



Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are the accounts of expenditure of the Government for each financial year, compared with the amounts of the grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. These accounts depict distinctly the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts thus facilitate understanding of utilisation of funds and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

2.1.2 Audit of Appropriation Accounts by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1.3 As per the Gujarat Budget Manual, it is the responsibility of the Finance Department to prepare the annual statement of estimated receipts and expenditure and the supplementary estimates of expenditure for presentation to the Legislature. For the purpose of such preparation, the Finance Department shall obtain from the administrative department concerned the material on which to base the estimates. The heads of the departments, on the basis of material furnished by their subordinate officers, prepare the estimates for which they are concerned and forward to the appropriate administrative department of the Secretariat on prescribed dates. The Finance Department consolidates the estimates approved by Government. The exercise requires utmost foresight both in estimating revenue and anticipating expenditure. The estimation should be as close and accurate as possible. The provision to be included in respect of each item should be based upon what is expected to be actually paid or spent under proper sanction during the year, including arrears of the previous year and should not merely be confined to the liabilities pertaining to the year.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 108 grants/appropriations is as given in **Table 2.1**.

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

		(₹ in crore)				
Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	68,781.56	2,353.96	71,135.52	62,631.10	(-)8,504.42
	II Capital	24,734.96	1,614.42	26,349.38	22,849.22	(-)3,500.16
	III Loans and Advances	921.40	0.00	921.40	603.22	(-)318.18
	Total Voted	94,437.92	3,968.38	98,406.30	86,083.54	(-)12,322.76
Charged	IV Revenue	13,789.73	101.18	13,890.91	13,453.36	(-)437.55
	V Capital	4.92	17.06	21.98	53.65	(+)31.67
	VI Public Debt- Repayment	6,217.84	0.00	6,217.84	6,203.91	(-)13.93
	Total Charged	20,012.49	118.24	20,130.73	19,710.92	(-)419.81
Grand Total		1,14,450.41	4,086.62	1,18,537.03	1,05,794.46	(-)12,742.57

Source : Appropriation Accounts and Appropriation Act of the State Government

Overall savings of ₹ 12,742.57 crore was the result of savings of ₹ 13,768.92 crore in 90 grants and 25 appropriations under the Revenue Section and 49 grants and six appropriations under the Capital Section offset by excess of ₹ 1,026.35 crore in three grants and two appropriation under the Revenue Section and two grants and one appropriation under the Capital Section.

It can be seen from the above table that against the original estimate of ₹ 1,14,450.41 crore, the actual expenditure incurred was of ₹ 1,05,794.46 crore. This indicates that seeking supplementary grant was avoidable as the expenditure did not even reach the level of original estimate.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

Audit of the Appropriation Accounts revealed that in 115 cases, savings exceeded ₹ 10 crore in each case or by more than 20 per cent of the total provision (**Appendix 2.1**). Summarised position of savings is indicated in **Table 2.2**.

Table 2.2: Summarised position of Savings

Sl. No.	Range of Saving	Number of Cases	Total Grant (₹ in crore)	Saving (₹ in crore)	Percentage
1	Up to ₹ 5 crore	48	155.81	55.81	35.82
2	More than ₹ 5 crore and up to ₹ 10 crore	3	44.52	22.50	50.54
3	More than ₹ 10 crore and up to ₹ 25 crore	18	10,010.70	305.18	3.05
4	Above ₹ 25 crore	46	73,164.48	13,291.57	18.17
Total		115	83,375.51	13,675.06	16.40

Source: Appropriation Accounts of the State Government

The departments that had major savings were Finance, Narmada, Water Resources, Water Supply and Kalpsar, Roads and Buildings and Industries and Mines. Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given below:

Finance Department

- Grant No. 19 (Other Expenditure pertaining to Finance Department)- Savings of entire budget provision of ₹ 3,000 crore under major head '2075 Miscellaneous General Services' was due to payment of dearness allowances under the various sub-heads instead of this head. Initially the provision was made to indicate the liability of the GoG.
- Grant No. 19 (Other Expenditure pertaining to Finance Department)- Savings of entire budget provision of ₹ 1,000 crore under major head '2048- Appropriation for reduction or avoidance of Debt' was due to decision of Government not to transfer any amount to Sinking Fund.
- Grant No. 18 (Pensions and other retirement benefits)- Reasons for savings of ₹ 1,180.28 crore under major head '2048- Appropriation for reduction or avoidance of Debt' were not on record.

Narmada, Water Resources, Water Supply and Kalpsar Department

Grant No. 65 (Narmada Development Scheme)- Reasons for final savings of ₹ 835 crore under the major head '4700- Capital Outlay on Major Irrigation' were not furnished by the Department.

Industries and Mines Department

Grant No. 49 (Industries)- Savings of ₹ 500 crore under the major head '4852- Capital Outlay on Iron and Steel Industries' were due to non-receipt of (i) proposals under the scheme of Gujarat Industrial Corridor Corporation Limited and (ii) Environmental clearance for Rail Project.

Roads and Buildings Department

Grant No. 84 (Non-Residential Buildings)- Saving of ₹ 326.13 crore under the major head '4059- Capital Outlay on Public Works', savings of ₹ 156.57 crore under the major head '4202- Capital Outlay on Education, Sports, Arts and Culture' and savings of ₹ 116.59 crore under the major head '4250- Capital Outlay on Other Social Services' were due to excessive original provision made for new works and more time taken for completing procedures like Land allotment, Drawings, Administrative Approval, Tender process, etc.

2.3.2 Persistent Savings

In 13 cases during the last five years, there were persistent savings of more than ₹ 10 crore in each case. The details are given in **Table 2.3** below:

Table 2.3: List of grants indicating persistent savings during 2009-10 to 2013-14
(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue- Voted						
1	19- Other Expenditure pertaining to Finance Department	1,491.49	951.78	2,224.81	3,535.42	4,027.49
2	49-Industries	13.77	117.65	46.64	110.35	188.46
3	60 –Administration of Justice	18.80	315.77	160.50	175.16	315.72
4	71 – Rural Housing and Rural Development	29.48	142.25	116.08	191.81	460.29
5	74- Transport	44.06	69.18	60.86	41.45	58.55
6	79-Relief on account of Natural Calamities	272.06	89.29	351.90	361.27	160.80
7	85 - Residential Buildings	24.77	21.02	28.46	30.90	30.41
8	95-Special Component Plan For Scheduled Castes	148.10	88.72	50.72	143.72	286.06
9	98 -Youth Services and Cultural Activities	37.53	22.21	14.50	29.03	49.00
Capital- Voted						
1	46-Other Expenditure pertaining to Home Department	19.45	120.22	19.96	26.03	73.13
2	84-Non-Residential Buildings	249.33	295.22	501.70	294.39	677.53
3	95 - Special Component Plan For Scheduled Castes	23.52	32.94	266.60	153.07	108.36
4	96 -Tribal Area Sub-Plan	85.95	199.92	31.78	19.07	105.50

