

4: APPROPRIATION ACCOUNTS: COMMENTS ON ACCOUNTS

4.1 Continuing breach of Article 114(3) of the Constitution of India- Expenditure incurred on interest on refunds of taxes by the CBDT

Article 114(3) of the Constitution stipulates that no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriation made by law.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

The Department of Revenue/Central Board of Direct Taxes (CBDT) has been classifying interest on refunds of excess tax as reduction in revenue and this incorrect practice has been commented upon successively in CAG's Audit Report on Union Government Accounts as well as in CAG's Report on Direct Taxes, but no corrective action has been taken by the Department.

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the Committee reminded the Department that Article 114(3) of the Constitution clearly mandates that no money shall be withdrawn from the Consolidated Fund of India except under 'Appropriation' made by the Legislature.

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

As in the past, no budget provision for interest on refunds was made in the Budget Estimates for the financial year 2013-14 and an expenditure on interest on refunds amounting to ₹ 6,598 crore was incurred by the Department, in contravention of provisions of the Constitution. Expenditure of ₹ 42,903 crore on interest

payments had been incurred over a period of last six years without obtaining approval of the Parliament through necessary appropriation, as detailed in **Table 4.1** below:

Table 4.1: Expenditure on interest on refunds of taxes
(₹ in crore)

| Year | Expenditure on interest on refunds |
|--------------|------------------------------------|
| 2008-09 | 5778 |
| 2009-10 | 6876 |
| 2010-11 | 10499 |
| 2011-12 | 6486 |
| 2012-13 | 6666 |
| 2013-14 | 6598 |
| Total | 42903 |

The Ministry of Finance, Department of Revenue reiterated (February 2015) its earlier stand that the classification of interest on refunds of excess tax as reduction in revenue by the Ministry is in conformity with the Constitutional Provisions and in no manner dilutes or negates Parliamentary control of public purse.

The reply of the Ministry is not acceptable as the interest on refund of excess tax is an item of expenditure and cannot be treated as a reduction in revenue.

4.2. Expenditure incurred without a budget line

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.

Audit scrutiny of Head-wise Appropriation Accounts of Grant No. 20 revealed that an amount of ₹ 171 crore was incurred without any budget provision provided by way of Parliamentary authorisation, as detailed below in **Table 4.2**.

Table 4.2: Expenditure incurred without budget line

| Grant No. and Head of Account | Amount (₹ in crore) | Reply of Ministry | Remarks |
|--|---------------------|---|---|
| 20-Ministry of Defence (Civil) | | | |
| 2075.00.108.01.01.31 (code 098/55) Directorate of Canteen Services | 171.00 | Controller General of Defence Accounts (CGDA) stated (December 2014) that from FY 2014-15 onwards the booking and expenditure of Canteen Trade Surplus and Quantitative Discount (QD) would be undertaken under head of account 2075.00.108.01.01.31 (Grants-in-aid-General). | The action taken by the Ministry had been verified from DDG for the year 2014-15. |
| Total | 171.00 | | |

4.3 Transfer of funds to non-public fund by way of Quantitative Discount (QD)

The Canteen Stores Department (CSD) was created to provide easy access to quality products of daily use, at prices lower than market rates to the soldiers, ex-servicemen and their families. The CSD is a departmental commercial

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undertaking under the Ministry of Defence and is financed through the budgetary process. Budget provisions for CSD are contained in the civil grant of the Ministry of Defence.

The CSD has 34 depots strategically located across India. The CSD puts its operation in close proximity to 3600 Unit Run Canteens (URCs), which are regimental institutions. URCs indent stores from the base depot in Mumbai or the accredited area depot. CSD also assists the URCs by way of soft loans and quantitative discounts (QDs). The URCs are outside the purview of the Parliamentary financial oversight. Neither the budget documents nor the proforma accounts of CSD reflect the operation of the URCs.

The CSD provides QD in the form of free stores to all the Unit Run Canteens. The cost of the free stores by way of QD is booked in the Government accounts in the civil grant of Ministry of Defence. QD is calculated at 4.5 *per cent* in respect of goods on which CSD loads a profit margin of six *per cent* and 3.5 *per cent* in respect of goods on which CSD loads a profit margin of five *per cent*.

Audit scrutiny of Grant No. 20- Ministry of Defence (Civil) revealed that ₹ 1,423.28 crore was transferred from Consolidated Fund of India through the Object Head '50-Other Charges' to URCs in the form of QD during the period from 2009-10 to 2013-14, as detailed in **Table 4.3** below:

Table 4.3: Details of QD transferred to URCs

(₹ in crore)

| Year | Budget Provision under OH '50-Other Charges' | Actual expenditure under 'Other Charges' (QD) |
|--------------|--|---|
| 2013-14 | 375.00 | 331.83 |
| 2012-13 | 300.00 | 651.64 |
| 2011-12 | 210.00 | 223.52 |
| 2010-11 | 210.00 | 0 |
| 2009-10 | 200.00 | 216.29 |
| Total | 1423.28 | 1423.28 |

Thus, assistance to URCs in the form of QD from CFI by using the object head '50-Other Charges' was not in conformity with the provision of General Financial Rules (GFRs) and Delegation of Financial Power Rules (DFPRs), which require that any such transfers should be in form of Grants-in-aid. Since the accounts of URCs are outside the Government accounts, assistance to URCs should be given in the form of Grants-in-aid.

Office of the Controller General of Defence Accounts (CGDA) stated (February 2014) that the booking of expenditure towards QD was done under the punching/imprest code head 'Other Charges' every year since the new Accounting System had been adopted by CSD from 1989-90. The provision of budget and expenditure was booked under the head of accounts 2075.00.108.00.00.50-'Other Charges'.

The fact remains that an amount of ₹ 331.83 crore was transferred to non-public fund of URCs through object head 'Other Charges' during the year 2013-14. The

expenditure on account of QD should have been correctly booked under object head '31-Grants-in-aid-General'.

CGDA stated (December 2014) that the matter had been examined in the 79th Executive Committee meeting of Board of Control Canteen Services (BOCCS) (March 2014) and it was decided to merge two Code Heads viz. 'Contribution-Canteen Trade Surplus' and 'Other Charges-Quantitative Discount(QD)' into one Code Head 'Grants-in-aid'. Accordingly, funds for CSD were projected for FY 2014-15 for the above heads under 'Grants-in-aid'.

The action taken by the Ministry was verified from the Detailed Demands for Grant (DDG) for the year 2014-15 and found to be correct.

4.4 Failure to obtain legislative approval for augmenting provisions

4.4.1 Augmentation of provision to object head '31-Grants-in-aid-General'

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

Scrutiny of Appropriation Accounts alongwith *e-lekha* data revealed that in 12 cases across five grants, expenditure aggregating ₹ 110.71 crore was incurred by various Ministries/Departments during the financial year 2013-14 by augmenting of provision under object head '31-Grants-in-aid-General' to various bodies/authorities without obtaining prior approval of the Parliament thereby attracting the limitations of NS/NIS. The table below gives details of heads where augmentation was made under various grants/appropriations without approval of the Parliament.

Table 4.4: Augmentation of provision to object head '31-Grants-in-aid-General'

| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|--|--------------|-----|-------|--------|--------|--------|
| | | (₹ in crore) | | | | | |
| Grant No. 04- Department of Atomic Energy | | | | | | | |
| 1. | 3401.00.800.06.04.31 Atomic Energy Education Society | 2.25 | - | - | 2.25 | 3.25 | 1.00 |
| 2. | 3401.00.800.06.05.31 Atomic Energy Education Society | 9.20 | - | - | 9.20 | 10.90 | 1.70 |
| Grant No. 20-Ministry of Defence (Civil) | | | | | | | |
| 3. | 2052.00.092.03.01.31 Defence Estate Organisation (code 094/83) | 174.05 | - | 51.64 | 225.69 | 233.00 | 7.31 |
| Grant No. 26- Defence (Research and Development) | | | | | | | |
| 4. | Aeronautical Research and Development Board (code 852/02) | 0.80 | - | - | 0.80 | 21.58 | 20.78 |

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| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|--|--------------|-------|-----|-------|-------|---------------|
| | | (₹ in crore) | | | | | |
| 5. | Naval Research Board (code 852/03) | 1.43 | - | - | 1.43 | 6.00 | 4.57 |
| 6. | Armament Research Board (code 852/04) | 0.22 | - | - | 0.22 | 1.71 | 1.49 |
| 7. | Life Sciences Research Board (code 852/05) | 1.08 | - | - | 1.08 | 2.62 | 1.54 |
| 8. | Extramural Research & Intellectual Property Rights (code 852/06) | 2.30 | - | - | 2.30 | 60.00 | 57.70 |
| <p>The Ministry of Defence stated (November 2014) that the total allocation for Grants-in-aid is reflected in Defence Service Estimates Volume-II and only the portion relating to non-government bodies is reflected under Annexure 'E'. It would be erroneous to misconstrue the allocations reflected in Annexure 'E' as the total allocation for Grants-in-aid available to the various Defence Research Boards.</p> <p>The reply of the Ministry is not acceptable as only Annexure-'E' of Defence Service Estimates is approved by the Parliament and the details under the Defence Service Estimate Volume-II which carries different information are not approved by the Parliament.</p> | | | | | | | |
| Grant No. 60- Department of Higher Education | | | | | | | |
| 9. | 3601.04.189.02.01.31 Rashtriya Uchcha Shiksha Abhiyan (RUSA) | - | 52.64 | - | 52.64 | 65.57 | 12.93 |
| 10. | 3601.04.789.43.02.31 RUSA | - | 11.55 | - | 11.55 | 12.69 | 1.14 |
| 11. | 3601.04.796.09.02.31 RUSA | - | 5.81 | - | 5.81 | 6.34 | 0.53 |
| <p>The Department of Higher Education stated (January 2015) that the transfer to States and Union Territory Governments are exempt from limits of NS/NIS provided the scheme is not new as per the Ministry of Finance OM dated 25 May 2006 and augmentation of the provision under the said head of account was made by the way of re-appropriation with the approval of the Ministry of Finance.</p> <p>The reply is not acceptable as the RUSA Scheme was launched in the year 2013 (as per information available on the Department's website) and also the scheme was not shown in the Detailed Demands for Grants (DDG) for the 2012-13. Hence, any augmentation of funds should have been done with the prior approval of the Parliament.</p> | | | | | | | |
| Grant No. 61- Ministry of Information and Broadcasting | | | | | | | |
| 12. | 2220.01.105.01.01.31 Film Division | 0.03 | - | - | 0.03 | 0.05 | 0.02 |
| Total | | | | | | | 110.71 |

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

4.4.2 Augmentation of provision to object head '35-Grants for Creation of Capital Assets'

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

Audit noticed that in five cases across three Grants, funds aggregating to ₹ 171.99 crore were augmented in violation of extant provision without prior approval of Parliament to the object head '35-Grants for creation of Capital Assets', attracting limitations of NS/NIS.

Table 4.5: Augmentation of provision to object head ‘Grants for creation of Capital Assets’

| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|---|--------------|-------|------|--------|--------|---------------|
| | | (₹ in crore) | | | | | |
| Grant No. 04- Department of Atomic Energy | | | | | | | |
| 1. | 3401.00.004.15.08.35 Institute for Plasma Research, Gandhinagar | 475.00 | - | - | 475.00 | 498.00 | 23.00 |
| Grant No. 60- Department of Higher Education | | | | | | | |
| 2. | 3601.04.189.02.01.35 RUSA | - | 22.56 | - | 22.56 | 137.76 | 115.20 |
| 3. | 3601.04.789.43.02.35 RUSA | - | 4.95 | - | 4.95 | 26.66 | 21.71 |
| 4. | 3601.04.796.09.02.35 RUSA | - | 2.49 | - | 2.49 | 13.34 | 10.85 |
| <p>The Department of Higher Education stated (January 2015) that the transfer to States and Union Territory Governments are exempt from limits of NS/NIS provided the scheme is not new as per the Ministry of Finance OM dated 25 May 2006 and augmentation of the provision under the said head of account was made by the way of re-appropriation with the approval of the Ministry of Finance.</p> <p>The reply is not acceptable as the RUSA Scheme was launched in the year 2013 (as per information available on the Department’s website) and also the scheme was not shown in the DDG for the 2012-13. Hence, any augmentation of funds should have been done with the prior approval of the Parliament.</p> | | | | | | | |
| Grant No. 89- Ministry of Social Justice & Empowerment | | | | | | | |
| 5. | 2225.01.789.09.00.35 Special Component Plan for SCs- Girls Hostel | 8.00 | 1.00 | 7.00 | 16.00 | 17.23 | 1.23 |
| <p>The Ministry of Social Justice & Empowerment stated (December 2014) that the re-appropriation of excess amount of ₹ 1.23 crore was done from Major head-2552 (North Eastern Region) in respect of which the Ministry had full powers.</p> <p>The reply is not tenable as the re-appropriation from Major Head-2552 can be done to the respective functional head for the same scheme under the same sector viz. “General”, “Special Component Plan for SCs” and “Tribal Area Sub Plan” for which distinct provisions are obtained from the Parliament under the functional head as well as the non-functional heads (i.e. Major Head 2552).</p> | | | | | | | |
| Total | | | | | | | 171.99 |

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

4.4.3 Augmentation of provision to object head ‘36-Grants-in-aid-Salaries’

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

Audit noticed that in two cases across two grants, funds aggregating to ₹ 1.37 crore were augmented in violation of extant provision, without prior approval of Parliament to the object head ‘36-Grants-in-aid- salaries’ attracting limitations of NS/NIS.

