

4: APPROPRIATION ACCOUNTS: COMMENTS ON ACCOUNTS

4.1 Introduction

Constitutional provisions relating to financial matters, Delegation of Financial Powers Rules (DFPRs) 1978, General Financial Rules, 2005(GFRs) and other standing instructions issued by the Ministry of Finance, are the guiding principles for sound financial management of government finances and expenditure incurred from government accounts.

Audit finding arising from scrutiny of the Appropriation Accounts are brought out in this chapter.

4.2 Breach of Article 114(3) of the Constitution of India- Expenditure incurred on interest on refunds of taxes by the CBDT

Article 114(3) of the Constitution stipulates that no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriation made by law. Payment of interest on refunds of excess tax is a charge on the Consolidated Fund and is, therefore, payable only after having been authorised under due appropriation made by law. Rule 8 of the DFPRs, 1978, describes 'Interest' as the primary unit of appropriation for classification of interest expenditure.

The Central Board of Direct Taxes (CBDT) in the Department of Revenue classifies interest on refunds of excess tax as reduction in revenue. Successive CAG's Audit Reports on Union Government Accounts as well as CAG's Reports on Direct Taxes have commented on this incorrect practice. However, no corrective action has been taken by the Department.

The Public Accounts Committee (PAC) in their 66th Report (15th Lok Sabha 2012-13) had observed that there was no valid ground as to why the Department could not make broad estimates of expenditure on interest liability on tax refunds based on past trends. The Department had admitted that in terms of Article 266 of the Constitution, it had no legal authority to withdraw the 'interest' on excess tax collected/refunds without recourse to appropriation passed by the Parliament. The Committee reminded the Department that Article 114(3) of the Constitution clearly mandates that no money shall be withdrawn from the Consolidated Fund of India except under 'Appropriation' made by the Legislature.

In their follow-up Report (96th Report of 15th Lok Sabha 2013-14), the PAC reiterated their earlier recommendation that the Ministry of Finance devise a procedure in conformity with the Constitutional provisions and the Financial Rules so that interest payments on tax refunds are shown in the Annual Financial Statement and Demand for Grants and receive Parliamentary approval as ordained by the Constitution.

As in the past, no budget provision for interest on refunds was made in the Budget Estimates for the financial year 2016-17 and expenditure on interest on refunds amounting to ₹ 2,598 crore was incurred by the Department in contravention of provisions of the Constitution and in disregard of the recommendations of the PAC. Expenditure of ₹ 58,537 crore on interest payments had been incurred over a period of last nine years without obtaining approval of the Parliament through necessary appropriation, as detailed in **Table 4.1** below.

Table 4.1: Expenditure on interest on refunds of taxes

Year	Expenditure on interest on refunds
2008-09	5,778
2009-10	6,876
2010-11	10,499
2011-12	6,486
2012-13	6,666
2013-14	6,598
2014-15	5,332
2015-16	7,704
2016-17	2,598
Total	58,537

The Department stated (January 2017) that on the basis of opinion of the Attorney General holding the current practice of treating interest on refund as reduction of revenue and with the approval of the Ministry of Finance, recommendations of the PAC were not accepted.

Audit observed that the PAC had considered the opinion rendered by the Ld. Attorney General and of the Ministry of Law & Justice and Ministry of Finance and had reiterated in its 96th Report (15th Lok Sabha) that “the Department of Revenue has no option but to seek ex ante or ex post facto Parliamentary approval for interest payments on tax refunds”. The Government should devise an appropriate head of accounts for provisioning and reporting expenditure of interest on tax refund. PAC had observed that an opinion ultimately is an opinion and it is for the Committee to decide what the correct procedure is.

4.3 Failure to obtain legislative approval for augmenting provision

4.3.1 Augmentation of provision to object head ‘31-Grants-in-aid-General’

In accordance with instructions issued by the Ministry of Finance in May 2006 relating to financial limits to be observed in determining cases relating to New Service (NS)/New Instrument of Service (NIS), augmentation of provision by way of re-appropriation to the object head ‘Grants-in-aid’ to any body or authority from the Consolidated Fund of India in all cases can be made only with the prior approval of the Parliament.

Scrutiny of Appropriation Accounts along with Consolidated Abstract/*e-lekha* data revealed that expenditure aggregating ₹ 7.37 crore was incurred during the

financial year 2016-17 by augmenting of provision under object head '31-Grants-in-aid-General' to various bodies/authorities without obtaining prior approval of the Parliament thereby attracting the limitations of NS/NIS as detailed below.

Table 4.2: Augmentation of provision to object head 'Grants-in-aid-General'

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
		(₹ in crore)						
Grant No. 16- Department of Consumer Affairs								
1.	2852.80.101.04.00.31 Setting up of Gold Hallmarking/ Assaying Centres in India	0.90	0.10	0.00	0.00	1.00	1.18	0.18
While accepting the audit observation, the Department stated (September 2017) that the overall expenditure in the grant was within the available provision. The observation had been noted for future and due care would be taken in future to avoid such excess of expenditure.								
Grant No.20-Ministry of Defence (Misc)								
2.	3054.02.800.01.00.31 Bhutan Compensatory Allowances (BRO)	7.00	-	-	-	7.00	7.03	0.03
3.	3054.02.800.02.00.31 Road Works (BRO)	22.84	-	-	-	22.84	22.89	0.05
The Ministry accepted and stated (October 2017) that the excess expenditure was less than five <i>per cent</i> . The reply is not tenable as any augmentation of provision to this object head requires prior approval of the Parliament.								
Grant No. 28- Ministry of External Affairs								
4.	2061.00.800.11.02.31 Indian Society of International Law	0.05	0.00	0.00	0.00	0.05	0.07	0.02
The Ministry stated (August 2017) that the expenditure of ₹ 1.83 lakh was incorrectly booked under the said head of accounts and the O/o CGA has been requested for rectification of misclassification through Journal Entry.								
Grant No. 52 Department of Higher Education								
5.	2203.00.796.40.04.31 National Initiative for Technology Transfer (Tribal Sub plan Component)	0.00	0.00	0.00	0.00	0.00	0.06	0.06
The Department stated (August 2017) that after taking a token supplementary of this scheme, augmentation of the funds was made through re-appropriation. The reply is not acceptable as the token supplementary grant was obtained for the said scheme under the general component and not the Tribal Sub-Plan component.								
Grant No.58- Ministry of Micro, Small and Medium Enterprises								
6.	2851.00.105.15.03.31 Development of Khadi, Village and Coir Industries	8.00	0.90	0.00	0.00	8.90	8.93	0.03
Reply was awaited (October 2017)								
Grant No. 83- Department of Empowerment of Persons with Disabilities								
7.	2235.02.101.01.09.31 (Non-Plan) Expansion and Improvement of National Institutes for the Blind, Deaf, Mentally Retarded and the Orthopaedically Handicapped- Schemes for funding to National Institutes	4.35	0.00	1.67	0.00	6.02	6.19	0.17

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Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
		(₹ in crore)						
8.	2235.02.101.10.16.31 (Plan) Other Schemes-Deendayal Disabled Rehabilitation Scheme	30.32	4.50	0.00	0.00	34.82	34.91	0.09
Reply was awaited (October 2017)								
Grant No. 85- Ministry of Statistics and Programme Implementation								
9.	3454.02.204.19.05.31 Capacity Development (Capacity Development of CSO and Institutional Development & Capacity Building)-Support for Statistical Strengthening.	0.00	0.00	25.00	0.00	25.00	31.74	6.74
<p>The Ministry stated (August 2017) that the said head of account was augmented by obtaining a token supplementary of ₹ 1.00 lakh. Subsequently ₹ 25.00 crore was re-appropriated to '3454.02.204.19.05.31' for meeting initial requirements. Further, ₹ 6.74 crore were also re-appropriated, as demanded by concerned Division, from Major head 2552 of same scheme and from 'Economic Census' a sub scheme with the approval of the Competent Authority. Therefore, the total amount available under the said head of accounts was ₹ 31.74 crore. The Ministry reiterated the same reply in October 2017.</p> <p>The reply is not acceptable as re-appropriation from non-functional Major Head 2552 to the functional head should be done for the same scheme. In this case, provision of ₹ 5.00 crore under scheme 'Statistics-Capacity Development (Capacity Development of NSSO-Grants-in-aid to the states for carrying out Central NSS Sample work in North-Eastern Region) - Support for Statistical strengthening' was re-appropriated to a different scheme i.e. 'Capacity Development (Capacity Development of CSO and Institutional Development & Capacity Building) - Support for Statistical Strengthening.</p>								
Total								7.37

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per classified abstract/e-lekha data dump)

4.3.2 Augmentation of provision to object head '35-Grants for creation of Capital Assets'

Ministry of Finance vide its OM dated 12 February 2010 introduced a new object head '35-Grants for creation of Capital Assets' with effect from the financial year 2009-10 with the objective of uniquely depicting the expenditure on grants for creation of capital assets at the level of primary unit of appropriation. The Ministry clarified vide its OM dated 21 May 2012 that augmentation of provision to object head through re-appropriation requires prior approval of Parliament through Supplementary Demands for Grants.

Scrutiny revealed that funds aggregating to ₹ 6.01 crore were augmented in violation of the extant provision without prior approval of Parliament to the object head '35-Grants for creation of Capital Assets', attracting limitations of NS/NIS.

