

Chapter 3

APPROPRIATION ACCOUNTS: 2010-11

Introduction

Constitutional provisions

3.1 Soon after the Lok Sabha passes the Demands for Grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament can also sanction supplementary or additional grants by the subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112(3) as well as Article 293(2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent by the government vis-à-vis those authorised by the Appropriation Acts.

3.2 The CGA prepares the Appropriation Accounts in respect of 98 grants and appropriations of Civil Ministries. The Ministries of Defence and Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four Appropriation Accounts pertaining to different sectors of activities of the Government, viz. Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution every year, to the President, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various Ministries during 2010-11 are as follows:

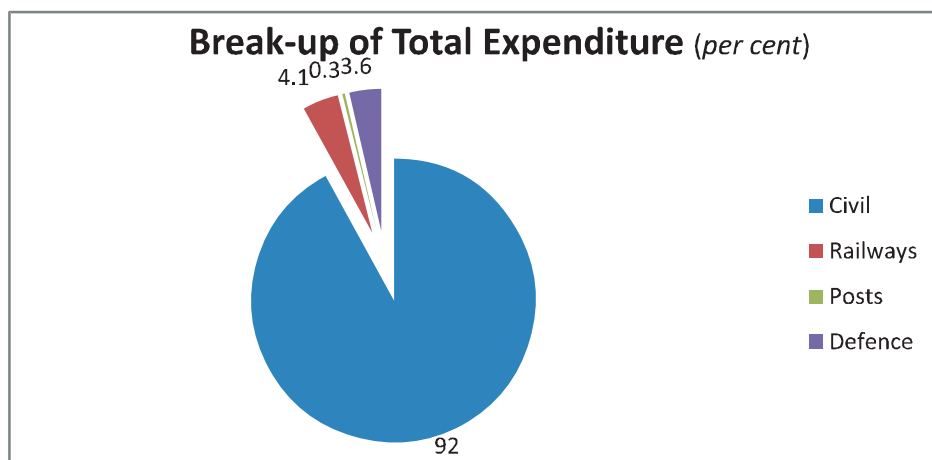
| Sector of Activity | Number of Demands for Grants/Appropriations |
|--------------------|---|
| Civil | 98 |
| Defence Services | 6 |
| Postal Services | 1 |
| Railways | 16 |
| Total | 121 |

3.3 The Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions obtained without requirement by some Ministries, unrealistic budgeting and detailed observations in respect of the Ministries selected for in-depth examination. For facility of better appreciation of the sectoral features, all grants relating to Civil Ministries/Departments, Posts and Defence, appropriations have been dealt with comprehensively. References to Railways appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in the related separate Audit Report for the year ended 2010-11.

Summary of total provision/actual disbursements

3.4 Chart 3.1 below shows the breakup of expenditure between Civil Ministries/Departments, Posts, Railways and Defence Services. As can be seen from the chart, the bulk of the expenditure, i.e. 92 *per cent*, was incurred by the Civil Ministries. Railways and Defence each accounted for four *per cent* of the total gross expenditure

Chart 3.1: Break-up of expenditure between Civil Ministries/Departments, Railways, Post and Defence Services during the financial year 2010-11



Expenditure under Charged and Voted during the year 2010-11

(₹ in crore)

| Civil | | Railway | | Posts | | Defence | |
|--------|---------|---------|---------|-------|---------|---------|---------|
| Voted | Charged | Voted | Charged | Voted | Charged | Voted | Charged |
| 918675 | 3104657 | 178088 | 418 | 14067 | Nil. | 158637 | 86 |
| 23% | 77% | 99.77% | 0.23% | 100% | Nil. | 99.95% | 0.05% |

Table 3.1 gives the total provisions (both Charged and Voted) and disbursements of the Government during the financial year 2010-11. **Appendix-III-A** presents the details of the summary of Appropriation Accounts of Civil Ministries, Posts, Railways and Defence Services.

Table 3.1: Provision and disbursement during 2010-11

(₹ in crore)

| Departments | Total Provision | Disbursements | Savings (-) Excess (+) | Percentage of Savings/Excess as compared to Total Provision |
|---------------------|-----------------|----------------|---------------------------|--|
| Civil | 4683839 | 4023332 | (-) 660507 | 14 |
| Posts | 13903 | 14067 | (+) 164 | 01 |
| Railways | 181975 | 178506 | (-) 3469 | 02 |
| Defence Services | 156127 | 158723 | (+) 2596 | 02 |
| Grand Total | 5035844 | 4374628 | (-) 661216 | 13 |

3.5 Under the Civil Ministries/Departments, the net saving of ₹ 6,60,507 crore was due to excess expenditure of ₹ 3,384 crore under seven grants and saving of ₹ 6,63,891 crore in the 96 grants/appropriations pertaining to civil Ministries/Departments. Out of the overall excess expenditure of ₹ 3,384 crore, ₹ 3,336 crore was on account of more payment of pension and other retirement benefit due to implementation of the one rank one pension scheme under grant No. 21-Defence Pension. Of the overall saving of ₹ 6,63,891 crore, savings of ₹ 5,83,785 crore were in grant No. 37-Appropriation-Re-payment of Debt under Capital (Charged) section, ₹ 17,919 crore in grant No. 81-Department of Rural Development under Revenue (Voted) section, ₹ 14,788 crore in grant No. 35-Transfers to State and Union Territory Governments under Revenue (Voted/Charged) and Capital (Charged) sections, ₹ 6,921 crore in grant No. 34-Appropriation-Interest Payments under Revenue (Charged) section, ₹ 5,798 crore in grant No. 74-Ministry of Power under Revenue/Capital (Voted) sections, ₹ 3,217 crore in grant No. 58-Department of Higher Education under Revenue (Voted) section and ₹ 2,716 crore in grant No. 53-Police under Revenue/Capital (Voted/Charged) sections. The gross saving in remaining grants/appropriations was ₹ 28,747 crore.

