Chapter 4

APPROPRIATION ACCOUNTS: COMMENTS ON ACCOUNTS

4.1 Incorrect authorisation obtained from Parliament for expenditure in Grant No. 25 – Defence Ordnance Factories

Article 114 of the Constitution of India states that a bill will be introduced 'to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet the grants so made by the House of People and the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament'. The Bill so introduced will be based on the individual demand for grants. The Appropriation Act passed by Parliament provides for payment from the Consolidated Fund of India.

Audit scrutiny of Grant No.25 – Defence Ordnance Factories, for the financial year 2011-12 revealed that the Demand for Grants for the concerned grant, while indicating gross expenditure provision of ₹11,640.19 crore at the Budget Estimates, has sought for purposes of the Appropriation Bill an amount of ₹795.88 crore only by netting of provisions of recoveries. Through supplementary Demand for Grant an additional amount of ₹869.33 crore was obtained for the grant on Ordnance Factories during the course of the financial year. Thus while total sums required for authorization by Parliament for the financial year was ₹12,509.52 crore, however, the actual authorization obtained from Parliament for incurrence of expenditure during the financial was ₹1,665.21 crore.

The table below brings out the position.

(₹ in crore)

	Authorization obtained			Authorization Required		
Expenditure	**Original**	**Supplementary**	**Total**	**Original**	**Supplementary**	**Total**
Charged	3.00	10.40	**13.40**	3.00	10.40	**13.40**
Voted	792.88	858.93	**1,651.81**	11,637.19	858.93	**12,496.12**
Total			**1,665.21**			**12,509.52**

As a result of this Ministry has obtained an authorization of expenditure which is short by ₹10,844.31 crore from Parliament under Grant No. 25-Defence Ordnance Factories for the financial year 2011-12.

The Ministry stated (April 2013) that this practice has been authorised by the Ministry of Finance, Department of Expenditure in the year 1986. It further added that payments made to Ordnance Factory Board by the Services on account of supplies made to the Services are budgeted in the respective grants of the Defence Service Estimates and seeking approval for gross expenditure for Ordnance

Factories would amount to seeking approval of Parliament twice for the same amount. The Ministry further added that the matter should be viewed in overall perspective of the Defence Services Estimates, rather than one grant in isolation.

The reply of the Ministry is not tenable in view of the fact that the Demands for Grants are presented separately under Article 113 of the Constitution seeking the approval of Parliament for "gross" amounts of expenditure. Further, in all other grants of the Union Government legislative authorisation is being obtained for the gross amount without taking into account recoveries taken in reduction in expenditure.

4.2 Continuing breach of Article 114(3) of the Constitution of India-Expenditure incurred on interest on refunds of taxes by the CBDT

Article 114(3) of the Constitution stipulates that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law.

Payment of interest on refunds of excess tax is a charge on the Consolidated Fund of India and is, therefore, payable only after having been authorised under the due appropriation made by law. Rule 8 of the Delegation of Financial Powers Rules, 1978, describes 'Interest' as primary unit of appropriation for classification of interest expenditure.

The Department of Revenue/Central Board of Direct Taxes (CBDT) has been classifying interest on refunds of excess tax as reduction in revenue and this incorrect practice has been commented upon successively in CAG's Audit Report on Union Accounts as well as in CAG's Report on Direct Taxes, but no corrective action has been taken by the department.

This issue was examined by the Public Accounts Committee and the Committee in their Sixty-Sixth Report (2012-13) had observed that there was no valid ground as to why the Department could not make broad estimates of expenditure on interest liability on tax refunds based on the studied trends of the past. The Department itself had admitted that in terms of Article 266 of the Constitution, it had no legal authority to withdraw the 'interest' on excess tax collected/refunds without recourse of Appropriation law passed by Parliament. Further, the Committee reminded the Department that Article 114(3) of the Constitution clearly mandates that no money shall be withdrawn from the Consolidated Fund of India except under 'Appropriation' made by the Legislature.

The expenditure incurred as interest on refunds of taxes by the CBDT for the last five years is as follows:

Table 4.1: Expenditure on interest on refunds of taxes

(₹ in crore)

Year	Expenditure on interest on refunds
2007-08	4444
2008-09	5778
2009-10	6876*
2010-11	10499
2011-12	6486
Total	**34083**

** The department initially intimated the figure as ₹12,951 crore. Subsequently, after the report was placed in the Parliament, the department intimated this figure as ₹6,876 crore.*

As in the past no budget provision for interest on refunds was made in the Budget Estimates for the financial year 2011-12 and an expenditure on interest on refunds amounting to ₹6,486 crore was incurred by the Department, in contravention of provisions of the Constitution. Expenditure of the order of ₹34,083 crore on interest payments had been incurred over a period of last five years without obtaining approval of the Parliament through necessary appropriation.

On this being pointed out by Audit, the Department stated (February 2013) that audit objection on similar issue was raised by the Comptroller and Auditor General of India in Para 4.1.1 of his report No. 1 for the year 2011-12. Consequently, the issue is already under close examination of the Ministry of Finance. This being a policy matter, it is expected to be settled expeditiously in consultation with the Comptroller and Auditor General of India, Ministry of Law & Justice and Ministry of Finance.

4.3 Breach of Article 114(3) of the Constitution of India- Expenditure incurred on interest on refunds of taxes by the CBEC

During audit it was observed that a similar practice was also followed by the Central Board of Excise and Customs (CBEC) in respect of payment of interest on refunds. Expenditure of ₹7.51 crore and ₹29.19 crore during the year 2011-12 and for the three years period 2009-12 respectively was incurred on interest on refunds of taxes, treating it as reduction of revenue, by the Central Board of Excise and Customs. The three years detail is as follows:

Table 4.2: Expenditure on interest on refunds of taxes

(₹ in crore)

Years	Expenditure on interest on refunds		
	Central Excise	Service Tax	Total
2009-10	4.47	Negligible	4.47
2010-11	16.51	0.70	17.21
2011-12	6.91	0.60	7.51
TOTAL	**27.89**	**1.30**	**29.19**

Since payment of interest on refunds of taxes is an item of expenditure, as explained in para 4.2 and reiterated by the Public Accounts Committee, the budget provision for such item should be obtained in the relevant Demand of the Department and expenditure accordingly booked in the accounts.

4.4 Funding of two authorities from outside the Government.

Article 12 of the Constitution provides that the 'State' includes the Government and Parliament of India and the Government and Legislature of each of the States and all local or other authorities within the territory of India or under the control of Government of India. The Ministry of Law and Justice has clarified that the 'State' includes 'other authorities'. It embraces every public authority exercising statutory power, every authority created under statute and even a non statutory authority exercising public functions.

The Directorate General of Hydrocarbon (DGH) was set up (April 1993) under the administrative control of Ministry of Petroleum and Natural Gas by Government of India through a resolution for having a balanced regard for environment, technological and economic aspects of petroleum activity. DGH is responsible *inter alia* to regulate the preservation, upkeep and storage of data and samples pertaining to petroleum exploration, drilling and production of reservoirs, etc., and to cause the preparation of data packages for acreage on offer to companies.

Similarly, the Petroleum Planning and Analysis Cell (PPAC) was created (April 2002) after dismantling the administered pricing mechanism in petroleum sector. It is attached to the Ministry of Petroleum and Natural Gas and among other things it would assist in administration of subsidy on PDS kerosene and domestic LPG and freight subsidy for far-flung areas.

Both the Director General of Hydrocarbons (DGH) and Petroleum Planning and Analysis Cell (PPAC) are performing regulatory functions and are essentially authorities directly under the Government of India. They should therefore be funded from Consolidated Fund of India through regular appropriations made under the law. However, it was noticed in audit, that both these authorities were 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 of 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. The three years figures showing amounts released by Oil Industry Development Board to fund expenditure of DGH and PPAC are as under:-

Table 4.3: Funding of two authorities from outside the Government

(₹ in crore)

Year	Name of the organization	Grants released by the OIDB
2009-10	DGH	58.67
	PPAC	9.65
2010-11	DGH	51.35
	PPAC	10.95
2011-12	DGH	55.14
	PPAC	12.21
Total		**197.97**

This is an anomalous arrangement whereby the offices of DGH and PPAC which constitutes ‘other authorities’ within the meaning of Article 12 of the Constitution are funded by a body corporate, outside the government rather than through the grant of the Ministry of Petroleum and Natural Gas. This matter relating to funding of DGH through OIDB was referred in August 2009 to the Ministry of Petroleum and Natural Gas. The Ministry in its reply (August 2009) stated that the funding of DGH from the Consolidated Fund of India would be examined in consultation with the Ministry of Finance.

In January 2013, however, the Ministry replied that the funding of DGH and PPAC through Consolidated Fund of India or through OIDB is a policy decision. Government of India has taken a decision through a resolution in April 1993 to fund the DGH by grants from OIDB. Similarly, with regard to PPAC a decision was taken through a resolution in April 2002 that office expenditure and establishment expenditure in respect of 43 personnel of PPAC would be funded by grants from OIDB.

Given the nature of the two authorities, the function they perform, the provisions of Article 12 of the Constitution together with the view of Ministry of Law and Justice, there is a need to review the existing arrangements of expenditure authorisation for DGH and PPAC so that their expenditure is duly authorised by Parliament through the grant of the Ministry of Petroleum and Natural Gas.

4.5 Expenditure incurred without budget line

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.

Audit scrutiny of head-wise appropriation accounts revealed that an amount of ₹138.10 crore was incurred across four grants without any budget provision available/provided by way of parliamentary authorisation as detailed in the following table.

