

4: APPROPRIATION ACCOUNTS: COMMENTS ON ACCOUNTS

4.1 Introduction

Constitutional provisions relating to ‘Procedure in Financial Matters’, Delegation of Financial Powers Rules 1978, General Financial Rules-2005, and other standing instructions issued by the Ministry of Finance, etc., are the guiding principles for sound financial management of Government finances and expenditure incurred from Government Accounts. During the scrutiny of Appropriation Accounts violations of these guiding principles were observed in a number of Ministries/Departments. This chapter contains audit observations relating to violation of these guiding principles.

4.2 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Article 114(3) of the Constitution stipulates that no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriation made by law.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 the 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 Reports on Union Government Accounts as well as in CAG’s Reports on Direct Taxes, but no corrective action has been taken by the Department.

This issue was examined by the Public Accounts Committee (PAC) and the Committee in their 66th Report (15th Lok Sabha 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 to Appropriation law passed by the 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the Committee reminded the Department that Article 114(3) of the Constitution clearly mandates that no money shall be withdrawn from the Consolidated Fund of India except under ‘Appropriation’ made by the Legislature.

In their follow-up Report (96th Report of 15th Lok Sabha 2013-14) the PAC reiterated their earlier recommendation that the Ministry of Finance devise a procedure in conformity with the Constitutional provisions and the Financial

Rules so that interest payments on tax refunds are shown in the Annual Financial Statement and Demand for Grants and receive Parliamentary approval as ordained by the Constitution.

As in the past, no budget provision for interest on refunds was made in the Budget Estimates for the financial year 2014-15 and an expenditure on interest on refunds amounting to ₹ 5,332 crore was incurred by the Department, in contravention of provisions of the Constitution. Expenditure of ₹ 48,235 crore on interest payments had been incurred over a period of last seven years without obtaining approval of the Parliament through necessary appropriation, as detailed in **Table 4.1**:

Table 4.1: Expenditure on interest on refunds of taxes
(₹ in crore)

Year	Expenditure on interest on refunds
2008-09	5,778
2009-10	6,876
2010-11	10,499
2011-12	6,486
2012-13	6,666
2013-14	6,598
2014-15	5,332
Total	48,235

The matter was referred to the Department of Revenue in October 2015. The Department in their reply (November 2015) stated that with the approval of the Finance Minister, the recommendations of the PAC were not accepted on the basis of opinion of the Attorney General holding the current practice valid.

The reasons furnished by the Department in their reply had already been taken into consideration by the PAC in their 66th and 96th Reports while firming up their recommendations.

4.3 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.

Audit scrutiny of Head-wise Appropriation Accounts of Grant No. 13 and 14 pertaining to Department of Posts and Department of Telecommunication respectively for the year 2014-15 revealed that an amount of ₹ 521.85 crore was incurred without any budget provision provided by way of Parliamentary authorisation, as detailed in **Table 4.2**.

Table 4.2: Expenditure incurred without budget line

Grant No. and Head of Account	Amount (₹ in crore)	Reply of Department
13-Department of Posts		
3201.05.053.01.04.27	0.01	The Department stated (October 2015) that the error occurred due to misclassification and mapping for the correct object heads has been done in the <i>e-lekha</i> and recurrence would be avoided in future.
3201.06.101.04.01.31	0.40	
3201.06.101.04.03.31	0.03	
3201.06.101.05.00.28	14.79	

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Grant No. and Head of Account	Amount (₹ in crore)	Reply of Department
3201.08.101.02.01.28	7.59	
3201.08.101.03.01.28	0.02	
3201.08.101.04.01.28	18.76	
3201.08.101.05.01.28	1.13	
5201.00.202.02.00.53	0.65	
14 - Department of Telecommunications (DoT)		
2071.01.101.01.03.04	346.48	The Department stated (October 2015) that at the time of framing estimates BE 2014-15, in October 2013, MTNL pension was not being paid by DoT. The estimate for pension payment to MTNL employees could not be included in the BE since the payment of pension to MTNL employees by DoT was approved by Government in January 2014 for payment from April 2014. The reply of the Department is not tenable since the Department should have gone for a supplementary provision. This is indicative of defective system of budgeting.
2071.01.102.01.03.04	61.28	
2071.01.104.01.03.04	70.70	
2071.01.105.02.03.04	0.01	
Total	521.85	

4.4 Re-appropriation of fund from expenditure budget to receipt/miscellaneous income head in Canteen Stores Department (CSD)

Rule 8 of Delegation of Financial Power Rules states that provision under Object Head-‘45-Interest’ shall include interest on capital and discount on loans.

Examination of Grant No. 20-Ministry of Defence and Annual Accounts of the CSD for the year 2014-15 revealed that even though there was no loan in the account of CSD but in the detailed demand for grant an amount of ₹ 140.00 crore had been provisioned under the object head 45-Interest .

The examination of the Profit and Loss Account and Annual Accounts of CSD revealed that the amount provisioned by the Parliament under the object ‘head 45 – Interest’ had been diverted to “Receipt/Miscellaneous Income” as “Contribution/Grants-in-Aid towards Interest on Capital”. This practice has been followed in the CSD for many years.

During the period from 2010-11 to 2014-15, a sum of ₹ 624.43 crore had been diverted from Expenditure budget to Receipt/Miscellaneous Income by way of Contribution/Grants-in-aid (towards Interest on Capital) Head by CSD. The details have been shown in **Table 4.3**.

Table 4.3: Detail of expenditure booked under Object Head-‘45-Interest’
(₹ in crore)

Year	Actual expenditure under ‘Interest’ (CSD)
2014-15	145.20
2013-14	132.67
2012-13	119.83
2011-12	115.14
2010-11	111.59
Total	624.43

The Controller General of Defence Account (CGDA) stated (September 2015) that Interest on Capital was being compiled under the Major Head 2075 in Grant No. 20-Ministry of Defence (Civil) as per Ministry of Finance, Department of Economic Affairs instruction dated 27th December 1983. The CGDA further stated that approval of the O/o CGA, O/o CAG and O/o DGADS was taken before opening of these heads in our books and this procedure has been adopted with the approval of competent authorities.

The reply is not acceptable as the amount authorized by the Parliament for expenditure on account of interest payment had ultimately been taken into account as ‘Receipt/Miscellaneous Income’ under CSD Annual Accounts by way of Contribution/Grants-in-Aid (towards Interest on Capital) even though there was no loan outstanding in the account of CSD.

4.5 Failure to obtain legislative approval for augmenting provisions

4.5.1 Augmentation of provision to object head ‘31-Grants-in-aid-General’

In accordance with the instructions issued by the Ministry of Finance in May 2006 relating to financial limits to be observed in determining cases relating to New Service (NS)/New Instrument of Service (NIS), augmentation of provision by way of re-appropriation 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 the Parliament.

Scrutiny of Appropriation Accounts along with *e-lekha* data revealed that in five cases across four grants, expenditure aggregating ₹ 60.25 crore was incurred by various Departments during the financial year 2014-15 by augmenting provision under object head ‘31-Grants-in-aid-General’ to various bodies/authorities without obtaining prior approval of the Parliament thereby attracting the limitations of NS/NIS as detailed in **Table 4.4**.

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Table 4.4: Augmentation of provision to object head '31-Grants-in-aid-General'

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(in crore)					
Grant No. 11- Department of Commerce							
1.	3453.00.800.33.00.31 Market Access Initiatives Export Studies.	199.99	-	-	199.99	199.9931	0.0031
For market access initiatives export studies, the Department stated (October 2015) that the excess booking was due to funds allotted to the Ministry of External Affairs and the Department is enquiring the reasons.							
Grant No.52- Department of Public Enterprises							
2.	2852.80.800.30.01.31 Skill Development Training Programmes of Executives of State Level Public Enterprises (SLPEs)	0.80	0.10	-	0.90	1.02	0.12
The Department stated (October 2015) that total budget allocation under the Major Head 2552 relating to NER was not exceeded. Hence, prior approval of the Parliament was not required as it did not fulfil conditions which attract the limitation of NS/NIS. The reply of the Department is not tenable as the provision under non-functional head 2552.00.317.02.00.31 which was re-appropriated to the scheme under functional head was not for the same scheme.							
Grant No. 59- Department of School Education and Literacy							
3.	2202.01.789.03.01.31 National Programme of Mid-Day Meals in Schools	0.00	-	-	0.00	50.00	50.00
The Department stated (September 2015) that re-appropriation of funds between direct expenditure in the Revenue Section to grants-in-aid to States/UTs was done as per GIO 3(ii) below Rule 10 of DFPRs and concurrence of Ministry of Finance was taken for the same. The matter was also reported to Parliament in the First batch of Supplementary Grant. The reply of Department is not acceptable in view of the fact that each item of expenditure has a distinct budget line and is approved by the Parliament separately. Reporting of any augmentation to the Parliament does not mean seeking approval of the Parliament. As per the Ministry of Finance instruction referred to above and subsequent clarifications, all cases of augmentation of provision to object heads related to grants-in-aid (except transfers to States/UTs in case where the scheme is not new) have to be made with prior approval of the Parliament.							
Grant No. 60- Department of Higher Education							
4.	2203.00.789.25.00.31 All India Council for Technical Education	37.12	4.12	-	41.24	47.99	6.75
5.	2203.00.796.25.00.31 All India Council for Technical Education	18.56	2.06	-	20.62	24.00	3.38
The Department stated (October 2015) that augmentation of the funds was done through re-appropriation after obtaining token supplementary from the Parliament. The reply of the Department is not tenable in view of the fact that the approval of lump sum Supplementary Grant was obtained from the Parliamentary without giving amount specific break up for each line item/component viz., General Component, Special Component Plan for Scheduled Caste and Tribal Area Sub Plan. The Department should have been obtained amount specific approval for each component distinctly as the three components had distinct budget lines.							
Total							60.25

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per classified abstract/e-lekha data dump)

4.5.2 Augmentation of provision to object head '35-Grants for creation of Capital Assets'

In accordance with instructions issued by the Ministry of Finance in May 2006 relating to financial limits to be observed in determining cases relating to New Service/ New Instrument of Service, augmentation of provision by way of re-appropriation 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 the Parliament.

