

## Chapter 7

### APPROPRIATION ACCOUNTS 2009-10: AN ANALYSIS

#### Excess disbursements over grants/appropriations

**7.1** Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. **Table 7.1** contains the summary of total excess over the authorisation from the CFI. During 2009-10, there was an excess disbursement of ₹ 92,188,874,896 (i.e. ₹ 9,218.89 crore) in four segments of four grants in civil Ministries/departments, ₹ 19,296,123,832 (i.e. ₹ 1,929.61 crore) in 12 segments of 11 grants/appropriations of Railways, ₹ 82,215,99,000 (₹ 822.16 crore) in one segment of one grant in Department of Posts and ₹ 26,152,257,850 (i.e. ₹ 2,615.23 crore) in three segments of two grants of Defence Services. These are detailed in **Table 7.2** and require regularisation under Article 115 (1) (b) of the Constitution.

**Table 7.1: Summary of excess disbursements over grants/appropriations**

*(Figure in ₹)*

		Civil	Defence	Posts	Railways
<i>Voted</i>	Revenue	92188874896	26146215352	8221599000	19071723861
	Capital	-	-	-	-
<i>Charged</i>	Revenue	-	6042498	-	190759310
	Capital	-	-	-	33640661
No of Grants/ Appropriations		4	2	1	11
<b>Total Excess</b>		<b>92188874896</b>	<b>26152257850</b>	<b>8221599000</b>	<b>19296123832</b>

**Table 7.2: Details of excess disbursement over grants/appropriations**

Sl. No	Grant/ Appropriation	Figure in ₹	Reasons for variation as stated by the Ministries/departments
<b>Civil</b>			
<b>Revenue (Voted)</b>			
1.	14 – Department of Telecommunications	Grant Expenditure Excess	107658700000 108536860488 878160488
			Due to implementation of 6 <sup>th</sup> Pay Commission Report.

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Sl. No	Grant/ Appropriation	Figure in ₹		Reasons for variation as stated by the Ministries/departments
2.	20 – Ministry of Defence	Grant Expenditure Excess	10822350000 109176673097 953173097	Due to setting up of regional Armed Forces Tribunal Branches at various stations, implementation of 6 <sup>th</sup> Central Pay Commission Report, procurement of stores, additional movement of troops, more demand and supply of stores to units owing to their involvement in counter insurgency operations, etc.
3.	21 – Defence Pensions	Grant Expenditure Excess	25999750000 349992901305 89995401305	Due to payment of revised pension at higher rates under 6 <sup>th</sup> CPC Report than assessed, booking of pending pension scrolls received from banks, etc.
4.	54 – Other Expenditure of the Ministry of Home Affairs	Grant Expenditure Excess	13614700000 13976840006 362140006	Due to requirement of additional funds to meet the cost of increase in pension and dearness relief and release of pension to freedom fighters and their dependents on various liberation movements.
<b>Railways</b>				
<b>Revenue (Voted)</b>				
5.	04- Repairs and Maintenance of Permanent Way and Works	Grant Expenditure Excess	74407558000 74962582359 555024359	Due to more expenditure on salary, wages etc., on account of 6 <sup>th</sup> CPC Recommendation, more expenditure on direct purchases, stores from stock, contractual payments, and on misc. expenditure.
6.	05- Repairs and Maintenance of Motive Powers	Grant Expenditure Excess	33883241000 34791971288 908730288	Due to more expenditure on salary, wages etc., on account of 6 <sup>th</sup> CPC Recommendation, more expenditure on direct purchases, stores from stock, contractual payments, adjustment of more POH debits, increase in POH cost, increase in POH activities and more direct purchases.
7.	06 -Repairs and Maintenance of Carriages and Wagons	Grant Expenditure Excess	76924875000 78570614230 1645739230	Due to more expenditure on salary, wages etc. on account of implementation of 6 <sup>th</sup> CPC Recommendation, more drawal of stores from stock,

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Sl. No	Grant/ Appropriation	Figure in ₹		Reasons for variation as stated by the Ministries/departments
				direct purchases, contractual payments, adjustments of more POH debits, increase in POH/IOH activities and misc. expenses.
8.	08- Operating Expenses -Rolling Stock and Equipments	Grant Expenditure Excess	59472840000 59835900599 363060599	Due to more expenditure on salary, wages etc. on account of implementation of 6th CPC Recommendation, adjustment of more debits and more misc. expenses
9.	09- Operating Expenses-Traffic	Grant Expenditure Excess	118199061000 118433375471 234314471	-do-
10.	12- Miscellaneous Working Expenses	Grant Expenditure Excess	31576458000 31772312173 195854173	Due to more expenditure on salary, wages etc on account of implementation of 6th CPC Recommendation, on procurement of Arms and Ammunitions, misc. expenses, adjustment of more debits and settlement of more compensation towards goods, more workmen's compensation claims settled, ex-gratia payments, direct purchase of materials, training of medical, health and welfare staff, rents, rates and taxes, clearance of heavy outstanding liabilities and materialisation of claims.
11.	13- Provident Fund, Pension Fund & Other Retirement Benefits	Grant Expenditure Excess	153988173000 169112069979 15123896979	Receipt of more debits from pension disbursing authorities due to disbursement of arrears on account of 6th CPC, more voluntary retirement cases, more government contribution to new defined pension scheme.
12.	15- Dividend to General Revenue, Repayment of Loans taken from General Revenue and Amortisation of Over Capitalisation	Grant Expenditure Excess	55388300000 55433403762 45103762	Increase in dividend bearing capital-at-charge.
<b>Revenue (Charged)</b>				
13.	03-General Superintendence and Services	Appropriation Expenditure Excess	1058000 3479286 2421286	Materialization of more decretal payments than anticipated.