Source : Appropriation Accounts of the State Government

Persistent savings during the last five years indicate a need to review the formulation of budget estimates and provisions in these grants. On test check of grant files, Audit further observed that there were savings of more than ₹ ten crore consistently for the last three years in respect of 42 schemes under 21 grants (**Appendix 2.2**) indicating that either the provisions were excessive or the executives were not successful in implementing the legislative aspirations. Some cases of the savings under different schemes/purposes are briefly discussed below:

- Under the provision for ‘R&B Office building’ for Road and Building Department, ₹ 1,504.38 crore were provided but ₹ 717.41 crore could be spent. Reasons for savings of ₹ 786.97 crore were attributed by the department to high provision for new works and slow progress of construction works during 2011-14.
- Under the provision for ‘District Police Proper’ for the Home Department, ₹ 4,069.29 crore was provided but ₹ 3,726.40 crore could be spent. Savings of ₹ 342.89 crore were due to vacant posts, non-purchase of vehicles and equipment for Quick Response Team and Bomb Squad, less expenditure for adhoc financial assistance for the families of late employees and less expenditure on new items during 2011-14.
- Under the provision for ‘Civil Judge (Special Court)’ for the Legal Department, ₹ 789.75 crore were provided but ₹ 488.09 crore could be

spent. Savings of ₹ 301.66 crore were due to functioning of less number of courts, non-fixation of pay of the staff members and non-filling up of vacant posts during 2011-14.

2.3.3 Expenditure without Provision

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution of India are passed by the Legislature. As per Paragraph 125(5) of the Gujarat Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 14.70 crore were incurred during 2013-14 in five cases under three grants without any provision in the original estimates/supplementary demand as detailed in **Appendix 2.3**.

2.3.4 Excess expenditure relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However excess expenditure amounting to ₹ 8,373.89 crore for the years 2003-04 to 2012-13 was yet to be regularised, as detailed in **Appendix 2.4**.

2.3.5 Excess expenditure over provisions during 2013-14

Table 2.4 contains the summary of total excess over provision of funds in respect of seven grants/appropriations amounting to ₹ 1,026.35 crore during 2013-14 requiring regularisation under Article 205 of the Constitution.

Table 2.4: Excess over provisions requiring regularisation during 2013-14

(₹ in crore)					
Sl. No	Number and Title of Grants		Total grant	Expenditure	Excess
1	9	Education - Revenue Voted	15,978.21	16,762.71	784.50
2	26	Forest – Revenue Charged	0.24	0.49	0.25
3	26	Forest – Capital Voted	301.88	403.06	101.18
4	66	Irrigation and Soil Conservation- Capital Charged	2.00	47.72	45.72
5	68	Other Expenditure pertaining to Narmada, Water Resources, Water Supply and Kalpsar Department- Revenue Charged	30.00	88.69	58.69
6	73	Other Expenditure pertaining to Panchayats, Rural Housing and Rural Development Department – Revenue Voted	642.11	666.80	24.69
7	87	Gujarat Capital Construction Scheme - Capital Voted	259.20	270.45	11.25
8	88	Other Expenditure pertaining to Roads and Buildings Department-Revenue Voted	18.00	18.07	0.07
Total			17,231.64	18,257.99	1,026.35

Source : Appropriation Accounts of the State Government

In Grant No.9 (Revenue Voted), excess was mainly on account of payment of arrears and retirement benefits, increase in Dearness Allowance, Leave Travel Concession claims and filling up of the vacant posts.

In Grant No.26 (Capital voted), excess was due to carrying out more plantation, clearing of pending bills of Consultancy Agency, etc.

In Grant No.87 (Capital Voted), excess was due to good progress of works carried out by the Road and Buildings Department.

Reasons for excess incurred in the grant/appropriation were not intimated in Case of Grant No.26 (Revenue Charged), Grant No.66 (Capital Charged), Grant No.68 (Revenue Charged), Grant No.73 (Revenue Voted) and Grant No.88 (Revenue Voted).

In response to paragraphs 2.3.4 and 2.3.5, the FD stated (December 2014) that the State Government will initiate action for regularisation of excess expenditure from the year 2003-04 and onwards immediately on receipt of the Report of Public Accounts Committee.

2.3.6 Persistent Excesses

On the test check of grant files, Audit further observed that there was excess expenditure over provision of more than ₹ two crore consistently for the last three years in respect of 22 schemes under 10 different grants (**Appendix 2.5**) indicating that budgetary estimates were not reviewed properly as the provisions being insufficient. Some cases of excess expenditure under various schemes/purposes are discussed below:

- Out of the provision of ₹ 2,013.83 crore towards superannuation and retirement allowances to primary panchayat teachers in the Education Department, ₹ 3,473.09 crore was spent during the period 2011-14.
- A sum of ₹ 1,684.29 crore was spent during 2011-14 against the provision of ₹ 740.62 crore for Roads and Bridges under R&B Department.
- Similarly, a sum of ₹ 4,269.64 crore was spent during 2011-14 against the provision of ₹ 3,752.54 crore for Original Works under R&B Department. Reasons for excess expenditure of ₹ 517.10 crore were attributed to good progress of works and completion of works before the target date.
- In scheme of Repairs/restoration to other public properties for Revenue Department, ₹ 150.00 crore was provided for but ₹ 452.55 crore was spent during 2011-14. Reasons for excess expenditure of ₹ 302.55 crore were attributed to surfacing of roads and nalas due to heavy rain.
- Under the scheme of Other expenditure for Narmada, Water Resources, Water Supply and Kalpsar Department, ₹ 767.81 crore were provided but ₹ 1,000.80 crore was spent during 2011-14. Reasons for excess expenditure of ₹ 232.99 crore during 2011-14 were attributed to good progress of works/ clearance of pending bills of Narmada Main Canal.

2.3.7 Supplementary provision

A supplementary provision is an addition to the total original authorised provision and is obtained in the same manner in which the original provision is obtained.