The Ministry of Finance vide its OM dated 12 February 2010 opened a new object head '35- Grants for creation of Capital Assets' with immediate effect from the financial year 2009-2010 with the objective of uniquely depicting the expenditure on grants for creation of capital assets at the level of primary unit of appropriation. The Ministry further clarified vide its OM dated 21 May 2012 that augmentation of provision under the object head '35-Grants for creation of Capital Assets' through re-appropriation requires prior approval of the Parliament through Supplementary Demands for Grants.

Scrutiny revealed that in nine cases across two grants, funds aggregating to ₹ 144.72 crore were augmented in violation of extant provision without prior approval of the Parliament to the object head '35-Grants for creation of Capital Assets', attracting limitations of NS/NIS. The **Table** below gives details of heads where augmentation was made in two grants without approval of the Parliament.

Table 4.5: Augmentation of provision to object head 'Grants for creation of Capital Assets'

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
Grant No.04-Department of Atomic Energy							
1.	3401.00.004.10.26.35 Institute of Physics, Bhubaneswar	1.25	-	1.25	2.50	4.00	1.50
Grant No. 60- Department of Higher Education							
2.	2202.03.789.03.02.35 University Grant Commission - Central Universities	200.03	15.61	-	215.64	260.64	45.00
3.	2202.03.796.03.02.35 University Grant Commission - Central Universities	99.96	7.81	-	107.77	149.02	41.25
4.	2203.00.789.38.00.35 Training & Research in Frontier Areas	0.32	-	-	0.32	2.96	2.64
5.	2203.00.789.26.00.35 National Institute of Technology (NITs)	114.15	51.59	-	165.74	195.75	30.01
6.	2203.00.796.26.00.35 National Institute of Technology (NITs)	57.08	25.80	-	82.88	97.88	15.00
7.	2203.00.789.47.00.35 Assistance to Other Institutes including SLITE, NERIST, NIFFT Ranchi, CIT Kokrajhar	2.10	3.60	-	5.70	11.70	6.00

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Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
8.	2203.00.796.47.00.35 Assistance to Other Institutes including SLITE, NERIST, NIFFT Ranchi, CIT Kokrajhar	1.05	1.80	-	2.85	5.85	3.00
9.	2203.00.796.50.00.35 National Initiative for Design Innovation	0.23	-	-	0.23	0.55	0.32
Total							144.72

The Department of Higher Education stated (October 2015) that augmentation of the funds was done through re-appropriation after obtaining token supplementary from the Parliament.

The reply of the Department is not tenable in view of the fact that the approval of lump sum Supplementary Grant was obtained from the Parliamentary without giving amount specific break up for each line item/component viz., General Component, Special Component Plan for Scheduled Caste and Tribal Area Sub Plan. The Department should have been obtained amount specific approval for each component distinctly as the three components had distinct budget lines.

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per Classified abstract/e-lekha data dump)

4.5.3 Augmentation of provision to object head '36-Grants-in-aid-Salaries'

The Ministry of Finance vide its OM dated 7 June 2011 opened a new object head '36-Grants-in-aid-Salaries' with effect from 01 April 2011 with the object of uniquely depicting the expenditure on grants-in-aid for payment of salaries. The Ministry further clarified vide its OM dated 21 May 2012 that augmentation of provision under the object head '36-Grants-in-aid-Salaries' through re-appropriation requires prior approval of the Parliament through Supplementary Demands for Grants.

Scrutiny revealed that in three cases across two grants, funds aggregating to ₹ 8.29 crore were augmented in violation of extant provision, without prior approval of the Parliament to the object head '36-Grants-in-aid-Salaries' attracting limitations of NS/NIS. The **Table** below gives details of heads where augmentation was made without approval of the Parliament.

Table 4.6: Augmentation of provision to object head 'Grants-in-aid Salaries'

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
Grant No.8- Department of Pharmaceuticals							
1.	2852.05.206.02.01.36 National Institute of Pharmaceuticals Education and Research (NIPER)	11.77	-	-	11.77	15.61	3.84

The Department stated (August 2015) that the provision of salary for NIPER, Mohali has been augmented by issue of re-appropriation order after Budget Division, Ministry of Finance communicated the enhanced non-plan revenue budget in the revised estimate 2014-15.

The reply of the Department is not tenable since augmentation of provision by way of re-appropriation to the object head 'Grants-in-aid' to any body or authority from Consolidated Fund of India could only be made with the prior approval of the Parliament through supplementary demands for grants.

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
Grant No. 60- Department of Higher Education							
2.	2203.00.789.09.00.36 Indian Institute of Management	1.89	0.13	-	2.02	5.00	2.98
3.	2203.00.796.09.00.36 Indian Institute of Management	0.95	0.08	-	1.03	2.50	1.47
Total							8.29

The Department stated (October 2015) that augmentation of the funds was done through re-appropriation after obtaining token supplementary from the Parliament.

The reply of the Department is not tenable in view of the fact that the approval of lump sum Supplementary Grant was obtained from the Parliamentary without giving amount specific break up for each line item/component viz., General Component, Special Component Plan for Scheduled Caste and Tribal Area Sub Plan. The Department should have been obtained amount specific approval for each component distinctly as the three components had distinct budget lines.

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per Classified abstract/e-lekha data dump)

4.5.4 Augmentation of provision to object head '33-Subsidies'

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 along with e-lekha data revealed that in four cases in two grants, funds aggregating to ₹ 202.04 crore was incurred by the Department/Ministry during the financial year 2014-15 by augmenting the provision under the object head '33-Subsidies' without obtaining prior approval of the Parliament. **Table 4.7** gives details of heads where augmentation was made without prior approval of the Parliament attracting limitations of NS/NIS.

Table 4.7: Augmentation of provision to object head 'Subsidies'

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
Grant No. 10-Ministry of Coal							
1.	2803.00.101.03.00.33 Payment against collection of cess (excise duty) on coal and coke	169.83	00**	-	169.83	185.00	15.17

The Ministry stated (September 2015) that the provision have been made for Tribal Sub-Plan (TSP) under the functional head (MH 2803) of the respective schemes instead of Non Functional Head (MH 2552) with effect from the current financial year. Hence no Re-appropriation will be required to utilize the TSP Component in future. The re-appropriation during 2014-15 from object head 'Subsidies' under Tribal Sub Plan(TSP) in non-functional head 2552 to the object head 'Subsidies' for general component under functional head 2803 was irregular, resulting into augmentation under the head 2803 without the prior approval of the Parliament.

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Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
		(₹ in crore)					
Grant No.12-Department of Industrial Policy and Promotion (DIPP)							
2.	2885.02.101.04.00.33 Central Interest Subsidy Scheme	0.01	-***	-	0.01	25.77	25.76
3.	2885.02.101.05.00.33 Comprehensive Insurance Scheme for North East	0.01	-	-	0.01	1.88	1.87
4.	2885.02.101.10.00.33 Capital Investment Subsidy	0.01	-	35.00	35.01	194.25	159.24
Total							202.04

The Department stated (September 2015) that lump sum provision for subsidies under North East Industrial Investment & Promotion Policy (NEIIPP) in the non-functional Head 2552.00.238.07.00.33 without any breakup was done by the Budget division with the intent to have greater leverage in the release of subsidy under various schemes of NEIIPP as per the demand that may mature during the year.

The reply is not tenable as the Department had provided the scheme wise breakup under non-functional head distinctly corresponding to functional heads in DDG for the year 2010-11 & 2011-12. Moreover since augmentation under object head "Subsidies" requires prior approval of Parliament, scheme wise break-up needs to be disclosed. The matter was also pointed out in CAG's Report No.1 of 2015.

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** Though a provision of ₹ 15.17 crore for Tribal Sub-Plan (TSP) component in non-functional head of 2552 was made, but there was no tribal sub-plan component in functional head of 2803.

*** Though a provision of ₹186.87 crore was made under 2552.00.238.07.00.33-Package for North East States/North East Industrial and Investment Promotion Policy, however, scheme wise break up corresponding to functional head had not been made as required in terms of Budget Division OM No. F.2 (66)-B(CDN)/2001 dated 14 September 2005.

4.5.5 Augmentation of provision to object heads '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 (dated 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 six cases across three grants funds aggregating ₹ 41.12 crore were augmented by the various Ministry/Departments during the financial year 2014-15 without obtaining prior approval of the Parliament, thereby attracting the limitations of New Service/New Instrument Service. **Table 4.8** gives details of heads where augmentation was made without prior approval of the Parliament attracting limitations of NS/NIS.

