

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, 1983, 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 responsible 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 2016-17 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 31 st March	Per cent of savings surrendered by 31 st March
Voted	I Revenue	97131.19	2550.16	99681.35	86538.82	(-)13142.53	12114.05	50.18	92.17
	II Capital	27256.92	651.39	27908.31	22638.20	(-)5270.11	4669.53	39.99	88.60
	III Loans and advances	1105.50	0.58	1106.08	477.57	(-)628.51	609.98	0.00	97.05
Total Voted		125493.61	3202.13	128695.74	109654.59	(-)19041.15	17393.57	65.78	91.35
Charged	IV Revenue	17678.96	484.17	18163.13	17990.74	(-)172.39	97.63	0.00	56.64
	V Capital	57.60	0.45	58.05	46.89	(-)11.16	11.71	0.00	104.93
	VI Public debt- repayment	8621.77	4812.38	13434.15	9073.17	(-)4360.97	4360.97	0.00	100.00
Total charged		26358.32	5297.00	31655.32	27110.80	(-)4544.52	4470.31	0.00	98.37
Grand total		151851.93	8499.13	160351.06	136765.39	(-)23585.67	21863.88	65.78	92.70

Source: Appropriation Accounts and Appropriation Act of the State Government

Overall savings of ₹ 23,585.67 crore were the result of savings of ₹ 23,863.78 crore in 90 grants and 21 appropriations under the revenue section and 55 grants and 6 appropriations under the capital section offset by excess of ₹ 278.11 crore in four grants and three appropriations under the revenue section and two grants and one appropriation under the capital section.

It can be seen from **Table 2.1** that against the original estimates of ₹ 1,51,851.93 crore, the actual expenditure incurred was of ₹ 1,36,765.39 crore.

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, 1983 expenditure should not be incurred on a Scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 0.49 crore was incurred during 2016-17 in three cases under two grants without any provision in the original estimates/supplementary demand as detailed in **Appendix 2.1**.

Compared to the year 2015-16, when there was excess of ₹ 1,608.24 crore in 18 cases under nine grants, the instances and amount of expenditure without provision has significantly reduced during 2016-17.

2.3.1.1 Excess of expenditure over appropriation during 2016-17 requiring regularisation

Table 2.2 contains the summary of total excess of expenditure over appropriations in respect of 10 grants amounting to ₹ 278.11 crore during 2016-17.

Table 2.2: Excess of expenditure over appropriations

(₹ in crore)					
Sl. No.	Number and Title of grants		Total grant	Expenditure	Excess
1.	9	Education – Revenue Voted	21112.64	21263.13	150.49
2.	10	Other expenditure pertaining to education Department- Capital Voted	40.63	41.18	0.55
3.	41	Other expenditure pertaining to Health and Family Welfare Department – Capital Voted	0.70	0.73	0.03
4.	67	Water Supply – Revenue Voted	121.92	123.92	2.00
5.	73	Other expenditure pertaining to Panchayats, Rural Housing and Rural Development Department – Revenue Voted	774.82	897.06	122.24
6.	74	Transport – Revenue Charged	0.17	0.17 ¹	0.00
7.	83	Roads and Buildings Department – Revenue Voted	18.54	18.87	0.33
8.	96	Tribal Area Sub-Plan – Revenue Charged	6.00	7.65	1.65
9.	96	Tribal Area Sub-Plan – Capital Charged	3.00	3.59	0.59
10.	106	Other expenditure pertaining to Women and Child Development Department – Revenue Charged	0.90	1.13	0.23
Total			22079.32	22357.43	278.11

Source : Appropriation Accounts of the State Government

Of the total excess expenditure of ₹ 278.11 crore, expenditure of ₹ 275.64 crore incurred in excess under six voted grants required regularisation under Article 205 of the Constitution. The reasons for the same were not provided by the concerned Departments. The budget estimates are supposed to be prepared keeping in view the requirement of the ensuing financial year.

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 expenditure over appropriations regularised by the State Legislature. However, excess expenditure (voted) for the years 2007-08 to 2015-16 was yet to be regularised, as detailed in **Appendix 2.2**.