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Table 4.6: Augmentation of provision to object head 'Grants-in-Aid Salaries'

| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|--|--|--------------|-----|-----|------|------|-------------|
| | | (₹ in crore) | | | | | |
| Grant No. 32- Ministry of External Affairs | | | | | | | |
| 1. | 2061.00.800.20.00.36 Indian Council of World Affairs | 1.24 | - | - | 1.24 | 1.31 | 0.07 |
| The Ministry of External Affairs stated (January 2015) that the excess expenditure was unavoidable being Salaries. The re-appropriation could not be effected because the Parliamentary approval thereof was inadvertently not obtained. | | | | | | | |
| Grant No. 99- Daman and Diu | | | | | | | |
| 2. | Department of Higher Education 2202.02.110.06.00.36 Grants-in-aid to Private Schools | 7.00 | - | - | 7.00 | 8.30 | 1.30 |
| Total | | | | | | | 1.37 |

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

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

In accordance with instructions issued by the Ministry of Finance in May 2006, for augmentation of provision in the existing appropriation under the object head 'subsidies' through re-appropriation, prior approval of the Parliament is required, if the additionality is more than 10 per cent of the existing appropriation already voted by the Parliament or ₹ 10 crore, whichever is less.

Scrutiny of Appropriation Accounts alongwith e-lekha data revealed that in three cases in Grant No. 12 pertaining to the Department of Industrial Policy and Promotion (DIPP), funds aggregating ₹ 149.99 crore were incurred by the Department during the financial year 2013-14 by augmenting the provision under the object head '33-Subsidies' without obtaining prior approval of the Parliament. **Table 4.7** gives details of sub-heads where augmentation was made without prior approval of the Parliament attracting limitations of NS/NIS.

Table 4.7: Augmentation of provision to object head 'Subsidies'

| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|---|--------------|-----|-----|-----|--------|---------------|
| | | (₹ in crore) | | | | | |
| Grant No. 12-Department of Industrial Policy and Promotion (DIPP) | | | | | | | |
| 1. | 2885.02.101.04.00.33 Central Interest Subsidy Scheme | - | - | - | - | 17.88 | 17.88 |
| 2. | 2885.02.101.10.00.33 Capital Investment Subsidy | - | - | - | - | 131.65 | 131.65 |
| 3. | 2885.02.101.05.00.33 Comprehensive Insurance Scheme for North East | - | - | - | - | 0.46 | 0.46 |
| Note: Though a provision of ₹ 149.99 crore was made under 2552.00.238.07.00.33 Package for North East States, however, scheme-wise break-up under non-functional head had not been provided, as required in terms of Budget Division OM. No.F.2(66)-B(CDN)/2001 dated 14 September 2005. | | | | | | | |
| Total | | | | | | | 149.99 |

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

DIPP stated (July 2014) that a lump sum provision for subsidies under North East Industrial Investment and Promotion Policy (NEIIPP) in the non-functional head 2552.00.238.07.00.33 without any break-up was done with the intent to have greater leverage in the release of subsidy under various schemes of NEIIPP as per the demand that may mature during the year.

The reply is not tenable as the DIPP had in the past provided the scheme-wise break-up under non-functional head distinctly corresponding to schemes under functional heads in DDG for the year 2010-11 and 2011-12. Moreover, since augmentation under object head 'Subsidies' requires prior approval of Parliament, scheme-wise break-up needs to be disclosed.

The matter was also pointed out in CAG's Report No.1 of 2014, where the lump sum provision of subsidy were distributed between two schemes. However, in the financial year 2013-14 the same were distributed amongst three schemes.

DIPP also stated (November 2014) that it had decided to allocate funds separately for the various components under NEIIPP viz. Capital, Interest and Insurance in future i.e. from financial year 2015-16 onwards, preferably in the ratio 70:20:10 of the allocated budget.

4.4.5 Augmentation of provision to object heads 'Major Works' and 'Machinery and Equipment'

The Ministry of Finance in reference to OM dated 25 May 2006 regarding 'Guidelines on financial limits relating to New Service/New Instrument of Service (NS/NIS)' clarified (21 May 2012 and 5 October 2012) that 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.

Scrutiny of Appropriation Accounts revealed that in the following 60 cases across 11 grants funds aggregating ₹ 4,863.57 crore were augmented by the various Ministries/Departments during the financial year 2013-14 without obtaining prior approval of Parliament, thereby attracting the limitations of New Service/New Instrument Service as detailed below:

Table 4.8: Augmentation of provision to object head 'Major Works' and 'Machinery and Equipment'

| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|---|--------------|-----|------|-------|-------|--------|
| | | (₹ in crore) | | | | | |
| Grant No. 04-Department of Atomic Energy | | | | | | | |
| 1. | 4861.01.208.74.00.53 Ageing Management and System Up-gradation in operating HWP's | 18.21 | - | 3.82 | 22.03 | 24.53 | 2.50 |

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| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|--|---|--------------|-----|------|----------|----------|---------|
| | | (₹ in crore) | | | | | |
| 2. | 4861.60.105.12.00.53 Support System for Waste Management Facility at Kalpakkam | 0.35 | - | - | 0.35 | 0.41 | 0.06 |
| 3. | 4861.60.202.44.00.53 Augmentation of Waste Management Facilities | 2.40 | - | 0.28 | 2.68 | 2.97 | 0.29 |
| 4. | 4861.60.203.24.00.53 Augmentation of Infrastructure Facilities at Kalpakkam | 2.58 | - | - | 2.58 | 3.30 | 0.72 |
| 5. | 4861.60.204.01.24.53 Board of Radiation and Isotope Technology | 2.00 | - | - | 2.00 | 2.41 | 0.41 |
| 6. | 5401.00.206.54.00.53 Performance Enhancement of Indus-2 with Insertion Devices and Up-gradation of Various Sub-systems | 0.10 | - | 0.05 | 0.15 | 0.45 | 0.30 |
| 7. | 5401.00.206.67.00.53 R&D Activities for High Energy Proton Linac Based Spallation Neutron Source | 0.10 | - | 0.10 | 0.20 | 0.43 | 0.23 |
| 8. | 4861.60.203.47.00.52 2 MGd RO Desalination Plant at Kalpakkam | 14.50 | - | - | 14.50 | 17.51 | 3.01 |
| 9. | 5401.00.201.01.02.52 Reactor Development Programme | 0.50 | - | 0.30 | 0.80 | 1.20 | 0.40 |
| 10. | 5401.00.201.92.00.52 R & D Facilities | 11.92 | - | - | 11.92 | 15.96 | 4.04 |
| 11. | 5401.00.400.03.12.52 AMD-Laboratories and Other Plan Schemes | 1.05 | - | - | 1.05 | 1.55 | 0.50 |
| Grant No. 09 – Ministry of Civil Aviation | | | | | | | |
| 12. | 5053.80.001.01.01.53 Director General of Civil Aviation | 7.00 | - | - | 7.00 | 11.76 | 4.76 |
| The Ministry of Civil Aviation stated (January 2015) that this is a continuous project, however, the clarification issued by Ministry of Finance in May 2012 on enhancing budgetary provision have been noted for future compliance. | | | | | | | |
| Grant No. 27-Capital Outlay on Defence Services | | | | | | | |
| 13. | Navy-Aircraft and Aero Engines | 6708.71 | - | - | 6708.71 | 7745.95 | 1037.24 |
| 14. | Air Force- Aircraft and Aero Engines | 25539.59 | - | - | 25539.59 | 29069.00 | 3529.41 |
| 15. | Air Force-Heavy and Medium Vehicle | 2.82 | - | - | 2.82 | 58.81 | 55.99 |
| The Ministry stated (November 2014) that the original allocation under the Minor Head 101-Aircraft and Aero- engine remained unchanged and no augmentation was done. Further, these Minor Heads did not fall under the list of heads mentioned in the Ministry of Finance instruction of 25 th May 2006 requiring prior approval of Parliament. This reply of the Ministry is not acceptable as separate budget line for 'Aircraft and Aero-engine' exists in Defence Service Estimates of 2013-14 under Army, Navy and Air Force, and the financial limits of augmentation apply separately for each budget line. Further, all procurements under 'Aircraft and Aero-engine' and 'Heavy and Medium Vehicles' falls under the category of 'Machinery and Equipment', as such the financial limits of augmentation prescribed in Ministry of Finance OM of 25 May 2006 equally applies to Defence, subject to considerations of security. Thus, excess expenditure of ₹ 4,622.64 crore incurred over the authorised provisions required the prior approval of the Parliament. | | | | | | | |

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| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|--|---|--------------|-----|------|--------|--------|--------|
| | | (₹ in crore) | | | | | |
| Grant No. 53- Ministry of Home Affairs | | | | | | | |
| 16. | 4059.80.201.03.00.53 Human Rights Commission | 0.50 | - | - | 0.50 | 0.64 | 0.14 |
| <p>The Ministry stated (October 2014) that the amount of ₹ 0.14 crore was augmented by way of re-appropriation on the basis of savings available under the same section of the Grant and it was within the permissible limit. The augmentation was done with the approval of the competent authority and was reported to the Parliament in the third and final batch of Supplementary Demand for Grants.</p> <p>The reply is not acceptable as the Ministry of Finance OM of 25 May 2006 and subsequent clarifications issued thereon clearly provided that the augmentation of provision under the object head 'Major Works'/'Machinery and Equipment' above ₹ 2.5 crore or above 10 per cent of the appropriation already voted, whichever is less, requires prior approval of the Parliament.</p> | | | | | | | |
| Grant No. 55- Police | | | | | | | |
| 17. | 4055.00.212.10.02.52 Delhi Police-Induction of Latest Technology and Capacity Building | 1.00 | - | - | 1.00 | 3.49 | 2.49 |
| 18. | 4055.00.205.01.00.53 Industrial Security Force-Office Buildings | 60.98 | - | - | 60.98 | 63.74 | 2.76 |
| 19. | 4055.00.205.02.00.53 Industrial Security Force-Residential Buildings | 34.12 | - | - | 34.12 | 37.04 | 2.92 |
| 20. | 4055.00.212.09.01.53 Delhi Police-Modernisation of Traffic & Communication Network of Delhi Police | 4.00 | - | - | 4.00 | 4.96 | 0.96 |
| 21. | 4055.00.201.02.00.53 Residential Buildings | 144.93 | - | 2.50 | 147.43 | 159.30 | 11.87 |
| 22. | 4055.00.203.01.04.52 Directorate General of Border Security Force | 26.62 | - | - | 26.62 | 142.86 | 116.24 |
| 23. | 4055.00.214.01.03.53 Border Management-Indo-Bangladesh Border Works | 250.00 | - | - | 250.00 | 260.58 | 10.58 |
| 24. | 4055.00.201.01.00.53 Office Buildings | 644.77 | - | - | 644.77 | 649.65 | 4.88 |
| <p>The Principal Accounts Office, Ministry of Home Affairs stated (October 2014) that in one case token supplementary was obtained, authorisation for additional expenditure over and above BE provision were issued to Border Security Force in view of urgency and the proposals for re-appropriation of funds were sent to the Ministry of Finance. However, Ministry of Finance did not communicate their approval till the close of financial year. In all other cases, bookings have been done by external agencies.</p> | | | | | | | |
| Grant No. 90-Department of Space | | | | | | | |
| 25. | 5252.00.203.03.00.52 INSAT-4/GSAT Satellites | 10.42 | - | - | 10.42 | 26.15 | 15.73 |
| 26. | 5402.00.101.31.00.52 Navigation Satellite System(NSS) | 30.88 | - | - | 30.88 | 42.53 | 11.65 |
| 27. | 5402.00.283.07.00.53 Central Management | 4.52 | - | - | 4.52 | 7.01 | 2.49 |
| 28. | 3402.00.101.01.00.52 Vikram Sarabhai Space Centre (VSSC) | 5.00 | - | - | 5.00 | 6.78 | 1.78 |
| 29. | 5402.00.101.20.00.52 Polar Satellite Launch Vehicle-Continuation (PLSV- C) Project | 7.00 | - | - | 7.00 | 8.25 | 1.25 |
| 30. | 3402.00.101.02.00.52 ISRO Inertial System Unit | 0.50 | - | - | 0.50 | 1.45 | 0.95 |
| 31. | 5252.00.203.03.00.53 INSAT-4/GSAT Satellites | 0.26 | - | - | 0.26 | 0.99 | 0.73 |

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| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|--|--|--------------|-----|-----|-------|-------|--------|
| | | (₹ in crore) | | | | | |
| 32. | 5402.00.103.05.00.52 Atmospheric Science Programme | 1.00 | - | - | 1.00 | 1.62 | 0.62 |
| 33. | 5402.00.102.06.00.53 Disaster Management Support | 0.83 | - | - | 0.83 | 1.37 | 0.54 |
| 34. | 3402.00.101.25.00.52 Satish Dhawan Space Centre-SHAR | 0.13 | - | - | 0.13 | 0.37 | 0.24 |
| 35. | 5402.00.101.35.00.52 Manned Mission Initiative/Human Space Flight Programme | 0.25 | - | - | 0.25 | 0.42 | 0.17 |
| <p>The Department of Space stated (December 2014) that the Ministry of Finance OM dated 21 May 2012 did not indicate about the augmentation of funds under the object head 'Machinery & Equipment'. The reply was not acceptable as the OM dated 25 May 2006 and subsequent clarifications dated 21 May 2012 and 5 October 2012 clarified that 'New Works' includes Land, Building and/or Machinery.</p> <p>The Department also stated that augmentation under the object head 'Major Works' pointed out by Audit, was not in order since the same did not exceed the upper limit of ₹ 2.5 crore.</p> <p>The reply of the Department was not acceptable as the above referred Ministry of Finance OM and subsequent clarifications issued thereon clearly provided that the augmentation of provision under the object head 'Major Works'/'Machinery and Equipment' above ₹ 2.5 crore or above 10 per cent of the appropriation already voted, whichever is less, requires prior approval of the Parliament. But in above cases, no Parliamentary approval was obtained.</p> | | | | | | | |
| Grant No. 96- Andaman and Nicobar Islands | | | | | | | |
| 36. | Ministry of Home Affairs 4055.00.208.06.00.52 - Coastal Security Surveillance Scheme | 0.48 | - | - | 0.48 | 0.67 | 0.19 |
| 37. | Ministry of Road Transport and Highways 5054.04.337.02.01.53 - Rural Roads | 7.00 | - | - | 7.00 | 9.45 | 2.45 |
| 38. | Ministry of Urban Development 4059.80.051.04.00.53- General Administration | 11.15 | - | - | 11.15 | 13.54 | 2.39 |
| 39. | 4216.01.106.05.00.53 -General Pool Accommodation-Building | 11.41 | - | - | 11.41 | 13.92 | 2.51 |
| 40. | 4217.60.051.01.00.53 - Construction of Non-Road Side Drain in Port Blair Area | 1.00 | - | - | 1.00 | 1.73 | 0.73 |
| 41. | 4225.02.800.01.00.53- Buildings | 0.13 | - | - | 0.13 | 1.07 | 0.94 |
| 42. | 4801.06.800.01.00.53- Buildings | 0.50 | - | - | 0.50 | 1.98 | 1.48 |
| Grant No. 98- Dadra and Nagar Haveli | | | | | | | |
| 43. | Ministry of Home Affairs 4055.00.207.01.00.53 District Police | 1.00 | - | - | 1.00 | 3.15 | 2.15 |
| 44. | 4055.00.208.01.00.53 Indian Reserve Battalion | 0.51 | - | - | 0.51 | 1.61 | 1.10 |
| 45. | 4055.00.211.01.00.53 Police Housing-Building | 0.51 | - | - | 0.51 | 1.01 | 0.50 |
| 46. | Ministry of Environment & Forests 4406.01.070.06.00.53 Communication and Buildings-Construction | 3.01 | - | - | 3.01 | 5.02 | 2.01 |
| 47. | Ministry of Micro, Small and Medium Enterprises 4851.00.101.02.00.53 Development of New Industrial Estates | 1.50 | - | - | 1.50 | 2.28 | 0.78 |
| 48. | Ministry of Urban Development 4216.01.106.05.00.53 -General Pool Accommodation-Buildings | 1.30 | - | - | 1.30 | 2.79 | 1.49 |

