

3: APPROPRIATION ACCOUNTS: 2014-15

3.1 Introduction

The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament also sanctions supplementary or additional grants by the subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts authorise disbursements on services, which have been voted by Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112(3) as well as Articles 273, 275(1) and 293(2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent by the government vis-à-vis those authorised by the Appropriation Acts.

The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of Civil Ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four Appropriation Accounts, viz. Civil, Defence, Posts and Railways, along with his Audit Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before the Parliament. Details of demands for grants/appropriations of various Ministries during 2014-15 are as follows:

Ministry	Number of Demands for Grants/Appropriations
Civil	101
Defence	6
Posts	1
Railways	16
Total	124

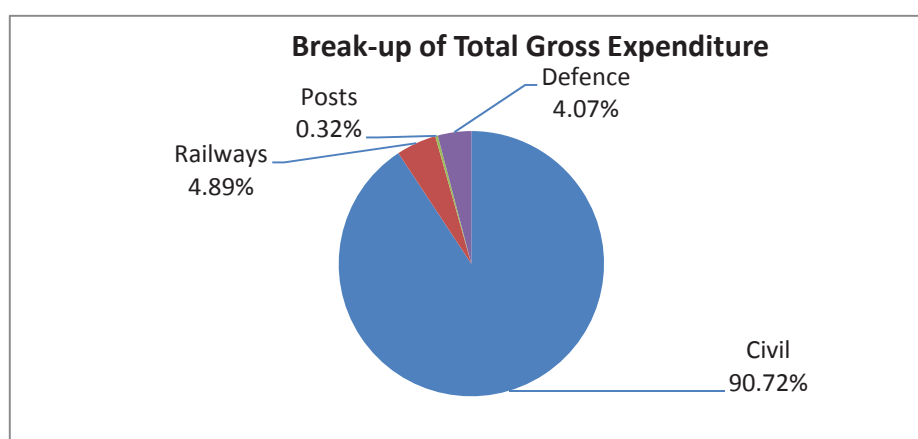
This Chapter contains audit observations on the Appropriation Accounts (Civil, Posts and Defence), including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions obtained without requirement by some Ministries, unrealistic budgeting. For facility of better appreciation of the sectoral features, grants/appropriations relating to Civil Ministries/Departments, Posts and Defence, have been dealt with comprehensively. References to Railways appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations

are, however, available in the related separate Audit Report for the year ended 2014-15.

3.2 Summary of total provisions, actual disbursements and savings during 2014-15

Chart 3.1 below shows the break-up of expenditure in Civil Ministries/Departments, Posts, Railways and Defence during the financial year 2014-15. As can be seen from the chart, the bulk of the expenditure, 90.72 per cent, was incurred by the Civil Ministries, 4.89 per cent by Railways, 4.07 per cent by Defence, while the Department of Posts accounted for 0.32 per cent of the total gross expenditure.

Chart 3.1: Break-up of expenditure between Civil Ministries/Departments, Railways, Posts and Defence during the financial year 2014-15



The **Table 3.1** below gives the expenditure in Civil Ministries/Departments, Railways, Posts and Defence during the year 2014-15.

Table 3.1: Expenditure under Charged and Voted during the year 2014-15

(₹ in crore)

Civil		Railways		Posts		Defence		Total	
52,89,684		2,85,133		18,730		2,37,394		58,30,941	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
10,78,524	42,11,160	2,84,864	269	18,728	2	2,36,909	485	16,19,025	42,11,916
20.39%	79.61%	99.91%	0.09%	99.99%	0.01%	99.80%	0.20%	27.77%	72.23%

Table 3.2 below gives the total provisions (both Charged and Voted) and disbursements of the Government during the financial year 2014-15. **Annexure 3.1** presents the details of the summary of Appropriation Accounts of Civil Ministries, Posts, Railways and Defence Services.

