

Union Government Finances and Accounts: 2011-12

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 2011-12. It also contains an analysis of the Appropriation Accounts and audit observations with regard to the accounts of the Union Government for the year 2011-12.

HIGHLIGHTS

C&AG's comments on Union Government Accounts

- The financial position of the Union Government in 2011-12 was characterised by a decrease of 2.40 *per cent* in revenue receipts primarily on account of a substantial reduction in non-tax receipts after an accelerated growth in the preceding year.
(Para 1.1.1 and 1.2.4)
- Capital expenditure was 2.01 *per cent* of GDP, well below the 3.1 *per cent* level set out for the year in the fiscal consolidation plan of the Thirteenth Finance Commission. Of the total capital expenditure, 38 *per cent* was accounted for by Defence.
(Para 1.1.2 and 1.3.4)
- Analysis of Plan expenditure of civil ministries revealed that 76 *per cent* of the total Plan expenditure was in the form of grants-in-aid payment. In three 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)
- Department of Telecommunication transferred to and disbursed from only ₹1,687.96 crore to the Universal Service Fund (USO Fund) out of the total receipts of ₹6,723.57 crore towards Universal Access Levy during the year 2011-12. This resulted in under-statement of the closing balance of the USO Fund by ₹5,035.61 crore for the financial year 2011-12. Resultantly, there was also overall under-statement of the closing balance of USO Fund of ₹21,839.45 crore as on 31 March 2012 after taking into account the reimbursement of license fees and spectrum charges to BSNL amounting to ₹6,948.64 crore over the period 2002-03 to 2005-06 for fulfilling rural obligation.
(Para 2.2.1)
- Research and Development Cess totalling ₹3,453.55 crore was collected during the period 1996-97 to 2011-12. Out of this only

₹506.41 crore (14.66 per cent) was utilized towards objectives for levying the said cess.

(Para 2.2.2)

- On account of expenditure from the Beedi Workers Welfare Fund (Fund) being far in excess of the receipts, the balance in the Fund over the years had become adverse. There was a continuous adverse balance in the fund during the period 2007-08 to 2011-12, which steadily increased from (-) ₹24.56 crore in 2007-08 to (-) ₹205.75 crore in 2011-12.

(Para 2.2.3)

- Of the total income of ₹ 708.27 crore, earned from the investment of the amounts lying in the National Investment Fund (NIF), during the period 2008-12, and credited into the Consolidated Fund of India, an amount of only ₹ 419.37 crore was transferred to the Public Account for meeting expenditure on pre-identified initiatives, leaving a balance amount of ₹288.90 crore in the Consolidated Fund of India.

(Para 2.2.6)

- Non-transfer of receipts of advance payments from assesseees amounting to ₹252.28 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 2011-12. 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 2011-12.

(Para 2.1.4)

- In accordance with the provisions of Article 114(3) of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law. However, during 2011-12, there was total excess disbursements of ₹6,545 crore in six segments of five grants in civil ministries; ₹1,048 crore in four segments of three grants/appropriations of the Ministry of Railways; ₹400 crore in two segments of one grant in the Department of Posts; and ₹568 crore in one segment of one grant of the Defence Services, which require regularization under Article 115(1)(b) of the Constitution.

(Para 3.4)

- 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 93 cases of 75 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 93 cases was of the order of ₹1,92,470 crore.

(Para 3.7 & Appendix III-E)

- In 36 sections of 29 grants/appropriations, persistent savings of ₹100 crore and more were noticed during the last three years (2009-12). Some of the grants/appropriations with large persistent savings during the three year period were, Re-payment of Debt (₹7,74,983 crore), Department of Rural Development (₹71,430 crore), Transfers to State and Union Territory Governments (₹43,105 crore), Department of Economic Affairs (₹28,699 crore), Ministry of Road Transport & Highways (₹10,557 crore) and Police (₹8,606 crore).

(Para 3.7 & Appendix III-F)

- In the grant of Ordnance Factories under the Ministry of Defence, the authorization obtained through the Appropriation Act(s) for the year 2011-12 was for an amount of ₹1,665.21 crore instead of an amount of ₹12,509.52 crore, which constituted the gross expenditure provision. This entailed a short authorisation of ₹10844.31 crore to be paid out of the Consolidated Fund of India.

(Para 4.1)

- Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. An expenditure on interest on refunds amounting to ₹6,486 crore was incurred by the Central Board of Direct Taxes, without the authorisation of the Parliament during the year 2011-12. A total expenditure of ₹34,083 crore on interest payments had been incurred over the last five years without obtaining approval of the Parliament through necessary appropriations. Similarly, an expenditure of ₹29.19 crore was incurred on interest on refunds of taxes, treating it as reduction of revenue, by the Central Board of Excise and Customs for the last three years.