¹ ₹ 1,000

2.3.2 Persistent excesses

On test-check of grant files, Audit observed that there was persistent excess expenditure over provision by more than ₹ 10 crore during the last three years in respect of seven Schemes under five different grants (**Appendix 2.3**) indicating that budgetary estimates were not reviewed properly as the provisions proved to be consistently insufficient. Some cases of excess expenditure under various Schemes/purposes are discussed below:

- Against a provision of ₹ 6,183.32 crore towards superannuation and retirement allowances to primary *panchayat* teachers during the period 2014-17, ₹ 7,116.54 crore were expended by the Education Department resulting in excess of ₹ 933.22 crore. While no reasons were attributed for the persistent excess during 2014-15 and 2015-16, regarding 2016-17, the Department stated that expenditure of ₹ 114.83 crore was anticipated due to (i) revision of pension as per Seventh Pay Commission, and (ii) increase in number of pensioners owing to more retirements. Similar excess was observed under other Schemes *viz.*, 'Gratuities and Family pension to *panchayat* Teachers' and 'Superannuation and retirement allowances to *panchayat* employees'.
- A sum of ₹ 503.38 crore was spent during 2014-17 against a provision of ₹ 355.22 crore for Canals and Branches. Excess of ₹ 12.08 crore and ₹ 119.17 crore during 2015-16 and 2016-17 respectively, was attributed to good progress of work. No reasons were provided for the year 2014-15.

2.3.3 Rush of expenditure

According to paragraph 109 of the Gujarat Budget Manual, 1983, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 14 Major Heads listed in **Table 2.3**, expenditure in excess of ₹ 100 crore was incurred, of which, 50 *per cent* or more was incurred during the last quarter of the financial year. Expenditure during the last month of the financial year ranged from 15.46 *per cent* to 100 *per cent* in these cases.

Table 2.3: Cases of rush of expenditure towards the end of the financial year 2016-17

(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of 2016-17		Expenditure during March 2017	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2211	1033.70	531.93	51.46	218.89	21.18
2.	2515	2335.54	1293.49	55.38	361.19	15.46
3.	2853	152.00	101.83	67.00	66.15	43.52
4.	3055	304.10	174.34	57.33	174.05	57.23
5.	3456	613.33	346.75	56.54	268.41	43.76
6.	3604	415.43	356.35	85.78	345.85	83.25

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of 2016-17		Expenditure during March 2017	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
7.	4055	218.05	139.15	63.82	130.89	60.03
8.	4216	654.07	349.95	53.50	268.97	41.12
9.	4250	267.09	184.50	69.08	166.26	62.25
10.	4515	1182.54	637.18	53.88	359.19	30.37
11.	5054	2198.61	1279.44	58.19	802.34	36.49
12.	5055	531.00	406.35	76.53	406.35	76.53
13.	5452	440.10	240.33	54.61	207.53	47.16
14.	6217	113.00	113.00	100.00	113.00	100.00
Total		11460.91	6915.79	60.34	4639.71	40.48

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

Audit observed that under Major Heads 2515 and 6217, 100 *per cent* funds were released in the month of March 2017 for Smart Village Scheme (₹ 61 crore) and for Loans and Advances in Urban Housing and Urban Development Department (₹ 113 crore) respectively

Further test-check of vouchers from monthly accounts of eight offices/divisions under two Departments² revealed that ₹ 326.43 crore was booked under six Major Heads³ towards advance payments of ₹ two crore or more during the month of March 2017 (**Appendix 2.4**) for desilting and cleaning of river, construction, maintenance and repairs, procurement of petroleum products, *etc.*

2.3.4 Appropriation vis-à-vis allocative priorities

Audit of the appropriation accounts revealed that in 63 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 savings	Number of cases	Total grant (₹ in crore)	Savings (₹ in crore)	Percentage savings
1.	Up to ₹ 10 crore	23	19.85	13.30	67.00
2.	More than ₹ 10 crore and up to ₹ 25 crore	3	64.13	46.11	71.90
3.	More than ₹ 25 crore and up to ₹ 100 crore	2	184.01	118.76	64.54
4.	Above ₹ 100 crore	35	114718.23	22036.88	19.33
Total		63	115046.46	22238.78	19.33

Source: Appropriation accounts of the State Government for the year 2016-17

² Roads and Buildings; Narmada, Water Resources, Water Supply and Kalpsar Department

³ 2701, 2702, 3054, 4701, 4702 and 5054

The Departments that had major savings were Finance; Roads and Buildings; *Panchayats*, Rural Housing and Rural Development; and Narmada, Water Resources, Water supply and Kalpsar. Reasons furnished by the Departments for the major savings, as reported in the appropriation accounts are given below:

Finance Department

- Grant No. 19 (Other expenditure pertaining to Finance Department) - Saving of ₹ 1,200 crores under Major Head '2048 – Gujarat State Sinking Fund' was due to the balance in the said fund being within the limit of State's financial net outstanding liability as recommended by RBI and hence, further transfer was not required.
- Grant No. 19 (Other expenditure pertaining to Finance Department) - Saving of entire budget provision of ₹ 4,500 crores under Major Head '2075 – Liability on Account of increase in the rate of Dearness Allowance (DA)' was due to the decision of the State Government to take provision for payment of dearness allowance for the respective Departments under their various subheads.

