



# 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 2018-19 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	1,15,621.05	13,162.29	1,28,783.34	1,14,148.67	(-)14,634.67	17,299.24
	II Capital	30,564.05	2,803.99	33,368.04	28,583.73	(-)4,784.31	4,579.96
	III Loans and advances	1,535.91	508.61	2,044.52	1,731.47	(-)313.05	376.74
	<b>Total Voted</b>	<b>1,47,721.01</b>	<b>16,474.89</b>	<b>1,64,195.90</b>	<b>1,44,463.87</b>	<b>(-)19,732.03</b>	<b>22,255.94</b>
Charged	IV Revenue	20,466.99	327.84	20,794.83	20,453.96	(-)340.87	397.39
	V Capital	44.10	101.30	145.40	129.83	(-)15.57	17.31
	VI Public debt- repayment	15,434.28	5.56	15,439.84	15,432.02	(-)7.82	0.01
	<b>Total Charged</b>	<b>35,945.37</b>	<b>434.70</b>	<b>36,380.07</b>	<b>36,015.81</b>	<b>(-)364.26</b>	<b>414.71</b>
<b>Grand total</b>		<b>1,83,666.38</b>	<b>16,909.59</b>	<b>2,00,575.97</b>	<b>1,80,479.68</b>	<b>(-)20,096.29</b>	<b>22,670.65</b>

Source: Appropriation Accounts and Appropriation Act of the State Government for the year 2018-19

Net savings of ₹ 20,096.29 crore were the result of savings of ₹ 22,490.53 crore in 87 grants and 23 appropriations under the revenue section and 56 grants and nine appropriations under the capital section, offset by an excess of ₹ 2,394.24 crore in four grant and one appropriation under the revenue section.

It can be seen from **Table 2.1** that against the original estimates of ₹ 1,83,666.38 crore, the actual expenditure incurred was ₹ 1,80,479.68 crore.

## 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 ₹ 7,064.84 crore in 149 grants and one appropriation for the years 2007-08 to 2018-19 was yet to be regularised, as detailed in **Appendix 2.1**. The major defaulting Departments during last four years were: Agriculture, Farmer's Welfare and Co-operation; Education; Panchayats, Rural Housing and Rural Development; and Roads and Buildings.

This is in violation of Article 204 of the constitution which provides that no money shall be withdrawn from the Consolidated Fund of State except under appropriation made by law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

**Recommendation: All the existing cases of excess expenditure need to be got regularised at the earliest and in future, such unvoted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from contingency fund.**

### 2.3.2 Persistent excesses

On test-check of grant files, Audit observed that there was persistent excess expenditure over provisions by more than ₹ 50 crore during the last three years (2016-19) in respect of five 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 ₹ 2,142.37 crore under Grant No. 5 towards 'Financial assistance to farmers for subvention of interest' during the period 2016-19, ₹ 2,421.45 crore were expended by the Agriculture, Farmer's Welfare and Co-operation Department resulting in excess of ₹ 279.08 crore. While no reasons were attributed for the excess during 2016-17, the Department stated that the excess expenditure during 2017-18, was due to more proposals received by Gujarat State Co-operative Bank. The Department further stated that more expenses were done during 2018-19 to clear the pending proposals of previous year.
- A sum of ₹ 2,577.50 crore was spent under Grant No. 73 during 2016-19 against a provision of ₹ 1,588 crore under the Scheme 'Superannuation and Retirement Allowances to Panchayat Employees'. No reasons were attributed by the Department for excess expenditure under the Scheme. Similar excesses were also observed under this Scheme during the previous four years (2012-16).

Excess expenditure incurred over budgetary allocation indicates deficient budgetary and expenditure controls.

### 2.3.3 Appropriation *vis-à-vis* allocative priorities

Audit of appropriation accounts revealed that of the total savings of ₹ 22,490.53 crore during 2018-19, in 32 cases, there were savings of ₹ 100 crore or more in each case (**Appendix 2.3**). In these 32 cases, against a total provision of ₹ 1,08,563.22 crore, savings were ₹ 20,797.64 crore (19.16 *per cent*).