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| Sl. No. | Head of Account | BE* | NE* | SA* | TA* | TE* | Amount |
|---|---|--------------|-----|-----|--------|--------|----------------|
| | | (₹ in crore) | | | | | |
| <p>The UT Administration of Dadra and Nagar Haveli stated (February 2015) that the augmentation under these heads was made from the savings available under the other major heads of the same object head 'Major Works'. It was further stated that as per Ministry of Finance OM dated 25 May 2006, the determination of financial limits will be with reference to Primary Unit of Appropriation for 'New Service/New Instruments of Service'. Besides, augmentation of said funds was not for new works but for ongoing works already included in BE.</p> <p>The reply is not acceptable as separate budget line exists for each item of expenditure and approval of the Parliament has to be obtained for each item separately. The financial limit is applicable to both new works and ongoing works in accordance with Ministry of Finance's OM dated 25 May 2006 and subsequent clarification dated 21 May 2012.</p> | | | | | | | |
| Grant No.99- Daman and Diu | | | | | | | |
| 49. | Ministry of Agriculture 4401.00.800.12.00.53 Buildings | 0.70 | - | - | 0.70 | 1.20 | 0.50 |
| 50. | Ministry of Tourism 5452.01.103.01.00.52 Tourist Transport-Daman and Diu | 0.20 | - | - | 0.20 | 0.27 | 0.07 |
| 51. | 5452.01.103.01.00.53 Tourist Transport-Daman and Diu | 7.18 | - | - | 7.18 | 8.20 | 1.02 |
| 52. | Ministry of Urban Development 4210.03.796.02.00.53 Construction of Building under Tribal Area Sub-Plan | 0.02 | - | - | 0.02 | 0.27 | 0.25 |
| 53. | 4215.01.800.01.00.53 Other Items | 3.74 | - | - | 3.74 | 5.74 | 2.00 |
| 54. | 4801.05.095.01.00.53 Buildings-Daman and Diu | 1.90 | - | - | 1.90 | 3.90 | 2.00 |
| 55. | 4058.00.103.04.00.53 Government Presses-Construction | 0.05 | - | - | 0.05 | 0.08 | 0.03 |
| 56. | 4059.80.052.02.00.52-Purchases | 0.21 | - | - | 0.21 | 0.33 | 0.12 |
| 57. | Ministry of Water Resource 4711.02.103.01.00.53 Construction of Sea Walls | 0.80 | - | - | 0.80 | 3.30 | 2.50 |
| Grant No.101- Department of Urban Development | | | | | | | |
| 58. | 4216.01.700.07.03.53 Home Affairs-Buildings | 0.30 | - | - | 0.30 | 0.45 | 0.15 |
| <p>The Ministry of Urban Development stated (October 2014) that it did not augment provision under the head 'Major Works'. Thus, excess expenditure had been incurred under this object head without prior approval of the Parliament through Supplementary Demands for Grants during the year 2013-14.</p> | | | | | | | |
| Grant No.102- Public Works | | | | | | | |
| 59. | 4059.80.051.07.01.53 Audit-Buildings | 75.00 | - | - | 75.00 | 77.86 | 2.86 |
| 60. | 4059.80.051.10.01.53 Finance(Revenue)-Buildings | 130.00 | - | - | 130.00 | 134.50 | 4.50 |
| <p>The Ministry of Urban Development stated (October 2014) that the works for which expenditure had been incurred were old and ongoing works and not the new works. The reply of the Ministry is not in accordance with the clarification dated 21 May 2012 of Ministry of Finance, which states that the financial limit is applicable also to ongoing works.</p> | | | | | | | |
| Total | | | | | | | 4863.57 |

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

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4.5 Incorrect classification of charged expenditure as voted expenditure

Article 112(3)(f) of the Constitution of India enjoins that any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal shall be charged upon the Consolidated Fund of India.

In the following two cases, expenditure amounting to ₹ 124.26 crore of the nature of charged was incorrectly classified and booked in the Appropriation Accounts for 2013-14 as voted expenditure, as against charged expenditure in violation of the Constitutional directives.

Table 4.9: Misclassification of charged expenditure as voted expenditure

| Sl. No. | Grant | Amount (₹ in crore) | Audit Observation | Reply of the Ministry |
|--|--|---------------------|---|---|
| Misclassification of Charged Expenditure as Voted Expenditure | | | | |
| 1. | 56-Other Expenditure of Ministry of Home Affairs | 1.21 | Grants were released to Government of Mizoram for payment of rental compensation to the land owners for occupation of their land by the security forces, in pursuance to the orders of the Hon'ble Guwahati High Court, Aizwal Bench. The expenditure was incorrectly booked under revenue voted, instead of revenue charged section. | The Ministry stated (October 2014) that the orders of the Court were received from the State Government when the Supplementary Grants had already been exhausted and there were inadequate funds to meet the demand from re-appropriation. It further added that to satisfy the urgency and unavoidable circumstances, such release were entertained. |
| 2. | 97-Chandigarh | 123.05 | Incorrect provision was obtained and expenditure towards payment of enhanced compensation to land owners owing to decision of Hon'ble District Court/High Court, Chandigarh was booked under capital voted section, instead of capital charged section. | Reply awaited (February 2015). |
| | Total | 124.26 | | |

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

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

Cases of incorrect classification of expenditure of revenue nature as capital expenditure and vice versa were pointed out in CAG's Report No. 1 for the financial years 2010-11, 2011-12 and 2012-13. However, a number of Ministries/Departments have continued to obtain incorrect Parliamentary authorisation, leading to misclassification in booking of final expenditure as discussed in succeeding paragraphs.

4.6.1 Misclassification of capital expenditure as revenue expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978, categorizes the object class six for acquisition of Capital Assets and other Capital Expenditure, wherein

the object heads viz. 51 to 56 and 60 are grouped. These object heads¹ pertain to booking of expenditure of capital nature and therefore should correspond with capital major heads only.

Audit scrutiny of Head-wise Appropriation Accounts alongwith *e-lekha* data for the year 2013-14 revealed cases where these object heads were used with revenue major heads as shown in table below, resulting in understatement of capital expenditure by ₹ 1,297.08 crore, if these expenditures were incurred towards acquisition of capital assets and other capital expenditure.

Table 4.10: Misclassification of expenditure of capital nature as revenue expenditure

| Sl. No | Description of Grant | Major Head | Object Head | Expenditure (₹ in crore) | Reply of the Department/Ministry |
|--------|--|--------------------|-------------|--------------------------|---|
| 1. | 1-Department of Agriculture and Co-operation | 2401 | 51 | 0.01 | The Department stated (December 2014) that provision for object heads '51-Motor Vehicles' and '52-Machinery and Equipment' has been made under Capital Section from the FY 2014-15. |
| 2. | | 2401 | 52 | 0.31 | |
| 3. | | 2435 | 52 | 0.02 | |
| 4. | 14-Department of Telecommunications | 3275 | 51 | 0.11 | The Department stated (September 2014) that the provision/booking of funds had been done as per past practice as the expenditure related to wear and tear of Machinery Equipment and Motor Vehicle. The reply is not tenable as the object heads operated by the Department are not meant for booking expenditure on wear and tear. |
| 5. | | | 52 | 1.40 | |
| 6. | 16-Department of Consumer Affairs | 3425 | 52 | 0.02 | The Department stated (December 2014) that the booking of expenditure of the nature of maintenance of Machinery and Equipment under the object head has been discontinued with effect from the year 2014-15. |
| 7. | | 3475 | 52 | 33.43 | |
| 8. | 20- Ministry of Defence | 2037 (Code 041/14) | 52 | 58.03 | Controller General of Defence Accounts (CGDA) stated (December 2014) that the case for deletion of object head (2037.00.102.06.01.52) had been taken up with effect from FY 2015-16. |

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

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| Sl. No | Description of Grant | Major Head | Object Head | Expenditure (₹ in crore) | Reply of the Department/Ministry |
|--------|--|-----------------------|-------------|--------------------------|--|
| 9. | 20- Ministry of Defence | 2075 (Code 098/61) | 53 | 6.79 | CGDA stated (December 2014) that Canteen Stores Department was operating four heads of accounts for Works and Capital Expenditure viz. 2075.00.108.01.01.27-Minor Works, 2075.00.108.01.01.53-Major Works, 4075.00.107.03.00.53-Capital Outlay on Land and Building-Major Works and 4216.02.800.01.01.53- Capital outlay for Construction- Minor Works. The booking of expenditure under various works is compiled in these heads of accounts. The reply is not acceptable as an object head –‘53’ of Capital Class should not be operated with revenue major heads. |
| 10. | 28-Ministry of Development of North Eastern Region | 2052 | 52 | 0.01 | The Ministry stated (September 2014) that the matter has already been taken up and necessary corrections have been made. |
| 11. | 33-Department of Economic Affairs | 3054 | 53 | 1102.45 | The Department stated (October 2014) that budget estimates for 2014-15 have been made under object head ‘50-Other Charges’. |
| 12. | 44-Indirect Taxes | 2037 | 52 | 14.23 | The Ministry of Finance stated (January 2015) that action had already been taken to correct the depiction in the Detailed Demands for Grants for the year 2014-15. |
| 13. | | 2038 | 52 | 0.32 | |
| 14. | 47-Department of Health and Family Welfare | 2210 | 51 | 0.01 | The Department stated (January 2015) that the expenditure was booked by the cheque drawing DDOs inadvertently in the revenue section and due care would be taken in future not to repeat such irregularities. |
| 15. | | 2210/ 2211 | 52 | 0.96 | |
| 16. | 55-Police | 2055 | 52 | 0.48 | The Principal Accounts Office, Ministry of Home Affairs stated (September 2014) that the expenditure was erroneously booked under this head and mistake was noted at a belated stage. Hence, correction could not be carried out. It was further stated (October 2014) that use of object head ‘52-Machinery & Equipment’ has been discontinued under Major head 2055 in the revenue section. |

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| Sl. No | Description of Grant | Major Head | Object Head | Expenditure (₹ in crore) | Reply of the Department/Ministry |
|--------------|--|------------|-------------|--------------------------|--|
| 17. | 62-Ministry of Labour and Employment | 2230 | 52 | 2.24 | The Ministry stated (December 2014) that the misclassification had been appearing for past many years. However, the scheme was going to be closed soon. |
| 18. | 90-Department of Space | 3252 | 52 | 0.21 | Accepting the audit observation, the Department stated (September 2014/December 2014), it had constituted a committee for issue of 'Compendium on booking of Expenditure'. |
| 19. | | 3402 | 52 | 18.50 | |
| 20. | 91- Ministry of Statistics and Programme Implementation. | 3454 | 52 | 0.05 | The Ministry stated (October 2014 and January 2015) that all the divisions had already been requested for correct booking of expenditure. |
| 21. | 104-Ministry of Water Resources | 2701 | 51/52/53 | 22.80 | Reply awaited (February 2015). |
| 22. | | 2702 | 51/52/53 | 29.40 | |
| 23. | | 2711 | 51/52 | 5.01 | |
| 24. | | 3075 | 52 | 0.29 | |
| Total | | | | 1297.08 | |

Expenditure figures source: e-lekha data dump/consolidated abstracts.

4.6.2 Misclassification of revenue expenditure as capital expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPRs), categorizes the object heads falling in other than object class 6 and 7 broadly as revenue in nature. Accordingly, these object heads should ordinarily not correspond with the capital major heads.

Audit scrutiny of Head-wise Appropriation Accounts alongwith *e-lekha* data for the year 2013-14 revealed a number of cases where object heads of revenue nature were incorrectly operated with capital major heads. These misclassifications resulted in understatement of revenue expenditure of the Union Government by ₹ 1,253.55 crore as shown in **Table 4.11**, if these expenditures were not incurred towards acquisition of capital assets and other capital expenditure.