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Sl. No	Grant/ Appropriation	Figure in ₹		Reasons for variation as stated by the Ministries/departments
14.	05-Repairs and Maintenance of Motive Power	Appropriation Expenditure Excess	Nil 174024 174024	Materialization of decretal payments not anticipated earlier.
15.	10-Operating Expenses-Fuel	Appropriation Expenditure Excess	22536000 210700000 188164000	Materialization of more decretal payments towards Entry Tax than anticipated.
<b>Capital (Charged)</b>				
16.	16- Assets, Acquisition, Construction and Replacement (C)	Grant Expenditure Excess	610200000 643840661 33640661	Materialization of more decretal payments than anticipated.
<b>Department of Posts</b>				
<b>Revenue (Voted)</b>				
17.	13 – Postal Services	Grant Expenditure Excess	125226700000 133448299000 8221599000	Implementation of 6 <sup>th</sup> Pay Commission Report, more induction training programmes to new recruited staff, implementation of GDS Committee Report and clearance of expenditure incurred on account of NREGA from MORD etc.
<b>Defence Services</b>				
<b>Revenue (Voted)</b>				
18.	22 – Defence Services – Army	Grant Expenditure Excess	602525300000 627166411895 24641111895	Due to difference in the actual strength of officers/PBOR and strength figure provided by MISO, reinstatement of the personnel due to court judgment, increased expenditure due to enhancement of Dearness Allowance and embodiment of Territorial Army for PM's Territorial Army Day Parade, revision of travel entitlement due to implementation of 6 <sup>th</sup> CPC report and erroneous excess booking by CGDA, payment of arrears of pay and allowances, etc.
19.	23 – Defence Services-Navy	Grant Expenditure Excess	94357000000 95862103457 1505103457	Enrolment of new officers, revision of travel entitlement due to implementation of 6 <sup>th</sup> CPC report, increased expenditure due to enhancement of Dearness Allowance, payment of 6 <sup>th</sup> CPC arrears, operational necessity of hiring boats for

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Sl. No	Grant/ Appropriation	Figure in ₹		Reasons for variation as stated by the Ministries/departments
				coastal security, booking of coast guard and BSF fuel bills and additional payment for Pilots training in USA due to freshly concluded agreement not allocated in projections.
<b>Revenue (Charged)</b>				
20.	22 – Defence Services-Army	Grant Expenditure Excess	200900000 206942498 6042498	Due to finalisation of more number of court cases than anticipated.

**7.2** The other details relating to grants of the Railways are mentioned in the related separate Audit Report for the year 2009-10 of the Comptroller and Auditor General of India.

### Excess expenditure over provisions

**7.3** Pay and Accounts Officers can make payments in excess of the budget allotment under any sub-head or primary unit, on receipt of an assurance from the head of the department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re-appropriation orders, etc. It was, however, observed from the head-wise Appropriation accounts for the year 2009-10 that in 94 minor/sub-heads of 26 grants there was an excess expenditure of ₹ two crore and more, over the available provision. An aggregate expenditure of ₹ 21,774.78 crore had exceeded the available provisions under these minor/sub-heads, but the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. Minor/sub-heads with excess expenditure are listed in **Appendix-VII-A**.

### Saving of ₹ 100 crore or more

**7.4** Saving in a grant or appropriation indicate either deficient budgeting or shortfall in performance or both. Savings of more than ₹ 100 crore, which need a detailed explanatory note to the Public Accounts Committee (PAC), occurred in 66 cases of 51 grants (including Civil, Posts, Railways and Defence Services) during the year 2009-10. Large savings were in areas like Repayment of Debt (₹ 1,62,413.18 crore), Department of Rural Development (₹ 11,142.92 crore), Transfers to State and Union Territory Governments (₹ 11,508.95 crore), Interest Payments (₹ 6,996.56 crore), Department of

Disinvestment (₹ 5,379.90 crore), Department of School Education & Literacy (₹ 5,267.74 crore), Ministry of Road Transport and Highways (₹ 5,086.89 crore), Department of Financial Services (₹ 3,947.72 crore), Ministry of Power (₹ 2,661.91 crore), Police (₹ 2,538.02 crore), Department of Higher Education (₹ 1,552.60 crore), Ministry of Panchayati Raj (₹ 1,003.89 crore) and Department of Health and Family Welfare (₹ 1,599.82 crore) etc. **Appendix-VII-B** indicates the details of savings under various grants/appropriations.

The savings were attributed by the Ministries/departments as ‘some of the schemes failing to take off’, ‘delay in submitting of progress report/utilisation certificates’, ‘slow pace of expenditure by the implementing agencies’, ‘unspent balances lying with the State Governments’ and ‘receipt of less proposals from State Governments’, etc.

**7.5** Further, there were 29 sections of 24 grants/appropriations including nine capital sections with persistent savings of ₹ 100 crore and above during the last three years (2007-2010) as given in **Appendix VII-C**. Some of the cases with large persistent savings were, Transfer to State and Union Territory Governments (₹ 25,634.32 crore), Capital Outlay on Defence Services (₹ 15,259.03 crore), Interest Payments (₹ 14,133.75 crore), Department of Financial Services (₹ 12,876.84 crore), Department of School Education & Literacy (₹ 12,342.91 crore), Police (₹ 7,721.25 crore) and Ministry of Road Transport & Highways (₹ 6,169.39 crore).

### **Surrender of savings**

**7.6** According to the provisions of GFR 56, savings in a grant or appropriation are to be surrendered to Government as soon as these are foreseen, without waiting for the last day of the year. Savings should also not be held in reserve for possible future excesses. During 2009-10, under 205 segments of 98 grants/appropriations of civil Ministries/departments, there were savings of ₹ 2,47,819 crore. This was offset by excess expenditure of ₹ 9,219 crore under four segments of four grants resulting in a net saving of ₹ 2,38,600 crore. The amounts surrendered are shown in **Table 7.3**.

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**Table 7.3: Details of savings and surrender**

*(₹ in crore)*

	Unspent provision	Amount surrendered	Amount surrendered on 31 <sup>st</sup> March	Amount not surrendered
<b>Revenue</b>				
Voted	41931.90	39521.06	38071.03	3237.87
Charged	12921.81	12661.58	12661.58	259.19
Total: Revenue	54853.71	52182.64	50732.61	3497.06
<b>Capital</b>				
Voted	29534.90	28284.64	27422.99	1191.09
Charged	163430.58	5349.51	5349.11	158081.08
Total: Capital	192965.48	33634.15	32772.10	159272.17
<b>Grand total</b>	<b>247819.19</b>	<b>85816.79</b>	<b>83504.71</b>	<b>162769.23</b>

7.7 Under the grants pertaining to Department of Telecommunications, Transfers to State and UT Governments, Ministry of External Affairs, Ministry of Food Processing Industries, Ministry of Water Resources, Ministry of Culture, Department of Heavy Industry, Department of Food and Public Distribution, Capital Outlay on Defence Services and Ministry of Planning, the amount surrendered exceeded the savings. **Appendix-VII-D** gives the details. In the case of Department of Telecommunications, Department made an excess disbursement of ₹ 87.82 crore which requires regularization under Article 115(1)(b) of the Constitution of India (para 7.1 may be seen for further details). In spite of excess expenditure the Department surrendered ₹ 40.21 crore in March 2010. This is indicative of poor budgetary control mechanism in the Department of Telecommunications.