Table 4.3: Augmentation of provision to object head 'Grants for creation of Capital Assets'

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
(₹ in crore)								
Grant No.12- Department of Industrial Policy and Promotion								
1.	2852-80-800-26-00-35 Project based support to Autonomous Institutions	38.07	31.98	50.00	0.00	120.05	120.07	0.02
<p>The Department stated (September 2017) that the provision for North East was ₹ 32.00 crore and not ₹ 31.98 crore. (Grant-in-aid-General: ₹ 0.01 crore, Grants for creation of Capital Assets: ₹ 31.98 crore and Grants-in-aid-Salaries: ₹ 0.01 crore). Therefore, there was no excess.</p> <p>The reply is not acceptable as the observation is regarding augmentation under the object head 35-Grants for creation of Capital Assets for which the budget provision under 2552.00.147 08.00.35 was ₹ 31.98 crore.</p>								
Grant No. 42- Department of Health and Family Welfare								
2.	2211.00.800.20.00.35 Forward Linkages to NRHM	0.00	25.00	0.00	0.00	25.00	27.54	2.54
<p>The Department stated (October 2017) that amount of ₹ 27.54 crore was re-appropriated from Major head-2552 to the functional head of accounts-2211.00.800.20.00.35. Excess of ₹ 2.54 crore was met by way of re-appropriation of savings from lump-sum provision as a whole under the Grant for the benefit of Scheme/Programme for NER, as per delegation of power in terms of Department of Expenditure's order dated 12 June 2001.</p> <p>The reply is not acceptable as augmentation of provision to 'object head-35' attracts limitation of NS/NIS and hence prior approval of the Parliament should have been obtained in terms of Ministry of Finance's O.M issued in May 2006.</p>								
Grant No. 52-Department of Higher Education								
3.	2203.00.796.08.03.35 Indian Institute of Technology Hyderabad (EAP) (Tribal Sub plan Component)	0.75	0.00	0.00	0.00	0.75	1.50	0.75
<p>The Department stated (August 2017) that after taking a token supplementary of this scheme, augmentation of the funds was made through re-appropriation.</p> <p>The reply is not acceptable as the token supplementary grant was obtained for the said scheme under the general component and not the Tribal Sup Plan component.</p>								
Grant No. 83- Department of Empowerment of Persons with Disabilities								
4.	2235.02.101.01.09.35 (Plan) Expansion and Improvement of National Institutes for the Blind, Deaf, Mentally Retarded and the Orthopaedically Handicapped- Schemes for funding to National Institutes	11.00	0.00	0.00		11.00	12.62	1.62
5.	2235.02.796.03.04.35 (Plan) Social Welfare-Welfare of Handicapped-National Institute for Disabled	4.52	0.00	0.00		4.52	5.60	1.08
Reply was awaited (October 2017)								
Total								6.01

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per Classified abstract/e-lekha data dump)

4.3.3 Augmentation of provision to object head '36-Grants-in-aid-Salaries'

Ministry of Finance vide its OM dated 7 June 2011 introduced a new object head '36- Grants-in-aid-Salaries' with effect from 01 April 2011 with the objective of uniquely depicting the expenditure on grants-in-aid for payment of salaries. The Ministry clarified vide its OM dated 21 May 2012 that augmentation of provision under the object head through re-appropriation requires prior approval of the Parliament through Supplementary Demands for Grants.

Scrutiny of Appropriation Accounts along with Statement of Grant Transaction/*e-lekha* data for the year 2016-17 revealed that in Grant No.83 pertaining to the Department of Empowerment of Persons with Disabilities, excess expenditure aggregating to ₹ 2.48 crore was incurred during the financial year 2016-17 by augmenting the provision under the object head '36-Grants-in-aid- salaries' without the approval of the Parliament in violation of the extant order.

Table 4.4 : Augmentation of provision to object head 'Grants-in-aid Salaries'

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
		(₹ in crore)						
Grant No. 83- Department of Empowerment of Persons with Disabilities								
1.	2235.02.101.01.09.36 (Plan) Expansion and Improvement of National Institutes for the Blind, Deaf, Mentally Retarded and the Orthopedically Handicapped- Schemes for funding to National Institutes	29.92	0.00	0.00	0.00	29.92	32.40	2.48
Reply was awaited (October 2017)								
	Total							2.48

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure

4.3.4 Augmentation of provision to object head '33-Subsidies'

In accordance with instructions issued by the Ministry of Finance in May 2006 for augmentation of provision in the existing appropriation under the object head 'subsidies' through re-appropriation, prior approval of the Parliament is required if the additionality is more than 10 per cent of the existing appropriation already voted by the Parliament or ₹ 10 crore whichever is less. The Ministry had clarified on 21 May 2012 that all cases for augmentation of funds (either through re-appropriation of funds or additionality) under the object head 'Subsidies' require prior approval of the Parliament through the supplementary demands for grants, without any exemption.

Scrutiny of Appropriation Accounts along with *e-lekha* data revealed that funds aggregating to ₹ 3,230.60 crore across four grants were incurred during the financial year 2016-17 by augmenting the provision under the object head '33-Subsidies' without obtaining prior approval of the Parliament as depicted in **Table 4.5** below.

Table 4.5 : Augmentation of provision to object head 'Subsidies'

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
		(₹ in crore)						
Grant No. 7- Department of Fertilizers								
1.	2852.03.101.06.03.33 Payment of Imported Urea Subsidies	11000.00	0.00	0.00	0.00	11000.00	11256.59	256.59
<p>The Ministry stated (August 2017) that the reason for excess was unexpected receipt of proposals and huge carryover liability. Ministry added (September 2017) that recovery of ₹ 4,100.00 crore on account of sale of imported Urea had been added under Major Head-2401 erroneously. The budgetary allocation in DDG 2016-17 in respect of imported urea subsidy was ₹15,100.00 crore including recovery of ₹ 4,100.00 crore. However, in order to match the figures of DDG with DG, allocation in respect of imported urea subsidy was changed from ₹ 15,100.00 crore to ₹ 11,000.00 crore.</p> <p>The reply is not acceptable as the figure of original budget provision as per DDG was ₹ 15,100.00 crore for which a corrigendum dated 31 March 2017 was issued by the Ministry stating Budget provision as ₹ 11,000.00 crore and any augmentation of provision under the object head 'Subsidies' requires prior approval of the Parliament.</p>								
Grant No. 12-Department of Industrial Policy and Promotion (DIPP)								
2.	2885.02.101.15.03.33 Central Interest Subsidy Scheme	0.01	0.00	0.00	0.00 [#]	0.01	41.05	41.04
3.	2885.02.101.15.04.33 'Comprehensive Insurance Scheme'	0.01	0.00	0.00	0.00	0.01	6.55	6.54
4.	2885.02.101.15.08.33 'Capital Investment Subsidy'	0.01	0.00	0.00	0.00	0.01	122.41	122.40
5.	2885.02.101.15.02.33 Freight Subsidy	0.01	0.00	0.00	0.00	0.01	18.84	18.83
<p>[#] A provision of ₹ 234.97 crore was made under 2552.00.238.09-Industrial Development of backward and remote Area. However, scheme wise break up under non-functional head corresponding to functional head had not been provided as required in terms of Budget Division OM No. F.2 (66)-B(CDN)/2001 dated 14 September 2005.</p> <p>Department stated (September 2017) that the DDG 2016-17 clearly showed that there were four token provisions of ₹ 1 lakh each for four components of the subsidies and a lumpsum provision of ₹ 188.81 crore which was intended to be split among four components of NEIPP subsidies.</p> <p>The original DDG did not show the break-up of the NEIPP subsidy provision but that is the essence of the budgetary scheme of lumpsum provision for the benefit of NE region. If the Departments know beforehand all the details at the Budget stage, there would be no need to have lumpsum provisions. It is a beneficial budgetary practice to provide flexibility to the department to disburse different types of subsidies to industrial units depending upon claims lodged, verified and found eligible under the scheme.</p> <p>The reply is not tenable as it does not conform to the budget circular 2016-17. Para 3.2.3 of the budget circular 2016-17 issued by the Ministry of Finance stipulates that budget provisions towards projects/scheme for development of North Eastern Region and Sikkim have, hitherto, been provided as 'lump sum' under the Major Head '2552-North Eastern Region' for eventual re-appropriation to appropriate functional heads of expenditure. However, such lump sum provision should be disintegrated upto object head level, corresponding to different functional major/sub-major/minor heads, indicating the details, in the Detailed Demands for Grants and provided for under the Major Head '2552-North Eastern Region' for eventual re-appropriation.</p> <p>However, in the instant case the lump sum provisions have not been disintegrated upto object head level, corresponding to different functional major/sub-major/minor heads, indicating the details, in the Detailed Demands for Grants for eventual re-appropriation. It was observed in Audit that the above mechanism was adopted by the Ministry during 2010-11 and 2011-12.</p>								
Grant No.14-Department of Telecommunications								
6.	3275.00.103.01.01.33 Compensation to Service Provider-Bharat Net	0.00	0.00	2830.06	0.00	2830.06	5600.00	2769.94

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Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
		(₹ in crore)						
7.	3275.00.103.01.02.33 Compensation to Service Provider-Universal Service Obligation Fund	0.00	0.00	1620.68	0.00	1620.68	1625.94	5.26
<p>The Department stated (August 2017) that amount of ₹ 1,000 crore, ₹ 1,000 crore and ₹ 552.14 crore was sanctioned by the Parliament in the first, second and third batch of Supplementary Demands for Grants respectively. Further, ₹ 2,460.86 crore was re-appropriated to 3275.00.103.01.01.33-Bharat. As supplementary grant was passed by the Parliament there does not seem to be any need to take token supplementary grant for new detailed head 3275.00.103.01.01-Bharat-Net. The reply is not tenable as any augmentation of provision under the object Head 'Subsidies' requires prior approval of the Parliament before any re-appropriation from savings in terms of Ministry of Finance OM dated 21 May 2012.</p>								
Grant No. 66- Ministry of Petroleum & Natural Gas								
8.	2802.80.102.12.00.33 Other Subsidy payable including NE Region	7094.21	0.00	1676.49	0.00	8770.70	8780.70	10.00
<p>The Ministry stated (August 2017) that amount of ₹ 10.00 crore was provided by way of re-appropriation order as there was utilisable savings in another head. Ministry added (October 2017) that this provision for seeking prior approval of the Parliament has been noted for compliance in future.</p>								
Total								3230.60

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure

4.3.5 Augmentation of provision to object heads '53-Major Works'

The Ministry of Finance with reference to OM dated 25 May 2006 regarding 'Guidelines on financial limits relating to New Service/New Instrument of Service (NS/NIS)' clarified (21 May 2012) that in regard to the cases of NS/NIS on augmentation under the object head '53-Major Works' all cases relating to augmentation of funds above ₹ 2.50 crore or above 10 per cent of the appropriation already voted, would require prior approval of the Parliament, irrespective of the fact that the augmentation is for new works or for the existing works.

Scrutiny of Appropriation Accounts of Grant No. 48 pertaining to the Police revealed that funds aggregating to ₹ 9.31 crore were augmented during the financial year 2016-17 without obtaining prior approval of Parliament, thereby attracting the limitations of New Service/New Instrument Service as detailed in **Table 4.6** below.