2.3.7.1 Unnecessary supplementary provision

Supplementary provisions (₹ two crore or more in each case) aggregating to ₹ 246.13 crore were made and obtained in 18 cases during the year on the basis of eight months actual expenditure which proved unnecessary. The expenditure incurred did not come up even to the levels of the original provision as detailed in **Appendix 2.6**. Some cases are briefly discussed below:

- Under Education Department, the supplementary provision of ₹ 34.18 crore under Grant No-9 –Education (Revenue Voted) was made for construction of 85 Girls’ hostels under Centrally Sponsored Scheme in backward tribal areas. However, at the end of the year, the expenditure fell short of the original provision of ₹ 811.83 crore by ₹ 99.04 crore.
- In Health and Family Welfare Department, the supplementary provision of ₹ 28.11 crore under Grant No-39 –Medical and Public Health (Revenue Voted) was made due to increase in dearness allowance, increase in travelling expenses/office expenses and grant of House Rent Allowance and other allowances to Government Employees. However, at the end of the year, there were savings of ₹ 170.85 crore from the original provision of ₹ 2,627.87 crore.
- In respect of the Ports and Transport Department, the supplementary provision of ₹ 50.75 crore under Grant No-74 –Transport (Revenue Voted) was made. The supplementary provision was to be spent on account of inauguration programme at Surat Regional Transport Office and subsidy to the Gujarat State Road Transport Corporation. However, at the end of the year, there was saving of ₹ 7.79 crore from the original provision of ₹ 704.36 crore.
- In case of the Social Justice and Empowerment Department, the supplementary provision of ₹ 45.43 crore under Grant No-96 –Tribal Area Sub-Plan (Capital Voted) was made. The supplementary provision was to be spent for construction of Staff quarters for primary teachers, compound wall, class rooms and computerisation project under this head. However, at the end of the year, there was saving of ₹ 60.07 crore from original provision of ₹ 2,827.38 crore.

It can be observed from the above cases that the estimation of requirement of funds by the Departments needs to be strengthened and the basis for supplementary provisions needs to be reviewed.

2.3.7.2 Inadequate supplementary provision

In four cases, supplementary provisions of ₹ 1,273.04 crore proved insufficient, leaving an aggregate uncovered excess expenditure of ₹ 921.62 crore as given in **Table 2.5**.

Table 2.5: Grants/Appropriations where supplementary provision proved insufficient
(₹ in crore)

Sl. No.	Grant No.	Name of the Grant /Appropriation	Original Provision	Supplement-ary Provision	Total Provision	Expend-iture	Excess
1	9	Education - Revenue Voted	14,891.38	1,086.84	15,978.21	16,762.72	784.50
2	26	Forest – Capital Voted	297.55	4.33	301.88	403.06	101.18
3	73	Other Expenditure pertaining to Panchayats, Rural Housing and Rural Development Department - Revenue Voted	500.23	141.87	642.11	666.80	24.69
4	87	Gujarat Capital Construction Scheme- Capital Voted	219.20	40.00	259.20	270.45	11.25
Total			15,908.36	1,273.04	17,181.40	18,103.03	921.62

Source : Appropriation Accounts of the State Government

2.3.8 Insufficient /unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Re-appropriation of funds proved injudicious in many cases in view of final excesses and savings over the grants. Instances of re-appropriation of more than ₹ five crore in each case proving excessive or insufficient are detailed in **Appendix 2.7**.

2.3.9 Surrender of unspent provisions

As per Paragraph 103 of the Gujarat Budget Manual, spending Departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Sums surrendered by Administrative Departments after the 15th of March are not to be accepted, except in the case of Supplementary grants obtained after 15th March.

2.3.9.1 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provision or more than ₹ one crore) were made in respect of 924 sub-heads under 96 grants mainly on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 36,177.23 crore in these sub-heads, ₹ 12,846.30 crore (35.51 *per cent*) was surrendered, which included *cent per cent* surrender in 264 cases (₹ 4,823.11 crore). The details of top 21 cases, having *cent per cent* surrenders, are given in **Appendix 2.8**.

2.3.9.2 Surrender in excess of actual saving

In 27 cases, the amounts surrendered (₹ one crore or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these Departments. As against savings of ₹ 5,824.23 crore, the amount surrendered was ₹ 6,057.96 crore, resulting in excess surrender of ₹ 233.73 crore. Details are given in **Appendix 2.9**. Some cases are briefly discussed below:

- In Grant No 39, ₹ 268.20 crore was surrendered. However, savings of ₹ 198.97 crore were effected resulting in excess surrender of ₹ 69.23 crore.
- In Grant No 46, ₹ 145.89 crore was surrendered. However, savings of ₹ 73.13 crore were effected resulting in excess surrender of ₹ 72.76 crore.
- In Grant No 66, ₹ 55.49 crore were surrendered. However, savings of ₹ 21.44 crore were effected resulting in excess surrender of ₹ 34.05 crore.

2.3.9.3 Savings not surrendered/ partly surrendered

At the close of the year 2013-14, there were three grants/appropriations under which savings exceeded 10 *per cent* of the total provision but the same had not been surrendered by the concerned Departments. The total amount involved in these cases was ₹ 49.55 crore as shown in **Table 2.6**.

Table 2.6: Grants/Appropriations in which savings occurred but were not surrendered (more than 10 *per cent* of total provision)

(₹ in crore)					
Sl. No.	Grant No.	Name of Grant/Appropriation	Total provision	Saving	Percentage
1	57	Labour and Employment – Capital Voted	106.11	36.97	34.84
2	84	Non Residential buildings - Revenue Charged	0.76	0.25	32.89
3	87	Gujarat Capital Construction Scheme- Capital Charged	12.33	12.33	100
TOTAL			119.20	49.55	41.57

Source: Appropriation Accounts of the State Government

In 20 grants/appropriations, total savings of ₹ 2,291.87 crore was noticed, however, only ₹ 804.26 crore were surrendered leaving ₹ 1,487.61 crore¹ un-surrendered as shown in **Appendix 2.10**.

2.3.10 Rush of expenditure

According to paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 17 Major Heads listed in **Table 2.7** expenditure exceeded ₹ 10 crore and more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

¹ 10 *per cent* saving with minimum amount of ₹ one crore not surrendered

Table 2.7: Cases of Rush of Expenditure towards the end of the financial year 2013-14
(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of 2014		Expenditure during March 2014	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	2056	114.20	59.84	52.40	31.45	27.54
2	2205	91.44	52.01	56.88	25.89	28.31
3	2220	138.87	76.39	55.01	51.40	37.01
4	3604	325.67	220.74	67.78	86.68	26.62
5	4055	335.49	185.27	55.22	146.47	43.66
6	4075	27.65	25.45	92.06	25.13	90.88
7	4225	240.77	170.13	70.66	104.51	43.41
8	4236	206.28	130.81	63.42	103.66	50.25
9	4401	15.62	10.61	67.93	8.60	55.02
10	4575	26.98	16.23	60.16	12.81	47.49
11	4701	1,443.39	810.18	56.13	540.81	37.47
12	4711	142.83	92.60	64.83	52.43	36.71
13	4801	1,925.84	1,114.20	57.86	982.70	51.03
14	4852	25.00	25.00	100.00	25.00	100.00
15	4856	750.00	712.50	95.00	712.50	95.00
16	5055	600.00	600.00	100.00	600.00	100.00
17	7055	250.00	135.51	54.20	14.24	5.70
Total		6,666.03	4,437.47	66.63	3,524.28	52.92

Source: Information compiled by Accountant General (A&E), Gujarat, Rajkot

A test check of vouchers from monthly accounts of seven Public Works Divisions revealed that ₹ 124.53 crore was booked under five Major Heads² in respect of advance payments of ₹ one crore and above made through Form 28 hand receipts during the month of March 2014 for Deposit Works. The details are in **Appendix 2.11**. These divisions had spent more than 30 per cent of their annual total expenditure during the month of March 2014. The payments through hand receipts were made for carrying out purchase of asphalt, shifting of power lines, maintenance and repair, lift irrigation schemes etc. This shows that the Divisions were incurring huge expenditure through hand receipts at the end of the financial year. Though considered to be a normal practice in Public Works Department, it could be used as an instrument for avoiding lapse of unutilised funds at the fag end of the financial year.

