Union Government Finances and Accounts: 2010-11

This Report discusses the comments of the Comptroller and Auditor General of India on the accounts of the Union Government and analyses the finances of the Union Government for the year 2010-11. It also contains an analysis of the Appropriation Accounts and audit observations with regard to the accounts of the Union Government for the year 2010-11.

HIGHLIGHTS

C&AG's comments on Union Government Accounts

- The financial position of the Union Government in 2010-11 was characterised by a healthy growth of 32 *per cent* in revenue receipts on account of an accelerated growth of tax revenue after a period of low growth in the preceding two years and a substantial increase in non-tax receipts on account of auction of spectrum.

  (Para 1.1.1, 1.2.3 and 1.2.4)

- Capital expenditure was 1.99 *per cent* of GDP, well below the three *per cent* level set out for the year in the fiscal consolidation plan of the Thirteenth Finance Commission. Of the total capital expenditure, 33 *per cent* was accounted for by Defence.

  (Para 1.1.2 and 1.3.4)

- Analysis of Plan expenditure revealed that 77 *per cent* of the total Plan expenditure was in the form of grants-in-aid payment. In five of the 10 Ministries/ Departments incurring the largest Plan expenditure, over 99 per cent was in the form of disbursement of grants-in-aid.

  (Para 1.3.7 and 1.3.8)

- A time analysis of expenditure of Civil Ministries revealed that 22 *per cent* of the total expenditure was incurred in the month of March 2011. The bunching of expenditure in the case of non-Plan expenditure was even higher at 24 *per cent* of the total annual non-Plan expenditure in the last month of the financial year. The Ministry of Textiles and the Department of Heavy Industry spent as much as 63 and 60 *per cent* respectively of their total expenditure on the last day of March 2011.

  (Para 1.4)

- For the year 2010-11, the Union Government transferred Central Plan assistance of ₹ 1,22,199 crore (as per revised estimates) directly to State/district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of Centrally

Sponsored Schemes outside the State Government Budget. The aggregate amount of unspent balances in their accounts maintained outside Government accounts was unascertainable. The Government expenditure as reflected in the Accounts was, therefore, overstated to that extent.

(Para 2.1.2)

- Universal Access Levy totalling ₹ 37,223.92 crore was collected during the period 2002-03 to 2010-11 by the Department of Telecommunications but transfers to and disbursements from the Universal Service Obligation Fund (USO Fund) were only ₹ 13,471.44 crore. There was, therefore, an understatement of the closing balance of the USO Fund by ₹ 23,752.48 crore. The levy amount being collected was, therefore, not being utilised for the intended purposes.

(Para 2.2.1)

- Due to shortcomings in the accounting procedure, the National Investment Fund (NIF) in the Public Account showed a 'nil' closing balance, though actually a balance of ₹ 1,814 crore was available as on 31 March 2011 in the Fund, which was being managed by asset management companies. Of the total income of ₹ 543.90 crore, earned from the investment of the amounts lying in the NIF, during the period 2008-11, and credited into the Consolidated Fund of India, an amount of only ₹ 288.12 crore was transferred to the Public Account for meeting expenditure on pre-identified initiatives, leaving a balance amount of ₹ 255.78 crore in the Consolidated Fund of India.

(Para 2.2.4)

- Continued unauthorised utilisation of balances from the Coal Mines Labour Housing and General Welfare Fund, even after 25 years of its dissolution in 1986 by an Act of Parliament, undermined the parliamentary authority over public expenditure.

(Para 2.2.5)

- Non-transfer of receipts of advance payments from assessees amounting to ₹ 145.47 crore from the Public Account to the Consolidated Fund of India (CFI), resulted in understatement of the Customs receipts of the Government of India by an identical amount in 2010-11. As Customs receipts formed part of the divisible pool of taxes to be shared between the Centre and the States, non-crediting of the amount to the CFI implied short devolution of shareable taxes to States during the year 2010-11.

(Para 2.1.5)

- In accordance with the provisions of Article 114(3) of the Constitution of India, no money should be withdrawn from the Consolidated Fund of India except under appropriations made by law. However, during 2010-11, there was total excess disbursements of ₹ 3,384 crore in nine segments of seven grants in civil Ministries; ₹ 3,053 crore in 15 segments of 10 grants/appropriations of the Ministry of Railways; ₹ 367 crore in one segment of one grant in the Department of Posts; and ₹ 4,239 crore in four segments of four grants of the Defence Services, which required regularization under Article 115 (1) (b) of the Constitution.