Table 4.6: Augmentation of provision to object head ‘Major Works’

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Grant No. 48- Police								
1.	4055.00.216.01.02.53 National Intelligence Grid- Office Building	59.00	0.00	0.00	0.00	59.00	68.31	9.31
<p>The Ministry stated (August 2017) that prior approval of the Parliament for additional expenditure under object head ‘Office Building’ of ₹ 224.87 crore was obtained in the Second Batch of Supplementary Demands for Grants, which also included the additional requirement of (National Intelligence Grid) NATGRID. The re-appropriation orders were, then, issued with the approval of the Secretary (Expenditure). However, when the supplementary was distributed among the various heads of account, the entry for NATGRID was inadvertently left out.</p> <p>The reply is not acceptable as the object head ‘Major Work’ attracted limitations of NS/NIS and each item of expenditure has a separate budget line. Hence, specific approval should have been obtained from the Parliament for each item of expenditure.</p>								
Total								9.31

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per Classified abstract/e-lekha data dump)

4.4 Incorrect classification of expenditure under Revenue account instead of Capital account and vice-versa

Article 112(2) of the Constitution stipulates that the Annual Financial Statement shall distinguish expenditure on revenue account from other expenditure. The principles for classifying the expenditure on Revenue account and Capital account should accordingly be adhered to.

4.4.1 Misclassification of capital expenditure as revenue expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978, categorizes the object class six for acquisition of Capital Assets and other Capital Expenditure, wherein the object heads viz. 51 to 56 and 60 are grouped. These object heads¹ pertain to booking of expenditure of capital nature and therefore should correspond with capital major heads only.

Audit scrutiny of Head-wise Appropriation Accounts along with *e-lekha* data for the year 2016-17 revealed cases where these object heads were used with revenue major heads as shown in **Table 4.7** below, resulting in overstatement of revenue expenditure by ₹ 27.87 crore and understatement of capital expenditure to that extent.

¹ Refer to **Annexure 4.1** for details and description of object heads.

Table 4.7: Misclassification of expenditure of capital nature as revenue expenditure

Sl. No.	Description of Grant	Major Head (Revenue)	Object Head (Capital)	Expenditure (₹ in crore)	Reply of the Department/Ministry
1.	4-Department of Atomic Energy	2852	51/52/60	14.04	Reply was awaited (October 2017)
2.		3401	51/52	11.94	Reply was awaited (October 2017)
3.	14-Department of Telecommunications	3275	51	0.08	The Department accepted and stated (September 2017) that all the heads required to be shifted from capital to revenue and vice-versa are available in the DDG-2017-18 except on object head-‘51-Motor Vehicle’ in Capital section for which matter was being taken up with Budget Division, Ministry of Finance for opening of new object head.
4.	58-Ministry of Micro, Small and Medium Enterprises	2851	51/52	1.75	The Ministry stated (August 2017) that the administrative division had been asked to submit a proposal for opening of corresponding heads to enable booking of expenditure under the Capital Section instead of Revenue section from the financial year 2017-18.
5.	85- Ministry of Statistics and Programme Implementation	3454	52	0.06	While accepting the observation, the Ministry stated (August 2017) that necessary instructions had already been issued to concerned divisions and action would be taken to obtain correct budget provision in DDG 2017-18 through Supplementary demand and re-appropriation.
Total				27.87	

Expenditure figures source: Consolidated abstracts.

4.4.2 Misclassification of revenue expenditure as capital expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPRs), categorizes the object heads falling in other than object class six as revenue in nature. Accordingly, these object heads should ordinarily not correspond with the capital major heads.

Audit scrutiny of Head-wise Appropriation Accounts along with Consolidated Abstract/*e-lekha* data for the year 2016-17 revealed that object heads of revenue nature were incorrectly operated with capital major heads in some cases. These misclassifications resulted in understatement of revenue expenditure by ₹ 152.54 crore and overstatement of capital expenditure to that extent as depicted in **Table 4.8** below.

Table 4.8: Misclassification of revenue expenditure as capital expenditure

Sl. No.	Description of Grant	Major Head (Capital)	Object Head (Revenue)	Expenditure (₹ in crore)	Reply of the Department/Ministry
1.	4-Department of Atomic Energy	4861	27	51.18	Reply was awaited (October 2017).
2.		5401	27	1.79	
3.	14-Department of Telecommunications	5275	11/13/28	2.43	The Department accepted and stated (September 2017) that necessary provisions was being made in the remaining head to the extent funds are available and for other heads technical supplementary would be obtained in second batch of Supplementary Grant 2017-18. Further, instructions have been issued to the concerned units not to incur any further expenditure under the objected heads. Necessary corrections would be carried out in the DDG-2018-19.
4.	20-Ministry of Defence(Misc)	4076	50/43	20.98	Office of CGDA replied (August 2017) that before rationalization, expenditure was booked under Capital Section and consequent upon rationalization, same was being booked under object head '50-Other Charges' and '43-Suspense' in the Capital section. The Ministry also accepted the irregularities which were due to rationalization of grant. It also contended that creation of 15 digit code on account of merger had the approval of O/o DGA (DS). The reply is not tenable as the budget provision was required to be obtained in the revenue section after the rationalization of grant.

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Sl. No.	Description of Grant	Major Head (Capital)	Object Head (Revenue)	Expenditure (₹ in crore)	Reply of the Department/Ministry
5.	74-Ministry of Road Transport and Highways	5054	11/13/20	10.01	<p>Ministry stated (September 2017) that</p> <p>(i) to implement this scheme a number of project implementation units have been opened in NER by the Ministry. For this purpose, additional staff, accommodation, office furniture, other office equipment were required and it was not possible to accommodate the corresponding expenditure with the funds available under the Secretariat head of the Ministry.</p> <p>(ii) To facilitate inspection by the officers of the Ministry so as to ensure quality of implementation a portion of the 3 per cent of the contingencies i.e. 0.2 per cent was retained for this purpose</p> <p>(iii) Office expenses 5054.01.337.04.99.13-sub-head 01.99.50-Information Technology under major head 5054 was opened for making expenditure on procurement of IT related hardware and software for National Highways office/division/RO</p> <p>The reply of the Ministry is not acceptable as Rule 8 of the Delegation of Financial Powers stipulate that object heads falling under class 6 shall be for acquisition of capital assets and other capital expenditure whereas the object heads 11-DTA, 13-OE and 20-Other Administrative Expenses falls under the object class 2 i.e. Administrative Expenses, hence should have been used under revenue major heads.</p>
6.	80- Ministry of Shipping	5051	50	0.75	The Ministry stated (September 2017) that action had been initiated to rectify misclassification of revenue expenditure and to open a new budget head.
		5052	13	5.40	
7.	89-Ministry of Tribal Affairs	4225	35	60.00	While accepting the observation, the Ministry stated (August 2017) that during the current financial year 2017-18, necessary rectification had been made and the capital grant of ₹60.00 crore had been provisioned under object head '54- Investment'.
Total				152.54	

4.4.3 Other cases of Misclassification

Rule 79 of General Financial Rules, 2005 stipulates that charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order, as also all other expenses incurred for

the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Audit scrutiny of Head-wise Appropriation Accounts along with *e-lekha* data for the year 2016-17 revealed a number of cases, where expenditure of revenue nature was classified as capital expenditure or vice-versa, resulting in overstatement/understatement of revenue expenditure as depicted in **Table 4.9** below.

Table 4.9: Misclassification between different sections of the grant

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
Misclassification of revenue expenditure as capital expenditure				
1.	11- Department of Commerce	38.77	Grants-in-aid of ₹38.77 crore released to various Board, Authorities and Autonomous Bodies under the scheme 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE) was booked in Capital head of account 5453.80.800.12.01.53- 'Major works'. The correct object head should have been '35-Grants for creation of capital assets' in the Revenue section of the grant.	The department stated (August, 2017) that ASIDE Scheme had been discontinued w.e.f 01 April 2017. The erstwhile ASIDE scheme was being implemented from 2002-03 to 2016-17, the funds for ASIDE were allocated under Capital Major Head 5453 and utilized accordingly. The reply of the Department needs to be seen in the context that the observation is on yearly appropriation accounts and not on scheme as such.
2.	18-Ministry of Corporate Affairs	3.74	An expenditure of ₹3.74 crore towards renovation of the hired space was booked under the head of account '5475.00.800.09.00.53' (Major works) in the capital section of the grant. As the items of works carried out had not resulted in creation of assets of permanent nature, the booking should have been done under object head '27-Minor Works' in the revenue section of the grant.	The Ministry stated (September 2017) that the audit observation had been noted and necessary action had been initiated.
3.	20-Ministry of Defence (Misc)	2031.71	An expenditure of ₹ 2031.71 crore incurred by Border Road Organisation (BRO) on account of road maintenance other than National Highways, security cover and air-lift charges was incorrectly booked under object head '53-Major Works' in the capital section (5054.02.337.03.00.53). The items of expenditure being of revenue nature should have been booked under appropriate object head(s) in the revenue section of the grant.	The reply was awaited (October 2017).

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Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
4.	84-Department of Space	0.19	An expenditure of ₹ 19.42 lakh towards procurement of back chair, table, sofa, computer table was incorrectly booked by PAO, ISTRAC under the object head '52-Machinery & Equipment' instead of object head '13-Office Expenses'.	The reply was awaited (October 2017).
5.		0.11	An expenditure of ₹11.26 lakh towards spectrum charges for S-Band Doppler Weather Radar (DWR) was incorrectly booked by PAO ISTRAC under the object head '52-Machinery & Equipment' under capital section instead of object head '30-Other Contractual Services' in the Revenue Section.	
6.		0.28	An expenditure of ₹28.47 lakh towards communication link charges was incorrectly booked by PAO ISTRAC under the object head '52 - Machinery and Equipment' in the capital section instead of booking it under object head '30-Other Contractual Services' in the Revenue Section.	
7.		0.78	An expenditure of ₹78.22 lakh towards the procurement of projector and screen was incorrectly booked by PAO ISTRAC under the object head '52 - Machinery and Equipment' in the capital section instead of booking it under object head '13-Office Expenses' in the Revenue Section.	
8.		0.35	An expenditure of ₹35.33 lakh towards warranty extension for Electronics of Cesium Beam Frequency Standards was incorrectly booked by PAO ISTRAC under the object head '52 - Machinery and Equipment' in the Capital section instead of booking it under object head '27-Minor Works' in the Revenue Section.	
9.	84-Department of Space	0.11	An expenditure of ₹10.88 lakh towards procurement of desktop computers was incorrectly booked by PAO ISTRAC under the object head '52 - Machinery and Equipment' in the Capital section instead of booking it under object head '13- Office Expenses' in the Revenue Section.	