Table 3.2: Provision, disbursement and savings during 2014-15

(₹ in crore)

Departments	Total Provision	Disbursements	Savings (-) Excess (+)	Percentage of Savings as compared to Total Provision
Civil	58,25,575.32	52,89,683.66	(-) 5,35,891.66	9.20
Posts	19,010.42	18,729.52	(-) 280.90	1.48
Defence Services	2,54,000.27	2,37,394.22	(-) 16,606.05	6.54
Railways	2,99,600.02	2,85,133.21	(-) 14,466.81	4.83
Grand Total	63,98,186.03	58,30,940.61	(-) 5,67,245.42	8.87

Under the Civil Ministries/Departments, the net saving of ₹ 5,35,891.66 crore was due to saving of ₹ 5,51,532.20 crore in the 100 *appropriations/grants* and excess expenditure of ₹ 15,640.54 crore under three *appropriations/grants* pertaining to civil Ministries/Departments.

Out of the overall saving of ₹ 5,51,532.20 crore in Civil Ministries/Departments, major savings occurred in grant No. 38- *Appropriation-Repayment of Debt* (₹ 3,56,325 crore), grant No. 35- *Appropriation-Interest Payments* (₹ 24,784 crore), grant No. 34 -Department of Financial Services (₹ 17,560 crore), grant No. 59 -Department of School Education and Literacy (₹ 14,615 crore), grant No. 36 -Transfers to State and Union Territory Governments (₹ 13,403 crore), grant No. 84 -Department of Rural Development (₹ 13,117 crore), etc.

Of the overall excess expenditure of ₹ 15,640.54 crore in Civil Ministries /Departments, excess expenditure of ₹ 9,435.90 crore (Revenue Voted) and ₹ 4.54 crore (Revenue Charged) in grant No. 21 -Defence Pensions, ₹ 6,193.41 crore registered in grant No. 77 -Ministry of Power (Capital Voted), ₹ 6.69 crore (Revenue Charged) and ₹ 0.12 lakh (Capital Charged) in grant No. 20 -Ministry of Defence.

There were savings in 201 sections of the 100 grants/appropriations and excess in five sections of three grants under the grants/appropriations relating to Civil Ministries/Departments; savings in three sections and excess in one section of Posts; savings in 26 sections and excess in six sections of Railways¹ and savings in 11 sections and excess in one section of Defence. **Annexure 3.2** presents an abstract of the savings and excess.

3.3 Charged and voted disbursements

As per article 112(2) of the Constitution, a distinction is made between charged and voted expenditure. Charged expenditures are those expenditures as defined in Articles 112(3), 273, 275(1) and 293(2) of the Constitution. Estimates of charged expenditure are not subjected to the vote of the

¹ Grant No. 16 of Railways is having four Voted and four Charged Sections.