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

(₹ in crore)

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Amount
Grant No.04-Department of Atomic Energy							
1.	5401.00.201.26.08.53 Infrastructure Development Programme	9.05	-	-	9.05	11.90	2.85
Grant No.20-Ministry of Defence (Civil)							
2.	4047.00.037.01.02.53 Coast Guard Organisation Code head (042/02)	250.00	-	6.73	256.73	260.50	3.77
The Ministry of Defence stated (October 2015) that provision was modified to ₹ 252.50 crore under the head and that excess expenditure of ₹ 1.27 crore was under voted section only. The reply is not acceptable as the Ministry has calculated excess expenditure with reference to the Modified Appropriation which does not have the Parliamentary approval.							
Grant No.92-Department of Space							
3.	3402.00.101.01.00.52 Vikram Sarabhai Space Centre	8.00	-	-	8.00	14.00	6.00
4.	5402.00.102.06.00.52 Disaster Management Support	5.35	-	-	5.35	10.06	4.71
5.	5402.00.103.09.00.52 Mars Orbiter Mission	3.59	-	-	3.59	24.83	21.24
6.	3402.00.101.55.00.52 ISRO Propulsion Complex(IPRC)	2.54	-	-	2.54	5.09	2.55
While accepting the audit observation the Department replied (August 2015) that it has issued necessary instruction to all its Centres/Units/Projects regarding not to augment funds in respect of the object heads ‘52-Machinery and Equipment’ and ‘53-Major Works’ without prior approval of the Parliament.							
Total							41.12

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per Classified abstract/e-lekha data dump)

4.5.6 Excess expenditure under object head ‘55-Loans and Advances’

In accordance with the instructions issued by the Ministry of Finance in May 2006 relating to financial limits to be observed in determining cases relating to New Service/New Instrument of Service, grant of loan of above ₹ 1 crore from Consolidation Fund of India to an existing Public Sector Companies/Corporations in a financial year, where there is no budget provision requires prior approval of the Parliament through supplementary demand for grant.

Scrutiny of Appropriation Accounts of Grant No. 77 pertaining to Ministry of Power for the year 2014-15 and other related record revealed that for booking of bonus debentures received from NTPC, a loan of ₹ 7,725.77 crore was booked in accounts by the Ministry against ‘Nil’ budget provision under the object head ‘55-Loan and Advances’ under sub-head 6801.00.190.07- Loans to NTPC without obtaining prior approval of the Parliament thereby attracting the limitations of NIS.

The Ministry stated (November 2015) that the transaction related to issue of bonus debenture by NTPC in favour of Government of India occurred on 26 March 2015. Hence the above issue of bonus debentures had been captured under receipt major head '4000' with contra debit to MH '6801' in order to reflect the same in Union Government Finance Accounts vis-à-vis Appropriation Accounts 2014-15. This resulted into loan to NTPC. Although it appeared as excess in Appropriation Accounts but there was no actual cash disbursement in excess of approved budget. However, as per Appropriation Accounts there is excess expenditure.

4.6 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 expenditure. The principles for classifying the expenditure on revenue account and capital account should accordingly be adhered to.

Cases of incorrect classification of expenditure of revenue nature as capital expenditure and vice versa were pointed out in CAG's Report No. 1 for the financial years 2010-11, 2011-12, 2012-13 and 2013-14. However, a number of Ministries/Departments have continued to obtain incorrect Parliamentary authorisation, leading to misclassification in booking of final expenditure as discussed in succeeding paragraphs.

4.6.1 Misclassification of capital expenditure as revenue expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978, categorizes the primary units of appropriation. The object heads viz. 51 to 56 and 60 are grouped under object class six, meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure as detailed in **Annexure 4.1**. These object heads pertain to booking of expenditure of capital nature and therefore should correspond with capital major heads only.

Audit scrutiny of Head-wise Appropriation Accounts along with *e-lekha* data for the year 2014-15 revealed 10 cases pertaining to six Ministries/Departments where these object heads were used with revenue major heads as shown in **Table 4.9**, resulting in understatement of capital expenditure by ₹ 248.19 crore, if these expenditures were incurred towards acquisition of capital assets and other capital expenditure.

Table 4.9: Misclassification of expenditure of capital nature as revenue expenditure

Sl. No	Description of Grant	Major Head	Object Head	Expenditure (₹ in crore)	Reply of the Department/Ministry
1.	04-Department of Atomic Energy	2852	51/52/60	16.14	The reply is awaited.
2.		3401	51/52	11.05	The reply is awaited.
3.	20-Ministry of Defence	2037	52	78.62	The Ministry accepted and stated (October 2015) that the object head-‘52-Machinery&Equipment’ has been deleted from 2015-16.
4.		2075	53	6.84	The Ministry accepted and stated (October 2015) that the object head ‘53-Major Works’ has been deleted from 2015-16.
5.	92-Department of Space	3402	52	35.24	The Department replied (August 2015) that it has issued necessary instruction to all its Centres/Units/Projects regarding not to operate the object head under Revenue section from 2015-16 onwards.
6.	60-Department of Higher Education	2202	53	1.91	The Department stated (October 2015) that the matter has been noted for compliance in future.
7.	62-Ministry of Labour and Employment	2230	52	9.72	The Ministry stated (October 2015) that no provision was made under object head ‘52’ in the Revenue Section from 2015-16.
8.	106-Ministry of Water Resources	2701	51/52/53	23.60	The reply is awaited.
9.		2702	51/52/53	59.74	
10.		2711	51/52	5.33	
Total				248.19	

Expenditure figures source: e-lekha data dump/consolidated abstracts.

4.6.2 Misclassification of revenue expenditure as capital expenditure

Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPRs), broadly categorizes the object heads falling in category other than object class 6 as revenue in nature. Accordingly, object heads falling in category other than object class 6 should ordinarily not correspond with the capital major heads.

Audit scrutiny of Head-wise Appropriation Accounts along with *e-lekha* data for the year 2014-15 revealed in seven cases pertaining to four Ministries/Departments where object heads of revenue nature were incorrectly operated with capital major heads. These misclassifications resulted in understatement of revenue expenditure of the Union Government by ₹ 124.99 crore as shown in **Table 4.10**, if these expenditures were not incurred towards acquisition of capital assets and other capital expenditure.

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Table 4.10: Misclassification of revenue expenditure as capital expenditure

Sl. No.	Description of Grant	Major Head	Minor/ Object Head	Expenditure (₹ in crore)	Reply of the Department/Ministry
1.	04- Department of Atomic Energy	4861	27	54.75	The reply is awaited.
2.		5401	27	3.71	The reply is awaited.
3.	96-Ministry of Tourism	5452	28	1.71	The Ministry stated (August 2015) that it would take up the issue of booking of the expenditure on Project Management Consultant under the head “Professional services” with the Ministry of Finance before signing of any new agreement.
4.	98-Andaman and Nicobar Islands	4801	21	55.54	The Chief Pay and Accounts Office had assured that classification would be done correctly from 2015-16 onwards. However, the comments of the concerned department are awaited.
5.		5052	50	1.05	
6.		5452	50	6.23	
7.	102-Lakshadweep	4810	35	2.00	The Department stated (October 2015) that the matter has been taken up with the Ministry/CGA for remedial action and the Ministry has advised that object head 35 under revenue section may be operated.
Grand Total				124.99	

4.6.3 Incorrect recording of expenditure on viability gap funding in capital section amounting to ₹ 365 crore

Rule 31 of 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 and classified in capital section of the grant.

Further, para 4 of Appendix 3 referred in Rule 48 of the General Financial Rules, 2005 stipulates that no lump sum provision shall 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. Rule 8 of DFPRs stipulates that object head ‘42-Lump sum provision’ should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakh.

During scrutiny of the Appropriation Accounts, consolidated abstract and detailed demand for grants of Grant No. 33 pertaining to Department of Economic Affairs for the year 2014-15, it was observed that an expenditure of ₹ 365 crore representing assistance for infrastructure projects in the form of Viability Gap Funding (VGF) was booked in the capital section of the grant.

Since assistance as VGF 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 under the head 5475-Capital Outlay on Other General Economic Services-800-Other Expenditure, 12-Assistance for Infrastructure Development Viability Gap Funding, against the object head '42 Lump sum provision', was contrary to the rules cited above. This expenditure should have been booked under the revenue section of the grant.

Moreover, the provision of ₹ 670 crore obtained for expenditure under the object head '42-Lump sum 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. The matter was also pointed out in CAG's Report No.1 of 2013, 2014 and 2015 but no steps have been taken to obtain the provision under the correct head.

The Department stated (October 2015) that opening of new head of accounts under revenue section for expenditure on Viability Gap Funding was under process. The matter was lying with the Budget Division, Ministry of Finance for its comments.

4.6.4 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 along with *e-lekha* data for the year 2014-15 revealed that in five cases pertaining to three Departments, expenditure of revenue nature was classified as capital expenditure or vice-versa resulting in overstatement/understatement of revenue expenditure and also having an impact on revenue deficit of the Union Government by ₹ 16.04 crore, as shown in **Table 4.11**.

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Table 4.11: Misclassification between different sections of the grant

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/ Ministry
Misclassification of revenue expenditure as capital expenditure				
1.	11-Department of Commerce	180.00	An amount of ₹ 180.00 crore released to Footwear Design and Development Institute (FDDI) for establishment of new branches of FDDI (at Patna, Hyderabad and Guna) and for expansion and upgradation of FDDI Training Centre (at Chhindwara) was booked in accounts in capital section of the grant under the object head 5453.80.800.10.01.53 'Major works'. The correct object head for classification of this expenditure should have been '35-Grants for creation of capital assets' in the revenue section of the Grant.	While accepting the audit observation, the Department stated (October 2015) that necessary budget provision has been made in the Demand for Grants in the object head-35 under Major Head-3453 for the year 2015-16.
2.		1.00	An expenditure of ₹ 1.00 crore released to FDDI for establishment of Campus Networking Centre (FDDI-CNC), Up-gradation & Modernization of Pilot Plant of existing campuses and Centre of Excellence for Leather goods etc. was booked in accounts in capital section of the grant under the object head 5453.80.800.10.02.53-'Major works' instead of object head '35-Grants for creation of capital assets' in the revenue section of the grant.	
3.	33-Department of Economic Affairs (DEA)	67.00	An expenditure of ₹ 67.00 crore representing the subscription made by the Government of India to African Development Fund was booked in the capital section of Grant under the object head 5466.00.205.02.00.54-'Investment'. The nature of expenditure being contribution should have been correctly classified under the revenue section of the Grant against the object head '32-Contributions'.	The Department stated (October 2015) that the new sub-head for 'Contribution towards African Development Fund' would be obtained after taking technical supplementary under revenue section of the grant during 2015-16 in order to rectify this misclassification.
4.	92-Department of Space	10.44	An expenditure of ₹ 10.44 crore on electricity charges, required to be booked under the object head '13-Office Expenses' under the Object Class-2 (Administrative expenses) of the revenue section was booked under the object head '60-Other Capital Expenditure' under capital section in various Projects/Centres of the Department.	The Department replied (August 2015) that it has issued a compendium on booking of expenditure under various object heads to all its Centres/Units/ Projects.
Revenue expenditure understated by ₹ 258.44 crore.				

