



Financial Management and Budgetary Control

2.1 Introduction

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

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 108 grants/appropriations is as given in **Table 2.1**.

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

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)	Amount of surrender	Amount surrendered on 31st March	Per cent of savings surrendered by 31st March
Voted	I Revenue	82,495.90	4,320.11	86,816.01	71,970.64	(-)14,845.37	13,744.45	1,446.51	92.58
	II Capital	29,403.55	1,048.82	30,452.37	24,578.38	(-)5,873.99	4,751.12	152.88	80.88
	III Loans and Advances	721.88	21.28	743.16	349.9	(-)393.26	274.41	0.16	69.78
Total Voted		1,12,621.33	5,390.21	1,18,011.54	96,898.92	(-)21,112.62	18,769.98	1,599.55	88.90
Charged	IV Revenue	15,282.42	413.27	15,695.69	15,205.1	(-)490.59	471.54	0.05	96.12
	V Capital	49.88	15.01	64.89	56.82	(-)8.07	6.8	0	84.26
	VI Public Debt- Repayment	5,511.98	0	5,511.98	5,509.21	(-)2.77	2.77	0	100.00
Total Charged		20,844.28	428.28	21,272.56	20,771.13	(-)501.43	481.12	0.05	95.95
Grand Total		1,33,465.61	5,818.49	1,39,284.10	1,17,670.05	(-) 21,614.05	19,251.10	1,599.60	89.07

Source: Appropriation Accounts and Appropriation Act of the State Government

Overall savings of ₹ 21,614.05 crore were the result of savings of ₹ 21,758.50 crore in 88 grants and 18 appropriations under the Revenue Section and 52 grants and seven appropriations under the Capital Section offset by excess of ₹ 144.45 crore in three grants and three appropriations under the Revenue Section and one grant under the Capital Section.

It can be seen from the above table that against the original estimate of ₹ 1,33,465.61 crore, the actual expenditure incurred was of ₹ 1,17,670.05 crore. This indicates that original estimates need to be assessed more realistically.

2.3 Financial Accountability and Budget Management

2.3.1 Expenditure without Provision

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution of India are passed by the Legislature. As per Paragraph 125(5) of the Gujarat Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 356.82 crore was incurred during 2014-15 in 15 cases under seven grants without any provision in the original estimates/supplementary demand as detailed in **Appendix 2.1**.

2.3.1.1 Excess expenditure over provisions during 2014-15 requiring regularisation

Table 2.2 contains the summary of total excess over provision of funds in respect of seven grants/appropriations amounting to ₹ 144.45 crore during 2014-15 requiring regularisation under Article 205 of the Constitution.

Table 2.2: Excess over provisions requiring regularisation during 2014-15

(₹ in crore)

Sl. No	Number and Title of Grants		Total grant	Expenditure	Excess
1	19	Other expenditure pertaining to Finance Department -Revenue Charged	0.00	0.01 ¹	0.01 ¹
2	26	Forest – Capital Voted	340.29	425.12	84.84
3	43	Police - Revenue Charged	0.13	0.13	0.00 ²
4	73	Other Expenditure pertaining to Panchayats, Rural Housing and Rural Development Department – Revenue Voted	715.50	735.80	20.30
5	81	Compensation and Assignments – Revenue Charged	1.26	1.73	0.47
6	85	Residential Building- Revenue voted	180.28	219.05	38.77
7	88	Other Expenditure pertaining to Roads and Buildings Department-Revenue Voted	17.87	17.94	0.07
Total			1,255.33	1,399.78	144.45

Source : Appropriation Accounts of the State Government

Reasons for excess incurred in the grant/appropriation were not intimated in any of the above cases by the Departments.

2.3.1.2 Excess expenditure relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However excess expenditure amounting to ₹ 9,400.24 crore for the years 2003-04 to 2013-14 was yet to be regularised, as detailed in **Appendix 2.2**.

The FD stated (December 2015) that the report of the Public Accounts Committee for regularisation of excess expenditure from the year 2003-04 to 2006-07 is tabled in March 2015 and action is being undertaken for regularisation in the ensuing budget session.

