

Chapter 5

REVIEW OF SELECTED GRANTS

This chapter contains audit observations on the Appropriation Accounts of selected grants (Civil) covering a period of three years, including an analysis of unspent provision, irregular and injudicious re-appropriations, supplementary provisions made without requirement including an in-depth study of persistent savings due to non-implementation of schemes, etc. Grants of Transfers to State and Union Territory Governments; Department of Higher Education; Ministry of Power; Department of Rural Development; and Department of Space have been selected for detailed scrutiny in audit and the findings have been included in this chapter.

Grant No. 35-Transfers to State and Union Territory Governments (Ministry of Finance)

Introduction

5.1 The grant includes provision for grants payable to States under Article 275(1) of the Constitution, on the basis of recommendations of the Finance Commission, block grants for State Plan Schemes, short term Ways and Means advances to States and assistance from the National Disaster Response Fund (NDRF). The Plan Finance I Division of the Ministry of Finance operates the grants and makes an assessment of borrowing requirements of the State Governments, which involves fixing of borrowing ceilings, issuing of permission for borrowing under Article 293(3) of the Constitution of India, monitoring of the ways and means position of the States in close co-ordination with the Reserve Bank of India, debt write-off etc. The important schemes for which funds are being provided under the Plan include Accelerated Irrigation Benefits Programme, Jawaharlal Nehru National Urban Renewal Mission, Externally Aided Projects, National Social Assistance Programme, Border Area Development Programme, Hill Area/Western Ghats Development Programme, National E-Governance Programme, Backward Regions Grant Fund Scheme etc.

Budget and expenditure

5.2 The overall position of budget provisions, actual disbursements and savings during the last three years is detailed in **Table 5.1**.

Table 5.1: Year-wise budget & expenditure

(₹ in crore)

Year	Budget Provision		Disbursement		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	101598.22	8029.00	91701.55	7029.00	9896.67	1000.00
2009-10	111660.19	8825.00	101152.18	7824.06	10508.01	1000.94
2010-11	116627.84	11413.44	103039.34	10213.75	13588.50	1199.69

Surrender of savings

5.3 Rule 56(2) of the General Financial Rules, 2005 provides that savings in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. No savings should be held in reserve for possible future excesses.

Scrutiny of records for the year 2008-11 revealed that the Ministry surrendered savings on the last day of the year in all the three years under review, in contravention of the extant rule as detailed in **Table 5.2**.

Table 5.2: Surrender of Savings

(₹ in crore)

Year	Savings		Amount Surrendered		Date of Surrender
	Revenue	Capital	Revenue	Capital	
2008-09	9896.67	1000.00	9896.68	1000.00	31-03-2009
2009-10	10508.01	1000.94	9758.02	1000.94	31-03-2010
2010-11	13588.50	1199.69	13588.48	1199.69	31-03-2011

Had the above savings been surrendered as soon as these were foreseen, the amounts could have been fruitfully utilized in other schemes/projects of the Government.

Persistent savings

5.4 As per para 3.2.4 of the budget circular issued by the Ministry of Finance, while framing the estimates, due note should be taken of the past performance, the stage of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies, and most importantly, the quantum of government assistance lying with the recipients unutilised/unaccounted for etc. with a view to minimising the scope for available surrenders at a later stage.

Scrutiny of head-wise Appropriation Accounts of the grant for the years 2008-11 revealed that there were entire/large savings during these years which reflected

deficient budgeting by the Ministry. A few schemes affected by large persistent savings are detailed below:

Table 5.3: Persistent savings

(₹ in crore)

Minor/sub-head	Year	Budget Provisions	Actual Expenditure	Savings (Percentage)	Reasons attributed by the Ministry
3601.01.104.05- Grants for Local Bodies	2008-09	7623.14	5398.67	2224.47 (29)	Non-receipts of Utilisation Certificates from local bodies.
	2009-10	7026.85	5706.46	1320.39 (19)	Non-fulfillment of conditions by some State Governments.
	2010-11	8182.00	7842.77	339.23 (4)	-do-
3601.02.101.27- National E-Governance Action Plan (NEGAP)	2008-09	469.37	284.21	185.16 (39)	Non-release of some installment as the nodal Ministry did not submit some of their proposal under this Plan.
	2009-10	469.37	117.69	351.68 (75)	Receipt of less proposals from the Ministry of Information Technology.
	2010-11	190.00	131.44	58.56 (31)	-do-
7601.06.200- Other Ways and Means Advances	2008-09	1000.00	--	1000.00 (100)	Non-receipt of proposal from State Governments.
	2009-10	1000.00	--	1000.00 (100)	-do-
	2010-11	1000.00	--	1000.00 (100)	-do-

Savings of ₹ 100 crore and above

5.5 As per Rule 48(2) of the General Financial Rules, 2005, and also annual instructions as contained in the budget circular issued by the Ministry of Finance, Ministries/Departments are required to prepare their budget estimates keeping in view the disbursement trends during the previous years and other relevant factors, such as economy instructions issued by the Ministry of Finance from time to time.

Scrutiny of head-wise Appropriation Accounts for the years 2008-11 revealed that the Ministry made excessive provisions under various heads, resulting in large provisions remaining unutilised during these years and were either re-appropriated to other heads or surrendered, defeating the very purpose for which the budget provisions were passed by the Parliament. **Appendix V-A** gives the details of 14 such cases where savings of ₹ 100 crore and above constituting more than 10 per cent of the budget provision were noticed.

Large savings affected the objectives for which the budget provisions were passed by the Parliament. Had the Ministry correctly the expenditure in these sub-heads while formulating budget proposals, the large savings could have been avoided.

Savings of entire provision (Sub head-wise)

5.6 Scrutiny of head-wise Appropriation accounts for the period 2008-09 to 2010-11 revealed that in five cases, entire provisions remained unutilised as detailed in **Table 5.4**.

Table 5.4: Savings of entire provisions

(₹ in crore)

Year	Sub-head	Budget Provision	Savings	Reasons
2008-09	3601.01.114.01—Assistance for development of Golden Temple Complex	27.50	27.50	Non-receipt of proposals from Ministry of Home Affairs.
	3601.02.101.13—Additional Central Assistance	636.87	636.87	Rectification of typing error committed at the time of obtaining supplementary grant.
2009-10	3601.02.101.43—Additional Central Assistance for Infrastructure Support for opening Bank Branches in unbanked blocks	100.00	100.00	Non-receipt of proposals from the concerned Ministry.
	3601.02.101.41 – Additional Central Assistance for Desalination Plant at Chennai	300.00	300.00	Non-submission of Utilisation Certificates by the Government of Tamil Nadu.
2010-11	3601.01.104.15—Grants-in-aid for National Disaster Response Force	250.00	250.00	Non-operationalisation of recommendation of Thirteenth Finance Commission(FC-XIII).

Saving of entire provisions reflects inadequate scrutiny during the stage of preparation of the budget estimates and while seeking supplementary demands.

Excess expenditure over available provision

5.7 In terms of Appendix-14 to Rule 57 and 63 of the General Financial Rules 2005, the Pay and Accounts office (PAO) is required to ensure that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In cases where payment of a bill/claim would lead to excess over the provision under any unit of appropriation, the payment may be made by the Pay and Accounts Office only on receipt of an assurance in writing from the Ministry/Head of Department controlling the grant that the expenditure involved is not on a New Service, or New Instrument of Service; that necessary funds to accommodate the expenditure will be provided for in time by issue of re-appropriation order, etc., that a note to the effect has been kept for further action,

and that the grant as a whole (i.e., separately under Revenue and Capital Sections) is not likely to be exceeded.