#### **Surrender of savings on 31<sup>st</sup> March**

7.8 In 51 cases where major savings (more than ₹ 100 crore) in a grant/appropriation were noticed and which eventually surrendered by the concerned Ministries/departments on 31 March 2010 along with the amount which were not surrendered and allowed to lapse are given in **Appendix VII-E**.

#### **Re-appropriation of funds**

7.9 For disbursements, a grant or appropriation is distributed by sub-heads or standard object heads under which it is accounted. The competent executive authorities can approve re-appropriation of funds between primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the

appropriation for the unit from which funds are to be transferred will not be utilised in full or that unspent provision can be effected in the unit of appropriation.

**7.10** Test check of Appropriation accounts with reference to re-appropriation orders for 2009-10 revealed that heavy re-appropriations of funds were made between the different primary units of appropriation defeating the original purpose/activity as authorised by the Parliament. A few cases, where heavy re-appropriation of funds took place were Repayment of Debt (₹ 1,56,682 crore), Transfers to State and UT Governments (₹ 9,563 crore), Capital Outlay on Defence Services (₹ 4,248 crore), Department of Rural Development (₹ 3,691 crore), Interest Payments (₹ 3,187 crore), Department of Health and Family Welfare (₹ 3,080 crore), Department of Fertilisers (₹ 2,867 crore), Ministry of Road Transport and Highways (₹ 2,445 crore), Department of Agriculture & Co-operation (₹ 1,947 crore), Defence Services–Air Force (₹ 1,891 crore), Defence Services – Army (₹ 1,389 crore), Ministry of Power (₹ 1,289 crore), Police (₹ 1,240 crore), Ministry of Women and Child Development (₹ 1,158 crore), Department of Financial Services (₹ 1,034 crore), Transfers to U.T. Governments (₹ 1,000 crore), Department of Drinking Water Supply (₹ 979 crore), Atomic Energy (₹ 770 crore) and Ministry of External Affairs (₹ 584 crore).

### **Injudicious re-appropriation to minor/sub-heads**

**7.11** Test check of the accounts revealed that in 37 cases relating to 24 grants/appropriations of civil Ministries/departments, in one case of one grant of Department of Posts and in five cases of four grants of Ministry of Defence, re-appropriations aggregating ₹ 1,57,253.87 crore were injudicious, as the original provision under the minor/sub-heads to which funds were transferred by re-appropriation was more than adequate. 43 cases, where re-appropriation exceeding ₹ one crore and more have been made, are given in **Appendix-VII-F**. Consequently, the final savings under the minor/sub-heads were more than the amount re-appropriated to these minor/sub-heads.

### **Injudicious re-appropriation from minor/sub-heads**

**7.12** In 11 minor/sub-heads of 10 grants as indicated in **Appendix-VII-G**, there were injudicious re-appropriations aggregating to ₹ 228.52 crore wherein the final disbursement under each of cases was more than the original provision, before re-appropriation. In each of them, even the excess over the



final provision, after re-appropriation from these heads, was more than the amounts re-appropriated.

### Large supplementary grants due to unrealistic budgetary projections

**7.13** Under Article 114 of the Constitution of India, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. While preparing the estimates of expenditures, Ministries/departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance after due deliberations and pre-budget meetings/scrutiny finalises the budget proposals. A scrutiny of the Appropriation accounts for the year 2009-10 revealed that a large number of Ministries/departments of the Central Government obtained supplementary grants/appropriations much in excess of the original provisions. The supplementary provisions of ₹ 20 crore or more, ranging from 40 *per cent* to 634 *per cent* of the original provisions in some sections of the grants, are mentioned in **Table 7.4**. This indicated that the Ministries/departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

**Table 7.4: Statement showing details of large Supplementary Grants due to unrealistic budgetary projections**

(₹ in crore)

Sl. No.	Description of grant	Original provision	Supplementary provision	Percentage of supplementary provision to original provision
<b>Revenue (Voted)</b>				
1.	06-Department of Chemicals and Petrochemicals	220.36	166.07	75
2.	09 – Ministry of Civil Aviation	731.09	311.00	43
3.	39- Pensions	10899.08	6913.33	63
4.	44 – Department of Disinvestment	18.78	23.42	125

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*(₹ in crore)*

Sl. No.	Description of grant	Original provision	Supplementary provision	Percentage of supplementary provision to original provision
5.	49 – Department of Heavy Industry	275.56	515.48	187
6.	72 – Ministry of Petroleum and Natural Gas	13475.33	11843.00	88
7.	74 – Ministry of Power	7617.73	3233.93	42
8.	91 – Ministry of Steel	115.01	728.69	634
9.	100 – Department of Urban Development	1008.52	414.80	41
<b>Capital (Voted)</b>				
10.	09- Ministry of Civil Aviation	155.95	800.00	514
11.	14 – Department of Telecommunications	104.00	171.75	165
12.	19 – Ministry of Culture	36.00	20.00	56
13.	31 – Ministry of External Affairs	525.00	297.50	57
14.	32 – Department of Economic Affairs	7763.65	9136.26	118
15.	33 – Department of Financial Services	2967.02	2373.98	80
16.	44 – Department of Disinvestment	2240.00	3139.90	140
17.	54 – Other Expenditure of the Ministry of Home Affairs	63.79	48.00	75
18.	72 – Ministry of Petroleum and Natural Gas	--	958.08	--
19.	97 – Dadra and Nagar Haveli	57.44	23.00	40
20.	100 – Department of Urban Development	2600.36	2026.48	78
21.	105 – Ministry of Youth Affairs and Sports	493.70	350.58	71

### Unnecessary supplementary grants

**7.14** The position of original and supplementary grants obtained under civil Ministries/departments and percentage of supplementary provision to the original provision from 2003-04 onwards is given in **Appendix-VII-H**. Test check revealed that in 14 sections relating to 14 grants/appropriations as detailed in **Table 7.5**, while supplementary provisions aggregating to ₹ 15,654.30 crore were obtained during 2009-10 in anticipation of higher expenditure, but the final expenditure was less than even the original

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grants/appropriations. The entire supplementary grant obtained was unnecessary, indicating deficient budgeting.