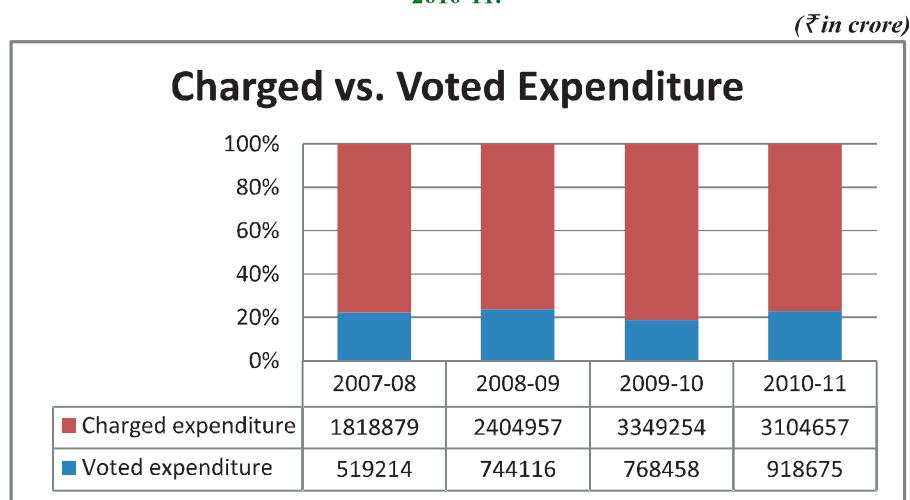
3.6 There were savings in 200 sections and excesses in nine sections under the grants/appropriations relating to Civil Ministries/Departments; savings in three sections and excess in one section of Posts; savings in 12 sections and excesses in 15 sections of Railways and savings in eight sections and excesses in four sections of Defence Services. **Appendix-III-B** presents an abstract of the details.

Charged and voted disbursements

3.7 As per constitutional requirements, a distinction is made between charged and voted expenditure. Charged expenditure is defined as all such expenditure as is not to be subjected to the vote of the Parliament under the various provisions of the constitution. **Appendix-III-C** contains the details of disbursements actually made against approved demands (grants and appropriations) of the Civil Ministries/Departments for the years 1999-2011. During these years, 70 to 81 *per cent* of the total disbursements for the Civil Ministries/Departments were charged on the Consolidated Fund of India.

3.8 During 2010-11, the total disbursements of ₹ 40,23,332 crore under Civil Ministries/Departments were less by ₹ 94,380 crore as compared to the total disbursements of ₹ 41,17,712 crore during 2009-10. It had increased by 569 *per cent* from ₹ 6,01,838 crore in 1999-2000. The charged disbursements increased by 585 *per cent* from ₹ 4,53,196 crore in 1999-2000 to ₹ 31,04,657 crore in 2010-11 and voted disbursements increased by 518 *per cent* from ₹ 1,48,642 crore to ₹ 9,18,675 crore over the same period. The charged disbursements of the civil Ministries/Departments during 2010-11 were mainly on account of Interest Payments of ₹ 2,44,743 crore, which was nine *per cent* higher as compared to ₹ 2,23,701 crore for 2009-10, Repayment of Debt ₹ 28,14,774 crore and Transfers to State and Union Territory Governments ₹ 41,728 crore on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State Plan Schemes etc. which constituted 77 *per cent* of the total disbursements. Since charged disbursements are not subject to vote by the Parliament, effectively the scope of financial control by Parliament is limited to about 23 *per cent* of the total disbursement in the Civil Ministries/Departments. **Chart 3.2** depicts the preponderance of charged expenditure over voted expenditure in Civil Ministries/Departments during the last four years 2007-08 to 2010-11. However, viewed against the background of total disbursements amounting to ₹ 43,74,628 crore from the CFI including Civil, Posts, Defence Services and Railways, the percentage of charged disbursements was 71 *per cent* (₹ 31,05,161 crore) during the financial year 2010-11.

Chart 3.2: Expenditure under Charged and Voted sections during the year 2007-08 to 2010-11.



Appropriation Accounts 2010-11: An Analysis

Grants/appropriations with excess disbursements

3.9 Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India except under appropriations made by law. Rule 52(3) of General Financial Rules, 2005 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 through an advance from the Contingency Fund. **Table 3.2** presents the summary of total excess disbursement of ₹ 11,042.87 crore over the authorisation from the CFI during 2010-11. There was an excess disbursement of ₹ 3,384,10,33,885 (₹ 3,384.10 crore) in nine segments of seven grants/appropriations in Civil Ministries/Departments, ₹ 3,052,78,77,064 (₹ 3,052.79 crore) in 15 segments of 10 grants/ appropriations of Railways, ₹ 366,63,29,167 (₹ 366.63 crore) in one segment of one grant in Department of Posts and ₹ 4,239,34,42,172 (₹ 4,239.34 crore) in four segments of four grants of Defence Services. These are detailed in **Table 3.3** and require regularisation under Article 115(1)(b) of the Constitution.

Table 3.2: Summary of excess disbursements over grants/appropriations

(Figure in ₹)

| | | Civil | Defence | Posts | Railways |
|---------------------------------|---------|--------------------|--------------------|-------------------|--------------------|
| <i>Voted</i> | Revenue | 33504302488 | 30028612635 | 3666329167 | 30432496034 |
| | Capital | 335641437 | 12353194576 | - | - |
| <i>Charged</i> | Revenue | 1089960 | 11634961 | - | 95381030 |
| | Capital | - | - | - | - |
| No of Grants/ Appropriations | | 7 | 4 | 1 | 10 |
| Total Excess | | 33841033885 | 42393442172 | 3666329167 | 30527877064 |

Table 3.3: Details of excess disbursement over grants/appropriations

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|-----------------|----------------------------------|--------------------------------|---|--|
| Civil | | | | |
| Revenue (Voted) | | | | |
| 1. | 21-Defence Pension | Grant Expenditure Excess | 339997500000 373360572983 33363072983 | Excess was due to implementation of one rank one pension scheme, more number of retirees and booking of pending pension scrolls received from banks, to clear amount under suspense and due to encashment of Earned Leave at the credit of retirees. |
| 2. | 31- Ministry of External Affairs | Grant Expenditure Excess | 62479700000 62542933514 63233514 | Requirement of additional funds towards salaries, office expenses, renovation of old buildings, payment of enhanced insurance premium for officials posted in Afghanistan, revision of foreign allowance and pay of local staff in Missions, evacuation of Indians from Libya owing to civil disturbances, committed payments for Punatsangchhu and Mangdechhu Hydroelectric Power Projects in Bhutan, and requirement of additional funds towards committed payment of various ongoing projects in Nepal. |