Scrutiny of head-wise Appropriation Accounts for the year 2009-10 revealed that in one case detailed below, the PAO had made payment in excess of budget provision without any re-appropriation order to accommodate the final excess expenditure. This reflected ineffective control at the level of PAO as well as on the part of Head of Department controlling the grant.

Table 5.5-Excess expenditure over available provision

(₹ in crore)

Year	Sub-head	Budget Provisions	Available Provisions	Actual Expenditure	Excess Expenditure
2009-10	2245.80.103.01-Assistance to State from NCCF for calamities of severe nature	O 2500.00 S 1200.00 R -1098.48	2601.52	3261.52	660.00

Unnecessary supplementary grant

5.8 The Ministry of Finance, in its Office Memorandum of August 1996, while taking into consideration, the observations made by the Public Accounts Committee in its 88th Report (10th Lok Sabha), directed all Ministries/Departments to ensure that supplementary grants were obtained in emergent cases only. The Ministry further directed that supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of the annual budget or to meet the requirements of decisions or developments which had taken place after the approval of the budget, i.e., post-budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the period 2008-09 revealed that the Ministry obtained supplementary grants in anticipation of higher disbursement but the entire supplementary provisions remained unutilized at the end of the year as detailed in **Table 5.6**.

Table 5.6: Unnecessary supplementary grant

(₹ in crore)

Year	Sub-head	Original Provision	Supplementary Grant	Actual Disbursement	Savings
2008-09	3601.02.101.01- Normal Central Assistance	17991.98	500.00	15948.17	2543.81
	3601.02.101.13- Additional Central Assistance	--	636.87	--	636.87

Large supplementary grants due to unrealistic budgetary projections

5.9 Under Article 114 of the Constitution of India, Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. In terms of Article 115 of the Constitution, additional grants are obtained through supplementary demands for grants, which are authorised by Parliament. While preparing the estimates of expenditures, Ministries/Departments are required to keep in view the trends of disbursements during the previous years and take due care so that provisions for all inescapable and foreseeable expenditure are made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance, after due deliberations and pre-budget meetings/scrutiny, finalises the budget proposals.

Scrutiny of the Head-wise Appropriation Accounts for the year 2008-09 and 2010-11 revealed that in two cases, the Ministry obtained supplementary grants much in excess of the original provisions ranging from 444 *per cent* to 1,000 *per cent* of the original provisions as detailed in **Table 5.7**.

Table 5.7: Large supplementary grants due to unrealistic budgetary projections

(₹ in crore)

Sub-Head	Year	Original Provision	Supplementary Grant	Percentage of Supplementary Grant
3601.02.101.06-Additional Central Assistance for Externally Aided Projects	2008-09	682.50	3029.50	444
2075.00.795.03-Loans to State Governments Written off	2010-11	100.00	1000.00	1000

This indicates that the Ministry did not prepare its initial estimates of expenditure on a realistic basis.

Non-reporting of re-appropriation of funds by ₹ five crore or more to the Parliament

5.10 As per Rule 10(6) of the Delegation of Financial Power Rules, all re-appropriation orders issued during the financial year which have the effect of increasing the budget provisions under a sub-head or standard object head by more than 25 *per cent* of the budget estimate or ₹ five crore, whichever is more, shall be reported to the Parliament along with the last batch of Supplementary Demands for grants of the financial year.

Scrutiny of Head-wise Appropriation Accounts for the period 2009-11 revealed that the following re-appropriation orders were issued by the Ministry to increase the provisions by more than ₹ 5 crore or more in the sub-heads but were not reported to the Parliament along with the last batch of supplementary demands of the financial year as detailed in **Table 5.8**. The last batch of Supplementary Demands for grants for the years 2009-10 and 2010-11 were passed by the Parliament on 22.3.2010 and 17.3.2011 respectively.

Table 5.8: Non-reporting of re-appropriation of funds of ₹ five crore or more to the Parliament

Sl. No.	Sub-heads	Amount Re-appropriated	Date of Re-appropriation Orders Issued
2009-10			
1.	3601.01.110.08-One time grant to Government of Arunachal Pradesh	100.00	06.01.2010
2.	3601.02.101.06-Additional Central Assistance for externally aided projects	1000.00 1446.76	06.01.2010 04.02.2010
3.	3601.02.101.07-Additional Central Assistance for Others Projects	600.00 851.97	04.02.2010 12.03.2010
4.	3601.02.101.12-Special Plan Assistance	1585.00 1751.00 400.00	29.12.2009 04.02.2010 12.03.2010
5.	3601.01.101.40-Long Term Reconstruction Assets Damaged during 2005-06 floods	179.64 135.95	06.01.2010 04.02.2010
2010-11			
1.	3601.01.104.12-Grants-in-aid for Heritage Conservations	18.46	15.02.2011
2.	3601.01.104.13-Grants-in-aid for States Specific	194.40	15.02.2011
3.	3601.02.101.04-Special Central Assistance-Border Area Development	56.00	15.02.2011
4.	3601.02.101.06- Additional Central Assistance for externally aided projects	198.75 250.00	15.02.2011 03.03.2011
5.	3601.02.101.07- Additional Central Assistance for Others Projects	736.47	15.02.2011
6.	3601.02.101.08-Special Central Assistance	1000.00 200.00	15.02.2011 30.03.2011
7.	3601.02.101.12- Special Plan Assistance	1878.00	15.02.2011

The Ministry replied (September 2011) that the re-appropriation of funds for the financial years 2009-10 and 2010-11 had not been reported to the Parliament earlier and the same would be done before the next batch of the supplementary demand.

Deficient Internal Audit

5.11 The Internal Audit wing of the Finance Ministry functions under the administrative control of the Chief Controller of Accounts, Ministry of Finance. The details of internal audit conducted during the last three years against the targets fixed by the Chief Controller of Accounts in respect of the Ministry are as under:

Table 5.9: Deficient Internal Audit Control

Year	Target fixed (No. of Divisions /Units Planned for Audit)		No. of Divisions/Units Actually Audited		Percentage of Shortfall	
	Internal Audit Wing	Banking & Financial Institutions	Internal Audit Wing	Banking & Financial Institutions	Internal Audit Wing	Banking & Financial Institutions
2008-09	64	32	49	27	23	16
2009-10	66	31	36	26	45	16
2010-11	72	27	43	26	40	4

The above table indicates that the internal control mechanism of the Ministry was not satisfactory as the shortfalls ranged from 23 to 45 *per cent* in the Internal Audit wing and from four to 16 *per cent* in Banking and Financial Institutions against the targeted units during the years 2008-09 to 2010-11.

Grant No.58- Department of Higher Education (Ministry of Human Resource Development)

Introduction

5.12 The Ministry of Human Resource Development was established in 1985 with a view that the people of the country are a valuable resource and the growth process should be based on integrated development of the citizen. The Ministry has two Departments, namely, the Department of School Education and Literacy and the Department of Higher Education.

The main objectives of the Department of Higher Education are to lay down the national policy on education, planned development of university & higher education and technical education, development of Indian languages, scholarships to deserving students, promotion of books and administration of the Copyrights Act and international co-operation in the field of education, including with UNESCO.

Budget and expenditure

5.13 The overall position of budget provisions, actual disbursements and savings under the grant for the last three years is given in **Table 5.10**.

Table 5.10: Year-wise budget and expenditure

(₹ in crore)

Year	Budget Provision		Actual Disbursement		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	11407.63	Nil	11222.49	Nil	185.14	Nil
2009-10	15516.17	100.00	13963.57	100.00	1552.60	Nil
2010-11	18783.34	Nil	15566.76	Nil	3216.58	Nil

Surrender of savings

5.14 Scrutiny of head-wise Appropriation Accounts for the years 2008-11 revealed that contrary to the extant orders, the Department surrendered savings on the last day of the financial year in all the three years under review as detailed in **Table 5.11**.