Instead of obtaining 'cash supplementary', the Ministries/departments first should explore the possibility of utilising the savings available within the grant and may obtain 'token' or 'technical supplementary', if required, to avoid savings at the close of the year.

**Table 7.5: Savings more than the supplementary grant/appropriation**

(₹ in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Saving
<b>Civil</b>					
<b>Revenue – Voted</b>					
1.	05 – Nuclear Power Schemes	2363.90	55.67	2002.11	417.46
2.	18 – Ministry of Corporate Affairs	189.62	9.43	182.26	16.79
3.	31-Ministry of External Affairs	5767.97	40.01	5528.26	279.72
4.	33 – Department of Financial Services	35446.52	1025.02	34598.82	1872.72
5.	43 – Direct Taxes	3093.80	22.77	3043.42	73.15
6.	57 – Department of School Education & Literacy	41319.58	1771.04	38322.88	4767.74
7.	58 – Department of Higher Education	15429.00	87.17	13963.57	1552.60
8.	88-Ministry of Social Justice and Empowerment	2446.00	5.03	2398.28	52.75
<b>Capital – Voted</b>					
9.	19 – Ministry of Culture	36.10	20.00	33.22	22.88
10.	32 – Department of Economic Affairs	7763.65	9136.26	4619.34	12280.57
11.	44 – Department of Disinvestment	2240.00	3139.90	--	5379.90
12.	74-Ministry of Power	1889.00	27.00	1579.76	336.24
13.	87 – Ministry of Road Transport and Highways	15842.00	311.00	14165.10	1987.90
14.	92 – Ministry of Textiles	184.00	4.00	183.63	4.37
<b>Total</b>			<b>15654.30</b>		

A few cases where reasons for savings, as furnished by the Ministry/department concerned in their 'Explanatory Savings Notes', are discussed below:

- In grant No. 5-Nuclear Power Schemes, saving was mainly on account of import of lesser quantity of strategic material, i.e. supply of PHWR fuel, (₹ 369.87 crore) and change of delivery schedule of strategic import (₹ 47.07 crore).
- In grant No.33–Department of Financial Services, saving was mainly on account of lesser payment of interest to leading institutions towards Agriculture Debt Waiver and Debt Relief Scheme, 2008 (₹ 1,692.15 crore). Saving of ₹ 1,000.00 crore occurred due to non-receipt of impact assessment report of the Task Force constituted by the Government to assess the impact of implementation of Agricultural Debt Waiver and Debt Relief Scheme.
- In grant No. 32-Department of Economic Affairs, saving of ₹ 3,035.61 crore was due to non-ratification of the “Voice and Participation” amendment of IMF’s Articles of Agreement (i.e. quota package) under the scheme Subscription to International Monetary Fund and ₹ 9,136.25 crore on account of non-requirement of additional funds by the IMF to maintain the value of currency in terms of Special Drawing Rights under the scheme ‘Maintenance of Value Obligation’.
- In grant No. 44–Department of Disinvestment, there was saving of ₹ 5,379.90 crore owing to change in the accounting procedure of National Investment Fund (NIF) under the scheme Transfer to Reserve Fund (NIF). As per revised accounting procedure, during 2009-12 the Ministry/department concerned responsible for implementation of schemes out of receipts from disinvestment proceeds would transfer the fund to NIF, instead of Department of Disinvestment.
- In grant No. 87–Ministry of Road Transport and Highways, out of the provision of ₹ 8,578.45 crore under National Highways Authority of India, Ministry of Finance reduced the allocation to ₹ 7,404.70 crore resulting in saving of ₹ 1,173.75 crore under the scheme. Further, saving of ₹ 155.74 crore occurred due to reduction in FDR targets on NH-1A, NH-22 and NH-31A and also reduction in target of works.

### **Unnecessary supplementary grants obtained under sub-heads**

**7.15** While obtaining supplementary grants, the Ministries/departments reported to Parliament large amounts of additional requirement for different purposes under the schemes/activities but they were finally unable to spend not only the entire supplementary grants or parts thereof but also the original budget provision. The details of sub-heads where entire supplementary grant together with part of original budget provision remained unspent are given in **Appendix-VII-I**.

### **Unrealistic budgetary assumptions**

**7.16** The budget circulars issued by the Ministry of Finance every year stipulate that due note, while framing the estimates, be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc,. The objective is to minimise the scope for avoidable surrenders at a later stage. Further, no provision should normally be made in the budget without completion of pre-budget scrutiny of the projects/schemes. Where, however, provision has been made without necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained therefor before the commencement of the financial year at the latest by the time budget is passed by the Parliament. Scrutiny of the head-wise Appropriation accounts revealed that the Ministries/departments made excessive provisions under various minor/sub-heads, which ultimately resulted in large savings and surrenders at the end of the year. **Appendix VII-J** gives the details of 140 such cases with savings of ₹ 10 crore and above, constituting more than 40 *per cent* of the budgeted provision.

### **Non-utilisation of entire provision**

**7.17** In 63 minor/sub-heads under various grants/appropriations, the entire provision authorised by the Parliament remained unutilised by the Ministries/departments. Savings of entire provision is indicative of the fact that the estimates were not prepared after adequate pre-budget scrutiny of the projects and schemes. The details of sub-heads are given in **Appendix VII-K**. Some major schemes which failed to take off or suffered due to non-utilisation of entire provision are Revival of Long Term Cooperative Credit Structure (₹ 1,000.00 crore), Implementation of Voluntary Retirement Schemes and payment of statutory dues (₹ 250.00 crore), Support to Planning Process at National, State and District Level (₹ 175.00 crore), Sethusamudram Ship Canal

Project (₹ 151.10 crore), Subsidy to State Government and UTs Administration for implementation of a Pilot scheme on introduction of Smart Card based delivery of essential commodities under TPDS (₹ 142.28 crore), National Road Safety Board (₹ 72.00 crore), Roads in Delhi (₹ 60.00 crore), India Statistical Strengthening Project (Modernisation of Statistical System in India (₹ 82.30 crore) and Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (₹ 97.00 crore).

