



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 laws, 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 Departments 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 the Government. The exercise requires utmost foresight both in estimating revenue and in 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 2017-18 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
Voted	I Revenue	1,07,152.66	10,117.02	1,17,269.68	1,01,112.35	(-)16,157.33	16,441.89
	II Capital	28,936.09	389.52	29,325.61	26,366.64	(-)2,958.97	2,543.72
	III Loans and advances	649.58	166.54	816.12	631.07	185.05	194.09
Total Voted		1,36,738.33	10,673.08	1,47,411.41	1,28,110.06	(-)19,301.35	19,179.70
Charged	IV Revenue	19,589.00	65.31	19,654.31	19,177.73	(-)476.58	410.85
	V Capital	52.10	53.69	105.79	75.07	(-)30.72	30.82
	VI Public debt-repayment	15,799.81	0.00	15,799.81	13,700.23	(-)2,099.58	2,099.58
Total Charged		35,440.91	119.00	35,559.91	32,953.03	(-)2,606.88	2,541.25
Grand total		1,72,179.24	10,792.08	1,82,971.32	1,61,063.09	(-)21,908.23	21,720.95

Source: Appropriation Accounts and Appropriation Act of the State Government for the year 2017-18

Net savings of ₹ 21,908.23 crore were the result of savings of ₹ 22,242.23 crore in 91 grants and 18 appropriations under the revenue section and 53 grants and 8 appropriations under the capital section, offset by an excess of ₹ 334 crore in one grant and one appropriation under the revenue section and one grant under the capital section.

It can be seen from **Table 2.1** that against the original estimates of ₹ 1,72,179.24 crore, the actual expenditure incurred was ₹ 1,61,063.09 crore.

The Finance Department stated (March 2019) that Supplementary Grant/Appropriations of ₹ 10,792.08 crore was made on the request of the administrative departments as this could not be met by re-appropriation from savings available within the same grant or appropriation, after preparation of revised estimates.

The reply is not acceptable as it was observed that re-appropriation to the extent of ₹ 4,360.84 crore was done by the administrative departments during the year, indicating that a supplementary provision of only ₹ 6,431.24 crore was sufficient to meet the requirements.

2.3 Financial accountability and budget management

2.3.1 Excess expenditure over appropriation 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) amounting ₹ 4,670.60 crore for the years 2007-08 to 2017-18 was yet to be regularised, as detailed in **Appendix 2.1**. The major defaulting Departments during last five

years were Agriculture & Co-operation; Education; Forests & Environment; Health & Family Welfare; Narmada, Water Resources, Water Supply and Kalpsar; Panchayat, Rural Housing and Rural Development; and Roads and Buildings.

The Finance Department stated (March 2019) that the excess expenditure over provision can be regularised only based on the recommendations of the Public Accounts Committee (PAC) and its acceptance by the State Legislature. The State Government has regularised the excess expenditure up to the year 2006-07 based on the recommendations of the PAC through the Gujarat Appropriation (Excess Expenditure) Act, 2016.

2.3.2 Persistent excesses

On test-check of grant files, Audit observed that there was persistent excess expenditure over provisions by more than ₹ 10 crore during the last three years in respect of seven Schemes under four different grants (**Appendix 2.2**), 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 ₹ 6,943.32 crore under Grant No. 9 towards superannuation and retirement allowances to primary panchayat teachers during the period 2015-18, ₹ 8,258.33 crore were expended by the Education Department resulting in excess of ₹ 1,315.01 crore. While no reasons were attributed for the persistent excess during 2015-16 and 2017-18, regarding 2016-17, the Department stated that the excess expenditure was mainly due to (i) revision of pension as per Seventh Pay Commission, and (ii) increase in number of pensioners owing to more retirements.
- A sum of ₹ 2,072.37 crore under Grant No. 49 was spent during 2015-18 against a provision of ₹ 1,647.04 crore for Development of Textile Industry. The excesses of ₹ 70 crore, ₹ 236.46 crore and ₹ 118.87 crore during 2015-16, 2016-17 and 2017-18 respectively were attributed to receipt of more proposals.
- A sum of ₹ 2,448.71 crore was spent under Grant No. 73 during 2015-18 against a provision of ₹ 1,963.20 crore under two Schemes namely, 'Superannuation and retirement allowances to Panchayat Employees' and 'Family Pension to Panchayat Employees'. While the excess expenditure under the first Scheme was attributed to increase in the number of pensioners owing to more retirements, no reasons were attributed by the concerned Department for the excess expenditure under the second Scheme. Similar excesses were also observed under these two Schemes during the previous three years (2012-13 to 2014-15).