Table 5.11: Surrender of savings

(₹ in crore)

Year	Savings		Amount Surrendered		Date of Surrender
	Revenue	Capital	Revenue	Capital	
2008-09	185.14	--	156.50	--	31.03.2009
2009-10	1552.60	--	1369.76	--	31.03.2010
2010-11	3216.58	--	3162.88	--	31.03.2011

Persistent savings

5.15 Scrutiny of Appropriation Accounts revealed that there remained persistent unspent provisions under the revenue section of the grant during the years 2008-11. Large unspent provisions under the grant reflected deficient budgeting by the Department. Details of sub-heads where savings were noticed are given in **Appendix V-B**. A few schemes affected by large persistent savings are discussed below:

(a) National Mission in Education through ICT

The National Mission on Education through Information and Communication Technology (ICT) has been envisaged as a Centrally Sponsored Scheme to leverage the potential of ICT, in teaching and learning process for the benefit of all the learners in Higher Education Institutions in any time anywhere mode.

Scrutiny of records revealed that pace of implementation of the scheme during 2008-11 was slow and savings ranged from 20 to 67 *per cent* of the total provisions as detailed in **Table 5.12**.

Table 5.12: National Mission in Education through ICT

(₹ in crore)

Year	Total Provision	Actual Disbursement	Savings	Percentage	Reasons
2008-09	451.80	361.03	90.77	20	Delay in receipt of approval of the scheme.
2009-10	810.00	270.88	539.12	67	Slow pace of implementation of the scheme owing to release of funds only for pilot projects.
2010-11	810.00	459.96	350.04	43	Slow pace of implementation of the scheme owing to release of funds only for pilot projects.

(b) Upgradation of existing polytechnics and setting up of new ones

Scheme of setting up of new polytechnics and strengthening of existing polytechnics was launched in 2008 to encourage vocational education and skill development. The scheme provided for setting up of 1,000 polytechnics; strengthening of 500 existing polytechnics; construction of women's hostels in 500 polytechnics; and revamping of community polytechnic schemes and increasing number of polytechnics from 669 to 1,000.

Analysis in **Table 5.13** below revealed that implementation of scheme was not up to expectations as during the periods 2008-11 savings under the scheme ranged from 64 to 100 *per cent* of the approved provisions.

Table 5.13: Scheme of upgradation of existing polytechnics and setting up of new polytechnics

(₹ in crore)

Year	Total Provision	Actual Disbursement	Savings	Percentage of savings	Reasons
2008-09	9.00	Nil	9.00	100	Non receipt of approval of the scheme from Competent Authority.
2009-10	45.00	16.30	28.70	64	Reduction in amount of grant to beneficiary and receipt of less number of proposals from existing/New Polytechnics.
2010-11	220.00	37.40	182.60	83	Reduction in amount of grant to beneficiary and receipt of less number of proposals from existing/New Polytechnics.

(c) Community development through polytechnics (CDTP)

The scheme was designed to provide non-formal, short-term, employment-oriented skill development programmes, to various sections of the community, mainly the rural, unorganized and under privileged sections by harnessing the infrastructure available with the existing polytechnics. The scheme was to be implemented through 1,000 All India Council of Technical Education (AICTE) approved polytechnics, across the nation by offering various employment-oriented courses based on local demands and needs.

Scrutiny of the records revealed that the Department made the budget proposal without making any assessment of actual requirement of funds during 2008-11. Resultantly, funds ranging from 66 to 95 *per cent* of the sanctioned provisions remained unspent as detailed in **Table 5.14**. The reason given by the Department for savings was receipt of less number of proposals from polytechnics; which shows that the scheme had been planned without any proper assessment.

Table 5.14: Scheme of Community Development through Polytechnics (CDTP)

(₹ in crore)

Year	Budget Provision	Expenditure	Savings	Percentage of savings	Reasons for Savings
2008-09	17.54	0.85	16.69	95	Receipt of less number of proposals from Polytechnics.
2009-10	141.30	48.14	93.16	66	-do-
2010-11	144.00	30.57	113.43	79	Reduction in amount of grants to beneficiaries and receipt of less number of proposals from existing/new Polytechnics.

Unrealistic budgetary assumptions

5.16 Scrutiny of the Appropriation Accounts revealed that under various sub-heads, entire/large parts of the provisions remained unutilised during the period 2009-11 and were surrendered/re-appropriated to other heads, defeating the purpose for which the budget provisions were passed by the Parliament. Savings of ₹ 40 crore and above are shown in **Appendix V-C**.

Non-utilisation of entire provisions

5.17 Scrutiny of the Appropriation Accounts for the years 2008-11 revealed that in six cases, the entire provision under the sub-heads remained unutilized as detailed in **Appendix V-D** due to non finalization of the scheme, suggesting that budget provisions were obtained without getting the schemes finalized.

Outstanding utilisation certificates

5.18 As per Rule 212(1) of the General Financial Rules 2005, certificates of actual utilization of the grants received for the purposes for which they were sanctioned are required to be submitted within 12 months of the closure of the financial year by the institution or organization concerned. Where the certificates are not received within the prescribed period, the Ministry/Departments will be at liberty to blacklist such institution or organization for the purpose of release of any future grants.

Scrutiny of the records relating to outstanding certificates revealed that 2,022 Utilization Certificates (UCs) involving ₹ 1,91,708.52 crore were outstanding in respect of grants-in-aid released by the Department up to 31 March 2010 as detailed in **Appendix V-E**. The earliest period from when UCs were outstanding was 1977-78.

The Department replied (December 2011) that it was regularly monitoring the receipt of UCs from the grantee institutions. It further stated that a data base had been created and necessary steps were being taken to ensure that no fresh grants were released to the institutions against whom UCs for past grants were still pending.

Unnecessary supplementary grants

5.19 While obtaining a Supplementary Grant, a Department has to keep in view the resources available or likely to be available during the financial year and exercise due caution while forecasting its additional budgetary requirement of funds. Resorting to Supplementary Demands should be in exceptional and urgent cases only.

Scrutiny of the Appropriation Accounts for the period 2008-11 revealed that the Department of Higher Education obtained supplementary grants in anticipation of higher disbursements as detailed below:

Table 5.15: Unnecessary supplementary grants

Year	Budget Estimates (Revenue-Voted)	Supplementary Grant	Actual Disbursement	Savings
2008-09	10852.87	554.76	11222.49	185.14
2009-10	15429.00	87.17	13963.57	1552.60
2010-11	16690.00	2093.34	15566.76	3216.58

(₹ in crore)

From the above table, it is evident that during the years 2009-10 and 2010-11, the savings were more than the Supplementary Grants sought by the Department. Sub-head-wise details where the Department obtained

supplementary grants in anticipation of higher expenditure, but the final expenditure was less than even the original grants/appropriations are given in **Appendix V-F**.

Distortion of budget provision

5.20 Based on the observations contained 147th Report of the Public Accounts Committee (Eighth Lok Sabha), the Ministry of Finance issued instructions that the delegated powers of re-appropriation of funds should be exercised by the Ministries/Departments in such a manner so that the original objectives for which the provisions were made under various sub-heads were not substantially altered by exercise of the power of re-appropriation.