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|--------------------------|--|--|--|---|
| 3. | 101- Public Works | Grant Expenditure Excess | 10712600000 10790595991 77995991 | Requirement of additional funds for payment of enhanced salaries, Dearness Allowance, implementation of Modified Assured Career Progression Schemes (MACPS) and clearance of payment of local bodies towards electricity, Property Tax, etc. |
| Revenue (Charged) | | | | |
| 4. | 21-Defence Pension | Appropriation Expenditure Excess | 2500000 3574960 1074960 | Implementation of one rank one pension scheme and payment of retirement dues to more number of retirees. |
| 5. | 80-Ministry of Road Transport & Highways | Appropriation Expenditure Excess | Nil. 15000 15000 | Expenditure incurred to defray the cost of Writ Petition (Civil). |
| Capital (Voted) | | | | |
| 6. | 11-Department of Commerce | Grant Expenditure Excess | 6829900000 6895575990 65675990 | Re-appropriation of funds from the Major Head '4552' to functional heads for utilisation on projects/schemes for the benefit of North Eastern Region and Sikkim, booking of expenditure by Ministry of Urban Development under the ongoing schemes and excessive expenditure incurred by some Cheque Drawing and Disbursing Officers. |
| 7. | 31- Ministry of External Affairs | Grant Expenditure Excess | 8720000000 8989765506 269765506 | Requirement of additional funds for purchase of Chancery building in Sydney, clearance of payments for Punatsangchhu-I and Mangdechhu Hydroelectric Power Projects in Bhutan. |
| 8. | 72-Ministry of Petroleum and Natural Gas | Grant Expenditure Excess | 1015300000 1015314000 14000 | Requirement of additional equity investment in Engineers India Limited (EIL) on account of receipt of bonus shares from EIL. |
| 9. | 102-Stationery and Printing | Grant Expenditure Excess | 1300000 1485941 185941 | Requirement of additional funds for clearing outstanding claims of the previous year. |

**Report of the CAG on
Union Government Accounts 2010-11**

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|-----------------------------|---|--------------------------------|--|---|
| Railways Revenue (Voted) | | | | |
| 10. | 03-General Superintendence & Services | Grant Expenditure Excess | 43522333000 43574432897 52099897 | Incurrence of more expenditure on staff and arrear on implementation of MACPS, advertising bills and materialization of decretal payments. |
| 11. | 04- Repairs and Maintenance of Permanent Way and Works | Grant Expenditure Excess | 73788065000 73865617784 77552784 | Incurrence of more expenditure on staff and arrear on implementation of MACPS, contractual payments, drawal of stores from stock, expenditure on repairs and plantation of trees, etc. |
| 12. | 05- Repairs and Maintenance of Motive Powers | Grant Expenditure Excess | 33485353000 34236013832 750660832 | Incurrence of more expenditure on staff and arrear on implementation of MACPS, contractual payments, drawal of stores from stock, Periodical Overhaul (POH) debits, and increase in POH cost. |
| 13. | 06 -Repairs and Maintenance of Carriages and Wagons | Grant Expenditure Excess | 75784998000 77995875978 2210877978 | Incurrence of more expenditure on staff cost, contractual payments, direct purchase due to increase in special repairs, drawal of stores from stock, adjustment of wages and material on POH, increase in POH activity, large expenditure on running repairs and maintenance of power cars, and running repairs in workshop for sick lines. |
| 14. | 07-Repairs and Maintenance of Plant and Equipment | Grant Expenditure Excess | 41271166000 41669143327 397977327 | Incurrence of more expenditure on staff cost, salaries and contingencies, contractual payments, direct purchase, drawal of stores from stock, expenditure towards line wire, data circuit and telephone line, etc. |
| 15. | 08- Operating Expenses -Rolling Stock and Equipments | Grant Expenditure Excess | 59669307000 61568196127 1898889127 | Incurrence of more expenditure on staff cost, contractual payments, expenditure on procurement of linen and bed rolls, and adjustments of debits. |

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|--------------------------|--|--|---|--|
| 16. | 10- Operating Expenses-Fuel | Grant Expenditure Excess | 163729579000 167710434127 3980855127 | More expenditure on Sales Tax and Excise Duty, expenditure on High Speed Diesel Oil, receipt of more debits, and expenditure on electricity for Traction Services. |
| 17. | 11-Staff Welfare and Amenities | Grant Expenditure Excess | 35010122000 35549566110 539444110 | Receipt of more claims of tuition fee, disbursement of educational assistance to railway employees, incurrence of expenditure on staff cost and arrears on implementation of MACPS, expenditure on purchase and maintenance of medical equipments, and contribution to Staff Benefit Fund. |
| 18. | 12- Miscellaneous Working Expenses | Grant Expenditure Excess | 33540570000 40024956934 6484386934 | Incurrence of more expenditure on staff cost, adjustments of debits, expenditure on compensation claims, and consumer awards, direct caterers and clearance of outstanding bills of Indian Railways Catering and Tourism Corporation, more expenditure towards rent, rates and taxes, and materialization of claims. |
| 19. | 13- Provident Fund, Pension Fund & Other Retirement Benefits | Grant Expenditure Excess | 149487370000 163527121918 14039751918 | Receipt of more debits from pension disbursing authorities on account of implementation of Sixth pay Commission, payment of ex-gratia pension, receipt of more debits towards family pension, finalization of cases of Death Cum Retirement Gratuity, leave encashment, and expenditure on government contribution. |
| Revenue (Charged) | | | | |
| 20. | 03-General Superintendence and Services | Appropriation Expenditure Excess | 1552000 3649842 2097842 | Materialization of decretal payments more than anticipated. |
| 21. | 06-Repairs and Maintenance of Carriages & Wagons | Appropriation Expenditure Excess | 969000 1425116 456116 | Materialization of decretal payments more than anticipated. |
| 22. | 07- Repairs and Maintenance of Plant & Equipment | Appropriation Expenditure Excess | 315000 464045 149045 | Materialization of decretal payments more than anticipated. |

**Report of the CAG on
Union Government Accounts 2010-11**

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|--|---|--|---|---|
| 23. | 08-Operating Expenses-Rolling Stock & Equipment | Appropriation Expenditure Excess | 821000 872277 51277 | Materialization of decretal payments more than anticipated. |
| 24. | 12-Miscellaneous Working Expenses | Appropriation Expenditure Excess | 2919460000 3012086750 92626750 | Materialization of decretal payments more than anticipated. |
| Department of Posts Revenue (Voted) | | | | |
| 25. | 13-Postal Services | Grant Expenditure Excess | 134266300000 137932629167 3666329167 | Pay and hike in Dearness Allowance, implementation of GDS Committee Report, MACP due to implementation of Sixth Pay Commission Report and excess payment of superannuation and retirement benefits including payment of family pension more than anticipated. |
| Defence Services Revenue (Voted) | | | | |
| 26. | 22-Defence Services-Army | Grant Expenditure Excess | 621379400000 650019552379 28640152379 | Hike in Dearness Allowance more than anticipated, accretion of new formations, additional expenditure towards movement of personnel, hiring of civilian labour and machinery, increase in purchase rate, increased demand for hay, exchange rate variation, supply of stores more than budgeted, release of advance payment for procurement of certain ammunition, passive night vision devices, and contractual obligations etc. |
| 27. | 23-Defence Services-Navy | Grant Expenditure Excess | 100025200000 101413660256 1388460256 | Certain unforeseen obligatory payments, increase in temporary duty, permanent duty, contractual payments, foreign travel of Service and civilian personnel. |
| Revenue (Charged) | | | | |
| 28. | 25-Defence – Ordnance Factories | Appropriation Expenditure Excess | 36500000 48134961 11634961 | Fructification of land acquisition cases more than anticipated. |
| Capital (Voted) | | | | |
| 29. | 27-Capital outlay on Defence Services | Grant Expenditure | 607762100000 620115294576 | Fructification of land acquisition cases more than |