2.3.3 Appropriation *vis-à-vis* allocative priorities

Audit of the appropriation accounts revealed that in 60 cases, savings exceeded ₹ 100 crore in each case or by more than 50 *per cent* of the total

provision (**Appendix 2.3**). Summarised position of savings is indicated in **Table 2.2**.

Table 2.2: Summarised position of savings

Sr. No.	Range of savings	Number of cases	Total grant (₹ in crore)	Savings (₹ in crore)	Percentage savings
1.	Up to ₹ 10 crore	25	45.79	30.41	66.39
2.	More than ₹ 10 crore and up to ₹ 25 crore	1	19.57	10.97	56.05
3.	More than ₹ 25 crore and up to ₹ 100 crore	6	560.44	375.51	67.00
4.	Above ₹ 100 crore	28	1,19,937.68	20,501.84	17.09
Total		60	1,20,563.48	20,918.73	17.35

Source: Appropriation Accounts of the State Government for the year 2017-18

The Departments that had major savings were Finance, Roads and Buildings, Tribal Development and Urban Development and Urban Housing. Reasons furnished by the Departments for the major savings, as reported in the appropriation accounts are given below.

Finance Department

- Grant No. 18 (Pension and Other Retirement Benefits): Savings of ₹ 1,403.05 crore under Major Head ‘2071 – ‘Gratuities’ and ‘Commutated Value of pensions’. The Finance Department stated (March 2019) that since it was difficult to estimate accurately the number of persons retiring on voluntary basis or those expiring whilst in service (being fluctuating in nature), there were substantial savings under this grant.
- Grant No. 19 (Other expenditure pertaining to Finance Department): Saving of ₹ 2,000 crore under Major Head ‘2048 – Gujarat State Sinking Fund’. The Finance Department stated (March 2019) that savings of ₹ 2,000 crore had occurred as the balance in the Consolidated Sinking Fund was found to be within the limits prescribed by the Reserve Bank of India.

Audit observed that there had been persistent over provisioning and savings in Grant No. 18 and 19 during four of the last five years. In such circumstances, it would have been better if token provisions had been made to avoid savings.

- Grant No. 19 (Other expenditure pertaining to Finance Department): Saving of entire budget provision of ₹ 6,000 crore under Major Head ‘2075 – Liability on Account of increase in the rate of Dearness Allowance (DA)’. Provisions for payment of increase in the rate of DA was made by the Administrative Departments under relevant Sub-Heads, as a result, the Finance Department had to surrender the entire provision of ₹ 6,000 crore. The Finance Department stated (March 2019) that administrative departments made provision for DA at sanctioned rates only and lump sum provision for additional DA was

made by it. Once the additional DA rates are notified, necessary payment are made from the relevant heads of account of concerned administrative departments by realising the grant and final adjustment is made against this lump sum provision. The Finance Department accepted that this being somewhat in the nature of foreseen transfers between accounts, the very nature of this exercise makes certain deviation from the budgetary estimates inevitable.

Roads and Buildings Department

- Grant No. 84 (Non-Residential Buildings): the reasons for saving of ₹ 126.75 crore and ₹ 130.09 crore under Major Head '4059-Administration of Justice Buildings for Legal Department' and '4250 –EMP – 1 Buildings Plan' respectively were 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.* Further, on similar grounds, ₹ 367.80 crore under six Capital Heads¹ relating to other Schemes was surrendered.

Tribal Development Department

- Grant No. 96 (Tribal Area Sub-Plan) Revenue Voted: The reasons for major savings of ₹ 444.44 crore under Major Head 2216–HSG-49 *Indira Awas Yojna* were non-release of 1st and 2nd instalment of grants by Government of India (GoI) and therefore, entire budgetary provision made by the State Government on this account had to be surrendered.
- Grant No. 96 (Tribal Area Sub-Plan) Capital Voted: The savings of ₹ 161.57 crore were on account of time consuming procedure involved in land allotment, administrative approvals, technical sanctions, tender process, *etc* on new works of construction.

Urban Development and Urban Housing Department

- Grant No. 101 (Urban Housing): The savings of ₹ 580.69 crore under different housing Schemes for urban areas were due to surrender of provisions relating to Centrally Sponsored Schemes by the State Government (due to non-release of grants by GoI) and non-receipt of new proposals under State Scheme *Mukhya Mantri Gruh Yojana*.
- Grant No. 102 (Urban Development): The savings of ₹ 489.13 crore were due to non-receipt of demand for grants from the Urban Local Bodies/Municipal Corporations and short-allotment of funds by GoI for Upgradation of Standards of Administration recommended by 14th Finance Commission. Further, there were savings of ₹ 432.50 crore under the Scheme Urban Development Mission – Smart Cities due to non-receipt of grants from GoI.