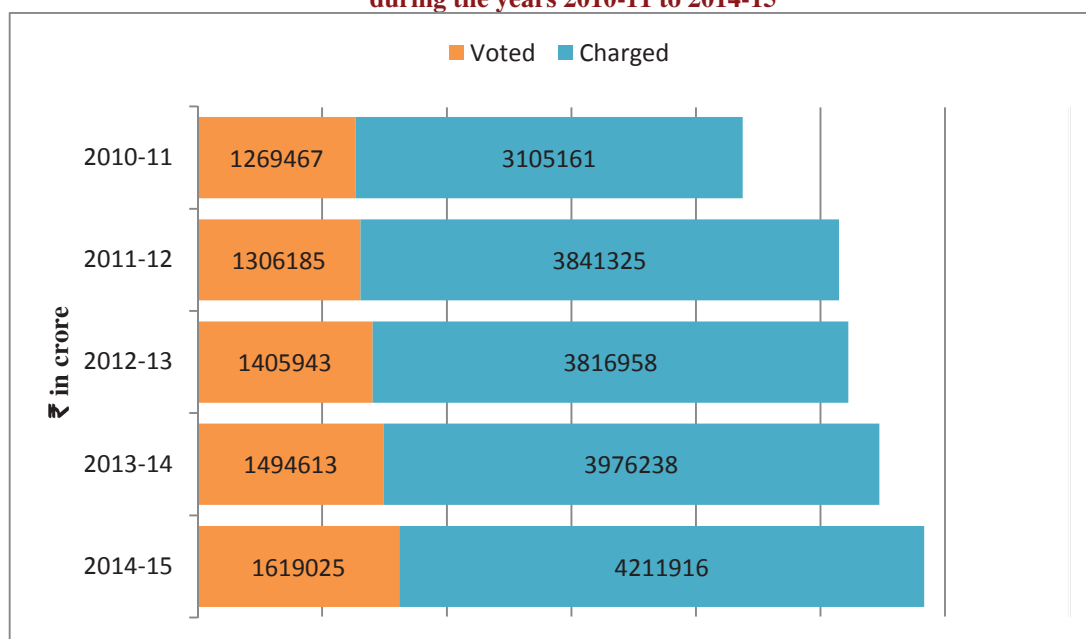
Parliament as enshrined in Article 113(1) of the Constitution but can be discussed in either House of the Parliament. **Annexure 3.3** contains the details of disbursements actually made against authorised demands (grants and appropriations) of the Civil Ministries/Departments for the period 2000-01 to 2014-15. During these years, 70 *per cent* to 81 *per cent* of the total disbursements for the Civil Ministries/Departments were charged on the Consolidated Fund of India.

During 2014-15, the total disbursements of ₹ 52,89,684 crore under the civil Ministries/Departments were higher by ₹ 2,99,626 crore as compared to the total disbursements of ₹ 49,90,058 crore during 2013-14. It had increased by 835 *per cent* from ₹ 5,66,042 crore in 2000-01. The charged disbursements increased by 939 *per cent* from ₹ 4,05,289 crore in 2000-01 to ₹ 42,11,160 crore in 2014-15 and voted disbursements increased by 571 *per cent* from ₹ 1,60,753 crore to ₹ 10,78,524 crore over the same period. The charged disbursement of the civil Ministries/Departments during 2014-15 was 80 *per cent* of the total disbursements.

Major charged disbursement comprised of Appropriation-Repayment of Debt (₹ 37,07,700 crore), Appropriation-Interest Payments (₹ 4,25,098 crore) and Transfers to State and Union Territory Governments (₹ 73,711 crore). Since estimates of charged disbursements are not subject to vote by the Parliament, effectively the scope of financial control by Parliament is limited to about 20 *per cent* of the total disbursement of the Union civil Ministries /Departments.

Chart 3.2 depicts the preponderance of charged expenditure over voted expenditure in the Union Government during the last five years 2010-11 to 2014-15. However, viewed against the background of total disbursements amounting to ₹ 58,30,941 crore from the CFI including Civil, Posts, Defence Services and Railways, the percentage of charged disbursements was 72 *per cent* (₹ 42,11,916 crore) during the financial year 2014-15.

Chart 3.2: Disbursement under Charged and Voted sections during the years 2010-11 to 2014-15



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3.4 Grants/appropriations with excess disbursements

Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India except under appropriations made by law. Rule 52(3) of General Financial Rules, 2005 stipulates that no disbursements shall be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or through an advance from the Contingency Fund. **Table 3.3** presents the summary of excess disbursement of ₹ 16201,32,63,138 (₹ 16201.33 crore) over the authorisation from the CFI during 2014-15. There was an excess disbursement of ₹ 15640,54,83,430 (₹ 15640.55 crore) in five segments of three grants/appropriations in Civil Ministries/Departments, ₹ 490,36,81,118 (₹ 490.37 crore) in six segments of six grants/appropriations of Railways, ₹ 13,498 (₹ 0.13 lakh) in one segment of one grant of Defence Services and ₹ 70,40,85,092 (₹ 70.41 crore) in one segment of one grant of Posts.

