HIGHLIGHTS

This Report of the Comptroller and Auditor General of India (CAG) is on the accounts of the Union Government and analyses the finances of the Union Government for the year 2014-15. It also contains an analysis of the Appropriation Accounts and audit observations with regard to the accounts of the Union Government for the year 2014-15.

Chapter-1

- The financial position of the Union Government in 2014-15 was characterised by an increase of 8.51 *per cent* in gross revenue receipts primarily on account of a substantial increase in both tax revenue receipts (9.32 *per cent*) and non-tax revenue receipts (6.18 *per cent*) over previous year.

  (Paras 1.2, 1.2.3 and 1.2.4)

- The revenue expenditure grew by 7.62 *per cent* during 2014-15 as against 10.89 *per cent* in 2013-14. Expenditure on grants-in-aid, interest payments, pension, and revenue expenditure in Defence and Railways together constituted 90 *per cent* of the revenue expenditure in 2014-15.

  (Para 1.3.2)

- Capital expenditure was 1.71 *per cent* of GDP, well below the 4.5 *per cent* level set out for the year in the fiscal consolidation path set out by the Thirteenth Finance Commission. Of the total capital expenditure, 38 *per cent* was accounted for by Defence.

  (Paras 1.5.4 and 1.3.3)

- Analysis of plan expenditure showed that 69 *per cent* of the total plan expenditure was in the form of grants-in-aid payment. In four of the 10 Ministries/Departments incurring the largest plan expenditure, over 98 *per cent* was in the form of disbursement as grants-in-aid.

  (Paras 1.3.5 and 1.3.7)

- The revenue deficit for the year 2014-15 was 2.92 *per cent* of GDP against the 3.15 *per cent* of GDP in 2013-14. The revenue deficit of 2.92 *per cent* of GDP was in contrast to the revenue surplus of 0.50 *per cent* of GDP to be achieved in 2014-15, as outlined by the Thirteenth Finance Commission. The Fiscal Deficit for the year 2014-15 was 4.11 *per cent* of GDP against the 4.44 *per cent* of GDP in 2013-14.

  (Para 1.5.4)

Chapter-2

- Opaqueness was noticed in eleven Major Heads in which there were more than 50 *per cent* of total expenditure recorded under minor head 800-Other Expenditure

  (Para 2.2.2)

- Out of the total receipts of ₹ 7,537.88 crore towards Universal Access Levy during the year 2014-15, the Department of Telecommunications transferred ₹ 2,086.98 crore to the Universal Service Obligation Fund (USO Fund) which was further disbursed towards the stated objectives. Non-transfer of balance amount in USO Fund resulted in under-statement of the closing balance of the USO Fund by ₹ 5450.90 crore for the financial year 2014-15. Overall understatement of the closing balance in the USO Fund was of the order of ₹ 39,133.76 crore during 2002-03 to 2014-15.

  (Para 2.3.1)

- Research and Development Cess aggregating ₹ 5,783.49 crore was collected during the period 1996-97 to 2014-15. Out of this only ₹ 549.16 crore (9.50 *per cent*) was utilized towards the objectives of levying the said cess.

  (Para 2.3.2)

- On account of expenditure from the Beedi Workers Welfare Fund (Fund) being far in excess of the receipts, the balance in the Fund over the years had become adverse. There was a continuous adverse balance in the fund during the period 2008-09 to 2014-15, which steadily increased from (-) ₹ 53.51 crore in 2008-09 to (-) ₹ 171.29 crore in 2014-15.

  (Para 2.3.3)

- Against the total collection of ₹ 1,54,818 crore as primary education cess in the CFI, only ₹ 1,41,520 crore was transferred to the Prarambhik Shiksha Kosh in Public Account for meeting expenditure on identified schemes during 2004-05 to 2014-15, leaving a balance amount of ₹ 13,298 crore in the Consolidated Fund of India.

  (Para 2.3.4)

- Central Board of Excise and Customs incurred irregular expenditure of ₹ 3.91 crore from Customs & Central Excise Welfare Fund against the principles of financial propriety.

  (Para 2.3.9)

Chapter-3

- In accordance with the provisions of Article 114(3) of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law. However, during 2014-15, there were excess disbursements of ₹ 16,201.33 crore over the authorisation from CFI. In civil Ministries/Departments the excess was ₹ 15,640.55 crore in five segments of three grants/appropriations; in the Ministry of Railways ₹ 490.37 crore in six segments of six grants/appropriations; in the Defence Services ₹ 0.13 lakh in one segments of one grant; and in Department of Posts ₹ 70.41 crore in one segment of one grant. These excess disbursements require regularization under Article 115(1)(b) of the Constitution.