**Appropriation Accounts:
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Table 4.11: Misclassification of revenue expenditure as capital expenditure

| Sl. No. | Description of Grant | Major Head | Object Head | Expenditure (₹ in crore) | Reply of the Department/Ministry |
|---------|-----------------------------------|------------|-------------|--------------------------|---|
| 1. | 04-Department of Atomic Energy | 4861 | 27 | 56.17 | The Department stated (January 2015) that Heavy Water (head 4861.01) being the asset of Government of India, all expenses which go into production of Heavy Water were classified under capital head. As regards, Atomic Minerals Division (head 4861.02) the works under capital head are mainly to carry out survey and prospecting work by providing temporary infrastructure and therefore operated under 'Minor Works'. The reply may be viewed in light of the Rule 8 of the DFPRs, which categorises the object head pertaining to class other than class 6 as revenue in nature. The object head '27-Minor Works' is kept in Class-3 and hence may not be booked under capital section. |
| 2. | 33-Department of Economic Affairs | 5465 | 32 | 250.00 | The Department stated (October 2014) that the matter would be dealt in consultation with Budget Division and decision would be informed separately. |
| 3. | | 5475 | 50 | 0.02 | The Department stated (October 2014) that the issue regarding booking of expenditure under object head '50-Other Charges' would be examined separately with Public Private Partnership Cell and Budget Division. |
| 4. | 53-Ministry of Home Affairs | 4216 | 27 | 3.62 | The Ministry stated (October 2014) that the said misclassification had now been rectified by opening two new head of account i.e., 'Minor Works' and 'Office Expenses' in the revenue section under Major head "2070" in consultation with the Ministry of Finance. |
| 5. | 55- Police | 4055 | 50 | 838.80 | The Principal Accounts Office, Ministry of Home Affairs stated (October 2014) that there is no restriction on the use of the object head of class 1 to 5 under the capital section of the grant. The reply is not acceptable as Rule 8 of the DFPRs, categorizes the object heads falling in other than object class 6 and 7 broadly as revenue in nature. Accordingly, these object heads should ordinarily not correspond with the capital major heads. |
| 6. | 88-Ministry of Shipping | 5051 | 50 | 0.36 | Reply awaited (February 2015). |
| 7. | | 5052 | 50 | 0.41 | |

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| Sl. No. | Description of Grant | Major Head | Object Head | Expenditure (₹ in crore) | Reply of the Department/Ministry |
|--------------------|---------------------------------|------------|-------------------------|--------------------------|---|
| 8. | 88-Ministry of Shipping | 5051 | 01/06/11/13/20/26 | 7.00 | The Principal Chief Controller of Accounts of the Ministry stated (September 2014) that the matter was examined by the Ministry and necessary provisions to charge the expenditure on staff to Revenue head had been made under the head 3051 in the Detailed Demand for Grants for the year 2014-15. |
| 9. | 94-Ministry of Tourism | 5452 | 28 | 2.00 | The Ministry of Tourism stated (October 2014) that it would take up the issue of booking of the expenditure on Project Management Consultant under the head "Professional services" with the Ministry of Finance before signing of any new agreement. |
| 10. | 96-Andaman and Nicobar Islands | 4059 | 28 | 0.05 | Reply awaited (February 2015). |
| 11. | | 4401 | 21 | 5.48 | |
| 12. | | 4406 | 50 | 0.38 | |
| 13. | | 4801 | 50 | 0.55 | |
| 14. | | 4801 | 21 | 76.70 | |
| 15. | | 4801 | 43 | 0.63 | |
| 16. | | 5052 | 50 | 1.66 | |
| 17. | | 5452 | 50 | 3.38 | |
| 18. | 104-Ministry of Water Resources | 5075 | 01/03/06/11/13/20/43/50 | 6.34 | Reply awaited (February 2015). |
| Grand Total | | | | 1253.55 | |

4.6.3 Incorrect recording of expenditure on viability gap funding in capital section amounting to ₹ 450 crore

Rule 31 of Government Accounting Rules, 1990 read with Rule 79 of the General Financial Rules, 2005 stipulate that any expenditure incurred for creation of concrete assets of permanent or intermittent character shall be classified as capital expenditure. The ownership of the asset created shall also rest with the Government to qualify the expenditure on its creation and classified in capital section of the grant.

Further, Para 4 of Appendix 3 referred in Rule 48 of the General Financial Rules, 2005 stipulates that no lump sum provision shall be made in the Budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Rule 8 of the DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakh.

During scrutiny of the Appropriation Accounts alongwith Consolidated Abstract and Detailed Demand for Grants of Grant No. 33 pertaining to the Department of Economic Affairs for the year 2013-14, it was observed that an expenditure of ₹ 450 crore representing assistance for infrastructure projects in the form of

Viability Gap Funding (VGF) was booked in the capital section of the grant. Since assistance as VGF for infrastructure development provides financial support in the form of Grants, one time or deferred, for projects undertaken through Public Private Partnership mode with a view to make them commercially viable, booking of such expenditure under the head 5475-Capital Outlay on Other General Economic Services – 800 Other Expenditure, 12-Assistance for Infrastructure Development Viability Gap Funding, against the object head '42-Lump sum provision', was contrary to the rules cited above. This expenditure should have been booked under the revenue section of the grant.

Moreover, the provision of ₹ 678 crore obtained for expenditure under the object head '42 – Lump sum provision' was in violation of extant instructions which stipulate that lump sum provision should not exceed ₹ 10 lakh. In all other cases, break-up by other objects of expenditure must be given. The matter was also pointed out in the CAG's report No. 1 of 2013 and 2014, but no steps have been taken to obtain the provision under correct head.

The Department stated (October 2014) that this was actually classic capital expenditure; where capital expenditure is for asset creation this would, had the project been viable, been financed by the concessionaire, been his capital expenditure that is passed on as a grant to the concessionaire. It further stated that Government Accounting Rules read with GFR itself stipulate that capital expenditure incurred for creation of concrete asset of permanent or intermittent character shall be classified as capital expenditure. The ownership of the asset created shall also rest with Government to qualify the expenditure on its creation and classified in capital section of the grant.

The Department may revisit their reply in the light of the recommendations of the Committee, under the Chairmanship of Shri C. R. Sundaramurti, constituted to review the list of Major and Minor Heads of Accounts of the Union and States, wherein VGF has been classified as revenue expenditure. This report is, however, under consideration of the Government for implementation.

4.6.4 Other cases of Misclassification

Rule 79 of General Financial Rules, 2005 stipulates that charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order, as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Audit scrutiny of Head-wise Appropriation Accounts alongwith *e-lekha* data for the year 2013-14 revealed a number of cases, where expenditure of revenue nature was classified as capital expenditure or vice-versa, resulting in overstatement/understatement of revenue expenditure and also having an impact

on revenue deficit of the Union Government by ₹ 1,263.24 crore, as shown in table below:

Table 4.12: Misclassification between different sections of the grant

| Sl. No. | Grant | Amount (₹ in crore) | Audit Observation | Reply of the Department/Ministry |
|--|---|------------------------|---|--|
| Misclassification of revenue expenditure as capital expenditure | | | | |
| 1. | 11- Department of Commerce | 108.50 | The Department released an amount of ₹ 108.50 crore to Footwear Design and Development Institute (FDDI) for establishment of new branches of FDDI (at Patna, Hyderabad and Guna in Madhya Pradesh) and for expansion and upgradation of FDDI Training centre (at Chhindwara). The amount was booked in accounts in capital section of the grant under the object head 'Major Works' (5453.80.800.10.01.53) instead of booking under object head '35-Grants for creation of Capital Assets' in the revenue section of the grant. | Reply awaited (February 2015). |
| 2. | | 1.00 | The Department released an amount of ₹ 1.00 crore to FDDI for establishment of Campus Networking Centre (FDDI-CNC) and Centre of Excellence for Leather goods etc., which was booked in accounts in capital section of the grant under the object head 'Major Works' (5453.80.800.10.02.53) instead of booking under '35-Grants for creation of Capital Assets' in the revenue section of the grant. | Reply awaited (February 2015). |
| 3. | 14-Department of Telecommunications | 211.51 | The Department paid an amount of ₹ 211.51 crore to BSNL as bandwidth hiring charges for AFNET (Air Force Network) which was incorrectly booked under object head '60-Other Capital Expenditure' under Capital Major Head- 5275 instead of object head '28- Professional Services' under Revenue Major Head-3275. | The Department stated (February 2015) that the Ministry of Finance did not approve the proposal for re-appropriation of funds from Capital to Revenue as there was no provision in GFRs. The reply is not acceptable as the reply is not related to audit observation pointing out misclassification during 2013-14. |
| 4. | 33-Department of Economic Affairs (DEA) | 1.34 | Expenditure representing the subscription made by the Government of India to African Development Fund was booked in the capital section of Grant under the object head '54-Investment' (5466.00.205.02.00.54). The nature of expenditure being contribution, should have been correctly classified under the revenue section of the Grant against the object head '32-Contributions'. The matter was also pointed out in CAG's Report No. 1 of 2014. | The Department stated (October 2014) that the matter regarding booking of expenditure under object head 54 under revenue section would be examined separately with Multilateral Institutions (MI) Division and Budget Division. Audit pointed out booking of expenditure under object head- '32' in revenue section, and not under object head- '54'. |

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| Sl. No. | Grant | Amount (₹ in crore) | Audit Observation | Reply of the Department/Ministry |
|---------|---|---------------------|--|---|
| 5. | | 1000.00 | Expenditure incurred in the 'National Skill Certification and Monetary Reward Scheme' of National Skill Development Corporation (NSDC) was booked in accounts in the capital section of the Grant (5465.01.190.24.03.54). These funds were provided to NSDC to extend training facilities to motivate youth of the country to develop different skills in order to boost their employability and productivity and not for enhancement of the capital of the NSDC. This expenditure should have been correctly classified under the revenue section of the Grant against the object head '32-Contributions'. | The Department stated (October 2014) that provision for 'National Skill Certification and Monetary Reward Scheme' has been made under revenue section of the grant in the DDG 2014-15. |
| 6. | 85-Department of Science and Technology | 0.21 | The Department incurred an expenditure of ₹ 0.21 crore towards maintenance of building which was incorrectly booked in the capital section under object head '53- Major Works' instead of booking it under object head '27-Minor Works' in the revenue section of the grant. | The Department stated (December 2014) that the utilisation of budget under any specific code head (Major/Minor) are carried out after concurrence of Controller of Accounts/IFD. However the point raised by Audit had been rectified during 2014-15 as per advice of Controller of Accounts. |
| 7. | | 0.13 | The Department incurred an expenditure of ₹ 0.13 crore towards computer table, low height chambers, low height almirah and booked these under object head '53- Major Works' in the capital section instead of booking it under object head '13-Office Expenses' in the revenue section of the grant. | Reply awaited (February 2015). |
| 8. | 88-Ministry of Shipping | 55.98 | The Ministry disbursed an amount of ₹ 55.98 crore to Indian Maritime University (Chennai), a Central Institute, for the construction and development of new campus, which was incorrectly booked in capital section under object head '53- Major Works' instead of classifying it under the object head '35-Grants for creation of Capital Assets' in revenue section of the grant. | The Principal Chief Controller of Accounts of the Ministry stated (September 2014) that the matter was examined in the Ministry and necessary provisions were made in the Detailed Demands for Grants for 2014-15 against the object head '35-Grants for creation of Capital Assets' under Revenue major head '3052'. |
| 9. | 90-Department of Space | 1.66 | The Department incurred an expenditure of ₹ 1.66 crore towards licence fee and royalty to Department of Telecommunications for its remote sensing satellites which was incorrectly booked under object head '60-Other Capital Expenditure' and '52-Machinery and Equipment' in the capital section instead of object head '50-Other Charges' under revenue section of the grant. | Accepting the audit observation, the Department stated (September/December 2014), it had constituted a committee for issue of 'Compendium on booking of Expenditure'. |

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| Sl. No. | Grant | Amount (₹ in crore) | Audit Observation | Reply of the Department/Ministry |
|---|-------|------------------------|--|--|
| 10. | | 0.23 | The Department incurred an expenditure of ₹ 0.23 crore towards maintenance charges of S-Band High Power Amplifier which was incorrectly booked under object head '52-Machinery and Equipment' in capital section instead of object head '27-Minor Works' in revenue section of the grant. | |
| 11. | | 8.89 | The Department incurred an expenditure of ₹ 8.89 crore towards electricity charges which was incorrectly booked under object head '60-Other Capital Expenditure' in capital section instead of object head '13-Office Expenses' in revenue section of the grant. | |
| 12. | | 0.63 | The Department incurred an expenditure of ₹ 0.63 crore on grants-in-aid for creation of Capital assets under Atmospheric Science Project (ASP) to NARL (An autonomous body) which was incorrectly booked under object head – '60-Other Capital Expenditure' in capital section instead of object head '35- Grants for creation of Capital assets' in revenue section of the grant. | The Department stated (December 2014) that ASP programme is implemented by various units/autonomous bodies. Therefore, funds released under this project to NARL (an autonomous body under it) for procurement of capital equipment was booked under Other Capital Expenditure. The reply is not tenable as funds released by a Government Department to any outside agency for procurement of capital equipment under a project/programme/scheme is required to be booked under Object Head '35- Grants for creation of Capital Assets'. |
| 13. | | 80.77 | The Department incurred an expenditure of ₹ 80.77 crore towards 'Contractual Satellite Tracking Services' provided by NASA which was incorrectly booked under Object head – '60-Other Capital Expenditure' in capital section instead of object head '30- Other Contractual Services' in revenue section of the grant. | Accepting the audit observation, the Department stated (September/December 2014), it had constituted a committee for issue of 'Compendium on booking of Expenditure'. |
| Revenue expenditure understated by ₹ 1,470.85 crore. | | | | |

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| Sl. No. | Grant | Amount (₹ in crore) | Audit Observation | Reply of the Department/Ministry |
|---|---|---------------------|---|--|
| Misclassification of Capital expenditure as Revenue expenditure | | | | |
| 1. | 85-Department of Science and Technology | 1.03 | The Department incurred an expenditure of ₹ 1.03 crore towards fee for execution of lease deed of land procured at NOIDA, UP for construction of National Centre for Medium Range Weather Forecasting (NCMRWF) complex which was incorrectly booked in the revenue section under object head '14-Rent, Rates and Taxes' instead of object head '53-Major Works' in capital section of the grant. | The Department stated (December 2014) that the payment was made for Rent & Taxes and amount related with the extension of lease was waived off by the competent authority of NOIDA. Therefore, the payment had been made properly being the amount raised by the NOIDA authority related with the Rent & Taxes and leased land. The purpose mentioned in the sanction was 'for lease' and hence, the reply is factually incorrect. Also, the expenditure incurred was of capital nature as the construction work of the building was not complete by then. |
| 2. | 90-Department of Space | 198.14 | The Department of Space in its order dated 16 April 2007 clarified that expenditure on 'supplies and materials' and 'other charges' in case of satellites, having life of more than one year (including launch services for such satellites) was classifiable as 'Other Capital Expenditure'. However, an expenditure of ₹ 198.14 crore was booked incorrectly under the object head '21-Supplies and Materials' and '50-Other Charges' in revenue section, which should have been correctly booked under '60-Other Capital Expenditure' in capital section as per the extant orders. | Accepting the audit observation, the Department stated (September/December 2014), it had constituted a committee for issue of 'Compendium on booking of Expenditure'. |
| 3. | | 8.44 | Expenditure on acquisition of equipment (three cases ²) was classified in Revenue Section under object head '21-Supplies and Materials' instead of object head '52- Machinery and Equipment' in the Capital section. | |
| Revenue expenditure overstated by ₹ 207.61 crore. | | | | |
| Overall Impact: Understatement of revenue expenditure by ₹ 1,263.24 crore. | | | | |

Such types of misclassification dilute the accountability and defeat the very purpose of achieving transparency, completeness, integrity, consistency and comparability in accounting and, therefore, urgent action is required to ensure that they do not recur.