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Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
10.	84-Department of Space	0.32	An expenditure of ₹32.04 lakh towards, supply, installation and commissioning of CCTV storage was incorrectly booked by PAO ISTRAC under the object head '52 – Machinery and Equipment' in the Capital section instead of booking it under object head '13– Office Expenses' in the revenue section.	The reply was awaited (October 2017)
11.		0.22	An expenditure of ₹21.60 lakh towards payment of Annual Maintenance Charges of NX/Ideas/TC/View/Solid Edge Software was incorrectly booked by PAO ISAC (Centre) under the object head '52 – Machinery and Equipment' in the Capital section which should have been booked under '27– Minor Works' in the revenue section.	
12.		0.13	An expenditure of ₹13.23 lakh towards Annual Maintenance Charges of Electronic Design Automation Tools was incorrectly booked by PAO ISAC (Project) under the object head '52 – Machinery and Equipment' in the Capital section' which should have been booked under '27– Minor Works' in the revenue section.	
13		0.15	An expenditure of ₹14.58 lakh towards Warranty payment of Cortex-CRT-XL Equipment for the period of six months was incorrectly booked by PAO ISAC (Project) under the object head '60 – Other Capital Expenditure' in the capital section instead of booking it under object head '27– Minor Works' in the revenue section.	
Revenue expenditure understated by ₹ 2,076.86 crore.				

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Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
Misclassification of Capital expenditure as Revenue expenditure				
1.	20-Ministry of Defence (Misc)	17.71	An expenditure of ₹17.71 crore pertaining to Centrally Adjusted APS items was incorrectly booked by BRO under object head '01-Salaries' in the revenue section instead of booking the same under appropriate object in the capital section of the grant.	O/o CGDA stated (August 2017) that proper classification would be done from FY 2017-18.
2.	56- Ministry of Law and Justice	425.35	An amount of ₹425.35 crore incurred on account of purchase of EVMs was booked under object head '28-Professional Service' in the revenue section of the grant instead of booking it under object head '52-Machinery and Equipment' in the capital section of the grant.	While accepting the observation, the Legislative Department, Ministry of Law and Justice, stated (September 2017) the Ministry of Finance had taken a decision to book the said amount under capital section during the pre-budget meeting, held on 20 October 2016, for the year 2017-18 onwards.
3.	61-Ministry of New and Renewable Energy	0.68	The Ministry had authorized an amount of ₹67.87 lakh to CPWD, M/o Urban Development for activities related to construction of 'Atal Akshay Urja Bhawan' and booked the same under object head '13-Office Expenses' in the revenue section instead of booking it under object head '53-Major Works' in the capital section of the grant.	The Ministry stated (August 2017) that the amount of ₹67.87 lakh could not be adjusted/ booked to the capital head due to technical issues in PFMS. The reply is not tenable as the Ministry did not propose any Journal/ Transfer Entry for rectification of error in the accounts.
4.	84-Department of Space	272.10	An expenditure of ₹ 272.10 crore on account of mission consumables was incorrectly booked under the object head '21-Supplies and Materials'(Major Head-3402) in the revenue section instead of object head '60-Other Capital Expenditure' in the capital section as per the extant orders.	Reply was awaited (October 2017).
5.		5.00	An expenditure of ₹ 5.00 crore on account of mission consumables was incorrectly booked under the object head '50-Other Charges' (Major Head-3402) in the revenue section instead of object head '60-Other Capital Expenditure' in the capital section as per the extant orders.	
6.		0.47	An expenditure of ₹47.15 lakh towards procurement of Air Boosting System was incorrectly booked by PAO ISAC (Centre) under the object head '21 – Supplies and Materials' in the revenue section instead of object head '52-Machinery & Equipment' in the capital section.	

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
7.	87-Ministry of Textiles	3.00	An expenditure of ₹3.00 crore for construction of office building for Marketing and Service Extension Centre and craft museum, Jaipur, functioning under the office of the Development Commissioner (Handicraft) which is an attached office of the Ministry of Textiles, was booked under the object head '35-Grants for creation of Capital Assets' in the revenue section instead of booking it under object head '53-Major Works' in the capital section.	Reply was awaited (October 2017).
Revenue expenditure overstated by ₹ 724.31 crore.				

Impact of misclassification:

The impact of incorrect classification of revenue expenditure as capital expenditure and vice-versa was understatement of revenue expenditure by ₹ 2,229.40 crore and overstatement of revenue expenditure by ₹ 752.18 crore. The overall impact on the government expenditure was understatement of revenue expenditure by ₹ 1,477.22 crore. Correspondingly revenue deficit of the financial year 2016-17 was understated by an equivalent amount of ₹ 1,477.22 crore.

4.5 Other cases of misclassification

4.5.1 Non-operation of object head 'Grants-in-aid-Salaries'

The Ministry of Finance vide its OM dated 7 June 2011 introduced a new object head '36- Grants-in-aid-Salaries' with effect from 01 April 2011 under object class-4 below Rule 8 of Delegation of Financial Powers Rules 1978.

Scrutiny of Appropriation Accounts of Grant No.96 pertaining to Ministry of Water Resources, River Development & Ganga Rejuvenation for the year 2016-17 revealed that the object head '36-Grants-in-aid-Salaries' was not operated. The Ministry had released grants amounting to ₹ 64.18 crore and ₹ 31.56 crore to National Water Development Agency (NWDA) and National Institute of Hydrology (NIH) respectively under the object head '31-Grants-in-aid-General' during the year 2016-17. As amounts of ₹ 54.51 crore and ₹ 22.20 crore, had been utilized for the purpose of salaries by NWDA and NIH respectively, the Ministry should have segregated the grants under object head '31' and '36' as required under extant rules.

Ministry stated (July/August 2017) that the observation has been noted for future compliance.

4.5.2 Misclassification within Object heads under the same section of the grant

Rule 8 of the Delegation of Financial Powers Rules, 1978 prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of classification of expenditure. List of object heads and description of expenditure to be booked thereunder are given in **Annexure-4.1**.

Scrutiny revealed that funds aggregating ₹ 549.49 crore were misclassified between the primary units of appropriation i.e. object heads, as detailed in **Table 4.10** below.

Table 4.10: Misclassification within object heads in the same section of grant

S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
1.	6-Department of Chemicals and Petrochemicals	0.34	2852/31	An expenditure amounting to ₹ 0.34 crore (₹0.22 crore + ₹0.12 crore) towards payment of fee to M/s Grant Thornton India Pvt. Limited –Programme Manager for devising operational guidelines for the Scheme for setting up of Plastic Park, was booked under the object head ‘31-Grants-in-aid-General’ instead of booking it under object head ‘28-Professional Services’.	The Ministry noted (August 2017) the audit observation for future compliance.
2.	15- Ministry of Electronics & Information Technology	1.10	2852/31	Out of the total budget allocation of ₹110.30 crore under 2852.07.202.85.16.31- (Digital India Programme-R&D in Information Technology/ Electronics/ CCBT-Grants-in-aid-General) released to IT Research Academy (ITRA), an amount of ₹1.10 crore was used by ITRA for payment of salaries to its employees. The grants utilized for the purpose of payment of salaries should have been correctly classified by the Ministry under object head ‘36-Grants-in-aid-Salaries’.	The Ministry stated that ‘Grants-in-aid-Salaries’ are earmarked for only those organizations/ institutions which receive recurring grants. As far as non-recurring grants is concerned, the grants is released either as Grants-in aid-General or Grants for creation of Capital assets for implementation of various projects. The reply is not tenable as object head ‘36 Grant-in-aid-Salaries’ is specifically meant for classification of grant in aid for payment of salaries and any payment towards salaries should have been classified under object head-36.

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
3.	15- Ministry of Electronics & Information Technology	0.53	3451/13	<p>An amount of ₹ 53.05 lakh was sanctioned for payment of electricity charges for National Informatics Centre (NIC), Bangalore. This also included electricity charges for the NIC, Data Centre/National Knowledge Network (NKN) and Network Centre. The expenditure was booked under object head '13-Office Expenses' (3451.00.091.13.01.13).</p> <p>NKN is a separate scheme of the Ministry and is implemented by National Informatics Centre Services Incorporation (NICS/NI) through grants-in-aid given by the Ministry. Thus, the booking of expenditure for electricity charges of NKN under object head 13-Office expenses by NIC was not in order.</p>	Reply was awaited (October 2017).
4.		0.42	2852/13,50 3451/50	The expenditure of ₹0.42 crore incurred on account of payment for legal services availed by the Ministry was incorrectly booked under Object heads '13-Office Expenses' and '50- Other Charges' instead of object head '28-Professional services'.	The Ministry stated that the audit comment has been noted for future compliance. However, it is noteworthy that sometimes a few cases crop in when it is neither possible to open appropriate heads nor delay the payment/release of fund. Keeping in view the exigencies, funds from similar object heads or "Other Charges" are exceptionally used.
5.		0.01	2852/50	An amount of ₹ 1.15 lakh was disbursed to a private company and was incorrectly booked under object head '50-Other Charges' in the revenue section. As the financial support given to applicants was a reimbursement to obtain international patent and Patent is an intangible capital asset. Hence, this expenditure should have been correctly classified under object head '35-Grants for creation of Capital Assets.'	The Ministry stated that payments made to the private company were in lieu of obtaining international patent. It is one type of fees that has been reimbursed and therefore, grants-in-aid may not be released for this purpose. The observations of the audit report will, however, be complied with in future.

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
6.	16-Department of Consumer Affairs	7.99	3475/52	The Department made centralized purchases of machinery & equipment to States/UTs and booked the expenditure amounting to ₹ 7.99 crore incorrectly under the object head '52-Machinery & Equipment' in the revenue section of the Grant instead of booking it under object head '35 –Grants for creation of Capital Assets'.	<p>The Department stated (September 2017) that prior to 2007-08, funds for strengthening of weight & Measures Infrastructure were released by the Department of State/UTs as Grants-in-aid under the revenue Major Heads- 2552 and 3602, so that the State/UTs can procure the Machinery & Equipment themselves. But later Department decided to centralize the scheme and supply machinery & equipment to state/UTs directly. Accordingly funds were required to be provided under "Machinery and Equipment" in the Capital side under the head- 4552 and 5475.</p> <p>As Machinery procured would be the property of the states and UT Governments, the expenditure will be revenue expenditure in the Centre's book and Capital Expenditure in States/UTs books. Hence, the department made the provision for Machinery & Equipment under Revenue head 3475 instead of capital head.</p> <p>However, steps are being taken for appropriate budgetary corrections.</p>
7.	20-Ministry of Defence(Misc)	266.11	5054/53 (Code Head-069/04)	An expenditure of ₹ 266.11 crore incurred on Category 'A'-Stores/Equipment, which was required to be booked under object '52- Machinery & Equipment', was incorrectly booked by BRO under object head '53-Major Works' in the capital section of the grant.	<p>O/o CGDA stated (August 2017) that object head '53-Major Works' was opened with the approval of O/o DGA (DS).</p> <p>The reply is not acceptable as the approval for object head '53-Major Works' had been given with specific condition that Category 'A'-Stores & Equipment, should not be classified under object head '53'.</p>
8.		9.33	2076/21 (Code Head-366/00)	An expenditure of ₹ 9.33 crore was incorrectly booked under object head '21-Supplies and Material' instead of object head '13-Office Expenses'.	While accepting the observation, O/o CGDA stated (August 2017) that discrepancies would be rectified and object head '13-Office Expenses' would be used in DDG 2017-18.