2.4 Review of Budget Control Mechanism

The Gujarat Budget Manual (manual) provides that the authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. The duties and responsibilities of the authorities include preparing the estimates timely and accurately and also to ensure that the grant placed at their disposal is spent only on the objects for which it has been provided and to surrender savings if no longer required.

With a view to ascertaining how far the authorities were adhering to these instructions, Audit test checked records of the administrative department/controlling officers relating to Grant No. 13 (Energy and Petrochemicals) and

² 2702, 3054, 4701, 4702, 5054

Grant No. 106 (Women and Child Development). The observations thereof are as follows:

2.4.1 Submission of Budget estimates

As per the manual³ no expenditure can be incurred by the Government from the Consolidated Fund unless the State Legislature approves the amount to be spent under different demands for grants during the year beginning from 1st April to 31st March. This approval takes the form of a grant.

As per the schedule fixed by the Finance Department of the State Government, the controlling officer (COs) should submit the budget estimates to their Administrative Department by 30 September and the Administrative Department should submit their budget estimate to the Finance Department by 15 October every year.

Audit observed that the time schedule was not adhered to either by the COs or by the Administrative Departments. The delays in submission of the budget estimates for the year 2013-14 are shown in **Table 2.8**.

Table 2.8: Delay in submission of budget estimates

Sl. No.	Name of Controlling Officer	Date on which budget estimate were sent to Administrative Department by Controlling officers		Date on which budget estimate were sent to Finance Department by Administrative Department		No of days delay in submission by			
		Plan expenditure	Non plan expenditure	Plan expenditure	Non plan expenditure	Controlling Officer		Administrative Department	
						Plan expenditure	Non plan expenditure	Plan expenditure	Non plan expenditure
Energy and Petrochemicals Department									
1	2 Head of Departments ⁴	30/11/2012	03/12/2012	03/12/2012	03/12/2012	61	64	49	49
		to 30/01/2013	to 20/12/2012	to 30/01/2013	to 20/12/2012	to 122	to 81	to 107	to 66
Women and Child Development Department									
2	5 Head of Departments ⁵	05/11/2012	08/10/2012	05/12/2012	05/12/2012	35	07	50	50
		to 28/01/2013	to 28/01/2013	to 16/02/2013	to 16/02/2013	to 118	to 118	to 123	to 123

Source: Energy and Petrochemicals Department, Women and Child Development Department of the State Government

The Energy and Petrochemicals Department (the Department) stated (July 2014) that as the budget estimates were not received within stipulated time limit from the concerned offices, there was delay in submission of budget estimates. Women and Child Development Department stated that as the files were moving among financial consultants, FD and concerned minister for clarification and additional information and as the online submission of estimates depended upon availability of network there was delay in submission of budget estimates.

³ Chapter XI, Paragraph 93

⁴ Chief Electrical Inspector and Collector of electricity Duty, Directorate of Petroleum

⁵ Integrated Child Development Scheme, Social Defence, Women Wing, Gujarat Women Economic Development Corporation, Gujarat State Women Commission

2.4.2 Review of Grant-13 Energy Projects (Energy and Petrochemicals Department)

The Energy and Petrochemicals Department, Government of Gujarat (GoG) deals with the regulation of oil and natural gas fields, taxes on mineral rights of the crude oil fields and natural gas fields besides enforcement of Acts relating to generation, distribution and transmission of electricity in order to provide quality and un-interrupted reliable power at sustainable and economical rates to the people of Gujarat. This is attempted through increased generation, efficient transmission and distribution system, public participation, energy conservation, and use of alternative sources. The Department is headed by Additional Chief Secretary.

Rush of expenditure at the fag end of the year

As per provision contained in paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided.

In order to provide uninterrupted and quality power supply with proper voltage to agriculturists in Gujarat, GoG introduced Kisan Heet Urja Shakti Yojna (KHUSHY). Under this scheme, low voltage distribution system is to be converted into high voltage distribution system. For implementation of the scheme a provision of ₹ 150 crore was made (20 April 2013) for the year 2013-14 as share capital contribution under the head of account 4801:05:190:07.

During Audit scrutiny of the scheme file/records, it was noticed that ₹ 150 crore was released out of which only ₹ 44.63 crore were spent up to the end of January 2014 and an amount of ₹ 105.86 crore was spent during the last two months i.e. February and March 2014 which is 70.34 *per cent*⁶ of the total grant⁶. This indicates rush of expenditure at the fag end of the financial year due to lack of proper planning and lack of proper monitoring to watch the progress of the scheme. No financial or physical targets were given in the grant resolution(s) in order to curb the practice of rush of expenditure at the fag end of the year.

On this being pointed out the Department replied (September 2014) that the grant was released only on obtaining an assurance from the GUVNL about the full utilisation thereof before the year end as the scheme was ongoing and continuous.

The reply should be viewed in the light of instructions to avoid rush of expenditure.

Outstanding subsidy claims

The GoG was giving various subsidies to GUVNL for different purposes. During the course of audit it was noticed that claims of subsidies were

⁶ Actual expenditure was ₹ 150.49 crore during the year 2013-14

outstanding from the GoG. The position in this regard as on 31 March 2014 is detailed in **Table 2.9**.

Table 2.9: Outstanding subsidy claim as on 31 March 2014

(₹ in crore)				
Sl. No.	Name of the project/scheme	Budget classification	Total subsidy provided and disbursed (As per budget 2013-14)	Outstanding subsidy claim as on 31 March 2014
1	Supply of free electricity to water works of villages/panchayats/voluntary organisations	2801:80:101:04:00:3355	200.00	567.39
2	Compensation in GERC tariff	2801:80:800:15:00:3355	800.00	558.84
3	Subsidy for 50 per cent relief to Agriculture consumers	--	--	396.07
4	Fuel price and power purchase adjustment charges	2801:80:800:23:00:3355	1,300.00	1,791.12

Source: Energy and Petrochemicals Department of the State Government

It emerges from the table above that the total outstanding claims of power subsidies from GUVNL were to the extent of ₹ 3,313 crores. It was noticed that every year, there was increase in the amount of claim of subsidies over the previous year. However, the Government had sanctioned lesser amount against the claims resulting in outstanding subsidy claims which keep on increasing Government liability. This has the potential to bring down the surplus in the state finances when paid.