Large savings were mainly due to provisions made by the Finance Department for payment of DA in respect of other Departments. As per paragraph 38 of the Gujarat Budget Manual, 1983, such provisions were required to be made by the respective Departments in their budget estimates.

Roads and Buildings Department

- Grant No. 84 (Non Residential Buildings) - the reason for Saving of ₹ 222.48 crores under Major Head '4250 –EMP – 1 Buildings Plan' was excessive original provision made for new works and more time taken for completing procedures like land allotment, drawings, administrative approvals, technical sanctions, tender process *etc.*

Panchayat, Rural Housing and Rural Development Department

- Grant No. 70 (Community Development) - the reasons for savings of ₹ 225.40 crore under the Major Head '2515– CDP-3 Strengthening of the Block Level Agencies (Plan)' were delay in tender process and non-receipt of the technical approvals by the District offices.

Narmada, Water Resources, Water Supply and Kalpsar Department

- Grant No. 66 (Irrigation and Soil Conservation) - the reasons for savings of ₹ 154.73 crore under the Major Head '4702 - Minor Irrigation (Plan)' were non-receipt of the sanction by the Department and non-carrying out of dewatering in tanks.

2.3.5 Excess of provisions leading to persistent savings

In 17 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 2012-13 to 2016-17

(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2012-13	2013-14	2014-15	2015-16	2016-17
Revenue- Voted/Charged						
1.	19 - Other Expenditure Pertaining to Finance Department	3535.42	4027.49	4222.63	3514.15	5717.16
2.	39 - Medical and Public Health	94.53	198.97	350.02	156.08	260.49
3.	43 – Police	263.90	286.51	143.58	216.22	145.19
4.	49- Industries	110.35	188.46	72.05	350.01	148.10
5.	60 - Administration of Justice	175.16	315.72	136.68	295.66	302.23
6.	70 - Community Development	266.29	86.52	455.75	159.17	673.13
7.	71- Rural Housing and Rural Development	191.81	460.29	1102.04	255.68	333.15
8.	77 - Tax Collection Charges (Revenue Department)	138.99	139.99	190.37	102.07	68.66
9.	78 - District Administration	67.53	162.60	90.93	76.27	54.19
10.	79 - Relief on Account of Natural Calamities	361.27	160.80	546.52	195.81	606.58
11.	95 - Scheduled Castes Sub-Plan	143.72	286.06	481.91	367.76	466.18
12.	96 - Tribal Area Sub-Plan	311.25	617.92	1346.99	767.40	562.31
Capital- Voted/Charged						
13.	9 – Education	176.70	133.22	1583.22	484.19	233.51
14.	20 - Repayment of Debt Pertaining to Finance Department and its Servicing	402.93	473.69	453.93	332.76	117.63
15.	84 - Non-Residential Buildings	294.39	677.53	706.08	544.60	917.26
16.	85 - Residential Buildings	66.52	125.10	134.30	68.40	51.79
17.	95 - Scheduled Castes Sub-Plan	153.07	108.36	232.46	264.95	334.17

Source: Appropriation Accounts of the State Government for the period 2012-13 to 2016-17

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 persistent savings of more than ₹ 25 crore during last three years (2014-17) in respect of 46 Schemes under 21 grants (**Appendix 2.6**), indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations. Some cases of the savings under different Schemes/purposes are briefly discussed below:

- Under the provision for ‘Educational facilities/Maintenance’ under Education Department, against provision of ₹ 8,234.58 crore during 2014-17, only ₹ 7,830.55 crore could be spent. The Department attributed the savings to non-recruitment of teachers and non-implementation of 7th Pay Commission recommendations in secondary schools receiving GIA.

- Under the provision for ‘Gratuities’ under Finance Department, against a provision of ₹ 3,477.13 crore during 2014-17, only ₹ 2,385.54 crore could be spent. The Department attributed the savings to finalisation of less pension cases than anticipated and less retirement of employees on voluntary basis. The Department also stated that the expenditure under this head was of fluctuating nature and it was mainly dependent upon the finalisation of pension cases.
- Under the provision for ‘Contribution to Gujarat Green Revolution Company Limited for Drip Irrigation’ under *Narmada*, Water Resources, Water Supply and *Kalpsar* Department, against provision of ₹ 1,247.52 crore during 2014-17, only ₹ 1,040.51 crore could be spent. The Department attributed the savings to cut imposed by the Finance Department during 2016-17.