Table 4.4: Expenditure incurred without budget line

Sl.No.	Grant No. and Head of Account	Amount (₹ in crore)	Reply of Department	Remarks
	20-Ministry of Defence (Civil)			
1.	Minor Head 2075.00.108 Canteen Stores Department (CSD)	133.93	Ministry stated (January 2013) that budget was allocated under the Object head '32-Contribution' and there was no provision made under Object head "Grants-in-aid". The expenditure, though, is being shown in the service code head allocated for grants-in-aid.	The Ministry's contention is not tenable because absence of any specific Service code Head for "32-Contribution" does not authorise the Ministry to book the expenditure under object head "31- Grants-in-aid".
2.	4075.00.107.01.00.53-Land, Acquisition of Land Booking Head(099/29) (Coast Guard Organisation)	2.63	Ministry stated (January 2013) that the expenditure has been booked under Acquisition of Land, though the budgetary allocation of ₹6.85 crore has been provided under MH 4075.00.107.03.00.53-Construction during the FY 2011-12. Both sub heads fall under one object class 6 (Acquisition of capital assets and other capital expenditure).	The reply of the Ministry is not tenable as the budget was approved by Parliament sub head-wise and not as object class wise. Further, the erroneous booking under code head 099/29 had been regretted by Ministry itself and the bookings for the financial year 2012-13 have now been rectified and booked under 099/30 and 099/31 in the month of December, 2012.
	24- Air Force			
3.	Grants-in-aid to Kendriya Sainik Board for Armed Forces Flag Day Fund	1.00	Ministry stated (January 2013) that the savings under one sub-head of the minor head - 800 had been re-appropriated to another sub-head under the same minor head at the revised estimates stage which had been approved by the Parliament under the second supplementary. It further stated that full powers of re-appropriations had been delegated to the Ministry of Defence and therefore the action was in order.	The view of the Ministry is not acceptable for the reason that in the second supplementary demand for grants funds were obtained for meeting expenditure on maintenance cost of the aircrafts for VVIP travel, court orders, salaries, transportation, etc. and did not include any provision for expenditure under 'Grants-in Aid'.
	90-Department of Space			
4.	5252.00.203.03.00.53 INSAT-4/GSAT Satellites (An expenditure of ₹54.22 lakh was incurred through re-appropriation under the head. In April 2012, after the close of the financial year, Department issued an amended re-appropriation order transferring the expenditure already booked under this scheme to another scheme "Navigational Satellite System" (head 5402.00.101.31. 00.53) to the extent of ₹50 lakh. The remaining ₹4.22 lakh was transferred to the project, "ISRO Satellite Centre" under Capital account (head 5402.00.101.08. 00.53).	0.54	The Department replied (August 2012) that the civil works was meant for testing various payloads of satellites including INSAT-4 and IRNSS projects. It added that since the facility was useful for testing the payloads of satellites of ISRO, the expenditure was initially booked under INSAT-4 project but subsequently the error was corrected by booking the expenditure under IRNSS project, when it was found that there was no provision under Major Works in the INSAT-4 project.	The reply of the Department is not tenable as the Department incurred an expenditure of ₹54.22 lakh on 'New Service" for which there was no budget line. Rule 59(1) of General Financial Rules, 2005 enjoins that re-appropriation exercise needs to be completed before the close of the financial year. The Department further stated that (February 2013) the audit observation has been noted for future compliance.
	Total	**138.10**		

Failure to obtain legislative approval for augmenting provisions

4.6 Augmentation of provision to object head 'Grants-in-aid- General'

In accordance with instructions issued by the Ministry of Finance in May 2006, augmentation of provision by way of re-appropriation to the object head 'Grants-in-aid' to anybody or authority from the Consolidated Fund of India in all cases could only be made with the prior approval of the Parliament.

Scrutiny of Appropriation Accounts vis-à-vis e-lekha data revealed that in 43 cases, across 25 grants/appropriations, expenditure aggregating ₹76.92 crore was incurred by various Ministries/Departments during the financial year 2011-12 by augmenting of provision under '31-Grants-in-aid General' to various bodies/authorities without obtaining prior approval of the Parliament. The table below gives detail of heads where augmentation was made under various grants/appropriations without approval of the Parliament.

Table 4.5: Augmentation of provision without prior approval of the Parliament under Grants-in-aid-General

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
1.	4-Atomic Energy	2 cases*	15.68	Department stated (January 2013) that after augmentation of these two detailed heads, the budget provision of the sub-head was well within the approved budget estimates.	The reply is not tenable as determination of limits for augmentation is with reference to primary unit of appropriation i.e. object head and not sub-head.
2.	19-Culture	3 cases*	9.38	Reply awaited.	
3.	20-Ministry of Defence	2052.00.090.01.01.31 Department of Defence	0.95	Ministry stated (January 2013) that the augmentation under object head-Grants-in-aid had been done with the prior approval of Ministry of Finance.	The reply of the Ministry was not tenable as augmentation of grants-in-aid requires the prior approval of Parliament.
4.	22-Army	Grants-in-Aid to Institutions Code head 577/02 –(K)	1.50	Ministry stated (January 2013) that neither Delegation of Financial Powers Rules 1978 nor object head-wise classification prescribed therein are applicable to Defence Services Estimates.	Ministry's reply is not tenable as the instructions relating to NS/NIS[1] also applies to Defence.
5.	25-Defence Ordnance Factories	Grants-in-Aid to Schools Code head 810/12	0.89	Ministry replied (August 2012) that no supplementary was necessary as the additionality was met from the savings available within the grant.	The reply is not tenable as despite availability of savings within the grant, augmentation in grants-in-aid requires prior approval of Parliament.

[1] New Service/New Instrument of Service

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
6.	28- Ministry of Development of North Eastern Region	2552.00.800.02.12.31 – Other Miscellaneous Items	2.00	Ministry while accepting the observation stated (March 2013) that instructions had since been issued for strict compliance in future.	
7.	29-Ministry of Earth Sciences	3403.00.200.04.00.31-COMAPS[2]	0.15	Reply awaited.	
8.		3403.00.200.14.00.31 TSSWS[3]	0.41	Reply awaited.	
9.	30-Ministry of Environment and Forests	2406.04.101.02.00.31 - Support to Regional Offices	0.11	Reply awaited.	
10.	31- Ministry of External Affairs	2061.00.800.11.09.31-Grants to Institutions	0.50	Ministry while accepting (January 2013) the audit observation regretted the error.	
11.	47-Department of AYUSH	2210.05.200.13.00.31-North-eastern Institutes of Ayurveda and Homeopathy	0.23	Reply awaited.	
12.	49- Department of AIDS Control	2210.06.101.33 – National AIDS Control Programme	2.86	Reply awaited.	
13.	53-Cabinet	2013.00.107.01.01.31 - Establishment	0.02	The Ministry stated (April 2013) that augmentation was done with the approval of Secretary (Expenditure).	The reply is not tenable as prior approval of Parliament was not obtained.
14.	57-Ministry of Housing and Urban Poverty Alleviation	2215.02.105.18.00.31 Development/Improvement of Sewerage system in North Eastern State.	13.90	The Ministry stated (April 2013) that funds were made available out of lump sum for one scheme of North-Eastern Region (NER) to another better performing scheme in NER.	The reply is not tenable as scheme specific parliamentary authorisation is obtained and any augmentation to another scheme requires prior approval of Parliament.
15.	60-Ministry of Information and Broadcasting	2220.01.800.07.00.31-Satyajit Ray Film and Television Institute, Kolkata	1.80	Reply awaited.	
16.	85-Department of Science and Technology	3425.01.001.01.00.31 – Grants-in-Aid General – Surveyor General	2.49	Reply awaited.	
17.	87-Department of Bio-technology	3425.60.200.17.02.31 – Human Resource Development	0.19	Reply awaited.	
18.	88-Ministry of Shipping	3051.80.004.01.00.31 – Other items (R&D Scheme)	0.08	Reply awaited.	

[2] Coastal Ocean Monitoring and Prediction System
[3] Tsunami and Storm Surge Warning System

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
19.	90-Department of Space	3451.00.090.18.00.31 – Department of Space; 3402.00.101.01.00.31 – Vikram Sarabhai Space Centre (VSSC); and 3402.00.101.26.00.31 – ISRO Telemetry, Tracking & Command Network (ISTRAC)	0.63	Reply awaited.	
20.	96-Andaman & Nicobar Islands	3 cases*	2.25	Reply awaited.	
21.	97- Chandigarh	3 cases*	1.91	Reply awaited.	
22.	98-Dadra and Nagar Haveli	Ministry of Rural Development 2235.03.101.03.00.31-Grants-in-aid General – Assistance to implementing Agencies	0.02	Reply awaited.	
23.	99 –Daman and Diu	4 cases*	2.87	Reply awaited.	
24.	100–Lakshadweep	8 cases*	5.80	The Pr. PAO stated (March 2013) that these augmentations were made for payments of salary of staff including teachers transferred to Panchayat consequent upon devolution of powers. As the item was payment of salaries, it falls within the exempted category of new service.	The reply is not tenable as this expenditure is of the nature of grants-in-aid in the books of the Government.
25.	101-Department of Urban Development	2217.05.800.23.00.31 Urban Infrastructure Development in Satellite/Counter Magnet Cities	9.32	Reply awaited.	
26.	104-Ministry of Water Resources	2701.80.800.14.00.31 – Information, Education and Communication	0.98	Reply awaited.	
Total			**76.92**		

** Cases listed in Annex IV-A*

4.7 Augmentation of provision to object head 'Grants for creation of capital assets'

In accordance with instructions issued by the Ministry of Finance in May 2006, augmentation of provision by way of re-appropriation to the object head 'Grants-in-aid' to anybody or authority from the Consolidated Fund of India in all cases could only be made with the prior approval of the Parliament.

Audit noticed that in seven cases across five grants funds aggregating to ₹180.91 crore were augmented in violation of extant provision without prior approval of Parliament to the object head '35-Grants for creation of capital assets'.

Table 4.6: Augmentation of provision to object head 'Grants for creation of capital assets'

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)
1.	46-Department of Health and Family Welfare	2210.06.800.31.03.35 Upgradation/strengthening of Nursing Services	77.04
2.	57-Ministry of Housing and Urban Poverty Alleviation	2216.02.190.14.00.35 Construction/ upgradation of Shelters for Urban Poor.	0.23
3.		3475.00.108.03.00.35 Employment Promotion/Poverty Alleviation	6.23
4.	60-Ministry of Information and Broadcasting	2221.80.102.01.00.35 Prasar Bharati	60.25
5.	93-Ministry of Textiles	2851.00.107.01.02.35 Grants towards Development of Silk Industries	8.95
6.	96-Andaman & Nicobar Islands	Department of Road Transport & Highways 3054.04.192.01.00.35-Port Blair Municipal Council	9.95
7.		Department of Road Transport & Highways 3054.04.196.01.00.35- Zilla Parishad	18.26
Total			**180.91**

The Ministry of Housing and Urban Poverty Alleviation stated (April 2013) that funds were made available out of lump sum for one scheme of north-eastern State (NER) to another better performing scheme in NER. The reply is not tenable as scheme specific parliamentary authorisation is obtained and any augmentation to another scheme requires prior approval of Parliament. Replies of the other concerned Ministries were, however, awaited.

4.8 Augmentation of provision to object head 'Grants-in-Aid Salaries'

Re-appropriation of funds from the head '31-Grants-in-aid-General' either to '35-Grants for Creation of Capital Assets' or to '36-Grants-in-aid-Salaries' by the Ministries/Departments are required to be made with prior approval of Parliament through Supplementary Demands for Grants. This procedure was to be adopted by all the Ministries/Departments based on the Office Memorandum dated 8 June 2010 issued by the Ministry of Finance, when the object head '35-Grants for Creation of Capital Assets' was introduced on 12 February 2010 in the list of Object Heads indicated below Government of India Decision No.1 below Rule 8 of Delegation of Financial Powers Rules, 1978.

Scrutiny of Appropriation Account of grant No. 105-Ministry of Women and Child Development for the FY 2011-12 revealed that the Ministry spent ₹30.90 crore under revenue section against the provision of ₹30.22 crore obtained through supplementary grants (token) in five sub-schemes under the scheme 2235.02.103.42- Central Social and Welfare Board.

Since all cases of augmentation of grants-in-aid required prior approval of parliament for expenditure from Consolidated Fund of India, Audit is of view that expenditure to the tune of ₹0.68 crore (₹30.90 crore - ₹30.22 crore) was unauthorized and without legislative approval.

