discipline to avoid excess expenditure.

### 3.6 Minor/Sub head-wise excess expenditure

Rule 58(1) of GFR 2005 stipulates that a Subordinate Authority incurring expenditure will be responsible for ensuring that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the Subordinate Authority should obtain additional allotment before incurring the excess expenditure.

It was, however, observed from the Head-wise Appropriation Accounts for the year 2016-17 that there was an excess expenditure of ₹ five crore and more over the available provision in 56 minor/sub-heads of 14 Grants. Though, an aggregate expenditure of ₹ 1,97,132.09 crore was incurred which exceeded the available provisions under these minor/sub-heads, the authority administering the concerned Grant/Appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. Minor/sub-heads where excess expenditure occurred are listed in **Annexure 3.4**.

### **3.7 Savings of ₹ 100 crore or more in Grants/Appropriations**

The Public Accounts Committee (10<sup>th</sup> Lok Sabha, 1993-94) in its 60<sup>th</sup> Report (paras 1.22 and 1.24) had observed that savings of ₹ 100 crore or above are indicative of defective budgeting as well as shortfall in performance in a Grant or Appropriation. The Committee had desired that detailed note in respect of savings of ₹ 100 crore or above in a segment of the Grant for each year should be furnished to the Committee by the respective Ministry /Department.

Savings of more than ₹ 100 crore, which need a detailed explanatory note to the Public Accounts Committee (PAC), had occurred in 84 segments of 67 Grants (including Civil, Posts, Railways and Defence Services) during the financial year 2016-17. Large savings<sup>3</sup> were noticed in Grants: Department of Food and Public Distribution (₹ 53,478 crore), Ministry of Road Transport and Highways (₹ 46,838 crore), Department of Economic Affairs (₹ 13,355 crore), Department of Agriculture, Cooperation and Farmers Welfare (₹ 8,206 crore), Department of Financial Services (₹ 6,273 crore), Transfer to States (₹ 6,044 crore), Ministry of Power (₹ 5,623 crore), Department of Health and Family Welfare (₹ 4,387 crore), *Appropriation - Interest Payments* (₹ 4,268 crore) and Department of Fertilisers (₹ 4,009 crore). Savings<sup>4</sup> under various Grants/Appropriations of ₹ 100 crore or more aggregating ₹ 2,28,639.60 crore are detailed in **Annexure 3.5**.

Some of the reasons for savings, as attributed by the Ministries/Departments, are 'delay in finalisation /non-finalisation of scheme', 'receipt of non-viable/less proposals', 'non-finalisation of proposals', 'reduction of provisions at revised estimates stage by the Ministry of Finance and economy measures', 'availability of unspent balance of previous year with the State Governments/ implementing agencies', 'non-filling up of vacant posts' and 'non-receipt of Utilisation Certificates'.

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<sup>3</sup> Entire saving in a Grant/Appropriation

<sup>4</sup> Savings also include mandatory cuts imposed by Ministry of Finance as a part of economy measures and the figures in the bracket present total savings.



Further, persistent savings of ₹ 100 crore and above during the last three years (2014-15 to 2016-17) were noticed in 51 number of segments of 43 Grants/Appropriations. Details are given in **Annexure 3.6**.

### 3.8 Surrender of savings (Overall)

Rule 56 of General Financial Rules, 2005, provides that savings in a Grant or Appropriation are to be surrendered to Government as soon as these are foreseen without waiting for the last day of the year. Savings should also not be held in reserve for possible future excesses.

During the financial year 2016-17, there were savings of ₹ 1,90,226.60 crore under 194 segments of 93 Grants/Appropriations of Civil Ministries/Departments. This was offset by excess expenditure of ₹ 1,89,154.26 crore under three segments of two Grants resulting in a net saving of ₹ 1,072.34 crore. The amounts surrendered by the Civil Ministries/Departments are shown in **Table 3.5**.

