

Chapter 3: Comments on Appropriation Accounts

3.1 Introduction

The total expenditure of Government of India (GoI) against approved demands during 2017-18 was ₹ 88,81,034 crore, of which ₹ 81,80,553 crore (92.11 per cent) was incurred by Civil Ministries (96 Grants), ₹ 3,81,568 crore (4.30 per cent) by Railways (one Grant), ₹ 2,92,131 crore (3.29 per cent) by Defence (two Grants) and ₹ 26,782 crore (0.30 per cent) by Department of Posts (One Grant). Details are given in **Annexure 3.1**.

Article 114(3) of the Constitution provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law. General Financial Rules (GFR), 2017, stipulate that no expenditure shall be incurred which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a supplementary Grant or an advance from the Contingency Fund.

Further, the Accounts Officer shall not allow any payment against sanctions in excess of the Budget provisions unless there is specific approval of the Chief Accounting Authority, i.e., the Secretary of the concerned Ministry/ Department. Before according concurrence for excess under any Head, the Financial Advisers and Chief Accounting Authority shall ensure availability of funds through Re-appropriation/ Supplementary Demands for Grants.

3.2 Grants/Appropriations with excess expenditure

Audit of the Appropriation Accounts revealed failure of the accounting authorities from the highest to lowest levels to enforce accountability, resulting in violation of the principles enunciated above, leading to an excess expenditure of ₹ 99,610 crore over Parliamentary authorisation during 2017-18. Details are given in **Table 3.1**.

Table 3.1: Excess expenditure over Grants/Appropriations

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	Total Appropriation	Expenditure	Excess Expenditure
1.	20 -Defence Services (Revenue) Revenue (Voted)	1,98,263.75	2,01,655.68	3,391.93
2.	21 -Capital Outlay on Defence Services Capital (Charged)	341.37	545.72	204.35
3.	21 -Capital Outlay on Defence Services Capital (Voted)	86,339.96	89,892.68	3,552.72

4.	38-Appropriation – Repayment of Debt Capital (Charged)	57,80,270.94	58,72,604.63	92,333.69
5.	39- Pensions Revenue (Voted)	40,895.00	41,022.62	127.62

Such excess expenditure over grants approved by Parliament are in violation of the will of the Parliament and the basic principle of democracy that not a rupee can be spent without the approval of the Parliament, and therefore, must be viewed seriously.

Other irregularities are given in the succeeding paragraphs. These failures are compounded by the fact that similar irregularities have regularly been reported in previous CAG Reports, but no effective steps have been taken by the concerned accounting authorities to stop the violations to Parliamentary budgetary control.

3.3 Savings of ₹ 100 crore or more (Grant level)

The Public Accounts Committee (PAC) (10th Lok Sabha, 1993-94) in its 60th Report (paras 1.22 and 1.24) had observed that savings of ₹ 100 crore or above are indicative of defective budgeting as well as shortfall in performance in a Grant or Appropriation. Large savings is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department.

The succeeding paragraphs indicate that the Ministries/Departments did not prepare estimates of expenditure on realistic basis and the mechanism of holding pre-budget meetings and scrutiny by the Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

Total gross savings¹ (without considering excess) under various Grants amounted to ₹ 2,50,228 crore (2.77 *per cent* of total authorisations) during 2017-18. Such savings not only indicated poor budgeting, it also implies unnecessary provisioning of resources through taxes etc., and depriving resources to other deserving sectors of the economy.

Out of total savings, savings of ₹ 100 crore or more amounting to ₹ 2,47,227 crore (98.80 *per cent*) had occurred in 72 segments² of 54 Grants during the financial year 2017-18. Of these, persistent savings of ₹ 100 crore or more occurred in 38 segments of 30 Grants/Appropriations during the last three years (2015-16 to 2017-18).

¹ Savings also include mandatory cuts imposed by Ministry of Finance towards economy measures.

² There are four segments viz., Revenue (Voted), Revenue (Charged), Capital (Voted) and Capital (Charged) under each Grant/Appropriation.

Large savings³ (₹ 5,000 crore or more) occurred in the following Grants as detailed in **Table 3.2**.