Scrutiny of re-appropriation orders issued during the years 2008-11 revealed that the Department made large re-appropriations of funds between the different primary units of appropriation, defeating the original purpose/activity for which the approvals were obtained as detailed in **Table 5.16** below:

Table 5.16: Distortion of budget provisions

(₹ in crore)

Year	Budget Provision	Number of Re-appropriation Orders Issued	Amount of Re-appropriation Orders transferring the Funds 'from' Sub-heads	Amount of Re-appropriation Orders transferring Funds 'to' Sub-heads	Amount Surrendered	Expenditure
2008-09	11407.63	99	1519.99	1363.49	156.50	11222.49
2009-10	15516.17	101	3056.97	1687.21	1369.76	13963.57
2010-11	18783.34	123	10607.05	7444.17	3162.88	15566.76

From the table above, it is evident that during the year 2010-11, 123 re-appropriation orders were issued involving ₹ 18,051.22, crore thereby substantially altering the initial authorisation made by the Parliament. A few sub-heads where the distortions were apparent are explained in detail below:-

a) Under the sub-head 2202.03.102.10- 'University Grant Commission, Central Universities', against a total provision of ₹ 7,429.11 crore authorized by the Parliament ₹ 2,629.82 crore was re-appropriated (in six instances) from this scheme to some other schemes while ₹ 3,420.10 crore was again re-appropriated (in 14 instances) into this scheme from other schemes, leaving a net impact of re-appropriation to this scheme of the tune of ₹ 790.28 crore.

b) Under the sub-head 2202.05.103.01- 'Rashtriya Sanskrit Sansthan', against a total provision of ₹ 67.73 crore authorised by the Parliament, ₹ 3.09 crore was re-appropriated from this scheme (in one case) to some other scheme and ₹ 23.85 crore was again re-appropriated (in seven instances) into

this scheme from other schemes, leaving a net impact of re-appropriation into this scheme to the tune of ₹ 20.76 crore.

c) Under the sub-head 2202.80.800.40-‘National Mission in Education through ICT’, against a total provision of ₹ 810 crore authorized by the Parliament, ₹ 386.73 crore was re-appropriated (in five instances) from this scheme to some other schemes and ₹ 39.09 crore was again re-appropriated (in three instances) into this scheme from other schemes, leaving a net impact of re-appropriation from this scheme to the tune of ₹ 347.64 crore.

d) Under the sub-head 2203.00.105.04-‘Grant for Quality Improvement Programme-Community Polytechnics’, against a total provision of ₹ 144 crore authorized by the Parliament, ₹ 143.44 crore was re-appropriated (in three instances) from this scheme to some other schemes and ₹ 30.74 crore was again re-appropriated (in four instances) into this scheme from other schemes, leaving a net impact of re-appropriation from this scheme to the tune of ₹ 112.70 crore.

e) Under the sub-head 2203.00.112.05- ‘Indian Institute of Technology’, against a total provision of ₹ 1,599.66 crore authorized by the Parliament, ₹ 686.47 crore was re-appropriated from this scheme to some other schemes and ₹ 1,029.52 crore was again re-appropriated (in nine instances) into this scheme from other schemes, leaving a net impact of re-appropriation to this scheme to the tune of ₹ 343.05 crore.

Irregular budget provision under Banking Cash Transaction Tax

5.21 Examination of Detailed Demands for Grants revealed that the Department made a total provision of ₹ six lakh (₹ two lakh each) under the object head ‘17-Banking Cash Transaction Tax’ during the years 2009-10, 2010-11 and 2011-12 although the Banking Cash Transaction Tax had been withdrawn by the Central Board of Direct Taxes in April 2009. However, no expenditure was incurred against the budget provision under this object head. The Department did not furnish any reasons for making provision for expenditure, for payment towards a tax that had been withdrawn.

Grant No.74 -Ministry of Power

Introduction

5.22 The Ministry of Power is responsible for development, perspective planning, policy formulation, processing of projects for investment decisions, monitoring of the implementation of power projects, training and manpower development as well as administration and enactment of legislation in regard to thermal and hydro-power generation, transmission and distribution.

Budget and expenditure

5.23 The overall position of budget provisions, actual disbursements and savings under the grant for the last three years is given in **Table 5.17**.

Table 5.17: Budget & expenditure

(₹ in crore)

Year	Budget Provision		Actual Disbursement		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	6121.05	409.57	5868.19	377.82	252.86	31.75
2009-10	10851.66	1916.00	8525.99	1579.76	2325.67	336.24
2010-11	11418.97	5139.49	7581.43	3179.73	3837.54	1959.76

Surrender of savings

5.24 From the details of amounts surrendered during 2008-11 as given in **Table 5.18**, it could be seen that savings were surrendered on the last day of the financial year against the provision of extant Rules.

Table 5.18: Surrender of savings

(₹ in crore)

Year	Savings		Amount Surrendered		Date of Surrender
	Revenue	Capital	Revenue	Capital	
2008-09	252.86	31.75	245.66	31.74	31.03.2009
2009-10	2325.67	336.24	2323.20	333.59	31.03.2010
2010-11	3837.54	1959.76	3832.88	1458.82	31.03.2011

Had the above savings been surrendered as soon as these were foreseen, the amounts could have been fruitfully utilized in other schemes/projects of the Government.

Unnecessary supplementary grants

5.25 Audit scrutiny of the Appropriation Accounts for the years 2008-09 to 2010-11 revealed that the Ministry had obtained Supplementary Grants under the following sub-heads in anticipation of higher disbursement, but the entire and/or large portion of the Grants remained unutilized at the end of the year. The supplementary grants obtained proved to be unnecessary to the extent that they remained unutilised as detailed in **Table 5.19**, indicating that the instructions of the Ministry of Finance were not followed.

Table 5.19: Unnecessary supplementary grants

(₹ in crore)

Year	Sub-head	Original Provision	Supplementary Grant obtained	Actual Disbursement	Savings
2008-09	2801.80.004.02- Central Power Research Institute	50.00	9.29	29.11	30.18
	2801.80.800.02- Central Electricity Authority	40.11	10.83	48.48	2.46
	3451.00.090.03- Ministry of Power	14.09	3.10	16.15	1.04
2010-11	4801.02.190.02- National Thermal Power Corporation of India	Nil	710.65	105.19	605.46
	2801.80.797.02-Transfer to Central Electricity Regulatory Commission Fund	Nil	31.80	Nil	31.80

Distortion of budget provision

5.26 Based on the observations contained in the 147th Report of Public Accounts Committee (Eighth Lok Sabha), the Ministry of Finance issued instructions that the delegated powers of re-appropriation of funds should be exercised by the Ministries/Departments in such a manner so that the original objective for which the provisions were made under various sub-heads were not substantially altered by exercise of power of re-appropriation.

Scrutiny of re-appropriation orders issued during the year 2008-11 revealed that the Ministry made large re-appropriations of funds between different primary units of appropriation, defeating the original purpose/activity for which the approvals were obtained as detailed below:

Table 5.20: Distortion of budget provision

(₹ in crore)

Year	Budget Provision	Number of Re-appropriation Orders Issued	Amount of Re-appropriation Orders transferring Funds from Sub-heads	Amount of Re-appropriation Orders transferring Funds 'to' Sub-heads	Surrendered Amount	Expenditure
2008-09	6530.62	17	1820.78	1543.38	277.40	6246.01
2009-10	12767.66	29	3945.37	1288.58	2656.79	10105.75
2010-11	16558.46	24	7048.65	1756.95	5291.70	10761.16

From the above, it is evident that during the year 2010-11, 24 re-appropriation orders were issued, involving ₹ 8,805.60 crore, substantially altering the initial authorisation made by the Parliament. A few sub-heads, where the distortions were apparent are explained below:

a) In sub-head 2801.06.800.03-‘Rural Electrification Corporation’, against a total provision of ₹ 4,852 crore authorized by the Parliament, ₹ 1,074.21 crore was re-appropriated (in five instances) from this scheme to some other schemes while ₹ 1,144.63 crore was again re-appropriated (in eight instances) into this scheme from other schemes, leaving a net impact of re-appropriation to this scheme amounting to ₹ 70.42 crore.

b) In sub-head 2801.80.800.02-‘Central Electricity Authority’, against a total provision of ₹ 60.64 crore authorised by the Parliament, ₹ 9.23 crore was re-appropriated (in eight cases) from this scheme to some other schemes and ₹ 4.78 crore was again re-appropriated (in six instances) into this scheme from other schemes, leaving a net impact of re-appropriation into this scheme amounting to ₹ 4.45 crore.