2.3.6 Supplementary provisions

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 provisions

- Supplementary provisions (₹ five crore or more in each case) aggregating ₹ 994.59 crore were made and obtained in 10 cases during 2016-17, which proved unnecessary. The expenditure incurred did not even reach the levels of the original provision as detailed in **Appendix 2.7**. Some cases are briefly discussed below:
- Under the Grant No. 39- Medical and Public Health –Revenue Voted under Health and Family Welfare Department, a provision of ₹ 4,528.28 crore was made. However, at the end of the year, the expenditure fell short of the original provision by ₹ 96.40 crore resulting in unnecessary supplementary provision of ₹ 164.09 crore.
- Under *Narmada*, Water Resources, Water Supply, and *Kalpsar* Department, supplementary provision of ₹ 536.73 crore under Grant No. 65 was made. However, at the end of the year, there were savings of ₹ 57.53 crore from the original provision of ₹ 3,918 crore. Hence, the supplementary provision for branch canal works was not used.

Evidently, the Departments need to strengthen the estimation of requirement of funds and review the basis for supplementary provisions.

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 resulting in final excesses or savings of ₹ five crore or more in each case are detailed in **Appendix 2.8**.

2.3.8 Surrender of unspent provisions

As per Paragraph 103 of the Gujarat Budget Manual, 1983, 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 15 March are not to be accepted, except in the case of Supplementary grants obtained after 15 March.

2.3.8.1 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provision or ₹ one crore or more) were made in respect of 822 sub-heads under 85 Grants, mainly on account of either non-implementation or slow implementation of Schemes/programmes. Of the total provision of ₹ 70,883.62 crore made under these 822 sub-heads, ₹ 21,751.43 crore (30.69 *per cent*) was surrendered, which included 100 *per cent* surrender in 234 cases involving ₹ 6,444.58 crore. The details of 10 selected cases are given in **Appendix 2.9**.

2.3.8.2 Surrender in excess of actual savings

In 33 of 189 grants/appropriations, 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 ₹ 2,853.90 crore, the amount surrendered was ₹ 3,293.69 crore, resulting in excess surrender of ₹ 439.79 crore. Details are given in **Appendix 2.10**. Some cases are briefly discussed below:

- In Grant No 9: Education (Revenue-Voted), ₹ 240.71 crore were surrendered. However, there was an excess expenditure of ₹ 150.48 crore.
- In Grant No. 66: Irrigation and Soil conservation (Revenue-Voted), ₹ 28.28 crore were surrendered. However, savings of ₹ 4.55 crore only were effected resulting in excess surrender of ₹ 23.73 crore.
- In Grant No. 108: Other expenditure pertaining to climate change Department (Revenue-Voted), ₹ 26.10 crore were surrendered. However, savings of ₹ 17 crore only were effected resulting in excess surrender of ₹ 9.10 crore.

2.3.8.3 Savings not surrendered/partly surrendered

At the close of 2016-17, there were 13 grants/appropriations under which savings exceeded 10 *per cent* of the total provisions but the same had not been surrendered by the concerned Departments. The total amount involved in these cases was ₹ 1,482.18 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 provisions)**

(₹ in crore)

Sl. No.	Grant No.	Name of grant/appropriation	Total provision	Saving	Percentage savings not surrendered
1.	1	Agriculture and Co-operation Department – Capital Voted	0.40	0.40	100.00
2.	1	Agriculture and Co-operation Department – Revenue Voted	18.69	4.24	22.69
3.	2	Agriculture – Capital Voted	131.50	110.40	83.95
4.	2	Agriculture – Revenue Voted	2847.07	312.69	10.98
5.	3	Minor Irrigation, Soil Conservation and Area Development – Revenue Voted	103.73	17.51	16.88
6.	4	Animal Husbandry – Revenue Voted	615.80	158.70	25.77
7.	5	Co-Operation – Capital Voted	98.86	29.41	29.75
8.	6	Fisheries – Capital Voted	268.00	236.99	88.43
9.	7	Other expenditure pertaining to Agriculture and Co-operation Department – Capital Voted	0.26	0.06	23.08
10.	26	Forests – Revenue Charged	0.29	0.03	10.34
11.	40	Family Welfare – Capital Voted	23.10	5.00	21.65
12.	79	Relief on account of natural calamities – Revenue Voted	1609.37	606.58	37.69
13.	107	Climate Change Department – Revenue Voted	0.94	0.17	18.09
Total			5718.01	1482.18	25.92

Source: Appropriation Account of the State Government for the year 2016-17

In 23 grants/appropriations, there were savings of more than ₹ five crore of which, more than 10 per cent was not surrendered. In these grants/appropriations, total savings of ₹ 3,561.53 crore were noticed. However, only ₹ 1,398.50 crore was surrendered, leaving ₹ 2,163.03 crore un-surrendered as shown in **Appendix 2.11**.

2.4 Review of Budget Control Mechanism

The Gujarat Budget Manual, 1983 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 in time and accurately and also to ensure that the grant placed at their disposal is spent only on the objects for which it has been provided and to surrender savings if no longer required.