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

**7.18** A detailed scrutiny of Appropriation accounts revealed that under certain grants and appropriations saving of ₹ 100 crore or more under a minor/sub-head was noticed which are indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/department. Necessary steps need to be taken by the Ministries/departments to make their budgetary exercise more realistic not only to minimise large scale variations between estimates and actual but also to gainfully utilise the scarce resources. These Ministries/departments are required to review their system of budgetary assumption and/or efficiency of their programme management. **Appendix VII-L** gives the details of 74 such savings of ₹ 100 crore or more under a sub-head.

Major savings occurred under the programme: ₹ 2,548.46 crore - Import of Urea due to import of less urea, softening of urea prices in the international market and variation in tentative exchange rates; ₹ 9,136.07 crore - Maintenance of value (MOV) obligation due to non-requirement of additional funds by IMF to maintain the value of currency in terms of SDR's; ₹ 2,149.19 crore - Loans to State Governments written off due to less number of State Governments found eligible for debt waiver; ₹ 1,175.61 crore - Accelerated Irrigation Benefit Programme & other Water Resources Programme due to receipt of less proposals from the Ministry of Water Resources; ₹ 739.86 crore - Establishment of AIIMS type Super-Specialty Hospitals-cum-Teaching Institutions and upgrading of State Government Hospitals due to slow pace of capital works and procurement of less vehicles; ₹ 1,000.00 crore - Grants for Backward Regions due to non-receipt of viable proposals from State Governments; ₹ 1,300.00 crore - Rural Electrification Corporation for Rajiv Gandhi Gramin Vidyutikaran Yojana due to slow progress of the scheme owing to general elections and heavy monsoon season; ₹ 4,272.01 crore - Assistance to District Rural Development Agencies/District Programme Coordinators and others due to availability of unspent balances of previous years with the State Governments; ₹ 1,291.64 crore - Capacity Building and Technical Support due to receipt of less proposals from State Governments

and Non finalization of Expenditure Finance Committee Memo for Rural Development Schemes; etc.

### Savings due to non-fulfillment of conditions laid down by the 12<sup>th</sup> Finance Commission

**7.19** One of the Terms of Reference to the Twelfth Finance Commission (TFC) was to make recommendations on the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India, and the sums to be paid to the states, which are in need of assistance by way of grants-in-aid of their revenues under Article 275 of the Constitution for purposes other than those specified in the proviso to clause (1) of the Article.

TFC recommended various grants amounting to ₹ 1,42,640 crore payable to States during the award period 2005-10 under various sectors as detailed in **Table 7.6:**

**Table 7.6: Statement showing details of large grants payable to states**

Sl. No.	Sectors/Items	Amount (₹ in crore)
1.	Post-devolution non-plan revenue deficit	56,856
2.	Education Sector	10,172
3.	Health Sector	5,887
4.	Maintenance of Roads & Bridges	15,000
5.	Maintenance of Buildings	5,000
6.	Maintenance of Forests	1,000
7.	Heritage Conservation	625
8.	State-specific needs	7,100
9.	Local Bodies	25,000
10.	Calamity Relief	16,000
	<b>Total</b>	<b>1,42,640</b>

Some conditions were attached to the release of these grants<sup>1</sup> and also monitoring by High Level Committee headed by the Chief Secretary to the State Governments in each State to ensure proper utilization of the grants.

Audit of Appropriation accounts of Grant No. 35 – Transfer to State & UT Government for the year 2009-10 revealed savings to the tune of ₹ 4,938.14 crore in eight sub-heads under the head ‘3601-Grants-in-aid to State Government - Non-plan Grants - Grants under the proviso to Article 275(1) of the Constitution’ in the Revenue charged portion due to non fulfillment of conditions laid down by the TFC by some State Governments, details of which are given in **Table 7.7.**

<sup>1</sup>Other than Non-Plan Revenue Deficit Grants.

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**Table 7.7: Statement showing details of grants releases and savings there against**

*(₹ in crore)*

S. No.	Sector/Sub-head	BE	Expenditure	Savings	States which did not fulfill conditions	Type of Condition
1.	Education Sector 3601.01.104.07	2915.45	2281.35	634.10	Jharkhand, Rajasthan & West Bengal	BE of NPRE for 2009-10 being lower than TFC projected level for the year. Actual for 2007-08 of NPRE being lower than the TFC projected 'normal expenditure' for 2007-08.
2.	Health Sector 3601.01.104.08	1944.31	1370.84	573.47	Jharkhand, Orissa, & Uttrakhand	-do-
3.	Maintenance of Roads & Bridges 3601.01.104.09	4250.00	3391.24	858.76	Arunachal Pradesh, J&K, Jharkhand, Karnataka, Kerala, Meghalaya, Punjab & Uttrakhand	-do-
4.	Maintenance of Public Buildings 3601.01.104.10	2047.00	994.43	1052.57	Gujarat, Jharkhand, Nagaland, Punjab & UP	-do-
5.	Maintenance of Forests 3601.01.104.11	245.63	214.49	31.14	Jharkhand & Meghalaya	Non-receipt of State High Level Committee's approved action plans, and utilization/ completion certificates.
6.	Heritage Conservation 3601.01.104.12	201.07	179.14	21.93	Bihar, Goa, Orissa & UP	-do-
7.	State-specific needs 3601.01.104.13	2581.92	2136.14	445.78	Arunachal Pradesh, Goa, Gujarat, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan & Tripura	-do-
8.	Local Bodies 3601.01.104.05	7026.85	5706.46	1320.39	Goa, J&K, Jharkhand, Meghalaya, Mizoram & Sikkim	Non-payment of interest by the States to Local Bodies at bank rate for delayed transfer of grants beyond stipulated



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(₹ in crore)

S. No.	Sector/Sub-head	BE	Expenditure	Savings	States which did not fulfill conditions	Type of Condition
						period.

In the financial year 2008-09 also there were savings of ₹ 3,553.04 crore in four sub-heads under the head '3601-Grants-in-aid to State Government - Non-plan Grants - Grants under the proviso to Article 275 (1) of the Constitution' in the Revenue charged portion due to non fulfillment of conditions laid down by the TFC by some State Governments.