Non-utilisation of entire provision

5.27 The head-wise Appropriation Accounts for the years 2008-11 revealed that the entire provisions under the sub-heads remained unutilised and were surrendered, defeating the purpose for which they were passed by the Parliament as detailed in **Table 5.21**.

Table 5.21: Non-utilization of entire provisions

(₹ in crore)

Sl. No.	Sub-Head	Year	Original Provision	Savings
1.	2801.80.797.02-Transfer to Central Electricity Regulatory Commission Fund	2010-11	31.80	31.80
2.	2801.80.800.11- Central Electricity Regulatory Commission	2010-11	4.00	4.00
3.	2801.80.800.29-National Electricity Fund	2010-11	227.64	227.64

Savings of ₹ 100 crore or more under a sub-head

5.28 Scrutiny of Appropriation Accounts revealed that savings of ₹ 100 crore or more under a sub-head was noticed which was indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry. Necessary steps need to be taken by the Ministry to make its budgetary exercise more realistic not only to minimise large scale variations between estimates and actuals but also to gainfully utilise the scarce resources. The Ministry should also review its system of budgetary assumptions or/and efficiency of its programme management. **Appendix V-G** gives the details of seven such cases where savings of ₹ 100 crore or more occurred under sub-heads.

Persistent savings

5.29 Scrutiny of the head-wise Appropriation Accounts revealed that under various sub-heads, there were persistent savings, both under Revenue and Capital sections of the grant during the last three years and these were re-appropriated to other heads or surrendered, defeating the purpose for which the budget provisions were passed by the Parliament. The sub-heads depicting saving of ₹ 10 crore and more are detailed in **Appendix V-H**.

Rush of expenditure during the last month and last quarter of the financial year

5.30 Ministry of Finance issued instructions in December 2006 to restrict expenditure during the last quarter of the financial year to 33 *per cent* of the budget amount. Further, as per Rule 56(3) of General Financial Rules 2005, rush of expenditure, particularly in the closing months of the financial year, is to be regarded as a breach of financial propriety and should be avoided. It was, however, noticed that the Ministry did not follow the instructions of the Ministry of Finance and incurred huge expenditure of ₹ 1,456.33 crore (23 *per cent*) in March 2009 and ₹ 3,435.75 crore (54 *per cent*) during the last quarter of the financial year 2008-09 against the total original budgeted allocation of ₹ 6,395.76 crore.

Outstanding utilisation certificates

5.31 As per Rule 212(1) of the General Financial Rules, 2005, the certificates of actual utilization of the grants received for the purpose for which they were sanctioned are required to be submitted within 12 months of the closure of the financial year by the institution or organization concerned. Where the certificate is not received within the prescribed period, the Ministry/Department is at liberty to blacklist such institution or organization for the purpose of release of any future grants. Test check of the records indicates that four UCs involving ₹ 39.91 crore were outstanding in respect of grants-in-aid released by the Ministry during 2009-10.

Deficient internal audit

5.32 The scheme of departmentalization of Union Government Accounts provides for setting up of an efficient internal audit organization to ensure accuracy in accounts and efficiency in the operation of the accounting set up. The scope and function of the internal audit organization depend on the nature of work, the number of subordinate offices, the strength of establishment, nature and quantum of expenditure etc.

The Internal Audit wing of the Ministry functions under the administrative control of the Controller of Accounts and is responsible for conducting internal audit of the units under the Ministry of Power. The details of internal audit conducted during the years 2009-10 and 2010-11 are detailed in **Table 5.22**

Table 5.22: Deficient internal audit control

Year	Total No. of units under Audit Jurisdiction	No. of unit Planned to be Audited	Actual Number of units Audited	Percentage Shortfall (percentage)
2009-10	25	25	20	20
2010-11	25	25	15	40

The information relating to internal audit for the year 2008-09 was neither made available to Audit nor included in the Annual Report of the Ministry. As is evident from the above table, there were shortfalls of 20 *per cent* and 40 *per cent* against the targeted units to be audited during the years 2009-10 and 2010-11 respectively which indicates that the internal control mechanism in the Ministry was deficient.

GRANT NO. 81- DEPARTMENT OF RURAL DEVELOPMENT (Ministry of Rural Development)

Introduction

5.33 The Ministry of Rural Development consists of three Departments, namely (i) Department of Rural Development (ii) Department of Land Resources and (iii) Department of Drinking Water and Sanitation. The Department of Rural Development implements schemes for generation of self-employment and wage employment, provision of housing to the rural poor and construction of rural roads. The Department also provides support services such as assistance for strengthening of DRDA administration, training and research, human resource development, development of voluntary action etc. for proper implementation of the programmes. It also undertakes Information Education and Communication (IEC) activities to promote awareness about rural development programmes in rural areas.

Budget and expenditure

5.34 The overall position of budget provision, actual disbursements and savings under the grant during the last three years is given in **Table 5.23**.

Table 5.23: Budget & expenditure

(₹ in crore)

Year	Budget Provision		Actual Disbursement		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	90930.42	0.50	90926.93	0.50	3.49	--
2009-10	122505.30	7.29	111362.38	7.24	11142.92	0.05
2010-11	148217.71	7.82	130299.16	--	17918.55	7.82

Surrender of savings

5.35 Contrary to the General Financial Rules, the Department surrendered amounts on the last day of the financial years 2008-11 as detailed in **Table 5.24**.

Table 5.24: Surrender of savings

(₹ in crore)

Year	Unspent Provision		Amount Surrendered		Date of Surrender
	Revenue	Capital	Revenue	Capital	
2008-09	3.49	-	1.65	-	31.03.2009
2009-10	11142.92	0.05	11139.37	-	31.03.2010
2010-11	17918.55	7.82	17906.69	7.82	31.03.2011

Had the above savings been surrendered as soon as these were foreseen, these amounts could have been gainfully utilized in other schemes/projects of the Government.

Savings of ₹ 100 crore or more under a sub-head

5.36 Scrutiny of Appropriation Accounts revealed that there were savings of ₹ 100 crore or more under a sub-head which was indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Department. Necessary steps need to be taken by the Department to make its budgetary exercise more realistic, not only to minimize large scale variations between its estimates and actuals but also to gainfully utilize the scarce resources. The Department is required to review its system of budgetary assumption or/and efficiency of its programme management. **Appendix V-I** gives details of four such cases where savings of ₹ 100 crore or more constituting more than 10 *per cent* had occurred under a sub-head during the year 2009-10 and 2010-11.

Unrealistic budgeting

5.37 Scrutiny of head-wise Appropriation Accounts revealed that under various sub-heads, large provisions remained unutilized during the period

2008-11 which were re-appropriated to other heads/surrendered at the end of year, defeating the very purpose for which the budget provisions were passed by the Parliament. **Appendix V-J** gives details of nine such cases where savings of ₹ 10 crore and more had occurred.