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
9.	44 - Department of Heavy Industry	1.07	2852/31	An expenditure of ₹ 1.07 crore was released to Science Engineering & Technological Upliftment (SETU) Foundation under the Scheme "Enhancement of Competitiveness in the Indian Capital Goods Sector" for setting up Common Engineering Facilities Centre. The expenditure was booked in accounts under the object head '31-Grants-in-aid-General' instead of booking it under the object head '35-Grant for Creation of Capital Assets'.	The Department stated (August 2017) that the fund of ₹ 1.07 crore was released to SETU Foundation as a first installment of the total project cost of ₹ 27.81 crore and most of the expenditure was of general kind/purpose. It, further, stated that in the financial year 2017-18, the funds under the scheme have been kept under the head Grants-in-aid for creation of capital assets. However, there was misclassification within the object head during 2016-17.
10.	44 - Department of Heavy Industry	7.18	2852/31	Grant-in-aid of ₹7.18 crore released to Non-ferrous Materials Technology Development Centre was utilized for Capital equipment and was booked in accounts under the object head '31-Grant-in-aid General' instead of correctly classifying under Object Head '35-Grants for creation of capital assets'.	The Department stated (August 2017) that the observation had been noted for future compliance.
11.		21.10	2852/31	Grants-in-aid of ₹21.10 crore released to Himachal Road Transport Corporation for purchase of 25 Electric Buses under FAME India Scheme was booked in accounts under the object head '31-Grants-in-aid-General' instead of correctly classifying it under the object head '35-Grant for Creation of Capital Assets'.	The Department stated (August 2017) that the observation had been noted for future compliance.

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
12.	57- Supreme Court of India	0.94	2014/33	An expenditure amounting to ₹94.41 lakh related to salary of canteen staff was provisioned and booked under object head-‘33-Subsidies’ instead of booking it under object head ‘01- Salaries.	<p>It was stated (September 2017) that the Budget of Supreme Court Registry is divided into two heads (1) Salaries (2) Non-Salary. Non-Salary is further divided into eight sub-heads out of which “Supreme Court Departmental Canteen” is one of them. Till the year 2003-04, it was shown as “subsidies” and from the financial year 2004-05, the expenditure, pertaining to the employees of the Departmental Canteen, was booked under ‘Supreme Court Departmental Canteen/ Departmental Canteen’. This Registry has been getting the Budget Grant for ‘Supreme Court Departmental Canteen’ under the Non-Salary Head till date. Therefore, the amount had been booked accordingly.</p> <p>The reply is not acceptable as the provisioning and booking of the salary of canteen staff should be done under object head ‘01-Salaries’ as per DFPRs.</p>
13.	58 - Ministry of Micro, Small and Medium Enterprises	39.04	2851/31	Grants-in-aid of ₹ 39.04 crore, released to Khadi and village Industries Commission (KVIC) under the scheme ‘Interest Subsidy Eligibility Certificate’ (ISEC) for the purpose of meeting any interest charged by banks over the interest paid by the Khadi institutions, was booked in accounts under the object head ‘31-Grants-in-aid-General’ instead of classifying the amount correctly under the object head ‘33 – Subsidies’.	The Ministry stated (August 2017) that the proposal for opening of separate budget head under the object head ‘33-Subsidies’ would be submitted in the 2 nd batch of Supplementary Demand for Grants 2017-18 and after approval from Ministry of Finance, the funds released under ISEC under the Object Head ‘31-Grants-in-aid-General’ would be transferred to the Object Head ‘33-Subsidies’

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
14.	58 - Ministry of Micro, Small and Medium Enterprises	3.00	2851/31	Grants-in-aid of ₹ 3.00 crore released to National Small Industries Corporation Ltd. for procurement of machines equipment for modernization of training facilities at its Training Centers was booked under the Object Head '31-Grants- in-aid-General' instead of correctly classifying under the Object Head '35-Grants for creation of capital assets'.	The Ministry stated (August 2017) that expenditure was booked under Object Head 31-Grants in aid General in view of the decision taken in the meeting chaired by Secretary according to which, since the infrastructure projects including equipment for training etc. aim at creating facilities, which are utilised by all the categories of beneficiaries like General, SC, ST and Others, the requirement of funds could be apportioned in the ratio of budget allocation under the above categories. The reply is not acceptable. As per sanction orders, the expenditure is of capital nature and therefore should have been booked under the Object Head '35-Grants for creation of Capital Assets'
15.		4.98	2851/32	An expenditure of ₹4.98 crore incurred on International Co-operation Scheme was booked in accounts under the Object Head '32-Contributions'. As the expenditure was incurred in the form of grants to organizations, registered societies etc., for general/specific purpose, it should have been correctly classified under the object head '31-Grants-in-aid-General'.	The Ministry stated (August 2017) that the administrative division has opened new object head '31 Grants-in-aid-General' for booking of expenditure from the financial year 2017-18.
16.	66-Petroleum & Natural Gas	100.00	2802/31	Grants-in-aid of ₹100.00 crore released to Rajiv Gandhi Institute of Petroleum Technology for capital expenditure was booked under the object head '31-Grants-in-aid-General' instead of classifying the expenditure correctly under the object head '35-Grants for creation of Capital Assets'.	The Ministry stated (September 2017) that there was no deliberate misclassification within object head and necessary corrective action has been duly undertaken. Ministry added (October 2017) that necessary action has been initiated to define the object head as 35- Grants for creation of Capital Assets.

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
17.	68- Ministry of Power	15.00	2801/31	Grants-in-aid of ₹15.00 crore released to National Power Training Institute (NPTI) for setting up of new Power Training Institutes at Shivpuri, Madhya Pradesh and at Alappuzha, Kerala was booked under the object head '31-Grants-in-aid-General' instead of classifying correctly under the object head '35-Grants for creation of capital assets'.	The Ministry stated (August 2017) that the misclassification of object head within the same section of the grant in respect of NPTI had been corrected in Detailed Demands for Grants for 2017-18.
18.	74- Ministry of Road Transport and Highways	7.64	3054/50	An amount of ₹ 7.64 crore i.e. ₹6.98 crore released to Indian Academy of Highway Engineering for the work of "Traffic Performance Evaluation and Optimization of Highways in Delhi using simulation analysis" and a payment of ₹ 0.66 crore to M/s Telecommunications Consultants India Ltd. (TCIL) towards 70 per cent payment for preparation of Detailed Project Report(DPR) for all three solar powered toll plazas, had been classified under the object head '50-Other Charges' instead of correctly classifying this expenditure under the object head '28-Professional services'.	The Ministry stated (September 2017) that as there was no Object Head for '28-Professional Services' under the said detailed head, the payment was made under '50-Other charges'. However, for the Financial Year 2018-19 and onwards, a new object head '28-Professional services' is proposed to be opened.
19.	84- Department of Space	0.50	5402/60	An expenditure of ₹ 50.33 lakh towards the procurement of Power Edge Server was incorrectly booked by PAO ISTRAC under the object head "60 – Other Capital Expenditure" instead of object head '52– Machinery & Equipment' in the capital section.	The reply was awaited (October 2017).
20.		0.22	5402/60	An expenditure of ₹ 22.47 lakh towards the Supply, Installation, Testing and Commissioning of NEMO-AM Ground Station Equipment was incorrectly booked by PAO-ISTRAC under the object head '60 – Other Capital Expenditure' instead of booking it under '52– Machinery & Equipment' in the Capital Section.	
21.		2.02	5402/60	An expenditure of ₹ 2.02 crore towards the procurement of 256 Channel Vibration Data Acquisition System was incorrectly booked by PAO ISAC (Project) under the object head '60–Other Capital Expenditure' instead of '52– Machinery & Equipment' in the Capital Section.	

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
22.	84- Department of Space	0.31	5402/60	An expenditure of ₹31.05 lakh towards procurement of portable X-Ray inspection system) was incorrectly booked by PAO ISAC (Project) under the object head '60- Other Capital Expenditure' which should have been correctly booked under '52 - Machinery and Equipment' in the Capital Section.	The reply was awaited (October 2017).
23.		0.37	5402/52	An expenditure of ₹ 36.80 lakh towards procurement of Electronic components i.e. EPGA development kit (space consumables) was incorrectly booked by PAO ISAC (Project) under the object head '52 - Machinery and Equipment' which should have been correctly booked under '60- Other Capital Expenditure' in the Capital Section.	
24.		0.76	5402/60	An expenditure of ₹ 75.91 lakh towards procurement of Flying Probe Test System was incorrectly booked by PAO ISAC (Project) under the object head '60- Other Capital Expenditure' which should have been correctly booked under '52- Machinery & Equipment' in the Capital Section.	
25.		0.39	5402/53	An expenditure of ₹ 39.20 lakh towards supply, installation, testing and commissioning of online parallel redundant UPS was incorrectly booked by PAO ISTRAC under the object head '53-Major Work' which should have been correctly booked under '52 - Machinery & Equipment' in the Capital Section.	
26.		1.00	3402/50	PAO, ISRO HQ released an amount of ₹1.00 crore to NARL under Atmospheric Science Programme to enable smooth continuation of ASP Projects was incorrectly booked under the object head '50-Other Charges' instead of object head '31-Grants-in-aid-General'.	
27.		0.20	3402/50	An expenditure of ₹ 20 lakh incurred towards maintenance of DWR System was incorrectly booked under '50 other charges' instead of object head '27- Minor works'	

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
28.	84- Department of Space	0.10	3402/21	An expenditure of ₹ 10.34 lakh incurred towards calibration of RF equipment was incorrectly booked under '21-Supplies and Materials' instead of object head '30-Other Contractual Services'.	The reply was awaited (October 2017).
29.		0.11	3402/20	An expenditure of ₹ 11.10 lakh paid toward maintenance/ caretaking of ISAC Guest House (Manpower contract) was booked under object head '20-Other Administrative Expenses' instead of object head '28-Professional Services'.	
30.		16.31	8009/50	An amount of ₹ 16.31 crore was incurred by PAO ISAC(C) towards payment of final settlement of Provident Funds for the year 2016-17 and booked under '50-Other Charges' instead of object head '04-Pensionary Charges'.	
31.		0.12	3402/30	An expenditure of ₹ 11.82 lakh incurred towards payment of contract drivers was incorrectly booked under '30-Other Contractual Services' instead of object head '28- Professional Services'.	
32.		0.15	3402/50	Grants-in-aid to the tune of ₹ 15 lakh released to North Eastern Space Application Centre, Shillong under EOAM Program was incorrectly booked under object head '50-Other Charges' instead of object head '31- Grants-in-aid General'.	
33.		0.58	3402/50	An expenditure of ₹ 58.35 lakh towards payment of Printing, Sorting and Packaging of confidential documents/question papers, was incorrectly booked under '50-Other Charges' instead of the object head '16-Publications'.	
34.		0.14	3402/50	An expenditure of ₹ 13.56 lakh towards transportation of confidential documents for ICRB Recruitment, was incorrectly booked under '50-Other Charges' instead of the object head '16-Publications'.	
35.		1.70	3402/50	An expenditure of ₹ 169.74 lakh was incurred towards comprehensive annual maintenance charges for SANFS solution which was to be booked under object head '27- Minor works' was incorrectly booked under '50- Other Charges'.	