¹ Major Heads 4059, 4202, 4225, 4235, 4401 and 4403

2.3.4 Excess of provisions leading to persistent savings

In 26 cases, there were persistent savings of more than ₹ 50 crore in each case during the last five years. The details are given in **Table 2.3** below.

Table 2.3: List of grants indicating persistent savings during 2013-14 to 2017-18

(₹ in crore)

Sr. No.	No. and name of the grant	Amount of savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
Revenue- Voted						
1.	2 – Agriculture	275.99	970.60	271.57	312.69	177.72
2.	4 – Animal Husbandry	133.08	76.40	118.13	158.70	110.84
3.	18 – Pension and other Retirement Benefits	744.74	560.95	304.47	1,146.63	1,658.66
4.	19 - Other Expenditure Pertaining to Finance Department	4,027.49	4,222.63	3,514.15	5,717.16	8,014.65
5.	39 - Medical and Public Health	198.97	350.02	156.08	260.49	159.53
6.	43 – Police	286.51	143.58	216.22	145.19	150.48
7.	60 - Administration of Justice	315.72	136.68	295.66	302.23	212.40
8.	70 - Community Development	86.52	455.75	159.17	673.13	225.72
9.	71- Rural Housing and Rural Development	460.29	1,102.04	255.68	333.15	499.26
10.	77 - Tax Collection Charges (Revenue Department)	139.99	190.37	102.07	68.66	54.55
11.	78 - District Administration	162.60	90.93	76.27	54.19	57.16
12.	79 - Relief on Account of Natural Calamities	160.80	546.52	195.81	606.58	184.18
13.	86 – Roads and Bridges	107.23	435.19	528.53	116.41	123.97
14.	92 – Social Security and Welfare	53.54	173.10	163.31	202.36	139.84
15.	95 - Scheduled Castes Sub-Plan	286.06	481.91	367.76	466.18	368.48
16.	96 - Tribal Area Sub-Plan	617.92	1,346.99	767.40	562.31	1,227.90
17.	106 – Other Expenditure pertaining to Climate Change Department	216.81	392.08	235.53	539.35	671.06
Revenue- Charged						
18.	20 – Repayment of Debt pertaining to Finance Department and its servicing (Charged)	473.69	453.93	332.76	117.63	437.64
Capital- Voted						
19.	9 – Education	133.22	1,583.22	484.19	233.51	344.94
20.	39 – Medical and Public Health	113.24	94.83	265.53	301.27	64.95
21.	49 – Industries	676.68	521.60	164.00	102.52	55.82
22.	65 – Narmada Development Scheme	1,180.88	1,262.93	966.87	594.27	250.76
23.	84 - Non-Residential Buildings	677.53	706.08	544.60	917.26	655.39
24.	85 - Residential Buildings	125.10	134.30	68.40	51.79	66.03
25.	95 - Scheduled Castes Sub-Plan	108.36	232.46	264.95	334.17	260.44
26.	96 - Tribal Area Sub-Plan	105.50	255.66	501.00	646.48	275.04

Source: Appropriation Accounts of the State Government for the years 2013-14 to 2017-18

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 the last three years (2015-18) in respect of 39 Schemes under 18 grants (**Appendix 2.4**), 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.

- In Education Department, against the provision of ₹ 1,273.70 crore made during 2015-18 for *Sarva Shiksha Abhiyan*, only ₹ 390.58 crore was spent. The Department attributed the savings to less receipt of grants from GoI.
- In Finance Department, against the provision of ₹ 4,031.13 crore made during 2015-18 for 'Gratuities', only ₹ 2,650.69 crore was spent. The Finance Department stated (March 2019) that since it was difficult to estimate accurately the number of persons retiring on voluntary basis or those expiring whilst in service (being fluctuating in nature), there was substantial savings under this Scheme.

The reply, however, does not state the reason for making budget provision persistently on higher side leading to savings continuously for three years instead of a token provision.

- In Urban Development and Urban Housing Department, against the provision of ₹ 5,687.24 crore made during 2015-18 for Grants-in-aid to Municipal Corporations under *Swarnim Jayanti Mukhya Mantri Shaheeri Vikas Yojana*, only ₹ 4,446.74 crore was spent. The Department attributed the savings to low demand for funds from Urban Local Bodies.