Non-utilisation of entire funds

5.38 Scrutiny of head-wise Appropriation Accounts for the years 2008-11 revealed that in four cases, the entire provision under the sub-heads remained unutilized as detailed in **Appendix V-K**. This indicates that the budget estimates for these schemes were prepared without adequate scrutiny.

Persistent savings

5.39 Scrutiny of the head-wise Appropriation Accounts revealed that there remained persistent savings during the years 2008-11. Large savings under the grant reflected deficient budgeting by the Department. A few schemes affected by large persistent savings are detailed in **Table 5.25** and discussed below:

Table 5.25: Persistent savings

<i>(₹ in crore)</i>						
Sl No	Sub-head	Year	Budget Provision	Actual Expenditure	Savings	Saving as a Percentage of BE
1.	2501.06.101.13 - Marketing	2008-09	20.00	8.00	12.00	60
		2009-10	10.00	5.52	4.48	45
2.	2505.02.101.09- Capacity Building and Technical Support	2009-10	1300.00	8.36	1291.64	99
		2010-11	100.00	30.16	69.84	70
3.	2515.00.800.23- Provision of Urban Amenities in Rural Areas (PURA)	2008-09	27.00	0.01	26.99	100
		2009-10	27.00	-	27.00	100
		2010-11	111.20	66.20	45.00	40

a) Capacity Building and Technical Support

Operational Guidelines (2008) of the Mahatma Gandhi National Rural Employment Guarantee Act, envisages provision for capacity building and Technical Resource Support. The Act makes it mandatory for the State Governments to make available to the District Programme Coordinator and the Programme Officer, necessary staff and technical support as may be necessary for the effective implementation of the scheme. There shall be full funding by the Government of India for management support at the District, Block and Gram Panchayat level. Basic training on core issues pertinent to the Act and guidelines was to be arranged by the State Government with priority accorded to its key functionaries, specially the District Programme Coordinator, Programme Officer, Panchayati Raj Institutions.

Scrutiny revealed that ₹ 1,400 crore was provided in the Budget Estimates during the years 2009-10 and 2010-11, out of which only ₹ 38.52 crore was utilised, leaving a major portion of funds ₹ 1,361.48 crore viz. 97 per cent remaining unutilized mainly due to less receipt of proposals from State Governments and non-finalisation of Expenditure Finance Committee memos. This indicates that while budgetary authorization was obtained for this very important item of capacity building, there was failure to operationalise it.

b) Provision of Urban Amenities in Rural Areas (PURA)

Under the scheme, holistic and accelerated development of compact areas around a potential growth centre in a Gram Panchayat (or a group of Gram Panchayats) through Public Private Partnership (PPP) framework is done for providing livelihood opportunities and urban amenities to improve the quality of life in rural areas. Scrutiny revealed that ₹ 27 crore was provided in the Budget Estimates during the years 2008-09 and 2009-10 but the entire provisions (100 per cent) remained unutilized due to non-approval of the scheme from the Expenditure Finance Committee/Cabinet. This indicates that the budgetary authorization was obtained without getting the scheme approved from the competent authority. During 2010-11 also, ₹ 45 crore (40 per cent) remained unspent due to cuts imposed by the Ministry of Finance at the Revised Estimate stage and non-finalization of projects received from various organization.

Absence of any internal audit control

5.40 After departmentalization of Union Government Accounts, an efficient internal audit organization is necessary to ensure accuracy in accounts and efficiency in the operation of the accounts set up. Internal Audit organizations have accordingly been set up in most of the Ministries/Departments. The scope and function of the internal audit organizations depend on the nature of work, the number of subordinate offices, the strength of establishment, nature and quantum of expenditure etc. Further, each Ministry/Department should draw up a Manual of Internal Audit specifying the duties and functions of the organization, with particular reference to the prevailing conditions in the Ministry/Department.

The Internal Audit Wing of the Ministry of Rural Development under the administrative control of the Chief Controller of Accounts (CCA) is responsible for conducting internal audits of the units under the Department. The details of internal audit conducted during the period 2008-11 are given in **Table 5.26**.

Table 5.26: Deficient internal audit control

Year	Total no of Units under Audit Jurisdiction	No. of Units Planned to be Audited	Actual no. of Units Audited	Shortfall in Percentage
2008-09	-	-	-	-
2009-10	785	-	26	97
2010-11	785	-	15	98

The above table indicates that there was complete absence of internal control mechanism in the Department as no targets were fixed for audit during the period 2008-09 to 2010-11 and no unit was taken up for internal audit during 2008-09. Further, there were shortfalls of 97 and 98 *per cent* against the total auditee units during the years 2009-10 and 2010-11 respectively due to shortage of staff.

In the absence of internal audit of units, effective implementation of a number of schemes such as the Mahatma Gandhi National Rural Employment Guarantee scheme being implemented by the Department could not be properly checked.

Grants-in-aid and outstanding Utilisation Certificates

5.41 The Plan provision and expenditure of the Department of Rural Development is centered about entirely on transfer of grants to bodies/authorities. **Table 5.27** below brings out the position.

Table 5.27: Statement showing total Expenditure (Plan) and expenditure on Grants-in-aid of Department of Rural Development

Year	Total Plan expenditure (<i>₹ in crore</i>)	Plan Expenditure on Grants-in-aid (<i>₹ in crore</i>)	Percentage of Expenditure on Grants-in-aid as compared to total Plan Expenditure
2008-09	56850.08	56692.85	99.72
2009-10	56594.96	56445.24	99.74
2010-11	72061.10	71853.16	99.71

In view of the centrality of grants-in-aid expenditure in the overall budget of the Department of Rural Development, there is need for close monitoring of the amounts released for grants-in-aid and their utilisation. As per Rule 212(1) of the General Financial Rules 2005, the certificates of actual utilization of the grants received for the purpose for which they were sanctioned are required to be submitted within 12 months of the closure of the financial year by the institution or organization concerned. Where the certificate is not received within the prescribed period, the

Ministry/Departments will be at liberty to blacklist such institution or organization for the purpose of release of any future grant.

Scrutiny of the records of the Department revealed that 1,348 UCs were outstanding involving ₹ 5,638.80 crore as on 31 March 2010 in respect of grants-in-aid released by the Department upto 2009-10. From year-wise details given in **Appendix V-L**, it would be seen that the earliest period to which the outstanding Utilization Certificate relates pertained to the year 2000-01.

Grant No.89 – Department of Space

Introduction

5.42 The Department of Space (DoS) and its constituent units are responsible for planning and execution of national space activities. Its primary objective is to promote the development and application of space science and technology for the socio-economic benefits of the nation.

Budget and expenditure

5.43 The overall position of the budget provisions, actual disbursements and savings under the grant for the last three years is given in **Table 5.28**.

Table 5.28: Budget & Expenditure

Year	Budget Provision		Actual Disbursement		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	2515.47	1784.55	2425.00	1068.58	90.47	715.97
2009-10	2907.88	2051.16	2876.87	1286.09	31.01	765.07
2010-11	3100.76	2677.28	2557.51	1924.72	543.25	752.56

(₹ in crore)

Distortion of budget provision

5.44 Based on the observations contained in the 147th Report of Public Accounts Committee (Eighth Lok Sabha), the Ministry of Finance issued instructions that the delegated powers of re-appropriation of funds should be exercised by the Ministries/Departments in such a manner so that the original objective for which the provisions were made under various sub-heads were not substantially altered by the exercise of power of re-appropriation.