Departments that had registered major savings were: Finance (₹ 8,823.43 crore); Narmada, Water Resources, Water Supply and Kalpsar (₹ 1,799.38 crore); Panchayats, Rural Housing and Rural Development (₹ 1,256.08 crore); Social Justice and Empowerment (₹ 1,106.93 crore); Tribal Development (₹ 1,499.12 crore); and Urban Development and Urban Housing (₹ 1,141.51 crore).

Reasons furnished by the Departments for the major savings, as reported in the Appropriation Accounts, are given below.

#### *Agriculture, Farmer's Welfare and Co-operation Department*

- Grant No. 2 (Agriculture – Capital Voted): Savings of ₹ 100 crore under Major Head 4401-Capital Outlay on Crop Husbandry was due to delay in implementing construction activities under Rural Infrastructure Development Fund Scheme, as the matter was pending in the High Court.

- Grant No. 4 (Animal Husbandry – Revenue Voted): Major savings of ₹ 86.05 crore and ₹ 25.21 crore under Major Head 2403-Animal Husbandry and 2404-Dairy Development respectively, were due to (i) vacant posts of different cadre, (ii) receipt of less application under Scheme ‘Artificial Insemination Centre in Key Villages’, (iii) non-implementation of project for genetic improvement of goats, and (iv) non-receipt of sanction orders for dairy development programmes till the end of financial year.
- Grant No. 6 (Fisheries – Capital Voted): Major savings of ₹ 264.05 crore under Major Head-5051-Capital outlay on Ports and Light House was due to non-release of grant by GoI, non-implementation of infrastructure and extension works at various landing centres and non-finalisation of tenders.

### ***Finance Department***

- Grant No. 19 (Other expenditure pertaining to Finance Department– Revenue Voted): The Finance Department (FD) surrendered the entire provision of ₹ 1,200 crore under Major Head 2048 – Gujarat State Sinking Fund, as the fund corpus, as per guidelines of Reserve Bank of India (RBI), was between three to five *per cent* of the outstanding fiscal liabilities of the State.

Audit observed that based on the recommendations of the 12<sup>th</sup> Finance Commission, RBI issued revised guidelines (September 2017), increasing the minimum corpus of the fund at five *per cent* of the State’s outstanding liabilities from financial year 2018-19. In view of this, there was a shortfall of ₹ 223.50 crore in the closing balance of the fund. Thus, surrender of entire provision was not proper.

Further, under this grant, the entire budget provision of ₹ 7,000 crore under Major Head 2075 – Liability on Account of Increase in the Rate of Dearness Allowance (DA) was surrendered by the FD, as the respective Departments had also made similar provisions in their budget estimates. The action of FD was not in consonance with paragraph 38 of the Gujarat Budget Manual which provides that such provisions are to be made by the respective Departments in their budget estimates.

### ***Narmada, Water Resources, Water Supply and Kalpsar Department***

- Grant No. 65 (Narmada Development Scheme – Capital Voted): Savings of ₹ 1,631.23 crore under Major Head 4700-Capital Outlay on Major Irrigation was due to less release of grant by Government of India (GoI) under the Centrally Sponsored Scheme and relative less release by the State Government.

### ***Women and Child Development Department***

- Grant No. 106 (Other Expenditure Pertaining to Women and Child Development Department– Revenue Voted): The savings of ₹ 174.49 crore under *Pradhan Mantri Matru Vandana Yojana* were surrendered due to non-release of grants by GoI.

Similarly, savings of ₹ 176.15 crore under *Kishori Shakti Yojana* were surrendered due to change in guidelines and financial norms of the Scheme by GoI in April 2018.

Savings of ₹ 315.66 crore under Integrated Child Development Services Scheme was due to non-issue of work orders, non-procurement of kits on account of model code of conduct, non-filling of vacant posts and non-approval of some provisions made in Annual Programme Implementation Plan.