2.3.5 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.

2.3.5.1 Unnecessary supplementary provisions

Supplementary provisions (₹ five crore or more in each case) aggregating ₹ 133.81 crore were made and obtained in six cases during 2017-18, which proved unnecessary. The expenditure incurred did not even reach the levels of the original provision as detailed in **Appendix 2.5**. Some cases are briefly discussed below.

- Under Grant No. 71-Rural Housing and Rural Development –Revenue Voted under Panchayats, Rural Housing and Rural Development Department, supplementary provision of ₹ 48.37 crore was made. However, at the end of the year, the expenditure fell short of the original provision of ₹ 1,785.64 crore by ₹ 450.89 crore, resulting in unnecessary supplementary provision.
- Under Grant No. 86-Roads and Buildings Department-Revenue Voted, supplementary provision of ₹ 35.53 crore was made to meet increased expenditure on roads and bridges. However, at the end of the year,

there were savings of ₹ 88.44 crore from the original provision of ₹ 3,265.81 crore. Hence, the supplementary provision remained un-utilised.

2.3.6 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 2.6**.

2.3.7 Surrender of unspent provisions

As per Paragraph 103 of the Gujarat Budget Manual, 1983, Administrative 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.

2.3.7.1 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provision or ₹ one crore or more) were made in respect of 714 Sub-Heads under 96 grants, mainly on account of either non-implementation or slow implementation of Schemes/programmes. Of the total provision of ₹ 76,471.68 crore made under these 714 Sub-Heads, ₹ 21,617.53 crore (28.27 *per cent*) was surrendered, which included 100 *per cent* surrender in 210 Sub-Heads involving ₹ 8,509.63 crore. The major Departments were Finance; Agriculture and Co-operation; Revenue; Narmada, Water Resources, Water Supply and Kalpsar; and Social Justice and Empowerment. The details of 10 selected cases are shown in **Appendix 2.7**.

2.3.7.2 Surrender in excess of actual savings

In 23 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 ₹ 2,826.26 crore, the amount surrendered was ₹ 3,284.83 crore, resulting in excess surrender of ₹ 455.57 crore. Details are given in **Appendix 2.8**. Some cases are briefly discussed below.

- In Grant No 3: Minor Irrigation, Soil Conservation and Area Development (Capital Voted), ₹ 9.78 crore were surrendered. However, there was an excess expenditure of ₹ three crore under the Scheme for farm ponds for water storage and water harvesting.
- In Grant No.9: Education (Revenue-Voted), ₹ 439.11 crore were surrendered. However, there was a saving of ₹ 48.98 crore, resulting in excess surrender of ₹ 390.13 crore.

- In Grant No. 35: Other Expenditure pertaining to General Administration Department (Capital-Voted), ₹ 31.76 crore were surrendered. However, there was a saving of ₹ 1.72 crore, resulting in excess surrender of ₹ 30.04 crore.

2.3.7.3 Savings not surrendered/partly surrendered

At the close of 2017-18, there were three 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 savings involved in these cases was ₹ 345.75 crore as shown in **Table 2.4**.

**Table 2.4: Grants/appropriations in which savings occurred but were not surrendered
(More than 10 *per cent* of total provisions)**

(₹ in crore)					
Sr. No.	Grant No.	Name of grant/appropriation	Total provision	Savings	Percentage savings not surrendered
1.	9	Education - Capital voted	712.84	344.94	48.39
2.	23	Food - Revenue charged	0.04	0.04	100
3.	79	Relief on account of natural calamities - Capital charged	0.77	0.77	100
Total			713.65	345.75	48.45

Source: Appropriation Accounts of the State Government for the year 2017-18

In 12 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 ₹ 1,334.16 crore were noticed. However, only ₹ 961.82 crore was surrendered, leaving ₹ 372.34 crore which was not surrendered as shown in **Appendix 2.9**.

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. 49 (Industries) under Industries and Mines Department and Grant No. 71 (Rural Housing and Rural Development) under Panchayats, Rural Housing and Rural Development Department for the period of three years from 2015-16 to 2017-18. The audit findings are discussed in the succeeding paragraphs.

2.4.1 Review of submission of budget estimates

The work pertaining to the budget is spread over the whole financial year. The preparation of the annual budget should adhere to the dates prescribed for the

purpose by the Finance Department. It is, therefore, imperative that all officers concerned should scrupulously observe the dates fixed for various estimates.