**Table 3.5: Details of savings and surrender under Civil Ministries/Departments**

(₹ in crore)

	Savings	Amount Surrendered	Amount Surrendered on 31 <sup>st</sup> March	Percentage of Amount Surrendered on 31 <sup>st</sup> March to Amount surrendered	Amount not Surrendered
<b>Revenue</b>					
Voted	125878.69	103813.79	103795.77	99.98	22064.90
Charged	9501.24	3671.99	3671.99	100.00	5829.25
<b>Total: Revenue</b>	<b>135379.93</b>	<b>107485.78</b>	<b>107467.76</b>	<b>99.98</b>	27894.15
<b>Capital</b>					
Voted	54330.12	46443.42	46129.26	99.32	7886.70
Charged	516.55	281.18	281.18	100.00	235.37
<b>Total: Capital</b>	<b>54846.67</b>	<b>46724.60</b>	<b>46410.44</b>	<b>99.33</b>	8122.07
<b>Grand Total</b>	<b>190226.60</b>	<b>154210.38</b>	<b>153878.20</b>	<b>99.78</b>	<b>36016.22</b>

The above table shows that the savings of ₹ 36,016.22 crore under Civil Ministries/Departments was not surrendered which was 18.93 per cent of total savings. Further, almost the entire surrendered amount was surrendered on the last day of March 2017. The date of issue of Audit Order by the Ministry of Finance accepting the surrenders proposed by the line Ministries/Departments has been taken into account while compiling the above table irrespective of the date of proposed surrender by the Ministries/Departments. This amount could have been utilised/allotted for other Schemes/Programmes if the amount had been surrendered in time.

In seven segments across seven Grants/Appropriations of Civil Ministries/Departments, the amount surrendered exceeded the savings in the Grants. This is indicative of poor budgetary management. Details of such cases are given in **Annexure 3.7**.

### 3.9 Surrender of savings on the last day of the financial year (Grant-wise)

In 67 segments across 51 Grants/Appropriations, where savings of more than ₹ 100 crore had occurred, the Ministries/Departments concerned surrendered the savings on the last day of the financial year (i.e. 31<sup>st</sup> March 2017) in violation of Rule 56 of the General Financial Rules, 2005. The details of savings and surrenders, along with the amounts not surrendered which stood lapsed at the close of the financial year, are given in **Annexure 3.8**.

### 3.10 Large supplementary Grants due to unrealistic budgetary projections (exceeding 40 per cent of original provision)

Under Article 114 of the Constitution, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament also authorises supplementary or additional Grants by subsequent Appropriation Acts, in terms of Article 115 of the Constitution over and above the authorisation made previously for the purpose of that year under Article 114. While preparing the initial estimates of expenditures, Ministries/Departments are required to keep in view the trends of disbursements during the previous years and take due care to ensure that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance, after due deliberations and pre-budget meetings/scrutiny, finalises the budget proposals.

If the amount authorised in accordance with the provision of Article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some New Service not contemplated in the Annual Financial Statement for that year, another statement (Supplementary Demand) in terms of Article 115(1)(a) is laid in the Parliament showing the estimated amount of that expenditure.

**Table 3.6** presents the supplementary provisions (includes cash, token and technical) obtained by the Ministries/Departments of the Union Government and their percentage to the original provision during the year 2014-15 to 2016-17.

**Table 3.6: Status of Supplementary Grants against Original provision**

Sector	2014-15			2015-16			2016-17		
	O	S	% of S to O	O	S	% of S to O	O	S	% of S to O
Civil	5784779.10	40796.22	0.71	5920371.35	208252.50	3.52	6356009.21	1291189.84	20.31
Defence	245664.72	8335.55	3.39	263395.38	746.18	0.28	227085.52	6554.38	2.89
Posts	18659.85	350.57	1.88	19830.91	701.75	3.54	23528.86	303.50	1.29
Railways	293728.54	5871.48	2.00	337237.92	1130.88	0.34	357332.90	4777.20	1.34
<b>Total</b>	<b>6342832.21</b>	<b>55353.82</b>	<b>0.87</b>	<b>6540835.56</b>	<b>210831.31</b>	<b>3.22</b>	<b>6963956.49</b>	<b>1302824.92</b>	<b>18.71</b>

*O – Original; S - Supplementary*

There is a continuous upward trend in the supplementary provision in the case of Civil Grants. In case of Defence and Railways, a downward trend in 2015-16 is followed by an upward trend in 2016-17 whereas an upward trend in 2015-16 is followed by declining trend in 2016-17 in case of Department of Posts.