2.3.2 Persistent Excesses

On test check of grant files, Audit further observed that there was excess expenditure over provision of more than ₹ 10 crore consistently for the last three years in respect of nine schemes under six different grants (**Appendix 2.3**) indicating that budgetary estimates were not reviewed properly as the provisions being insufficient. Some cases of excess expenditure under various schemes/purposes are discussed below:

- Against a provision of ₹ 4,503.25 crore towards Superannuation and retirement allowances, Gratuities and Family Pension to primary

¹ ₹ 60,000

² ₹ 33,000

panchayat teachers during the Period 2012-15, ₹ 6,715.20 crore were expended by the Education Department resulting in excess of ₹ 2,211.95 crore. No reasons were attributed for the persistent excess.

- A sum of ₹ 560.08 crore was spent during 2012-15 against the provision of ₹ 342.50 crore for Pravashi Path by the Roads and Buildings Department. The excess was attributed mainly to completion of works carried out under Pravashi Path Yojna before target date and good progress of spill over works.

2.3.3 Rush of expenditure

According to paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 18 Major Heads listed in **Table 2.3** expenditure exceeded ₹ 10 crore and more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Table 2.3: Cases of Rush of Expenditure towards the end of the financial year 2014-15
(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of 2015		Expenditure during March 2015	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	2204	5,350.40	3,073.17	57.44	2,197.08	41.06
2	2236	3,605.98	1,953.00	54.16	1,006.49	27.91
3	2245	2,031.72	1,338.21	65.87	599.66	29.51
4	2401	2,419.53	1,219.20	50.39	759.02	31.37
5	2405	1,438.26	766.77	53.31	464.95	32.33
6	2425	706.78	668.10	94.53	344.31	48.72
7	2801	1,165.37	663.86	56.97	289.94	24.88
8	2853	831.95	581.95	69.95	581.95	69.95
9	3054	665.22	506.47	76.14	490.27	73.70
10	3456	538.84	459.41	85.26	413.39	76.72
11	3604	464.65	408.32	87.88	258.94	55.73
12	4217	386.62	386.62	100.00	386.62	100.00
13	4515	363.36	220.11	60.58	186.44	51.31
14	4801	375.89	196.41	52.25	143.79	38.25
15	4856	232.65	157.44	67.67	141.21	60.70
16	5055	252.53	136.21	53.94	51.32	20.32
17	5452	201.53	104.40	51.80	69.8	34.64
18	7055	200.00	100.66	50.33	67.09	33.55
Total		21,231.28	12,940.31	60.95	8,452.27	39.81

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

A test check of vouchers from monthly accounts of five³ Public Works Divisions revealed that ₹ 112.13 crore were booked under five Major Heads⁴ in respect of advance payments of ₹ two crore and above made through Form 28 hand receipts during the month of March 2015 for Deposit Works. The details are in **Appendix 2.4**. The payments through hand receipts were made for construction of new building, maintenance & repair, advance payment of electricity bills, lift irrigation scheme and purchase of asphalt. This shows that the Divisions were incurring huge expenditure through hand receipts at the end of the financial year.

2.3.4 Appropriation vis-à-vis Allocative Priorities

Audit of the Appropriation Accounts revealed that in 65 cases, savings exceeded ₹ 100 crore in each case or by more than 50 *per cent* of the total provision (**Appendix 2.5**). Summarised position of savings is indicated in **Table 2.4**.

Table 2.4: Summarised position of Savings

Sl. No.	Range of Saving	Number of Cases	Total Grant (₹ in crore)	Saving (₹ in crore)	Percentage
1	Up to ₹ 10 crore	25	33.74	24.69	73.13
2	More than ₹ 10 crore and up to ₹ 25 crore	1	17.72	12.19	68.76
3	More than ₹ 25 crore and up to ₹ 100 crore	4	961.89	302.41	31.14
4	Above ₹ 100 crore	35	1,08,049.37	20,164.42	18.66
Total		65	1,09,062.72	20,503.71	18.80

Source: Appropriation Accounts of the State Government

The departments that had major savings were Agriculture Department, Finance Department, Education Department and Panchayats, Rural Housing and Rural Development Department. Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given below:

Agriculture and Co-operation Department

- Grant No. 2 (Agriculture) - Savings of ₹ 266.56 crore under major head ‘2401-AGR 11- Risk Management in Agriculture Sector (Plan)’ was due to less sanction of crop insurance claims.
- Grant No. 2 (Agriculture) - Savings of ₹ 80.27 crore under major head ‘2401-HRT 9- Integrated Development of Vegetable Crop (Plan)’ was due to less release of grant by GoI.