| Sl. No | Grant/ Appropriation | Figure in ₹ | | Reasons for variation as stated by the Ministries/Departments |
|--------|----------------------|-------------|-------------|---|
| | | Excess | 12353194576 | anticipated, enhanced deliveries of certain systems, initial advances/enhanced deliveries/payments in environmental control, modernization of safety, security in Ammunition Depots, other schemes viz. Shakthi, Sujav, maturity of high value cases, enhanced deliveries/payments due to higher progress and incurrence more expenditure than anticipated under projects towards the close of the financial year, exchange rate variation, booking of letter of credit on account of foreign payments including taxes, booking of expenditure with respect to committed shipyard payments, revised requirement of funds for certain schemes contracted with Hindustan Aeronautical Limited, increased requirements due to committed liabilities, greater progress in certain works than anticipated, issue of Government sanction after finalization of Modified Appropriation at the end of March 2011 and obligatory expenditure incurred. |

3.10 The other details relating to grants of the Railways are mentioned in the related separate Audit Report for the year 2010-11 of the Comptroller and Auditor General of India.

Minor/Sub head-wise excess expenditure

3.11 Pay and Accounts Officers can make payment 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 disbursements would be provided by issue of re-appropriation orders, etc. It was, however, observed from the Head-wise Appropriation Accounts for the year 2010-11 that in 51 minor/sub-heads of 15 grants, there was an excess expenditure of ₹ five crore and more, over the available provision. An aggregate expenditure of ₹ 67,521.17 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 where excess expenditure occurred are listed in **Appendix-III-D**.

Saving of ₹ 100 crore or more (Sector-wise)

3.12 The Public Accounts Committee, in its 60th Report (10th Lok Sabha), had desired that each year, a detailed explanatory note in respect of savings of ₹ 100 crore or above in any section of a grant shall be furnished by the respective Ministry/Department, to the Committee. Further, saving in a grant or appropriation would be indicative of deficient budgeting as well as shortfall in performance.

Savings of more than ₹ 100 crore, which need a detailed explanatory note to the Public Accounts Committee (PAC), occurred in 70 cases of 51 grants (including Civil, Posts, Railways and Defence Services) during the financial year 2010-11. Large savings were in areas like: Repayment of Debt (₹ 5,83,785 crore), Department of Rural Development (₹ 17,919 crore), Transfers to State and Union Territory Governments (₹ 14,788 crore), Interest Payments (₹ 6,921 crore), Ministry of Power (₹ 5,797 crore), Department of Higher Education (₹ 3,217 crore), Department of Economic Affairs (₹ 3,126 crore), Police (₹ 2,716 crore), Department of Financial Services (₹ 2,444 crore), Ministry of Planning (₹ 1,585 crore), Ministry of Road Transport and Highways (₹ 1,535 crore) and Nuclear Power Scheme (₹ 1,052 crore) etc. **Appendix-III-E** indicates the details of savings under various grants/appropriations.

The savings were attributed by the Ministries/Departments to 'some of the schemes failing to take off', 'delay in submission of Progress Report/Utilisation Certificates', 'slow pace of expenditure by the implementing agencies', 'Unspent balances lying with the State Governments', 'Receipt of less proposals from State Governments', etc.

3.13 Further, 33 sections of 26 grants/appropriations including 12 capital sections with persistent savings of ₹ 100 crore and more which occurred during the last three years (2008-2011) are given in **Appendix III-F**. Some of the grants with large persistent savings were, Grant Nos. 34-Interest Payments, 35-Transfer to State and Union Territory Governments, 37-Repayment of Debt, 53-Police, 57-Department of School Education & Literacy and 80-Ministry of Road Transport & Highways.

Surrender of savings (Grant-wise)

3.14 Rule 56 of the General Financial Rules, 2005 provides that savings in a grant or appropriation are to be surrendered to Government as soon as these are foreseen, without waiting for the last day of the year. Savings should also not be held in reserve for possible future excesses. During the financial year 2010-11, under 200 segments of 96 grants/appropriations of Civil Ministries/Departments, there were savings of ₹ 6,63,891 crore. This was offset by excess expenditure of ₹ 3,384 crore under nine segments of seven grants resulting in a net saving of ₹ 6,60,507 crore. The amounts surrendered are shown in **Table 3.4**.

Table 3.4: Details of savings and surrenders

(₹ in crore)

| | Unspent Provision | Amount Surrendered | Amount Surrendered on 31 March | Percentage of Amount Surrendered on 31 March to Unspent Provision | Amount not Surrendered |
|--------------------|-------------------|--------------------|--------------------------------|---|------------------------|
| Revenue | | | | | |
| Voted | 55802.84 | 51851.06 | 50956.40 | 91 | 4094.45 |
| Charged | 8117.15 | 8965.85 | 8965.85 | 100 | 13.61 |
| Total: Revenue | 63919.99 | 60816.91 | 59922.25 | | 4107.06 |
| Capital | | | | | |
| Voted | 14969.40 | 10325.97 | 8087.59 | 54 | 4292.35 |
| Charged | 585001.40 | 640217.66 | 640217.36 | 100 | 11.37 |
| Total: Capital | 599970.80 | 650543.63 | 648304.95 | | 4303.72 |
| Grand total | 663890.79 | 711360.54 | 708227.20 | | 8410.78 |

3.15 Under the grants pertaining to Department of Pharmaceuticals, Ministry of Civil Aviations, Department of Industrial Policy and Promotion, Ministry of External Affairs, Ministry of Statistics and Programme Implementation, Interest Payments and Repayment of Debt, the amount surrendered exceeded the savings. **Appendix-III-G** gives the details. The Ministry of External Affairs under ‘Revenue (Voted)’ and Ministry of Defence, under ‘Capital outlay on Defence Services, incurred excess expenditure of ₹ 6.32 crore and ₹ 1,235.32 crore respectively (detailed in **Table 3.3**), which required regularisation under Article 115(1) (b) of the Constitution. While the Ministries incurred excess expenditure, they simultaneously surrendered ₹ 135.67 crore and ₹ 26.30 crore respectively in March 2011. This was indicative of poor budgetary management in the Ministry of External Affairs.