Impact of misclassification:

Deviation by the Ministries/Departments from following the principles of classification as specified in Article 112(2) of the Constitution of India has the effect of either understatement or overstatement of revenue deficit of the Government.

² 3402.00.101.01.00.21, 3402.00.800.01.00.21, 3402.00.101.33.00.21

The impact of incorrect classification of revenue expenditure as capital expenditure and vice versa was overstatement of capital expenditure by ₹ 3,174.40 crore and understatement of capital expenditure by ₹ 1,504.69 crore. The overall impact on Government expenditure was an overstatement of capital expenditure of ₹ 1,669.71 crore. Correspondingly revenue deficit was understated by an equivalent amount of ₹ 1,669.71 crore during the financial year 2013-14.

4.7 Other cases of misclassification within same section of the grant/appropriation

4.7.1 Incorrect transactions passed through Consolidated Fund of India instead of Public Accounts of India

Article 266 (1) & (2) of the Constitution of India provides that all revenues received by the Government of India, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one Consolidated Fund to be entitled “the Consolidated Fund of India”. Besides the normal receipts and expenditure of that Government, which relate to the Consolidated Fund, certain other transactions enter the Government Accounts, in respect of which the Government acts more as a banker/transferor. The public moneys thus received are kept in the Public Account, and the connected disbursements are also made there from.

Scrutiny of Appropriation Accounts in respect of Grant No. 10 pertaining to the Ministry of Coal for the year 2013-14 revealed that ₹ 761 crore was deposited by Coal India Limited (CIL) with the Ministry for acquisition of coal bearing areas on their behalf. An expenditure of ₹ 761 crore was incurred for acquisition of coal bearing areas in the capital head of account 4803.00.800.01.00.54 from the CFI and expenditure was netted out with receipts from CIL. Since the coal bearing areas were acquired against specific deposit made by CIL, the transaction should not have passed through the Consolidated Fund of India. The matter was also pointed out in the CAG’s Report No. 1 of 2013 and 2014.

The Ministry of Coal stated (September 2014) that for the financial year 2013-14 the modalities for booking of the expenditure in Public Account instead of Consolidated Fund of India were under process. There was no outgo of funds from CFI.

Similarly, scrutiny in respect of Grant No. 76 pertaining to the Ministry of Power for the year 2013-14 revealed that an amount ₹ 301.45 crore deposited by National Thermal Power Corporation (NTPC) to the Ministry for acquisition of coal bearing areas on their behalf had been treated as reduction in capital expenditure incurred from the Consolidated Fund of India, instead of passing the transaction through Public Account as deposit work. Since the coal bearing areas

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were acquired against specific deposit made by NTPC, the transaction should not have passed through the Consolidated Fund of India.

The Ministry stated (December 2014) that the expenditure was incurred against fund provided by NTPC and the same was related to payment of compensation to the land oustees under section 17 of the Coal Bearing Areas (Acquisition and Development) Act, 1957 for the land acquired in respect of coal block allotted to NTPC by Ministry of Coal. Hence the above expenditure was routed through Demands for Grants of Ministry of Power without any net outgo from CFI.

The reply of the Ministry is not tenable as the transaction does not conform to extant provision of the Constitution of India, which provides for routing such transaction through Public Account of India.

4.7.2 Non-operation of object head ‘Grants-in-aid-Salaries’

The Department of Expenditure, Ministry of Finance introduced a new object head ‘36-Grants-in-aid-Salaries’ with effect from 1 April 2011 in the list of object heads under object class-4 below Rule 8 of Delegation of Financial Powers Rules 1978.

Scrutiny of Appropriation Accounts for the year 2013-14 revealed that the object head was not operated by the following Ministries/Departments, as detailed below.

Table 4.13: Non-operation of object head ‘Grants-in-aid-Salaries’

| Sl. No. | Grant No. & Name | Audit observation and reply of the Ministry/Department |
|---------|--|--|
| 1. | 12-Department of Industrial Policy and Promotion | <p>The National Manufacturing Competitiveness Council (NMCC) is an autonomous body vide Department of Industrial Policy and Promotion (DIPP) Notification dated 6 October 2004. An expenditure of ₹ 2.40 crore incurred towards establishment expenses of NMCC was booked under the object head ‘01-Salaries’, ‘03-Overtime allowance’, ‘06-Medical treatment’, ‘13 Office expenses’, etc. in the revenue section of the grant under the sub head 2852.80.800.19. The allocation/expenditure in respect of salary should have been classified under the object head ‘36-Grants-in-aid-Salaries’.</p> <p>DIPP referring to the provision of Rule 206 of GFRs stated (September 2014) that NMCC had not yet been registered under the Societies Registration Act, 1860 and hence the budgetary provision had not been provided under grants-in-aid. In view of audit comments, NMCC has been directed to get itself registered under the Societies Registration Act, 1860 immediately.</p> <p>DIPP further stated (November 2014) that the Council would be provided budgetary allocation under Object head ‘36-Grants-in-aid-Salaries’ for the next financial year 2014-15.</p> |
| 2. | 14-Department of Telecommunications | <p>The Department released an amount of ₹ 224.25 crore to Centre for Development of Telematics (C-DOT). Out of the total grant received, an amount of ₹ 126.44 crore was disbursed as salaries and staff benefits by C-DOT. However, the entire amount of ₹ 224.25 crore was booked by the Department as ‘Grants-in-aid-General’ instead of segregating it into object head ‘31-Grants-in-aid-General’ and ‘36-Grants-in-aid-Salaries’.</p> <p>The Department stated (February 2015) that a new object head ‘36-Grants-in-aid Salaries’ has been opened in the DDG for the year 2015-16 to accommodate the expenditure for salaries paid by C-DOT.</p> |

| Sl. No. | Grant No. & Name | Audit observation and reply of the Ministry/Department |
|---------|--|---|
| 3. | 15- Department of Electronics and Information Technology | <p>The Department released grants of ₹ 20.31 crore for Capacity Building Management Cell in National e-Governance Division (NeGD) of Media Lab Asia, which is a company registered under Section 25 of Companies Act 1956. Of this, ₹ 13.29 crore was used by NeGD towards payment of manpower cost, honorarium, interview expenditure, etc. However, the entire amount of ₹ 20.31 crore was booked by the Department as 'Grants-in-aid-General' instead of segregating it into object head '31-Grants-in-aid- General' and '36-Grants-in-aid-Salaries'.</p> <p>The Department stated (December 2014) that as per description of object head '36-Grants-in-aid-Salaries', expenditure/provision under this head would include amounts released as grants-in-aid for payment of salaries. It was also stated that Department released grants-in-aid of ₹ 20.31 crore to NeGD for implementation of capacity building schemes especially for the working of State e-Governance Mission Teams (SeMTs) and these funds were further used by NeGD for functioning of Capacity Building Cell and works allotted to this Cell. Thus, the release of funds was not directly meant for payment of salaries.</p> <p>However, the fact remains that a major portion of the grant was spent on payment of salaries and hence operation of object head '36-Grants-in-aid-Salaries' was required for proper apportionment of the expenditure.</p> |
| 4. | 18- Ministry of Corporate Affairs | <p>The Ministry released a grant of ₹ 2.37 crore to Indian Institute of Corporate Affairs (IICA) as salaries and booked it under the head of account 3475.00.800.79.00.31 'Grants-in-aid-General' instead of object head '36 Grants-in-aid-Salaries'.</p> <p>Similarly, a grant of ₹ 15.66 crore to Competition Commission of India (CCI) for payment of salaries was released and booked under the head of account 3451.00.090.05.06.31 'Grants-in-aid-General' instead of '36 Grants-in-aid-Salaries'.</p> <p>The Ministry stated (October 2014) that a new object head 'Grant in aid Salaries' has been created for IICA and CCI with effect from financial year 2014-15 and Grants for Salary are being released in that head.</p> |

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

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

Audit noticed that in 48 cases across 23 grants/appropriations, funds aggregating ₹ 3,873.43 crore were misclassified between the primary units of appropriation i.e. object heads, which are detailed in **Table 4.14**.