The Ministry while regretting the lapse stated (August 2012) that excess expenditure was due to the fact that the expenditure was initially booked under the object head ‘31- Grants-in-aid General’ and amount was later re-appropriated to newly created head ‘Grants-in-aid Salaries’.

4.9 Augmentation of Grants-in-aid provision through a corrigendum by Ministry of Youth Affairs and Sports

Para 8.2 of the Budget Circular 2011-2012 issued in September 2010 by the Ministry of Finance, Department of Economic Affairs enjoins that all Ministries/Departments should ensure that the totals for each Major Head and the total provisions by Revenue and Capital Sections separately for ‘charged’ and ‘voted’ included in the Detailed Demands for Grants exactly correspond to the provisions included in the main Demands for Grants which are prepared by the Budget Division. Final print order for Detailed Demands for Grants should be given only after the reconciliation is completed.

Article 113 of the Constitution of India provides that the estimates of expenditure relating to the ‘voted’ portion shall be submitted to the Lok Sabha in the form of demands for grants. Further, The Detailed Demands for Grants are laid by the respective Ministries on the Table of Lok Sabha after the Demands for Grant is submitted to the Parliament, but well in advance of the date of discussion fixed for that Ministry’s Demands. The Detailed Demands for Grants show the further break-up by reflecting the ‘Object-head’ wise expenditure. Plan and Non Plan provisions are also shown distinctly.

Examination of Appropriation Accounts for the year 2011-12 of the Ministry of Youth Affairs and Sports revealed that the Ministry issued a corrigendum in May 2011 to the Detailed Demands for Grants 2011-12 through which it altered the figures already included in the Detailed Demands for Grants and presented to the Parliament.

The Demands for Grants presented by the Ministry to the Parliament in terms of Article 113 of the Constitution at the time of Budget and Detailed Demands for Grants presented to the Parliament before the date of discussion fixed for that Ministry’s Demands of Grants contained two sets of figures. The difference in the set of figures in the Demands for Grants and in the Detailed Demands for Grants was noticed under the heads '2204-Sports and Youth Services' and '3601-Grants-in-aid to State Governments', as detailed below:

(₹ in crore)

Major Head	Estimates included in the Demands for Grants	Estimates included in the Detailed Demands for Grants	Difference	Remarks
2204-Sports and Youth Services	779.23	632.64	146.59	Enhancement of ₹144.59 crore in Grants-in-aid-General and ₹2.00 crore in Scholarship.
3601-Grants-in-aid to State Governments	217.26	363.85	-146.59	Reduction of ₹146.59 crore in Grants-in-aid-General

Scrutiny in audit revealed that the Ministry through a corrigendum augmented Grants-in-aid General provision of ₹144.59 crore under major head '2204-Sports and Youth Services' and reduced the provision of grants-in-aid general under the major head '3601-Grants-in-aid to State Governments'.

The augmentation of ₹144.59 crore to body and authorities under major head '2204-Sports and Youth Services' by the Ministry of Youth Affairs and Sports through a corrigendum is therefore in violation of OM dated 25 May 2006. It was necessary for the Ministry to have augmented the provision pertaining to grants-in-aid, only with the prior approval of Parliament, by obtaining a suitable supplementary demand for grant.

4.10 Augmentation of provision to object head ‘Subsidy’

In accordance with instructions issued by the Ministry of Finance in May 2006, for augmentation of provision in the existing appropriation under the object head ‘subsidies’ through re-appropriation, prior approval of the Parliament is required, if the additionality is more than 10 *per cent* of the existing appropriation already voted by the Parliament or ₹10 crore, whichever is less.

Scrutiny of Appropriation Accounts vis-à-vis e-lekha data revealed that in seven cases, across four grants/appropriations, funds aggregating ₹5833.81 crore were incurred by the various Ministries/Departments during the financial year 2011-12 by augmenting the provision under the object head ‘33-Subsidy’ in violation of the extant provisions, without obtaining prior approval of the Parliament, thereby attracting the limitations of New Service/New Instrument of Service. Table below gives details of sub-heads where augmentation was made under various grants/appropriations without prior approval of the Parliament.

Table 4.7: Augmentation of provision on ‘Subsidy’ without prior approval of the Parliament

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
1.	7-Department of Fertilizers	2401.00.106.02.00.33 – Import of Urea	4500.00	Expenditure was incurred on the advice of Ministry of Finance and expenditure reported/would be reported to the Parliament.	Prior approval of Parliament through Supplementary Demands for Grants in cases where financial limits of NS/NIS are attracted, and reporting of cases of re-appropriation of Funds through
2.		2852.03.101.01.00.33 – Payment under Fertilizers Retention Price Scheme	1200.00		

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
3.		2401.00.129.04.00.33 – Compensation for loss on account of sale of fertilizer bonds for imported decontrolled fertilizers	117.05		executive orders to the Parliament are different from each other. The instant cases required the prior approval of the Parliament.
4.	68-Ministry of New and Renewable Energy	2810.00.101.01.02.33 Grid Interactive Renewable Power-Hydropower	15.70	The Ministry stated (March 2013) that funds in the head were made available through re-appropriations with the approval of competent authority.	The reply is not tenable since augmentation in excess of 10 *per cent* of the existing appropriation already voted by the Parliament or ₹10 crore, whichever is less, requires prior approval of Parliament.
5.	98-Dadra and Nagar Haveli (Ministry of Agriculture)	2401.00.103.23.00.33-Subsidy – Expenditure on Seeds	0.01	Reply awaited.	
6.		2401.00.105.16.00.33-Distrbution of Fertiliser	0.09	Reply awaited.	
7.	100 – Lakshadweep	Ministry of Consumer Affairs, Food and Public Distribution 3456.00.103.01.00.33 – Transport Subsidy	0.96	Reply awaited.	
Total			**5833.81**		

4.11 Augmentation of provision to object head 'Loans and Advances'

In accordance with the instructions issued by the Ministry of Finance in May 2006 (item 1B (ii)(b)(ii) of Annexure to OM dated 25 May 2006) augmentation of provision by way of re-appropriation to object head 'Loans and Advances' should be done with the prior approval of Parliament if the additional investment/loan to any existing company/corporation is above 20 *per cent* of appropriation already voted or ₹20 crore whichever is less, in respect of those companies whose paid up capital is above ₹50 crore.

Scrutiny of Appropriation Accounts of grant No. 101-Department of Urban Development and e-lekha data revealed that under the object head 55-Loans and Advances under one sub-head[4] though funds of ₹650 crore were provided but the expenditure of ₹671 crore incurred resulted in augmentation of ₹21 crore in violation of extant provision, without prior approval of Parliament.

The department stated (November 2012) that the excess re-appropriation occurred during 2011-12 had since been reported for regularisation by the Parliament through Supplementary Demands for Grants 2012-13. The reply is not tenable as prior approval of the Parliament through supplementary demands for grants is

[4] 6217.60.191.12 -Pass through assistance to Delhi Metro Rail Corporation from JBIC (Japan Bank of International Corporation)

needed in cases where financial limits of NS/NIS are attracted. Reporting of re-appropriation and prior approval of Parliament are different from each other.

4.12 Augmentation of provision to object head 'Major Works' and 'Machinery and Equipment'

The Ministry of Finance in reference to OM dated 25 May 2006 regarding 'Guidelines on financial limits relating to New Service/New Instrument of Service' (NS/NIS) clarified (21 May 2012 and 5 October 2012) that in regard to the cases of NS/NIS on augmentation under the object heads '52-Machinery and Equipment' and '53-Major Works' all cases relating to augmentation of funds above ₹2.5 crore or above 10 *per cent* of the appropriation already voted, whichever is less, would require prior approval of the Parliament, irrespective of the fact that the augmentation is for new works or for the existing works.

Scrutiny of appropriation accounts revealed that in the following cases across 15 grants funds aggregating ₹421.21 crore were augmented by the various Ministries/Departments during the financial year 2011-12 without obtaining prior approval of Parliament, thereby attracting the limitations of New Service/New Instrument Service as detailed below:

Table 4.8: Augmentation of provision to object head 'Major Works' and 'Machinery and Equipment'

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
1.	4-Atomic Energy	70 cases* under Object head '52'	128.19	DAE stated (January 2013) that the cases are being brought to the notice of Ministry of Finance for reporting to Parliament.	The reply is not tenable as these cases require prior approval of Parliament before incurring the expenditure.
2.		45 cases* under object head '53'	84.36	DAE stated (January 2013) that the point raised by Audit is being noted for future compliance.	
3.	13-Department of Posts	3 cases* under OH 52	5.33	Reply awaited.	
4.	14-Department of Telecommunications	5275.00.101.02.02.53 – Major Works	0.07	Reply awaited.	
5.	30-Ministry of Environment and Forests	5425.00.208.06.04.53 National Museum of Natural History	1.46	Reply awaited.	
6.	31-Ministry of External Affairs	4059.60.051.17.05.53-External Affairs	6.31	The Ministry replied (October 2012) that excess expenditure was due to debits raised by CPWD and also committed payments for several on-going construction projects in various countries abroad.	The reply is not tenable as these cases require prior approval of Parliament before incurring the expenditure.
7.		4216.01.700.18.03.53-External Affairs	2.62		

Sl. No.	Description of Grant	Head of Account	Amount (₹ in crore)	Reply of the Department	Remarks
8.	41-Department of Revenue	4875.01.108.02.00.52 Buildings	0.04	The Department stated (March 2013) that it was felt that this was not expenditure on 'new work' but was on 'existing work' and therefore prior approval of Parliament was not taken.	The reply is not tenable in view of the clarification dated 21 May 2012 issued by Ministry of Finance.
9.	42-Direct Taxes	4075.00.204.00.00.53 – Acquisition of immovable properties under chapter XX-C of Income Tax Act, 1961	0.29	The Ministry stated (March 2013) that the head was utilised for maintenance and security of buildings already acquired and therefore does not attract the proviso of NS/NIS. However the matter was reported to Parliament.	The reply is not tenable in view of the clarification dated 21 May 2012 by Ministry of Finance.
10.	46-Department of Health and Family Welfare	4210.01.110.03.00.53 KSCH[5], New Delhi	0.83	Reply awaited.	
11.		4210.01.110.06.00.52 Safdarjung Hospital	4.38	Reply awaited.	
12.	72- Ministry of Personnel Public Grievances & Pensions	4055.00.800.05.02.53 Central Bureau of Investigation	17.17	Reply awaited.	
13.	90-Department of Space	10 cases* under OH 52	25.80	Reply awaited.	
14.		3 cases* under OH 53	5.04	The Department stated (November 2012) that audit observation will be complied in future.	
15.	96-Andaman and Nicobar Islands	14 cases* under OH 53	67.85	Reply awaited.	
16.	97-Chandigarh	6 cases* under OH 53	39.10	Reply awaited.	
17.	98-Dadra and Nagar Haveli	3 cases* under OH 53	2.35	Reply awaited.	
18.	Daman and Diu	Ministry of Urban Development 4215.01.800.01.00.53 Other Items	4.30	Reply awaited.	
19.	100 –Lakshadweep	8 cases* under OH 53	18.51	The Pr. PAO stated (March 2013) that these provisions were augmented within the head 'major works' and therefore, do not fall within the purview of the rules which prevent re-appropriation from 'major works' to any other unit.	The reply is not tenable in view of the clarification dated 21 May 2012 by Ministry of Finance.
20.		2 cases* under OH 52	7.21		
Total			**421.21**		

** Cases listed in Annex IV-B*

Incorrect classification of expenditure under Revenue account instead of Capital account and vice versa

Article 112(2) of the Constitution of India stipulates that the Annual Financial Statement shall distinguish expenditure on revenue account from other

[5] Kalawati Saran Children's Hospital

expenditure. The principles for classifying the expenditure on Revenue account and Capital account should accordingly be adhered to.