(Para 4.2 and 4.3)

- Director General of Hydrocarbons (DGH) and Petroleum Planning and Analysis Cell (PPAC) are incurring expenditure from funds not provided for through appropriation made by law, but from funds received from the Oil Industry Development Board (OIDB), which is a body corporate, outside the Government. During the financial year 2011-12 an expenditure of ₹67.35 crore was incurred by DGH and

PPAC, which was not authorized by Parliament through the grant of Ministry of Petroleum and Natural Gas.

(Para 4.4)

- 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 43 cases, across 25 grants/appropriations, ₹76.92 crore were incurred by various Ministries/Departments during the financial year 2011-12 by augmenting provision under ‘31-Grants-in-aid General’ to various bodies/authorities without obtaining prior approval of the Parliament. Similarly, in seven cases across five grants ₹180.91 crore were augmented in violation of extant provisions and without prior approval of Parliament to the object head ‘35-Grants for creation of capital assets’

(Para 4.6 and 4.7)

- 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 seven cases, across four grants, ₹ 5833.81 crore were incurred by the various Ministries/Departments during the financial year 2011-12 by augmenting the provision under ‘subsidy’ without obtaining prior approval of the Parliament.

(Para 4.10)

- For augmentation of provisions in existing appropriations under the object heads ‘major works’ and ‘machinery and equipment’ 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 ₹2.5 crore, whichever is less. In 15 grants, ₹421.21 crore were incurred by the various Ministries/Departments during the financial year 2011-12 by augmenting the provision under these object heads without obtaining prior approval of the Parliament.

(Para 4.12)

- Various departments/ministries incorrectly classified revenue expenditure as capital expenditure and vice versa. The misclassifications resulted in an overstatement of capital expenditure by ₹463.82 crore and understatement of capital expenditure by ₹ 2172.73 crore. The overall impact on Government expenditure was an understatement of capital expenditure of ₹1708.91 crore.

Correspondingly revenue deficit was overstated by an equivalent amount of ₹1708.91 crore during the financial year 2011-12.

(Para 4.13, 4.14, 4.15 and 4.16)

- Rule 8 of the Delegation of Financial Powers Rules 1978 (DFPR) prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of classification of expenditure up to the sixth tier i.e., object head. In 23 cases, across 18 grants/appropriations ₹69,759.64 crore were misclassified in these primary units of appropriation.

(Para 4.19)

- Sanction orders issued by the Department of Space, authorizing the incurrence of expenditure, do not distinctly specify the amount of expenditure to be debited separately to revenue and capital accounts and plan and non-plan under revenue and capital accounts. The sanction orders only specify the amount of expenditure to be classified up to the sub head level i.e. the fourth tier of classification, instead of giving complete directions up to the sixth tier of classification. Thus, the sanction orders issued by the authorities in the Department of Space were deficient, as they did not give clear directions with regard to proper booking and classification of expenditure.

(Para 4.25)

- 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 three grants lump-sum supplementary provisions were obtained in violation of the provisions of General Financial Rules and the additionalities were distributed by the ministries/departments amongst schemes having distinct budget lines in the Detailed Demand for Grants. Further, as augmentations (₹308 crore) were made to the object heads 'grants-in-aid general' and 'grants for creation of capital assets', in terms of instructions of the Ministry of Finance these require prior approval of the Parliament.

(Para 4.26)

- The shifting paradigm of public service delivery has led to a steady increase in grants-in-aid expenditure so as to constitute, with the exception of debt repayments, the single largest item of expenditure for the grant. For substantial amounts of plan grants-in-aid expenditure to societies, NGOs, Trusts, the audit remit of the CAG is neither unfettered nor unrestricted. Amendments suggested to the CAG's

(DPC) Act, 1971 to bring in transparency and accountability are under consideration of the Government.

(Para 1.3.10, 6.1 and 6.3.2)

- For the year 2011-12, the Union Government transferred Central Plan assistance of ₹ 1,09,173 crore 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 6.3.1)

- Ministry of Rural Development booked an expenditure of ₹29,189.77 crore under the object head Grants for creation of capital assets for operationalisation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). As a large number of works did not result in creation of assets and the focus was on employment generation or minor improvements to existing assets, there is a strong case for not classifying the entire amount under 'Grants for creation of Capital Assets' in this flagship scheme.

(Para 6.4)