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/ Ministry
Misclassification of capital expenditure as revenue expenditure				
1.	92-Department of Space	274.48	The Department in its order dated 16 April 2007 clarified that expenditure on 'supplies and materials' and 'other charges' in case of satellites, having life of more than one year (including launch services for such satellites) was classifiable as 'Other Capital Expenditure'. In 23 cases, expenditure 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 object head '60-Other Capital Expenditure' under extant orders.	The Department stated (August 2015) that it has issued a compendium on booking of expenditure under various object heads to all its Centres/Units/ Projects not to operate the Object Head-52 under Revenue Section from 2015-16 onwards.
Revenue expenditure overstated by ₹ 274.48 crore.				
Overall Impact: Overstatement of revenue expenditure by ₹ 16.04 crore.				

The impact of incorrect classification of revenue expenditure as capital expenditure and vice versa was overstatement of capital expenditure by ₹ 748.43 crore and understatement of capital expenditure by ₹ 522.67 crore. The overall impact on Government expenditure was an overstatement of capital expenditure of ₹ 225.76 crore. Correspondingly revenue deficit was understated by an equivalent amount of ₹ 225.76 crore during the financial year 2014-15.

4.7 Other cases of misclassification within same section of the grant/appropriation

4.7.1 Incorrect transaction passed through Consolidated Fund of India instead of Public Account of India

Article 266 (1) & (2) of the Constitution of India provides that all revenues received by the Government of India, all loans raised by that Government by issue of treasury bills, loans or ways & 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"(CFI). Besides the normal receipts and expenditure of that Government, which relate to the Consolidated Fund, certain other transactions enter the Government Accounts, in respect of which the Government acts more as a transferor or as a banker. The public moneys thus received are kept in the Public Account, and the connected disbursements are also made therefrom.

(a) Scrutiny of Appropriation accounts of Grant No. 10 pertaining to Ministry of Coal for the year 2014-15 revealed that amounts deposited by Coal India Limited (CIL) for acquisition of coal bearing areas on their behalf was being treated as reduction in capital expenditure incurred from the CFI towards payment of compensation to land owners of coal bearing areas, instead of passing the transaction through Public Account as deposit work. An

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expenditure of ₹ 1048.83 crore was incurred for acquisition of Coal bearing areas in the capital head (4803.00.800.01.00.54) from the CFI and expenditure was netted out with receipts from CIL. Since the coal bearing areas were acquired against specific deposit made by CIL, the transaction should not have passed through the CFI. The matter was also pointed out in CAG's Report No.1 of 2013, 2014 and 2015.

It was further noted that the expenditure incurred was ₹ 1048.83 crore whereas recoveries adjusted in accounts in reduction of expenditure was of the order of ₹ 872.70 crore, resulting in an unexplained difference of ₹ 176.13 crore.

The Ministry stated (September 2015) that the modalities for booking of the expenditure in Public Account instead of the CFI has been taken up with CGA (in consultation with Ministry of Finance).

(b) Scrutiny of Appropriation accounts of Grant No. 77 pertaining to Ministry of Power for the year 2014-15 revealed that amounts deposited by NTPC for acquisition of Coal bearing areas on their behalf was treated as reduction in capital expenditure incurred from the Consolidated Fund of India, instead of passing the transaction through Public Account as deposit work. An expenditure of ₹ 73.74 crore was incurred for acquisition of Coal bearing areas in the capital head 4801.02.190.02.02.54 from Consolidated Fund of India and expenditure was netted out with receipts. Since the coal bearing areas were acquired against specific deposit made by NTPC, the transaction should not have passed through the CFI. The matter was also pointed out in the CAG's Report No. 1 of 2015.

While confirming the facts and figures, the Ministry (November 2015) reiterated its stand taken in Action Taken Note of June 2015 that it followed the procedure as agreed by Ministry of Finance for budgetary purpose. NTPC provides funds only when requirement arises in Coal mining areas and seeking release from Ministry of Power. Soon after funds are received from NTPC an equivalent amount is released by Ministry of Power. The Ministry further stated that the issue regarding passing the expenditure on account of Coal bearing areas through Public Accounts of India has been noted for taking up the matter afresh with Budget Division, Department of Economic Affairs, Ministry of Finance and Office of Controller General of Accounts.

4.7.2 Non-operation of object head 'Grants-in-aid-Salaries'

The Department of Expenditure, Ministry of Finance introduced a 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.

Scrutiny of Appropriation Accounts for the year 2014-15 revealed that the object head was not operated by the following Ministries/Departments as detailed in **Table 4.12:**

Table 4.12: Non-operation of object head ‘Grants-in-aid-Salaries’

Sl. No.	Grant No. & Name	Audit observation and reply of the Ministry/Department
1.	11-Department of Commerce	<p>The Department released Grants-in-aid of ₹ 1.00 crore to Agricultural and Processed Food Products Export Development Authority (APEDA), to meet expenditure on salaries, travel, rent, taxes etc., and it was booked under the object head 3453.00.800.11.00.31-‘Grants-in-aid General’, instead of classifying the expenditure on salary component under the object head ‘36-Grants-in-aid-Salaries’.</p> <p>In another case, an amount of ₹ 2.00 crore disbursed as ‘Grants-in-aid General’ to Indian Institute of Foreign Trade (IIFT) for meeting expenditure on administrative cost and cost of payments to faculties, primarily on salaries for the Regional SME centre at Shimla was also booked under the object head 3453.00.800.37.01.31 ‘Grants in aid General’ instead of ‘36 Grants in aid Salaries’.</p> <p>In the case of APEDA, the Pr. Accounts office of Department of Commerce stated (September 2015) that observation of the audit has been noted and the same was circulated to concerned divisions for taking necessary action.</p>
2.	14-Department of Telecommunications	<p>The Department released an amount of ₹ 197.75 crore to Centre for Development of Telematics (C-DOT). Out of the total grant received, an amount of ₹ 139.89 crore was disbursed as salaries and staff benefits by C-DOT. However, the entire amount of ₹ 197.75 crore was booked by the Department as ‘Grants-in-aid-General’ instead of segregating it into object head ‘31-Grants-in-aid-General’ and ‘36-Grants-in-aid Salaries’.</p> <p>The Department (September 2015) stated that a new head of account ‘3451.00.091.03.00.36 Grants-in-aid Salaries’ has been opened in DDG 2015-16 and provision of ₹ 100 crore has been made in BE 2015-16.</p> <p>On being pointed out last year, Department had furnished the same reply.</p>
3.	15-Department of Electronics and Information Technology	<p>The Department released ₹ 8 crore for IT Research Academy under object head ‘2852.07.202.01.03.31’ as Grants-in-aid-General though it included salary component of ₹ 1.25 crore and should have been classified under 36-Grants-in-aid-Salaries.</p> <p>The Department accepting the audit observation stated (October 2015) that all the Programme Divisions had been requested to review their GIA releases and submit the break-up for GIA-General, grants for capital assets and GIA salaries in respect of their expenditure estimates.</p>
4.	77-Ministry of Power	<p>The Ministry released a grant of ₹ 5.42 crore to Joint Electricity Regulatory Commission (JERC) for Goa and UTs, who utilized ₹ 0.92 crore to meet expenditure on salaries. However, the total amount of ₹ 5.42 crore released was booked under the head 2801.80.800.23.00.31 ‘Grants-in-aid General’, instead of classifying the expenditure of ₹ 0.92 crore correctly on salary component under the object head ‘36-Grants-in-aid Salaries’.</p> <p>The Ministry stated (November 2015) that the facts and figures are verified. It added that the ‘Accounting Procedure’ in respect of JERC Goa & UT Fund in Public Account and meeting expenditure therefrom is pending in O/o C&AG and O/o CGA for approval. On receipt of approval, necessary steps would be taken to streamline the object head.</p>
5.	95-Ministry of Textiles	<p>The Ministry released Grant-in-Aid of ₹ 1.50 crore to National Institute of Fashion Technology (NIFT), for payment of salaries of employees of NIFT, Rae Bareli Centre and booked the same in accounts under the object head 2852.08.202.02.07-31-‘Grants-in-aid-General’ instead of classifying the expenditure correctly under the object head ‘36-Grants-in-aid Salaries’.</p> <p>The Ministry stated (September 2015) that the observations have been brought to the notice of the Administrative Divisions for compliance.</p>

4.7.3 Misclassification within object heads under the same section of the grant

Rule 8 of the Delegation of Financial Powers Rules, 1978 prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of classification of expenditure. List of object heads and description of expenditure to be booked thereunder are given in **Annexure 4.1**.

Scrutiny revealed that in 27 cases across 19 grants/appropriations, funds aggregating ₹ 2,954.65 crore were misclassified between the primary units of appropriation i.e. object heads, which are detailed in **Table 4.13**.