### 2.3.4 Persistent savings

In 19 cases, there were persistent savings of more than ₹ 100 crore in each case during the last five years. The details are shown in **Table 2.2**.

**Table 2.2: List of grants indicating persistent savings during 2014-15 to 2018-19**

(₹ in crore)

Sr. No.	Number and name of the grant	Amount of savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue- Voted</b>						
1.	2 – Agriculture	970.60	271.57	312.69	177.72	156.40
2.	18 – Pension and other Retirement Benefits	560.95	304.47	1,146.63	1,658.66	357.59
3.	19 - Other Expenditure Pertaining to Finance Department	4,222.63	3,514.15	5,717.16	8,014.65	8,204.89
4.	39 - Medical and Public Health	350.02	156.08	260.49	159.53	237.95
5.	43 – Police	143.58	216.22	145.19	150.48	370.10
6.	60 - Administration of Justice	136.68	295.66	302.23	212.40	127.45
7.	70 - Community Development	455.75	159.17	673.13	225.72	263.50
8.	71- Rural Housing and Rural Development	1,102.04	255.68	333.15	499.26	992.58
9.	79 - Relief on Account of Natural Calamities	546.52	195.81	606.58	184.18	712.99
10.	95 - Scheduled Castes Sub-Plan	481.91	367.76	466.18	368.48	647.42
11.	96 - Tribal Area Sub-Plan	1,346.99	767.40	562.31	1,227.90	1,202.03
12.	102 – Urban Development	555.47	412.48	350.26	1023.03	671.70
13.	106 – Other Expenditure pertaining to Women and Child Development Department	392.08	235.53	539.35	671.06	833.47
<b>Revenue- Charged</b>						
14.	20 – Repayment of Debt pertaining to Finance Department and its servicing (Charged)	453.93	332.76	117.63	437.64	260.95
<b>Capital- Voted</b>						
15.	9 – Education	1,583.22	484.19	233.51	344.94	351.73
16.	65 – Narmada Development Scheme	1,262.93	966.87	594.27	250.76	1,631.23
17.	84 - Non-Residential Buildings	706.08	544.60	917.26	655.39	653.34
18.	95 - Scheduled Castes Sub-Plan	232.46	264.95	334.17	260.44	220.35
19.	96 - Tribal Area Sub-Plan	255.66	501.00	646.48	275.04	297.09

Source: Appropriation Accounts for respective years

On test-check of grant files, Audit further observed that there were persistent savings of more than ₹ 100 crore during the last three years (2016-19) in respect of 11 Schemes under 10 grants (**Appendix 2.4**), indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

Persistent savings indicated that the budget allocations were made without considering previous year's expenditure.

***Recommendation: The Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned provisions in order to avoid savings/excesses especially in Departments where large savings/excesses were noticed. They may also specifically strengthen their control on monthly expenditure and monitoring mechanism.***

### 2.3.5 Unnecessary 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.

During 2018-19, supplementary provisions (₹ 50 crore or more in each case) aggregating ₹ 1,172.52 crore were made in four cases under four different grants, which proved unnecessary. Expenditure incurred in these four cases did not even reach the levels of the original provision as detailed in **Table 2.3**.

**Table 2.3: Supplementary provision (₹ 50 crore or more in each case) proved unnecessary**  
(₹ in crore)

Sr. No.	Number and name of the grant/appropriation	Original provision	Actual expenditure	Savings out of original provision	Unnecessary supplementary provision
1.	39-Medical and Public Health -Revenue Voted	5,040.39	5,005.84	34.55	203.40
2.	70-Community Development- Revenue Voted	2,282.28	2,210.79	71.49	192.00
3.	95- Scheduled Castes Sub-Plan-Revenue Voted	3,892.53	3,506.03	386.50	260.92
4.	102- Urban Development- Revenue Voted	8,833.42	8,677.92	155.50	516.20
<b>Total</b>		<b>20,048.62</b>	<b>19,400.58</b>	<b>648.04</b>	<b>1,172.52</b>

Source: Appropriation Accounts for the year 2018-19

### 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 six cases, as this resulted in either excesses or savings of ₹ 50 crore or more in each case. These are detailed in **Table 2.4**.