With a view to ascertaining how far the authorities were adhering to these instructions, Audit test-checked records of the Administrative Department/controlling officers relating to Grant No. 02 (Agriculture) and Grant No. 102 (Urban Development) for the period 2014-17. The audit findings are discussed in the succeeding paragraphs.

2.4.1 Review of Grant No. 02 – Agriculture (Agriculture and Co-operation Department)

The Agriculture and Co-operation Department (Agriculture Department) takes care of agriculture and related matters and implementation, monitoring and supervision of related Schemes. The key objective of the Department is to meet the needs and increase the income of farmers through agricultural and horticulture productivities, disseminating knowledge of scientific methods of agriculture and horticulture and implementing various Schemes. The Department transfers funds to the Controlling Offices⁴ online via Integrated Financial Management System. The Department is headed by the Principal Secretary.

2.4.1.1 Budget trends

The details of the budget and expenditure of Grant- 02 during 2014-17 are shown in **Table 2.7**.

Table 2.7: Budget and expenditure under Grant No. 02

Year	Voted/ Charged	Budget provision			Expenditure	Excess (+) Savings (-) /(percent)
		Original	Supple- mentary	Total		
(₹ in crore)						
Revenue Voted						
2014-15	Voted	2785.99	15.65	2801.64	1831.05	(-) 970.59 /(34.64)
2015-16	Voted	2709.58	0.00	2709.58	2438.01	(-) 271.57 /(10.02)
2016-17	Voted	2847.07	0.00	2847.07	2534.38	(-) 312.69/(10.98)
Revenue Charged						
2014-15	Charged	0.00	0.01	0.01	0.01	-
2015-16	Charged	0.00	0.13	0.13	0.12	(-) 0.01/(7.69)
2016-17	Charged	-	-	-	-	-
Capital Voted						
2014-15	Voted	210.09	0.00	210.09	24.00	(-) 186.09 /(88.58)
2015-16	Voted	105.00	0.00	105.00	25.00	(-) 80.00 /(76.19)
2016-17	Voted	131.50	0.00	131.50	21.10	(-) 110.40 /(83.95)

Source: Appropriations Accounts of the State Government for the period 2014-15 to 2016-17

Audit scrutiny of surrenders/saving orders in case of revenue expenditure revealed major savings as follows:

In case of Direction and Administration (Minor Head – 001), there were surrenders/savings under Director of Horticulture (₹ 7.36 crore) and Administration Extension and Infrastructure Facility for Agriculture Development (₹ 107.39 crore) during 2014-17, due to non-filling up of vacant posts.

⁴ Director of Agriculture; Director of Horticulture; and Agriculture Universities

During 2014-17, savings were observed in National Food Security Mission (₹ 83.15 crore), Integrated Development of vegetable crop (₹ 147.17 crore), *Rashtriya Krishi Vikas Yojana* (₹ 514.34 crore), and National Mission for Sustainable Agriculture (₹ 361.82 crore). The savings were attributed to less release of grants by Government of India (GoI) under these Schemes during 2014-15 and 2015-16. Reasons for savings during 2016-17 have not been furnished (August 2017) to Audit. In case of Fruit Nurseries, surrenders/savings amounting to ₹ 73.52 crore were due to non-implementation of the Scheme and receipt of duplicate applications from the farmers in *i-khedut* portal during 2014-16.

Further, supplementary demand of ₹ 15.65 crore for GIA to Gujarat Agricultural Universities was not utilized during 2014-15 and ₹ 17.18 crore was surrendered from original demand, due to non-filling up of vacant posts and non-acceptance of bills by the Treasury.

Audit scrutiny of surrenders/saving orders in case of capital expenditure revealed major savings under Rural Infrastructure Development Fund (RIDF) Scheme during 2014-17. The surrender was due to late receipt of administrative approval for construction of Godowns (₹ 186.09 crore) and change in method of construction of Godowns (₹ 80 crore).

2.4.1.2 Rush of expenditure

During 2016-17, more than 50 *per cent* of the total expenditure was incurred in the last quarter of the year in seven Schemes, while in five of these seven Schemes, more than 50 *per cent* of expenditure was incurred in last month of the year (March 2017), as shown in **Table 2.8**.