Thus, the resources awarded by the Finance Commission to the State Governments remained unspent successively year after year thereby compromising the desired sectoral growth across the country. 2009-10, being the last year covered by the TFC's award, the State Governments have lost the opportunity to receive these grants earmarked for different sectors.

### **Irregular expenditure to avoid surrender of grant**

**7.20** Department of Atomic Energy (DAE) had sanctioned a project for setting up of Prototype Fast Breeder Reactor at an estimated cost of ₹ 3,492.00 crore in September 2003. The funding pattern was 80 *per cent* equity i.e. ₹ 2,793.60 crore and 20 *per cent* debt. The equity was to flow in the first phase and debt in the later phase. The Nuclear Power Corporation of India Limited (NPCIL) was to take a stake of five *per cent* equity i.e. ₹ 139.68 crore. Hence Department was required to release an amount of ₹ 2,653.92 crore towards Government's share of equity.

As against the sanction of ₹ 2,653.92 crore, Department had released ₹ 1,707.15 crore till the end of March, 2009. Thus the balance amount to be released towards equity amounted to ₹ 946.77 crore. Though balance sanction was available only to the extent of ₹ 946.77 crore during the year 2009-10, DAE released an amount of ₹ 995.70 crore, thus exceeding the sanction to the extent of ₹ 48.93 crore rendering the expenditure irregular.

Scrutiny of records revealed that DAE released the excess grant of ₹ 48.93 crore just to avoid surrender of grant while releasing an instalment of ₹ 325.70 crore on 31.03.2010. The certificate given by Chief Controller of Accounts (CCA) that the expenditure has been sanctioned by the Competent Authority in the head-wise Appropriation accounts for the year 2009-10 remains questionable.

DAE stated in September 2010 that a proposal for revision of cost of project to ₹ 5,677.00 crore was approved by Atomic Energy Commission (AEC) on 26 March 2010. The approval of the Cabinet Committee is yet to be obtained and would require some time. Thus, DAE had released grant of ₹ 48.93 crore without valid sanction of the competent authority which in this case is the Cabinet Committee.

### **Savings of ₹ 60.00 crore under National Mission on Nano Science & Nano Technology**

**7.21** During 2009-10, a projection of ₹ 130.00 crore was made by the Ministry of Science and Technology for collaboration between a firm of Germany and India in PETRA III synchrotron radiation facility which offers nano sized beams of photons that are of special significance for nano science research as well as past experience, subsequent releases to be made to the ongoing projects and for new initiatives. Since the Detailed Project Report (DPR) pertaining to beam lines access was not completed by September 2009 and was subsequently accepted by Apex Body in November 2009, the estimate was reduced to ₹ 70.00 crore leading to a savings of ₹ 60.00 crore. Out of the ₹ 60.00 crore, an amount of ₹ 41.97 crore was re-appropriated to another heads, while the remaining ₹ 18.03 crore was surrendered to the Ministry of Finance on 19 March 2010. Against the reduced provisions of ₹ 70.00 crore, the Nano Mission sanctioned funds to 116 new/ongoing projects during 2009-10.

₹ 18.03 crore could have been surrendered at RE stage, as it was evident by then that this amount will neither be spent nor could it be re-appropriated to any other head. However, it was surrendered by the Department only in March 2010 which is a clear violation of provisions of Rule 56 (2) of General Financial Rules, 2005 and deprives reallocation for the required purpose elsewhere.

### **Scheme affected due to non-utilisation of funds**

**7.22** During 2009-10, Ministry of Tribal Affairs allocated funds of ₹ 1,900.50 crore for two schemes namely (i) Schemes under Tribal Sub-Plan (₹ 900.50 crore) and (ii) Scheme under proviso to article 275(I) of the Constitution (₹ 1,000.00 crore). Under scheme (i) Special central assistance for Tribal Fund was provided by the Ministry of Tribal Affairs to the State Governments as additionality to the state plan for rapid economic development

of the tribals with a view to boost the demand based income generation programmes and to raise the economic and social status of the tribals. Under scheme (ii) Grant is released to state governments having ST population for raising the level of administration in scheduled areas and for welfare of the scheduled tribes with the aim to bridge the gap in critical infrastructure of roads, bridges, education, health and irrigation etc. and for setting up of Eklavya Model Residential Schools.

Scrutiny in audit revealed that against the allocated funds of ₹ 1,900.50 crore, the Ministry of Finance reduced the allocation to ₹ 880.34 crore in January 2010 at R.E. stage after taking into consideration the trend of expenditure upto the end of second quarter and this amount was fully utilized by the Ministry of Tribal Affairs during 2009-10 and the remaining unspent amount of ₹ 1,020.16 crore was surrendered on 31.03.2010. The Ministry attributed the reasons for saving to 'non-release of grants to State Governments as utilization certificates and physical progress reports had not been received in full from the respective State Governments within the stipulated period in respect of grants released earlier'. The reply of the Ministry does not explain why the unspent provision was surrendered at the fag end of the financial year instead of surrendering at the RE stage in January 2010, when it was known that it could not be spent.

The reasons put forward indicate poor implementation of schemes for Tribal Welfare and failure of Ministry in reversing the trend of expenditure of first two quarters.

### **Unauthorised expenditure**

**7.23** Delegation of Financial Power Rules<sup>2</sup> stipulates that in the same Demand for Grants, savings under the Revenue Section are not to be re-appropriated to meet additional requirements in the Capital Section or *vice versa*.