**Table 2.4: Excess/saving (more than ₹ 50 crore) resulting from unnecessary/insufficient re-appropriation of funds**

(₹ in crore)

Sr. No.	Grant No.	Description	Re-appropriation (+/-)	Final excesses	Final savings
<b>Unnecessary re-appropriation</b>					
1	9	2203-00-001-01 TED-1 Strengthening of Administrative set up of Technical Education Department	57.65	-	59.20
2	20	6004-09-101-02 Loans for Externally aided project	61.47	-	67.03
3	86	3054-80-001-05 Expenditure Transferred on <i>pro-rata</i> basis to Major Head	11.32	-	97.17
<b>Insufficient re-appropriation</b>					
4	9	2071-01-104-01 Gratuities to Primary Panchayats Teachers	40.00	318.76	-
5	9	2071-01-101-01 Superannuation and Retirement Allowance to Primary Panchayats teachers	69.80	1816.44	-
6	20	6004-09-101-01 Block Loans	(-)61.47	-	181.60

Source: Appropriation Accounts and Grant files for the year 2018-19

### 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 FD 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 (exceeding ₹ 100 crore and more than 50 *per cent* of the total provision) were made in 21 Sub-Heads under 15 grants due to either non-implementation or slow implementation of Schemes/programmes (**Appendix 2.5**). Of the total provision of ₹ 13,297.24 crore made under these 21 Sub-Heads, ₹ 11,897.40 crore was surrendered, which included 100 *per cent* surrender in four Sub-Heads involving ₹ 8,510 crore. The Departments which made substantial surrenders were: Agriculture, Farmer's Welfare and Co-operation; Education; Finance; Home; Roads and Buildings; Urban Development and Urban Housing; and Social Justice and Empowerment.

#### 2.3.7.2 Surrenders in excess of actual savings

In six out of 206 grants/appropriations, amounts surrendered (₹ 100 crore or more in each case) were in excess of the actual savings, indicating inadequate budgetary control by four<sup>1</sup> Departments. These are detailed in **Table 2.5**.

<sup>1</sup> Education; Finance; Narmada, Water Resources, Water Supply and Kalpsar; Roads and Buildings

**Table 2.5: Amount surrendered (₹ 100 crore or more) in excess of actual savings**

(₹ in crore)

Sr. No.	Grant No.	Name of the grant/ appropriation	Total grant/ appropriation	Total expenditure	Excess(+)/ Savings(-)	Amount surrendered	Excess amount surrendered
1.	9	Education-Revenue Voted	27,391.81	28,825.92	(+)1,434.11	447.74	447.74
2.	18	Pension and Other Retirement Benefits- Revenue Voted	11,327.30	10,969.71	(-)357.59	365.72	8.13
3.	20	Repayment of Debt Pertaining to Finance Department and its servicing- Revenue Charged	19,237.18	18,976.23	(-)260.95	316.58	55.63
4.	65	Narmada Development Scheme- Capital Voted	4,955.78	3,324.55	(-)1,631.23	1,633.37	2.14
5.	66	Irrigation and Soil Conservation- Revenue Voted	1,147.57	979.42	(-)168.15	185.42	17.27
6.	86	Roads and Bridges- Revenue Voted	3,351.53	3,519.88	(+)168.35	134.60	134.60
<b>Total</b>			<b>67,411.17</b>	<b>66,595.71</b>	<b>(-)815.46</b>	<b>3,083.43</b>	<b>665.51</b>

Source: Appropriation Accounts for the year 2018-19

### 2.3.7.3 Savings partly surrendered

In five grants/appropriations, there were savings exceeding ₹ 50 crore, of which, more than 10 per cent was not surrendered. In these grants/appropriations, total savings were ₹ 820.88 crore. However, only ₹ 615.59 crore was surrendered, leaving ₹ 205.29 crore (25 per cent) which was not surrendered, as shown in **Table 2.6**.