The Department stated (July 2014) that the differential amount of subsidy would be released by the State Government after verification of the data of actual subsidies passed on by the DISCOMs to the consumers. Further, it was also stated that as the subsidies were paid for welfare of rural areas, it could not be inferred that such subsidies were increasing the liability of the Government.

The reply should be viewed in the light of the fact that the delay in sanctioning of claims adds to the burden of the Government on account of accumulating unpaid subsidy claims. It also affects the financial liquidity of power sector companies supplying power at the subsidised rate to the rural areas.

Blocking of funds

As per Paragraph 103 of the Gujarat Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

The GoG accorded administrative approval of ₹ five crore to GUVNL for the Smart Village Distributed Renewable Energy Generation with Smart Grid concept project for the year 2013-14. The project was envisaged for satisfying the load demand of rural areas by utilising pollution free non conventional/renewable energy sources, to reduce reliance on the grid power supply, to reduce the distribution losses, and to provide reliable and quality power supply.

Audit scrutiny revealed that expenditure of only ₹ 2.07 lakh (0.41 per cent) was incurred by GUVNL during 2013-14. This resulted in blocking of funds of ₹ 4.98 crore which was not in consonance with prevailing rules and regulations.

After this being pointed out in audit, GUVNL replied (August 2014) that the project was altogether a new concept and initially it was to be implemented by Gujarat Power Corporation Limited (GPCL) and the decision to execute the project through GUVNL was taken later on. It was further stated that majority of grant was released only in last month of 2013-14.

Non surrender of unspent balances at the end of the year

The Government Resolution releasing the grant stipulates for the surrender of grant or portions thereof by the grantee to the Government as and when savings are anticipated. During Audit of grant records maintained in GUVNL and GPCL for the year 2013-14, it was observed that there were huge unspent balances in respect of certain grants at the end of 2013-14. However, the same was not surrendered till the date of audit (August 2014) the details of which are as given in the **Table 2.10**.

Table 2.10: Non surrender of unspent balances

Sl. No.	Grant	Budget Head	Actual Amount Released	Actual expenditure	(₹ in crore)
					Savings
GUVNL					
1	Electrification of hutments	2801:80:800:06:00:3355	60.00	40.86	19.14
2	Smart Village Distributed renewable energy generation with smart grid concept	2801:80:800:31:00:3355	5.00	0.02	4.98
GPCL					
1	Assistance to GPCL for solar energy research and development	2801:80:800:29:00:3355	10.00	0.00	10.00
2	Assistance to GPCL for geothermal pilot project and tidal energy project	2801:80:800:30:00:3355	10.00	0.13	9.87
3	Assistance to GPCL for establishing energy fuel security through acquiring coal and gas assets abroad	2801:80:800:32:00:3355	10.00	1.84	8.16
4	Assistance to GPCL for energy Conservation	2801:80:800:16:00:3355	5.00	2.11	2.89

Source: GUVNL and GPCL

On this being pointed out in audit, GUVNL replied (August 2014) that electrification of hutments was a continuous scheme and released amount might not have been spent due to non-submission of list of beneficiaries by various offices.

The reply notwithstanding, non-surrender of unspent balances is in violation of provisions of Gujarat Budget Manual.

2.4.3 Review of Grant-106 Other Expenditure Pertaining to Women and Child Development Department

The main functions of Women and Child Development Department (the Department) are to improve health and nutrition, physical, psychological and social development of women and children, change the existing mindset about women in the society, protect rights of women, empower women of backward classes of society in the state, etc.

The Secretary of the Department is assisted by the five heads of Department (HOD) viz. Director, Integrated Child Development Scheme, Director, Social Defence, Joint Commissioner, Women Wing, Managing Director, Gujarat Women Economic Development Corporation and Member Secretary, Gujarat State Women Commission.

The budgetary procedures followed and the expenditure controls exercised during the year 2011-14 by the Department in respect of the Women and Child Development Department were reviewed.

Deviation from the Budget

The breakup of provision/expenditure for Revenue and Capital heads during 2011-14 are given in **Table 2.11** and **Table 2.12**

Table 2.11: Deviation from the Budget for Revenue Expenditure

Year	Budget (including supplementary)		Expenditure		Unutilised provision		Deviation Percentage	
	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non plan	Plan
2011-12	137.69	876.40	137.43	875.54	0.26	0.86	0.19	0.10
2012-13	533.44	552.22	454.44	576.18	79.00	-23.96	14.80	-4.33
2013-14	737.87	921.44	687.25	755.24	50.62	166.20	6.86	18.04

Source: Appropriation Accounts of the State Government

The percentage of deviation (unutilised provision) in case of Non Plan Revenue expenditure was 0.19 *per cent* in 2011-12 which was increased to 14.80 *per cent* in 2012-13. In case of Plan Revenue expenditure, the unutilised provision increased from 0.1 *per cent* in 2011-12 to 18.04 *per cent* during 2013-14. However, during 2012-13, there was excess utilisation of provision of 4.33 *per cent*.

The percentage of deviation (unutilised provision) in case of Non Plan Capital expenditure was 10.09 *per cent* during 2013-14. In case of Plan Capital expenditure, it was 7.47 *per cent* during 2013-14 as detailed in **Table 2.12** below.

Table 2.12: Deviation from the Budget for Capital Expenditure

Year	Budget (including supplementary)		Expenditure		Unutilised provision		Deviation Percentage	
	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non plan	Plan
	2011-12	0.00	110.00	0.00	110.00	0.00	0.00	0.00
2012-13	0.09	568.64	0.00	568.64	0.09	0.00	100	0.02
2013-14	94.75	130.87	85.19	121.09	9.56	9.78	10.09	7.47

Source: Appropriation Accounts of the State Government

Loss of interest

The Department released funds of ₹ 46.66 crore and ₹ 64.74 crore during 2012-13 and 2013-14 respectively to Integrated Child Development Services Society (ICDS Society) with the condition that funds should be deposited with Gujarat State Financial Services (GSFS) and interest earned on the deposit should be credited into Government Account. In violation of the condition, the ICDS Society deposited funds received during 2012-13 and 2013-14 with the Bank of Baroda (BOB) initially instead of GSFS. As the rate of interest on the deposits in case of GSFS was more than BOB, delay in depositing funds with GSFS resulted in loss of interest of ₹ 27.66 lakh as given in **Table 2.13**.