In June 2008, the Administration Division of MHA requested the Chief Controller of Accounts (CCA) to include an additional requirement of ₹ 2.70 crore in the revenue section under the sub-head 2052.03.99.52- Machinery and Equipment (IT) in the first batch of supplementary demands for grants for procurement of computers, peripherals and software. The Ministry without receipt of additional grant went ahead and placed supply orders (September 2008) for computers and software worth ₹ 2.53 crore. Eventually, the additional funds as requested were not approved. The Ministry decided to

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<sup>2</sup>GOI decision no. (4) below Rule 10 of Delegation of Financial Power Rules

apply unutilized funds allocated for the introduction of Electronic Access Control (Smart Card) system in North Block under Capital section. The Ministry met the expenditure towards purchase of computers and software from this allocation although the expenditure pertained to Revenue section. This was stated to be done with the concurrence of the CCA, whereas the CCA had simply clarified that if the administrative division certified that the proposal qualified to be funded under the Capital section then PAO would have no objection. Thus, the Ministry diverted funds allotted by the Parliament under capital section to meet revenue expenditure for a different purpose resulting in an unauthorized expenditure of ₹ 2.53 crore.

On being pointed out in audit, the Ministry stated (October 2009) that since the biometric system was meant for attendance control, the bulk computers were purchased for issue to all officers and staff to address this issue and therefore, were very much a capital expenditure for the purpose for which the budget provision was made. The Ministry further stated that biometric system had since been installed and all the computers were serving the intended purpose.

The reply is not acceptable as the purchase of bulk computers did not qualify as capital expenditure under capital section as the Ministry initially preferred the bills as revenue expenditure. Further, the proposal seeking supplementary grant for purchase of computers did not refer to the biometric system. Audit also noted that the proposal for installation of biometric system which was initially mooted in 2003 and finally implemented in 2009 made no reference to computers that were purchased for issue, to the officers and staff of MHA. Therefore, the two proposals for purchase of the biometric system and for the purchase of computers and software were separate and distinct.

The Ministry while accepting the audit finding stated (December 2010) that on deeper examination of papers it was noted that the observation of CCA had been construed as an approval for meeting the expenditure from 'Capital' which was not correct. The Ministry further stated that instructions had been issued to all DDOs of the Ministry to avoid such lapse in future.

**Postal Services (Grant No. 13)**

**7.24** Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings in real terms denote unspent provisions which are indicative of poor budgeting or shortfall in performance of the department under various schemes. In the capital (voted) section of this grant, for the past five years there has been persistent savings as depicted in **Table 7.8**. The main reasons advanced by the department for savings for the year 2009-10 were non-receipt/non-adjustment of DGS&D bills relating to procurement of vehicles and non completion of work as anticipated.

**Table 7.8: Persistent savings under capital (voted) section**

(₹ in crore)

Year	Budget provision including supplementary grant	Actual expenditure	Savings	Percentage
2005-06	367.09	268.98	98.11	27
2006-07	385.98	284.73	101.25	26
2007-08	255.02	90.43	164.59	65
2008-09	426.61	244.30	182.31	43
2009-10	388.81	261.62	127.19	33

As in the past four years, persistent savings under the capital (voted) section of the grant in the current year was primarily due to savings recorded under the minor head 5201.00.104– “Mechanisation and Modernisation of Postal Services”. Out of the budget allocation of ₹ 360.25 crore under this minor head only ₹ 241.24 crore was spent, leaving an unspent amount of ₹ 119.01 crore.

Further, against the saving of ₹ 127.19 crore under the capital (voted) section of the grant, the amount surrendered was ₹ 164.14 crore, which exceeded the overall savings, reflecting deficient budgetary management.

### Defence Services

**7.25** Scrutiny of the Appropriation accounts of Defence Services disclosed a persistent trend of savings during the years 2007-10 under voted segment of five grants as detailed in **Table 7.9**.

**Table 7.9: Persistent savings during the years 2007-10<sup>@</sup>**

(₹ in crore)

Grant No Major/ Minor Head	2007-08	2008-09	2009-10	Contributing reasons as stated by the Ministry
<b>22- Defence Services-Army (Major Head 2076)</b>				
110-Stores	127.07	468.88	2033.61	Due to non-materialisation of contracts relating to Fuel, Oil and Lubricants, routine slippages in contracts, reduction in rates of Superior Kerosene Oil, less quantity of food drawal due to bird flu, non drawal of packed milk, non-finalisation of AMC contract of UAV, non-delivery of UAV spares, non-lifting of FOL by Command Hqrs on time, non-finalisation of contracts of barrels, slow pace of booking by CDAs and lesser expenditure by DGOF on Engineer stores

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Grant No Major/ Minor Head	2007-08	2008-09	2009-10	Contributing reasons as stated by the Ministry
				supplies etc.
800-Other Expenditure	60.38	45.06	28.35	Due to low expenditure in Telephone Administration Grant, Incidental & Miscellaneous Grant, MIFD, Army Adventure Wing, unforeseen slippages in materialization of proposals, low expenditure in recruiting organizations and Army Commanders Special Financial Powers, reduced expenditure under Hot Weather Allowances due to return of bills by CDAs etc.
<b>24- Defence Services - Air Force (Major Head 2078)</b>				
800 – Other Expenditure	14.17	28.07	49.75	Due to enforcement of economy measures, non-submission of bills by the civil/meteorology departments, non-booking of funds committed for Embassies/Missions/Exercises/Training abroad etc., reduction in tariff rates, non-completion of certain communications projects and reduction in electricity /water/miscellaneous expenditure, non utilization of funds by Commands and AFCC etc.
<b>27- Capital Outlay on Defence Services (Major Head – 4076)</b>				
<b>02 – Navy</b>				
104 – Joint Staff	96.33	139.67	135.32	Due to procedural delays in materialization/progress of cases and exchange rate variation, Non-implementation/progress of Capital acquisition projects by ADG, Signal Intelligence, HQ Strategic Forced Command, HQ Andaman Nicobar Command, CD and Defence Services Staff College and non-materialisation of Mechanical Transport vehicles due to non supply by Central Vehicle Depot, non-fructification of certain major schemes, non acquisition of land, cancellation of certain major works, etc.

*@ Unspent provision/savings calculated with reference to budget provision (i.e. Original and Supplementary grant excluding re-appropriation in respect of all the three years, which is a departure from the earlier practice)*

The persisting trends of large savings in the aforesaid heads of grants are indicative of over-estimation of the requirement of funds or poor planning for procurement and projects, poor contract management, lack of an internal control system and failure to take effective remedial measures to avoid persistent savings.