Audit observed that the time schedule was not adhered to either by the Controlling Officers or by the Administrative Departments. The delays in submission of the budget estimates by the Controlling Officers to the Administrative Departments and by the Administrative Departments to the Finance Department for the year 2017-18 are shown in the **Table 2.5** and **Table 2.6** respectively.

Table 2.5: Delay in submission of budget estimates by Controlling Officers

Sr. No.	Name of Controlling Officer	Dates on which budget estimates were required to be sent and actually sent by Controlling Officers to Administrative Department				Delay in submission (in days)			
		BE for receipts	BE for current items	Proposal of new items/ works	Revised estimates	BE for receipts	BE for current items	Proposal of new items/ works	Revised estimates
1.	Industries and Mines Department ²	(By 10.10.2016) 28.09.2016 to 12.10.2016 (Actual)	(By 27.10.2016) 01.10.2016 to 03.11.2016 (Actual)	(By 28.10.2016) 30.11.2016 to 03.02.2017 (Actual)	(By 08.12.2016) 03.12.2016 to 13.12.2016 (Actual)	02	07	98	05
2.	Panchyats, Rural Housing and Rural Development Department ³	(By 15.10.2016) 17.10.2016 to 08.12.2016 (Actual)	(By 07.11.2016) 02.12.2016 to 13.02.2017 (Actual)	(By 08.12.2016) 13.02.2017 and 14.02.2017 (Actual)	(By 14.12.2016) 31.12.2016 to 30.01.2017 (Actual)	54	98	68	47

Source: Details furnished by test-checked Departments

Table 2.6: Delay in submission of budget estimates by Administrative Department

Sr. No.	Name of Administrative Department	Dates on which budget estimate were required to be sent and actually sent by Administrative Department to Finance Department				Delay in submission (in days)			
		BE for Receipts	BE for current items	Proposal of New items/ works	Revised Estimates	BE Receipts and Standing Charges	BE for current items	Proposal of New items/ works	Revised Estimates
1.	Industries and Mines Department	(By 15.10.2016) 04.10.2016 to 15.10.2016 (Actual)	(By 07.11.2016) 10.10.2016 to 07.11.2016 (Actual)	(By 08.12.2016) 05.12.2016 to 04.02.2017 (Actual)	(By 14.12.2016) 05.12.2016 to 15.12.2016 (Actual)	Nil	Nil	58	01
2.	Panchayats, Rural Housing and Rural Development Department	(By 15.10.2016) 16.12.2016 (Actual)	(By 07.11.2016) 17.02.2017 (Actual)	(By 08.12.2016) 14.02.2017 (Actual)	(By 14.12.2016) 03.02.2017 (Actual)	62	102	68	51

Source: Details furnished by test-checked Departments

² Seven Controlling Officers/Heads of Department namely, Commissioner, Industries; Commissioner, Cottage Industries; Commissioner, Tourism; Commissioner, Geology and Mining; Secretary, Pavitra Yatradham Vikas Board; Deputy Secretary, Tourism; Director of Printing and Stationery

³ Four Controlling Officers/Heads of Departments namely, Development Commissioner, Gandhinagar; Rural Development Commissioner, Gandhinagar; Director, Rural Development and Panchayati Raj Bhavan, Junagadh and Secretary, Gujarat Panchayat Service Selection Board, Ahmedabad

As may be seen from the Tables above, there was a delay of up to 98 days and 102 days on the part of Controlling Officers and the Administrative Departments respectively in following the time schedule for preparation of budget estimates. It may also be seen that the Panchayats, Rural Housing and Rural Development Department kept identical dates for obtaining estimates from its Controlling Officers and for submission of the same to the Finance Department, which lacked rationale.

2.4.2 Review of Grant No. 49 – Industries

2.4.2.1 Deviation from budgetary provisions

The budgetary allocation and expenditure incurred under revenue and capital heads of Grant No. 49 during 2015-18 is given in **Table 2.7** below.

Table 2.7 Deviations from budgetary provisions

Year	Budgetary provisions			Expenditure	Excess(+)/ Saving (-)	Percentage of unutilised provision
	Original	Supplementary	Total			
(₹ in crore)						
Revenue Voted						
2015-16	1,955.18	0	1,955.18	1,609.84	(-345.34)	17.66
2016-17	2,131.88	0	2,131.88	1,984.12	(-147.76)	6.93
2017-18	2,324.50	492.34	2,816.84	2,811.07	(-5.77)	0.20
Capital Voted						
2015-16	237.47	0	237.47	73.47	(-164.00)	69.06
2016-17	153.77	0	153.77	51.25	(-102.52)	66.67
2017-18	165.36	0	165.36	109.54	(-55.82)	33.76