Table 2.13: Loss of interest due to lack of financial management

Year	Period of deposit with BOB	Amount deposited	Interest earned from BOB (4 per cent)	Interest would have been earned from GSFS (6 per cent up to 31-8-2013/ 7 per cent 1-9-2013 onwards)	Difference (Loss of interest)
2012-13	8-3-2013 to 8-4-2013	1,995.22 to 4,665.72	10.23	15.34	5.11
	9-4-2013 to 23-4-2013	2,396.25 to 4,665.72	3.94	5.91	1.97
Total for grants received in 2012-13			14.17	21.25	7.08
2013-14	31-3-2014 to 27-5-2014	3,269.46 to 4,393.94	27.45	48.03	13.72
Total for grants received in 2013-14			27.45	48.03	20.58
Grand Total			41.62	69.28	27.66

Source: Women and Child Development Department of the State Government

The Department stated (August 2014) that the fund was deposited late in GSFS due to various reasons viz., code of conduct was in force in election time, Member Secretary was on election duty in Orissa, heavy work load of March ending and in the initial days of April, officers being on tour for supportive supervision of Anganwadis in April and May 2014 etc.

Thus due to lack of proper financial management, the Society suffered loss of interest of ₹ 27.66 lakh on parking of funds.

Further Audit scrutiny of records revealed that the State ICDS Society earned interest of ₹ 1.57 crore on the deposits with GSFS during 2013-14. However, in violation of the condition imposed by the Department at the time of release of funds, the State ICDS Society has not credited the interest into Government Account.

On this being pointed out, the Member Secretary, State ICDS Society replied (August 2014) that interest earned from GSFS under liquid deposit scheme would be credited to the Government Account after receiving necessary approval from competent authorities.

The fact remained that the condition of release of funds provides for deposit of interest earned into Government Account.

Substantial Surrenders

The following major heads and sub heads saw substantial surrenders during the year 2013-14 as shown in **Table 2.14**.

Table: 2.14 Substantial Surrenders

(₹ in crore)				
Sl. No.	Major Head/Sub Head/Minor Head	Sanctioned grant	Amount of surrender	Final grant after surrender of saving
1	2235-02-001-02 WCD-1 Commissionerate of Women and Child Development	6.01	4.37	1.64
2	2235-02-103-16 WCD-2 Mahila Marg Darshan Kendras	6.26	1.41	4.85

Source: Re appropriation/ Surrender orders by Women and Child Development Department

When pointed out in audit, the Commissioner Women and Child Development stated (July 2014) that in case of the first item, the sanctioned grant included budget provision of ₹ 3.36 crore as a new item for merger of women related subjects from the office of Director, Social Defence into the office of Joint Commissioner, Women Wing for the financial year 2013-14. Though the provision was available during the financial year 2013-14, the newly merged directorate had not started as the sanction order was issued very late (February 2014). As a result, the total amount could not be utilised. This reflects improper planning on the part of Department.

Regarding the second item, the Commissioner replied that the amount of ₹ 1.41 crore could not be utilised due to late opening (February 2014) of 22 centres for women welfare schemes and rejection of expenditure of NGOs by Extension Officers.

Non-utilisation of provision

Scrutiny of Appropriation Accounts revealed persistent non-utilisation under social security and welfare during the period 2012-13 and 2013-14.

The Ministry of Women and Child Development, Government of India circulated the revised scheme guidelines of 'Swadhar Greh' for women in difficult circumstances after merger of 'Swadhar' and 'short stay home' schemes in October 2011. It was stipulated that 25 per cent of the cost towards running of Swadhar Greh shall be borne by the respective State Governments. The scheme envisioned a supportive institutional framework for women victims of difficult circumstances so that they can lead their life with dignity and conviction. It was envisaged that shelter, food, clothing and health as well as economic and social security are assured for such women.

Audit scrutiny revealed that GoG provided ₹ 0.85 crore for this scheme in the budget estimate of 2012-13. However, the entire amount was surrendered due to procedural delays and non-receipt of proposals from districts.

In 2013-14, ₹ 0.85 crore was again provided for the same scheme. Proposals were received from Ahmedabad, Surat, Kheda, Dahod and Sabarkantha districts but they were not in proper order so District Women Welfare Committee did not recommend them. Thus total amount of ₹ 0.85 crore was surrendered.

The Department stated (August 2014) that they had sent Government of India's Swadhar Greh Scheme's resolution and guidelines to all Collectors, DDOs, DSPs, District Social Defence Officers and Municipal Commissioners.

Thus, improper planning and lack of monitoring resulted in persistent non utilisation of provision and beneficiaries were deprived of the benefit of this scheme.

Non fulfilment of Budget Targets

During the budget speech for the year 2013-14, a commitment was made to provide funds for various schemes which remained unfulfilled at the end of the year as indicated below:

- A provision of ₹ one crore for logo to Anganwadi Centres for recognition and ₹ 20 crore to provide Learning Capacity Enhancement Device to the Anganwadis for the children of age group between 3-6 year for early childhood education under ICDS was made. Scrutiny of the grant record revealed that the entire amount of ₹ 21 crore was surrendered.

When pointed out in audit, the Commissioner Women and Child Development stated (August 2014) that in case of Learning Capacity Enhancement Device due to technical reasons, it was decided to cancel the tendered items and so the grant was surrendered.

In case of logo to Anganwadi centres, the Commissioner stated (August 2014) that the procedures to finalise the design of logo for Anganwadis was on hand but due to model code of conduct for Lok Sabha elections, a proposal for keeping the grant of ₹ one crore with state ICDS Society was submitted to Government. However, the proposal was rejected by the Government and the amount of ₹ one crore surrendered to the Government.

- A provision of ₹ 5.10 crore for purchase of Mobile Vans for introducing Mobile Anganwadis cum crèche in the tribal and interior areas of six Municipal Corporations was made in the budget 2013-14. During Audit scrutiny of the records it was noticed that entire amount of ₹ 5.10 crore was surrendered.

The Commissioner stated (August 2014) that tender process was started in December 2013 but due to the technical nature and Lok Sabha elections, it

was evident that the process would not be completed by March 2014 and hence the purchase was not made.

- A budgetary provision of ₹ 0.26 crore for Anganwadi centres *cum* crèches was made. However, it was observed that the entire amount of ₹ 0.26 crore was surrendered during 2013-14.

The Commissioner stated (August 2014) that the training programme to the staff for Anganwadi started very late (i.e. July 2014) while the work of fixing the location of Anganwadi centres *cum* crèche was in process. As a result, this activity was not commenced and the entire amount was surrendered.

Thus lack of preparedness on the part of the Department led to surrender of the grant.