Surrender of savings on 31 March

3.16 Fifty five cases, where major savings (more than ₹ 100 crore) in a grant/appropriation were noticed and which were eventually surrendered by the concerned Ministries/Departments on 31 March 2011, along with the amounts which were not surrendered and allowed to lapse are given in **Appendix III-H**.

Re-appropriation of funds

3.17 For disbursements, a grant or appropriation is budgeted upto the standard object head under which it is accounted. The competent authority can approve re-appropriation of funds between primary units of appropriation viz. object head within a grant or appropriation before the close of the financial year to which such grant or appropriation relates, subject to restrictions laid down in the Delegation of Financial Power Rules, 1978. 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.

3.18 Test check of Appropriation Accounts with reference to re-appropriation orders for 2010-11 revealed that heavy re-appropriations of funds were made by the Ministries/Departments between different primary units of appropriation, defeating the purpose/activity as authorised by the Parliament. Some of the grants, where large re-appropriation of funds (more than ₹ 1,000 crore) were made are shown in **Table 3.5**.

Table 3.5: Statement showing details of large Re-appropriation

(₹ in crore)

| Sl. No. | Description of Grant | Total Provision | Amount Re-appropriated | Percentage of amount Re-appropriated as compared to Total Provision |
|---------|---|-----------------|------------------------|---|
| 1. | 1-Department of Agriculture and Co-operation | 17860.07 | 1753.02 | 10 |
| 2. | 2-Department of Agricultural Research and Education | 5393.81 | 2086.99 | 39 |
| 3. | 7-Department of Fertilizers | 66075.01 | 1790.84 | 03 |
| 4. | 33-Department of Financial Services | 59869.10 | 3476.32 | 06 |
| 5. | 34-Appropriation-Interest Payments | 251664.01 | 7783.44 | 03 |
| 6. | 35-Transfers to State and UT Governments | 128041.28 | 6484.70 | 05 |

| Sl. No. | Description of Grant | Total Provision | Amount Re-appropriated | Percentage of amount Re-appropriated as compared to Total Provision |
|---------------|--|-----------------|------------------------|---|
| 7. | 46-Department of Health & Family Welfare | 25363.21 | 3066.04 | 12 |
| 8. | 53-Police | 36563.85 | 1450.24 | 04 |
| 9. | 55-Transfers to Union Territory Governments | 1996.11 | 1177.74 | 59 |
| 10. | 74-Ministry of Power | 16558.46 | 1756.95 | 11 |
| 11. | 80-Ministry of Road Transport and Highways | 38901.18 | 2775.43 | 07 |
| 12. | 81-Department of Rural Development | 148225.53 | 4617.90 | 03 |
| 13. | 83-Department of Drinking Water and Sanitation | 10583.80 | 1565.04 | 15 |
| 14. | 104-Ministry of Women & Child Development | 11070.55 | 2200.15 | 20 |
| Total: | | | 41984.80 | |

Injudicious re-appropriation to minor/sub-heads

3.19 Test check of the accounts revealed that in 12 cases relating to nine grants/appropriations of Civil Ministries/Departments, re-appropriations aggregating ₹ 236.70 crore were injudicious, as the original provision under the sub-heads to which augmentation was made by way of re-appropriation was more than adequate. Resultantly, the final savings under the sub-heads were more than the amounts re-appropriated to these sub-heads. Nine cases, where re-appropriation exceeding ₹ five crore and more were made, are given in **Appendix-III-I**.

Large supplementary grants due to unrealistic budgetary projections

3.20 Under Article 114 of the Constitution, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also authorise 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. Scrutiny of the Appropriation Accounts for the year 2010-11 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 ranged from 32 *per cent* to 1,110 *per cent* of the original provisions in some sections of the grants. These are detailed in **Table 3.6**. Large supplementaries indicate that the Ministries/Departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

Table 3.6: 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 |
|------------------------|--|--------------------|-------------------------|---|
| Revenue (Voted) | | | | |
| 1. | 02-Department of Agricultural Research & Education | 3825.55 | 1568.26 | 41 |
| 2. | 06-Department of Chemicals and Petrochemicals | 393.31 | 1248.01 | 317 |
| 3. | 11-Department of Commerce | 3300.56 | 2694.09 | 82 |
| 4. | 14-Department of Telecommunications | 7925.92 | 2649.59 | 33 |
| 5. | 15-Department of Information Technology | 2546.00 | 1012.03 | 40 |
| 6. | 16-Ministry of Consumer Affairs | 457.66 | 233.77 | 51 |
| 7. | 21-Defence Pension | 24999.75 | 9000.00 | 36 |
| 8. | 49-Department of Heavy Industry | 375.01 | 1155.24 | 308 |
| 9. | 51-Ministry of Home Affairs | 3195.12 | 1037.54 | 32 |
| 10. | 62-Law and Justice | 672.17 | 268.54 | 40 |
| 11. | 72-Ministry of Petroleum and Natural Gas | 3179.00 | 35278.00 | 1110 |
| 12. | 92-Ministry of Textiles | 5478.94 | 7821.30 | 143 |
| Capital (Voted) | | | | |
| 13. | 17-Department of Food and Public Distributions | 10973.06 | 10000.02 | 91 |
| 14. | 18-Department of Corporate Affairs | 46.00 | 49.36 | 107 |
| 15. | 32-Department of Economic Affairs | 1850.40 | 11327.16 | 612 |
| 16. | 33-Department of Financial Services | 17325.00 | 5857.12 | 34 |
| 17. | 49-Department of Heavy Industries | 506.70 | 231.48 | 46 |
| 18. | 59-Ministry of Information and Broadcasting | 334.54 | 189.10 | 57 |
| 19. | 65-Ministry of Mines | 39.79 | 40.00 | 101 |

(₹ in crore)

| Sl. No. | Description of Grant | Original Provision | Supplementary Provision | Percentage of Supplementary Provision to Original Provision |
|--------------|-------------------------|--------------------|-------------------------|---|
| 20. | 92-Ministry of Textiles | 129.14 | 108.53 | 84 |
| Total | | | 91769.14 | |

The position of original and supplementary grants obtained under civil Ministries/Departments and percentage of supplementary provision to the original provision from the year 2004-05 onwards are given in **Appendix-III-J**.