Table 3.2: Details of large savings in Grants/Appropriations

(₹ in crore)

Sl. No.	Grant No. and Name	Total Grant/ Appropriation	Expenditure	Savings (as % to total Grant)
1.	80-Ministry of Railways	4,32,244	3,81,568	50,676 (11.72)
2.	16-Department of Food and Public Distribution	2,05,015	1,56,787	48,228 (23.52)
Major savings occurred under sub-head 'Subsidy payable to Food Corporation of India and others on food grains transactions'.				
3.	40-Transfer to States	1,57,201	1,28,577	28,624 (18.21)
Major savings occurred under sub-heads 'NDRF for calamities of severe nature', 'Transfer to National Disaster Response Fund', 'Grants for Centrally Sponsored Schemes', 'Rural Bodies Grants (States)', 'Urban Bodies Grants (States)' and 'Special Assistance (States)'.				
4.	33-Department of Revenue	1,24,097	99,493	24,604 (19.83)
Major savings occurred under sub-head 'Compensation for revenue loss to States'.				
5.	14-Department of Telecommunications	40,188	31,055	9,133 (22.73)
Major savings occurred under sub-heads 'Compensation to Service providers', 'Transfer to Universal Service Obligation Fund' and 'Investment in Hemisphere Properties India Ltd'.				
6.	24-Ministry of Drinking Water and Sanitation	36,333	27,339	8,994 (24.75)
Major savings occurred under sub-heads 'Swachh Bharat Abhiyan (Gramin)' and 'Transfer to Rashtriya Swachhta Kosh'.				
7.	97-Ministry of Urban Development	38,038	31,405	6,633 (17.44)
Major savings occurred under sub-heads 'MRTS and Metro Projects', 'Swachh Bharat Mission' and 'Urban Development Construction'.				
8.	1-Department of Agriculture, Co-operation and Farmers' Welfare	52,668	46,455	6,213 (11.80)
Major savings occurred under sub-heads 'Interest Subsidy for Short Term Credit to Farmers', 'Adjustment of Provision' and 'Green Revolution – Krishonnati Yojna'.				
9.	29-Department of Economic Affairs	15,690	9,490	6,200 (39.52)

³ Total savings in a Grant/Appropriation

Major savings occurred under sub-heads 'Transfer to National Investment and Infrastructure Fund', 'Purchase of Coins from SPMCIL-Coins', 'New Scheme' and 'Loans to IMF under New Arrangements to Borrow (NAB)'.				
10.	42-Department of Health and Family Welfare	87,486	81,559	5,927 (6.77)
Major savings occurred under sub-heads 'Fund for transfer to National Investment Fund', 'NRHM-RCH Flexible Pool', 'Material Assistance for Strengthening of National Immunisation Programme and Polio Eradication', and 'Establishment of AIIMS type Super-Speciality Hospitals-cum-Teaching Institutions and upgrading of State Government Hospitals'				
11.	81-Ministry of Road Transport and Highways	1,22,898	1,17,153	5,745 (4.67)
Major savings occurred under sub-heads 'Grants for State Roads', 'Works under Roads Wing', 'National Highways Original Works', 'Other Highways Related Schemes Financed from Central Road Fund' and 'Transfer to Central Road Fund'.				
12.	7-Department of Fertilizers	94,797	89,788	5,009 (5.28)
Major savings occurred under sub-head 'Urea Subsidy'.				

Savings of more than ₹ 5,000 crore have been noticed in three Grants-Transfer to States, Department of Economic Affairs and Ministry of Road Transport and Highways during the last three years. Appropriate action has not been taken by the accounting authorities to control the large savings even after these being pointed out in the previous Audit Reports.

3.4 Unnecessary cash supplementary provision at Grant level

In 18 cases across 15 Grants, cash supplementary⁴ provisions were obtained during 2017-18 in anticipation of higher expenditure but entire cash supplementary remained unutilised. In 11 such cases, cash supplementary aggregating to ₹ 11,017 crore was obtained where the actual expenditure was even less than the original provisions as detailed in **Table 3.3**.

⁴ There are three types of Supplementary Grant viz., Cash, Token and Technical.

Cash Supplementary- When Ministry/Department requires additional funds over and above the original budget provisions, cash supplementary is obtained.

Token Supplementary- When Ministry wants to re-appropriate savings from one head to another within a particular segment of the Grant and approval of Parliament is required, token supplementary is obtained.

Technical Supplementary- When the Ministry/Department requires to re-appropriate savings available in one segment to other segment of the Grant, a technical supplementary is obtained.