Table 3.3: Summary of excess disbursements over grants/appropriations

(Amount in ₹)

		Civil	Railways	Defence	Posts
Voted	Revenue	9435,90,46,976	456,55,52,868	--	70,40,85,092
	Capital	6193,40,87,250	33,13,56,366	--	--
Charged	Revenue	11,23,37,403	67,71,884	13,498	--
	Capital	11,801	--	--	--
No of Grants/Appropriations		3	6	1	1
Segments		5	6	1	1
Total Excess		15640,54,83,430	490,36,81,118	13,498	70,40,85,092
Grand Total		16201,32,63,138			

The details of excess expenditure requiring regularisation under Article 115(1)(b) of the Constitution are given in **Table 3.4** detailed below.

Table 3.4: Details of excess disbursement over grants/appropriations

Sl. No	Description of Grant/ Appropriation		Amount in ₹	Reasons for excess as stated by the Ministries/Departments
Civil				
Revenue (Voted)				
1.	21-Defence Pension	Grant Expenditure Excess	50999,30,00,000 60435,20,46,976 9435,90,46,976	Due to induction of more number of retirees and booking of pending pension scrolls received from banks to clear amount under suspense.
Revenue (Charged)				
2.	20-Ministry of Defence	Appropriation Expenditure Excess	1,09,00,000 7,77,87,167 6,68,87,167	Due to requirement of additional funds towards salaries owing to Court's order.
3.	21-Defence Pensions	Appropriation Expenditure Excess	10,00,00,000 14,54,50,236 4,54,50,236	Mainly due to judgement of court cases.
Capital (Voted)				
4.	77-Ministry of Power	Grant Expenditure Excess	2986,51,00,000 9179,91,87,250 6193,40,87,250	Due to issue of bonus debentures by National Thermal Power Corporation of India Limited.
Capital (Charged)				
5.	20-Ministry of Defence	Grant Expenditure Excess	6,73,00,000 6,73,11,801 11,801	Due to settlement of full payment of contractors as per court directives.
Railways				
Revenue (Voted)				
1.	02-Misc. Expenditure (General)	Grant Expenditure Excess	831,45,00,000 901,52,58,724 70,07,58,724	Due to more expenses under staff cost and retirement benefits, more expenditure under Mumbai Urban Transport Project (MUTP) surcharge.
2.	14- Appropriation to Fund	Grant Expenditure Excess	44293,46,00,000 44679,93,94,144 386,47,94,144	Due to availability of higher surplus by the end of the year.

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Sl. No	Description of Grant/ Appropriation		Amount in ₹	Reasons for excess as stated by the Ministries/Departments
Revenue (Charged)				
3.	03-General Superintendence and Services	Appropriation Expenditure Excess	1,37,33,000 1,37,56,862 23,862	Due to materialisation of more decretal payments, than anticipated.
4.	07-Repairs and Maintenance of Plant and Equipment	Appropriation Expenditure Excess	3,15,000 49,61,509 46,46,509	
5.	13-Provident Fund, Pension & Other Retirement Benefits	Appropriation Expenditure Excess	65,63,000 86,64,513 21,01,513	
Capital (Voted)				
6.	16-Railway Safety Fund	Appropriation Expenditure Excess	2199,89,65,000 2233,03,21,366 33,13,56,366	Due to more progress of work, materialization of more contractual payments and adjustment of more store bills.
Defence Services				
Revenue (Charged)				
1.	26 – Defence Services – Research & Development	Appropriation Expenditure Excess	61,00,000 61,13,498 13,498	Due to settlement of more number of court cases than anticipated.
Posts				
Revenue (Voted)				
1.	13 –Department of Posts	Grant Expenditure Excess	18486,01,00,000 18556,41,85,092 7040,85,092	Due to increased expenditure under Pay and Dearness Allowance, Wages, Domestic Travel Expenses, Office Expenses, Rents, Rates and Taxes, Revision of Mail Rates, higher number of retirements etc.