Table 2.8: Rush of expenditure under various Schemes

(₹ in crore)

Sl No.	Scheme	Expenditure				
		(April 2016 to March 2017)	During last quarter (January 2017 to March 2017)		During March 2017	
			Amount	<i>per cent</i> of total expenditure	Amount	<i>per cent</i> of total expenditure
1.	2401.00.103.21 Strengthening of State seed agency	1.25	0.63	50.40	0.63	50.40
2.	2401.00.105.30 National project on organic farming	1.06	0.53	50.00	0.53	50.00
3.	2401.00.105.33 Corpus for chemical fertilisers	20.00	10.00	50.00	10.00	50.00
4.	2401.00.119.01 Fruit nurseries	132.11	67.39	51.01	47.56	36.00
5.	2401.00.797.01 National agriculture insurance	100.00	100.00	100.00	100.00	100.00

Sl No.	Scheme	Expenditure				
		(April 2016 to March 2017)	During last quarter (January 2017 to March 2017)		During March 2017	
			Amount	per cent of total expenditure	Amount	per cent of total expenditure
6.	2810.00.102.01 Gobar gas plant	1.25	1.25	100.00	0.04	3.40
7.	4401.00.103.01 RIDF Scheme	5.50	3.27	59.45	3.27	59.45

Source: Information provided by Director of Agriculture and Director of Horticulture

Reasons for rush of expenditure in the last quarter especially in the last month of financial year were not furnished to audit (August 2017).

2.4.1.3 Non-surrender of unspent balances for Krushi Mahotsav

Krushhi Mahotsav was introduced by the State Government in 2005-06 for the welfare of farmers and is organized every year. Funds are released to implementing agencies under the Scheme AGR-1: Administration Extension and Infrastructure facility for Agriculture Development. As per condition of grant release order, unspent balances were to be surrendered to Government.

Audit observations based on review of records are as under:

- The Director of Agriculture (DoA) released a grant of ₹ 3.70 crore to Gujarat State Seeds Corporation Limited (GSSCL) during 2014-15 for the *Krushhi Mahotsav (Rabi)*. The GSSCL incurred an expenditure of ₹ 3.15 crore during the year but did not surrender the unspent balance of ₹ 0.55 crore (July 2017). The GSSCL incurred an expenditure of ₹ 0.39 crore from this unspent balance during 2015-16.

During 2015-16, DoA released ₹ 50 crore to GSSCL for organisation of *Krushhi Mahotsav*. Though an expenditure of ₹ 34.37 crore was incurred, GSSCL surrendered (March 2016) only ₹ 3.63 crore instead of entire unspent balance of ₹ 15.63 crore. Of this unspent balance, GSSCL surrendered (March 2017) ₹ 10.05 crore and retained ₹ 1.95 crore (July 2017).

Thus, GSSCL retained unspent balances of the year 2014-15 as well as 2015-16 till July 2017.

- The DoA released grants of ₹ 5.99 crore to Gujarat Agro Industries Corporation Limited (GAICL) for *Krushhi Mahotsav* 2014-15. The unspent balance of ₹ 0.68 crore was not surrendered by GAICL to the State Government as of May 2017.

2.4.1.4 Blocking of funds

The National E-Governance Plan in Agriculture (NeGP-A) is a Centrally Sponsored Scheme (60:40) introduced (March 2011) to achieve rapid development of agriculture in India in a mission mode through use of

Information and Communication Technology. The GoI released ₹ 1.76 crore and ₹ 1.21 crore to GoG during 2014-15 and 2015-16 respectively. Audit scrutiny revealed that neither the State share was released nor any expenditure was incurred by the Agriculture Department on NeGP-A till July 2017.

The Deputy DoA stated (July 2017) that the State share could not be released, as the relevant budget head was opened only in March 2017 and that the proposal for revalidation of grant would be sent to GoI.

Evidently, the Agriculture and Co-operation Department did not monitor the proper utilisation of grants.

2.4.2 Review of Grant No. 102 -Urban Development (Urban Development and Urban Housing Department)

Urban Development and Urban Housing Department (UD&UHD) monitors implementation, provides guidance and issues orders related to urban development and urban housing. There are nine institutions⁵ functioning under UD&UHD. The Department is headed by the Additional Chief Secretary.

2.4.2.1 Deviation from budgetary provisions

The budgetary allocation and expenditure under revenue and capital heads of Grant No. 102 during 2014-17 is given in **Table 2.9**.

Table 2.9: Deviation from budget for revenue and capital expenditure

(₹ in crore)

Year	Budget including supplementary		Expenditure		Unutilized provision		Percentage of unutilized provision	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Revenue expenditure								
2014-15	4558.65	2745.56	4012.34	2736.39	546.31	9.16	11.98	0.33
2015-16	4812.73	3059.08	4444.60	3014.71	368.12	44.36	7.65	1.45
2016-17	4918.61	3438.76	4624.86	3382.18	293.75	56.57	5.97	1.65
Capital expenditure								
2014-15	250.00	0.00	150.00	0.00	100.00	0.00	40.00	0.00
2015-16	791.00	0.00	267.00	0.00	524.00	0.00	66.24	0.00
2016-17	727.01	0.00	123.00	0.00	604.01	0.00	83.08	0.00

Source: Appropriation Accounts of the State Government for the period 2014-17

The percentage of unutilized provision in case of capital expenditure was 40 per cent during 2014-15, which increased to 66 per cent in 2015-16 and to 83 per cent in 2016-17.