Source: Appropriation Accounts of the State Government for the years 2015-16 to 2017-18

The Department attributed the savings under Revenue section to non-issuance of Government Resolution for assistance to large industries, non-finalisation of projects related to infrastructure facilities, delinking of Centrally Sponsored Scheme relating to assistance for industrial development, no demand from Gujarat Industrial Development Corporation for incentive to Micro and Small Enterprises, *etc* whereas, under Capital section the savings were attributed mainly to non-finalisation of projects under Gujarat Industrial Corridor Corporation Limited, less disbursement of loans to Mega Project for implementing state support agreement as well as Gujarat Industrial Investment Corporation Limited for creation of Golden Gujarat Growth Fund during 2015-16 and 2016-17.

During 2017-18, the supplementary provision was necessitated to meet the financial requirements of industries and development of textile industries. The savings under Capital section (₹ 55.82 crore) was mainly due to less disbursement of loans to Mega Project for implementing state support agreement.

2.4.2.2 Non-utilisation and non-surrender of grants

A ‘Scheme for Procurement of Exclusive Handloom and Handicraft products for providing market support to artisans’ as a new item was provisioned in budget 2017-18 with funds of ₹ 10 crore. The funds were released to the procurement agency namely, Gujarat State Handloom and Handicraft Development Corporation (GSHHDC). In 2017-18, procurement of only ₹ 60.23 lakh was done by the GSHHDC and the balance of ₹ 9.38 crore was not surrendered.

On being pointed out in audit, the GSHHDC stated (September 2018) that there was small demand from the emporiums for the exclusive handloom and handicraft products and therefore, entire provision could not be utilised.

The grant release order indicated that the unspent balance was to be surrendered at the end of the financial year. However, GSHHDC deposited the unspent balance of ₹ 9.38 crore with Dena Bank. Parking the unspent grants and not surrendering it by the end of financial year was against the conditions set in the grant release order.

2.4.2.3 Excess not refunded under Golden Gujarat Growth fund

Rule 154 sub clause 5 (ii) of the Gujarat Financial Rules, 1971 provides that any portion of the amount which is not ultimately required for expenditure shall be duly surrendered to the Government.

With a view to promoting infrastructure projects in the State, the Government of Gujarat (GoG) launched the Golden Gujarat Growth (3G) fund during Vibrant Gujarat Summit 2011 as a Scheme under Gujarat Venture Finance Limited (GVFL). GVFL was to closely monitor the investments made from 3G fund. GoG was to contribute its share⁴ in the 3G fund through its PSU namely, Gujarat Industrial Investment Corporation Limited (GIICL), which was to act as an intermediary for providing funds to GVFL. As per Government Resolution of January 2011, the contribution of GoG, being an anchor investor, was not to exceed 20 *per cent* of the total corpus of 3G fund.

Audit observed that during 2010-14, GoG disbursed loans amounting ₹ 80.13 crore to GIICL of which, GVFL had drawn ₹ 60.50 crore during the currency of the 3G fund Scheme. The fund declared its financial closure in December 2014 with a final corpus of ₹ 320 crore, indicating effective commitment of GoG to the extent of only ₹ 64 crore⁵. While GIICL surrendered the excess contribution of ₹ 16.13 crore⁶ made by GoG in May 2018, the remaining ₹ 3.50 crore was not surrendered to GoG as of January 2019.

⁴ GoG contribution was to be in the form of long-term low interest loans to GIICL

⁵ 20% of ₹ 320 crore

⁶ ₹ 80.13 crore – ₹ 64 crore

2.4.2.4 Establishment of Textile University

For skill development in the Textile Sector, the State Government decided (February 2015) to set up a Textile University in Surat and Industries and Mines Department released ₹ 10 crore between August 2015 and March 2016 to iNDEXTb, the nodal agency for construction of University. iNDEXTb parked the funds with Gujarat State Financial Services Limited (GSFS) between September 2015 and March 2016. Of the ₹ 10 crore, iNDEXTb released ₹ 0.30 crore to M-Power between September 2015 and June 2016 for preparation of detailed project report and other administrative purposes. However, construction of Textile University had not commenced till January 2019 and the remaining ₹ 9.70 crore was held in GSFS.

2.4.2.5 Establishment of Urban Haat

An Urban *Haat* at Surat was planned by iNDEXTc (implementing agency) in August 2011 for providing marketing opportunities to the artisan community of the State on a permanent basis. The project was to be financed by both the Central and State Governments.