³ Gujarat High Court (R&B) Division. Ahmedabad, Drainage Division, Gandhinagar, Capital Project Division No.3, Gandhinagar, National Highway Division, Ahmedabad, R&B Division, Ahmedabad

⁴ 2014, 2702, 3054, 4702, 5054

Education Department

- Grant No. 9 (Education) - Savings of ₹ 637.10 crore under major head '2202- EDN-68 Sarva Shiksha Abhiyan (Plan)' was due to less release of grant by GoI.
- Grant No. 9 (Education)- Savings of ₹ 175.03 crore under major head '2236- MDM-1 Mid-Day Meal Scheme for children in Public Primary Schools' was due to non filling up of vacant posts, less demand from the districts on account of less beneficiaries and late start of MDM Scheme in Model Schools.
- Grant No. 9 (Education)- Savings of ₹ 150.69 crore under major head '4202- EDN-2 Construction of class rooms (plan)' was due to restriction by Finance Department on payment of bills more than ₹ 10 crore.
- Grant No. 9 (Education) - Savings of ₹ 1,131.38 crore under major head '4202- EDN-102 Kasturba Gandhi Balika Vidyalaya Scheme' was due to non release of funds by GoI.

Finance Department

- Grant No. 19 (Other Expenditure pertaining to Finance Department)- Savings of entire budget provision of ₹ 700 crore under major head '2048 - Appropriation for reduction or avoidance of Debt' was due to decision of Government not to transfer any amount to Sinking Fund.
- Grant No. 19 (Other Expenditure pertaining to Finance Department)- Savings of entire budget provision of ₹ 3,500 crore under major head '2075 - Miscellaneous General Services' was due to the decision of the Government to make provision for payment of dearness allowance for the respective departments under their various subheads.

Audit observed that large savings was mainly due to provision made by Finance Department for payment for payment of DA in respect of other Departments. As per the paragraph 38 of the Gujarat Budget Manual, such provisions are required to be made by the respective Departments in their budget estimates.

Panchayats, Rural Housing and Rural Development Department

- Grant No. 70 (Community Development)- Savings of ₹ 197.17 crore under major head '2515- CDP 7 - Payment of Central Assistance for Strengthening of Panchayati Raj Institutions on the recommendation of 13th Finance Commission' was due to non receipt of grant from GoI.
- Grant No. 70 (Community Development)- Savings of ₹ 130.07 crore under major head '2515- CDP 19- Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (Plan)' was due to decrease of grant by the Government of India under the programme and therefore, less matching share of the state was required.

2.3.5 Excess of provisions leading to persistent savings

In eight cases during the last five years, there were persistent savings of more than ₹ 50 crore in each case. The details are given in **Table 2.5** below:

Table 2.5: List of grants indicating persistent savings during 2010-11 to 2014-15

(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue- Voted						
1	19 –Other Expenditure pertaining to Finance Department	951.78	2,224.81	3,535.42	4,027.49	4,222.63
2	39 –Medical and Public Health	50.49	81.34	94.53	198.97	350.02
3	43 –Police	76.47	72.72	263.90	286.51	143.58
4	60 –Administration of Justice	315.77	160.50	175.16	315.72	136.68
5	71 –Rural Housing and Rural Development	142.25	116.08	191.81	460.29	1,102.04
6	79 –Relief on account of Natural Calamities	89.29	351.90	361.27	160.80	546.52
7	95 –Scheduled Castes Sub-Plan	88.72	50.72	143.72	286.06	481.91
Capital- Voted						
1	84 –Non-Residential Buildings	295.22	501.70	294.39	677.53	706.08

Source : Appropriation Accounts of the State Government

Persistent savings during the last five years indicate a need to review the formulation of budget estimates and provisions in these grants. On test check of grant files, Audit further observed that there were savings of more than ₹ 25 crore consistently for the last three years in respect of 21 schemes under 13 grants (**Appendix 2.6**) indicating that either the provisions were excessive or the executives were not successful in implementing the legislative aspirations. Some cases of the savings under different schemes/purposes are briefly discussed below:

- Under the provision for ‘MDM-1 scheme for children in Public primary schools’ under Education Department, against provision of ₹ 2,131.74 crore in the years 2012-13 to 2014-15, only ₹ 1,779.58 crore could be spent. The Department attributed the reasons for savings to fewer beneficiaries under Mid-Day Meal scheme in public primary schools.
- Under the provision for ‘Loan to Gujarat Energy Transmission Corporation Limited for Gujarat Solar Power Transmission project’ under Energy and Petrochemicals Department, against provision of ₹ 375 crore in the years 2012-13 to 2014-15, only ₹ one crore could be spent. The Department attributed the reasons for savings to receipt of less sanction from GOI for Gujarat Solar Power Transmission Project during 2012-13 and has not attributed any reasons for savings during 2013-14 and 2014-15.
- Under the provision for ‘Directorate of medical education and research 13th finance commission NABH/NABL’ under Health and Family

Welfare Department, against provision of ₹ 985.85 crore in the years 2012-13 to 2014-15, only ₹ 826.06 crore could be spent. The Department attributed the reasons for savings to vacant posts during 2012-13 and to compulsory cut imposed by the FD in the revised estimates during 2013-14 and 2014-15.

- Under the provision for ‘Central Road Fund’ under Roads and Buildings Department, against provision of ₹ 299.89 crore in the years 2012-13 to 2014-15, only ₹ 143.56 crore could be spent. The Department attributed the reasons for savings to non-finalisation of the tender process in time during 2013-14 and 2014-15.

2.3.6 Supplementary provision

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

Unnecessary supplementary provision

Supplementary provisions (₹ five crore or more in each case) aggregating to ₹ 495.35 crore were made and obtained in 14 cases during the year on the basis of eight months actual expenditure which proved unnecessary. The expenditure incurred did not come up even to the levels of the original provision as detailed in **Appendix 2.7**. Some cases are briefly discussed below:

- Under Agriculture Department, supplementary provision of ₹ 15.65 crore under Grant No-2–Agriculture (Revenue Voted) was made. However, at the end of the year, the expenditure fell short of the original provision of ₹ 2,785.99 crore by ₹ 954.94 crore.
- Under Revenue Department, supplementary provision of ₹ 7.25 crore under Grant No-79 – Relief on account of natural calamities (Revenue Voted) was made. However, at the end of the year, there were savings of ₹ 539.27 crore from the original provision of ₹ 1,246.06 crore.

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

2.3.7 Insufficient /unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Re-appropriation of funds proved injudicious in many cases in view of final excesses and savings over the grants. Instances of re-appropriation in each case proving excessive or insufficient by more than ₹ five crore are detailed in **Appendix 2.8**.

2.3.8 Surrender of unspent provisions

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

2.3.8.1 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provision or more than ₹ one crore) were made in respect of 915 sub-heads under 98 grants mainly on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 54,840.40 crore in these sub-heads, ₹ 19,078.70 crore (34.79 *per cent*) was surrendered, which included *cent per cent* surrender in 231 cases (₹ 5,431.57 crore). The details of top 19 cases, having *cent per cent* surrenders, are given in **Appendix 2.9**.

2.3.8.2 Surrender in excess of actual saving

In 22 cases, the amounts surrendered (₹ two crore or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these Departments. As against savings of ₹ 2,227.64 crore, the amount surrendered was ₹ 2,459.01 crore, resulting in excess surrender of ₹ 231.38 crore. Details are given in **Appendix 2.10**. Some cases are briefly discussed below:

- In Grant No 9 (Revenue – Voted), ₹ 1,193.81 crore was surrendered. However, savings of ₹ 1,061.65 crore only were effected resulting in excess surrender of ₹ 132.17 crore.
- In Grant No 60 (Revenue-Voted), ₹ 187.49 crore was surrendered. However, savings of ₹ 136.68 crore only were effected resulting in excess surrender of ₹ 50.81 crore.
- In Grant No 66 (Revenue-Voted), ₹ 175.78 crore were surrendered. However, savings of ₹ 141.87 crore only were effected resulting in excess surrender of ₹ 33.91 crore.