(Para 3.4)

- Saving of more than ₹ 100 crore occurred in 122 cases of 93 grants (including Civil, Posts, Railways and Defence Services) amounting to ₹ 5,80,970 crore. Large savings were noticed in grants: *Appropriation-Repayment of Debt (₹ 3,56,325 crore), Appropriation-Interest Payments (₹ 24,784 crore),* Department of Financial Services (₹ 17,560 crore), Department of School Education & Literacy (₹ 14,615 crore), Transfers to State and Union Territory Governments (₹ 13,403 crore).

(Para 3.7 & Annexure 3.5)

Chapter-4

- Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. An expenditure on interest on refunds amounting to ₹ 5,332 crore was incurred by the Central Board of Direct Taxes (CBDT), without the authorisation of the Parliament during the year 2014-15. A total expenditure of ₹ 48,235 crore on interest payments had been incurred over the last seven years without obtaining approval of the Parliament through necessary appropriations, despite the recommendations of the Public Accounts Committee in their 66th and 96th Reports.

(Para 4.2)

- Augmentation of provision by way of re-appropriation to 'grants-in-aid' to any body or authority from the Consolidated Fund of India can only be made with the prior approval of the Parliament. In five cases, across four grants, ₹ 60.25 crore was incurred by various Ministries/Departments during 2014-15 by augmenting provision under object head '31-Grants-in-aid-General' to various bodies/authorities without obtaining prior approval of the Parliament. Similarly, in nine cases across two grants ₹ 144.72 crore was augmented in violation of extant provisions without prior approval of Parliament to the object head '35-Grants for creation of Capital Assets'. Further, in three cases across two grants, funds aggregating to ₹ 8.29 crore were augmented without prior approval of Parliament to the object head '36-Grants-in-aid Salaries'. All these excess expenditures attracted limitations of New Service/New Instrument of Service (NS/NIS).

(Paras 4.5.1, 4.5.2 and 4.5.3)

- For augmentation of provisions in existing appropriations under the object head 'Subsidies' through re-appropriations, prior approval of the Parliament is required, if the additionality is more than 10 *per cent* of the appropriation already voted by the Parliament or ₹ 10 crore, whichever is less. In four cases across two grants, ₹ 202.04 crore was augmented without prior approval of the Parliament to the object head 'Subsidies' attracting limitations of NS/NIS.

(Para 4.5.4)

- In regard to the cases of NS/NIS on augmentation under the object heads '52-Machinery and Equipment' and '53-Major Works' all cases relating to augmentation of funds above ₹ 2.5 crore or above 10 *per cent* of the appropriation already voted, whichever is less, would require prior approval of the Parliament, irrespective of the fact that the augmentation is for new works or for the existing works. In six cases across three grants, excess expenditure of ₹ 41.12 crore was incurred by the Ministries/Departments during 2014-15 by augmenting the provision under these object heads without obtaining prior approval of the Parliament. These excess expenditures also attracted limitations of New Service/New Instrument of Service.

(Para 4.5.5)

- Various departments/ministries incorrectly classified revenue expenditure as capital expenditure and vice versa. The misclassifications resulted in an overstatement of capital expenditure by ₹ 748.43 crore and understatement of capital expenditure by ₹ 522.67 crore. The overall impact on Government expenditure was an overstatement of capital expenditure of ₹ 225.76 crore.

(Paras 4.6.1, 4.6.2, 4.6.3 and 4.6.4)

- Rule 8 of the Delegation of Financial Powers Rules, 1978 prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of classification of expenditure up to the sixth tier, i.e. object head. In 27 cases, across 19 grants/appropriations expenditure amounting to ₹ 2,954.65 crore were misclassified in a number of primary units of appropriation.

(Para 4.7.3)

Chapter-5

- Grants-in-aid constituted, with the exception of debt repayment, as the single largest item of expenditure for the Union Government. Grants-in-aid constituted nearly 28 *per cent* of the total revenue expenditure of the Union Government during 2014-15.

(Paras 5.1 and 5.2)

- Utilization Certificates are the only mechanism for the Ministries to verify that the money has been utilized for the purpose for which it was given. In 26 Ministries/Departments, 37,569 UCs involving ₹ 51,527.10 crore which were due on 31st March 2015 were outstanding which indicates deficient monitoring and follow-up mechanisms in the Ministries/ Departments concerned.

(Para 5.4)

- Detailed analysis of expenditure on grants-in-aid released by the Ministry of Food Processing Industries and Ministry of Earth Sciences revealed deficient control mechanisms and inadequate assurance with regard to the quality of the expenditure incurred.

(Para 5.5)