Token and Technical supplementary does not involve outflow of funds from CFI.

Table 3.3: Unnecessary cash supplementary leading to savings

(₹ in crore)

Sl. No.	Grant/Appropriation	Original Provision	Total Supplementary Grant obtained	Cash Supplementary	Actual Expenditure	Savings (% of cash supp.)
Civil Grants - Revenue (Voted)						
1.	12 -Department of Industrial Policy & Promotion	3,599	2,000	2,000	3,527	2,072 (104)
Large cash supplementary was obtained under 'Budgetary Support under Goods and Service Tax Regime'.						
2.	15 -Department of Consumer Affairs	3,723	500	500	3,714	509 (102)
Large cash supplementary was obtained under 'Price Stabilization Fund'.						
3.	16 -Department of Food and Public Distribution	1,50,953	3,539	3,487	1,06,287	48,205 (1382)
Large cash supplementary was obtained under 'Subsidy payable to Food Corporation of India and other on food grain transactions'.						
4.	24 -Ministry of Drinking Water and Sanitation	32,333	4,000	4,000	27,339	8,994 (225)
Large cash supplementary was obtained under 'Swachh Bharat Abhiyan (Gramin)' and 'National Rural Drinking Water Programme'.						
5.	47 -Cabinet	730	20	20	608	142 (710)
Cash supplementary was obtained under 'Office of the Principal Scientific Advisor'.						
6.	94 -Ministry of Textiles	6,191	34	24	5,919	306 (1275)
Cash supplementary was obtained under 'Procurement of Cotton by Cotton Corporation of India under Price Support'.						
7.	96 -Ministry of Tribal Affairs	1,133	9	6	1,081	61 (1017)
Cash supplementary was obtained under 'Secretariat - Ministry of Tribal Affairs'.						
8.	97 -Ministry of Urban Development	17,356	1,170	50	15,984	2,542 (5084)
Cash supplementary was obtained under 'Buildings-Lease Charges' and minor work.						
9.	98 -Ministry of Water Resources, River Development and Ganga Rejuvenation	8,406	1,151	728	5,700	3,857 (530)
Large cash supplementary was obtained under 'National River Conservation Plan', 'Pradhan Mantri Krishi Sinchai Yojana (Har Khet ko Pani)' and 'Border Area Development Programme'.						
Capital (Voted)						
10.	19 -Ministry of Defence (Misc.)	5,489	500	116	5,036	953 (822)
Large cash supplementary was obtained under 'Coast Guard Organisation'.						
11.	97 -Ministry of Urban Development	19,243	86	86	15,288	4,041 (4699)
Cash supplementary was obtained under 'Office Building of Other Ministries/Departments'.						
Total				11,017		

3.5 Injudicious re-appropriation

(a) To minor/sub-heads

Audit noted that in 11 cases across eight Grants/Appropriations, funds aggregating to ₹ 825 crore were re-appropriated to various minor/sub-heads without assessing actual requirements. These re-appropriations were injudicious as the final savings under these heads were more than the amount re-appropriated.

(b) From minor/sub-heads

Similarly, in four cases across three Grants/Appropriations, funds aggregating to ₹ 77 crore were re-appropriated from various minor/sub-heads. In each of these heads, the excess expenditure was more than the amount re-appropriated.

PAC in its 83rd Report (15th Lok Sabha, 2012-13) also noted that re-appropriation of funds can be made only when it is positively known or genuinely anticipated that the appropriation for the unit from which funds are proposed to be transferred will not at all be utilised in full or there is reasonable certainty that savings can be effected in the unit of appropriation.

3.6 Expenditure without budget provision

Ministry of Railways transferred ₹ 160 crore to the Railway Safety Fund (RSF) without budgetary approval of Parliament.

3.7 Failure to obtain Legislative approval for augmenting provision

Ministry of Finance, Department of Economic Affairs order (May 2006) and clarifications (May 2012) stipulates revised guidelines on financial limits to be observed in determining cases relating to 'New Service (NS)/New Instrument of Service (NIS)'. New Service refers to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment as appearing in Article 115(1)(a) of the Constitution of India and 'New Instrument of Service' refers to relatively large expenditure arising out of important expansion of an existing activity.