  (Para 3.9)

- Savings in a grant or appropriation is indicative of deficient budgeting as well as shortfall in performance. Savings of more than ₹ 100 crore had occurred in 70 cases of 51 grants (including Civil, Posts, Railways and Defence Services), requiring submission of detailed explanatory notes to the Public Accounts Committee by the concerned Ministries/Departments. The aggregate savings in the 70 cases was of the order of ₹ 6,69,718 crore.

  (Para 3.12 & Appendix III-E)

- In 33 sections of 26 grants/appropriations, persistent savings of ₹ 100 crore and more were noticed during the last three years (2008-2011). Some of the grants/appropriations with large persistent savings during the three year period were, Re-payment of Debt (₹ 7,69,805 crore), Transfers to State and Union Territory Governments (₹ 37,194 crore), Interest Payments (₹ 20,239 crore), Department of School Education & Literacy (₹ 10,459 crore), Police (₹ 8,363 crore), and Ministry of Road Transport & Highways (₹ 7,193 crore).

  (Para 3.13 & Appendix III-F)

- Article 114(3) of the Constitution of India provides that no money should be withdrawn from the Consolidated Fund of India except under appropriation made by law. An expenditure on interest on refunds amounting to ₹ 10,499 crore was incurred by the Central Board of Direct Taxes, without the authorisation of the Parliament in the year 2010-11. A total expenditure of ₹ 37,365 crore on interest payments had been incurred over the last five years without obtaining approval of the Parliament through necessary appropriations.

  (Para 4.1.1)

- The Department of Posts incurred expenditure in two instances (amounting to ₹ 65.71 crore and ₹ 0.28 crore) without obtaining any authorisation of the Parliament in violation of Article 114(3) of the Constitution of India.

(Para 4.1.2)

- In Grant No. 34-Interest Payments for the year 2010-11, an expenditure of ₹ 95.13 lakh was incurred in violation of Article 114(3) of the Constitution of India, for which neither were any provisions available in the Detailed Demands for Grants nor were any supplementary demands for grants obtained.

(Para 4.1.4)

- Augmentation of provision by way of re-appropriation to 'grants-in-aid' to any body or authority from the Consolidated Fund of India can only be made with the prior approval of the Parliament. In 25 cases, across 14 grants, funds aggregating ₹ 698.82 crore were provided through re-appropriation by various Ministries/Departments during the financial year 2010-11 for augmenting provisions under 'grants-in-aid', without obtaining prior approval of the Parliament.

(Para 4.2.1)

- For augmentation of provisions in existing appropriations under the object head 'subsidy' through re-appropriations, prior approval of the Parliament is required, if the additionality is more than 10 *per cent* of the appropriation already voted by the Parliament or ₹ 10 crore, whichever is less. In four cases, across four grants, funds aggregating ₹ 935.52 crore were provided through re-appropriation by the various Ministries/Departments during the financial year 2010-11 for augmenting the provision under 'subsidy' without obtaining prior approval of the Parliament.

(Para 4.2.2)

- The Department of Space and the Department of Atomic Energy made incorrect classification of revenue expenditure as capital expenditure and vice versa. The misclassifications resulted in overstatement of capital expenditure by ₹ 2,066.83 crore in one instance and understatement of capital expenditure by ₹ 604.63 crore in three instances. The overall impact on Government expenditure was an overstatement of capital expenditure of ₹ 1,462.20 crore. Correspondingly, revenue deficit was understated by an equivalent amount of ₹ 1,462.20 crore during the financial year 2010-11.

(Para 4.3.3)

- No lump-sum provision should be made in the Budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. In four cases, across three grants of civil Ministries/Departments, a total lump-sum supplementary provisions totalling of ₹ 12,400 crore were obtained in the Supplementary Demands for Grants for the year 2010-11.

(Para 4.6)

- For writing off of Government loans above ₹ one lakh, prior approval of the Parliament is required. However, although prior approval of the Parliament was not obtained either through a budgetary provision or by way of a supplementary demand in the financial year 2010-11, loans and interest amounting to ₹582.21 crore, due from the National Projects Construction Corporation Ltd., were written off by the Ministry of Water Resources

(Para 4.9)