Table 4.14: Misclassification within object heads in the same section of grant

| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|---------------------------------|---------------------|----------------------------|--|---|
| 1. | 04- Department of Atomic Energy | 1.07 | 3401/50 | The Department incurred an expenditure of ₹ 1.07 crore on assistance to Universities, Research Institutions, Societies and Non-Government Institutions which was incorrectly booked under object head '50-Other Charges' instead of object head '31-Grant-in-aid-General'. | The Department stated (January 2015) that the observations of audit had been noted and complied from 2014-15 onwards. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|-------------------------------|---------------------|----------------------------|--|--|
| 2. | | 8.98 | 3401/34 | The Department incurred an expenditure of ₹ 8.98 crore on assistance to Universities, Research Institutions, Societies and Non-Government Institutions and incorrectly booked the amount under object head '34-Scholarship/Stipends' instead of Object head '31-Grant-in-aid-General'. | |
| 3. | 07- Department of Fertilizers | 0.77 | 2852/50 | An expenditure of ₹ 0.77 crore was incurred on payment of outsourced personnel and engagement of consultants, which was booked under the object head '50-Other Charges' instead of object head '28-Professional Services'. | The Department stated (November 2014) that the concern of Audit had been noted and it would be ensured that payment to outsourced personnel and engagement of consultants would be booked in the '28-Professional Services' from the financial year 2015-16. |
| 4. | 10- Ministry of Coal | 7.00 | 2230/32 | An expenditure of ₹ 7.00 crore on account of administrative charges to Coal Mines Provident Fund Organisation and ₹ 260.20 crore on account of research and development, exploration, environmental measures and subsidence control, detailed drilling purposes were incurred and classified incorrectly under the object head '32-Contribution'. These expenditure should have been correctly classified under the object head '31-Grants in aid-General' under the respective major heads being specific assistance towards coal and lignite sector. | The Ministry stated (September 2014) that matter relating to booking of expenditure under the object head 'Contribution' is under consideration. |
| 5. | | 260.20 | 2803/32 | The matter was also pointed out in CAG's Report No.1 of 2014 | |
| 6. | 11- Department of Commerce | 38.37 | 3453/31 | Grants-in-aid of ₹ 38.37 crore released to Indian Institute of Foreign Trade (IIFT) for meeting expenditure on construction of Kolkata campus was booked in the accounts under the object head '31-Grants-in-aid-General' instead of classifying the expenditure under the object head '35-Grants for creation of Capital Assets'. | The Principal Accounts Office of the Department stated (September 2014) that the correct object head of account would be shown in the Detailed Demands for Grants 2015-16 in consultation with the Administrative Division. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|---|---------------------|----------------------------|--|--|
| 7. | 12- Department of Industrial Policy & Promotion | 1.76 | 2070/50 | An expenditure of ₹ 0.22 crore on consultancy fees for external experts, and ₹ 1.54 crore on Datacom usage charges, rental charges of leased lines of BSNL and completion of tender job of server were incorrectly booked in accounts under the object head '50 - Other Charges'. The correct classification in these cases should have been '28 Professional Services' for expenditure on consultancy fees and '13-Office Expenses' for expenditure on Datacom usage charges, rental charges of leased lines of BSNL etc. | DIPP stated (September 2014) in response to audit comments that during the financial year 2013-14, only 'Other Charges' object head 2070.00.117.01.04.50 was available and others were not created. The object heads 'Office Expenses', 'Professional Services' had since been created for the financial year 2014-15 and therefore the same discrepancies will not be repeated. |
| 8. | 13- Department of Posts (Postal Service) | 12.51 | 3201/50 | The Department incurred an expenditure of ₹ 12.51 crore on payments towards manufacturing cost of Post Cards and envelopes/Cost of Printing IPOs and conveyance and freight charges of stamps and postal stationery which was incorrectly booked under object head '50-Other Charges' instead of object head '28-Professional Services'. | The Department stated (January 2015) that the observations have been noted for future guidance and compliance. |
| 9. | | 1.22 | 3201/13 | The Department incurred an expenditure of ₹ 1.22 crore for organising exhibitions which was incorrectly booked under object head '13-Office Expenses' instead of object head '26-Advertising and Publicity'. | |
| 10. | | 0.13 | 3201/50 | The Department incurred an expenditure of ₹ 0.13 crore on organising seminars and workshops for promotion of philately which was incorrectly booked under object head '50-Other Charges' instead of object head '20-Other Administrative Expenses'. | |
| 11. | | 1.22 | 3201/50 | The Department incurred an expenditure of ₹ 1.22 crore on advertising and publicity which was incorrectly booked under object head '50-Other Charges' instead of object head '26-Advertising and Publicity'. | |
| 12. | | 0.70 | 3201/20 | The Department incurred an expenditure of ₹ 0.70 crore on up-gradation and upkeep of National Philately Museum/Philately Bureau/ Philately Counters which was incorrectly booked under object head '20-Other Administrative Expenses' instead of object head '27- Minor Works'. | |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|--|---------------------|----------------------------|---|--|
| 13. | | 0.46 | 3201/50 | The Department incurred an expenditure of ₹ 0.46 crore on grants to re-creation clubs which was incorrectly booked under object head '50-Other Charges' instead of object head '31-Grants-in-aid- General'. | |
| 14. | | 19.74 | 3201/50 | The Department incurred an expenditure of ₹ 19.74 crore toward Central Government Health Scheme(CGHS) which was incorrectly booked under object head '50-Other Charges' instead of object head '28-Professional Services'. | |
| 15. | | 2.73 | 3201/50 | The Department incurred an expenditure of ₹ 2.73 crore on printing of special commemorate Postage Stamps which was incorrectly booked under object head '50-Other Charges' instead of object head '28- Professional Services'. | |
| 16. | 14- Department of Telecommunications | 0.19 | 3451/32 | The Department released grant amounting to ₹ 0.19 crore to Telecom Welfare Fund and booked the same under Object Head '32-Contributions' instead of '31-Grants-in-aid-General'. | The Department stated (February 2015) that the provision of BE/RE 2014-15 has already been made under the head of accounts 3451.00.091.07.01.31 – (Grants-in-aid-General) in DDG for the year 2014-15. |
| 17. | | 2163.45 | 3275/50 | The Department booked expenditure amounting to ₹ 2163.45 crore as settlement of subsidy claims to BSNL, BBNL and other Telecom Service Provider (TSPs) under the object head '50-Other Charges' instead of '33-Subsidy'. | The Department stated (February 2015) that a new object head '33-Subsidy' has been opened under the head of accounts 3275.00.103.01.00 in DDG for the year 2015-16. |
| 18. | | 0.12 | 3451/50 | The Department booked an expenditure of ₹ 0.12 crore as payment to Government of India Press, ISP (Nasik) and private press for publication of Detailed Demand of Grant and Annual Report under object head '50-Other Charges' instead of '16-Publications'. | The Department stated (February 2015) that a new object head '16-Publications' has been opened under the head of accounts 3451.00.091.08.04 and 3451.00.091.08.05 in DDG for the year 2015-16. |
| 19. | 15- Department of Electronics and Information Technology | 1.09 | 2852/50 | The Department incurred an expenditure of ₹ 96.77 lakh as subscription to M/s Gartner India Research and Advisory Private Limited and ₹ 12.52 lakh towards India's contribution to ESCAP/ APCICT (Regional Institutions of UNESCAP) for the year 2013-14 and incorrectly booked this expenditure under the object head '50-Other Charges' instead of object head '32-Contribution'. | The Department stated (December 2014) that recommendation of Audit had been complied with in the DDG for the year 2014-15 and membership fees for subscribing services of international agencies, etc. would be booked under the object head '32-Contribution' during the 2014-15. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|--|---------------------|----------------------------|---|---|
| 20. | 18- Ministry of Corporate Affairs | 36.78 | 3451/50 | The Ministry booked an expenditure of ₹ 36.78 crore, incurred on the modernisation, computerization and networking under the object head '50-Other Charges'. The activities were components of service delivery project whereby service provider is required to make upfront investment of hardware, software and networking etc. and render services. The expenditure should have been segregated and classified under object heads '13-Office Expenses' and '28-Professional Services'. | <p>The Ministry stated (August 2014) that necessary corrections in booking the expenses under the object head '28-Professional Services' would be made with effect from the year 2015-16.</p> <p>The reply of the Ministry is not tenable since expenditure on hardware and software items are also to be booked under '13-Office Expenses'.</p> <p>The Ministry emphasized (October 2014) that the budget head 'Modernization, Computerization and Networking' has been created for Mission Mode Project of e-Governance, whereby, Service Provider was entrusted to create infrastructure in BOT (Built-Operate-Transfer) model to deliver services. Any hardware procured for the project remained a property of such service provider. Only at the end of Project cycle in January 2013, the assets have been taken-over by the Ministry for handing over to the new Service Provider for next six years. In fact the new Service provider is likely to replace most of the hardware due to technological obsolescence.</p> <p>The contention of the Ministry does not preclude it to classify the expenditure on hardware items etc. under the object head '13-Office Expenses'. Moreover, the definition of the object head '28- Professional Services' is definite as per extant rules and it does not include the expenditure on these items.</p> |
| 21. | 28-Ministry of Development of North Eastern Region | 3.00 | 3601/28 | The Ministry released grants of ₹ 3.00 crore under Major Head '3601- Transfer to State Government' which was incorrectly booked under object head '28-Professional Services' instead of object heads meant for grants. | Reply awaited (February 2015). |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|--|---------------------|----------------------------|---|--|
| 22. | 33- Department of Economic Affairs | 12.50 | 3475/31 | A grant of ₹ 12.50 crore disbursed to National Council of Applied Economic Research (NCAER), New Delhi for the purpose of construction for NCAER's campus was booked in accounts under the revenue section of the grant under the object head '31-Grants in aid General' instead of under the object head-'35 Grants for creation of capital assets'. | The Department stated (October 2014) that the expenditure was for conversion of loan into Grants-in-aid and the amount was booked under object head '31-Grants-in-aid-General' during 2013-14. The purpose of grant generally becomes clear only after receiving complete proposals from the organization which is quite often late in the year. However, in future, object head '35-Grants for creation of Capital Assets' would be operated for creation of capital assets. The Department (January 2015) accepted the audit observation. |
| 23. | 47-Ministry of Health and Family Welfare | 16.00 | 2210/32 | The Ministry booked an expenditure of ₹ 16.00 crore on account of Rashtriya Arogya Nidhi to various government hospitals for assistance to poor patients which was incorrectly booked under object head '32-Contribution' instead of object head '31-Grants-in-aid-General'. | The Ministry stated (December 2014) that classification of expenditure appears to be appropriate in view of the nature of the scheme under which the amount was provided for taking care of severe diseases of poor people. The reply is not acceptable as financial assistance should have been appropriately classified as grants-in-aid. The object head '32-Contribution' is to be used more appropriately for booking of contribution paid by the Government of India as membership fee or otherwise. |
| 24. | 54-Cabinet | 183.30 | 2013/12 | An expenditure of ₹ 183.30 crore on maintenance of aircraft was incorrectly booked under object head '12-Foreign Travel Expenses (FTE)'. As the nature of expenditure is maintenance of aircraft, the same is not eligible to be classified under '12-FTE' and correct head appears to be '50 - Other Charges'. The same was also pointed out in the CAG's Report No. 1 of 2014. | The Ministry stated (December 2014) that the correct object head viz. '50-Other Charges' had been incorporated in the DDG for the year 2014-15. |
| 25. | 55- Police | 731.94 | 3601/31 | An amount of ₹ 731.94 crore was sanctioned for 60 different construction works under object head '31-Grant-in-aid-General' as detailed in Annexure 4.2 instead of object head-'35 Grant-for creation of Capital Assets. | The Principal Accounts Office, Ministry of Home Affairs stated (October 2014) that the Budget Section does not have any information on the final intended objective of the grants being provided to various State Governments and other organisations. However, the matter had taken up with the concerned divisions. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|---|---------------------|----------------------------|---|---|
| 26. | 57-Transfer to UT Government | 255.67 | 3602/31 | <p>The Ministry of Home Affairs released funds/additional central assistance of ₹ 255.67 crore to Government of NCT of Delhi for implementation of various projects such as Setting up of Sewage Treatment Plant, Rehabilitation of Trunk Sewer, Detailed Project Reports on Relocation of Slums under Jawaharlal Nehru National Urban Rural Mission (JNNURM)/Basic Services to the Urban Poor(BSUP) Scheme.</p> <p>The entire amount had been booked under the object head '31-Grants-in-aid-General' instead of object head '35-Grants for creation of Capital Assets'.</p> | The Ministry stated (October 2014) that the observation had been noted for compliance. |
| 27. | 58-Ministry of Housing and Urban Poverty Alleviation | 2.38 | 2215/31 | An expenditure of ₹ 2.38 crore released to National Building Construction Corporation (NBCC), New Delhi for the construction of slum area development for Hnahtial in Mizoram was incorrectly booked under the object head '31-Grants in aid-General' instead of object head '35-Grants for creation of Capital Assets'. | The Ministry stated (December 2014) that the view of Audit has been taken care of and the spending divisions had been advised accordingly for classifying such expenditures under object head '35-Grants for creation of Capital Assets'. This reflection will be categorically made in the DDG for the year 2015-16. |
| 28. | | 22.58 | 2216/31 | An expenditure of ₹ 22.58 crore released to National Building Construction Corporation (NBCC), New Delhi for construction of market complex for rehabilitation of vendors in Assam, shopping centre for rehabilitation of evicted hawkers and housing scheme for urban poor in Tripura was incorrectly booked under the object head '31-Grants-in-aid-General' instead of object head '35-Grants for creation of Capital Assets'. | |
| 29. | 66-Ministry of Micro, Small and Medium Enterprises (MSME) | 10.78 | 2851/20 | Grants-in-aid of ₹ 10.78 crore released to Khadi and Village Industries Commission (KVIC) for meeting expenditure towards payment of travel expenses and contingencies expenses was booked in accounts under the object head '20-Other Administrative Expenses' instead of classifying them under the object head '31- Grants-in-aid- General' in the revenue section of the Grant. | The Ministry stated (September/November 2014) that the budget provision for travelling and contingencies kept under the object head '20- Other Administrative Expenses' would be transferred to object head '31-Grants-in-Aid-General' in the 1 st Batch of Supplementary Grant 2014-15. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|---|---------------------|----------------------------|--|---|
| 30. | | 0.56 | 2851/50 | An expenditure of ₹ 0.56 crore for conducting Skill Development Training Programmes through MSME Development Institute was booked in accounts under the object head '50-Other Charges' instead of classifying the expenditure under the object head '20-Other Administrative Expenses'. | The Ministry stated (September 2014) that Development Commissioner (MSME) in its BE 2014-15 has made the allocation of funds under 'Other Administrative Expenses' in place of 'Other Charges'. |
| 31. | | 4.42 | 2851/32 | The Ministry released an amount of ₹ 4.42 crore under the International Cooperation Scheme (IC Scheme) and booked it under object head '32- Contributions'. Since the scheme activities include deputation of MSME business delegations to other countries, participation in international exhibitions, trade fairs, seminars and conferences, etc. for exploring new areas of technology up-gradation of Indian micro, small and medium enterprises, this expenditure should have been correctly classified under object head '31-Grants-in-aid General'. | The Ministry stated (March 2015) that clarification was being obtained from the Budget and Account Section for booking of expenditure related to IC scheme under the object head '31-Grants-in-aid General' instead of object head '32-Contribution'. |
| 32. | 70- Ministry of Overseas Indian Affairs | 3.58 | 2061/50 | The Ministry incurred an expenditure of ₹ 3.58 crore as grants to Indian Development Foundation (IDF) and Overseas Indian Facilitation Centre(OIFC) which was incorrectly booked under object head '50-Other Charges' instead of object heads meant for grants. | The Ministry stated (October 2014) that funds released to IDF and OIFC were of operational expenses and for running the development programmes/activities of the Ministry and the proposal for opening new heads for booking the grants/funds released to IDF and OIFC under object head '31-Grants-in-aid-General' and '36-Grants-in-aid-Salaries' had been moved. |
| 33. | 74- Ministry of Petroleum and Natural Gas | 1.00 | 3451/28 | An expenditure of ₹ 1.00 crore incurred towards payment of membership fee of India to International Energy Forum Secretariat, Saudi Arabia was incorrectly booked in accounts under the object head '28-Professional Services' instead of '32-Contributions'. The matter was also pointed out in CAG's Report No. 1 of 2014. During 2013-14, expenditure sanction was issued initially for debiting the expenditure under object head '32-Contribution'. However, the release made by the Ministry could not be operated due to non-obtaining of token supplementary, a corrigendum of sanction order was issued on 31 st March 2014 for debiting the expenditure to object head '28-Professional Services'. Thus, the expenditure of ₹1.00 crore was incorrectly classified under the object head '28-Professional Services'. | The Ministry stated (December 2014) that the provision has been made under Object head '32-Contributions' from 2014-15. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|--|---------------------|----------------------------|--|--|
| 34. | 85- Department of Science and Technology | 1.32 | 3425/31 | The Department released grants amounting to ₹ 13.50 crore to Technology Development Board (an Autonomous Body) of which ₹ 0.11 crore was for salaries of permanent employees and ₹ 1.21 crore was for salaries of other employees which were incorrectly booked under object head '31-Grants-in-aid-General' instead of segregating it under object head '36-Grant-in-aid-Salaries' and '28-Professional Services' respectively. | - |
| 35. | 90- Department of Space | 0.38 | 5402/60 | Capital equipment (supply and installation of Automated Weather Station) procured by PAO, ISRO HQ and machinery & equipment by PAO-ISTRAC amounting to ₹ 14 lakh and ₹ 24 lakh respectively, were incorrectly booked under object head '60-Other Capital Expenditure' instead of object head '52-Machinery and Equipment'. | The Department stated (December 2014), it had constituted a committee for issue of 'Compendium on booking of Expenditure'. |
| 36. | | 1.40 | 3402/21 | The Department booked an amount of ₹ 1.40 crore under the object head '50-Other Charges' which was later transferred to object head '21-Supplies and Material' vide transfer entry no. 6359 (26 March 2014) (ICF Accounts) since sufficient budget provision was not available under object head '50-Other Charges'. | |
| 37. | | 0.49 | 3402/50 | The Department incurred an expenditure of ₹ 0.49 crore on IPR consultancy services which was incorrectly booked under object head - '50-Other Charges' instead of object head '28-Professional Services'. | |
| 38. | | 0.12 | 3402/50 | The Department incurred an expenditure of ₹ 0.12 crore on Annual Maintenance Charges (AMC) which was incorrectly booked under Object head '50-Other Charges' instead of object head '27-Minor Works'. | |
| 39. | | 1.70 | 3402/50 | The Department incurred an expenditure of ₹ 1.70 crore on contribution to Centre for Space Science and Technology Education in Asia and the Pacific (CSSTEAP) which was incorrectly booked under object head - '50-Other Charges' instead of object head '32- Contribution'. | |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|-------|---------------------|----------------------------|--|--|
| 40. | | 5.05 | 3402/50 | The Department incurred an expenditure of ₹ 5.05 crore on contribution to SAARC Meteorological Research Centre (SMRC), Dhaka which was incorrectly booked under object head – ‘50-Other Charges’ instead of object head ‘32- Contribution’. | The Department stated (December 2014), it had constituted a committee for issue of ‘Compendium on booking of Expenditure’. |
| 41. | | 0.94 | 3402/50 | The Department incurred an expenditure of ₹ 0.94 crore on contractual services which was incorrectly booked under Object head – ‘50-Other Charges’ instead of object head ‘30 - Other Contractual Services’. | |
| 42. | | 5.38 | 3402/13, 20, 27 and 50 | The Department incurred an expenditure of ₹ 5.38 crore on subsidy to PAO-VSSC(C), ISAC (C), ISRO HQrs and ISTRAC which was incorrectly booked under various object heads instead of object head ‘33- Subsidy’. | |
| 43. | | 18.01 | 3402/27, 50 | The Department incurred an expenditure of ₹ 18.01 crore on ‘Contractual Satellite Tracking Services’; of which ₹ 16.65 crore and ₹ 1.36 crore were incorrectly booked under Object head– ‘50-Other Charges’ and ‘27-Minor Works’ respectively instead of object head ‘30- Other Contractual Services’. | |
| 44. | | 3.13 | 3402/50 | The Department incurred an expenditure of ₹ 3.13 crore on grants to Physical Research Laboratory(PRL), Ahmedabad (an autonomous body) which was incorrectly booked under object head – ‘50-Other Charges’ instead of object heads meant for grants. | |
| 45. | | 2.91 | 3402/50 | The Department incurred an expenditure of ₹ 2.91 crore on grants to various central autonomous bodies, authorities, institutes which was incorrectly booked under Object head – ‘50-Other Charges’ instead of object heads meant for grants. | The Department stated (December 2014), it had constituted a committee for issue of ‘Compendium on booking of Expenditure’. |