As per the Guidelines, any augmentation of provision by way of re-appropriation to the object heads (i) 'Grants-in-aid' (ii) Subsidies and (iii) Major Works attract limitation of NS/NIS and hence require prior approval of Parliament.

In regard to the cases of NS/NIS on augmentation under the object head '53-Major Works' all cases relating to augmentation of funds above ₹ 2.5 crore or above 10 *per cent* of the appropriation already voted, would require prior approval of Parliament, irrespective of the fact whether the augmentation is for new works or for existing works.

PAC in its 83rd Report had also taken a serious view on cases of augmentation of provision to object head 'Grants-in-aid' and 'Subsidies'.

PAC noted that 'these serious lapses are a pointer towards faulty budget estimation and deficient observances of Financial Rules by the Ministries/Departments concerned'. PAC was also of the opinion that 'as mere issue of instructions have not yielded the desired results, there is an imperative need on the part of the Ministry of Finance to devise an effective mechanism for imposing financial discipline on all the Ministries/Departments so as to avoid recurrence of such serious lapses'.

Despite the PAC recommendations, Ministry of Finance had not devised a suitable mechanism, as a result of which, during 2017-18 in the following cases across 13 grants, there was excess expenditure over total authorisation aggregating to ₹ 1,156.80 crore without obtaining prior approval of Parliament.

Table 3.4: Augmentation of provision to object heads without prior approval of Parliament

(₹ in crore)

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Object Head 31-'Grants-in-aid-General'								
Grant No. 14-Department of Telecommunications								
1.	3275.00.800.15.00.31 Centre for Development of Telematics	52.00	-	-	-	52.00	78.70	26.70
The reply was awaited (December 2018).								
Grant No. 19-Ministry of Defence (Misc.)								
2.	2052.00.092.02.01.31 (094/29, 094/32-34) Defence Accounts Department (DAD)- Establishment	0.03	-	-	-	0.03	0.05	0.02

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
3.	2052.00.092.03.96.31 (094/54) Defence Estate Organisation (DEO)- Swachhta Action Plan	-	-	5.00	-	5.00	12.03	7.03
4.	3054.02.800.01.00.31 (066/07) Bhutan Compensatory Allowance	30.00	-	-	-	30.00	30.01	0.01
<p>The CGDA stated (September 2018) that under head-2052.00.092.02.01.31- there was total authorisation of ₹ 0.10 crore instead of ₹ 0.0335 crore. Hence, there was saving of ₹ 0.0464 crore instead of excess of ₹ 0.0201 crore. Under Head 2052.00.092.03.96.31, the matter related to excess expenditure to the tune of ₹ 7.0316 crore was being taken up with the concerned Department. Under Head 3054.02.800.01.00.31, the excess amount was below one <i>per cent</i> of total provision.</p> <p>The reply is not tenable as the total authorisation under head 2052.00.092.02.01.31 was only ₹ 0.0335 crore and ₹ 0.0665 crore was provided by way of re-appropriation, which was not approved by Parliament. As per extant instructions, any augmentation to object head '31-Grants-in-aid-General' should be done with prior approval of Parliament.</p>								
Grant No. 33-Department of Revenue								
5.	2047.00.800.03.00.31 Grants to National Institute of Public Finance and Policy	1.86	-	-	-	1.86	1.92	0.06
<p>The Department stated (August 2018) that "the MoF OM dated 25 May 2006 provides that where a lump sum provision is made for providing grants-in-aid under a particular scheme, the details of the apportionment (10 <i>per cent</i> of lump sum or 1 crore, whichever is higher) should be reported to Parliament. In the case of lump sum provision of grants to States, the State wise distribution should be reported to Parliament.</p> <p>In the instant case, the increase was only ₹ 6.00 lakh against a voted provision of ₹ 186.00 lakh provided as Grants-in-aid-General to National Institute of Public Finance and Policy and was well within the limit of 10 <i>per cent</i>. Hence, it was not required to be reported to Parliament".</p> <p>The reply is not acceptable as the MoF had clarified (May 2012 and July 2015) that all cases of augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demands for Grants. In this case, prior approval of Parliament was not obtained.</p>								
Grant No. 44-Department of Heavy Industry								
6.	2852.80.800.37.03.31 Development Automobile Industry- Development Council for Automobile and Allied Industry	17.50	-	4.18	-	21.68	24.10	2.42
<p>The Department stated (September 2018) that lump-sum provision was made under Development Council of Auto Mobile and Allied Industries (DCAAI) which is covered under Ministry of Finance OM dated 25 May 2006. Further, re-appropriation of ₹ 2.42 crore was not covered under NIS as it did not cover large expenditure arising out of important expansion of an existing activity.</p> <p>The reply is not tenable as any augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demand for Grants.</p>								