**Table 2.6: Grants in which savings were more than ₹ 50 crore of which, more than 10 per cent was not surrendered**

(₹ in crore)

Sr. No.	Grant No.	Name of the grant/ appropriation	Savings	Surrendered	Savings not surrendered	Percentage savings not surrendered
1.	9	Education-Capital Voted	351.73	305.45	46.28	13.16
2.	39	Medical and Public Health-Revenue Voted	237.95	182.36	55.59	23.36
3.	40	Family Welfare- Revenue Voted	100.94	36.21	64.73	64.13
4.	66	Irrigation and Soil Conservation-Capital Voted	60.64	38.60	22.04	36.35
5.	78	District Administration- Revenue Voted	69.62	52.97	16.65	23.92
<b>Total</b>			<b>820.88</b>	<b>615.59</b>	<b>205.29</b>	<b>25.01</b>

Source: Appropriation Accounts and Grant files of the State Government for the year 2018-19

## 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 Departments/Controlling Officers relating to Grant No. 39 (Medical and Public Health) under Health and Family Welfare Department (H&FW) and Grant No. 77 (Tax Collection Charges) under Revenue Department for the period of three years from 2016-17 to 2018-19. The audit findings are discussed in the succeeding paragraphs.

### 2.4.1 Review of Grant No. 39 – Medical and Public Health

#### 2.4.1.1 Deviation from budgetary provisions

The budgetary allocation and expenditure incurred under revenue and capital heads of Grant No. 39 during 2016-19 is given in **Table 2.7**.

**Table 2.7: Deviations from budgetary provisions**

(₹ in crore)

Year	Budgetary provisions			Expenditure	Excess(+)/ Saving (-)	Percentage of unutilised provision
	Original	Supplementary	Total			
<b>Revenue Voted</b>						
2016-17	4,528.28	164.09	4,692.37	4,431.88	(-)260.49	5.55
2017-18	4,841.38	0 <sup>2</sup>	4,841.38	4,681.85	(-)159.53	3.30
2018-19	5,040.39	203.40	5,243.79	5,005.84	(-)237.95	4.54
<b>Capital Voted</b>						
2016-17	1,519.84	0	1,519.84	1,218.57	(-)301.27	19.82
2017-18	1,399.12	0	1,399.12	1,334.17	(-)64.95	4.64
2018-19	1,755.04	95.99	1,851.03	1,849.21	(-)1.82	0.10

Source: Appropriation Accounts for respective years

H&FW attributed savings under revenue head to non-filling of vacant posts and cut imposed by the FD under revenue as well as capital heads for the year 2016-17. For the year 2017-18 and 2018-19, savings under revenue as well as capital heads were within the norms/criteria prescribed by the Public Accounts Committee (PAC).

<sup>2</sup> ₹ one thousand only

### **2.4.1.2 Unspent Grants**

Gujarat Budget Manual, 1983 as well as grant release orders stipulate that unspent grants should be surrendered to Government at the end of the year.

Audit observed that eight<sup>3</sup> Controlling Officers (COs) under H&FW released ₹ 6,994.28 crore to implementing agencies during 2016-19 for purchase of medicines, ambulances, construction and upgradation of medical colleges, hospitals, laboratories, *etc.* This was booked as expenditure in Government Accounts. However, test-check of 22 utilisation certificates (**Appendix 2.6**) rendered by the implementing agencies to concerned COs revealed against ₹ 603.37 crore released during 2012-19, only ₹ 202.96 crore (34 *per cent*) was utilised, leaving an unspent balance of ₹ 400.41 crore (66 *per cent*) with the implementing agencies at the end of December 2019.

### **2.4.1.3 Late surrender of unspent grants**

Audit observed that in two instances, the implementing agencies held the unspent grants (₹ 89.24 crore) for more than eight years before these were surrendered to the COs, as discussed below.