Audit scrutiny revealed that a number of Ministries/Departments of the Central Government obtained supplementary Grants/Appropriations which were even higher than the original provisions in the respective Demands. The cases where the supplementary provision was more than ₹ 100 crore and exceeded 40 per cent of the original provision are detailed in **Table 3.7**.

**Table 3.7: Details of large Supplementary Grants**

(₹ in crore)

Sl No.	Description of Grant	Original Provision	Supplementary Provision	Percentage of Supplementary Provision to Original Provision
<b>Revenue (Voted)</b>				
1.	10 -Ministry of Coal	361.00	195.36	54
2.	14 -Department of Telecommunications	18355.96	9448.10	51
3.	16 -Department of Consumer Affairs	1239.81	6071.01	490
4.	29 -Department of Economic Affairs	12335.39	5969.28	48
5.	44 -Department of Heavy Industry	392.87	5709.15	1453
6.	47 -Cabinet	419.64	226.36	54
7.	58 -Ministry of Micro, Small and Medium Enterprises	3454.22	1697.94	49
8.	86 -Ministry of Steel	85.62	242.53	283
9.	87 -Ministry of Textiles	4574.30	2021.36	44
<b>Capital (Voted)</b>				
10.	8 -Department of Pharmaceuticals	0.10	100.00	100000
11.	9 -Ministry of Civil Aviation	1780.20	930.72	52
12.	11-Department of Commerce	100.00	116.00	116
13.	15 -Department of Electronics and Information Technology	239.11	110.01	46
14.	17 -Department of Food and Public Distribution	10601.60	40550.01	382
15.	44 -Department of Heavy Industry	907.13	1367.29	151
16.	66 -Ministry of Petroleum and Natural Gas	2.00	2450.00	122500
17.	68 -Ministry of Power	3721.82	1789.85	48
18.	74 -Ministry of Road Transport and Highways	54707.00	31972.70	58

Sl No.	Description of Grant	Original Provision	Supplementary Provision	Percentage of Supplementary Provision to Original Provision
19.	87 -Ministry of Textiles	20.52	168.10	819
20.	95 -Ministry of Urban Development	11405.42	5820.06	51
<b>Capital (Charged)</b>				
21.	32 -Transfers to States	12600.00	5500.00	44
22.	91 -Chandigarh	50.00	200.00	400

Large supplementary provisions indicate that the Ministries/Departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by the Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

The Public Accounts Committee in their 92<sup>nd</sup> Report (15<sup>th</sup> Lok Sabha 2013-14), while regularising the excess expenditure incurred by the Ministries/Departments of the Union Government over Voted Grants and Charged Expenditure for the financial year 2011-12 despite obtaining large amount of supplementary Grants, had observed that the Ministry of Finance should initiate a study of the best international practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The practice of seeking supplementaries during the fiscal year in addition to the main budget undermines the sanctity of budgetary provisions. In practice, even known expenditure outgoes are often not reflected in the main budget but sought through subsequent supplementaries. The supplementary budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest.

Further, the Public Accounts Committee in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha 2014-15) had asked Ministry of Finance as to whether any guidelines have been issued for the Ministries/Departments to make their demands for Supplementary Grants on a realistic basis before presenting the same to Parliament so that additional provisions are commensurate with the actual requirement of funds. The Ministry of Finance (Department of Economic Affairs) had submitted that extant orders/instructions and the letters, calling for the Supplementary Demands for Grants issued by Ministry of Finance reiterate the need for assessing the requirement of funds in a realistic manner before seeking the approval of Parliament through Supplementary Demands for Grants.

### **3.11 Unnecessary cash supplementary provision (Grant-wise)**

In 22 cases across 20 Grants, as detailed in **Table 3.8**, cash supplementary provisions aggregating to ₹ 11,481.10 crore were obtained during 2016-17 in anticipation of higher expenditure, but in 18 Grants the final expenditure was even less than the original provisions. The unutilised cash supplementary

**Report of the CAG on  
Union Government Accounts 2016-17**

provision was, therefore, unnecessary, indicating deficient budgeting. Instead of obtaining 'Cash Supplementary', the Ministries/Departments should have explored the possibility of utilising the savings available within the Grant by obtaining 'Token' or 'Technical Supplementary', to avoid savings at the end of the year.