4.13 Misclassification of capital expenditure as revenue expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978, categorizes the object class 6 (acquisition of Capital Assets and other Capital Expenditure) wherein the object heads viz. 51 to 56 and 60 are associated. These object heads[6] pertains to booking of expenditure of capital nature and therefore should be used under capital major heads only.

Audit scrutiny of Head-wise appropriation Accounts vis-à-vis e-lekha data for the year 2011-12 revealed the cases where these object heads were used with revenue major heads as shown in table below, thereby resulting in understatement of capital expenditure by ₹1521.34 crore.

Table 4.9: Misclassification of capital expenditure as revenue expenditure

Sl. No	Description of Grant	Major Head	Object Head Code	Expenditure (₹ in crore)	Reply of the Department	Remarks
1.	01-Department of Agriculture and Co-operation	2070	52	0.05	Reply awaited.	
2.		2401	51	0.07	Reply awaited.	
3.		2401	52	1.54	Reply awaited.	
4.		2435	52	0.17	Reply awaited.	
5.	03-Department of Animal Husbandry, dairying and Fisheries	2403	52	1.25	Reply awaited.	
6.			53	0.11	Reply awaited.	
7.		2404	53	0.49	Reply awaited.	
8.		2405	51	0.09	Reply awaited.	
9.			52	0.54	Reply awaited.	
10.	4-Atomic Energy	2852	51	2.86	DAE stated (December 2012) that this expenditure was mainly for functional requirement for maintenance and upkeep of the capital assets. It further stated that the Department is following the prevailing system of classification of Government Accounts.	If the DAE felt that expenditure was of maintenance nature it should have obtained provision under appropriate object head of revenue nature and book expenditure accordingly.
11.		2852	52	7.62		
12.		2852	60	0.40		
13.		3401	51	11.22		
14.		3401	52	1.68		
15.	15-Department of Information Technology	3451	51	0.38	Department stated that the audit observation has been noted for inclusion in the capital section of the grant from the next financial year onwards.	
16.		2852	52	19.56		
17.	16-Department of Consumer Affairs	3425	52	0.05	Reply awaited.	
18.		3475	52	21.96	Reply awaited.	

[6] Refer to Annex-C

Sl. No	Description of Grant	Major Head	Object Head Code	Expenditure (₹ in crore)	Reply of the Department	Remarks
19.	20-Ministry of Defence	2075	53	6.44	Ministry replied (January 2013) that the Object Head "Major Works" was being operated under Revenue Section since 1984-85 onwards. However, the CGDA stated that the allocation under the head had been made for operational expenses of Canteen Stores Department.	The reply was not tenable as Object Head '53-Major Works', being of object class-6 should only be used under capital account. Moreover, if the expenditure incurred was not for the object of acquiring assets of permanent nature or enhancing the utility of existing assets, appropriate object head corresponding to revenue major head should have been operated.
20.		2037	52	94.89	The Ministry stated that the controllers had been booking the expenditure in this regard against the budgetary allocations under MoD Civil grant since 2002-03.	The contention of the Ministry was not tenable as Object Head '52-Machinery and Equipment' is of capital class which should only be used under a capital Major Head.
21.	29-Ministry of Earth Sciences	3403	52	1.23	Ministry accepted (December 2012) audit observation and stated that the same would be correctly incorporated under Capital section in DDG for the year 2013-14.	
22.	32-Department of Economic Affairs	3054	53	1059.56	Reply awaited.	
23.	43-Indirect Taxes	2037 2038	52	13.72	Reply awaited.	
24.	46-Department of Health and family Welfare	2210	51	1.93	Department stated (January 2013) that expenditure on acquisition of intangible assets of temporary nature having their ephemeral value were not being classified as capital expenditure.	The reply is not tenable since the expenditure was finally booked to capital object heads.
25.			52	14.32		
26.	49- Department of Aids Control	2210	52	14.68	Department stated (November 2012) that this expenditure was incurred on procurement of blood bank refrigerators, deep freezers and other equipment for existent blood banks covered under on-going project of NACP[7]-III.	The reply is not tenable as operation of object head 52, being of object class 6, is meant for capital expenditure purpose and cannot be operated with revenue expenditure head(s).
27.	52-Ministry of Home Affairs	2052	52	2.26	Ministry stated (January 2013) that head was provisioned under Revenue head as purchase of Information Technology items were made from this head.	The reply is not tenable as operation of object head 52, being of object class 6, is meant for capital expenditure purpose and cannot be operated with revenue major head(s).
		3454	52	5.61		

[7] National AIDS Control Programme

Sl. No	Description of Grant	Major Head	Object Head Code	Expenditure (₹ in crore)	Reply of the Department	Remarks
28.	53-Cabinet	2013	52	0.75	Ministry stated (December 2012) that from the next financial year onwards corrective action will be taken.	
29.	54-Police	2055	52	62.00	Ministry stated (January 2013) that head was provisioned under revenue head as purchase of Information Technology items were made from this head.	The reply is not tenable as operation of object head 52, being of object class 6, is meant for capital expenditure purpose and cannot be operated with revenue major head(s).
30.	55-Other expenditure of MHA	2245	52	0.66		
31.	61-Ministry of Labour and Employment	2230	52	8.67	Reply awaited.	
32.	90-Department of Space	3252 3402	52 (15 cases)	33.81	Reply awaited.	
33.	91-Ministry of Statistics and Programme Implementation	3454	52	7.64	Reply awaited.	
34.	102-Public Works	2059	53	4.44	Reply awaited.	
35.	104-Ministry of Water Resources	2701 2702 2711 3075	51 52 53	118.60	Reply awaited.	
36.	105-Ministry of Women and Child Development	2236	51	0.09	Reply awaited.	
	Total			**1521.34**		

Expenditure source: e-lekha

4.14 Misclassification of revenue expenditure as capital expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978, categorizes the object heads pertaining to class other than class 6 are of revenue in nature.

Audit scrutiny of Head-wise appropriation Accounts vis-à-vis e-lekha data for the year 2011-12 revealed the cases where object heads of revenue nature were being operated under capital major heads thereby resulting in understatement of revenue expenditure and revenue deficit of the Union Government by ₹129.11 crore as shown in table below:

Table 4.10:Misclassification of revenue expenditure as capital expenditure

Sl. No.	Description of Grant	Major Head	Object Head	Expenditure[8] (₹ in crore)	Reply of the Department	Remarks
1.	4- Atomic Energy	4861 5401	27	16.76	DAE stated (January 2013) that the expenditure is incurred and booked as per the functional requirements of the Plan Projects. It added that these plan projects are of developmental nature under which assets and facilities will be created for future use and during the currency of the projects, all expenditure whether capital or revenue is required to be booked under Capital and on completion of the projects the expenditure will be booked under revenue.	The reply is not tenable as the object head "Minor Works" is of revenue nature and cannot be operated under the capital major head(s).
2.	5-Nuclear Power Scheme	4801	12 21 28	3.43	Reply awaited.	
3.	52- Ministry of Home Affairs	4216	27	1.52	Reply awaited.	
4.	88-Ministry of Shipping	5051 5052	50	0.31	Reply awaited	
5.		5051	01	6.11	Reply awaited.	
6.		5052	50	31.84	Reply awaited.	
7.	94-Ministry of Tourism	5452	28	3.00	The Ministry stated (February 2013) that it would take up the issue of booking of the expenditure on project manager consultant under the head 'professional services' with Ministry of Finance before signing new agreement.	
8.	96- Andaman & Nicobar Islands	4401	21	2.80	Reply awaited.	
9.		4801	21	7.17	Reply awaited.	
10.	100- Lakshadweep	4235	01	0.01	Reply awaited.	
11.		4235	13	0.10	Reply awaited.	
12.		4851	27	0.06	Reply awaited.	
13.	101-Ministry of Urban Development	4217	32	50.00	Reply awaited.	
14.	104-Ministry of Water Resources	5075	01 03 06 11 13 20 43 50	6.00	Reply awaited.	
Total				**129.11**		

[8] *Source: e-lekha data*

4.15 Incorrect recording of expenditure on viability gap funding in capital section

Rule 31 of the Government Accounting Rules 1990 read with rule 79 of the General Financial Rules 2005 stipulate that any expenditure incurred for creation of concrete assets of permanent or intermittent character shall be classified as capital expenditure. The ownership of the asset created shall also rest with the Government to qualify the expenditure on its creation to be classified in capital section of the grant.

Scrutiny of Appropriation Accounts of Grant No.32-Department of Economic Affairs for the year 2011-12 revealed that an amount of ₹300 crore representing assistance given for infrastructure projects in the form of viability gap funding was booked as expenditure under the capital section[9] of the grant. Since assistance as viability gap funding for infrastructure development provides financial support in the form of grants, one time or deferred, for projects undertaken through public private partnership mode with a view to make them commercially viable, booking of such expenditure in the capital section was irregular, as the assets created based on this expenditure do not qualify for ownership of Government. This expenditure should have been booked under the revenue section of the grant.

Thus, irregular booking of capital expenditure resulted in understatement of revenue expenditure with a consequential impact on revenue deficit, albeit marginal. It will also entail an overstated depiction in the successive years with regard to expenditure in the capital account reflected cumulatively in Statement No. 10 of Union Finance Accounts. Moreover, the provision of ₹300 crore obtained for this expenditure under the object head '42-Lumpsum provision' was in violation of extant instructions which stipulates that lump sum provision should not exceed ₹10 lakh. In all other cases break-up by other objects of expenditure must be given.