2.3.8.3 Savings not surrendered/ partly surrendered

At the close of the year 2014-15, there were two grants/appropriations under which savings exceeded 10 *per cent* of the total provision but the same had not been surrendered by the concerned Departments. The total amount involved in these cases was ₹ 646.52 crore as shown in **Table 2.6**.

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

(₹ in crore)					
Sl. No.	Grant No.	Name of Grant/Appropriation	Total provision	Saving	Percentage
1	74	Transport - Capital Voted	556.62	100.00	17.97
2	79	Relief on Account of Natural Calamities – Revenue Voted	1,253.31	546.52	43.61
TOTAL			1,809.93	646.52	35.72

Source: Appropriation Accounts of the State Government

In 24 grants/appropriations there were savings of more than ₹ five crore and more than 10 per cent of the savings were not surrendered. In these grants/appropriations total savings of ₹ 4,809.58 crore were noticed, however, only ₹ 2,205.44 crore were surrendered leaving ₹ 2,604.14 crore un-surrendered as shown in **Appendix 2.11**.

2.4 Review of Budget Control Mechanism

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

With a view to ascertain how far the authorities were adhering to these instructions, Audit test checked records of the administrative department/controlling officers relating to Grant No. 9 (Education) and Grant No. 74 (Transport). The observations thereof are as follows:

2.4.1 Submission of Budget estimates

As per the Gujarat Budget Manual⁵ no expenditure can be incurred by the Government from the Consolidated Fund unless the State Legislature approves the amount to be spent under different demands for grants during the year beginning from 1st April to 31st March. This approval takes the form of a grant.

As per the schedule fixed by the Finance Department of the State Government, the Administrative Department should submit their budget estimates to the Finance Department by 15 October every year while the Controlling Officers (COs) should submit the same to the Administrative Departments by 30th September.

Audit observed that the time schedule was not adhered to either by the COs or by the Administrative Departments. The delays in submission of the budget estimates for the year 2014-15 are shown in **Table 2.7**.

⁵ Chapter XI, Paragraph 93 of Gujarat Budget Manual

Table 2.7 Delay in submission of budget estimates

Sl. No.	Name of Controlling Officer	Date on which budget estimates were sent to Administrative Department by Controlling officers		Date on which budget estimates were sent to Finance Department by Administrative Department		No. of days delay in submission by				
		Plan expenditure	Non plan expenditure	Plan expenditure	Non plan expenditure	Controlling Officer		Administrative Department		
						Plan expenditure	Non plan expenditure	Plan expenditure	Non plan expenditure	
Education										
1	9 Heads of Departments ⁶	11.12.2013 to 22.01.2014	16.12.2013 to 23.01.2014	14.12.2013 to 24.01.2014	18.12.2013 to 24.01.2014	72 to 114	77 to 115	60 to 101	64 to 101	
Transport										
2	2 Heads of Departments ⁷	13.11.2013 to 12.12.2013	22.11.2013	05.12.2013 to 25.01.2014	27.01.2014	44 to 73	53	51 to 102	104	

Source: Education Department and Transport Department of the Government of Gujarat

No reasons were furnished by the departments for delay in submission of budget estimates.

2.4.2 Review of Grant-9 Education

Education department looks after education including primary education, continuous education, literacy education, secondary education, higher education, technical education and pharmacy education.

There are two secretaries as heads of Education Department, in which one is Principal Secretary (Education) and another is Secretary (Primary Education).

The details of budget and expenditure of Education Department for revenue voted and capital voted for the period 2012-15 are as under:

Table 2.8: Budget and Expenditure

Year	Voted/ Charged	Budget Provision			Expenditure	Saving/(-) Excess(+) (Percentage)
		Original	Supplementary	Total		
Revenue						
2012-13	Voted	12,856.32	1,075.92	13,932.24	14,081.34	149.09(1.07)
2013-14	Voted	14,891.38	1,086.84	15,978.21	16,762.72	784.50(4.91)
2014-15	Voted	18,440.89	1,607.58	20,048.47	18,986.82	(-),1,061.65(-5.30)
Capital						
2012-13	Voted	658.78	0	658.78	482.07	(-)176.70(-26.82)
2013-14	Voted	811.83	34.18	846.01	712.79	(-)133.22(-15.75)
2014-15	Voted	2,430.77	0.00	2,430.77	847.55	(-)1,583.22(-65.13)