**Table 3.8: Unnecessary cash supplementary leading to savings**

(₹ in crore)

Sl. No.	Grant/Appropriation	Original Provision	Total Supplementary Grant obtained	Cash Supplementary	Actual Disbursements	Saving
<b>Civil Grants</b>						
<b>Revenue Voted</b>						
1.	1 -Department of Agriculture, Cooperation and Farmers Welfare	35952.83	12826.55	3826.48	40595.11	8184.27
2.	3 -Department of Animal Husbandry, Dairying and Fisheries	2395.45	100.07	100.00	2368.30	127.22
3.	17 -Department of Food and Public Distribution	142102.51	291.83	27.56	116008.39	26385.95
4.	20 -Ministry of Defence (Misc)	56449.44	4564.73	1068.36	58043.18	2970.99
5.	28 -Ministry of External Affairs	11679.63	600.03	600.00	11159.50	1120.16
6.	29 -Department of Economic Affairs	12335.39	5969.28	60.00	6721.32	11583.35
7.	37 -Department of Revenue	11868.99	45.03	38.00	11024.12	889.90
8.	42 -Department of Health and Family Welfare	38899.71	2813.34	1281.78	37859.65	3853.40
9.	51 -Department of School Education and Literacy	63826.65	342.13	342.04	62636.69	1532.09
10.	53 -Ministry of Information and Broadcasting	4036.06	77.36	77.35	3933.85	179.57
11.	66 -Ministry of Petroleum and Natural Gas	29158.62	81.16	81.14	27780.29	1459.49
12.	81 -Ministry of Skill Development and Entrepreneurship	1770.55	368.75	368.72	1544.10	595.20
13.	82 -Department of Social Justice and Empowerment	6226.95	30.50	3.44	6204.22	53.23
14.	84 -Department of Space	4155.38	300.28	1.14	4452.80	2.86
15.	85 -Ministry of Statistics and Programme Implementation	4724.83	7.01	6.99	4248.16	483.68
16.	89 -Ministry of Tribal Affairs	768.14	2.03	1.50	723.95	46.22
17.	95 -Ministry of Urban Development	15502.67	2621.05	2521.00	15395.49	2728.23
18.	97 -Ministry of Women and Child Development	17878.12	417.25	217.18	17067.61	1227.76
<b>Revenue Charged</b>						
19.	20 -Ministry of Defence (Misc)	15.24	1.45	0.75	5.03	11.66
<b>Capital Voted</b>						
20.	36 -Indian Audit and Accounts Department	11.50	2.69	2.69	9.15	5.04
21.	48 -Police	9035.51	842.99	842.98	8868.18	1010.32

Sl. No.	Grant/Appropriation	Original Provision	Total Supplementary Grant obtained	Cash Supplementary	Actual Disbursements	Saving
<b>Capital Charged</b>						
22.	48 –Police	6.66	12.00	12.00	5.73	12.93
<b>Total</b>				<b>11481.10</b>		

Ministry of Finance should review such cases and consider issuing suitable guidelines to all Ministries and Departments in this regard.

### **3.12 Injudicious re-appropriation to minor/sub-heads (exceeding ₹ 5 crore)**

Examination of the accounts revealed that in 18 cases across 12 Grants/Appropriations of Civil Ministries/Departments and Defence Services, re-appropriations aggregating to ₹ 1,277.00 crore were injudicious as the original provision under the minor/sub-heads to which augmentation was made by way of re-appropriation was adequate. As a result of such injudicious re-appropriation, the final savings under the heads were more than the amount re-appropriated to these heads. The 18 cases, where injudicious re-appropriation exceeding ₹ 5 crore and more were made, are given in **Annexure 3.9**.

### **3.13 Injudicious re-appropriation from minor/sub-heads (exceeding ₹ 5 crore)**

Similarly, scrutiny of the accounts revealed that in 10 cases across four Grants/Appropriations of Civil Ministries/Departments, Posts and Defence, re-appropriations of funds aggregating to ₹ 1,033.00 crore were injudiciously made to other heads which resulted in disbursement, which was more than the sanctioned provision. In each of these heads, the excess expenditure was more than the amount re-appropriated. The details of such injudicious re-appropriation exceeding ₹ 5 crore and more, are given in **Annexure 3.10**.