- Out of budgetary provision of ₹ 78.30 crore for providing additional supplementary nutrition to the underweight children of 3-6 year age group under ICDS scheme, an amount of ₹ 39.15 crore was surrendered.
- For providing supplementary nutrition food to children of 6 month to 3 years age group with appropriate recipe (raab or laddu) from the share of Bal Bhog in the Anganwadi center under 'Take Home Ration' strategy under ICDS for five day a week, an amount of ₹ 13.56 crore was provided out of which amount of ₹ 6.78 crore was surrendered at the end of the year.
- For celebrating Vatsalya Divas/ Sneh Divas and ECCE Divas in cluster camps, an amount of ₹ 21.36 crore was provided out of which amount of ₹ 10.70 crore was surrendered at the end of the year.

The Department stated (August 2014) that these all were new items which required administrative procedures and needed to inform the staff. Hence, these three schemes have not been started properly and surrenders have been made.

The reply indicates that with proper planning, large surrenders could have been avoided.

Blocking of Fund

The Department sanctioned (14 March 2014) ₹ 5.14 crore for providing medical kits to Anganwadis and permitted parking of funds with the State ICDS Society with the condition that the fund would be utilised until 31 July 2014 and unutilised balance should be refunded to the Government. Scrutiny of records revealed that funds of ₹ 5.14 crore were not yet utilised (August 2014).

The Department stated (August 2014) that advance of ₹ 2.53 crore was paid (April 2014) to Gujarat Medical Service Corporation Limited for providing

medical kits and a proposal for extension of time limit upto 31 December 2014 was also submitted (July 2014) to the Government of India.

The fact remains that no expenditure was incurred till August 2014 even after lapse of the stipulated time resulting in blocking of fund of ₹ 5.14 crore with ICDS Society.

2.5 Advances from Contingency Fund

The Contingency Fund of the State had been constituted under the Gujarat Contingency Fund Act, 1960 in terms of the provisions of Articles 267(2) and 283(2) of the Constitution of India. The fund is in the nature of an imprest and its corpus is ₹ 200 crore. During the year, ₹ 0.11 crore under Grant No-57 in Labour and Employment Department (Major Head-2230) were spent out of the Contingency Fund which was not recouped during the year.

2.6 Budget control mechanism including budgetary process in Finance Department

The Finance Department prepares the annual statement of estimated receipts and expenditure known as the “Annual Financial Statement” and the supplementary estimates of expenditure for presentation to Legislature and for this purpose obtains from the administrative departments concerned, the material on which to base the estimates. The estimates are first examined by the concerned administrative department and then by the Finance Department. The departmental estimates take cognizance of standing sanctions of revenue based on existing law, rule or order and all expenditures incurred by virtue of existing rules and orders. Proposals involving reduction or increase of revenue otherwise than in pursuance of authorised codes, manuals, or rules and proposal for new expenditure are not taken into account in preparing departmental estimates but are submitted to the Government for consideration separately. Such new items are examined with reference to availability of resources and comparative urgency of proposals by the Expenditure Division. The proposals accepted by the Government are included in the budget.

The rules for preparing the budget are laid down in the Gujarat Budget Manual, 1983 which stipulates that utmost foresight both in estimating revenue and anticipating expenditure is to be exercised. The estimates should, therefore, be framed after a careful and thorough consideration of all items of expenditure and of all sources of income so that they are neither inflated nor under pitched.

Budget Control Mechanism including Budgetary Process

Test check of records of the Finance Department for the year 2013-14 was undertaken with the objective of verifying compliance with the applicable manuals and rules in the preparation of budget, adherence to time schedule in preparation of budget estimates, accuracy of estimates and resource management.

2.6.1 Inaccuracy in estimation of public debt requirement

It was observed that in the original approved budget estimates for the year 2013-14, public debt to be raised was estimated at ₹ 26,010 crore, which consisted of market loans at ₹ 22,500 crore. In the revised estimate, the requirement of raising loans was reduced to ₹ 19,989 crore which included market loan of ₹ 15,500 crore.

However, at the end of March 2014, the actual loan raised during the year stood at ₹ 19,343.04 crore including market loans of ₹ 15,492.55 crore. The variation in the estimation between the original estimates and actual aggregate loans obtained was to the extent of 26 *per cent* and in relation to loans from market by 31 *per cent*. Thus, there is wide variation between original estimates and actuals indicating that the loan requirement was inflated.

2.6.2 Duplication of estimation for Dearness Allowance

As per Rule 30 of the Gujarat Budget Manual, the estimation should be as close and accurate as possible and the provisions included in respect of each item should be based on what is expected to be actually paid or spent under proper sanction during the year, including arrears of past year. Further, Rule 38 stipulates that provisions of dearness allowance are required to be made by the concerned department in their budget estimates.

It was noticed that the FD surrendered (March 2014) ₹ 2,997 crore out of ₹ 3,000 crore provided to meet liability on account of increased rates of dearness allowance (DA). On verification of the original approved budget estimates for the year 2013-14 it was observed that the provisions for DA aggregating to ₹ 3,080 crore was already made under the object head 0103 of respective departments. Therefore, the provision for dearness allowance of ₹ 3,000 crore led to duplication of the estimates.

On this being pointed out in audit, it was stated that provision of ₹ 3,000 crore was made to accommodate additional DA to be declared in September 2013.

The reply is not acceptable as the lump sum provision made was not required at all as entire provision was made in the budget of the respective departments.

2.6.3 Budget estimates and transfer to Consolidated Sinking Fund

Rule 30 of the Gujarat Budget Manual stipulates that the provisions included in respect of each item of the estimates should be based on what is expected to be actually paid or spent under proper sanction during the year. Details of budget estimates and actual transfer to the Consolidated Sinking Fund (CSF) during 2011-12 to 2013-14 are as shown in **Table 2.15**.

Table 2.15: Budget estimate and actual transfer to consolidated sinking funds

Particulars	₹ in crore)		
	2011-12	2012-13	2013-14
Budget estimate	1,000	1,000	1,000
Revised Estimate	300	1,000	50
Actual fund transferred	300	0	0

Source: Finance Department of the State

It can be observed from the table that during 2011-12 to 2013-14, though the provision of ₹ 1,000 crore was made in the original estimates of each year towards CSF, only ₹ 300 crore was transferred to the CSF during 2011-12 and no amount was transferred to CSF in the subsequent two years. Further, it was observed that in March 2013, the Committee for Liquidity Management decided not to transfer any amount to CSF. Despite this, a provision of ₹ 1,000 crore was made towards CSF in the ensuing budget estimates for the financial year 2013-14. Thus, provisions were made in three years for transfer of funds though it was not actually expected to be paid into CSF.

2.6.4 Budget estimates and transfer to Guarantee Redemption Fund

The Guarantee Redemption Fund (GRF) was established to cover contingent liabilities of the State Government in terms of outstanding guarantees.

Details of budget estimate and actual transfer to GRF during 2011-12 to 2013-14 are as shown in **Table 2.16**.