- Industries and Mines Department released ₹ 73 crore to the Additional Director of Family Welfare (one of the COs under H&FW) during 2009-11 for construction of 134 Urban Health Centers in city areas and 718 Urban Health Posts<sup>4</sup> along with procurement of equipment and furniture under the Informal Sector Development Programme. During 2009-19, ₹ 16 crore was utilised and unspent grant of ₹ 57 crore was surrendered to Government Account in October 2019.
- H&FW released ₹ 50 crore to Additional Director of Public Health during 2011-12 under the Scheme 'Urban Health Project'. During 2011-19, ₹ 15 crore was utilised on salaries, ₹ 2.76 crore on construction activities and unspent grant of ₹ 32.24 crore was surrendered to Government Account in October 2019.

### **2.4.1.4 Implementation of new items/initiatives included in Budget**

Audit reviewed the implementation of new items/initiatives announced by the Government in the budget for the year 2017-18 and 2018-19 under H&FW. It was observed that various new items/initiatives announced during the budget were not implemented (December 2019) and remained unfulfilled, as detailed in **Table 2.8**.

---

3 (i) Additional Director of Public Health, (ii) Additional Director of Family Welfare, (iii) Additional Director of Medical Education and Research, (iv) Additional Director of Medical Services, (v) Commissioner of Food and Drugs Control Administration, (vi) Directorate of Indian System of Medicine and Homeopathy (AYUSH), (vii) Director of Employees State Insurance Scheme, and (viii) Deputy Secretary (Cash)

4 For areas with population over 15,000

Table 2.8: Details of implementation of new items/initiatives

(₹ in crore)

Budget head	Description	Budget provision	Reasons for non-implementation
<b>2017-18</b>			
39.2210.01.110.01	Provision of air ambulance through outsourcing for heart transplant and other critical emergency cases	0.50	Due to non-issuance of administrative approval (AA) and financial sanction.
96.2210.01.796.02	To create human resources to start district level General Hospital at Modassa	1.25	
<b>2018-19</b>			
39.2210.01.110.01	Provision for research, training and innovation in health sector under medical services	0.50	Due to non-issuance of AA and financial sanction
39.2210.05.105.09	To create new posts of nursing tutors in general nursing schools	1.70	Due to delay in recruitment process.
39.2210.01.110.01	Establishment of Gujarat Perinatology Institute at Civil Hospital, Ahmedabad	1.00	Due to non-issuance of AA
39.2210.01.001.01	Establishment of State Institute of Toxicology and Research Centre	2.00	Specific reasons for non-establishment of institute was not furnished by the CO.
95.2210.04.101.01	To organize fair and other various activities from AYUSH to Health (for Scheduled Castes)	0.50	No reasons were furnished by Director, AYUSH.
96.2210.04.101.01	To organize fair and other various activities from AYUSH to Health (for Scheduled Tribes)	0.50	
39.4210.03.101.42	Renovation of building of Gujarat Ayurved Vikas Mandal	0.50	Due to non-issuance of AA
39.4210.03.101.42	Provision for purchase of new machinery for Junagadh and Odhav Pharmacy	0.50	Due to non-issuance of AA

Source: Information provided by the Department

In the budget speech for the year 2018-19, a budget provision of ₹ 113.60 crore was also made for construction of 593 Sub-centres (SCs), 122 Primary Health Centres (PHCs) and seven Community Health Centres (CHCs). However, as of December 2019, construction of 21 SCs and one PHC has been completed while construction of 61 SCs and 42 PHCs were under progress. An expenditure of ₹ 18.72 crore (16 per cent) had been incurred out of the provision of ₹ 113.60 crore. The remaining works of SCs, PHCs and CHCs had not been taken up due to various reasons such as, land problem, estimates not approved, tender procedures not completed and dropping of proposals for construction of SCs and PHCs by H&FW.