4.16 Other cases of Misclassification

Rule 79 of General Financial Rules, 2005 stipulates that charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Audit scrutiny of Head-wise appropriation Accounts vis-a-vis e-lekha data for the year 2011-12 revealed cases where expenditure of revenue nature was classified as capital expenditure or vice-versa thereby resulting in overstatement of revenue expenditure and revenue deficit of the Union Government by ₹616.68 crore as shown in table below:

[9] 5475.00.800.12.00.42

Table 4.11: Misclassification between different sections of the grant

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department	Remarks
	Misclassification of revenue expenditure as capital expenditure				
1.	29-Ministry of Earth Sciences	27.11	'Operation & Maintenance' expenditure was wrongly provided and booked in capital head of account i.e. 5455 instead of revenue head of account in the financial year 2011-12.	While accepting the facts, Ministry stated (December 2012) that the term 'Operation & Maintenance' is being mentioned inadvertently as sub-head and is being changed to 'Observatories and Weather Stations' in DDG for the year 2013-14 and necessary directions are also being issued to concerned programme officers that 'Repair of Machinery & Equipment' as well as of 'Repair & Maintenance of Work' may be booked under the head 'Minor Works'.	
2.	32-Department of Economic Affairs	1.82	Payments representing the contributions made by the Government of India to African Development Fund were booked in capital section i.e. major head 5466 under object head 54-investments, instead of booking under the Revenue Section of the Grant against the object head '32 Contributions'.	The Ministry (February 2013) stated that it is in agreement with the audit observation and corrective action would be taken.	
3.	65-Ministry of Micro Small and Medium Enterprises	0.54	Expenditure on repairs and renovation of civil and electrical works of an office was booked under the Capital section i.e. major head 4059 and object head 53 instead of booking the same under Revenue section in proper object head 27.	Reply awaited.	
4.	66- Ministry of Mines	5.24	Payments made for Annual Maintenance charges (AMC) etc. was booked in capital section under major head 4853 and object head 52 instead of operating correct object head 13-office expenses under revenue major heads.	Reply awaited.	
Revenue expenditure understated by		**34.71**			
	Misclassification of capital expenditure as revenue expenditure				
5.	62-Election Commission	4.81	A supplementary grant was obtained (November 2011) to meet the expenditure on purchase of land from DDA and miscellaneous pre-construction work of India Institute for Democracy and Election Management (IIDEM) campus under MH 2015 (Elections) i.e. revenue section of the grant. The same was booked under Object head 28 instead of booking the same under capital section and object head 53-major works.	Reply awaited.	

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department	Remarks
6.	65-Ministry of Micro Small and Medium Enterprises	0.63	Expenditure on Construction of Building of training-cum-product development centre for Agro and Food Processing Industries, under Professional Services Institutions and Programme was booked in the Revenue section (major head 2851 and object head 50) of the grant instead of booking this under the Capital section.	Reply awaited.	
7.	90-Department of Space	645.95	In 26 cases, an expenditure of ₹645.95 crore was booked incorrectly under the object head '21-Supplies and Materials' and '50-Other Charges' under the revenue section which should have been correctly booked under '60-Other Capital Expenditure' under capital section under specific order issued by the Department.	Reply awaited.	
Revenue expenditure overstated by		**651.39**			

Such types of misclassification dilute the accountability and defeat the very purpose of achieving transparency, completeness, integrity, consistency and comparability in accounting and, therefore, urgent action is required to ensure that they do not recur.

Impact of misclassification:

Deviation by the Ministries/Departments to follow the principles of classification as specified in Article 112(2) of the Constitution of India has the effect of either understatement or overstatement of revenue deficit of the Government.

The impact of incorrect classification of revenue expenditure as capital expenditure and vice versa was an overstatement of capital expenditure by ₹463.82[10] crore and understatement of capital expenditure by ₹2172.73[11] 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.

4.17 Incorrect transaction passed through Consolidated Fund of India

Article 266 (1) of the Constitution of India provides that all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled 'the Consolidated Fund of India'. Article 266(2) of the Constitution of India further provides that all other public moneys received by or on behalf of the

[10] ₹129.11 crore in para no. 4.14, ₹300 crore in para no. 4.15 and ₹34.71 crore in para 4.16
[11] ₹1521.34 crore in para no. 4.13 and ₹651.39 crore in para no. 4.16

Government of India shall be credited to the public account of India. Thus, in respect of all other public moneys received by it, the Government acts as a banker.

Ministry of Coal acquired coal bearing areas/lands on behalf of Coal India Limited as a deposit work. For this purpose, Coal India Limited deposits funds with the Ministry of Coal. Hence, for the amount of deposits made by the Coal India Limited, the Ministry would merely act as a banker.

Scrutiny of Appropriation Accounts in respect of Grant No.10 for the year 2011-12 of Ministry of Coal revealed that funds deposited by Coal India Limited for acquisition of coal bearing areas was treated as capital expenditure of the Government in the Consolidated Fund of India. An amount of ₹146.83 crore was paid by the Ministry of Coal to the land oustees in 2011-12 for acquisition of their land and the expenditure was booked as 'investment' under the capital account. This expenditure in the Consolidated Fund of India was netted out with receipt, which was shown as reduction of expenditure from the money deposited by Coal India Limited.

As the transaction was made by the Government on behalf of Coal India Limited, the expenditure so incurred should not have passed through the Consolidated Fund of India. Instead the said expenditure should have directly been routed through the Public Account. As a result of this treatment, the gross authorisation obtained by the Ministry of Coal from the Parliament and expenditure booked there against was overstated to the extent of ₹146.83 crore.

On being pointed out, Ministry of Coal stated (November 2012) that the audit observations regarding accounting of provisions under deduct recovery and expenditure under capital major heads had been noted. It was also assured that the funds received would be credited into Public Account and payment, if any, would be made by withdrawal from the same head, in consultation with Integrated Finance Division.

4.18 Non-operation of object head of Grants-in-Aid Salaries

Ministry of Finance, Department of Expenditure office memorandum dated 7 June 2011 notified introduction of new object head '36-Grants-in-aid-Salaries' with effect from 1 April 2011 in the list of object heads under object class-4 below Rule 8 of Delegation of Financial Powers Rules 1978. The new object head will include amounts released as grants-in-aid for payment of salaries. Ministries/Departments by obtaining a supplementary grant in the course of the financial year 2011-12, would make provision for grants-in-aid salaries in their grants.

Scrutiny of Appropriation Accounts for the year 2011-12 revealed that this object head was not operated in a number of Ministries test checked, as detailed below:

Table 4.12: Non-operation of detailed head 'Grants-in-Aid-Salaries'

Sl. No.	Grant No. & Name	Observation and reply of the Ministry
1.	9- Civil Aviation	An amount of ₹1.39 crore released to Airports Economic Regulatory Authority of India (an autonomous body) towards salaries of their staff was recorded under the object head '31 Grants-in-aid General' instead of under the object head '36 Grants-in-aid for Salaries' on the plea that the budget provision was obtained under the object head '31 Grants-in-aid' only.
2.	15- Department of Information Technology	Department of Information Technology had made a budget provision of ₹1948.63 crore under the object head- 31- Grants-in-aid- General for giving grants to various bodies/ authorities. Against this the actual expenditure incurred was ₹1122.60 crore. Audit noticed that an amount of ₹59.07 crore was paid to five bodies/ authorities for disbursement of salaries which was part of the total expenditure of ₹1122.60 crore, instead of operating the object head-36- Grants-in-aid Salaries for expenditure of ₹59.07 crore by obtaining supplementary provision. The Department replied that the circular relating to opening of object head 36-Grants-in-aid-salaries was circulated by Ministry of Finance during June 2011 by which time the Detailed Demands for Grants 2011-12 was printed and laid before the Parliament. Hence it was not possible to open the new object head during that year. However, this head has been opened and operationalised during the financial year 2012-13. The reply is not tenable as the OM dated 7 June 2011 clearly specifies that new object head '36 Grants-in-aid for Salaries' should be opened and operated with effect from 1 April 2011.
3.	18- Ministry of Corporate Affairs	An expenditure of ₹116.71 lakh incurred towards salaries of the personnel of Competition Commission of India (an autonomous body) was booked under the object head '01 salaries' on the plea that it relates to the salaries of erstwhile Director General (Investigation and Registration).
4.		An expenditure of ₹3 crore disbursed as salaries to Indian Institute of Corporate Affairs was booked under object head '31 Grants-in-aid (General)', instead under the object head '36 Grants-in-aid for Salaries'.
5.	57-Ministry of Housing and Urban Poverty Alleviation	Ministry had obtained a token supplementary provision for expenditure of ₹3.20 crore on 'Grants-in-aid –Salaries' to BMTPC[12]. Ministry instead booked the expenditure of ₹5.50 crore against the object head '31-Grants-in-aid General' without segregating the salaries portion separately. Ministry stated (March 2013) that all grants were released under 'Grants-in-Aid General' by omission.
6.	58-Department of School Education and Literacy	Audit noticed that more than 99 *per cent* (₹40,555 crore) of the total expenditure (₹40,641 crore) was incurred towards grants-in-aid. Out of the total grants disbursed an amount of ₹29,354 crore pertained to grants-in-aid disbursed to other bodies (other than States/UTs); however, no expenditure in the accounts was booked under the object head 36-Grants-in-aid-Salaries. The Department stated (March 2013) that as the intimation regarding bifurcation of salary component of institutions/autonomous bodies was not timely received, it was decided to implement the instructions from financial year 2012-13 onwards.
7.	59- Department of Higher Education	Audit noticed that more than 98 *per cent* (₹19,288 crore) of the total expenditure (₹19,575 crore) was incurred towards grants-in-aid. Out of the total grants disbursed an amount of ₹19,105 crore pertained to grants-in-aid disbursed to other bodies (other than States/UTs); however, no expenditure in the accounts was booked under the object head '36-Grants-in-aid-Salaries'.
8.	65- Ministry of Micro Small and Medium Enterprises	An expenditure of ₹157.36 crore incurred on the pensions, salaries, contingencies, pension etc of Khadi and Village Industries Commission (an autonomous institution) was booked under the object head '20 Other Administrative Expenses' instead of under the object head '36-Grants-in-aid for salaries'.

[12] Building Material and Technology Promotion Council

Sl. No.	Grant No. & Name	Observation and reply of the Ministry
9.	66- Ministry of Mines	An expenditure of ₹4 crore incurred on the salaries and wages etc. of National Institute of Miners' Health, Jawaharlal Nehru Aluminium Research Development & Design Centre and National Institute of Rock Mechanics was booked under the object head 31 Grants-in-aid General instead of under the object head '36 Grants-in aid -Salaries'. The Ministry stated (January 2013) that they had started the process to open the object head 36 for three autonomous bodies.
10.	88- Ministry of Shipping	An expenditure of ₹4 crore was booked under the object head '31 Grants-in-aid General' to National Ship Design and Research Centre (NSDRC), which also included ₹1.92 crore for meeting the salaries, etc. for the centre. This should have been booked under the object head '36-Grants-in-aid for Salaries' after obtaining the supplementary provision.
11.		Similarly, an amount of ₹10.29 crore provided as assistance to Central Inland Water Transport Corporation Limited (CIWTC) for payment of salaries was also booked under the object head '31-Grants-in-aid General' instead of under the object head '36-Grants-in-aid-Salaries'.
12.	90- Department of Space	The Department booked ₹127.66 crore as Grants-in-aid-General in respect of three grantees namely Semi-Conductor Laboratories (₹49.78 crore), Physical Research Laboratory (₹64.45 crore) and National Atmospheric Research Laboratory (₹13.43 crore). Department neither obtained any provision under the object head '35-Grants for Creation of Capital Assets' nor supplementary provision under the object head '36-Grants-in-aid Salaries', yet the grantee bodies incurred expenditure under three different categories (object heads 31, 35 and 36) in the year 2011-12 as intimated by the grantees. Department of Space replied (October 2012) that it had opened new object heads 31-Grants-in-aid General and 36-Grants-in-aid Salaries in its DDG from the year 2012-13.
13.	93- Ministry of Textiles	An expenditure of ₹225.46 crore was booked under the object head 31 Grants-in-aid General towards administrative expenses which primarily includes expenses towards salaries to the employees of Central Silk Board, instead of segregating the salaries portion separately and booking under the object head '36-Grants-in-aid Salaries'.