⁵ Directorate of Municipalities; Gujarat Municipal Finance Board; Gujarat Housing Board; Gujarat Urban Development Company; Gujarat Urban Development Mission; Urban/Area Development Authorities; Municipal Corporations; Municipalities; Town Planning and Valuation Department

The UD&UHD attributed the savings under capital expenditure to the following:

- (i) 2014-15: Due to less demand of funds from Metro Link Express for Gandhinagar and Ahmedabad Company Limited (MEGA), only ₹ 150 crore was released to MEGA and the balance ₹ 100 crore was surrendered by UD&UHD.
- (ii) 2015-16: In view of GoI decision (March 2015) to turn a wholly State owned company (MEGA) to a jointly owned company of GoI and GoG with equity share of ₹ 1,412 crore each, the provision of ₹ 611 crore for State share capital was reduced to ₹ 162 crore only and the remaining ₹ 449 crore was surrendered. Further, ₹ 75 crore meant for share capital of Diamond Research and Mercantile City Company Limited (Dream CCL) remained unutilised due to non-acceptance of bills on 31 March 2016 by the Treasury.
- (iii) 2016-17: MEGA availed of loan from Japan International Co-operation Agency (JICA), hence, provision of loan of ₹ 452 crore was surrendered. Further, as the State Government did not have any share capital liability to MEGA, the provision of ₹ 152 crore was also surrendered.

Audit observed that during 2016-17, a provision for share capital of ₹ 152 crore in MEGA was made despite it not being required in view of GoI decision in March 2015 to turn it into a jointly owned company. Audit is of the view that the provisions in the budget may be made more realistically taking into account various developments.

In case of revenue expenditure, major savings were on account of the following:

In case of Direction and Administration expenditure (Minor Head- 001), surrenders relating to Chief Town Planner (₹ 16.64 crore) and Development and Implementation of Perspective Urban Planning (₹ 43.27 crore) during 2014-17 were due to non-filling up of vacant posts.

During 2014-15, major non-utilisation was due to closure of GoI Schemes- Jawharlal Nehru National Urban Renewal Mission (₹ 541.14 crore), Urban Infrastructure Development Scheme (₹ 55.24 crore) and low demand for GIA by Urban Development Authorities under *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana* (₹ 31.75 crore).

During 2015-16, major non utilisation was due to non-release of grants by GoI to Urban Development Authorities (₹ 151.50 crore), Urban Development Mission for Smart Cities (₹ 331.50 crore) and low demand for GIA by Urban Development Authorities under *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana* (₹ 470 crore).

During 2016-17, there was low demand for GIA by Urban Development Authorities under *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana* (₹ 631.99 crore), less release of funds by GoI to Municipalities/Corporations

for *Atal* Mission for Rejuvenation and Urban Transformation (AMRUT) (₹ 204.52 crore) and upgradation of standards of administration recommended by Fourteenth Finance Commission (₹ 232.05 crore).

Provision for salary and allowances year on without taking steps for filling of vacant posts and persistent low demand under *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana* needs to be reviewed.

2.4.2.2 Non-Submission of utilisation certificates

Rule 154 and 155 of the Gujarat Financial Rules, 1971, provide that for the grants provided for specific purpose, utilization certificates (UCs) should be submitted within 12 months of the closure of the financial year by the institution or organization concerned to the Head of Department concerned and after verification, these should be forwarded to the Accountant General.

During the review of records it was observed found that UCs under Major Head-2217 (Urban Development) amounting to ₹ 439.74 crore for the period June 2005 to August 2016 were not submitted by the Department till August 2017. A review of delay in furnishing UCs by UD&UHD was included in paragraph 3.1 of State Finances Report for the year ended 2014. The continued pendency in submission of UCs indicated that proper steps have not been taken by the UD&UHD.

The UD&UHD informed (July 2017) that it would issue necessary instructions to the Controlling Officers for submitting UCs in time.

In the absence of UCs, it could not be ascertained whether the expenditure was incurred for the intended purpose within the prescribed time.

2.4.2.3 Parking of funds

(i) Parking of funds allocated for Technological Innovations and E-Nagar Yojana

The duties and responsibilities of the Controlling authorities as envisaged vide Paragraph 99 of Gujarat Budget Manual, 1983 warrant that such authorities have 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.

Scrutiny of records revealed that UD&UHD made a budget allocation of ₹ five crore for Technological Innovations for Urban Development (new item) and ₹ 20 crore for *E-Nagar yojana*. The UD&UHD at the time of releasing funds (30 March 2017), directed Gujarat Urban Development Mission (GUDM), the nodal agency, to park the same with the Gujarat State Financial Services Limited (GSFS), a wholly owned subsidiary of GoG having 100 per cent holding and is registered with Reserve Bank of India as a Non-Banking Finance Company.