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
36.	84- Department of Space	0.35	3402/50	An expenditure of ₹ 35.00 lakh was incurred towards operation and maintenance of DWR was incorrectly booked under '50 Other Charges' instead of object head '27-Minor Works'	The reply was awaited (October 2017).
37.		0.16	3402/50	An expenditure of ₹ 16.12 lakh was incurred towards comprehensive annual maintenance charges for Netapp Storage Solution was incorrectly booked under '50-Other Charges' instead of object head '27-Minor Works'.	
38.		0.17	3402/50	An expenditure of ₹ 16.77 lakh towards comprehensive annual maintenance charges for Network Security Devices was incorrectly booked under '50- Other Charges' instead of object head '27-Minor Works'.	
39.		1.01	3402/30	An expenditure of ₹101.11 lakh towards providing Professional Services (like Specialist Doctors, General Duty Doctors, Nurses, Pharmacists, Clinical Laboratory technicians and physiotherapists) was incorrectly booked under '30-Other Contractual services' instead of object head '28-Professional Services'.	
40.		0.24	3402/21	An expenditure of ₹ 23.98 lakh towards hiring of photocopiers on rental basis was incorrectly booked under '21 –Supplies and Materials' instead of object head '30- Other Contractual Services' .	
41.		0.53	3402/50	An expenditure of ₹52.90 lakh towards payment of supply of liquid nitrogen was incorrectly booked under '50-Other Charges' instead of booking it under object head '21-Supplies and Materials'.	
42.		1.70	3402/50	Grants-in-aid to the tune of ₹ 1.70 crore was released to Centre for Space Science and Technology Education in Asia and the Pacific (CSSTE-AP) and incorrectly booked under object head '50-Other Charges' instead of object head '32- Contributions'.	
43.		17.37	3402/30	An expenditure of ₹ 17.37 crore towards engagement of Data Entry Operator, Technical Assistant, and Reprographic Assistant, was incorrectly booked under '30 - Other Contractual Services' instead of booking it under object head '28-Professional Services'.	

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S. No.	Grant No. & Name	Amount (₹ in crore)	Major/Object head debited	Audit Observation	Reply/rebuttal
44.	86-Ministry of Steel	8.53	2852/31	An amount of ₹ 8.53 crore incurred on infrastructure, machines and equipment under the Scheme for promotion of Research & Development in Iron & Steel Sector, was booked under the object head '31-Grants-in-aid-General'. The expenditure should have been correctly classified under the Object Head '35-Grant for Creation of Capital Assets'.	The Ministry stated (September 2017) that the Ministry noted the observations and started the process of opening of a new object head '35-Grants for creation of Capital Assets' under the scheme 'Promotion of Research and Development in Iron and Steel Sector'.
45.	87- Ministry of Textiles	2.07	2852/31	Grants-in-aid of ₹2.07 crore released to Indian Jute Industries' Research Association (IJIRA), Kolkata, a grantee Institution, was utilized for Salaries and wages. The amount was incorrectly booked under object head '31-Grants-in-aid-General' instead of booking it under object head '36-Grants-in-aid-Salaries'.	Principal Accounts Office stated (August 2017) that the concerned division was being advised not to book the expenditure in respect of Salaries under the object head 'Grants-in-aid General'. The object head 'Grants- in-aid Salaries' would be opened on receipt of the request from programme division. Ministry added (October 2017) that B&A Division had already been requested to open a new budget head for IJIRA for releasing salaries and wages in the second batch of Supplementary Demand for Grant for 2017-18.
46.	95- Ministry of Urban Development	6.60	2059/50	An expenditure of ₹6.60 crore incurred on deployment of Security Forces (CISF) at Samadhi Sthal Complex, was booked under the object head '50-Other Charges'. Instead of booking under object head '28-Professional Services'.	Ministry stated (August 2017) that the provision under the appropriate budgetary head would be processed in next Financial Year.
Total		549.49			

4.5.3 Booking of 'Special Central Assistance' under incorrect minor head of account

Special Central Assistance (SCA) is provided by the Ministry of Tribal Affairs to State Governments as an additional support to the State Tribal sub plan. While the funds allocated for 'Tribal Area Sub Plan' are required to be booked under specific minor head of account i.e. '796- Tribal Area Sub Plan', a distinct minor head code i.e. 794 is earmarked for the purpose of booking of 'Special Central Assistance for Tribal Sub Plan' in the general directions to the list of major and minor heads of accounts.

Audit noticed that out of the total provision of ₹ 1,250 crore, the Ministry of Tribal Affairs released ₹ 1,195.03 crore as 'Special Central Assistance for Tribal Sub Plan' in the year 2016-17 and booked this under the minor head '796-Tribal Area Sub Plan' in Grant No. 89 pertaining to the Ministry of Tribal Affairs. The same was required to be provisioned and booked under the minor head '794-Special Central Assistance for Tribal Sub Plan' as prescribed in the extant instructions.

The matter had also been pointed out in the CAG's Report No.1 on Union Government Accounts for the financial year 2012-13, 2013-14, Report No. 50 for 2014-15 and Report No.34 for 2015-16.

In response to Report No.34 for 2015-16, the Ministry had assured (July 2016) that the minor head '794' would be opened in the DDG for the year 2017-18 for Special Central Assistance for Tribal-Sub-Plan.

Scrutiny of DDG for the year 2017-18, however, revealed that an amount of ₹ 1,350.00 crore had been obtained as provision for 'Special Central Assistance for Tribal Sub-Schemes' under Major Heads- 2225, 2552 and 3601 in minor head '796' instead of '794'.

The Ministry stated (August 2017) that the matter has been taken with the Ministry of Finance for opening of a new Minor head 794 so that expenditure under the Scheme Special Central Assistance to Tribal Sub Scheme could be booked under the distinct minor head of 794, as contained in general directions to the List of Major and Minor Head of Account.

4.6 Unauthorised augmentation through obtaining lump sum supplementary provision

(a) Special Component Plan for the Scheduled Castes and the Tribal Sub-Plan for the Scheduled Tribes were initiated by Government as intervention strategies to cater exclusively to Scheduled Castes and Scheduled Tribes respectively. The basic objective of both these sub-plans is to channelise the flow of outlays and benefits from the general sectors in the Central Ministries/Departments for the development of Scheduled Castes and Schedules Tribes, both in physical and financial terms. Separate allocations for the Scheduled Castes Sub Plan (SCSP) and Tribal Sub Plan (TSP) as part of the plan allocations were made from the financial year 2011-12. Accounting mechanism to account for such allocations by opening dedicated Minor Head 'Special Component for Scheduled Castes (Code 789)' and 'Tribal Sub Plan (Code 796)' was put in place. Accordingly, in the Detailed Demands for Grants of the Central Ministries/Departments, provision under a plan scheme is obtained distinctly with separate budget lines for 'general plan', 'special component for scheduled castes' and 'tribal area sub plan'. The provisions made under 'special component for scheduled castes' and 'tribal sub plan' are

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not allowed to be re-appropriated, except to the same Minor Heads in other schemes under SCSP and TSP, thereby preventing any possibility of diversion.

Para 4 of Appendix-3 (containing instructions for preparation of Budget) below Rule 48 of GFR-2005 provides that no lump sum provision will be made in the Budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme, which has been accepted in principle for being taken up in the financial year.

Scrutiny of Appropriation accounts along with Consolidated Abstract/*e-lekha* data for the year 2016-17 revealed cases of unauthorized distribution of lump-sum supplementary across four grants as detailed in **Table 4.11** below.

Table 4.11: Unauthorised distribution of lump sum supplementary provision

(₹ in crore)

Scheme/Heads	Provision			SA *	Expenditure
	BE*	NE*	TA *		
25- Ministry of Drinking Water & Sanitation					
3601.02.264.01.01.31 National Rural Drinking Water Programme-Normal Programme	1882.80	391.30	2274.10	1713.50	3443.59
3601.02.789.20.01.31 -do-	744.79	32.17	776.96		1150.95
3601.02.796.20.01.31 -do-	290.38	51.52	341.90		511.89
3601.02.264.01.02.31 National Rural Drinking Water Programme-DDP Areas	322.99	0.00	322.99		390.99
3601.02.789.20.02.31 -do-	104.49	0.00	104.49		126.49
3601.02.796.20.02.31 -do-	47.49	0.00	47.49		57.49
Total	3867.93	475.00	3693.30		1713.50
3601.02.269.03.01.31 Swachh Bharat Abiyan(Gramin)-Amount met from Rashtriya Swachhata Kosh	4644.99	869.99	5514.98	1869.00	6908.98
3601.02.789.19.04.31 -do-	1877.99	0.00	1873.99		2309.99
3601.02.796.19.04.31 -do-	853.99	0.00	853.99		1049.99
Total	8242.96	869.99	7242.96	1869.00	10268.96
The Ministry stated (October 2017) that separate provisions for SCSP and TSP components under the Major Head 3601 could not be mentioned in the demand sent for additional supplementary to the Ministry of Finance inadvertently due to oversight. However, the observations made by audit have been noted for strict compliance in the future.					
52-Department of Higher Education					
2203.00.112.05.09.35 Support to Indian Institute of Technology	1398.87	131.75	1530.62	400.00	1786.37
2203.00.789.08.01.35 -do-	270.75	25.50	296.25		345.75
2203.00.796.08.01.35 -do-	135.38	12.75	148.13		172.88
Total	1975.00	169.99	1943.00	400.00	2305.00