### **3.14 Unnecessary supplementary provision obtained under sub-heads**

While obtaining supplementary provision, the Ministries/Departments reported to Parliament large additional requirement for different purposes under various schemes/activities, but finally they were unable to spend not only the entire supplementary provision but even some part of the original budget provision. The details of 34 minor/sub-heads across 18 Grants/Appropriations where supplementary is more than ₹ five crore and entire supplementary Grant, together with part of original budget provision, remained unspent are given in **Annexure 3.11**.

### **3.15 Savings of entire provision (Sub-head wise)**

In 40 sub-heads across 20 Grants/Appropriations, the entire provision (₹ 50 crore and above) aggregating to ₹ 1,25,305.38 crore, authorised by the

Parliament could not be spent by the Ministries/Departments and remained unutilised.

Savings of entire provision is indicative of the fact that estimates were not prepared after adequate scrutiny of the projects/schemes. Major schemes which failed to take off or suffered due to non-utilisation of entire provision are:

- *Appropriation – Repayment of Debt:* ‘Cash Management Bills’ (₹ 1,00,000 crore) – due to non-utilisation of Cash Management Bills; and ‘Special Securities issued to R.B.I. for maintenance of Value account in respect of India Millennium Deposits’ (₹ 443 crore) – due to claims already adjusted earlier;
- Department of Agriculture, Cooperation and Farmers Welfare: ‘Adjustment of Provision’ (₹ 5,204 crore) – due to non-approval of the scheme;
- Department of Economic Affairs: ‘Payment to Railways’ (₹ 4,301 crore) – due to non-release of subsidy to Railways; ‘Loans to IMF under New Arrangements to Borrow (NAB)’ (₹ 1,486 crore) – due to requirement of less funds by RBI for providing loans to IMF under New Arrangements to Borrow; and ‘Interest equalization support for Indian companies’ (₹ 500 crore) – due to non-commencement of drawdown under the scheme owing to nil disbursement by EXIM bank;
- Ministry of Urban Development: ‘Transfer to Rashtriya Swachhata Kosh’ (₹ 2,300 crore) – due to inadvertent provisioning of budget under the head;
- Department of Food and Public Distribution: ‘Central Assistance to States for meeting expenditure on Intra-State movement, handling of food grains and FPS Dealers' margin under NFSA’ (₹ 2,200 crore) – due to transfer of provision from Central Sector Schemes to functional heads;
- Department of Health and Family Welfare: ‘Material Assistance for Strengthening of National Immunisation Programme and Polio Eradication’ (₹ 1,870 crore) – due to non-materialisation of the scheme;
- *Appropriation - Interest Payments:* ‘Cash Management Bills’ (₹ 1,000 crore) – due to non-issuance of Cash Management Bills owing to availability of surplus funds;

- Transfers to States: ‘Grants to autonomous councils, area covered under sixth schedule’ (₹1,000 crore) – due to non-receipt of proposals owing to pending utilisation certificates; and
- Department of Financial Services: ‘Security Redemption Fund’ (₹ 625 crore) – due to decision of writing back the balances.

The details of sub-heads where entire provision of ₹ 50 crore and above remained unutilised are given in **Annexure 3.12**.

### **3.16 Savings of ₹ 100 crore or more under a sub-head**

Scrutiny of Appropriation Accounts revealed that in certain Grants and appropriations, large savings of ₹ 100 crore or more, under a sub-head, were noticed which is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. Necessary steps need to be taken by the Ministries/Departments to make their budgetary exercise more realistic, not only to minimise large scale variations between estimates and actuals but also to gainfully utilise the scarce resources. These Ministries/Departments are required to review their system of budgetary assumption and/or efficiency of their programme management. **Annexure 3.13** gives the details of 124 such large savings of ₹ 100 crore or more and constituting more than 10 *per cent* of the sanctioned provision under a sub-head along with reasons given by respective Ministries/Departments.