Unnecessary cash supplementary grants

3.21 In 14 sections relating to 13 grants/appropriations, as detailed in **Table 3.7**, while cash supplementary provisions aggregating ₹ 15,186.89 crore were obtained during 2010-11 in anticipation of higher expenditure, the final expenditure was less than even the original grants/appropriations. The entire supplementary grant obtained was, therefore, unnecessary, indicating deficient budgeting.

Instead of obtaining 'Cash Supplementary', the Ministries/Departments should have first explored the possibility of utilising the savings available within the grant by obtaining 'Token' or 'Technical Supplementary', if required, to avoid savings at the close of the year.

Table 3.7: Savings more than the cash supplementary grant/appropriation

(₹ in crore)

| Sl. No. | Grant/Appropriation | Original Provision | Cash Supplementary Grant obtained | Actual Disbursements | Savings |
|------------------------------|--|--------------------|-----------------------------------|----------------------|----------|
| Civil Revenue – Voted | | | | | |
| 1. | 35-Transfer to State and Union Territory Governments | 78269.81 | 4379.00 | 71525.15 | 12463.68 |
| 2. | 52-Cabinet | 334.32 | 21.50 | 287.04 | 68.78 |
| 3. | 58-Department of Higher Education | 16690.00 | 2000.00 | 15566.76 | 3216.58 |
| 4. | 60-Ministry of Labour and Employment | 3165.00 | 270.67 | 3058.25 | 377.43 |
| 5. | 64-Ministry of Micro, Small and Medium Enterprises | 2636.40 | 30.25 | 2556.81 | 110.37 |
| 6. | 81-Department of Rural Development | 137880.16 | 7337.50 | 130299.16 | 17918.55 |

(₹ in crore)

| Sl. No. | Grant/Appropriation | Original Provision | Cash Supplementary Grant obtained | Actual Disbursements | Savings |
|------------------------|--|--------------------|-----------------------------------|----------------------|---------|
| 7. | 90-Ministry of Statistics and Programme Implementation | 2138.66 | 149.13 | 1979.18 | 308.66 |
| 8. | 97-Dadra & Nagar Haveli | 1581.45 | 32.24 | 1438.66 | 175.03 |
| 9. | 103-Ministry of Water Resources | 1020.52 | 30.00 | 929.43 | 121.13 |
| 10. | 105-Ministry of Youth Affairs and Sports | 2355.43 | 22.45 | 1724.83 | 653.08 |
| Capital – Voted | | | | | |
| 11. | 04-Atomic Energy | 2928.02 | 80.00 | 2495.98 | 512.07 |
| 12. | 53-Police | 6822.57 | 604.00 | 4960.00 | 2466.59 |
| 13. | 54-Other Expenditure of the Ministry of Home Affairs | 136.41 | 36.73 | 86.15 | 86.99 |
| 14. | 105-Ministry of Youth Affairs and Sports | 1209.57 | 193.42 | 1119.75 | 283.24 |
| Total | | | 15186.89 | | |

Unnecessary supplementary grants obtained under sub-heads

3.22 While obtaining supplementary grants, the Ministries/Departments reported to Parliament, large amounts of additional requirement for different purposes under various 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 minor/sub-heads where entire supplementary grants together with parts of the original budget provision remained unspent are given in **Appendix-III-K**.

Persistent savings (Sub-head wise)

3.23 A detailed scrutiny of Appropriation Accounts revealed that during the years 2008-09 to 2010-11, under certain grants and appropriations, persistent savings under a sub-head were noticed, which was indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. The details of sub-heads are given in **Appendix III-L**.

Savings of entire provision (Sub-head wise)

3.24 In 31 sub-heads under various grants/appropriations, the entire provision authorised by the Parliament remained unutilised by the Ministries/Departments. Savings of the entire provision is indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes. Major schemes which failed to take off or suffered due to

non-utilisation of entire provision are: Acquisition cost of Reserve Bank of India stake in National Housing Bank in the Department of Financial Services (₹ 450 crore), National Electricity Fund in Ministry of Power (₹ 227.64 crore), Undersea Cabling between Land and Andaman & Nicobar in Department of Telecommunications (₹ 161.84 crore) and Khadi Reform Development Package (Asian Development Bank Assistance) in Ministry of Micro, Small and Medium Enterprises (₹ 128.25 crore). The details of sub-heads are given in **Appendix III-M**.

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

3.25 A detailed scrutiny of Appropriation Accounts revealed that under certain grants and appropriations large savings of ₹ 100 crore or more, under a sub-head were noticed, which was indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. Necessary steps need to be taken by the Ministries/Departments to make their budgetary exercise more realistic, not only to minimise large scale variations between estimates and actuals but also to gainfully utilise the scarce resources. These Ministries/Departments are required to review their system of budgetary assumption and/or efficiency of their programme management. **Appendix III-N** gives the details of 60 such large savings of ₹ 100 crore or more, constituting more than 10 *per cent* of the budgeted provision under a sub-head.

Major savings occurred under the following programmes:

- ₹ 6,334.16 crore –‘Jawahar Lal Nehru National Urban Renewal Mission’ due to short or non-release of matching share by State governments, withdrawal of projects and delay in commencement of scheme,
- ₹ 5,000.59 crore –‘Transfer to National Investment Fund’ due to shortfall in realisation of receipt under the fund,
- ₹ 2,382.77 crore –‘Re-capitalisation of Public Sector Banks through World Bank loan’ due to transfer of funds to the new Plan scheme,
- ₹ 1,460.89 crore –‘Research’ under the grant of Police due to non-materialisation of proposals owing to non-receipt of approval from the competent authority,
- ₹ 1,348.05 crore –‘Assistance to Export Promotion and Market Development Organisations’ due to ineligibility of claims in view of

clarification by Policy Interpretation Committee, Director General of Foreign Trade;

- ₹ 1,229.68 crore –‘OFC based network for Defence Services’ due to non- implementation of Army and Navy segments under OFC scheme.

Savings of ₹ 50 crore and above, constituting more than 40 *per cent* of budgeted provision (Minor/sub-head wise)

3.26 The budget circulars issued by the Ministry of Finance every year stipulate that while framing the estimates, due note 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 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 III-O** gives the details of 34 such cases with savings of ₹ 50 crore and above, constituting more than 40 *per cent* of the budgeted provision.