The extant instruction of the Ministry of Finance has, however, been complied with by only 15 civil Ministries/Departments of the Union Government and a sum of ₹2049 crore has been booked as expenditure incurred on object head '36-Grants-in-aid-Salaries' after following the due budgetary processes. Other Ministries/Departments have not adhered to the instructions issued by the Ministry of Finance to open object head '36-Grants-in-aid-Salaries' from the financial year 2011-12.

4.19 Misclassification within Object heads under the same section of the grant

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. Some of object heads and description of expenditure to be booked there under are given in **Annex IV-C**.

Audit noticed that in 23 cases, across 18 grants/appropriations funds aggregating ₹69,759.64 crore were misclassified in these primary units of appropriation i.e. object heads, which are detailed in table below:

Table 4.13: Misclassification within object heads

Sl. No.	Grant	Amount (₹ in crore)	Major/ Object head debited	Audit Observation	Reply	Remarks
1.	4-Atomic Energy	1.73	3401/ 50	Grants-in-aid to Universities Research Institutions, Societies and Non-Government Institutions was booked under the object heads 'Other Charges' and 'Scholarships/ Stipends' instead of operating the object head 'Grants-in-aid'.	DAE stated (October 2012) that apart from the object Head 'Grants-in-aid', the object heads viz. 'Other Charges' and 'Fellowship' were also operated under the Major Head 3401 and rules put no restrictions on operating any of the standard object heads for a scheme. Department further stated (January 2013) that the classification as pointed out by audit was being reviewed.	The reply is not tenable as the Indian Government Accounting Standard-2 stipulates that payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual are to be classified as 'Grants-in-aid'.
2.		6.81	3401/ 34			
3.	6- Department of Chemicals and Petrochemicals	9.48	2852/ 31	Waiver of plan loan and interest in respect of Hindustan Insecticides Limited was incorrectly classified under Grants-in-aid-General which should have been classified under the object head '64-Write-off/losses'.	Reply awaited.	
4.	13-Department of Posts	8.00	3201/ 32	Grants to Postal Services Staff Welfare Board were booked under 'Contributions' instead of operating object head Grants-in-aid-General.	DoP stated that these heads of account were approved in e-lekha and Appendix-V of the Department of Posts. It added that Grants-in-aid were provided to local bodies/institutions/Autonomous bodies which were functioning as an independent unit. However, the changes in nomenclature as pointed out would be considered and shown in the next year Detailed Demands for Grants.	The reply was not acceptable as instead of making changes in nomenclature, DoP should obtain provision under correct object head as per description given in DFPR and classify expenditure accordingly.
5.		0.95	3201/ 50	Expenditure on annual membership fee of various international bodies like UPU, Berne, APPU Bangkok, etc. was booked under 50-Other Charges instead of 32-Contributions.		
6.	15-Department of Information Technology	0.45	3451/ 24	This expenditure on POL has been booked under object head-24 instead of correct object head- 13 'Office Expenses'.	The department replied that the comments of Audit had been noted for compliance from the next financial year onwards.	
7.	20-Ministry of Defence	1398.08	4047/ 54 2 cases	Expenditure related to 'Acquisition of Aircraft' and 'Acquisition of Ships and Fleets' was booked under 'Investments' instead of '52-Machinery and Equipment'.	The Ministry stated (July 2012 and January 2013) that consequent upon shifting of Budget Estimate of Coast Guard Organisation from the Ministry of Finance (Department of Revenue) to the Ministry of Defence in the year 2001, budgetary allocations were obtained under the head 54-Investments.	The reply is not tenable in view of clear description given in DFPR for the object head '52-Machinery and Equipment'.

Sl. No.	Grant	Amount (₹ in crore)	Major/ Object head debited	Audit Observation	Reply	Remarks
8.	31-Ministry of External Affairs	2429.21	3605/ 32	Since the nature of expenditure was grants to foreign governments for general/ specific purpose, it should have been correctly booked under the object head '31-Grants-in-aid-General'.	Reply awaited.	
9.	32-Department of Economic Affairs	0.09	2057/ 01	Amount was paid to Consultants and the correct OH should have been 28-Professional Services.	Reply awaited.	
10.		4.50	3475/ 31	Assistance was provided to various institutions like Madras School of Economics, Tripura University, Punjab University etc. for development of infrastructure and academic resources, which should have correctly been booked under 'grants for capital creation'.	The Ministry (February 2013) replied that the audit observation had been noted and the object head 35 Grants for creation of capital assets has been opened with effect from 2013-14.	
11.	33-Department of Financial Services	178.46	2235/ 45	Payment of interest to lending institutions on behalf of the farmers under Agriculture Debt Waiver and Debt Relief Scheme (ADWDRS), should have been recorded in the accounts either as subsidy or under a different object head instead of '45-Interest'. A similar observation was also included in the Report of the CAG on the accounts for the year 2010-11 of Union Government.	The Department stated (July 2012) that the object head was opened for this purpose with all requisite approvals and the expenditure was booked under this head from the year 2008-09 onwards. The Department added that Debt Waiver Scheme has been wound up with effect from 2011-12 and there may be no need to revise the object head at this juncture.	Audit is of the opinion that booking of this expenditure under interest does not conform to the provisions of the Delegation of Financial Powers Rules.
12.	41-Department of Revenue	0.02	4216/ 54	As per DFPR the correct classification in these cases should have been under object head 53-Major Works in the case of 'acquisition of ready-built accommodation/ flats', and 52-Machinery and Equipment in the case of 'acquisition of ships and fleets/anti-smuggling equipment' instead of booking these expenditure under 54-Investments.	Ministry stated (December 2012) that the observations made by the Audit had been noted and the correct Object Head would be indicated in the DDG for 2013-14.	
13.	42-Direct Taxes	256.53	4059/ 54		Reply awaited.	
14.		3.18	4216/ 54		Reply awaited.	
15.	43-Indirect Taxes	46.52	4047/ 54		The Ministry stated (December 2012) that the corrective action for depiction/classification of above provisions under the correct Object head had been taken from the financial year 2012-13, by booking the provisions under correct object heads.	
16.		0.81	4047/ 54			

Sl. No.	Grant	Amount (₹ in crore)	Major/ Object head debited	Audit Observation	Reply	Remarks
17.	53-Cabinet	381.28	2013/ 12	Payment for maintenance of Air-crafts used for VVIP travel was booked under Foreign Travel Expenses. The correct head should have been 50-Other Charges. **(Refer para no. 1.3.10)**	The Ministry stated (April 2013) that proposal for opening of a separate sub-head has been approved from the financial year 2013-14 onwards.	Incorrect classification of expenditure can lead to sub-optimal decision making. Hence the relevant head should have been opened during financial year 2011-12.
18.	65-Ministry of Micro Small and Medium Enterprises	17.10	2851/ 32	This amount was incurred towards creation of Credit Guarantee Fund and Portfolio Risk Fund and therefore was of the nature of investment and not contributions.	Reply awaited.	
19.	69-Ministry of Overseas Indian Affairs	10.65	2061/ 50 3 cases	Funds released to the Indian Council of Overseas Employment (ICOE), India Development Foundation (IDF) and Overseas Indian Facilitation Centre (OIFC) and classified under 50-Other Charges instead of classifying under 31-Grants-in-aid- General or 36-Grants-in-aid- Salaries or 35-Grants for creation of capital assets, as applicable.	The Ministry stated (December 2012) that a proposal for the same had already been sent to Pr. CCA.	
20.	73-Ministry of Petroleum and Natural Gas	65000.00	2802/ 50	The nature of expenditure incurred involved payment to oil marketing companies as compensation for uncovered cost in their domestic LPG and Kerosene (PDS) operations. It should have been correctly classified under the object head '33-Subsidies.	Ministry stated (January 2013) that since inception of the scheme the expenditure was incurred under the same head, however, this discrepancy was pointed out by the Department of Expenditure in August 2011 and rectified from financial year 2012-13.	Although necessary correction was carried out in financial year 2012-13, it was observed that the entire provision was made in lump-sum, instead of making provision company wise.

Sl. No.	Grant	Amount (₹ in crore)	Major/ Object head debited	Audit Observation	Reply	Remarks
21.	93-Ministry of Textiles	3.99	2851/ 50	Ministry has released an amount of ₹3.99 crore as a grants-in-aid to Textile Research Associations/KSPDC/District Trade and Industries Centres for meeting recurring expenditure of Power loom Service Centres run by them and booked the expenditure under the object head '50 Other charges' instead of booking under object head 31 Grants-in-aid-General.	The Ministry stated (December 2012) that relevant Grants- in -aid object heads would be opened from the year 2013-14.	
22.	97-Chandigarh	1.26	32[13]	Provision for investment in equity in four PSUs/Corporations has been obtained and final booking of expenditure has been made under the object head '32-Contribution' instead of correct object head '54-Investments'.	Reply awaited.	
23.	101-Department of Urban Development	<u>0.54</u>	2216/ 52	Since the expenditure is apparently incurred on purchase of minor tools the same should be booked under '27 Minor works'.	Ministry of Urban Development stated (in November 2012) that the audit observation to correct the classification had been noted and will be taken into accounts in DDG for 2013-14	
	Total	**69759.64**				

Note: Underlined figure indicate charged portion of grant

4.20 Incorrect booking of expenditure under non-functional head in Ministry of Home Affairs

As per extant instructions of the Ministry of Finance, unless specifically exempted from doing so, all Ministries/Departments are required to make a provision of 10 *per cent* of their 'Central Plan' allocation for projects/schemes in the 'North-Eastern Region and Sikkim'. The funds for development of the 'North Eastern Region and Sikkim' are to be provided for under the Major Heads '2552-North-Eastern Areas', '4552-Capital Outlay on North-Eastern Areas' and '6552-Loans for North-Eastern Areas'. These funds are subsequently re-appropriated to the functional heads of accounts for the purpose of incurring the expenditure. Further, instructions issued by Controller General of Accounts in January 2011 provide that no expenditure is to be booked directly under the major heads meant for North-Eastern Areas.

[13]Chandigarh Scheduled Castes Financial Development Corporation (4225.80.190.03.00.32), share capital of Delhi Financial Corporation (4885.01.190.05.00.32), investment in share capital of other Cooperatives (4425.00.108.01.00.32) and investment in Chandigarh Child and Women Development Corporation (4235.02.190.01.00.32)

Audit scrutiny of Grant no. 54-Police for the year 2011-12 revealed that an expenditure of ₹106.73 crore was booked by Ministry of Home Affairs under the major head 4552 as detailed below.