Scrutiny of re-appropriation orders issued during the years 2008-11 revealed that the Department had made large re-appropriations of funds between the different primary units of appropriation altering the original purpose/activity for which the approvals were obtained as detailed in **Table 5.29** below:

Table 5.29: Distortion of budget provision

(₹ in crore)

Year	Budget Provision	Number of Re-appropriation Orders Issued	Amount of Re-appropriation Orders transferring Funds from Sub-heads	Amount of Re-appropriation Orders transferring Fund to Sub-heads	Surrendered Amount	Expenditure
2008-09	4300.02	2	1200.25	399.27	800.98	3493.58
2009-10	4959.04	2	1196.58	404.58	792.00	4162.96
2010-11	5778.04	27	1925.59	660.30	1265.29	4482.23

From the above, it is evident that during the year 2010-11, 27 re-appropriation orders were issued involving ₹ 2,585.89 crore, substantially altering the initial authorisation made by the Parliament. A few sub-heads, where the distortions were apparent are explained as detailed below:-

a) In sub-head 3402.00.102.01-‘Space Applications Centre’, against a total provision of ₹ 200.82 crore authorized by the Parliament, ₹ 11.37 crore was re-appropriated from this scheme to some other scheme while ₹ 16.62 crore was again re-appropriated into this scheme from other scheme, leaving a net impact of re-appropriation to this scheme to the tune of ₹ 5.25 crore.

b) In sub-head 3402.00.102.02-‘Development and Educational Communication Unit (DECU)’, against a total provision of ₹ 81.59 crore authorised by the Parliament, ₹ 61.18 crore was re-appropriated/surrendered from this scheme to some other scheme and ₹ 0.75 crore was again re-appropriated into this scheme from other scheme, leaving a net impact of re-appropriation into this scheme to the tune of ₹ 60.43 crore.

c) In sub-head 5402.00.101.17-‘Satish Dhawan Space Centre (SDSC-SHAR)’, against a total provision of ₹ 188.83 crore authorized by the Parliament, ₹ 78.02 crore was re-appropriated from this scheme to some other scheme and ₹ 8.28 crore was again re-appropriated into this scheme from other scheme, leaving a net impact of re-appropriation from this scheme to the tune of ₹ 69.74 crore.

d) In sub-head 5402.00.101.31-‘Navigation Satellite System’, against a total provision of ₹ 227.71 crore authorized by the Parliament, ₹ 180.19 crore was re-appropriated/surrendered from this scheme to some other scheme and ₹ 79.83 crore was again re-appropriated into this scheme from other scheme, leaving a net impact of re-appropriation from this scheme to the tune of ₹ 100.36 crore.

Re-appropriation exceeding ₹ five crore not reported to Parliament

5.45 As per Rule 10(6) of the Delegation of Financial Power Rules, all re-appropriation orders issued during the financial year which have the effect of increasing the budget provisions under a sub-head or standard object head by more than 25 per cent of the budget estimate or ₹ five crore, whichever is more shall be reported to the Parliament along with the last batch of Supplementary Demands for grants of the financial year.

Since the requirement of prior approval of the Secretary (Expenditure) is a residuary provision to be used in cases which could not be reported to the Parliament, it is expected that this provision was to be used by Department sparingly. However, Department issued 44 re-appropriation orders as per details given in **Appendix V-M** in a routine manner with the approval of Member (Finance), Space Commission during the years 2008-09, 2009-10 and 2010-11.

Audit observed that the Department issued re-appropriation orders in 42 cases on 31 March with the approval of the Member of Finance, Space Commission, making it impossible to be reported to the Parliament along with last batch of supplementary Demands for Grants. In respect of remaining two cases, mentioned at Sl. No. 4 and 36, during 2008-09 and 2010-11 respectively re-appropriations exceeding ₹ five crore were made by the Department even without the approval of Member of Finance, Space Commission.

Surrender of savings

5.46 Contrary to the General Financial Rules, the Department surrendered the savings at the fag end of the financial year. The details of amounts surrendered during 2008-11 are given below:

Table 5.30: Surrender of savings

(₹ in crore)

Year	Savings		Amount Surrendered		Amount not Surrendered		Date of Surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2008-09	90.47	715.97	82.39	713.59	3.08	2.38	20.03.2009
2009-10	31.01	765.07	29.12	762.88	1.89	2.19	19.03.2010
2010-11	543.25	752.56	531.99	733.30	11.26	19.26	21.03.2011

Had the above savings been surrendered as soon as these were foreseen, these could have been gainfully utilised.

Savings of ₹ 100 crore or more under a sub-head

5.47 Scrutiny of Appropriation Accounts revealed that under the grant, savings of ₹ 100 crore or more under a sub-head were noticed which was indicative of poor budgeting or shortfall in performance or both, in respect of the concerned schemes being implemented by the Department. Necessary steps need to be taken by the Department to make its budgetary exercise more robust not only to minimise large scale variations between estimates and actual to gainfully utilise the scarce resources but also to ensure that intended objectives are achieved as planned. The Department is thus required to review its system of budgetary assumptions or/and efficiency of its programme management. **Appendix V-N** gives the details of nine such sub-heads where savings of ₹ 100 crore or more were noticed.

Unrealistic budgetary assumptions

5.48 Scrutiny of the Appropriation Accounts revealed that under various sub-heads, large parts of the provisions remained unutilised during the period 2008-11 and were surrendered/re-appropriated to other heads, defeating the purpose for which the budget provisions were passed by the Parliament. Savings of ₹ 50 crore and above, constituting more than 40 *per cent* of the budgeted provision are detailed in **Appendix V-O**.

Due to unrealistic budgeting in the Department, a programme viz. “Manned Mission Initiatives/Human Space Flight Programme” could not take off as the major portion of the budget allocation remained unutilized due to non-approval of the scheme. The Department obtained budget provisions of ₹ 20 crore and ₹ 210 crore under sub-heads 3402.00.101.43 respectively when the programme was not approved by the competent authority in 2009-10. Against this, an expenditure of ₹ 19.02 crore and 5.98 crore had been incurred on Revenue and Capital sections of the Program respectively. The Department surrendered only ₹ 200 crore out of unspent provision of ₹ 204.02 crore from Capital section. Similarly, the budget provision of ₹ 100 crore and ₹ 50 crore was also obtained during the 2010-11. Out of this, an expenditure of ₹ 12.90 crore and ₹ 6.37 crore respectively were incurred on Revenue and Capital sections.

Thus, the Department persistently obtained grants of ₹ 230 crore and ₹ 150 crore against which it incurred expenditure of ₹ 25 crore and ₹ 19.27 crore respectively was incurred on an unapproved programme during 2009-10 and 2010-11.

It is not clear why the Department had incurred this amount when the scheme was not taken up due to its non-approval.

Persistent savings

5.49 Scrutiny of head-wise Appropriation Accounts revealed that there were persistent savings under the Revenue as well as the Capital sections of the grant during the last three years. Large savings under the grant reflected deficient budgeting as detailed in **Appendix V-P**.

Savings of entire provision

5.50 Scrutiny in audit revealed that during the years 2008-09 to 2010-11, the entire budget provision under different sub-heads remained unutilised as per details given in **Appendix V-Q**.

Savings of entire provision reflect that the Budget Estimates/Supplementary Demands sought from Parliament were not prepared after adequate pre-budget scrutiny of projects/schemes.

Unnecessary supplementary grants

5.51 While obtaining Supplementary Grants, the Department reported to the Parliament large amounts of additional requirement for different purposes under various schemes/activities but finally was unable to spend not only the entire Supplementary Grants or parts thereof but also the original budget provision. Examination of the grant for the period under review revealed that during the year 2008-09, the entire supplementary grant together with part of original budget provision remained unspent as shown in **Table 5.31**.