The UD&UHD stated (August 2017) that due to lack of proposals from urban local bodies (ULBs) for technological innovations, ₹ five crore were parked in GSFS. The reply is not acceptable as any new item is introduced in budget after comprehensive review. Further, release of funds on 30 March 2017 clearly indicated that the funds were not intended to be utilised during the 2016-17. The UD&UHD did not furnish any reasons for parking ₹ 20 crore meant for *E- Nagar Yojana* in GSFS as of August 2017.

(ii) Parking of funds allocated for Nirmal Gujarat

Funds amounting to ₹ 83 crore allocated for *Nirmal Gujarat* were initially parked in GSFS during 2016-17. Of this, ₹ 19.44 crore was spent while ₹ 63.56 crore remained parked with GSFS as of 31 March 2017.

The UD&UHD stated (July 2017) that the funds were parked due to receipt of funds from the State Government in March 2017. The reply is not acceptable as the unspent funds were required to be surrendered at the end of the financial year.

2.4.2.4 Blocking of funds

Under the *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana*, GoG appointed Gujarat Urban Development Company Limited, Gandhinagar (GUDCL) as nodal agency for assisting the ULBs in the State for construction of railway over bridges (ROB)/ railway under bridges (RUB).

Under the Scheme, GUDCL released ₹ 13.77 crore to Chief Officer, *Vijalpore Nagarpalika* for construction of ROB on level-crossing No.126 on Mumbai-Delhi track in Navsari district during 2013-15. The work did not commence due to non-approval of designs by the Railways. Subsequently, Roads and Buildings Department was entrusted with this work in March 2017. Even after passage of more than four years from the date of release of grant, the work had not commenced (July 2017). Transfer of entire funds to the local body before approval of designs and selection of implementing agency lacked justification and resulted in blocking of funds of ₹ 13.77 crore.

Under the same Scheme, ₹ four crore was released (March 2011) by GUDCL to *Bavala Nagarpalika* for construction of RUB near culvert No.62/A of the *Nagarpalika*. The work was cancelled (June 2015) as the area of proposed RUB was included in expansion of *Bavala* Railway Station and ₹ four crore was returned to GUDCL (January 2017).

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 2016-17, an amount of ₹ 12.83 crore was spent out of the contingency fund for meeting unforeseen expenditure. The entire amount was recouped during the year.

2.6 Misclassification of ‘Grants-in-aid’ 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 objective of 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 2016-17, an amount of ₹ 89.66 crore was disbursed as Grants-in-aid under the following capital Major Heads of expenditure against approved budgetary provision in violation of IGAS-2 as detailed in **Table 2.10**.

Table 2.10: Misclassification of grants-in-aid under capital Major Heads

(₹ in crore)		
Sl. No.	Classification-Major Head	Grants-in-aid
1.	4059- Capital outlay on public works	23.28
2.	4210- Capital outlay on medical and public health	25.00
3.	4236- Capital outlay on nutrition	2.80
4.	4401- Capital outlay on crop husbandry	5.50
5.	4402- Capital outlay on soil and water conservation	33.04
6.	4408- Capital outlay on food storage and warehousing	0.04
	Total	89.66

Source: Finance Accounts of the State Government for the year 2016-17

The FD may take effective measures to scrutinise the issue of misclassification at the time of finalisation of budget estimates.

2.7 Conclusion and Recommendations

During 2016-17, expenditure of ₹ 1,36,765.39 crore was incurred against total grants and appropriations of ₹ 1,60,351.06 crore resulting in overall savings of ₹ 23,585.67 crore. The overall savings of ₹ 23,585.67 crore were the result of savings of ₹ 23,863.78 crore, offset by an excess of ₹ 278.11 crore.

The excess expenditure of ₹ 278.11 crore included ₹ 275.64 crore expended during 2016-17 under voted grants indicating lack of budgetary control in providing for essential items, resulting in excess expenditure. The excess of ₹ 275.64 crore requires regularization under Article 205 of the Constitution of India.

In 17 cases, there were persistent savings of more than ₹ 50 crore in each case during the last five years in respect of grants pertaining mainly to Finance Department; *Panchayats*, Rural Housing and Rural Development Department; Legal Department; Roads and Buildings Department *etc.*, indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

There was also persistent excess expenditure over provision of more than ₹ 10 crore for the last three years in respect of seven Schemes under five different grants.

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

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. However, during the year 2016-17, ₹ 89.66 crore was disbursed as Grants-in-aid under the capital Major Heads of expenditure in violation of IGAS-2.

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