Table 2.16: budget estimate and actual transfer to GRF

Particulars	₹ in crore)		
	2011-12	2012-13	2013-14
Budget estimate	50	40	30
Revised Estimate	50	40	30
Actual fund transferred	0	0	0

Source: Finance Department of the State

On scrutiny of the budget estimates, revised estimates and actual expenditure incurred for GRF, it was observed that for the financial year 2013-14, ₹ 30 crore had been provided in the original budget estimate but ultimately no amount was transferred to the Fund. This provision of ₹ 30 crore was made despite the decision (March 2013) by the Committee for Liquidity Management not to transfer any amount to the Fund.

Thus, the provisions of ₹ 120 crore towards GRF were made during 2011-14, though no amount was actually transferred to GRF during the three years ending 2013-14.

2.6.5 Non recovery of undisputed tax arrears

Rule 30 of the Gujarat Budget Manual stipulates that the budget estimates should indicate only the amount actually expected to be received during the budget year. The arrears, if any, outstanding from previous years for collection should be included, if it is reasonably certain that the same would be realised within that year.

Scrutiny of records of the FD revealed that as on 31st March 2013 out of total tax arrears of ₹ 29,462 crore, ₹ 10,950 crore (37 per cent) were not under dispute. Out of the undisputed amount, ₹ 9,010.40 crore (82.29 per cent) are in arrears for more than two years. An amount of ₹ 2,466 crore (22.52 per cent) remained in arrears for more than 10 years. Recovery of the taxes and duties assessed is an important factor in determining the financial situation of the State. Non recovery of taxes in time obstructs preparation of proper estimates

of receipts and expenditure of the Government. The position as on 31 March 2014, though called for, was not made available by the Department.

The FD stated (December 2014) that the concerned HODs of the Administrative departments have been instructed to expedite efforts to recover due arrears of tax revenue.

2.7 Misclassification treating ‘Grants-in-aid’ and ‘Subsidies’ as Capital Expenditure

Indian Government Accounting Standard (IGAS)-2 regarding Accounting and Classification of Grants-in-aid prescribes that the Grants-in-aid disbursed by a grantor shall be classified and accounted for as revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds were disbursed. Only in cases specifically authorised by the President of India on the advice of the Comptroller and Auditor General of India, can these be debited to a capital head of account in the Financial Statements of the Government. Further, Rule 30 (1) of Government Accounting Rule, 1990 states that the expenditure of a capital nature to be classified in the Capital Section shall broadly be defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character. Also the assumptions underlying the Fiscal Indicators for the Gujarat Fiscal Responsibility Rules, 2006 stipulate inclusion of “Major Subsidies” as expenditure on revenue account.

During the year 2013-14, amounts of ₹ 1,462.75 crore and ₹ 170.75 crore were disbursed as Grants-in-aid and subsidy respectively under the following capital major heads of expenditure against approved budgetary provision in violation of IGAS-2 as detailed in **Table 2.17**.

Table 2.17: Misclassification of grants-in-aid and subsidy under capital Major Heads

Sl. No.	Classification-Major Head	(₹ in crore)	
		Grants-in-aid	Subsidy
1	4202- Capital Outlay on Education, Sports, Arts and Culture	422.81	--
2	4210- Capital Outlay on Medical and Public Health	44.05	--
3	4217- Capital Outlay on Urban development	466.00	--
4	4225- Capital Outlay on Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities	4.81	81.14
5	4236- Capital Outlay on Nutrition	122.56	--
6	4401- Capital Outlay on Crop Husbandry	5.00	--
7	4402-Capital Outlay on Soil and Water Conservation	9.36	--
8	4435- Capital Outlay on Other Agriculture Programmes	0.02	13.79
9	4515- Capital Outlay on Other Rural Development Programmes	94.90	--
10	4801- Capital Outlay on Power Projects	210.21	45.00
11	4851- Capital Outlay on Village and Small Industries	0.79	3.03
12	4852- Capital Outlay on Iron and Steel Industries	--	25.00
13	5452-Capital Outlay on Tourism	81.94	--
14	6225- Loans for Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	0.30	2.79
Total		1,462.75	170.75

Source: Finance Accounts of the State Government

The expenditure on 'Grants-in-aid' and 'Subsidies' should be booked under revenue expenditure. However, the expenditure of ₹ 1,633.50 crore in respect of 'Grants-in-aid' and Subsidies' were booked in Capital Section. This resulted in understatement of revenue expenditure and also consequential overstatement of the revenue surplus to that extent.

Also in 2012-13, amounts of ₹ 881.30 crore and ₹ 207.27 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure, and this was reported in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2013.

The FD, while accepting the facts, stated (December 2014) that all the administrative departments of GoG have been instructed to follow IGAS-2 in preparing Budget Estimates for expenditure incurred on GIA projects/schemes.

2.8 Conclusion and Recommendations

During 2013-14, ₹ 1,05,794.46 crore was incurred against total grants and appropriations of ₹ 1,18,537.03 crore resulting in savings of ₹ 12,742.57 crore. The overall savings of ₹ 12,742.57 crore was the result of savings of ₹ 13,768.92 crore, offset by excess of ₹ 1,026.35 crore.

This excess requires regularisation under Article 205 of the Constitution of India.

In thirteen cases, there were persistent saving of more than ₹ 10 crore in each case during the last five years in respect of grants pertaining to Finance Department, Ports and Transport Department, Social Justice and Empowerment Department and Road and Building Department indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

There were also excess expenditure over provision of more than ₹ two crore consistently for last three years in respect of 22 schemes under 10 different grants pertaining to Education Department, Narmada, Water Resources, Water Supply and Kalpsar Department, Revenue Department and Road and Buildings Department.

The Controlling/ Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to avoid saving/ excess especially in departments where persistent saving/ excess were noticed. They may also specifically strengthen monthly expenditure control and monitoring mechanism.

The outstanding claims of power subsidies from GUVNL were to the extent of ₹ 3,313 crore and has the potential to bring down the surplus in the state finances when paid. The non payment of subsidy is also affecting the liquidity of the power sector companies.

The Government may fix timelines for verification and payment of power subsidy claims to avoid further accumulation of financial liability in this regard.

During the year 2013-14, amounts of ₹ 1,462.75 crore and ₹ 170.75 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure in violation of Indian Government Accounting Standard (IGAS)-2 and assumptions underlying the Fiscal Indicators stipulated in the Gujarat Fiscal Responsibility Rules, 2006. This has resulted in understatement of revenue expenditure and also consequential overstatement of the revenue surplus to that extent. Also in 2012-13, amounts of ₹ 881.30 crore and ₹ 207.27 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure, and this was reported in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2013.

The Government may ensure compliance to IGAS in budget formulation so that the said expenditure is accounted for as revenue expenditure in the Government Accounts.