### 2.4.1.5 Slow utilisation of funds by implementing agencies

H&FW carries out the construction activities through a Project Implementing Unit (PIU) while purchase of medicines, medical equipment and subsidiary items are procured through Gujarat Medical Services Corporation Limited (GMSCL), a State Public Sector Undertaking (SPSU). The COs release funds to PIU/GMSCL as per budget provisions for meeting various requirements.

During 2016-19, five<sup>5</sup> COs released ₹ 3,535.39 crore to PIU for construction/renovation activities under various projects and ₹ 1,485.67 crore to GMSCL for procurement and supply of medicines and equipment to Medical Colleges and Hospitals under H&FW.

Audit scrutiny of utilisation certificates furnished by the PIU to concerned COs in respect of 124 projects revealed that against the available funds of ₹ 2,742.13 crore during 2016-18, the PIU utilised only ₹ 839.58 crore (31 per cent). Further, funds given by Director, AYUSH and Additional Director of Medical Services to the PIU during 2016-18 were not utilised (December 2019). Similarly, against the total available funds of ₹ 1,622.71 crore (including ₹ 137.04 crore of previous year's balance), GMSCL spent only ₹ 820.11 crore (51 per cent) during 2016-19.

### 2.4.2 Review of Grant No.77-Tax Collection Charges (Revenue Department)

#### 2.4.2.1 Deviation from budgetary provisions

The budgetary allocation and expenditure incurred under the revenue heads of Grant No.77 during 2016-19 is given in **Table 2.9**.

**Table 2.9: Deviation from budgetary provisions**

Year	Voted/ Charged	Budgetary provision			Expenditure	Excess (+)/ Savings (-)	Percentage of unutilised provision
		Original	Supplementary	Total			
(₹ in crore)							
<b>Revenue</b>							
2016-17	Voted	288.83	15.44	304.27	235.60	(-)68.67	22.57
2017-18	Voted	328.50	0.00	328.50	273.95	(-)54.55	16.61
2018-19	Voted	305.15	0.00	305.15	283.66	(-)21.49	7.04

Source: Appropriation Accounts for respective years

The Revenue Department attributed the savings of ₹ 68.67 crore during 2016-17 to (i) non-filling up of vacant posts in different cadres, (ii) non-finalisation of contract of Video Conference System with Directorate General of Supplies and Disposals, (iii) change in funding pattern, and (iv) non-raising of bills on time by the agencies.

For the year 2017-18 and 2018-19, Revenue Department attributed the savings of ₹ 54.55 crore and ₹ 21.49 crore to (i) non-filling up of vacant posts in

5 (i) Additional Director of Public Health, (ii) Additional Director of Medical Education and Research, (iii) Additional Director of Medical Services, (iv) Commissioner of Food and Drugs Control Administration, and (v) Directorate of Indian System of Medicine and Homeopathy (AYUSH)

different cadres, (ii) non-release of grants by GoI under the Scheme- Integrated Land Management System, (iii) non-receipt of administrative approval for establishment of *Jantri* Revision Work, and (iv) non-raising of bills on time by various agencies.

#### 2.4.2.2 Non-surrender of unspent balances

Test check of grants-in-aid given by Revenue Department to 11<sup>6</sup> District Development Officers (DDOs) during 2016-19 for the purpose of Pay and Allowances revealed the following:

**Table 2.10: Unspent balances**

(₹ in crore)

Year	Receipts	Disbursements	Unspent balance
2016-17	3.74	3.14	0.60
2017-18	2.90	2.51	0.39
2018-19	4.36	3.18	1.18
	<b>Total</b>		<b>2.17</b>

Source: Revenue Department of State Government

As could be seen from table that amount received by the DDOs during the year had not been disbursed in full. Seven<sup>7</sup> out of the 11 Personal Ledger Accounts (PLA) of the DDOs showed a credit balance of ₹ 2.17 crore at the end of 2018-19. The grants-in-aid had been given for meeting pay and allowances. Hence, savings, if any, from the grants were required to be surrendered at the end of each financial year. However, none of the seven DDOs surrendered the unspent balances to Government Account and held the same in their PLAs.