Grants/Appropriations figure include Supplementary grants/appropriations, if any.

The detailed comments relating to grants of the Railways are included in the related Separate Audit Report for the year 2014-15 of the Comptroller and Auditor General of India.

3.5 Persistent excess in grants

A scrutiny of the grants registering persistent excess for the five years period from 2010-11 to 2014-15 was undertaken. The scrutiny revealed that in six segments of five grants/appropriations persistent excesses occurred in the year 2014-15 and at least in three years out of previous four years period for which analysis was made. The grant wise and year wise details of persistent excesses against authorisation are given in **Table 3.5**.

Table 3.5: Persistent excess in grants/appropriations

(Amount in ₹)

Sl. No.	Description of Grant/Appropriation	2010-11	2011-12	2012-13	2013-14	2014-15
Civil						
Revenue (Voted)						
1.	21- Defence Pensions					
	Excess-	3336,30,72,983	3568,81,46,182	3863,71,24,944	--	9435,90,46,976
	Expenditure-	37336,05,72,983	37568,56,46,182	43362,89,24,944		60435,20,46,976
	Grant-	33999,75,00,000	33999,75,00,000	39499,18,00,000		50999,30,00,000
Revenue (Charged)						
2.	21- Defence Pensions					
	Excess-	10,74,960	28,54,467	3,99,60,400	74,86,943	4,54,50,236
	Expenditure-	35,74,960	82,54,467	4,81,60,400	4,97,86,943	14,54,50,236
	Appropriation-	25,00,000	54,00,000	82,00,000	4,23,00,000	10,00,00,000
Railways						
Revenue (Charged)						
3.	03- General Superintendence and Services					
	Excess-	20,97,842	27,29,201	41,82,995	38,47,888	23,862
	Expenditure-	36,49,842	30,34,201	42,73,995	88,78,888	1,37,56,862
	Appropriation-	15,52,000	3,05,000	91,000	50,31,000	1,37,33,000
4.	07- Repairs and Maintenance of Plant and Equipment					
	Excess-	1,49,045	--	2,11,968	385	46,46,509
	Expenditure-	4,64,045		2,28,968	61,385	49,61,509
	Appropriation-	3,15,000		17,000	61,000	3,15,000
5.	13 – Provident Fund, Pension & other Retirement Benefits					
	Excess-	--	4,09,113	15,63,329	16,38,105	21,01,513
	Expenditure-		62,67,113	73,83,329	74,45,105	86,64,513
	Appropriation-		58,58,000	58,20,000	58,07,000	65,63,000
Posts						
Revenue (Voted)						
6.	13-Department of Posts					
	Excess-	366,63,29,167	400,03,82,246	160,13,57,173		70,40,85,092
	Expenditure-	13793,26,29,167	14162,36,82,246	15480,62,57,173	--	18556,41,85,092
	Grant-	13426,63,00,000	13762,33,00,000	15320,49,00,000		18486,01,00,000

Persistent excess in the grant of Defence Pensions, Railways and Posts is a matter of concern. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses have been noticed in the above grants. Ministries/Departments did not make concerted efforts and devise effective mechanism with a view to observe financial discipline to avoid excess expenditure.

3.6 Minor/Sub head-wise excess expenditure

Rule 58(1) of General Financial Rules 2005 enjoins that a Subordinate Authority incurring the expenditure will be responsible for ensuring that the allotment placed at its disposal is not exceeded. Where any excess over the

allotment is apprehended, the Subordinate Authority should obtain additional allotment before incurring the excess expenditure.

It was, however, observed from the Head-wise Appropriation Accounts for the year 2014-15 that in 53 minor/sub-heads of 18 grants, there was an excess expenditure of ₹ 5 crore and more, over the available provision. An aggregate expenditure of ₹ 33,120.81 crore was incurred which exceeded the available provisions under these minor/sub-heads, but the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. Minor/sub-heads where excess expenditure occurred are listed in **Annexure 3.4**.