Major savings occurred under the following programmes/schemes:

- **Appropriation-Repayment of Debt:** ₹ 3,36,511 crore under ‘Ways and Means Advances from Reserve Bank of India’ (against the budgeted provision of ₹ 5,00,000 crore) due to less utilisation of Ways & Means Advances and overdraft.
- **Department of Food and Public Distribution:** ₹ 27,000 crore under ‘Ways and Means Advance payable to Food Corporation of India (FCI)’ (against the budgeted provision of ₹ 50,000 crore) due to requirement of less funds by FCI owing to loans granted through other channel and; ₹ 25,250 crore under ‘Subsidy payable to FCI and other on food grain transactions’ (against the budgeted provision of ₹ 1,03,585 crore) due to reduction in subsidy payable to FCI and reduction of provision at RE stage by the Ministry of Finance.
- **Ministry of Road Transport and Highways:** ₹ 19,743 crore under ‘Block Grant for transfer to Central Road Fund’ (against the budgeted provision of ₹ 29,847 crore) and ₹ 7,500 crore under ‘Transfer to



National Highways Permanent Bridges Fees Fund’ (against the budgeted provision of ₹ 7,544 crore) due to re-classification of provision from Revenue to Capital Section as per directions of the Ministry of Finance and; ₹ 5,807 crore under ‘Grants for State Road’ (against the budgeted provision of ₹ 10,833 crore) due to reduction of Central Road Fund Cess at Revised Estimates stage by the Ministry of Finance owing to slow progress of ongoing projects, receipt of less proposals towards creation of new roads from State Governments and non-receipt of Utilisation Certificates; ₹ 5,033 crore under ‘Transfer to Central Road Fund’ (against the budgeted provision of ₹ 33,137 crore) due to change in funding pattern and re-classification of provision from Revenue to Capital Section as per direction of the Ministry of Finance and; ₹ 4,743 crore under ‘National Highways Authority of India’ (against the budgeted provision of ₹ 19,653 crore) due to amendment of Central Road Fund Act, revision of distribution formula, transfer of some projects to State Public Works Departments, reduction of Central Road Fund Cess at revised estimates stage owing to slow progress of works and non-receipt of bills from contractors in time.

- **Department of Economic Affairs:** ₹ 5,500 crore under ‘Transfer to Senior Citizen Welfare Fund’ (against the budgeted provision of ₹ 5,889 crore) due to receipt of less proposals from Ministry of Social Justice and Empowerment for implementation of welfare schemes for senior citizens and; ₹ 3,985 crore under ‘Transfer to National Investment and Infrastructure Fund (NIIF)’ (against the budgeted provision of ₹ 4,000 crore) due to decrease in the activities of National Investment and Infrastructure Fund.
- **Department of Financial Services:** ₹ 4,530 crore under ‘National Investment Fund’ (against the budgeted provision of ₹ 4,625 crore) due to reduction in realization of disinvestment receipts than estimated and consequent less transfer to National Investment Fund.
- **Department of Fertilisers:** ₹ 4,257 crore under ‘Nutrient based Subsidy Policy’ (against the budgeted provision of ₹ 23,100 crore) due to receipt of less claims towards indigenous Phosphatic and Potassic (P&K) Fertilisers.
- **Ministry of Petroleum and Natural Gas:** ₹ 4,020 crore under ‘Direct Benefit Transfer for LPG (DBTL)’ (against the budgeted provision of ₹ 17,020 crore) due to contraction of sales volume and giving-up of subsidy on LPG by more customers.

- **Appropriation - Interest Payments:** ₹ 3,352 crore under ‘Discount on Treasury Bills - 91 Days Treasury Bills’ (against the budgeted provision of ₹ 13,864 crore) due to softening of interest rates and lower volume of issuances.
- **Transfers to States:** ₹ 3,000 crore under ‘Grants for Local Bodies’ (against the budgeted provision of ₹ 48,868 crore) due to non-submission of Utilisation Certificates and non-existence of duly constituted local bodies.

**3.17 Persistent savings (Sub-head wise)**

Scrutiny of Appropriation Accounts revealed that during the three years period 2014-15 to 2016-17, there were persistent savings of ₹ 100 crore or more and constituting more than 10 per cent of the sanctioned provision under 15 sub-heads across 12 Grants and Appropriations, which is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme/activity item being implemented by the Ministry/Department. The details of 15 sub-heads are given in **Annexure 3.14**.