The Commissioner, Cottage Industries (CCI) released ₹ 8.86 crore to iNDEXTc during 2010-18 against which, an expenditure of only ₹ 2.70 crore (30 per cent) was incurred⁷ and the remaining ₹ 6.16 crore was surrendered during the same period into Government Account⁸.

Further, in the absence of Utilisation Certificates, Ministry of Textile, GoI directed iNDEXTc (May 2016) to refund the Central share of ₹ 52.50 lakh along with 10 per cent interest. However, no action was taken by CCI as of January 2019.

2.4.3 Review of Grant No.71-Rural Housing and Rural Development

2.4.3.1 Deviation from budgetary provisions

The budgetary allocation and expenditure incurred under the revenue heads of Grant No.71 during 2015-18 is given in **Table 2.8** below.

⁷ iNDEXTc could not acquire the land for Urban *Haat* due to encroachment

⁸ Revenue Head 0851 00 800

Table 2.8: Deviation from budgetary provisions

(₹ in crore)

Year	Voted/ Charged	Budgetary provision			Expenditure	Excess (+) /Savings (-)	Percentage of unutilised provision
		Original	Supplementary	Total			
Revenue							
2015-16	Voted	1,872.26	0.00	1,872.26	1,616.58	(-)255.68	13.66
2016-17	Voted	1,644.13	713.84	2,357.97	2,024.82	(-)333.15	14.13
2017-18	Voted	1,785.64	48.37	1,834.01	1,334.75	(-)499.26	27.22
2015-16	Charged	215.50	215.99	431.49	431.46	(-)0.03	0.01
2016-17	Charged	301.04	0.00	301.04	301.03	(-)0.01	0.003
2017-18	Charged	381.01	0.00	381.01	381.00	(-)0.01	0.002

Source: Appropriation Accounts of the State Government for the years 2015-16 to 2017-18

The Panchayats, Rural Housing and Rural Development Department attributed the savings of ₹ 255.68 crore during 2015-16 mainly to (i) vacant posts in District Panchayat Offices, (ii) less releases by GoI in respect of Centrally Sponsored Schemes⁹, and (iii) closure of Backward Region Grants Fund Scheme in April 2015.

In 2016-17, a supplementary provision of ₹ 713.84 crore was made for implementation of *Indira Awas Yojana* and *Swachcha Bharat* Mission. The savings of ₹ 333.15 crore were due to less release of funds by GoI under Rural Sanitation Programme and *Indira Awas Yojana*; receipt of less applications under *Sardar Patel Awas Yojana*; and cuts imposed by the Finance Department under training activities, administrative expenses and information and technology.

During 2017-18, the Department attributed savings of ₹ 499.26 crore to direct release of GoI share to State nodal agency and therefore, provisions made in the State budget on this account had to be surrendered, and less release of funds by GoI under National Rural Employment Guarantee Scheme.

2.4.4 Parking of funds in Gujarat State Financial Services

The Finance Department *vide* circular of October 2016 directed all the Public Sector Enterprises in the State to park funds which were not required within 10 days with GSFS and credit the interest on these deposits to Government account under the Major Head 0049 – Interest Receipts.

Audit observed that two test-checked Departments (Industries and Mines; and Panchayats, Rural Housing and Rural Development) had been releasing funds to its subordinate officers/nodal agencies for implementation of various State and Centrally Sponsored Schemes, who in turn, parked the unutilised funds in GSFS. During 2008-18, Industries and Mines Department parked ₹ 364.82 crore (in six cases) and Panchayats, Rural Housing and Rural Development Department parked ₹ 639.87 crore (in five cases) totaling ₹ 1,004.69 crore with GSFS, which was either not authorized to be parked as

⁹ The State Government released its share proportionate to GoI releases and the remaining budgetary provision was surrendered

per Scheme guidelines or not required by the nodal agencies in view of slow progress of Schemes. The details are summarised in **Table 2.9** below.