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| Sl. No. | Grant | Amount (₹ in crore) | Major/ Object head debited | Audit Observation | Reply/rebuttal |
|---------|-------------------------|---------------------|----------------------------|--|--|
| 46. | | 5.30 | 3402/50 | The Department incurred an expenditure of ₹ 4.30 crore and ₹ 1.00 crore on grants to National Atmospheric Research Laboratory(NARL) and Semi-Conductor Laboratory(SCL) (Both autonomous bodies) respectively under Atmospheric Science Project(ASP) which were incorrectly booked under Object head – ‘50-Other Charges’ instead of object heads meant for grants. | The Department stated (December 2014) that ASP is implemented by various units/autonomous bodies under it. Therefore, funds released under this project to its autonomous bodies cannot be treated as grants-in-aid. The reply is not tenable as funds released by a Government Department to any autonomous body or any outside agency for a project/programme/ scheme is required to be booked under object heads meant for grants. |
| 47. | 93-Ministry of Textiles | 17.87 | 2852/31 | Amount released to M/s ITI Ltd for construction of Training Centre & Residential Hostel at NIFT centre at Rae Bareli, U.P. was incorrectly booked in the accounts under the object head ‘31-Grants-in-aid-General’ instead of classifying this expenditure under the object head ‘35-Grants for creation of Capital Assets’. | The Ministry stated (December 2014) that the matter was being taken up with the concerned Administrative Division. |
| 48. | 102-Public Works | 3.23 | 2059/53 | Expenditure incurred on making arrangements for Republic day celebrations and on the items of works which had not resulted in creation of assets of permanent nature were booked in accounts under object head ‘53 Major Works’. The correct object head for classification in this case would have been ‘27-Minor Works’ in the revenue section of the grant. | The Ministry stated (October 2014) that the provision under Major head 2059.01.051.01.00.53 was meant for the temporary structures made during the Republic Day and Independence Day celebration every year. These structures are removed on the conclusion of the celebrations and do not form any asset. As is evident from the reply of the Ministry that the expenditure was incurred on temporary structures, the provision should have been obtained under the object head ‘27-Minor Works’ and expenditure booked accordingly. Further, the object head ‘53-Major Works’ should not be operated in the revenue section of the grant being of the nature of Object Class 6 (Acquisition of capital assets and other capital expenditure). |
| | Total | 3873.43 | | | |

4.7.4 Operation of object head ‘Contribution’ for booking aid to other Countries

Rule 8 of the Delegation of Financial Powers Rules, 1978 prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of correct classifications of expenditure. Grants-in-aid disbursed to anybody/

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authority are classified under object heads 31-Grants-in-aid-General, 35-Grants for creation of Capital Assets, 36-Grants-in-aid-Salaries while expenditure on membership of international bodies, etc. is classified under 32-Contributions.

Scrutiny of Appropriation Accounts and Detailed Demands for Grants of Grant No. 32 pertaining to the Ministry of External Affairs for the year 2013-14 revealed that despite being pointed out in the Audit Report of the CAG on Union Government Accounts for the financial years 2008-09, 2010-11, 2011-12 and 2012-13, an expenditure of ₹ 3,640.04 crore in 15 cases, as detailed in the **Table 4.15**, had been incorrectly booked and classified at primary unit of appropriation under the object head '32-Contributions'. Since the nature of expenditure was grants to foreign governments for general/specific purpose, it should have been correctly booked under the object heads meant for grants.

Table 4.15: Details of Grants to Foreign Governments during 2013-14

(₹ in crore)

| Sl. No. | Classification | Description | Expenditure |
|--------------|----------------------|--|----------------|
| 1. | 3605.00.101.07.01.32 | Technical Aid to South & South East Asia | 6.86 |
| 2. | 3605.00.101.09.00.32 | Aid to Bangladesh | 604.66 |
| 3. | 3605.00.101.10.02.32 | Aid to Bhutan (Punatsangchhu-I HEP) | 617.67 |
| 4. | 3605.00.101.10.03.32 | Aid to Bhutan (Mangdechhu HEP) | 250.77 |
| 5. | 3605.00.101.10.04.32 | Aid to Bhutan (Punatsangchhu-II HEP) | 251.00 |
| 6. | 3605.00.101.11.00.32 | Aid to Nepal | 381.37 |
| 7. | 3605.00.101.12.00.32 | Aid to Sri Lanka | 420.80 |
| 8. | 3605.00.101.13.00.32 | Aid to Maldives | 9.67 |
| 9. | 3605.00.101.14.00.32 | Aid to Myanmar | 164.86 |
| 10. | 3605.00.101.15.00.32 | Aid to Other Developing Countries | 61.28 |
| 11. | 3605.00.101.16.00.32 | Aid to Disaster Relief | 14.58 |
| 12. | 3605.00.101.20.00.32 | Aid to African Countries | 251.92 |
| 13. | 3605.00.101.25.00.32 | Aid to Eurasian Countries | 14.30 |
| 14. | 3605.00.101.32.00.32 | Aid to Latin American Countries | 4.99 |
| 15. | 3605.00.101.33.00.32 | Aid to Afghanistan | 585.31 |
| Total | | | 3640.04 |

The Ministry in its reply to para 4.19 of Report No. 1 of the CAG on Union Government Accounts for the year 2011-12 stated that the object heads in major head 3605 under which provisions were obtained were the same as those which prevailed in 2010-11. As per the DFPR the object head 'Contributions' has been defined "to include expenditure on membership of International bodies". It is only an inclusive definition and not an exhaustive definition. Rule 206 of the GFR states that as a general principle grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. Thus, grants-in-aid including scholarships may be sanctioned by an authority competent to do so under the DFPR to Autonomous organizations, Voluntary organization or Non-Government Organisation carrying out activities which promote the welfare schemes and programmes of the Government, Educational and other institutions by way of scholarships or stipends to the students, Urban and Rural local self-government institutions, Co-operative societies and Societies or clubs set up by Government

servants to promote amongst themselves social, cultural and sports activities as recreational avenue. From the definitions, the assistance extended to foreign governments by way of execution of projects is not covered under the object head 'Grants-in-aid-General'.

The contention of the Ministry that assistance extended to foreign government is not covered under the object head 'Grants-in-aid General' in terms of Rule 206 of General Financial Rules, 2005 (GFR) is incorrect in view of the fact that Rule 211(2) of GFR states that a 'foreign state' is eligible for any grant and/or loan. Hence, budgetary provision for aid/assistance to be provided to the foreign governments by the Ministry of External Affairs under the scheme 'Aid to Foreign Governments' below the function 'Technical and Economic Cooperation with other Countries' and programme 'Cooperation with Other Countries', should have been obtained under the appropriate primary unit of appropriation and expenditure in the accounts booked accordingly.

The Ministry while reiterating their earlier reply furnished with regard to para 4.19 of Report No.1 of 2013 further added (April 2014) that if the observation of Audit was acceded to, any augmentation under aid heads would require prior Parliamentary approval, which would not be a practical solution. The Ministry reiterated (October 2014) their earlier reply furnished in April 2014.

The reply of the Ministry is not tenable as aid to foreign government should be classified as 'Grants-in-aid'. Any augmentation in provision of 'Grants-in-aid', if required, has to be made as per the extant rules/instructions.

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

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

Audit noticed that out of the total provision of ₹ 1200 crore, ₹ 1050 crore was released by the Ministry of Tribal Affairs as 'Special Central Assistance for Tribal Sub Plan' in the year 2013-14 and booked this expenditure under the minor head '796-Tribal Area Sub Plan' in Grant No. 95- Ministry of Tribal Affairs. The same was required to be provisioned and booked under the minor head '794-Special Central Assistance for Tribal Sub Plan' as prescribed in the extant instructions.

The matter was also pointed out in para 4.7.5 of the CAG's Report No.1 on Union Government Accounts for the financial years 2012-13.

The Ministry stated (October 2014) that the observation had been noted and Minor Head '794-Special Central Assistance for Tribal Sub-Plan' would be taken up for inclusion in Detailed Demand for Grant for the year 2015-16.

4.7.6 Booking under incorrect minor head of account

Rule 72 of the General Financial Rules 2005 stipulates that as a general rule classification of the transactions in the Government shall have closer reference to the functions, programmes and activities of the Government, rather than the department in which the expenditure occurs. The major heads of account generally correspond to the functions of the Government, while the minor heads identify the programmes undertaken to achieve the objectives of the functions.

- (i) Scrutiny of Appropriation Accounts of Grant No.14 of the Department of Telecommunications for the year 2013-14 revealed that an amount of ₹ 23.11 crore was paid to various International Organisations as contributions and the said amount was incorrectly booked under minor head '800-Other Expenditure' instead of minor head '798-International Co-operation'.

The Department stated (February 2015) that the minor head '798-Interenational Co-operation' had been opened in DDG for the year 2014-15 and provision had already been made in BE 2014-15.

- (ii) Further, in Grant No.14 of the Department of Telecommunications an expenditure of ₹ 485.88 crore was incurred on Directorate, Telecommunication Engineering Centre (TEC), Centre for Development of Telematics (C-DOT) and Telecom Enforcement Resource & Monitoring (TERM) cells, etc. which were other than the attached offices of the Department of Telecommunications, but the expenditure was booked under the minor head '091-Attached Offices'

As per the note contained in the List of Major and Minor Heads of Accounts, the minor head '091-Attached Offices' is used for recording expenditure on attached offices of the Government of India.

The Department stated (September 2014) that the process of opening the correct head of account was under consideration with the office of the CGA. It, further, stated (February 2015) that accounts of the Department had already been finalized and hence it was not possible to rectify misclassification in the accounts for the year 2013-14.

4.8 Issue of deficient sanction orders in Department of Space

Rule 48 of General Financial Rules, 2005 read with Appendix-3 and 4 provides detailed guidelines with regard to preparation of estimates of expenditure with full accounts classification up to the object head level by an organisation. Further, Rule 25(1) of General Financial Rules, 2005 enjoins that all sanctions to the expenditure shall indicate the details of the provisions in the relevant grant or appropriation wherefrom such expenditure is to be met.

Detailed Demands for Grants of Grant No. 90-Department of Space for the year 2013-14 contained the estimates of expenditure with full accounting classification up to the object head level, showing the plan and non-plan expenditure under the revenue and capital section separately.

However, scrutiny of the sanction orders issued by the Department revealed that the correct head of accounts showing the full classification from where the amount should be debited, was not distinctly mentioned. Instead, classification up to sub-head level (i.e fourth level of classification) only was mentioned in all the sanction orders issued by the Department. Details of test-checked sanctions orders are as given below:

Table 4.16: Details of test-checked financial sanction orders

| S.No. | Sanction No. & Date | Name of the Project (Head of Account) | Sanctioning Authority | Amount (₹ in crore) |
|--------------|---|---|--------------------------|---------------------------|
| 1. | C.19011/3/2013-Sec.3 dated 10 October 2013 | Realization of Second Vehicle Assembly Building at Satish Dhawan Space Centre, Sriharikota. 3402.00.101.25 | Cabinet Secretariat | 363.95 |
| 2. | C.19011/3/2012-Sec.3 dated 17 July 2013 | GSAT-16 Communication Satellite and Launch Services. 3252.00.053.13/14, 5252.00.203.09/10 | Cabinet Secretariat | 865.50 |
| 3. | C.19011/2/2012-Sec.3 dated 17 July 2013 | GSAT-15 Communication Satellite and Launch Services. 3252.00.053.11/12, 5252.00.203.07/08 | Cabinet Secretariat | 859.50 |
| 4. | C.19013/48/2012-Sec.3 dated 12 August 2013 | Future Space Based Surveillance (SBS) Programme | Cabinet Secretariat | 4640.86 |
| Total | | | | 6729.81 |

It was also seen that in sanction order at Sl. No. 4, accounting classification of head of account to which the amount would be debited was not mentioned at all.