Table 4.13: Misclassification within object heads in the same section of grant

Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
1.	7-Department of Fertilizers	1.81	2852/50	An expenditure of ₹ 0.81 crore was incurred on payment of outsourced personnel, engagement of consultants and ₹ 1.00 crore was incurred on procurement of computers, its accessories, consumables, maintenance of LAN and maintenance of Fertilizers Monitoring System etc. However, the total expenditure of ₹ 1.81 crore was booked in accounts under the object head 2852.03.800.02.99.50 'Other charges' instead of OH '28-Professional services' and for expenditure on procurement of computers its accessories, consumables and maintenance of LAN etc. should have been booked under OH-'13-Office Expenses'.
The Department while confirming the facts and figures stated (August 2015) that the new head has been opened and procurement of computers and its accessories, consumables, maintenance of LAN, etc., are being booked under the head 3451.00.090.33.99.13-Office expenses and the payment to outsourced personnel, engagement of consultants are being booked under the head '28-Professional services' from the financial year 2015-16.				
2.	10-Ministry of Coal	7.65	2230/32	An expenditure of ₹ 7.65 crore on account of administrative charges to Coal Mines Provident Fund Organisation and ₹ 212.48 crore on account of research and development, exploration, detailed drilling purposes were incurred and classified incorrectly under the object head '32 Contribution' under the Major Head 2230 and 2803 respectively.
3.		212.48	2803/32	These expenditure should have been correctly classified under the object head '31-Grants-in-aid-General' under the respective major heads being specific assistance towards Coal and Lignite sector.
The Ministry stated (September 2015) that the object heads of the schemes have been changed to '31-Grants-in-aid-General' from '32-Contributions' and had been incorporated in the Detailed Demands for Grants 2015-16.				
4.	11- Department of Commerce	31.45	3453/31	An expenditure ₹ 31.45 crore released to Indian Institute of Foreign Trade (IIFT) for meeting expenditure on construction of Kolkata campus and additional hostel facilities at Qutab Institutional Area, New Delhi was booked in the accounts under the object head 3453.00.800.37.01.31 'Grants in aid General' instead of classifying the expenditure under the object head '35-Grants for creation of capital assets'.
While accepting the audit observation, the Department stated (October 2015) that the Pay and Accounts Office inadvertently booked the expenditure in the object head '31' instead of '35'. However, for the financial year 2015-16 the budget has been provisioned under the object head '35'.				

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
5.	12- Department of Industrial Policy and Promotion	1.33	2852/01,11,13,20, etc.	National Manufacturing Competitiveness Council (NMCC) is an autonomous body vide notification dated 6 October 2004. An expenditure of ₹ 1.33 crore incurred towards establishment expenses of NMCC and booked in the revenue section of the Grant under sub head 2852.80.800.19. Since NMCC is an autonomous body, the allocation/expenditure in respect of them should have been classified under the object head '36-Grant-in-aid-Salaries' and '31-Grants-in-aid-General' respectively.
The Department referring to Rule 206 of GFRs stated (September 2015) that grants in aid can be given to an organization set up as an autonomous organization under a specific statute or as a society registered under the Societies Registration Act, 1860. Hence budgetary provision has not been provided under grants-in-aid in case of NMCC. However, in view of the audit comments instruction are being issued for compliance. In terms of Notification dated 6 th October 2004 NMCC is autonomous body and should be funded through grants-in-aid.				
6.	14- Department of Telecommunications	2086.97	3275/50	The Department booked expenditure amounting to ₹ 2086.97 crore as settlement of subsidy claims to Bharat Sanchar Nigam Limited, Bharat Broadband Network Limited for National Optical Fibre Network Project and other Telecom Service Provider (TSPs) under the object head '50-Other Charges' instead of correct object head '33-Subsidies'.
The Department stated (September 2015) that a new object head 33-Subsidies has been opened.				
7.	15- Department of Electronic and Information Technology	1.44	2852/20	The Department booked expenditure amounting to ₹ 1.44 crore towards subscription of e-resources at MCIT Library Consortium, under the object head '20-Other Administrative expenses' instead of '16-Publications'
The Department accepting the audit observation stated (October 2015) that all the Programme Divisions had been asked to explain under what circumstances the payments had been made from two heads.				
8.	16- Department of Consumer Affairs	1.61	3475/52	The Department made centralised purchase of machinery & equipment and supplied them directly to States/UTs and booked the expenditure amounting to ₹ 1.61 crore incorrectly under object head '52- Machinery and Equipment' instead of object head '35-Grants for creation of Capital Assets'.
The Department stated (June 2015) that in compliance with the instructions issued by the Ministry of Finance (November 2007) the expenditure was booked under object head '52' in the Revenue section. The reply is not acceptable as object head 52-Machinery & Equipment is of capital nature and it is to be used with capital major head only.				
9.	33- Department of Economic Affairs	2.50	3475/31	A grant of ₹ 2.50 crore was disbursed to National Council of Applied Economic Research (NCAER), New Delhi for the purpose of construction for NCAER's campus was booked in accounts under the revenue section of the grant under the object head 3475.00.800.10.04.31- 'Grants in aid General' instead of object head-'35- Grants for creation of capital assets'.
The Department of Economic Affairs stated (August 2015) that during the year 2013-14, a sum of ₹ 12.50 crore was allocated for release of grants to NCAER under object head 31-Grants-in- aid General. To release the remaining balance of funds of ₹ 2.50 crore, the funds were again allocated under '31- Grants- in- aid General' during the year 2014-15. The reply is not acceptable as the grant for ₹ 2.50 crore was for construction of campus and should have been provisioned and booked under object head 35- Grants for creation of capital assets.				

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
10.	33- Department of Economic Affairs	8.27	3475/50	A payment of ₹ 8.27 crore made to various Training Institutes, was booked under the Object head 3475.00.800.07.00.50-Other charges, to meet the expenses incurred on training of Indian Economic Service Officers. The expenditure should have been correctly classified under the object head 20-Other Administrative Expenses under the respective major heads.
The Department stated (October 2015) that new head of accounts 3475.00.800.07.00.20-Other Administration Expenses would be incorporated in the DDG 2016-17 as the concerned Administrative Authority has agreed and proposed the new object head '20' in place of object head '50-Other Charges'. The new head may become operational in the FY 2016-17.				
11.	47- Department of Health and Family Welfare	20.90	2210/32	The Department booked an expenditure of ₹ 20.90 crore on account of Rashtriya Arogya Nidhi for assistance to poor patients, under the object head 32-'Contribution' in the Revenue Section of the grant. This expenditure should have been correctly classified using appropriate object head related to Grants-in aid.
The Department accepted (September 2015) the audit observation and assured that due care would be taken while preparing the DDG for the FY 2016-17.				
12.	51- Department of Heavy Industry	1.96	2852/36	An expenditure of ₹ 1.96 crore has been booked under the head 2852.08.600.20.00.36 'Grants-in-aid Salaries' for payment of pension liabilities to the employees of Hindustan Salt Limited (HSL). The above expenditure should have been correctly classified under the object head '31-Grants-in-aid-General' under the respective Major head.
The Department stated (November 2015) that the provision for the pension liabilities of HSL shall be made under '31-Grants-in-aid-General' from 2016-17.				
13.	55- Police	496.66	3601/31	An amount of ₹ 496.66 crore was sanctioned for 32 different construction works under object head '31-Grant-in-aid-General' as detailed in Annexure 4.2 instead of object head-'35 Grant-for creation of Capital Assets.
The Ministry stated (September 2015) that it did not had any information regarding the final intended objective of the grants being provided to various state governments and other organisations under various schemes. However, in compliance of audit observation, the conversion of classification has been initiated.				
14.	66 Ministry of Micro, Small and Medium Enterprises	10.78	2851/20	Grants-in-aid of ₹ 10.78 crore released to Khadi and Village Industries Commission for meeting expenditure towards payment of Travel expenses and contingencies expenses was booked in accounts under the object head 2851.00.105.05.01.20 "Other Administrative Expenses" instead of classifying the expenditure under the object head '31- Grants in aid General' in the revenue section of the Grant.
The Pr. Accounts office of the Ministry stated (October 2015) that the travelling and contingencies expenses of Khadi & Village Industries Commission would be booked under the head- '31-Grants-in-aid General' from the current financial year 2015-16.				
15.	73- Ministry of Personnel, Public Grievances and Pensions	3.00	2070/35	An expenditure amounting to ₹ 3.00 crore was incurred toward pension arrear and pension liabilities which was incorrectly booked under the object head 35-'Grants for creation of Capital Assets' instead of object head 31-'Grants-in-aid-General'.
The Department stated (September 2015) that the observation has been noted for future compliance.				