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Scheme/Heads	Provision				Expenditure
	BE*	NE*	TA*	SA*	
2203.00.112.80.01.36 Support to Indian Institutes of Science (IISc) and Indian Institute of Science Education & Research (IISER)	274.35	-	274.35	14.00	282.10
2203.00.789.71.01.36 -do-	12.00	-	12.00		13.50
2203.00.796.71.01.36 -do-	6.00	-	6.00		6.75
Total			292.35	14.00	302.35
2203.00.112.81.01.36 Support to Indian Institutes of Information Technology (IIITs)	31.70	-	31.70	6.00	36.35
2203.00.789.14.01.36 -do-	1.80	-	1.80		1.87
2203.00.796.72.01.36 -do-	0.90	-	0.90		0.91
Total			34.40	6.00	39.13
<p>The Department stated (August 2017) that the format of Supplementary Demands for Grants prescribed by Ministry of Finance includes break-up for Major heads only and it is obtained object-head wise. There is no mention in Supplementary Demands for Grants of break-up with respect to Minor heads like SCSP (789) and TSP (796).</p> <p>The reply is not tenable as other Ministries/Departments had obtained component-wise specific approval of the supplementary grant from the Parliament during 2016-17.</p>					
81-Ministry of Skill Development and Entrepreneurship					
2230.03.102.15.05.31 Apprenticeship and Training-Grants-in-aid-General	30.93	0.00	30.93	240.00	300.32
2230.03.789.08.04.31 -do-	6.06	0.00	6.06		44.34
2230.03.796.09.04.31 -do-	3.27	0.00	3.27		9.88
Total			40.26	240.00	354.54
2230.03.102.15.05.35 Apprenticeship and Training-Grants for creation of Capital Assets	16.00	0.00	16.00	30.00	30.61
2230.03.796.09.04.35 -do-	13.05	0.00	13.05		17.66
Total			29.05	30.00	48.27
<p>The Ministry stated (August 2017) that the lump sum supplementary of ₹ 270.00 crore was obtained with prior approval of the Parliament and the same was distributed under the different components. The proposal of Supplementary Demand for Grants was sent to the Ministry of Finance specifically mentioning the object-head.</p> <p>The reply is not acceptable. As per notification of the Supplementary Demand for Grants issued by Ministry of Finance, the supplementary grant was obtained under the general component only and no component-wise break up was shown.</p>					

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation

(b) In accordance with instructions issued by the Ministry of Finance in May 2006 relating to financial limits to be observed in determining cases relating to New Service (NS)/New Instrument of Service (NIS), augmentation of provision by way of re-appropriation to the object heads related to 'Grants-in-aid' (Object head-31, 35 and 36) to any body or authority from the Consolidated Fund of India in all cases can only be made with the prior approval of the Parliament.

Scrutiny of Appropriation Accounts, Consolidated Abstracts and Supplementary Notification issued by Ministry of Finance, revealed that lump sum supplementary grants were obtained from the Parliament in respect of two Grants and irregularly distributed amongst different object heads under the respective schemes without obtaining object head-wise specific approval of the Parliament as detailed in **Table 4.12** below.

Table 4.12: Unauthorised distribution of lump sum supplementary provision

(₹ in crore)

Scheme/Heads	Provision			SA*	Expenditure
	BE*	NE*	TA*		
18-Ministry of Corporate Affairs					
3475.00.105.11.00.31 Insolvency & Bankruptcy Board of India- Grants-in-aid-General	0.00	0.00	0.00	10.00	3.08
3475.00.105.11.00.35 Insolvency & Bankruptcy Board of India -Grants for creation of Capital Assets	0.00	0.00	0.00		2.08
3475.00.105.11.00.36 Insolvency & Bankruptcy Board of India -Grants-in-aid-Salaries	0.00	0.00	0.00		2.75
Total			0.00	10.00	7.91
<p>The Ministry stated (September 2017) that demand for cash Supplementary of ₹ 40.00 crore was made in the first batch of Supplementary Demands for Grants. It was clearly stated in the demand that</p> <ul style="list-style-type: none"> ➤ expenditure proposed falls under the category New Service/New Instrument of service; ➤ the allocation is sought as cash supplementary; and ➤ the expenditure will be apportioned in Grants-in-aid-General, Grants for creation of Capital Assets and Grants-in-aid-salaries. <p>The allocation of ₹ 10 crore under 1st batch of supplementary demand for grants 2016-17 was a case neither of token Supplementary nor that of re-appropriation contingent on grant of token Supplementary.</p> <p>The reply is not tenable as the amount with specific break up was not mentioned in the Supplementary Demand for Grants, in terms of para 4 of Appendix-3 below Rule 48 of GFR-2005.</p>					
24-Ministry of Development of North Eastern Region					
3601.05.101.02.00.31 Schemes of North East Council- Special Development Projects- Grants-in-aid-General	21.50	0.00	21.50		35.78
3601.05.101.02.00.35 Schemes of North East Council- Special Development Projects- Grants for creation of Capital Assets	277.50	0.00	277.50	68.49	497.34
The Ministry stated (September 2017) that due care would be taken to avoid such inadvertent mistakes.					

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation

4.7 Non-operation of detailed head '99-Information Technology' for booking of expenditure incurred on Information Technology

To ensure common standardization of heads of classification and to facilitate the monitoring of expenditure incurred by various Ministries/Departments on 'Information Technology', Ministry of Finance had decided², to place 'Information Technology' at 'detailed head' level at the fifth level of classification in Detailed Demands for Grants with standard code, i.e. '99' to serve the purpose of consolidating the expenditure incurred by a Ministry/Department for furthering the use of information technology, including acquisition of hardware, software, maintenance, development of software and training.

Audit scrutiny of the Appropriation Accounts, Consolidated abstract/e-*lekha* data and other records for the year 2016-17 revealed that expenditure amounting to ₹ 10.08 crore was incurred on purchase of information technology but the appropriate detailed head '99-Information Technology' was not used for classifying the said expenditure as was required under extant orders as brought out in **Table 4.13** below.

Table 4.13: Non-operation of detailed head '99-Information Technology'

Grant No. & Name of the Ministry/ Department	Amount (₹ in crore)	Head of Account	Observation	Reply of the Ministry/ Department
27-Ministry of Environment, & Forest & Climate Change	2.99	3435.03.102.05.02.11 3435.03.102.05.02.13 3435.03.102.05.02.28	The Ministry allocated an amount of ₹ 2.99 crore towards Information Technology (IT) under the said head of accounts and incurred expenditure of ₹ 2.99 crore without operating the detailed head-'99' for Information Technology.	The Ministry stated (August 2017) that the audit observation had been noted for creating suitable head.
61-Ministry of New and Renewable Energy	0.52	3451.00.090.14.00.13	The Ministry had incurred an expenditure of ₹ 52.44 lakh towards procurement related to 'Information Technology' and booked it under the detailed head-'00' instead of '99-Information Technology'.	The Ministry stated (August 2017) that no fund was allotted under 'Information Technology' head. It also stated that audit observation was circulated to all concerned divisional heads of the Ministry for remedial action to avoid recurrence in future.

² OM No.15 (4)/B (D)/2003 dated 9 July 2003

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79-Department of Bio-Technology	0.11	3451.00.090.23.02.13	The Department had incurred IT related expenditure of ₹ 11.23 lakh under detailed head- '02' instead of detailed head '99-Information Technology'.	While accepted the facts, Department stated (August 2017) that while rationalizing / merging the heads, the IT detailed head was inadvertently left out and separate head would be opened from the financial year 2018-19.
84-Department of Space	6.46	5402.00.101.08.00.52	The Department had incurred an expenditure of ₹ 6.46 crore on purchase of computer/ software/ hardware and was booked by PAO ISAC (Centre) under detailed head '00' instead of '99-Information Technology'	Reply was awaited (October 2017).
Total	10.08			

4.8 Mis-utilisation of Water Cess

The Ministry of Environment and Forests, Government of India, New Delhi³ provided for reimbursement of up to 80 *per cent* of the cess amount collected to the State Pollution Control Boards/Committees with the stipulation that the expenditure incurred on establishment and office expenses of the Boards/Committees should not exceed 25 *per cent* so received. The ceiling of 25 *per cent* was revised in December 2010 to 50 *per cent* with a stipulation that the enhanced 25 *per cent* needs to be earmarked for (i) establishment costs related to scientific and technical manpower, including augmentation thereof; and (ii) e-governance and IT applications in the State Boards/Committee including online consent management. The Water Cess Fund was required to be utilized for activities related to monitoring of air, water and noise by various agencies involved in it.

Scrutiny of the Appropriation Accounts along with Re-appropriation Orders of Grant No. 27 pertaining to Ministry of Environment, Forest & Climate Change, for the year 2016-17 revealed that contrary to the extant orders, out of total re-appropriations of ₹ 96.50 crore from the Water Cess Fund, an amount of ₹18.80 crore was re-appropriated from the detailed head 3435.03.102.05.05.30–Ecology and Environment–Environmental Protection and Monitoring–Prevention and Control of Water Pollution (Cess)–Other Contractual Services to the following heads of accounts as detailed in **Table 4.14** below:

³ Order No. Q-17011/1/88-CPW dated December 28, 1998

Table 4.14: Mis-utilisation of Water Cess

Sl. No.	Re-appropriated from	Re-appropriated to	Amount (₹ in crore)	Purpose
1.	3435.03.102.05.05.30 – Prevention and Control of Water Pollution (Cess) – Other Contractual Services	2406.01.005.06.01.01	1.61	F.S.I. (Salaries)
2.		3435.03.103.14.01.01	2.80	B.S.I. (Salaries)
3.		3435.03.103.14.02.01	7.00	Z.S.I. (Salaries)
4.		2406.01.005.06.02.01	0.40	N.Z. Park (Salaries)
5.		3451.00.090.29.00.01	4.79	Sectt. (Salaries)
6.		3451.00.090.29.00.30	1.20	Sectt. (OCS)
7.		3451.00.090.29.00.27	1.00	Sectt. (Minor Works)
Total			18.80	

The Cess Fund of ₹ 18.80 crore, which was required to be utilized towards designated activities related to Prevention and Control of Pollution, had been re-appropriated for salary payments, minor works and other contractual services pertaining to the Secretariat and other institutions under the control of the Ministry. Re-appropriation of the Cess Fund amounting to ₹ 18.80 crore for salary payments, minor works and other Contractual services pertaining to the Secretariat and other institutions under the control of the Ministry, was in violation of the guidelines for utilisation of the Water Cess Fund.