Table 5.31: Unnecessary supplementary grants

(₹ in crore)

Sl No.	Sub-head	Original Provision	Supplementary Provision	Actual Disbursement	Savings	Remarks
2008-09						
1.	3252.00.053.06– INSAT 4 Satellite	80.00	15.00	23.53	71.47	Original provision itself was adequate in fact it was more than three times of expenditure.
2.	3402.00.101.04 – PSLV Continuation Projects	170.00	0.75	160.47	10.28	Original provision itself was adequate.
3.	3402.00.101.11– Laboratory for Electro-Optics Syatems (LEOS)	22.59	0.75	19.03	4.31	Original provision itself was adequate.
4.	3402.00.101.38– Navigation Satellite System	18.00	0.50	14.45	4.05	Original provision itself was adequate.
5.	3402.00.102.05– National Natural Resources Management System	28.23	0.50	21.60	7.13	Original provision itself was adequate.

Deficient expenditure control mechanism

5.52 Scrutiny of the records revealed that no expenditure control is exercised in the Principal Accounts Office (Pr. AO) as there was excess expenditure over the budget estimates. During the period under review i.e. 2008-11, it was observed that the expenditure exceeded the budget estimates as early as in the month of May during the year 2008-09 under various centres/projects. The excess expenditure which was incurred over and above the budget estimates in the respective years was authorised by issue of re-appropriation orders only on 31 March by the Department. The cases of excess expenditure observed in audit over and above the budget estimates in some of the sub-heads are given in **Appendix V-R**. No reconciliation of expenditure figures between Pr.AO and PAOs/DDOs was done at any time during the period covered under the review. Thus, there was no mechanism to control expenditure by the Pr.AO over PAOs and Drawing and Disbursing Officers of the centres/projects where the expenditure incurred was in excess of the budget estimates.

Re-appropriation orders were issued by the Department on the last day of the financial year, obviously to cover the excess expenditure already incurred unauthorisedly by the Centres without proper re-appropriation before incurring

the expenditure. Where any excess over the allotment was apprehended, the subordinate authority/ disbursing officer should have obtained additional allotment/ obtained orders of the administrative authority before incurring the excess expenditure and should not, on his own authority, authorise any payment in excess of the funds placed at his disposal. The procedure followed in DoS was against the provisions contained in Rule 58(2) of the General Financial Rules, 2005.

Outstanding utilisation certificates

5.53 The Indian Space Research Organisation (ISRO) had evolved a programme through which financial support by release of grant was provided to Institutes for conducting research and development activities. Certificates of utilisation of grants were required to be furnished by the Institutes to ensure that the grants had been properly utilised for the purpose for which these were sanctioned. Test check revealed that as on 31st March 2011, 442 UCs were outstanding involving an amount of ₹ 32.79 crore in respect of grants released by the Department up to 2009-10. From year-wise details given in **Appendix V-S**, it would be seen that the earliest period to which the outstanding UCs related pertained to the year 1976-77.

Conclusion

5.54 The fiscal position of the Union Government during the financial year 2010-11 witnessed a distinct improvement on account of the substantial growth of 27 *per cent* in the tax receipts, after a period of low growth in the previous two years. The substantial receipts from the auction of spectrum constituting 1.4 *per cent* of GDP also boosted the revenue position of the Government. The robust growth of revenue receipts helped in the reduction of revenue deficit and fiscal deficit by 2.2 *per cent* and 1.7 *per cent* of the GDP respectively in the fiscal 2010-11. Capital expenditure was relatively small as in the past and well below the levels envisaged by the Thirteenth Finance Commission. Plan expenditure was primarily in the nature of disbursement of grants-in-aid. 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. In the case of the Department of Rural Development, where over 99 *per cent* of the Plan expenditure was in the form of grants-in-aid, the lack of expenditure on capacity building and technical support programmes together with deficiencies in internal audit ranging from 97 to 100 *per cent* during the years 2008-09 to 2010-11, along with the presence of substantial pending utilisation certificates highlighted the risks that needed to be addressed by the Department. Another feature of Plan expenditure was an increase in reliance on transfer of Central Plan assistance directly to States and district level autonomous bodies/implementing agencies rather than through the State

Governments. Time analysis of the expenditure of Civil Ministries revealed that there was lumping of expenditure in the month of March. In the case of non-Plan expenditure, 24 *per cent* of the total expenditure was incurred in March, while in the case of Plan expenditure, it was 18 *per cent*.

Systemic deficiencies with regard to the completeness and accuracy of the Union Government Accounts were noticed in the course of audit of the accounts of the Union Government. There was a short transfer of ₹ 3,015 crore and ₹ 1,066 crore of cess collected under the Universal Access levy to the Universal Service Obligation Fund (USOF) and Clean Energy cess to the National Clean Energy Fund respectively. Since 2002-03, the total amount of short-transfer of cess collected for the Universal Service Obligation Fund had been of the order of ₹ 23,752 crore. In the case of a number of Funds, which were to be maintained in the Public Account viz. Security Redemption Fund, Employees Pension Fund, Special Deposit of Employees Deposit Linked Insurance Scheme, and Defined Contribution Pension Scheme for Government Employees, a range of unreconciled issues were noticed, which impinged on the integrity of the Accounts.

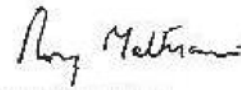
Examination of the Appropriation Accounts for the year 2010-11 revealed that there was total excess disbursements of ₹ 3,384 crore in nine segments of seven grants in Civil Ministries; ₹ 3,053 crore in 15 segments of 10 grants/appropriations of the Ministry of Railways; ₹ 367 crore in one segment of one grant in the Department of Posts and ₹ 4,239 crore in four segments of four grants in Defence Services, which required regularization under Article 115 (1) (b) of the Constitution. Further, serious breaches such as violation of Article 114(3) of the Constitution; unauthorized augmentation of funds under grants-in-aid and subsidies without prior approval of Parliament; misclassification of expenditure from revenue to capital account and vice versa; classification of expenditure under incorrect object heads, etc., were noticed. Notable is the case of the Department of Revenue/Central Board of Direct Taxes incurring an expenditure of over ₹ 10,499 crore on an expenditure item viz. interest on refunds of taxes during the financial year 2010-11 without the authorisation of the Parliament as was necessary under Article 114(3) of the Constitution. There were serious breaches committed by Ministries/Departments inasmuch as legislative approval had not been obtained by a number of them while augmenting provisions in respect of cases where such approval was essential. Excess expenditure, without prior approval of the Parliament in the case of grants-in-aid and subsidies was observed in 25 cases involving 14 Ministries/Departments. There also existed serious issues relating to the integrity of the accounts rendered by the Department of Posts and Department of Space.

Detailed examination of certain grants viz. Transfers to State and Union Territory Governments, Department of Higher Education, Ministry of Power, Department of Rural Development and Department of Space revealed weaknesses in execution of the budgets in selected grants. The recurring findings of Audit in the detailed analyses were poor budgetary management in terms of large savings, surrenders at the fag end of the year, instances of obtaining supplementary grants when the original provision was sufficient and deficient/non-existent internal audit.

In terms of Rule 64 of General Financial Rules, 2005, the Secretaries of Ministries/Departments in their capacity as the Chief Accounting Authorities of the Ministries/Departments are responsible and accountable for the financial management of their Ministries/Departments and have to ensure that the public funds appropriated for their Ministries/Departments are used for the purposes for which they were meant. The Report points to the need for greater attention to be exercised by these authorities for strengthening financial management and internal controls in the respective areas of their operation.

New Delhi

Dated : 23 March, 2012



(ROY MATHRANI)

Director General of Audit,
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Countersigned

New Delhi

Dated : 23 March, 2012



(VINOD RAI)

Comptroller and Auditor General of India