Source: Appropriation Accounts of Government of Gujarat

⁶ Commissioner, Higher Education; Commissioner of School; Commissioner, Technical Education; State Project Director, SSA; Director, Primary Education; Director, Literacy and Continuing Education; Director, NCC; Mid Day Meals; GCERT

⁷ Commissioner of Transport and Gujarat State Road Transport Corporation

The excess expenditure under Revenue Voted Section has increased marginally from 1.07 *per cent* in 2012-13 to 4.91 *per cent* in 2013-14. During the year 2014-15, the same turned into saving of 5.30 *per cent*.

In case of capital voted the unutilised provision was 26.82 *per cent* during 2012-13 which after slightly decreasing to 15.75 *per cent* during 2013-14, increased drastically to 65.13 *per cent* during 2014-15.

During 2014-15, the threefold increase in capital outlay was mainly on account of routing of central share of funds from various centrally sponsored schemes through the state budget.

As evident, 65 *per cent* of the increased capital allocation remained unutilised. Thus, the executive was not able to achieve the intended outcomes as per legislative aspirations.

The budgetary procedures followed and the expenditure controls exercised during the years 2012-15 by the Department in respect of the grant of Education were reviewed. The observations therein are as under:

Non-receipt of central assistance due to delay in sending proposals

The Infrastructure Development of Private aided/ unaided Minority Institutes (IDMI) scheme was launched with an objective of strengthening infrastructure in minority institutions in order to expand facilities of formal education to children of minority communities.

For the year 2014-15, the provision under IDMI scheme was ₹ five crore against which no grant was received. Audit observed that the proposal for assistance under IDMI for the year 2014-15 was sent to GoI on 04 May 2015 i.e. in the next financial year.

Thus the state could not avail any central assistance under the scheme during 2014-15 as the applications were not sent to GoI in time.

Non-following the provisions of Gujarat Budget Manual

The duties of the Controlling officers as prescribed in Gujarat Budget Manual⁸ warrant that the grant placed at his disposal is expended only on the objects for which it has been provided keeping in view the rules of financial propriety.

Audit scrutiny of balance sheet of SSA for the year 2012-13 revealed that the following amounts were included in liabilities:

Table 2.9 Amounts payable to other programmes from SSA (₹ in crore)

Sl. No.	Name of the Programme	Amount
1	KGBV Programme	5.07
2	Integrated Child Development Scheme-School Return	60.00
3	Compound/Model School Toilet Blocks	25.00
4	Teachers Quarters	25.00
5	Additional classrooms- Non-tribal	33.00
Total		148.07

⁸ Para 99 of Gujarat Budget Manual, Volume - I

The Department informed that these liabilities were created due to delayed release of grant from GoI and were settled during the year 2013-14 on release of grant from GoI.

The reply is not acceptable as the Gujarat Budget Manual provides that the grant placed at the disposal of the Controlling Officer is expended only on the objects for which it has been provided keeping in view the rules of financial propriety. Further, as per MHRD Guidelines, there is no provision to avail loan from other programmes.

2.4.3 Review of Grant-74 Transport (Ports and Transport Department)

The Transport Department of Government of Gujarat is entrusted with the responsibility of providing an efficient public transportation system, control of vehicular pollution, registration of vehicles in Gujarat, issuance of driving licences, issuance of various permits and collection of road and motor vehicle taxes. The department is also entrusted with policy making, co-ordination, implementation, monitoring and regulatory functions of all the transport related aspects of Gujarat.

The Principal Secretary (PS) Port and Transport Department is the head of the department. The Commissioner of Transport, Gujarat Transport Services and Gujarat State Road Transport Corporation are the subsidiary offices working under transport department. The Commissioner of Transport (COT) is the head of the Transport Department.