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
16.	77- Ministry of Power	3.67	2801/31	Grants-in-aid of ₹ 3.67 crore released to National Power Training Institute (NPTI) for setting up of a new Power Training Institute under NPTI at Alappuzha, Kerala was booked in the accounts under the object head 2801.80.003.02.00.31 'Grants in aid General' instead of classifying the expenditure correctly under the object head '35-Grants for creation of Capital Assets'.
While confirming the facts and figures, the Ministry stated (November 2015) that the necessary correction with regard to object head is done in draft Detailed Demand for Grants for the year 2016-17.				
17.	83- Ministry of Road Transport and Highways	26.65	3055/20	An expenditure of ₹ 26.65 crore incurred on account of broadcast of road safety messages, printing and distribution of publicity material, advertisement in newspapers, other activities etc. was booked under object head 3055.00.004.20.02.20 'Other Administrative Expenses' instead of classifying them under the object head '26-Advertising and Publicity'.
The Ministry stated (September 2015) that the expenditure will be booked under the object head "26- Advertisement & Publicity" from the year 2016-17, provision will be made accordingly.				
18.	86- Department of Science & Technology	1.35	3425/31	The expenditure incurred on account of hiring of service from GITA was required to be booked under object head '28- Professional Services'. However, DST incorrectly booked the same under object head 3425.60.798.12.00.31-Grants-in-aid General (Plan).
The Department stated that GITA is a non-profit company with one of the mandates to implement industrial R&D programme on behalf of the Govt. of India. Thus, the management fees provided to GITA may not be constituted as "Professional Services". Further, the division has no any head as "Professional Services". The reply, however, is not acceptable as in accordance with the extant rules, the expenditure was required to be booked under "Professional Services" Head. The Department should have made adequate provision for the same at budget estimate stage itself.				
19.	92- Department of Space	2.77	5402/60	Capital item (supply of Carbon Composite Pressurant Tank) procured at a cost of ₹ 2.77 crore was booked under object head '60-Other Capital Charges' (5402.00.101.33.00.60) instead of object head '52-Machinery and equipment'.
20.		4.05	5402/60	An amount of ₹ 4.05 crore was paid towards manufacturing, fabrication, screening of HMC and related activities which was booked under object head '60-Other Capital Charges' (₹ 1.06 crore under 5402.00.101.33.00.60 and ₹ 2.99 crore under 5402.00.101.43.00.60) instead of object head '52-Machinery and equipment'.
21.		1.44	3402/50	PAO, ISRO HQ released an amount of ₹ 1.44 crore as Grants-in-aid for creation of capital asset to its autonomous body SCL, Chandigarh under '50-Other Charges' (3402.00.103.12.00.50) instead of the object head '35-Grants for creation of Capital Assets'.
22.		2.06	3402/50	Grant-in-aid to the tune of ₹ 2.06 crore released under ISRO Geosphere Biosphere programme (IGBP) to autonomous body PRL, Ahmedabad which was to be classified under object head '31 Grants-in-aid General' was classified under object head '50-Other Charges' (3402.00.103.03.00.50).
23.		1.90	3402/50	PAO, ISRO HQ released an amount of ₹ 1.90 crore as Half yearly instalment to Kendriya Vidyalaya, NAL, Bangalore which was booked under the object head '50-Other Charges' (3402.00.001.01.00.50) instead of object head '31-Grants in aid -General'.

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
24.	92- Department of Space	6.70	3402/50	PAO, ISRO HQ released an amount of ₹ 6.70 crore to NARL under ASP Project towards development of active array MST Radar, MF Radar, Lidar and other programmes of relevance to Atmospheric Science which was booked under the object head '50-Other Charges' (3402.00.103.12.00.50) instead of object head '35-Grants for creation of Capital Assets'.
25.	95- Ministry of Textiles	10.00	2852/31	An amount ₹ 10.00 crore released to National Institute of Fashion Technology (NIFT) for construction of permanent centre of NIFT at Shillong was incorrectly booked in the accounts under the object head 2852.08.202.02.07.31 'Grants in aid General' instead of classifying this expenditure under the object head '35-Grants for creation of Capital Assets'.
The Ministry stated (September 2015) that the observations have been brought to the notice of the Administrative Divisions for compliance.				
26.	104- Public Works	1.54	2059/53	An expenditure of ₹ 1.54 crore incurred on making arrangements for Republic day celebrations which primarily included floral decoration, sitting arrangements, security fencing and VVIP barricading etc. was booked in accounts under object head 53-Major works, instead of classifying the expenditure under object head '27 Minor works'.
The Ministry of Urban Development stated (September 2015) that the provision was meant for horticulture work, electrical as well as civil work which is of temporary nature which cannot be retained as assets. It further stated that these temporary structures involve the works of columns and lintels etc. with cement and concrete mixture with brick work and plastering thereon, which under the norms constitute Major Works. The reply of the Ministry is not tenable as booking of expenditure should conform to DFPRs, 1978 and the expenditure should have been classified as minor works.				
27.	104- Public Works	3.71	2059/50	The Ministry incurred an expenditure of ₹ 3.71 crore on deployment of security force to the Samadhi Sthal Complex and for organizing cultural programmes and booked the same under the object head 50-Other charges instead of booking the expenditure under the Object Head 28- Professional services.
The Ministry (September 2015) stated that the expenditure was incurred for payment towards security of Samadhi and such payments are recurring but on certain occasions special services do not require any payment. Thus, it may not be befitting to open unnecessary and non-operational object heads under which the funds will result in savings. The reply of the Ministry is not tenable as these are the payments for services rendered by other departments such as Central Industrial Security Force (Ministry of Home Affairs) and Sahitya Kala Parishad (Government of NCT Delhi) and thus booking of expenditure should conform to DFPRs.				
Total		2,954.65		

4.7.4 Operation of object head 'Contribution' for booking aid to other Countries

Rule 8 of the Delegation of Financial Powers Rules, 1978 prescribes standard primary units of appropriation with the descriptions/definitions for the purpose of correct classifications of expenditure. Grants-in-aid disbursed to anybody/authority are classified under object heads 31-Grants-in-aid-General, 35-Grants for creation of Capital Assets, 36-Grants-in-aid-Salaries while expenditure on membership of international bodies, etc. is classified under 32-Contributions.

Scrutiny of Appropriation Accounts and Detailed Demands for Grants of Grant No. 32 pertaining to the Ministry of External Affairs for the year 2014-15 revealed that an expenditure of ₹ 3,884.93 crore in 15 cases, as detailed in the **Table 4.14**, had been incorrectly booked and classified at primary unit of appropriation under the object head '32-Contributions'. Since the nature of expenditure was grants to foreign governments for general/specific purpose, it should have been correctly booked under the object heads meant for grants.

Table 4.14: Details of Grants to Foreign Governments during 2014-15

(₹ in crore)			
Sl. No.	Classification	Description (Sub-head)	Expenditure
1.	3605.00.101.09.00.32	Aid to Bangladesh	197.84
2.	3605.00.101.10.02.32	Aid to Bhutan (Punatsangchhu-I HEP)	561.70
3.	3605.00.101.10.03.32	Aid to Bhutan (Mangdechhu HEP)	245.30
4.	3605.00.101.10.04.32	Aid to Bhutan (Punatsangchhu-II HEP)	328.16
5.	3605.00.101.10.05.32	Aid to Bhutan -Other Projects	1146.59
6.	3605.00.101.11.00.32	Aid to Nepal	303.26
7.	3605.00.101.13.00.32	Aid to Maldives	26.08
8.	3605.00.101.14.00.32	Aid to Myanmar	104.34
9.	3605.00.101.15.00.32	Aid to Other Developing Countries	54.12
10.	3605.00.101.16.00.32	Aid for Disaster Relief	24.77
11.	3605.00.101.20.00.32	Aid to African Countries	142.86
12.	3605.00.101.25.00.32	Aid to Eurasian Countries	11.94
13.	3605.00.101.32.00.32	Aid to Latin American Countries	12.17
14.	3605.00.101.33.00.32	Aid to Afghanistan	723.52
15.	3605.00.101.36.00.32	Aid to Mongolia	2.28
Total			3,884.93

This issue was also pointed out in the Audit Report of the CAG on Union Government Accounts for the financial years 2008-09, 2010-11, 2011-12, 2012-13 and 2013-14.

The reply of the Ministry is awaited (October 2015).

4.7.5 Booking of 'Special Central Assistance' under incorrect minor head of account

The Special Central Assistance (SCA) is provided by the Ministry of Tribal Affairs to the State Governments as an additive to the State Tribal sub plan. While the funds allocated for 'Tribal Area Sub Plan' are required to be booked under specific minor head of account i.e. '796- Tribal Area Sub Plan', a distinct minor head code i.e. 794 is earmarked for the purpose of booking of 'Special Central Assistance for Tribal Sub Plan' in the general directions to the list of major and minor heads of accounts.

Scrutiny of the Grant No.97 pertaining to Ministry of Tribal Affairs revealed that out of the total provision of ₹ 1,190.00 crore, ₹ 1,040.02 crore was released by the Ministry as 'Special Central Assistance for Tribal Sub Plan' during the year 2014-15 and booked this expenditure under the minor head '796-Tribal Area Sub Plan'. The same was required to be provisioned and booked under the minor head '794-Special Central Assistance for Tribal Sub Plan' as prescribed in the extant instructions.

The matter was also pointed out in para 4.7.5 of the CAG's Report No.1 on Union Government Accounts for the financial years 2012-13 and 2013-14.

The Ministry stated (September 2015) that minor head '796' is in operation since 2011-12 onwards. Accordingly, expenditure incurred during 2014-15 had been booked under minor head 796.

The reply is not acceptable in view of the fact that the Minor head '794' is in operation across various Ministries/Departments. The expenditure on Special Central Assistance for Tribal Sub Plan should have been booked under Minor head '794'.

4.8 Unauthorised augmentation through obtaining lump sum supplementary provision

Special Component Plan for the Scheduled Castes and the Tribal Sub-Plan for the Scheduled Tribes were initiated by Government as intervention strategies to cater exclusively to Scheduled Castes and Scheduled Tribes respectively. Such plans are meant to ensure benefits to these special groups by guaranteeing funds from all related development sectors in proportion to the size of their respective population. The basic objective of both these sub-plans is to channelise the flow of outlays and benefits from the general sectors in the Central Ministries/Departments for the development of Scheduled Castes and Schedules Tribes, both in physical and financial terms. An initiative was taken to make separate allocations for the Scheduled Castes Sub Plan (SCSP) and Tribal Sub Plan (TSP) as part of the plan allocations from the financial year 2011-12. Government devised a proper accounting mechanism to account for such allocations by opening dedicated Minor Head 'Special Component for Scheduled Castes (Code 789)' and 'Tribal Sub Plan (Code 796)'. Accordingly, in the Detailed Demands for Grants of the Central Ministries/Departments provision under a plan scheme is obtained distinctly with separate budget lines for 'general plan', 'special component for scheduled castes' and 'tribal area sub plan'. The provisions made under 'special component for scheduled castes' and 'tribal sub plan' are not allowed to be re-appropriated, except to the same Minor Heads in other schemes under SCSP and TSP, thereby preventing any possibility of diversion.