**3.18 Rush of expenditure during March and last quarter of the financial year**

In terms of Rule 56(3) of General Financial Rules, 2005, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and should be avoided. The Ministry of Finance had also issued instructions to Ministries/Departments in September 2007 to restrict expenditure during the month of March and the last quarter of the financial year to 15 per cent and 33 per cent, respectively, of the budgeted estimates.

Based on information provided by Ministries/Departments, in 12 cases as detailed in **Table 3.9**, it has been noticed that major part of disbursement was made in the month of March 2017 and/or during last quarter of the financial year in contravention of the provisions of Rules and extant instructions.

**Table 3.9: Rush of expenditure during March 2017 and/or last quarter of 2016-17**

(₹ in crore)							
Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/ Departments
<b>Civil</b>							
1.	8 -Department of Pharmaceuticals	211.40 (211.40)	125.31	59.28 (59.28)	132.37	62.62 (62.62)	Reply awaited.

**Report of the CAG on  
Union Government Accounts 2016-17**

Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/ Departments
2.	18 -Ministry of Corporate Affairs	344.43 (414.57)	78.68	22.84 (18.98)	141.99	41.22 (34.25)	The Ministry stated in July 2017 that the allocation in BE was ₹ 344.43 crore and supplementary allocation under 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> batch of supplementary was ₹ 75.51 crore. It may be noted that ceiling of last quarter and the last month do not apply to the supplementary allocations.
3.	20 -Ministry of Defence (Misc)	68537.63 (74040.74)	13617.35	19.87 (18.39)	22792.20	33.26	Reply awaited.
4.	30 -Department of Financial Services	33755.52 (36765.00)	16367.68	48.49 (44.52)	22279.77	66.00 (60.60)	The Ministry stated in July 2017 that condition of 33% and 15% in the last quarter and last month respectively has not been breached as the major expenditure has been made on the basis of 2 <sup>nd</sup> and 3 <sup>rd</sup> batch of supplementary demand for grants for the year 2016-17.
5.	37 -Department of Revenue	11925.01 (11108.36)	4627.92	38.81 (41.66)	4713.89	39.53 (42.44)	The Department stated that it was due to scheduled release of CST compensation to State and UTs for revenue loss due to phasing out of CST/VAT compensation.
6.	41-Ministry of Food Processing Industries	636.02 (729.00)	177.32	27.88 (24.32)	246.50	38.76 (33.81)	The Ministry stated that as the approval for additional funds, through 3 <sup>rd</sup> batch of Supplementary grant, was received in March 2017, so the expenditure could be incurred in March 2017 only.

Appropriation Accounts: 2016-17

Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/ Departments
7.	43-Department of Health Research	1144.80 (1344.80)	26.94	--	510.94	44.63 (37.99)	The department stated that approval for release of additional fund to ICMR, through 2 <sup>nd</sup> Batch of Supplementary Grant, was received in January 2017, so the release of grant to ICMR could be processed thereafter only.
8.	47-Cabinet	419.64 (646.00)	35.35	--	239.66	57.11 (37.10)	The department stated that RE 2016-17 was increased and the additional amount was obtained in 2 <sup>nd</sup> Batch of Supplementary Grant and it was made available in January 2017. Hence, there is large expenditure in last quarter of FY 2016-17.
9.	55-Election Commission	121.52 (146.00)	51.21	42.14 (35.08)	64.70	53.24 (44.32)	The Department stated that the fund for Capital expenditure has been received through supplementary budget in the last quarter of the financial year and, accordingly, expenditure incurred in the last quarter of the financial year.
10.	81-Ministry of Skill Development and Entrepreneurship	1804.28 (2173.00)	515.66	28.58 (23.73)	613.86	34.02	The Ministry stated that flagship programme of the Ministry i.e. Prime Minister Kaushal Vikas Yojana (PMKVY) envisaged only one-time final payment on successful completion of training. Hence, there was delay in pace of expenditure.