### Surrender of savings

**7.26** The savings in a grant or appropriation are required to be surrendered as soon as these are foreseen without waiting till the end of the year. Further, savings should also not be held in reserve for possible future excesses as per Financial Regulations. During 2009-10, under charged segments of five grants of Defence Services where surrenders were made for ₹ 12.19 crore, there was saving of ₹ 23.96 crore. Under voted segments of five grants of Defence Services, where surrenders were made for ₹ 5,638.42 crore, there was saving of ₹ 5,309.49 crore. Out of this, ₹ 2,615.22 crore was offset by excess under two voted segments of grants relating to Defence Services-Army and Defence Services-Navy (₹ 2,464.11 crore + ₹ 150.51 crore) and one under charged segment of grant relating to Army (₹ 0.60 crore) resulting in overall savings of ₹ 2,694.27 crore. Besides, ₹ 5,638.42 crore under five grants in voted segments and ₹ 12.19 crore under five grants in charged segments were surrendered on the last day of the financial year which was contrary to the rule as per details appended below in **Table 7.10**.

**Table 7.10: Details of savings and surrender**

Grant/Appropriation	Savings		Amount surrendered on last date		Amount not surrendered	
	Charged	Voted	Charged	Voted	Charged	Voted
	(₹ in crore)					
22-Army	-	-	-	838.33	-	-
23-Navy	3.35	-	0.37	-	2.98	-
24-Air Force	1.74	564.79	1.60	260.03	0.14	304.76
25-Defence Ordnance Factories	1.17	553.04	0.50	280.11	0.67	272.93
26-R & D	0.50	431.46	0.24	408.18	0.26	23.28
27-Capital Outlay on Defence Services	17.20	3760.20	9.48	3851.77	7.72	-
<b>TOTAL</b>	<b>23.96</b>	<b>5309.49</b>	<b>12.19</b>	<b>5638.42</b>	<b>11.77</b>	<b>600.97</b>

In Grant No. 22-Army, there was an overall excess of ₹ 2,464.11 crore but despite excess expenditure, Ministry surrendered an amount of ₹ 838.33 crore on 30 March 2010, which reflects deficient budgetary control mechanism in the Ministry.

### Persistent excesses beyond budgeted provisions



**7.27** An analytical table on the persistent trend of financial budgetary control failure over the last three years in certain grants relating to Defence Services is detailed in **Table 7.11**.

**Table 7.11: Details of persistent excesses**

(₹ in crore)

Sl. No.	Description of grant	Final excess expenditure during			Contributing reasons as stated by the Ministry
		2007-08	2008-09	2009-10	
1.	23 – Defence Services - Navy 2077.00.101 – Pay and Allowances of Navy	30.00	242.91	323.58	Due to higher expenditure on account of cash booking for the last two months which cannot be accurately forecasted being variable in nature, due to implementation of 6 <sup>th</sup> Pay Commission and less than required allocation at RE 2009-10 stages.
2.	23 – Defence Services - Navy 2077.00.104 – Pay and Allowance of Civilians	8.81	127.89	64.21	Reply to Audit Memo issued in November 2010 for the reasons of excesses for the year 2009-10 is awaited from the Ministry as of December 2010. Further, for the years 2007-08 and 2008-09, after taking into account re-appropriations, Ministry had shown them under savings.
3.	27 –Capital Outlay on Defence Services – 4076.00.052 – Machinery and Equipment	121.39	811.72	499.37	- do -

Ministry failed to give appropriate justification as to how the PCDA/CDAs had authorised excess expenditure without the budget provision in the above grants. Even after repeated assurances to the Public Accounts Committee in the ATNs and issue of instructions, Ministry failed to arrest the trend of persistent excesses beyond budget provisions in the above detailed cases. This shows poor exchequer control.

**Non-differentiation of procurement from trade and procurement through Director General of Ordnance Factories resulting in erroneous booking**

**7.28** Ministry revised the cost criteria for classifying capital expenditure from ₹ 2.00 lakh to ₹ 10.00 lakh in the year 2003, based on the recommendations of a ‘Study Group’. It also reconstructed Minor Heads-102-Heavy and Medium Vehicles of Army and 103-Other Equipments of Sub Major Heads Army, Navy and Air Force under Major Head 4076-Capital Outlay on Defence Services in December 2003 to indicate the ‘procurement

from Trade' and 'DGOF supplies' separately and those amendments were effected from 1.4.2004. Later, Controller General of Defence Accounts also issued a correction slip No. 15/2008 that all signal items were to be booked under Major Head-103-other equipments under code head 908/37-'Electronics Trade'.

During scrutiny of re-appropriation of funds and surrender of savings for 2009-10, it was noticed that Signal Officer in Chief (SO in C) of Army Headquarters (AHQ) and Chief Signal officers of various Commands accorded sanctions under Telephone Administration Grant (TAG) for supply orders placed ex-trade under the head 908/62, which is meant for 'Electronics supplied by DGOF'. The booking should correctly have been under code head 908/37.

Based on these sanctions, final expenditure booked under Major Head 4076-Capital Outlay on Defence Services under Minor Head -103-Other Equipment under code head 908/62 for items procured from trade amounted to ₹ 147.47 crore.

In reply to audit, Integrated Headquarters (IHQ) of Ministry of Defence in August 2010 accepted that procurement from trade differed from supplies made by DGOF. In November 2010 IHQ stated that signal items of Capital nature were earlier provisioned from DGOF code head 908/62 but DGOF was unable to supply many items due to advancement of technology. Since funds under code head 908/37 were centrally controlled and monitored by DG Acquisition, funds under this code head could not be sub-allotted to any budget holders. On the other hand, SO-in-C was required to distribute funds under Telephone Administration Grant (TAG) down to Corps HQ level for execution of various projects and, therefore, funds were allocated to SO-in-C under the code head 908/62 for procurement. IHQ also replied that the issue is under active consideration with MOD and CGDA for having a separate code head each for expenditure by DGOF supplies and SO-in-C etc.

Contention of IHQ of Ministry of Defence is not tenable since Classification Hand Book for Defence Service Estimates for receipts and charges prescribe booking of signal items including items under telephone administration grant to code head 908/37 and no amendment has been issued as of December 2010. Thus the erroneous booking of ₹ 147.47 crore requires urgent remedial action.