The Ministry stated (July 2017) that in order to avoid any excess appropriation of fund through Supplementary Grant, it was re-appropriated to the functional Heads of Accounts so that overall savings under the grant remained on the lower side. Ministry added stated that similar practice had also been adopted during 2015-16.

The reply is not tenable as the utilisation of cess fund for the purposes like salaries of regular staff of its constituent units and secretarial staff and for contractual services was in violation of the purpose for charging Water Cess.

4.9 Misclassification of expenditure due to non-operation of relevant sub-head

Under the Clause 3.6 of Administrative Instructions on Departmental Canteens in Government Offices and Industrial Establishments, 2008, Department of Personnel and Training (DOPT) notified that a separate head of account shall be opened for maintenance of the Departmental Canteens. The expenditure incurred for running and maintenance of a departmental canteen was to be booked under the appropriate object heads, as provided under DFPRs, under the separate sub-head 'Department Canteen' under minor head '800-Other Expenditure'.

Scrutiny of Appropriation Accounts of Grant No. 84 pertaining to Department of Space for the year 2016-17 revealed that various units of the Department misclassified an expenditure of ₹ 4.91 crore incurred on maintenance of departmental canteen, as detailed in **Table 4.15** below.

Table 4.15: Misclassification due to non-operation of relevant sub-heads

Sl. No.	Major Head	Minor Head	Sub Head	PAO	Expenditure (₹ in crore)	Observation
1.	3402	101	64	ISRO Headquarters	1.04	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3402.00.101.64'.
2.	3451	090	18	ISRO Headquarters	0.11	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3451.00.090.18'.
3.	3402	101	10	ISAC Centre	3.69	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3402.00.101.10'.
4.	3402	101	26	ISTRAC	0.07	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3402.00.101.26'.
Total					4.91	

To a similar observation raised during 2015-16, the Department had stated (July 2016) that booking of expenditures was done under the Object Head 20-Other Administration Expenses' which is classified as per Government of India's Orders (1) under Rule 8 of DFPRs.

Reply is not acceptable as according to Government of India's Orders (1) under Rule 8 of Delegation of Financial Power Rules, expenditure on Departmental Canteen hospitality is required to be booked under the Object Head "Other Administrative expenses". However, expenditure on payment of 'Pay and Allowances' to the employees of Canteens were also booked under the Object Head '20-Other Administrative Expenses' by Department of Space instead of the Minor Head '800-Other Expenditure'.

4.10 Misclassification of Salary Expenditure

The Ministry of Defence had incurred an expenditure of ₹ 1,077.30 crore during 2016-17 on salaries of regular Staff of BRO and classified part of it under Major Head 3054 – Revenue Works Expenditure and part of it Major Head 5054 Capital Works Expenditure, instead of appropriate Salaries head.

The Ministry stated (August 2017) that the expenditure would, henceforth, be booked under the Salary Head (Major Head 2052). Further, an expenditure of ₹ 169.54 crore on account of salaries was booked under Suspense Head (Code Head-020/74-Pay and Allowances of GREF Civilian) due to non-availability of budget provision.

As per extant rules, suspense head is operated only for the accounting of transactions which cannot be taken to the final head of expenditure or receipt due to want of certain information and documents.

4.11 Understatement of expenditure on Defence Pension

As per the Finance Account, ₹ 11,184.55 crore were lying in the PSB-Suspense head as on 31 March 2017. This represented the amount of pension disbursed by the banks on account of Defence pension but not taken to the final head of account. Subsequently, Ministry of Defence booked expenditure of ₹ 2,200 crore on account of pension payment at the final stage of closing of the FY 2016-17 account (September 2017). Therefore, ₹ 8,984.55 crore of pension payments remained to be booked in FY 2016-17. Further, the expenditure of ₹ 2,200 crore was booked without budgetary provision which resulted in excess of ₹ 2,199.55 crore under Revenue Section of Grant No. 21 pertaining to Defence Pension.

CGDA stated (October 2017) that the expenditure of ₹ 2,200 crore was booked to clear the pending pension scrolls received from the Banks on the instruction⁴ of the Budget Division, Department of Economic Affairs, Ministry of Finance.

The reply is not tenable as expenditure was incurred without augmenting the budget provision. There is an urgent need to review the initial budget estimation to make it more realistic.

4.12 Misclassification of expenditure under Minor heads

As per List of Major and Minor Heads of Accounts (LMMH), Minor Heads-091 pertaining to ‘Attached Offices’ may be used for provisioning and booking of expenditure on attached office under Major Head 3451- Secretariat Economic Services.

Further, as per LMMH, the minor head ‘091’ will record expenditure on attached offices of the Government of India, other offices of the State Government which are not identifiable with any particular function.

⁴ O.M No. 2(10)-B-(AC)/2017 dated 5 September 2017

Examination of DDG and Appropriation Accounts of Grant No. 14 pertaining to Department of Telecommunications for the year 2016-17 revealed that the Department had operated minor head '091' having the nomenclature 'General Administration' and used it for booking of expenditure amounting to ₹ 362.91 crore related to 'Telecom Directorate', 'Amount transferred to MH 3201 postal services on account of share of Audit charges', 'Maintenance, Amenities to Staff', 'Stationery and Printing', 'TERM CELL', 'Controller of Communication Accounts' and 'Central Monitoring System Operation and Maintenance'. This resulted in misclassification of expenditure under the Minor Head.

The Department stated (July 2017) that revamping of the existing heads of accounts was under process in consultation with the office of CGA.

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4.13 Unauthorised transfer of fund from Capital Grant to Revenue Grant

Para 3.2 of the of the Budget Manual 2010 issued by the Ministry of Finance states that there are three occasions when a technical supplementary¹ is sought viz. (a) surrender from one of the four sections viz. Revenue (Charged), Revenue (Voted), Capital (Charged) and Capital (Voted) and utilizing the same in other section within the Demand, (b) transfer of a scheme from one Demand to another Demand which will result in surrender of the amount from the Demand which has transferred the scheme and utilisation of the same in the other Demand, where the scheme has been transferred, and (c) waivers/write offs.

After rationalisation of grants, the Ministry of Defence has two Demands for Grants, one in Revenue Section and one in Capital Section. During the scrutiny of Appropriation Accounts of Defence Services for the year 2016-17, it was observed that incorrect Technical Supplementary Demands for Grants aggregating to ₹ 6,551.91 crore were obtained from the Parliament through Second batch (December 2016) and final batch (March 2017) in the revenue demand for grants. The technical supplementary provisions were obtained out of savings available in Grant No. 23-Capital Outlay on Defence Services.

Thus, transfer of funds aggregating to ₹ 6,551.91 crore through technical supplementary from Demand No. 23 (Capital Grant) to Demand No. 22 (Revenue Grant) was in violation to conditions prescribed in para 3.2 of the Budget Manual.

Further, scrutiny revealed that out of the total supplementary of ₹ 6,551.91 crore obtained through the technical supplementary grants, only ₹ 3,698.44 crore was utilised leaving an unspent balance of ₹ 2,853.47 crore.

This incorrect practice of obtaining technical supplementary and transferring funds from one Demand to another had been pointed out in the C&AG Audit Report No.1 of 2015, 50 of 2015 and 34 of 2016. However, no discernible measures have been taken by the Ministry to correct this incorrect practice.

The Ministry of Defence stated (July 2017) that the Budget Manual has no specific provision for Defence Services Estimates (DSE). However, Technical Supplementary for transfer of funds from Capital Grant to Revenue Grant was approved by Ministry of Finance, the technical supplementary in question may not be deemed irregular.

The reply is not tenable as the Ministry had failed to fully utilise the sanctioned provision for the Capital Grants and had been transferring the savings from the Capital Grant to the Revenue Grant(s) through technical supplementary resulting in the violation of provisions of the Budget Manual.

4.14 Examination of selected vouchers of Ministry of Drinking Water and Sanitation for the year 2016-17

4.14.1 Introduction

Audit of paid vouchers pertaining to the period 2016-17 in respect of Ministry of Drinking Water and Sanitation (Ministry) was conducted with the objective to examine the correctness of payment made and allocation of expenditure. The audit findings are brought out below.

4.14.2 Diversion of Plan fund for Non-Plan expenditure

As per Delegation of Financial Power Rules, 1978 (DFPRs), prior approval of the Ministry of Finance is required to re-appropriate provisions from Plan to Non-Plan head both under Revenue and Capital Section.

Further, as per Rule 26 of General Financial Rules-2005(GFRs), it is the duty and responsibility of a controlling officer in respect of funds placed at his disposal to ensure that the expenditure is incurred for the purpose for which funds have been provided.

Audit of paid vouchers pertaining to the period 2016-17 in respect of Ministry of Drinking Water and Sanitation (Ministry) revealed that during the year 2016-17, Ministry had obtained provision of ₹ 9.70 crore under sub-head-3451.00.090.54 (Secretariat-Economic Services- Secretariat-Drinking Water and Sanitation) to meet out non-plan expenditure under various object heads such as '01-Salaries', '03-Overtime Allowance', '06-Medical Treatment', '11-Domestic Travel Expenses', '12-Foreign Travel Expenses', '02-Wages' and '13-Office Expenses'.

Further, to meet out plan expenditure on object head such as '11-Domestic Travel Expenses', '12-Foreign Travel Expenses', '13-Office Expenses', '20-Other Administrative Expenses', '50-Other Charges' etc., the Ministry had

obtained a provision of ₹ 81.50 crore under sub-head 2215.01.102.19 (National Rural Drinking Water Programme).

However, during scrutiny of vouchers for the year 2016-17, it was noticed that the Ministry utilised Plan funds for incurring non-plan expenditure amounting to ₹ 1.79 crore (**Annexure-4.2**) without carrying out any re-appropriation and obtaining prior approval of Ministry of Finance.

4.15 Conclusion

Deficiencies in Appropriation Accounts relating to violation of Constitutional provisions and non-observance of financial guidelines have been noticed in Audit which impact on the accuracy of the compiled accounts. Non-obtaining of budgetary provision from the Parliament for payment of interest on the refunds of taxes, non-observance of instructions relating to New Service/New Instrument of Service and obtaining provisions under incorrect object heads leading to misclassifications of expenditure having impact on the revenue deficit, are some of the areas requiring attention of the Chief Accounting Authority.