In absence of full accounting classification, the sanction orders issued by the Department were deficient and did not give clear directions with regard to correct booking and classification of expenditure.

The matter was also commented upon in CAG's Audit Report No.1 for the year 2010-11, 2011-12 and 2012-13, but no discernible action has been taken by the Department.

The Department reiterated (September 2014/January 2015) their earlier reply that the project sanction orders are issued up to fourth tier since all the project expenditure is considered as whole plan for a long period and at the initial stage the allocation cannot be identified against the object heads and as such sanction orders were issued up to sub-head level.

The reply of the Department is against the provisions contained in General Financial Rules, 2005. The Parliament approves the gross provisions/estimates of expenditure up to the object head level of classification in the Detailed Demands for Grants. Accordingly the sanction orders issued for incurring expenditure should conform to the provision authorised indicating the details of classification relevant to grant or appropriation wherefrom such expenditure is to be met up to the object head level.

4.9 Unauthorised augmentation through obtaining lump sum supplementary provision

Special Component Plan for the Scheduled Castes and the Tribal Sub-Plan for the Scheduled Tribes were initiated by Government as intervention strategies to cater exclusively to Scheduled Castes and Scheduled Tribes respectively. Such plans are meant to ensure benefits to these special groups by guaranteeing funds from all related development sectors in proportion to the size of their respective population. The basic objective of both these sub-plans is to channelise the flow of outlays and benefits from the general sectors in the Central Ministries/Departments for the development of Scheduled Castes and Schedules Tribes, both in physical and financial terms. An initiative was taken to make separate allocations for the Scheduled Castes Sub Plan (SCSP) and Tribal Sub Plan (TSP) as part of the plan allocations from the financial year 2011-12. Government devised a proper accounting mechanism to account for such allocations by opening dedicated Minor Head 'Special Component for Scheduled Castes (Code 789)' and 'Tribal Sub Plan (Code 796)'. Accordingly, in the Detailed Demands for Grants of the Central Ministries/Departments provision under a plan scheme is obtained distinctly with separate budget lines for 'general plan', 'special component for scheduled castes' and 'tribal area sub plan'. The provisions made under 'special component for scheduled castes' and 'tribal sub plan' are not allowed to be re-appropriated, except to the same Minor Heads in other schemes under SCSP and TSP, thereby preventing any possibility of diversion.

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

Scrutiny of Appropriation accounts alongwith Consolidated Abstract of Grant No. 58 pertaining to the Ministry of Housing and Urban Poverty Alleviation for the year 2013-14 revealed that Cabinet Committee on Economic Affairs (CCEA) approved the Scheme 'Rajiv Rin Yojana (RRY)' in September 2013. The Ministry obtained (December 2013) a token supplementary provision of ₹ 50 crore for RRY scheme under Object head '33-Subsidies' from savings available in the same section of the Grant, without giving amount specific component-wise break-up under General Component, Special Component Plan for Scheduled Castes and Tribal Areas Sub-Plan.

The lump sum supplementary of ₹ 50 crore was apportioned amongst three components of the scheme, without amount specific prior approval of the Parliament. As the expenditure attracted the limitations of New Service/New Instruments of Service in terms of Budget Division OM dated 25 May 2006, being the expenditure incurred on subsidy, amount specific prior approval of the Parliament distinctly for three schemes were necessary but the same was not obtained. The details of expenditure incurred are as under:

**Table 4.17: Unauthorised distribution of lump sum supplementary provision
(₹ in crore)**

| Grant No. | Scheme/Heads | Provision | | | | Expenditure |
|--|---|-----------|------|------|--------------|--------------|
| | | BE* | NE* | TA* | SA* | |
| 58- Ministry of Housing & Urban Poverty Alleviation | Rajiv Rin Yojna (RRY) 2216.02.789.05.00.33 | 0.00 | 0.00 | 0.00 | 0.00 | 11.25 |
| | Rajiv Rin Yojna (RRY) 2216.02.796.05.00.33 | 0.00 | 0.00 | 0.00 | 0.00 | 1.20 |
| | Rajiv Rin Yojna (RRY) (General Component) 2216.02.190.15.00.33 | 0.00 | 0.00 | 0.00 | 50.00 | 37.55 |
| Total | | | | | 50.00 | 50.00 |

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

The Ministry stated (December 2014) that the Ministry of Finance permitted the opening of heads and provided the Supplementary Demands after the Parliamentary approval. Subsequently, proposal for re-appropriation from the savings available in the Grant was sent to the Ministry of Finance to augment funds under the three heads. Accordingly the provisioning and release of funds was operationalised during the year 2013-14. Hence the intention as well as the earmarking of funds against the mandatory SCSP and TSP components was taken care of very seriously, while the distribution of funds had been mandated to be 22.5 per cent and 2.4 per cent of the budget provision.

The reply of the Ministry does not address the audit point that when there was a mandatory earmarking of funds for Special Component Plan for Scheduled Caste

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and Tribal Area Sub Plan, the Ministry should have obtained amount specific approval for each component distinctly, instead of obtaining lump-sum supplementary provisions from the Parliament, as all the three components had distinct budget lines.

4.10 Obtaining lump sum provision under object head

Rule 8 of Delegation of Financial Power Rules stipulates that provision under the head lump sum (object head 42) will include expenditure in respect of scheme/sub-scheme/organization where the provision does not exceed ₹10 lakh. In all other cases break-up of expenditure must be given.

Examination of Appropriation Accounts of Grant No. 53 pertaining to the Ministry of Home Affairs for the year 2013-14 revealed that in the following cases, lump sum provisions exceeding ₹ 10 lakh were obtained, instead of obtaining Parliamentary approval with complete break-up of expenditure as was incumbent under the extant rules.

Table 4.18: Lump sum Provisions

| Sl. No. | Head of Account | Provision | Expenditure |
|---------|----------------------|--------------|-------------|
| | | (₹ in crore) | |
| 1. | 2070.00.105.17.00.42 | 0.45 | 0.33 |
| 2. | 2070.00.105.18.00.42 | 0.70 | 0.98 |
| 3. | 2070.00.105.19.00.42 | 0.60 | 0.87 |
| 4. | 2070.00.119.03.09.42 | 0.15 | 0.14 |
| 5. | 2070.00.119.03.11.42 | 0.32 | 0.24 |

The Ministry stated (October 2014) that from the current year 2014-15 all the cases of lump sum provisions had been replaced by other functional object heads.

4.11 Retention of Government Money outside Government Accounts

Article 114 and 115 of the Constitution authorises withdrawal of specified sums from the Consolidated Fund of India for incurring expenditure on services for the relevant financial year. Further, in terms of Rule 11 of the Receipt and Payment Account Rules, 1983 moneys may not be withdrawn from the Government Account other than against cheques issued by an Accounts Officer on an account opened in his favour, or by a cheque drawing DDO on an assignment account opened in his favour, at a specified branch of the accredited bank. Such accounts shall be opened under the orders of the Financial Adviser of the Department in consultation with the Controller General of Accounts (CGA). There are no provisions in Government accounting and financial rules to retain public funds outside Government accounts.

The Department of Space (DOS) and its unit Indian Space Research Organisation (ISRO) has the primary responsibility of promoting development of space science and technology towards achieving self-reliance and for space applications facilitating all round development of the country for which various development

projects are undertaken from time to time. Realizations of most of the projects involve developmental contracts and purchase order for the design, manufacture, supply, installation and commissioning of various space consumables used in the space missions.

Scrutiny of Grant No. 90 pertaining to the Department of Space revealed that the Department accorded sanction to its two units viz., Vikram Sarabhai Space Centre (VSSC) and Liquid Propulsion Systems Centre (LPSC) to open escrow³ accounts in the State Bank of India (SBI) branches to execute its 16 contracts/purchase orders. The Department and ISRO centres entered into a tripartite agreement with SBI and contractor(s) to operate an escrow accounts to run these projects.

Further scrutiny revealed that since 2002-03 VSSC and LPSC had transferred an amount of ₹ 718.67 crore out of the Consolidated Fund of India to the State Bank of India(SBI) in 16 escrow accounts and earned interest amounting to ₹ 79.15 crore as detailed in **Annexure-4.3**.

Audit observed that withdrawal of sums from the Consolidated Fund of India and transfer to banks by opening of escrow accounts to allow amounts to be spent over extended time periods is a violation of Parliamentary authorisation. Hence, retention of public funds amounting to ₹ 206.98 crore as of 31 March 2014 outside Government account was irregular and in violation of Rule 56 which provides that unutilised provision at the close of the financial year stands lapsed.

To a similar observation made for the period ending March 2013, the Department replied (April 2014) that out of remaining five accounts, one account was under final reconciliation and were expected to be closed in April 2014 and the remaining 4 accounts would continue for a limited period in 2014-15 as the work in respect of these were currently in progress.

The Department stated (February 2015) that the remaining four accounts would also be closed by April 2015.

4.12 Non-disclosure of expenditure incurred on Information Technology

To ensure common standardization of heads of classification and to facilitate the monitoring of expenditure incurred by various Ministries/Departments, on 'Information Technology', Ministry of Finance vide its OM No.15 (4)/B (D)/2003 dated 9 July 2003 had decided, to place 'Information Technology' at 'detailed head' level at the fifth level of classification in Detailed Demands for Grants with standard code, i.e. '99' to serve the purpose of consolidating the expenditure incurred by a Ministry/Department for furthering the use of information

³ Escrow account is a trust account held in borrower's name in a bank to pay obligations such as property taxes, insurance premia, etc. where money has to be physically transferred to the bank before release of payment and the bank would disburse the money to the contractor on pro-rata basis on submission of certain documents as proof of completion of various contractual obligations

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technology, including acquisition of hardware, software, maintenance, development of software, training, etc.

Audit scrutiny of the Appropriation Accounts of Grant No. 90 pertaining to Department of Space for the year 2013-14 revealed that an expenditure of ₹ 5.40 crore was incurred on computer/ software/ hardware purchases by the following PAOs but the expenditure was not booked at the detailed head level '99-Information Technology' under various major/minor heads as required under extant orders.

Table 4.19: Details of expenditure incurred on computer during 2013-14

(₹ in crore)

| No. | Name of the Centre | Expenditure |
|-----|--------------------|-------------|
| 1. | PAO ISRO HQ | 1.27 |
| 2. | PAO VSSC (Centre) | 3.66 |
| 3. | PAO ISTRAC | 0.28 |
| 4. | PAO ISAC (Centre) | 0.19 |
| | Total | 5.40 |

Accepting the audit observation, the Department stated (September/December 2014) that appropriate guidelines would be obtained from the Ministry of Finance for opening the detailed head '99-Information and Technology' in Detailed Demand for Grants for the year 2015-16. Reply of the Department is not convincing as this OM is the part of budget circular issued every year by the Ministry of Finance to all Ministries/Departments for preparation of estimates.

4.13 Defence Services (Grants 22 to 27)

4.13.1 Obtaining incorrect technical supplementary provision

Para 3.2 of the Budget Manual 2010 issued by the Ministry of Finance states that there are three occasion when a technical supplementary is sought (a) surrender of fund from one of the four sections and utilizing the same in other section within the Demand, (b) transfer of a scheme from one Demand to another Demand resulting in surrender of the amount from the Demand which has transferred the scheme and utilization of the same in the other Demand, where the scheme has been transferred, and (c) waivers/write offs.

The Ministry of Defence has six Demands for Grants, five in revenue section and one in capital section. During the scrutiny of Appropriation Accounts 2013-14 of Defence Services, it was observed that incorrect technical Supplementary Demands for Grants was obtained from the Parliament through third and final batch aggregating to ₹ 8,365.70 crore (₹ 183.42 crore in Revenue Charged and ₹ 8,182.28 crore in Revenue Voted) in five revenue demands of grants. These technical supplementary provisions were obtained out of savings available in Grant No. 27-Capital Outlay on Defence Services. The details of incorrect supplementary provisions obtained in five revenue demands for grants are as under.

Table 4.20: Obtaining incorrect supplementary provision

| Description of the Demand | Technical supplementary obtained (₹ in crore) | |
|--|--|-----------------|
| | Revenue (Charged) | Revenue (Voted) |
| 22-Defence Services-Army | 110.00 | 4711.37 |
| 23-Defence Services-Navy | 19.82 | 949.69 |
| 24-Defence Services-Air Force | 50.40 | 1032.51 |
| 25-Defence Ordnance Factories | 3.20 | 1363.56 |
| 26-Defence Services-Research and Development | 0.00 | 125.15 |
| Total | 183.42 | 8182.28 |

Thus, transfer of funds aggregating ₹ 8,365.70 crore through technical supplementary from Demand No. 27 to Demand Nos. 22 to 26 was incorrectly proposed by the Ministry of Defence and also incorrectly admitted by the Ministry of Finance, leading to obtaining irregular supplementary provision from one Demand to another Demand in violation to conditions prescribed in para 3.2 of the Budget Manual.

The Ministry of Defence in its reply (August 2014) stated that technical supplementary in question was vetted by the Ministry of Finance. It further added that unlike civil grants, the Defence Service Estimates do not have four sections, but only two section in each grant. Grant Nos. 22 to 26 are purely revenue grants with voted and charged sections, while Grant No. 27 is entirely capital grant with voted and charged sections. The Ministry also stated that as explained in the Budget Manual, technical supplementary is required when savings in one section are to be utilised on another or savings from one demand are to be utilised in another.

The reply of the Ministry is not tenable in view of the fact that savings in Demand No.27-Capital Outlay on Defence Services cannot be utilised in other five Demands of the Ministry, as there was no transfer of any scheme from Demand No.27 to any of the five other demands.

Further, in compliance to the third Supplementary Demands for Grants, the Ministry of Defence was required to surrender an amount of ₹ 8,365.70 crore from Demand No. 27-Capital Outlay on Defence Services. However, Ministry surrendered only ₹ 7,868.50 crore, a short surrender by ₹ 497.20 crore. The amount of short surrender was utilised partly to bridge the gap between the reduced provision of ₹ 78,375.03 crore and actual expenditure of ₹ 79,125.05 crore incurred in Demand No. 27-Capital Outlay on Defence Services in 2013-14.