Table 4.14: Booking of expenditure under Non-Functional heads

(₹ in crore)

Head	Provision	Expenditure
4552.00.129.01 Residential Buildings.	95.23	95.23
4552.00.130.01 Residential Buildings.	10.00	5.49
4552.00.131.01 Residential Buildings.	6.09	6.01
Total		**106.73**

The booking of expenditure to the non-functional head was un-authorized in terms of provisions stated above.

The Ministry stated (November 2012) that it was felt that this head (2552), which was originally considered as non-functional, has since become functional after getting entire 15 digit code. The reply is not tenable as allocation of 15 digit code was meant to facilitate the re-appropriation of provision to the corresponding functional head.

4.21 Expenditure incurred without prior authorization by Department of Atomic Energy

As per Rule 58(2) of General Financial Rules, 2005 if honouring of a claim is certain to produce an excess over the allotment or appropriation at the disposal of the disbursing officer, he should take the orders of the administrative authority before authorizing payment. The administrative authority will arrange to provide funds either by re-appropriation or by obtaining a Supplementary Grant or an advance from the Contingency Fund.

During scrutiny of consolidated monthly Accounts for the year 2011-12 at the Principal Accounts Office of Department of Atomic Energy, it was observed that the actual expenditure exceeded the available provision by ₹192.76 crore in 45 cases **(**detailed in **Annex IV-D)** during the period from June 2011 to February 2012. In all these cases, the re-appropriation order was issued only on 31 March 2012.

The Department of Atomic Energy, thus, incurred expenditure of ₹192.76 crore in excess of the available provision, without necessary prior authorization.

Department stated (January 2013) that since the payments are made by the Pay and Accounts Officers attached to the units headed by the Head of the Department, Principal Accounts Office is not in a position to comment whether approval of higher administrative authority was taken before exceeding budget estimate. Department added that as per Rule 59(1) of GFR re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation may be sanctioned by a competent authority at any time before the close of the financial year and thus the re-appropriation orders issued on the last working day was in order.

The reply is not tenable as provisions of GFR enjoin that provision of funds should be available before the expenditure is incurred.

4.22 Unauthorized augmentation through incorrect re-appropriation by Ministry of Law and Justice

Rule 59 (1) of General Financial Rules, 2005 stipulate that re-appropriation of funds from one primary unit of appropriation to another such unit within grant or appropriation may be sanctioned by a competent authority at any time before close of the financial year to which such grant or appropriation relates.

Audit scrutiny of Head-wise Appropriation Accounts of Grant no. 63- Ministry of Law and Justice revealed that the Ministry of Law and Justice re-appropriated funds to the tune of ₹77.53 crore from major head 2014-Administration of Justice to major head 3601-Grants-in-Aid to the State Governments in June 2012 as 'Grants-in aid-General' for scheme 'Infrastructural facilities for Judiciary'. The Department approached (June 2012) the Ministry of Finance for getting ex-post facto approval for re-appropriation of funds of ₹77.53 crore and the Ministry of Finance approved it as a case of *fait accompli* in June 2012.

Thus re-appropriation order was issued after close of financial year in violation of the provision of GFR ibid.

The matter was referred to Ministry in October 2012, the reply was, however, awaited.

4.23 Re-appropriation of funds from lump sum provision for North Eastern Region and Sikkim to other than functional heads in DoT

Ministry of Finance in consultation with Department of Development of North Eastern Region (DONER) issued instructions barring re-appropriation of funds from lump sum provision in the North Eastern Region and Sikkim to other projects/schemes outside the region. Expenditure should be undertaken on project/schemes in the region itself.

DoT re-appropriated ₹51.58 crore earmarked for North Eastern Region and Sikkim on the penultimate day of financial year to Pension (Non-Plan). Ministry of Finance approved such re-appropriation in contravention of its own instructions. Thus the very purpose of lump sum provisions of 10 *per cent* of Central Plan allocation for projects/schemes in North Eastern Region and Sikkim was defeated. The funds re-appropriated from 2552 – North East Areas to 2071 – Pensions and other retirement benefits is shown in the table below.

Table 4.15:Re-appropriation

(₹ in crore)

From (Plan)	Amount	To (Non-Plan)	Amount
2552-North Eastern Areas 00 208 Secretariat Economic Services General Administration-Department of Telecommunications 01-Centre for Development of Telematics	11.58	2071- Pensions and other Retirement Benefits 01-Civil 101-Superannuation and Retirement Allowance 01-Ordinary Pensions	51.58
2552-North Eastern Areas 00498 Other Communication Services Compensation to Service Providers for USO 01-Compensation to Service Providers for USO	40.00		
Total	**51.58**		**51.58**

DoT stated (August 2012) that provision for ₹51.58 crore meant for North East areas could not be transferred to Non-Lapsable Central Pool of Resources for NE region as certain USO schemes were not implemented in 2011-12 and due to non-implementation of 'Security Research and Monitoring Schemes' because of belated receipt of approval by CCEA[14]. It was further stated that provision of ₹35 crore has been made in BE of 2012-13 for the above mentioned schemes for NE Areas. DoT has also stated that the observation of audit was noted for future guidance and henceforth the available sharing would be transferred to NLCPR[15].

4.24 Defence Services: Incorrect depiction of amounts of savings/excess

The Appropriation Accounts of the Union Government are intended to provide the grant-wise details of the gross expenditure separately for revenue charged/voted and capital charged/voted. The Appropriation Accounts also contain information on savings/excess and an explanation for the incurrence of such saving/excess.

In hundred out of 106 grants of the Union Government pertaining to Ministries/departments under Civil, Defence and Posts for the financial year 2011-12 explanation for incurrence of saving/excess has been given in the appropriation accounts with reference to the original and supplementary provisions.

In the case of appropriation accounts of Defence Services, the amount of such excess/saving is worked out on the basis of final grant, viz., Original + Supplementary +/-Re-appropriation. Since, through the Appropriation Accounts reporting to Parliament is made on the sums expended in a year compared with the provision authorized by it, the saving/ excess should be worked out with reference to the original and supplementary provisions only.

[14] Cabinet Committee on Economic Affairs
[15] Non-Lapsable Central Pool of Resources

On being pointed out, the Ministry of Defence stated (January 2013) that explanation for saving/excess in a minor head are recorded on the basis of final grant (Original+ Supplementary +/-Re-appropriation) and practice is being followed since long. Any shift from the established procedure will revoke the flexibility available for the services to re-appropriate funds within the available grants for optimal utilization required for ensuring operation preparedness of the armed forces.

The reply of the Department is not tenable in view of the fact that Appropriation Accounts are accounts of expenditure of the Government for each financial year compared with the amount of voted grants and charged appropriation, as specified in the schedules appended to the Appropriation Act, passed by the Parliament and any savings/ excesses should be worked out only with reference to the provisions authorized by the Parliament. The depiction of excess and savings and its explanation also has no bearing on powers of re-appropriation available to the Ministry.

4.25 Issue of deficient sanction orders in Department of Space

Rule 48 of General Financial Rules, 2005 read with Appendix-3 and 4 provide detailed guidelines with regard to preparation of estimates of expenditure with full accounts classification up to the object head level by an organisation. Further, Rule 25(1) of General Financial Rules, 2005 enjoins that all sanctions to the expenditure shall indicate the details of the provisions in the relevant grant or appropriation wherefrom such expenditure is to be met.

Examination of Appropriation Accounts of Grant No. 90-Department of Space revealed that the estimates of expenditure in the Detailed Demands for Grants were prepared with full accounts classification up to the object head level on revenue and capital accounts separately for plan and non-plan expenditure, as is the prevalent practice in other Ministries/ Departments of the Union Government. However, the 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.

In absence of the details of classification in the sanction orders, it was not clear how the accounts are prepared and compiled by showing classification up the sixth tier in revenue and capital accounts. Scanned copies of two such sanctions are available in **Annex IV-E**. Illustrative cases of financial sanction orders issued are detailed below:-

Table 4.16: Illustrative cases of financial sanction orders issued by Department of Space

(₹ in crore)

Sanction No and date	Name of the Project (Head of Account)	Sanctioning Authority	Amount
C.12031/1/07-III dt. 19.07.2011	Pre project activities for Indian Manned Mission (3402/5402: 00.101.43/35)	Space Commission	50.00
C.12031/1/11-III dt. 27.01.2012	GSAT 14 Communication Satellite Project (3252/5252: 00.053.06/03)	Space Commission	45.00
		Total	**95.00**

The matter was also commented upon as para No.4.5.3 in the CAG's Audit Report No.1 for the year 2011-12 on the accounts for the year 2010-11 but no discernible action has been taken by the Department.

However, in March 2012 and August 2012, Department replied that the project sanction orders are issued up to four tier since all the project expenditure is considered as whole plan for a long period and at the initial stage the allocation cannot be identified against the object heads and as such sanction orders were issued up to sub head level. Department added in January 2013 that it would specify full accounts classification up to object head level on revenue and capital accounts separately for plan and non-plan expenditure only in the sanction order of major works with effect from 01 February 2013.

The reply is not acceptable in view of provision contained in the General Financial Rules, 2005. The estimates of expenditure in the Detailed Demands for Grants are up to the object head level, hence the sanction orders issued for incurring expenditure should indicate the details of the classification relevant to grant or appropriation wherefrom such expenditure is to be met up to the final head/unit of appropriation.

4.26 Unauthorised augmentation through obtaining lump sum supplementary provision

Para 4 of Appendix-3 (containing instructions for preparation of Budget) below Rule 48 of General Financial Rules, 2005, provides that no lump-sum provision will 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. Further, in accordance with instructions issued by the Ministry of Finance in May 2006, augmentation of provision to the object head 'Grants-in-aid' to any body or authority from the Consolidated Fund of India in all cases could only be made with the prior approval of Parliament.

Scrutiny of Appropriation Accounts for the year 2011-12 of three grants revealed that though there were distinct budget lines (each under general component, special component plan for Scheduled Castes and Tribal Area Sub-Plan component) for line items as detailed in table below, yet lump sum supplementary/token supplementary provisions were obtained without giving amount specific break-up for each component distinctly.

Table 4.17: Lump sum supplementary provision

(₹ in crore)

Grant No.	Scheme	Provision*	Expenditure	Excess
2-Department of Agricultural Research and Education	Crop Science 2415.01.796.01.00.35	Nil	0.27	0.27
	Other Natural Resource Management Institutes Research 2415.02.796.01.00.35	Nil	0.09	0.09
	Animal Science Institutes 2415.03.796.01.00.35	Nil	2.80	2.80
	National Agriculture Innovation Project/Externally Aided Projects 2415.01.796.02.00.31	15.00	29.70	14.70
59-Department of Higher Education	Grants to Central Universities 2202.03.789.03.02.35	222.50	278.50	56.00
	Grants to Central Universities 2202.03.796.03.02.35	111.25	152.25	41.00
	Rashtriya Sanskrit Sansthan 2202.05.789.05.00.35	0.64	1.24	0.60
	Rashtriya Sanskrit Sansthan 2202.05.796.05.00.35	0.32	0.62	0.30
	Grants to Indian Institute of Science, Bangalore 2203.00.789.04.00.31	3.90	8.40	4.50
	Grants to Indian Institute of Science, Bangalore 2203.00.796.04.00.31	1.95	4.20	2.25
61-Ministry of Labour and Employment	Rashtriya Swasthya Bima Yojana 2230.01.789.06.01.31	42.31	189.75	147.44
	Rashtriya Swasthya Bima Yojana 2230.01.796.06.01.31	26.38	64.43	38.05
	Total			**308.00**

** Provision includes original provision, provision under non-functional head pertaining to NER and provisions obtained by way of supplementary grant.*

Thus, lump sum supplementaries were obtained in violation of the provisions of General Financial Rules and the additionalities were distributed 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.