The expenditure of transport department under revenue voted and capital voted heads for the period 2012-15 was as follows:

Table 2.10: Details of expenditure (₹ in crore)

Year	Voted/ Charged	Budget Provision			Expenditure	Excess(+)/ Saving(-) (per cent)
		Original	Supplementary	Total		
Revenue						
2012-13	Voted	628.83	99.18	728.01	686.56	(-)41.45 (-5.69)
2013-14	Voted	704.37	50.75	755.12	696.57	(-)58.55 (-7.75)
2014-15	Voted	916.11	0.00	916.11	842.89	(-)73.22 (-7.99)
Capital						
2012-13	Voted	555.00	0.00	555.00	555.00	0.00 (0.00)
2013-14	Voted	457.00	300.00	757.00	757.00	0.00 (0.00)
2014-15	Voted	556.62	0.00	556.62	456.62	(-)100.00 (-17.97)

Source: Appropriation Accounts of Government of Gujarat

It was observed that in respect of revenue expenditure for the year 2012-13, approximately 5.69 per cent of the grant remained unutilised which in the years 2013-14 and 2014-15 further increased to 7.75 per cent and 7.99 per cent respectively. For the year 2013-14, even though the expenditure was less than the original grant, supplementary grant was sought.

The excess provision for grants indicates that expenditure was not monitored or reviewed by controlling officers and not taken into consideration while making budget estimates for the next year which resulted in substantial savings.

Delay in release of funds

A grant of ₹ 600 crore for the year 2014-15 was received by GSRTC (March 2014) out of which ₹ 570 crore was to be utilised for payment of outstanding passenger tax and the remaining ₹ 30 crore was granted for capital expenditure on purchase of buses, construction of bus stations, etc.

It was noticed that out of ₹ 30 crore, GSRTC could expend ₹ 7.48 crore only till 31.03.2014 and the remaining ₹ 22.52 crore was parked in Gujarat State Financial Services Limited (GSFS).

On this being pointed out in Audit, the GSRTC replied that the grant was released on 29 March 2014 and the same could not be expended in the same financial year due to lengthy tender process and other compulsory formalities.

Thus, due to delayed release of grant by the department i.e. only towards the end of the last month of the financial year, the grant could not be expended within the prescribed time.

Non execution of contract before parking of funds

Transport Department had parked ₹ 12.65 crore in Gujarat Info Petro Limited (GIPL) in the years 2009-10 and 2010-11 for various purposes out of which an amount of ₹ 3.65 crore was for driving test track and information kiosks.

It was noticed that no agreement was entered into by the COT with the GIPL at the time of parking of funds. As per details furnished by GIPL to the COT (September 2014), the entire grant has exhausted and an additional amount of ₹ 0.69 crore is required to be paid by COT. The additional amount was due to consultancy charges of ₹ 1.79 crore levied by GIPL on COT.

The additional demand has not been recognised by COT which maintained that out of ₹ 3.65 crore, payment of ₹ 2.55 crore had been made to vendors and the balance of ₹ 1.10 crore remained to be deposited in Government account by GIPL (July 2015).

Audit observed that in the absence of any agreement regarding conditions of parking of funds, the GIPL levied consultancy charges which led to an additional claim of ₹ 1.79 crore being levied against the department.

Similarly, ₹ 6.68 crore were parked in Gujarat Informatics Limited (GIL) during 2010-11 by the COT for IT Plan. No agreement was entered into by the COT, while an amount of ₹ 4.29 crore was utilised upto 2014-15 by the GIL for IT Plan and an amount of ₹ 2.39 crore is still outstanding with the GIL.

Lapse of provision due to non-framing of policy

In order to give incentive to the people who give information regarding tax evaders and thereby improve tax collection, the Government of Gujarat accorded administrative approval for a secret fund (April 2011). An amount of

₹ 0.50 crore was provided every year for the secret fund during the period 2011-12 to 2014-15.

Audit observed that no amount has been expended from the secret fund over the period. When the reasons for non-utilisation of the funds were called for in audit, the office of the COT replied that the funds could not be utilised as the policy with respect to the expenditure from secret fund could not be formulated.

Thus, failure to formulate detailed terms and conditions resulted in lapse of the provision over a period of four years.