Para 4 of Appendix-3 (containing instructions for preparation of Budget) below Rule 48 of GFR-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.

Scrutiny of Appropriation accounts along with Consolidated Abstract of Grant No. 59 pertaining to the Department of School Education and Literacy for the year 2014-15 revealed that the Department obtained (December 2014 and

March 2015) a token supplementary for re-appropriation of ₹ 324.35 crore for Kendriya Vidyalaya Sangathan (KVS) scheme under Object head '36-Grants-in-aid Salaries' from savings available in the same section of the Grant, without giving amount specific component-wise break-up for General Component, Special Component Plan for Scheduled Castes and Tribal Areas Sub-Plan in the Supplementary Demand for Grant.

The lump sum supplementary of ₹ 324.35 crore was apportioned amongst three components of the scheme, without amount specific prior approval of the Parliament. As the expenditure attracted the limitations of New Service/New Instruments of Service in terms of Budget Division OM dated 25 May 2006, being the expenditure incurred on grants-in-aid, amount specific prior approval of the Parliament distinctly for three schemes was necessary but the same was not obtained. The details of expenditure incurred are shown in **Table 4.15**.

Table 4.15: Unauthorised distribution of lump sum supplementary provision
(₹ in crore)

Scheme/Heads	Provision				Expenditure
	BE*	NE*	TA*	SA*	
2202.02.789.02.00.36 Kendriya Vidyalaya Sangathan	19.20	2.40	21.60	324.35	70.42
2202.02.796.03.00.36 Kendriya Vidyalaya Sangathan	9.60	1.20	10.80		31.80
2202.02.110.01.00.36 Kendriya Vidyalaya Sangathan	2145.70	11.80	2157.50		2408.64
				324.35	

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation

The Department stated (September 2015) that the approval of the Parliament was obtained for augmentation of funds to the tune of ₹ 261.00 crore in the Scheme of KVS (General Head-₹ 190.00 crore, SCSP head-₹ 50.00 crore and TSP Head- ₹ 21.00 crore) in the first batch of Supplementary Demand for Grants 2014-15 and accordingly, the re-appropriation was done from respective heads. The Department, further, stated that the Parliamentary approval was also obtained for ₹ 63.35 crore (General Head) in the second batch of Supplementary Demand for Grants and accordingly, the re-appropriation was done.

The reply is not acceptable as the supplementary grants of ₹ 324.35 crore was obtained for KVS in the general component only. The Ministry should have obtained amount specific approval for each component distinctly as all the three components had separate budget lines, as being done by the Department

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of Agriculture and Cooperation in the second batch of Supplementary Demand for Grants-2014-15.

4.9 Obtaining excess provision under the object head ‘Lump sum Provision’

Rule 8 of Delegation of Financial Power Rules stipulates that provision under the head lump sum (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.

Examination of Appropriation Accounts of Grant No. 28 pertaining to Ministry of Development of North Eastern Region and No. 34 pertaining to Department of Financial Services for the year 2014-15 revealed that in following two cases, lump sum provisions exceeding ₹ 10 lakh were obtained, instead of obtaining Parliamentary approval with complete break-up of expenditure as was incumbent under the extant rules.

Table 4.16: Lump sum Provisions

Sl. No.	Grant No. & Name	Head of Account	Provision	Expenditure	Reply of the Ministry/ Department
			(₹ in lakh)		
1.	28-Ministry of Development of North Eastern Region	2552.00.800 .03.00.42	30.00	20.69	While accepting the audit observation, the Ministry stated (November 2015) that it is analyzing the various kind of expenditure and from the year 2016-17, the provisions beyond ₹ 10 lakh would be reflected under proper classification.
2.	34-Department of Financial Services	3475.00.105 .04.00.42	113.00	58.00	The Department stated (October 2015) that budget provision in respect of Office of Court Liquidator, Kolkata would be made w.e.f the financial year 2016-17 in appropriate object heads instead of the object head ‘42-Lumpsum provision’.
Total			143.00	78.69	

4.10 Re-appropriation of funds from Plan to Non-Plan Head without approval

As per provision of Rule 10(6) (d) of Delegation of Financial Power Rules, 1978 re-appropriation of funds from plan heads to non-plan heads in a grant or appropriation can be made only with the previous consent of Ministry of Finance. The Pay and Accounts Office is also required to exercise checks prescribed under para 4.2.4 of Civil Accounts Manual where no provisions of funds or sanction of competent authority exists. It was noted that in Grant No. 87 in respect of Department of Scientific and Industrial Research that re-appropriation of ₹ 4.50 crore from Plan to Non Plan head was carried out in March 2015 without obtaining the previous consent of Ministry of Finance.

The Department stated (September 2015) that ex-post facto approval for re-appropriation order of ₹ 4.50 crore from Plan to Non-Plan under Major Head 3425 was sought. However the same was not acceded to by the Ministry of Finance stating that no provision exists in the Delegation of Financial Power Rule for seeking ex-post facto approval.

4.11 Misclassification of Expenditure due to non-operation of relevant sub-head

Under the Clause 3.6 of Administrative Instructions on Departmental Canteens in Government Offices and Industrial Establishments, Third edition 2008, Department of Personnel and Training (DoPT) notified that a separate head of account shall be opened for maintenance of the Departmental Canteens. The expenditure on departmental canteens incurred for running and maintenance of a departmental canteen was to be booked under separate head.

Scrutiny of Grant No. 92-Department of Space for the year 2014-15 revealed that various units of the Department misclassified an expenditure of ₹ 7.31 crore incurred on maintenance of departmental canteen during 2014-15, as given in the **Table** below.

Table 4.17: Misclassification of expenditure due to non-operation of relevant sub-head

Sl. No.	Major Head	Minor Head	Sub Head	PAO	Expenditure (₹ in crore)	Audit observation
1.	3402	001	01	ISRO Hqrs.	1.51	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3402.00.001.01' by ISRO Hqrs.
2.	3451	090	18	ISRO Hqrs.	0.21	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3451.00.090.18' by ISRO Hqrs.
3.	3402	101	10	ISAC Centre	5.58	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3402.00.101.10' by ISAC Centre.
4.	3252	053	13	ISAC Centre	0.01	Expenditure incurred on departmental canteen, required to be booked under a separate sub-head below '3402.00.800-Other Expenditure' was booked under the sub head '3252.00.053.13' by ISAC Centre.
Total					7.31	

The Department stated (August 2015) that booking of expenditures were done under the appropriate object heads under Rule 8 of Delegation of Financial Power Rules and are hence correct.

The reply of Department is not tenable as according to DoPT instructions booking of expenditures pertaining to departmental canteens is to be done

under the appropriate object heads under the minor head 'Other Expenditure' in the revenue section.

4.12 Expenditure incurred without Parliamentary authorisation

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. Department of Space undertakes projects of outside agencies as deposits projects to deliver the Space products and services to external agencies. The Deposit projects are operated through '8443.00.117-Civil Deposits-Deposits for the work done on behalf of outside bodies'.

Scrutiny of Head-wise Appropriation Accounts of Grant No. 92 pertaining to Department of Space for the year 2014-15 revealed that an expenditure of ₹ 11.82 crore incurred towards external deposits GSAT-7A Project during the year 2013-14, was transferred to the CFI projects during 2014-15 (₹ 10 crore under Head of Accounts 5252.00.203.09-GSAT 16 and ₹ 1.82 crore under Head 5252.00.203.07-GSAT 15) vide transfer entry No. T0003092 dated 30 April 2014 by PAO (Project), ISAC. Thus, the expenditure of ₹ 11.82 crore actually incurred on GSAT-7A Project was irregularly transferred to CFI on two Projects without the Parliamentary authorisation.

4.13 Non-operation of detailed head '99-Information Technology' in case of Canteen Stores Department

To ensure common standardization of heads of classification and to facilitate the monitoring of expenditure incurred by various Ministries/Departments, on 'Information Technology', Ministry of Finance vide its OM No.15(4)/b(d)/2003 Dated 9 July 2003 had decided, to place 'Information Technology' at 'detailed head' level at the fifth level of classification with standard code, i.e. '99' to serve the purpose of consolidating the expenditure incurred by a Ministry/Department for furthering the use of information technology including acquisition of hardware, software, maintenance, development of software, training etc.

Scrutiny of the Appropriation Accounts of the Ministry of Defence (Civil) (Grant No.20) revealed that CSD incurred IT related expenditure of ₹ 9.44 crore during 2012-13 to 2014-15 but was not operating the relevant detailed head '99-Information Technology'.

While accepting the audit observation, the Ministry stated (October 2015) that the booking of expenditure towards Information Technology, payment of audit fees and professional services are booked in the head 2075.00.108.01.01.28-'Professional Services' against budget allotment received from the Ministry. The Ministry further stated that the booking of expenditure under appropriate head would be initiated, if it is considered necessary.

4.14 Erroneous estimation of budget in the Ministry of Defence

In Demand No.21-Defence Pensions for the 2014-15, a legislative authorisation of ₹ 50,999.30 crore in Revenue (Voted) Section was obtained. During the course of the year, the provision under this section of the demand was reduced by ₹ 1,000 crore by the Ministry of Finance (MoF) at revised estimates stage, although the Ministry of Defence (MoD) had projected an estimated expenditure of ₹ 53,824 crore. During the year, expenditure amounting to ₹ 49,985.18 crore was booked on account of defence pension with resultant savings of ₹ 1,014.12 crore, duly approved by the Chief Accounting Authority of the Grant, viz. Secretary, Ministry of Defence.