3.7 Savings of ₹ 100 crore or more in grants/appropriations

The Public Accounts Committee (10th Lok Sabha, 1993-94) in its 60th Report (paras 1.22 and 1.24) had observed that savings of ₹ 100 crore or above are indicative of defective budgeting as well as shortfall in performance in a Grant or Appropriation. The Committee had, therefore, desired that detailed note in respect of savings of ₹ 100 crore or above in a section of the grant for each year was required to be furnished to the Committee by the respective Ministry /Department.

Savings of more than ₹ 100 crore, which need a detailed explanatory note to the Public Accounts Committee (PAC), had occurred in 122 cases of 93 grants (including Civil, Posts, Railways and Defence Services) during the financial year 2014-15. Large savings were noticed in grants: *Appropriation-Repayment of Debt* (₹ 3,56,325 crore), *Appropriation-Interest Payments* (₹ 24,784 crore), Department of Financial Services (₹ 17,560 crore), Department of School Education & Literacy (₹ 14,615 crore), Transfers to State and Union Territory Governments (₹ 13,403 crore), Department of Rural Development (₹ 13,117 crore), Capital Outlay on Defence Services (₹ 12,701 crore), Ministry of Water Resources (₹ 9,861 crore), Department of Health and Family Welfare (₹ 7,597 crore), Department of Urban Development (₹ 6,691 crore), Operating Expenses-Fuel (Railways) (₹ 6,156 crore), Ministry of Petroleum and Natural Gas (₹ 5,632 crore), Capital (Railways) (₹ 5,588 crore), Department of Food and Public Distribution (₹ 5,221 crore), Department of Telecommunications (₹ 5,204 crore), Department of Higher Education (₹ 4,487 crore), Police (₹ 4,344 crore), Department of Economic Affairs (₹ 3,507 crore), Ministry of Panchayati Raj (₹ 3,610 crore), Ministry of Power (₹ 3,591 crore), Ministry of Housing and Urban Poverty Alleviation (₹ 3,273 crore), Ministry of Drinking Water and Sanitation (₹ 3,176 crore), Ministry of Road Transport and Highways (₹ 3,096 crore), etc. Savings under various grants/appropriations of ₹ 100 crore or more are detailed in **Annexure 3.5²**.

² Saving also include mandatory cuts imposed by Ministry of Finance as a part of economy measures.

Some of the reasons for savings were attributed by the Ministries/Departments as ‘non-operationalisation of the scheme’, ‘non-fulfilment of prescribed terms and conditions by some State Governments’, ‘non-receipt of utilisation certificates’, ‘lower re-payment of securities’, ‘lower volume of issuances’, ‘less utilisation of ways and means advance and overdraft owing to surplus in cash balance of GOI’, ‘receipt of less claims’, non-taking off the schemes’, etc.

Further, in 69 sections of 56 grants/appropriations, persistent savings of ₹ 100 crore and above, during the last three years (2012-13 to 2014-15), were noticed, details of which are given in **Annexure 3.6**. Some of the grants with large persistent savings were those pertaining to Department of Agriculture and Co-operation, Department of Economic Affairs, Department of Financial Services, Transfer to State and Union Territory Governments, *Appropriation-Repayment of Debt*, Department of Health and Family Welfare, Police, Department of School Education and Literacy, Department of Higher Education, Ministry of Power, Ministry of Road Transport and Highways, Department of Rural Development and Capital Outlay on Defence Services.

3.8 Surrender of savings (Overall)

Rule 56 of General Financial Rules, 2005 provides that savings in a grant or appropriation are to be surrendered to Government as soon as these are foreseen, without waiting for the last day of the year. Savings should also not be held in reserve for possible future excesses.

During the financial year 2014-15, under 201 segments of 100 grants/appropriations of Civil Ministries/Departments, there were savings of ₹ 5,51,532.21 crore. This was offset by excess expenditure of ₹ 15,640.55 crore under five segments of three grants resulting in a net saving of ₹ 5,35,891.66 crore. The amounts surrendered by the Civil Ministries/Departments are shown in **Table 3.6**.