#### 2.4.3 Parking of funds in Gujarat State Financial Services

FD *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 Gujarat State Financial Services (GSFS) and credit the interest on these deposits to Government Account under the Major Head 0049 – Interest Receipts.

Audit observed that the two selected Departments (Health and Family Welfare; and Revenue) had been releasing funds to its subordinate offices/nodal agencies for implementation of various State and Centrally Sponsored Schemes, who in turn, parked the whole or unutilised funds with GSFS.

During 2010-19, H&FW parked ₹ 35.79 crore (in three cases) and Revenue Department parked ₹ 299.31 crore (in two cases) totalling ₹ 335.10 crore with GSFS, which was either not authorised to be parked as per Scheme guidelines or not required by the nodal agencies in view of slow progress of Schemes. The details are summarised in **Table 2.11**.

6 Ahmedabad, Banaskantha, Bharuch, Gandhinagar, Mehsana, Narmada, Patan, Rajkot, Sabarkantha, Surendranagar, and Surat

7 Ahmedabad, Banaskantha, Gandhinagar, Patan, Rajkot, Sabarkantha and Surat.

**Table 2.11: Parking of funds with GSFS**

(₹ in crore)

Sr. No.	Scheme name	Nodal agency	Grant amount	Grant receipt year	Balance with GSFS at the end of the year	Audit observations
<b>Health and Family Welfare Department</b>						
1.	43 State Health Schemes (SHS)	SHS-Gujarat	42.59	2010-19	30.00	Remaining ₹ 12.59 crore was lying with SHS-Gujarat.
2.	Creation of basic infrastructure and pay and allowances of dental college	Society For Gujarat Dental Health Education and Research	5.00	2011-12	5.00	The entire grant of ₹ five crore was parked with GSFS.
3.	Strengthening of State Drug Regulatory System in the State	Commissioner, F&DCA	32.58	2017-19	0.79	₹ 0.79 crore was parked with GSFS due to non-procurement of specific vehicle (The item was not available on Government e-Market place Portal).
<b>Revenue Department</b>						
4.	National Cyclone Risk Mitigation Programme	Gujarat State Disaster Management Authority (GSDMA)	11.32	2015-17	11.32	The entire grant of ₹ 11.32 crore was parked with GSFS.
5.	Capital Outlay on Other Social Services-Natural Calamities-Assistance to Disaster Management Authority (UDP-42)	GSDMA	287.99	2014-19	287.99	The entire grant of ₹ 287.99 crore was parked with GSFS. Whereas, this amount was to be surrendered to Government Account as per Scheme guidelines.
		<b>Total</b>	<b>379.48</b>		<b>335.10</b>	

Source: Details furnished by concerned Departments

## 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. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorization by the Legislature would be undesirable. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During 2018-19, Revenue Department spent ₹ 0.25 crore under Grant No. 81 (Major Head-5475-Capital Outlay on Other General Economic Service) from Contingency Fund, which was not recouped during the year.

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

On accounting and classification of grants-in-aid, Indian Government Accounting Standards (IGAS) 2 prescribes that 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 expenditure of a capital nature to be classified in capital section shall broadly be defined as expenditure incurred with the objective of increasing physical 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 2018-19, State Government disbursed ₹ 11.01 crore as grants-in-aid to two<sup>8</sup> Departments under Capital Heads of expenditure instead of Revenue Heads, in violation of IGAS 2, as detailed in **Table 2.12**.

**Table 2.12: Misclassification of grants-in-aid under Capital Heads**

(₹ in crore)

Sr. No.	Classification-Major Head	Grants-in-aid
1.	4059-Capital Outlay on Public Works	10.92
2.	4852- Capital Outlay on Iron and Steel Industries	0.09
	<b>Total</b>	<b>11.01</b>

Source: Finance Accounts of the State Government for the year 2018-19

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