2.5 Advances from Contingency Fund

The Contingency Fund of the State had been constituted under the Gujarat Contingency Fund Act, 1960 in terms of the provisions of Articles 267(2) and 283(2) of the Constitution of India. The fund is in the nature of an imprest and its corpus is ₹ 200 crore. During the year 2014-15, ₹ 13.75 crore under Grant No. 5 in Agriculture and Co-operation Department (Major Head-4425) and ₹ 0.41 crore under Grant No. 71 in Panchayat, Rural Housing and Rural Development Department (Major Head-2049) were spent out of the Contingency Fund which was not recouped during the year.

2.6 Misclassification treating 'Grants-in-aid' and 'Subsidies' as Capital Expenditure

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

During the year 2014-15, amounts of ₹ 871.43 crore and ₹ 55 crore were disbursed as Grants-in-aid and subsidy respectively under the following capital major heads of expenditure against approved budgetary provision in violation of IGAS-2 as detailed in **Table 2.11**.

Table 2.11: Misclassification of grants-in-aid and subsidy under capital Major Heads

(₹ in crore)

Sl. No.	Classification-Major Head	Grants-in-aid	Subsidy
1	4055- Capital Outlay on Police	153.46	--
2	4059- Capital Outlay on Public Works	1.25	--
3	4202- Capital Outlay on Education, Sports, Art and Culture	217.43	--
4	4210- Capital Outlay on Medical and Public Health	151.71	--
5	4216- Capital Outlay on Housing	199.63	--
6	4225- Capital Outlay on Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities	1.76	--
7	4236- Capital Outlay on Nutrition	46.62	--
8	4402- Capital Outlay on Soil and Water Conservation	1.50	--
9	4408- Capital Outlay on Food Storage and Warehousing	5.67	--
10	4425- Capital Outlay on Co-operation	0.00	1.38
11	4435- Capital Outlay on other Agriculture Programmes	0.56	22.09
12	4701- Capital Outlay on Medium Irrigation	4.59	--
13	4851- Capital Outlay on Village and Small industries	0.60	4.03
14	4852- Capital Outlay on Iron and Steel industries	--	27.50
15	5452- Capital Outlay on Tourism	85.00	--
16	6225- Loan for Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities	1.65	--
	Total	871.43	55.00

Source: Finance Accounts of the State Government

Booking of expenditure of ₹ 926.43 crore in respect of ‘Grants-in-aid’ and ‘Subsidies’ in Capital Section resulted in understatement of revenue expenditure and also consequential overstatement of the revenue surplus to that extent.

Also in 2013-14, amounts of ₹ 1,462.75 crore and ₹ 170.75 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure. This was reported in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2014.

The FD while accepting the fact stated (December 2015) that all the administrative departments of GoG have been instructed to follow IGAS-2 while preparing Budget Estimates for expenditure incurred on grants-in-aid projects and schemes and to avoid misclassification while issuing the grant at the sub-head level to the controlling officer /DDOs.

2.7 Conclusion and Recommendations

During 2014-15, expenditure of ₹ 1,17,670.05 crore was incurred against total grants and appropriations of ₹ 1,39,284.10 crore resulting in overall savings of ₹ 21,614.05 crore. The overall savings of ₹ 21,614.05 crore was the result of savings of ₹ 21,758.50 crore, offset by excess of ₹ 144.45 crore.

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

In eight cases, there were persistent saving of more than ₹ 50 crore in each case during the last five years in respect of grants pertaining mainly to Finance Department, Medical and Public Health Department, Legal Department etc indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

There was also excess expenditure over provision of more than ₹ 10 crore consistently for last three years in respect of nine schemes under six different grants pertaining to Education Department, Energy and Petro-chemicals Department, Finance Department etc.

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

During the year 2014-15, amounts of ₹ 871.43 crore and ₹ 55 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure in violation of Indian Government Accounting Standard (IGAS)-2 and assumptions underlying the Fiscal Indicators stipulated in the Gujarat Fiscal Responsibility Rules, 2006. This has resulted in understatement of revenue expenditure and also consequential overstatement of the revenue surplus to that extent. Also in 2013-14, amounts of ₹ 1,462.75 crore and ₹ 170.75 crore were disbursed as Grants-in-aid and subsidy respectively under various capital major heads of expenditure, and this was reported in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2014.

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