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Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Grant No. 48 –Police								
7.	2055.00.001.07.01.31 Bureau of Immigration	0.28	-	-	-	0.28	0.31	0.03
<p>The Department stated (August 2018) that the budget estimates for 2017-18 in respect of the above-mentioned case was retained at RE stage 2017-18. Neither demands for additional funds were received nor any additional funds were provided by the Ministry.</p> <p>The reply is not acceptable as specific approval for Grants-in-aid-General under 'Bureau of Immigration' was not obtained from Parliament.</p>								
Grant No. 74-Ministry of Power								
8.	2801.05.001.06.01.31 World Bank Grant for Power System Improvement Project for NER-Power System Improvement Project for NER	-	84.00	-	-	84.00	187.50	103.50
<p>The Ministry stated (August 2018) that the necessary approval for incurring the expenditure of ₹ 103.50 crore under Scheme for improvement of Power Systems in North Eastern Region was obtained from Parliament in 2nd Batch of Supplementary Demand for Grant for 2017-18 and the necessary approval for re-appropriation was granted by Ministry of Finance.</p> <p>The reply of the Ministry is not tenable as no such approval was obtained under the object head-'31' from Parliament during the Supplementary Demands for Grants for 2017-18.</p>								
Grant No. 90-Department of Empowerment of Persons with Disabilities								
9.	2235.02.789.01.03.31 National Institute for Disabled (SCSP Component)	0.50	-	-	-	0.50	1.30	0.80
10.	2235.02.796.03.04.31 National Institute for Disabled (TSP Component)	0.50	-	-	-	0.50	0.80	0.30
<p>The Department stated (October 2018) that as funds were allocated in BE under SCSP and TSP component of the scheme, token amount of ₹ one lakh was neither sought nor credited in any of the components of the scheme.</p> <p>The reply is not acceptable as specific approval for 'Grants-in-aid-General' under SCSP and TSP components of 'National Institute for Disabled' was not obtained from Parliament.</p>								
Grant No.20-Defence Services (Revenue)								
11.	2076.00.800-Army (Code Head 577/02)	21.69	-	-	-	21.69	23.61	1.92
12.	2078.00.800-Air Force (Code Head 791/00)	2.03	-	-	-	2.03	3.03	1.00
2080.00.004-Research/ Research Development								
13.	Extramural Research & Intellectual Property Rights (Code Head 852/07)	52.54	-	-	-	52.54	170.86	118.32

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
14.	Aeronautical Research & Development Board (Code Head 852/02)	2.46	-	-	-	2.46	15.56	13.10
15.	Armament Research & Development Board (ARMREB) (Code Head 852/04)	4.00	-	-	-	4.00	4.49	0.49
16.	Life Science Research Board (LSRB) (Code Head 852/05)	0.05	-	-	-	0.05	5.63	5.58
17.	Naval Research & Development Board (NRB) (Code Head 852/03)	0.65	-	-	-	0.65	8.01	7.36
Object Head 35-'Grants for creation of Capital Assets'								
Grant No. 19-Ministry of Defence (Misc.)								
18.	2052.00.092.03.01.35 (Code Head 094/89) Defence Estate Organisation (DEO)- Establishment	25.62	-	36.82	-	62.44	63.44	1.00
Grant No. 48- Police								
19.	2055.00.115.08.00.35 Assistance to State Police Organisation in kind	77.00	-	-	-	77.00	80.45	3.45
<p>It was stated (August 2018) that the budget estimates for 2017-18 in respect of the above-mentioned case was retained at RE stage 2017-18. Neither demands for additional funds were received nor were any additional funds provided by the Ministry.</p> <p>The reply is not acceptable. The Department should have obtained specific approval for the said scheme and object head from Parliament in the Supplementary Demands for Grant and issued a re-appropriation order to augment the provision under the said head of accounts before incurring any additional expenditure.</p>								
Grant No. 90 - Department of Empowerment of Persons with Disabilities								
20.	2235.02.789.01.03.35 National Institute for Disabled (SCSP Component)	0.50	-	-	-	0.50	4.35	3.85
21.	2235.02.796.03.04.35 National Institute for Disabled (TSP Component)	3.54	-	-	-	3.54	7.17	3.63
<p>The Department stated (October 2018) that as funds were allocated in BE under SCSP and TSP component of the scheme, token amount of ₹ one lakh was neither sought nor credited in any of the components of the scheme.</p> <p>The reply is not tenable as specific approval for 'Grants for creation of Capital Assets' under SCSP and TSP components of 'National Institute for Disabled' was not obtained from Parliament.</p>								