Subsequently in November 2015, the appropriation accounts of this Demand was revised, thereby booking an expenditure of ₹ 60,435.20 crore under revenue voted against the legislative authorisation of ₹ 50,999.30 crore, resulting in excess expenditure of ₹ 9,435.90 crore. The expenditure figure was revised on the ground that pension payment scrolls of ₹ 10,450.03 crore lying under the suspense heads, which had been booked in the financial year 2015-16, was to be adjusted in the financial year 2014-15 itself.

During the course of audit of this Demand in July 2015, a query was raised relating to injudicious surrender amounting to ₹ 1,009.30 crore based on revised estimates, even though pension scrolls amounting to ₹ 10,450.03 crore were pending for booking to the final head of account in 2014-15 accounts. However, no concrete reply was furnished by the MoD.

Given the large accumulation of pension payment scrolls lying in suspense heads pending clearance, the MoD should have taken up the matter well in advance with the MoF for enhancement of provision in the financial year 2014-15, so that the expenditure already incurred on pensions could be booked to the final head of account. Instead MoD projected erroneous revised estimates of expenditure of only ₹ 53,824 crore for 2014-15, and did not contest the reduction in provision made by the MoF. Besides, MoD booked expenditure of ₹ 49,985.18 crore, showing a savings of ₹ 1,014.12 crore, despite keeping the expenditure already incurred under suspense head.

Pension payments being a committed expenditure, and given the trend of persistent excess expenditure in the Demand of Defence Pensions, there is urgent need to review the initial budget estimating process in the MoD and to make it more realistic.

4.15 Obtaining incorrect technical supplementary in Defence grants

(a) Para 3.2 of the Budget Manual 2010 issued by the Ministry of Finance states that there are three occasions when a technical supplementary is sought i.e. (i) surrender of fund from one of the four sections and utilizing the same in other section within the Demand, (ii) transfer of a scheme

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from one Demand to another Demand resulting in surrender of the amount from the Demand which has transferred the scheme and utilization of the same in the other Demand, where the scheme has been transferred, and (iii) waivers/write offs.

The Ministry of Defence has six Demands for Grants, five in Revenue Section and one in Capital Section. During the scrutiny of Appropriation Accounts 2014-15 of Defence Services, it was observed that incorrect Technical Supplementary Demands for Grants was obtained from the Parliament through final batch (March 2015) aggregating to ₹ 8,335.52 crore (₹ 399.22 crore in Revenue Charged and ₹ 7,936.30 crore in Revenue Voted) in four revenue demands of grants. These technical supplementary provisions were obtained out of savings available in Grant No. 27-Capital Outlay on Defence Services. The details of incorrect supplementary provisions obtained in four revenue demands for grants are shown in **Table 4.18** below.

Table 4.18: Obtaining incorrect supplementary provision

Description of the Demand	Technical supplementary obtained (₹ in crore)	
	Revenue (Charged)	Revenue (Voted)
22-Defence Services-Army	336.00	5340.47
23-Defence Services-Navy	9.63	350.37
24-Defence Services-Air Force	53.59	1925.43
26-Defence Services-Research and Development	-	320.03
Total	399.22	7936.30

Thus, transfer of funds aggregating ₹ 8,335.52 crore through technical supplementary from Demand No. 27 to Demand Nos. 22, 23, 24 and 26 was incorrectly proposed by the Ministry of Defence and also incorrectly admitted by the Ministry of Finance, leading to obtaining irregular supplementary provision from one Demand to another Demand in violation to conditions prescribed in para 3.2 of the Budget Manual.

The Ministry of Defence (July 2015) stated that unlike civil grants, the Defence Service Estimates do not have four sections, but only two sections in each grant. Grant Nos. 22 to 26 are purely revenue grants with voted and charged sections, while Grant No. 27 is entirely capital grant with voted and charged sections. The Ministry also stated that as explained in the Budget Manual, technical supplementary is required when savings in one section are to be utilised on another or savings from one demand are to be utilised in another.

The reply of the Ministry is not tenable in view of the fact that savings in Demand No.27-Capital Outlay on Defence Services cannot be utilised in other four Demands of the Ministry, as there was no transfer of any scheme from Demand No.27 to any of the four other demands.

- (b) Out of the total supplementary of ₹ 8,335.52 crore obtained through the technical supplementary grants, only ₹ 5,986.73 crore was utilised in the four revenue demands of defence services and the balance amount of ₹ 2,348.79 crore could not be utilised, as detailed in the **Table** below, leading to obtaining injudicious supplementary grants.

Table 4.19: Injudicious obtaining of fund in excess of actual requirements

(₹ in crore)

Grant No.	Budget Estimate	Surrender	Final available provision	Expenditure (March Final 2015)	Deficient provision to meet the expenditure	Supplementary provision obtained	Excess supplementary obtained
1	2	3	4(2-3)	5	6(5-4)	7	8(7-6)
22-Army	95337.82	6.83	95330.99	99400.74	4069.75	5676.47	1606.72
23-Navy	14175.79	-	14175.79	14352.00	176.21	360.00	183.79
24-Air Force	21206.84	-	21206.84	22685.30	1478.46	1979.02	500.56
26-R&D	6039.67	64.90	5974.77	6237.08	262.31	320.03	57.72
				Total	5986.73	8335.52	2348.79

While agreeing to the audit observation, the Ministry stated (July 2015) that it is correct that the Ministry has been unable to fully utilize these additional funds. One of the reasons for the saving was delayed availability of additional funds towards the end of the financial year.

Thus, there is need to revisit the initial budget making exercise in the only capital demand of the defence services, which has witnessed large savings in successive years and those savings were transferred to the revenue demands of the defence services.

- (c) While obtaining technical supplementary from the savings available in the only capital demands to the four revenue demands of defence service, it was stated in the notes and comments that taking into account additional receipts, the remaining amount would be required from the savings available in capital section of the grant. However, the amount of additional receipts were not disclosed in any of the four revenue demands, wherein additional provision were obtained through technical supplementary.
- (d) In respect of Grant No. 22-Army, a lump-sum supplementary of ₹ 16 crore was obtained through the technical supplementary for disbursement of grants-in-aid to four Mountaineering Institutes. However, the institute-wise amount specific details of disbursement of grants was not reported to the Parliament through the supplementary as required in terms of Note below item-E of Annex to the Ministry of Finance OM dated 25 May 2006.

4.16 Non-observance of Financial Discipline by the Ministry of Defence

Rule 59 of GFR-2005 provides that subject to the provisions of Rule 10 of the DFPR-1978, and also subject to such other general or specific restrictions as may be imposed by the Ministry of Finance on 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 Officers.

A perusal of re-appropriation order issued by the Ministry of Finance, Department of Economic Affairs (Budget Division) vide letter No. F.2(30).B(AC)/ 2014 dated 31 March 2015 revealed that the re-appropriation of funds of ₹ 7,608.16 crore as shown in **Table** below, proposed under Demand No. 27-Capital Outlay on Defence Services (Voted and Charged), were not approved by the Ministry of Finance.

Table 4.20: Irregular excess expenditure

(₹ in crore)

Head (4076-Capital Outlay on Defence Services)	Excess
01-Army (Voted)	
101-Aircraft and Aero-Engines	37.82
106-Rolling Stock	103.14
112-Rashtriya Rifles	30.95
01-Army (Charged)	
202-Construction Works	7.08
02-Navy (Voted)	
204-Naval Fleet	779.32
202-Construction Works	63.49
03-Air Force (Voted)	
101-Aircraft and Aero-Engines	6286.14
202-Construction Works	220.82
05-Research & Development (Charged)	
111-Works	79.40
Total	7608.16

Out of ₹ 7,608.16 crore, majority of expenditure aggregating to ₹ 7,394.67 crore were incurred for acquisition of aircraft/aero engines/naval fleet/construction works, etc. As this expenditure falls under the ambit of object heads 52-Machinery & Equipment and 53-Major Works, they attracted the financial limitations relating to NS/NIS in terms of the Ministry of Finance OM dated 25 May 2006, according to which these expenditure should have been incurred after obtaining the prior approval of the Parliament.

The Ministry of Defence stated (July 2015) that the excess occurred mainly because of Ministry of Finance's refusal to approve the proposed re-appropriations.

The reply of the Ministry is not acceptable as the Ministry of Defence did not explain the reasons for non-approval of the re-appropriation proposal by the Ministry of Finance.

4.17 Conclusion

Apart from deficiencies in the budget formulation process, other shortcomings such as non-obtaining provisions for service/expenditure, non-observance of financial disciplines, etc., have also been noticed during the audit of Appropriation Accounts of 2014-15. No budgetary provision was obtained from the Parliament for payment of interest on the refunds of taxes, though Public Accounts Committee in their Reports have explicitly advised the concerned Department to follow the relevant provisions of the Constitution. Instructions containing revised guidelines on financial limits to be observed in determining cases relating to New Service/New Instrument of Service issued with the approval of Public Accounts Committee were not observed by a number of Ministries/Departments. A number of Ministries/Departments obtained provisions under incorrect object heads leading to misclassifications of expenditure in the compiled account, having impact on revenue/capital expenditure and also on deficit numbers. Cases of obtaining lump sum supplementary provisions and incorrect supplementary provisions were also noticed in a number of grants. Erroneous budget estimation by the Ministry of Defence resulted in excess expenditure of ₹ 9,435.90 crore during 2014-15 on account of booking of the pension payment scrolls lying under suspense heads.