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

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

However, in the cases detailed in **Table 3.8**, it has been noticed that the major part of disbursements by some Ministries/Departments was made in the month of March 2011 and/or during last quarter of the financial year, in contravention of the provisions of Rules and extant instructions.

Table 3.8: Rush of expenditure during March 2011 and/or last quarter of 2010-11

(₹ in crore)

| Sl. No. | Descriptions of the Grants | Budget Estimates | Expenditure in March* | Percentage of expenditure in March | Expenditure incurred during last quarter | Percent age of expenditure during last quarter | Reasons/remarks furnished by the Ministries/Departments |
|--------------|--|------------------|-----------------------|------------------------------------|--|--|---|
| Civil | | | | | | | |
| 1. | 02-Department of Agriculture Research & Education | 3825.55 | # | # | 1677.54 | 44 | Approval of expenditure in third batch of Supplementary Grant. |
| 2. | 06-Department of Chemicals and Petro-Chemicals | 420.00 | 423.73* | 101 | 636.69* | 152 | Release of ₹ 284 crore to Assam Gas Cracker Project in March 2011. |
| 3. | 09-Ministry of Civil Aviation | 2885.04 | # | # | 1489.00 | 52 | Release of capital budget to Air India and Haj subsidy. |
| 4. | 11-Ministry of Commerce | 3984.55 | 1047.55 | 26 | 1829.74 | 46 | Provision of funds in the third batch of Supplementary Grant. |
| 5. | 14-Department of Information Technology | 2707.00 | 806.54 | 30 | # | # | Awaited |
| 6. | 19-Ministry of Culture | 1238.00 | 231.38 | 19 | 414.16 | # | The expenditure was mainly due to flow of funds emanating as a result of final Supplementary Demands for Grants 2010-11 under which funds of ₹ 3,264 lakh were made available during March. |
| 7. | 28 – Ministry of Development of North Eastern Region | 1859.33 | 416.16 | 22 | 671.78 | 36 | The Ministry stated that the expenditure normally picks up after expiry of monsoon session i.e. during December-March every year, delay on the part of State Governments to submit firm proposals with all necessary clearances and also delay in vetting of draft proposals submitted by the State Governments by the concerned line Ministries/Departments etc. |
| 8. | 44-Department of Disinvestment | 63.36 | 18.42 | 29 | 37.88 | 60 | Completion of Disinvestment transaction in the month of March. |

**Report of the CAG on
Union Government Accounts 2010-11**

(₹ in crore)

| Sl. No. | Descriptions of the Grants | Budget Estimates | Expenditure in March* | Percentage of expenditure in March | Expenditure incurred during last quarter | Percent age of expenditure during last quarter | Reasons/remarks furnished by the Ministries/Departments |
|---------|--|------------------|-----------------------|------------------------------------|--|--|--|
| 9. | 47-Department of AYUSH | 964.00 | 267.76 | 28 | 341.32 | 35 | The additional release over and above the permissible limit of 15 per cent was due to the fact that majority of the releases were related to funds received after passing of third and final batch of Supplementary Grant 2010-11. |
| 10. | 48-Department of Health Research | 660.00 | 117.50 | 18 | 247.70 | 38 | The Department has accepted the facts and assured compliance in the future. |
| 11. | 49- Department of Heavy Industry | 881.71 | 1262.07* | 143 | 1333.53* | 151 | The amount obtained in third batch of Supplementary Grant. |
| 12. | 55- Transfers to Union Territory Governments | 1991.10 | 357.68 | 18 | # | # | Time taken for mapping of all Plan Schemes under Central Plan Monitoring Scheme (CPMS). Releases of funds were kept in abeyance till the mapping of heads was completed. |
| 13. | 57-Department of School Education and Literacy | 47772.88 | 21093.30 | 44 | 24172.75 | 51 | No reason was furnished by the Department. |
| 14. | 58-Department of Higher Education | 16690.00 | # | # | 10463.34 | 63 | Reply from the Department was awaited. |
| 15. | 59-Ministry of Information & Broadcasting | 2604.25 | 537.52 | 21 | # | # | Funds for the additional expenditure on constructions of building and other items of capital nature of various media units were utilised in the month of March 2011 after obtaining the approval of third and final batch of Supplementary Grant for the financial year 2010-11. |
| 16. | 69-Ministry of Panchayati Raj | 5170.71 | 1569.07 | 30 | 1807.65 | 35 | Obtaining of Supplementary Grant of ₹ 1,520 crore in March 2011. |
| 17. | 90-Ministry of Statistics & Programme Implementation | 2148.35 | 711.38 | 33 | 972.99 | 45 | Reply from the Ministry was awaited. |

(₹ in crore)

| Sl. No. | Descriptions of the Grants | Budget Estimates | Expenditure in March* | Percentage of expenditure in March | Expenditure incurred during last quarter | Percent age of expenditure during last quarter | Reasons/remarks furnished by the Ministries/Departments |
|-------------------------|--|------------------|-----------------------|------------------------------------|--|--|--|
| 18. | 92-Ministry of Textiles | 5608.08 | 8439.97* | 151 | 8580.27* | 153 | Write off of outstanding loan in March through third batch of Supplementary Grant. |
| 19. | 100-Department of Urban Development | 5989.21 | 1248.15 | 21 | 2152.29 | 36 | Sanction of funds in third batch of Supplementary Grant. |
| Defence Services | | | | | | | |
| 20. | 26-Defence services-Research and Development | 5260.42 | 1309.59 | 25 | 1979.31 | 38 | Ministry did not assign specific reasons for rush of expenditure. |
| 21. | 27-Capital Outlay on Defence Services | 60000.00 | 19489.41 | 32 | 26680.89 | 44 | -Do - |

**Expenditure exceeded the budget Estimates as supplementary provisions were obtained.*

#Expenditure was within the prescribed limits

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

Postal Services (Grant No. 13)

3.28 The Public Accounts Committee in its 60th Report (10th Lok Sabha) had desired that each year a detailed explanatory note in respect of savings of ₹ 100 crore or above in any section of a grant shall be furnished by the respective Ministry/Department, to the Committee. Further, saving in a grant or appropriation is indicative of deficient budgeting as well as shortfall in performance.

Further, savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings as shown in Appropriation Accounts in real terms denote unspent amounts, which are indicative of poor budgeting or shortfall in performance of the Department under various schemes. The persistent savings in the Capital (Voted) section for the past three years are depicted in **Table 3.9**.