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Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Grant No. 92-Ministry of Statistics and Programme Implementation								
22.	3454.02.202.02.00.35 R.C Bose Centre for Cryptology and Security	20.00	-	-	-	20.00	24.50	4.50
Grant No. 94-Ministry of Textiles								
23.	2851.00.108.17.06.35 Development of Woollen Textiles – Integrated Wool Development Programme	0.00	-	3.41	-	3.41	5.00	1.59
The reply was awaited (December 2018).								
Grant No. 95-Ministry of Tourism								
24.	3452.01.101.11.00.35 Assistance to Central Agencies for Tourism Infrastructure Development	55.00	-	-	-	55.00	57.98	2.98
<p>The Ministry stated (August 2018) that the amount of ₹ 2.98 crore was re-appropriated from the Scheme- Assistance to Large Revenue Generating Projects (LRGP) (3452.01.102.06.00.35) to the Scheme- Assistance to Central Agencies (3452.01.101.11.00.35). The re-appropriation was done in accordance with the MoF OM No. 3/15/2015-FRBM dated 20 February 2016 which provides that 'Re-appropriation would be allowed within the object head only'.</p> <p>As the re-appropriation was done within the same section of Grant to the same object head, it stands as per the guidelines issued by Ministry of Finance.</p> <p>The reply is not acceptable as augmentation of provision to 'object head -35' attracts limitation of NS/NIS and hence prior approval of Parliament should have been obtained in terms of Ministry of Finance's O.M issued in May 2006 and May 2012.</p>								
Object Head-33-'Subsidies'								
Grant No.12- Department of Industrial Policy & Promotion								
25.	2885.02.101.15.03.33 Industrial Development of Backward and Remote Area- Central Interest Subsidy Scheme	0.01	-	-	-	0.01	129.16	129.15
26.	2885.02.101.15.04.33 Comprehensive Insurance Scheme	0.01	-	-	-	0.01	6.23	6.22
27.	2885.02.101.15.08.33 Capital Investment Subsidy	0.01	-	-	-	0.01	647.59	647.58
28.	2885.02.101.15.02.33 Freight Subsidy	0.01	-	-	-	0.01	15.45	15.44
<p>The Department stated (September 2018) that Central Interest Subsidy Scheme (Gen.), Comprehensive Insurance Scheme (Gen.) and Capital Investment Subsidy are the bifurcation of functional head of the same scheme to book the expenditure as no expenditure can be booked directly in NER heads.</p> <p>It also stated that Transport Subsidy and Freight Subsidy are the bifurcation of Transport Subsidy scheme. Transport Subsidy (Gen.) is the functional head of same scheme to book the expenditure as no expenditure can be booked directly in NER heads.</p>								

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
The reply is not tenable. Para 7.3 of the Budget Circular 2017-18 stipulates that budget provisions towards projects/scheme for development of North Eastern Region and Sikkim have, hitherto, been provided as 'lump sum' under the Major Head 2552 - 'North Eastern Region' for eventual re-appropriation to appropriate functional heads of expenditure. However, such lump sum provision should be disintegrated upto object-head level, corresponding to different functional major/sub-major/minor heads, indicating the details, in the Detailed Demands for Grants and provided for under the Major Head '2552-North Eastern Region' for eventual re-appropriation. In the instant case, the extant provisions were not adhered to.								
Major Works								
Grant No. 21- Capital Outlay on Defence Services								
29.	4076.01.202-Construction Works	4,712.27	-	100.00	-	4,812.27	4,861.04	48.77
The reply was awaited (December 2018).								