Table 2.9: Parking of funds in GSFS

Sr. No.	Scheme name	Nodal agency	Grant amount			Grant receipt year	Balance with GSFS at the end of the year	Remarks of Audit
			GoG share	GoI share	Total			
Industry and Mines Department								
1.	Enhancement of technical competence and manpower	Centre for Entrepreneurship Development	213.29	0	213.29	Between 2008-09 and 2017-18	67.00	The nodal agency surrendered (February 2017) ₹ 151.51 crore (including interest) in Government Account as revenue receipts, instead of treating this as reduction in expenditure under the relevant revenue expenditure head.
2.	Integrated Skill Development Scheme for textile sector	Centre for Entrepreneurship Development	7.33	21.86	29.19	2015-18	8.44	Nodal agency maintained two bank accounts with ICICI Bank and also parked ₹ 8.44 crore in GSFS, which was in violation of Scheme guidelines.
3.	Industrial park and logistic park	GIDC	30.00	0	30.00	2015-16	5.00	As per State Government's directive (March 2017), GIDC diverted ₹ 55.54 crore from the Scheme funds as loan to Alcock Ashdown (Gujarat) Limited ¹⁰ , instead of making such appropriations through proper budget provision.
4.	Trade fare cum facilitation centre	GIDC	34.62	0	34.62	2015-16	4.08	
5.	Assistance to MSEs	GIDC	344.50	0	344.50	2015-16	274.94	Expenditure as on March 2018 was only ₹ 69.56 crore and the remaining ₹ 274.94 crore was parked with GSFS.
6.	ASIDE (SCSP component)	GIDC	0	5.36	5.36	2011-15	5.36	No expenditure incurred till March 2018. The entire GoI share was parked with GSFS.
Panchayats, Rural Housing and Rural Development Department								
7.	e-Gram Vishwagram project	e-Gram Vishwagram Society	148.06	0	148.06	2015-18	218.55	Considering the cumulative balances of parked funds with GSFS (since initiation of Schemes), there was no need to release funds for these two Schemes.
8.	Mission Mangalam and Sakhi Mandali	GLPCL	40.95	0	40.95	2015-18	174.32	
9.	Smart Village Yojana	Smart Village Society	91.00	0	91.00	2016-18	91.00	Entire amount parked with GSFS
10.	Vrindavan Gram Project	Gujarat State Water Shed Management Agency	6.50	0	6.50	2017-18	6.00	₹ six crore was parked with GSFS and the remaining ₹ 0.50 crore was held by implementing agency.
11.	Pradhan Mantri Awaaz Yojana	Commissioner Rural Development	294.30	733.14	1,027.44	2017-18	150.00	Though Scheme guidelines prescribed maintenance of a single bank account, ₹ 150 crore were withdrawn from the authorised bank account (HDFC Bank) and parked with GSFS.
Total							1,004.69	

Source: Details furnished by concerned Departments

¹⁰ A State Government Company engaged in shipbuilding

2.5 Advances from Contingency Fund

The Contingency Fund of the State has 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 2017-18, an amount of ₹ 13.73 crore was spent out of the Contingency Fund for meeting unforeseen expenditure mainly towards payment of decreed amount. The entire amount was recouped during the year.

2.6 Misclassification of 'grants-in-aid' as capital expenditure

Indian Government Accounting Standards (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 Rules, 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 2017-18, ₹ 119.38 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)

Sr. No.	Classification-Major Head	Grants-in-aid
1.	4059- Capital outlay on Public Works	11.00
2.	4210- Capital outlay on Medical and Public Health	14.86
3.	4236- Capital outlay on Nutrition	0.02
4.	4402- Capital outlay on Soil and Water Conservation	81.95
5.	4515- Capital outlay on Other Rural Development Programmes	11.52
6.	4852- Capital outlay on Iron and Steel Industries	0.03
	Total	119.38

Source: Finance Accounts of the State Government for the year 2017-18

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

The Finance Department stated (March 2019) that administrative departments have been instructed to follow IGAS-2 standard while preparing budget estimates for the expenditure to be incurred on grants-in-aid projects/Schemes.

2.7 Conclusion and Recommendations

During 2017-18, expenditure of ₹ 1,61,063.09 crore was incurred against total grants and appropriations of ₹ 1,82,971.32 crore resulting in overall savings of ₹ 21,908.23 crore. The overall savings of ₹ 21,908.23 crore were the result of savings of ₹ 22,242.23 crore, offset by an excess of ₹ 334 crore. Further, in Grant No. 73, there were persistent excesses since 2012-13 on retirement benefits of Panchayat employees.

The excess of ₹ 4,670.60 crore requires regularisation under Article 205 of the Constitution of India. The State Government needs to maintain a robust database of Panchayat employees who were to superannuate, in order to estimate accurately the retirement benefits.

In 26 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 by more than ₹ 10 crore during the last three years in respect of seven Schemes under four 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 their control on monthly expenditure and monitoring mechanism.

Indian Government Accounting Standards (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 grants were disbursed. However, during the year 2017-18, ₹ 119.38 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 expenditure under grants-in-aid is accounted for as revenue expenditure in the Government Accounts.