**Report of the CAG on  
Union Government Accounts 2016-17**

Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/ Departments
11.	86 -Ministry of Steel	85.62 (438.11)	399.36	466.00 (91.16)	407.42	475.85 (92.99)	The Ministry stated in July 2017 that the amount was provided by Ministry of Finance in the 3 <sup>rd</sup> batch of supplementary as grants and could be released in the month of March.
<b>Defence</b>							
12.	23 -Capital Outlay on Defence Services	78586.68 (71700.00)	12897.19	16.41 (17.99)	25230.48	--	Reply awaited.

# - Figures in parenthesis indicate percent with respect to Revised Estimates.

In the above cases, some Ministries stated that the amount was provided by Ministry of Finance in the supplementary grants and could be released in the last quarter of the financial year. Hence, the expenditure could be incurred only in the last quarter/March 2017.

Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.

### 3.19 Persistent savings (Minor-head wise) in Defence Services Grants

Scrutiny of the Appropriation accounts of Defence Services disclosed a persistent trend of savings (more than ₹ 100 crore) during the years 2014-15 to 2016-17 under minor heads of two Grants as detailed in **Table 3.10**.

**Table 3.10: Persistent savings during the years 2014-17**

Sl. No.	Description of Grant Major/Sub-Major/Minor Head	2014-15	2015-16	2016-17
<i>(₹ in crore)</i>				
<b>22-Defence Services (Revenue)</b>				
1.	2076.00.101-Pay and Allowances of Army (Voted)	209.11	916.04	243.23
2.	2078.00.111 -Works (Voted)	197.08	160.62	294.59
<b>23 -Capital Outlay on Defence Services</b>				
3.	4076.01.102 -Heavy & Medium Vehicles (Voted)	1385.50	336.98	1051.86
4.	4076.02.104 -Joint Staff (Voted)	384.92	200.38	158.99
5.	4076.03.103- Other Equipments (Voted)	7133.62	2594.42	982.85

The persisting trend of large savings in the aforesaid heads of Grants is indicative of over-estimation of the requirement of funds.

### 3.20 Surrender of savings in Defence Services Grants

The savings in a Grant or Appropriation are required to be surrendered as soon as these are foreseen without waiting till the end of the year. Further, savings should also not be held in reserve for possible future excesses. During 2016-17, in Grant no. 22 – Defence Services (Revenue) under the charged segment, ₹ 7.07 crore were surrendered against the saving of ₹ 29.71 crore and under the voted segment ₹1,781.82 crore were surrendered against the saving of ₹2,823.77 crore. In Grant No.23-Capital outlay on Defence Services, under the voted segment, surrender of ₹ 4,489.15 crore was made against nil savings. The entire surrendered amount of ₹ 6,278.04 crore was surrendered on the last day of the financial year as detailed in **Table 3.11**.

**Table 3.11: Details of savings and surrender**

(₹ in crore)

Grant/Appropriation	Savings		Amount Surrendered on the last day of the financial year		Amount not surrendered (Lapsed)	
	Charged	Voted	Charged	Voted	Charged	Voted
22-Defence Services (Revenue)	29.71	2823.77	7.07	1781.82	22.64	1041.95
23 -Capital Outlay on Defence Services	--	--	--	4489.15	--	--
<b>Total</b>	<b>29.71</b>	<b>2823.77</b>	<b>7.07</b>	<b>6270.97</b>	<b>22.64</b>	<b>1041.95</b>

### 3.21 Conclusion

Excess disbursements aggregating ₹ 1,90,270 crore in 12 segments of Grants/Appropriations, were made by the various Ministries/Departments of the Union Government, over and above the authorisation made in the Appropriation Act during the year 2016-17. These excess expenditures are required to be regularised in terms of Article 115(1)(b) of the Constitution. Grant/Appropriation of Defence Pensions has persistently been incurring excess expenditure over and above the authorisation. Other deficiencies, viz., savings of large amount (over ₹ 100 crore) in different segments of Grants/Appropriations aggregating ₹ 2,28,640 crore, obtaining supplementary Grants of large amount during the course of the year which eventually remained unutilised, surrender of savings on the last day of the financial year, indicate that there is need to re-orient the initial budget formulation process and to strengthen the monitoring mechanism of implementation of the budget.