The Department of Agriculture Research and Education stated (February 2013) that there was no separate allocation for tribal area sub plan in supplementary demand for grants and the same was reflected in the allocation of scheme, to which it pertain, as per statement of budget estimates (SBE). The reply is not tenable as in the other grant (viz. Department of Agriculture Co-operation) of this Ministry, amount specific distinct supplementary provision had been obtained for similar schemes each under general component, special component plan for Scheduled Castes and Tribal Area Sub-Plan components.

4.27 Obtaining lump sum supplementary provision

During scrutiny of Grant No. 54- Police for the year 2011-12 it was noticed that lump sum supplementary provisions of ₹240 crore (first supplementary) was obtained for additional expenditure under Machinery and Equipment (General) and ₹1500 crore (second supplementary) for additional expenditure on salary without giving amount specific break-up for each police force. As distinct line items were available for machinery and equipment/salary in the DDG for each police force, amount specific supplementary for each line item should have been obtained.

4.28 Obtaining lump sum provision under object heads

Rule 8 of Delegation of Financial Power Rules stipulate that lump sum provision (object head 42) will include expenditure in respect of scheme/sub-scheme/organization where the provision does not exceed ₹10 lakh. In all other cases break-up of expenditure must be given.

During the examination of Appropriation Accounts, for the year 2011-12 it was observed that in the following cases, lump sum provision was obtained instead of obtaining scheme wise itemized amounts of Parliamentary approval as was incumbent under the extant rules.

Table 4.18:Lumpsum Provisions

Sl.No.	Grant No.	Head of Account	Amount (₹ in crore)	Remarks
1.	33-Department of Financial Services	3475 Other General Economic Services-00-105 Regulation of Joint Stock Companies	0.50	Regular payment of salaries, medical expenses, travel expenses and other office expenses of the office of Assistant Court liquidator was booked in the Revenue section of the grant against the object head 42 lump sum provision.
2.	88-Ministry of Shipping	3056 Inland Water Transport -00-003-Training and Research	1.00	Amounts released to Inland Waterways Authority of India (an autonomous body under the Ministry) for conducting technical studies was booked against the object head '42 lump sum provision' instead of under '31 Grants-in-aid (general)' as per rules. The Principal Chief Controller of Accounts, Ministry stated (January 2013) that it was not possible to quantify either the number of studies or training programmes relating to operations and maintenance of Inland Water Transport system or fund required in advance to arrive at the definite allocation for this purpose.

4.29 Expenditure without adequate provisioning of funds in Department of Space

According to Rule 58(2) of General Financial Rules, 2005, if honouring of a claim is certain to produce an excess over the allotment or appropriation at the disposal of the disbursing office, he should take the orders of the administrative authority before authorizing the payment of the claim. The administrative authority will arrange to provide funds either by re-appropriation or by obtaining a Supplementary Grant or an advance from the Contingency Fund.

Audit scrutiny of consolidated monthly accounts for the year 2011-12 at the Principal Accounts Office of Department of Space, revealed that the actual expenditure in 14 instances exceeded the available provision prior to issue of the re-appropriation order, as detailed below:-

Table 4.19: Cases where expenditure incurred in excess of provision prior to issue of re-appropriation

(₹ in lakh)

Sub-head	Object head	Plan/ Non Plan	Budget Provision	Actual Expenditure	Month in which the expenditure exceeded available provision	Expenditure exceeded the provision before re-appropriation	Fund provided through re-appropriation order on 31 March 2012
3402.00.101.10 ISAC	01-Salaries	Plan	6129.00	6582.48	February 2012	453.48	453.70
3402.00.101.10 ISAC	12-Foreign Travel Expenses	Plan	35.00	55.79	October 2011	20.79	21.00
3402.00.101.10 ISAC	21-Supplies and Materials	Plan	282.00	2049.75	May 2011	1767.75	1767.80
3402.00.101.10 ISAC	27-Minor Works	Plan	50.00	166.91	November 2011	116.91	117.00
3402.00.101.10 ISAC	50-Other Charges	Plan	37.00	186.42	April 2011	149.42	149.50
3402.00.101.10 ISAC	52 M&E	Plan	82.00	220.97	July 2011	138.97	139.00
3402.00.101.35 RISAT-1	21 Supplies & Materials	Plan	1.00	23.24	July 2011	22.24	21.50
5402.00.101.18 ISTRAC	53 Major works	Plan	44.00	189.93	June 2011	145.93	146.00
5402.00.101.20 PSLV C	52 M&E	Plan	300.00	891.57	June 2011	591.57	592.00
5402.00.101.40 SARAL	52 M&E	Plan	386.00	434.63	December 2011	48.63	49.00
5402.00.103.02 Astrosat 1&2	52 M&E	Plan	5.00	49.67	June 2011	44.67	45.00
5402.00.103.04 MeghaTropiques	52 M&E	Plan	4.00	42.46	August 2011	38.46	39.00
5402.00.103.04 MeghaTropiques	60 Other Capital Exp.	Plan	83.00	406.20	June 2011	323.20	324.00
5402.00.283.01 VSSC	53 Major works	Plan	325.00	517.99	December 2011	192.99	193.00
Total						**4055.01**	

Department of Space therefore incurred expenditure of ₹40.55 crore in excess of the available provision in violation of the extant Rules. Department of Space stated (August 2012) that owing to complex nature of space technology and developmental uncertainties, in the last quarter of the financial year a thorough review is undertaken to ascertain the cash flow requirements during the end of the financial year. DOS added that, after the final assessment of spendability of funds, the re-appropriation orders are issued with the approval of Member Finance in March.

Reply of Department is not tenable as the same is against the provisions of the extant Rules.

Department further stated (February 2013) that it is in the process of implementing a digital workflow system and its Project Director had been requested to include sufficient checks in the software so as to restrict the booking of expenditure to the extent of budget provision.

4.30 Expenditure without adequate provisioning of funds in Department of Telecommunications

A review of Head-wise Appropriation Accounts and relevant re-appropriation orders revealed that DoT issued re-appropriation orders on the last working day (30 March 2012) of the financial year. It was noticed that prior to this, no re-appropriation order were issued during the year. From the 'e-lekha' database of the DoT, it was observed that in two instances (Table 4.20), expenditure was incurred over and above the available provision and the re-appropriation orders for the same were issued on 30 March 2012.

Table 4.20: Expenditure without provisioning of funds

(₹ in crore)

Head of Account	Original & Supplementary provision	Expenditure up to January 2012	Expenditure as percentage of sanctioned provision
2071.01.101.01 Ordinary Pensions	1799.02	2054.34	114
2071.01.105.02 Family Pensions	306.98	327.49	107

Thus expenditure was incurred without adequate provision of funds.

DoT stated (February 2013) that the expenditure for January 2012 could be ascertained only in the middle of February 2012 as DoT had several units to compile the expenditure and based on the projections for Revised Estimates-Budget Estimates, the re-appropriation from Plan to Non-Plan heads was processed and sent to Ministry of Finance on 3 February 2012 and the approval obtained on 22 February 2012. They further stated that observations of the audit are being followed for Revised Estimates 2012-13 onwards.

The reply was not tenable as the augmentation of provision to the relevant heads, schemes should have been obtained well before incurring the expenditure by DoT.

4.31 Department of Posts

Audit Examination of Grant No.13-Department of Posts for the financial year 2011-12 revealed a number of financial deficiencies, which have been summarized in the succeeding paragraphs.

4.31.1 Expenditure incurred without a budget line

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. Examination of head-wise appropriation accounts revealed that an amount of ₹7.75 crore was incurred in five cases without any budget provision available/provided by way of parliamentary authorisation as detailed in the following table.

Table 4.21: Expenditure incurred without budget line

(₹ in crore)

Sl.No.	Head of Account	Amount	Reply of Department	Remarks
1.	3201-08-101-01-Payment of charges to Reserve Stamps Office, Kolkata (Original provision ₹0.02 lakh was re-appropriated to some other head. However, an expenditure of ₹6.61 crore was incurred.)	6.61	The DoP replied that amount was wrongly booked and necessary action is being taken to rectify the wrong booking.	The reply is incorrect, as in the explanatory note the reason for excess has been stated as clearance of unexpected bills.
2.	5201.00.104.31 – Computerisation and Modernisation of Philately	0.05	Reply not furnished.	
3.	5201.00.104.37 – Computerisation of Administrative Offices	0.57		
4.	5201.00.104.53 – Insurance Operations	0.36		
5.	5201.00.104.15– Establishment of Print Mail System in major cities (Original provision of ₹1.40 crore was re-appropriated to some other head, resulting in Nil provision under this head.)	0.16		
Total		**7.75**		

4.31.2 Financial indiscipline by the Department of Posts

In terms of Rule 10 of Delegation of Financial Powers Rules, 1978 all re-appropriations, irrespective of the fact that these are made on the basis of estimates approved by the Finance Ministry, having the effect of increasing the budget provision by ₹5 crore or more under a sub-head shall be made only with the prior approval of Secretary (Expenditure).

Audit scrutiny revealed that during the financial year 2011-12 Department of Post re-appropriated ₹31.68 crore to the scheme 'Social Security and Welfare Programmes- Service Discharge Benefit Scheme for Gramin Dak Sewaks' from the scheme 'Postal Network-Gramin Dak Sewak- salaries' despite the refusal of the re-appropriation proposal of the Department by the Ministry of Finance. No budget provision was available under the scheme Service Discharge Benefit Scheme for Gramin Dak Sewaks.

The Department stated (October 2012) that the sub-head was newly opened, which was approved by the Cabinet during 2011-12 and as such requirement to allocate the funds like salary and pension was mandatory.

The reply is not acceptable. Department should have obtained a supplementary provision for this expenditure. Further issuance of re-appropriation order by the Department inspite of rejection of the proposal by the Ministry of Finance is tantamount to financial indiscipline and constitutes a serious break down of the manner in which financial powers are exercised within the government.

4.31.3 Non issuance of re-appropriation orders

Rule 59 of General Financial Rules 2005 provides that subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates and the copy of re-appropriation order should be endorsed to the Accounts Officer.

In Department of Posts only in those cases of re-appropriation, where prior approval of Ministry of Finance is required, sanction orders are issued. In all other cases, including re-appropriation of funds from non-functional head to functional head, sanction of the competent authority for re-appropriation of funds from one primary unit of appropriation to another such unit is obtained in file only and no re-appropriation orders are issued.

Thus, non-issuance of re-appropriation order violates the provisions of Rule 59 of General Financial Rules, 2005.