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

3.8 Incorrect budgeting and violation of DFPRs

Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPRs), categorizes the object class six for acquisition of Capital Assets and other Capital Expenditure, wherein the object heads viz., 51 to 56 and 60 are grouped. These object heads pertain to booking of expenditure of capital nature and therefore should correspond with capital major heads only. All other object heads falling in other than class six are revenue in nature. Accordingly, these object heads should ordinarily not correspond with the capital major heads.

In Grant No. 4 pertaining to Department of Atomic Energy, object head 27-Minor Works' was operated under Capital Major heads (4861-Capital Outlay on Atomic Energy Industries and 5401-Capital Outlay on Atomic Energy Research) and expenditure of ₹ 61.13 crore was budgeted and booked in violation of DFPRs.

Similarly, in five cases across four Grants (Department of Telecommunications, Ministry of Micro, Small and Medium Enterprises, Ministry of Shipping and Ministry of Youth Affairs and Sports) aggregating to ₹ 2.76 crore, object heads were used incorrectly. The Ministry/Department has assured corrective action, which will be watched in audit.

3.9 Misclassification between different sections of Grant

Two cases of misclassification in booking of expenditure between Revenue and Capital by Ministry of Defence and Department of Space were noted as detailed below:

- (a) The Border Roads Organisation (BRO) under the Ministry of Defence irregularly booked ₹ 2,145 crore incurred on road maintenance other than National Highways, Security cover and Air-lift charges in the Capital section instead of Revenue section, resulting in understatement of revenue expenditure.
- (b) Department of Space irregularly booked expenditure of ₹ 298 crore on mission consumables having more than one year life in the Revenue section instead of the Capital section, resulting in overstatement of revenue expenditure.

3.10 Augmentation of provision to object head '41-Secret Service Expenditure'

Ministry of Finance vide OM No. 6(1)/E.II-A/2010 dated 16 February 2010 reiterated its earlier instructions issued on 01 January 1956 and 11 September 1969 that any re-appropriation of funds, which increases the provision of object head '41-Secret Service Expenditure' by 25 *per cent* or more of the original provision in the grant as a whole, should be done only with the prior approval of CAG.

Audit observed two instances where Ministry of Finance violated its own orders regarding prior approval of CAG before re-appropriation. Details are given below:

- (a) The total original provision as a whole under object head '41-Secret Service Expenditure' for Grant-48 pertaining to Police under the Ministry of Home Affairs for the year 2017-18 was ₹ 163.65 crore. Ministry of Home Affairs issued (04 January 2018) a re-appropriation order of ₹ 150 crore to increase the provision under the above object head with the approval of Ministry of Finance.
- (b) Similarly, the total original provision for Grant No. 47 pertaining to Cabinet under the Ministry of Home Affairs was only ₹ 5.00 crore. Ministry of Home Affairs issued (07 February 2018) a re-appropriation order of ₹ 1.25 crore to increase the provision under object head '41-Secret Service Expenditure' (Head of Accounts-2013.00.106.02.01.41) with the approval of Ministry of Finance.

In reply (November 2018) Ministry of Finance stated that it is the responsibility of the concerned department to get the approval of the CAG before re-appropriation. The reply is not acceptable, as it is the ultimate responsibility of Ministry of

Finance to ensure that the increase in secret service expenditure over budget provision is concurred with the prior approval of the CAG.

3.11 Incorrect booking of expenditure under Defence Pension

Government accounting procedure permits the operation of intermediate booking of transactions in certain cases under “Suspense heads”. It is important to clear the suspense heads by booking the transactions to the final head of accounts by the end of the financial year, since the balances under the suspense heads understate Government receipts and expenditure, as the case may be.

By their nature, Suspense heads can only precede booking to the final head of expenditure. Audit however observed a peculiarity in the booking of transactions relating to Defence Pensions (Grant No. 22), where the Controller General of Defence Accounts initially booked expenditure relating to Army, Navy and Air Force pensions (₹ 2,660.18 crore, ₹ 128.40 crore and ₹ 211.42 crore respectively) and transferred the entire amount of ₹ 3,000.00 crore to the suspense head, resulting in nullifying the said expenditure on Defence Pensions.

The matter merits examination at the highest levels.

New Delhi
Dated: 31 January 2019



(MAMTA KUNDRA)
Additional Deputy Comptroller
and Auditor General
(Central Expenditure)

Countersigned

New Delhi
Dated: 01 February 2019



(RAJIV MEHRISHI)
Comptroller and Auditor General of India