Table 3.9: Persistent savings under Capital (Voted) section

(₹ in crore)

| Year | Budget provision including Supplementary Grant | Actual Expenditure | Savings | Percentage |
|---------|--|--------------------|---------|------------|
| 2008-09 | 426.61 | 244.30 | 182.31 | 43 |
| 2009-10 | 388.91 | 261.66 | 127.25 | 33 |
| 2010-11 | 474.55 | 273.65 | 200.90 | 42 |

As in the past four years, persistent savings under the Capital (Voted) section of the grant in 2010-11 too were primarily under the head 5201.00.104-“Mechanisation and Modernisation of Postal Services”. Out of the budget allocation of ₹ 441.45 crore, only ₹ 246.92 crore was spent, leaving an unspent amount of ₹ 194.53 crore.

Surrender of unspent provisions on 31 March

3.29 According to the provisions of Rule 56 of General Financial Rules, 2005, unspent provisions 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. Unspent provisions should not be held in reserve for possible future excesses.

During scrutiny of Head-wise Appropriation Accounts, it was noticed that ₹ 174.35 crore were surrendered on 28 March 2011. Reasons cited for surrenders were ‘Funds surrendered due to reduction of outlay by Ministry of Finance at RE stage’.

Department of Posts replied that the Plan expenditure in Revised Estimates 2010-11 was restricted to ₹ 480 crore but it had made best efforts to avoid the ongoing projects and schemes getting adversely impacted, which led to delay in surrender of funds. It was further stated that such types of occurrence would not be repeated in future. The reply of the department is not acceptable as the department should not have waited for the closure of the financial year for the surrender of funds after the reduction of outlay at RE stage.

Defence Services

3.30 Scrutiny of the Appropriation accounts of Defence Services disclosed a persistent trend of savings during the years 2008-09 to 2010-11 in 17 minor heads under Voted segment of six grants as detailed in **Table 3.10**.

Table 3.10: Persistent savings during the years 2008-11^(a)

(₹ in crore)

| Grant No Major/ Minor Head | 2008-09 | 2009-10 | 2010-11 | Contributing reasons/remarks furnished by the Ministry |
|---|---------|---------|---------|---|
| 22- Defence Services-Army (Major Head 2076) | | | | |
| 113-National Cadet Corps | 84.33 | 107.26 | 234.10 | No reasons were furnished by the Ministry. |
| 800-Other Expenditure | 45.06 | 28.35 | 142.83 | No reasons were furnished by the Ministry. |
| 23-Defence Services-Navy(Major Head 2077) | | | | |
| 106-Repair and Refits | 332.26 | 13.48 | 18.70 | No reasons were furnished by the Ministry. |
| 24- Defence Services - Air Force (Major Head 2078) | | | | |
| 800 – Other Expenditure | 28.07 | 49.75 | 64.47 | No reasons were furnished by the Ministry. |
| 25-Defence Ordnance Factories (Major Head 2079) | | | | |
| 004-Research and Development | 0.79 | 7.92 | 0.05 | Delay in completion of project. |
| 106-Renewal and Replacement | 23.78 | 71.76 | 117.18 | No reasons were furnished by the Ministry. |
| 111-Works | 9.53 | 32.64 | 25.25 | No reasons were furnished by the Ministry. |
| 800-Other Expenditure | 73.95 | 136.06 | 20.34 | No reasons were furnished by the Ministry. |
| 26-Defence Services-Research and Development (Major Head 2080) | | | | |
| 105- Transportation | 13.52 | 20.46 | 1.81 | No reasons were furnished by the Ministry. |
| 110-Stores | 69.81 | 214.50 | 185.62 | No reasons were furnished by the Ministry. |
| 27-Capital Outlay on Defence Services (Major Head 4076) | | | | |
| 01-Army | | | | |
| 103-Other Equipments | 2379.52 | 1031.70 | 875.89 | No reasons were furnished by the Ministry. |
| 105-Military Farms | 3.21 | 1.17 | 1.92 | No reasons were furnished by the Ministry. |
| 113-National Cadet Corps | 20.34 | 23.70 | 25.67 | No reasons were furnished by the Ministry. |
| 02 – Navy | | | | |
| 104 – Joint Staff | 139.67 | 135.32 | 409.59 | No reasons were furnished by the Ministry. |
| 03 – Air Force | | | | |
| 103-Other Equipments | 1986.71 | 1574.14 | 2202.46 | No reasons were furnished by the Ministry. |
| 206-Special Projects | 30.06 | 19.56 | 67.32 | No reasons were furnished by the Ministry. |

(₹ in crore)

| Grant No Major/ Minor Head | 2008-09 | 2009-10 | 2010-11 | Contributing reasons/remarks furnished by the Ministry |
|----------------------------------|---------|---------|---------|---|
| 202- Construction Works | 5.62 | 195.40 | 269.34 | No reasons were furnished by the Ministry. |

@ 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 an 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

3.31 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 2010-11, under charged segments of two grants of Defence Services where surrenders were made for ₹ 2.03 crore, there was saving of ₹ 5.32 crore. Under voted segments of two grants of Defence Services, where surrenders were made for ₹ 919.11 crore, there was saving of ₹ 1,549.63 crore. Thus, overall ₹ 921.74 crore under three grants in voted segment and ₹ 2.03 crore under two 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 3.11**.

Table 3.11: Details of savings and surrender

(₹ in crore)

| Grant/Appropriation | Savings | | Amount Surrendered on last Date | | Amount not Surrendered | |
|--|--------------|----------------|------------------------------------|---------------|---------------------------|---------------|
| | Charged | Voted | Charged | Voted | Charged | Voted |
| 22-Army | 28.88 | - | - | - | 28.88 | - |
| 23-Navy | 4.11 | - | 1.45 | - | 2.66 | - |
| 24-Air Force | 1.21 | 624.71 | 0.58 | 310.66 | 0.63 | 314.05 |
| 25-Defence Ordnance Factories | - | 924.92 | - | 608.45 | - | 316.47 |
| 26-R & D | 0.14 | 43.78 | - | - | 0.14 | 43.78 |
| 27-Capital Outlay on Defence Services | 15.21 | - | - | 2.63 | 15.21 | - |
| TOTAL | 49.55 | 1593.41 | 2.03 | 921.74 | 47.52 | 674.30 |

In the case of Capital Outlay on Defence Services Grant, the Ministry of Defence on the one hand made an excess disbursement of ₹ 1,235.32 crore which requires regularisation under Article 115(1)(b) of the Constitution of India.