Table 3.6: Details of savings and surrender under Civil Ministries/Departments

(₹ in crore)

	Unspent Provision	Amount Surrendered	Amount Surrendered on 31 st March	Percentage of Amount Surrendered on 31 st March to Unspent Provision	Amount not Surrendered
Revenue					
Voted	1,16,722.00	1,12,279.56	1,10,198.92	94.41	4,442.44
Charged	28,221.23	26,296.05	26,295.71	93.18	1,925.18
Total: Revenue	1,44,943.23	1,38,575.61	1,36,494.63	94.17	6,367.62
Capital					
Voted	33,487.01	38,731.73	38,428.35	114.76	(5,244.72)*
Charged	3,57,461.42	3,37,500.14	3,37,500.15	94.42	19,961.28
Total: Capital	3,90,948.43	3,76,231.87	3,75,928.50	96.16	19,961.28**
Grand Total	5,35,891.66	5,14,807.48	5,12,423.13	95.62	26,328.90**

* - Amount surrendered is more than the savings.

** - Excess surrendered amount not included in “Amount not surrendered”.

In 12 segments across 10 grants/appropriations, the amount surrendered exceeded the savings in the grants. This is indicative of poor budgetary management. Details of such cases are given in **Annexure 3.7**.

3.9 Surrender of savings on the last day of the financial year (grant-wise)

In 97 segments across 72 grants/appropriations, where savings of more than ₹ 100 crore had occurred, the Ministries/Departments concerned surrendered the savings on the last day of the financial year (i.e. 30th/31st March 2015) in violation of Rule 56 of the General Financial Rules, 2005. The details of savings, surrenders along with the amounts not surrendered, which stood lapsed at the close of the financial year, are given in **Annexure 3.8**.

3.10 Large supplementary grants due to unrealistic budgetary projections (exceeding 40 per cent of original provision)

Under Article 114 of the Constitution, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament also authorises supplementary or additional grants by subsequent Appropriation Acts, in terms of Article 115 of the Constitution over and above the authorisation made previously for the purpose of that year under Article 114. While preparing the initial estimates of expenditures, Ministries/Departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance, after due deliberations and pre-budget meetings/scrutiny, finalises the budget proposals.

If the amount authorised in accordance with the provision of Article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, another statement (supplementary demand) in terms of Article 115(1)(a) is laid in the Parliament showing the estimated amount of that expenditure.

Table 3.7 below presents the supplementary provisions obtained by the Ministries of the Union Government and their percentage to the original provision during 2014-15.

Table 3.7: Ministry-wise Original and Supplementary Provisions

(₹ in crore)

Ministries	Original Provision	Supplementary Provision	Total Provision	Percentage of Supplementary to Original Provision
Civil	57,84,779.10	40,796.22	58,25,575.32	0.71
Posts	18,659.85	350.57	19,010.42	1.88
Defence	2,45,664.72	8,335.55	2,54,000.27	3.39
Railways	2,93,728.54	5,871.48	2,99,600.02	2.00
Total	63,42,832.21	55,353.82	63,98,186.03	0.87

Further scrutiny revealed that a number of Ministries/Departments of the Central Government obtained supplementary grants/appropriations which were even higher than the original provisions. The cases where the supplementary provision exceeded 40 per cent of the original provision are detailed in **Table 3.8**.

Table 3.8: Details of large Supplementary Grants obtained due to unrealistic initial budgetary projections

(₹ in crore)

Sl. No.	Description of grant/appropriation	Original Provision	Supplementary Provision	Percentage of Supplementary to Original Provision
Civil				
Revenue (Voted)				
1.	34-Department of Financial Services	8,186.09	3,559.16	43
2.	42- Department of Revenue	726.88	11,033.03	1518
3.	51-Department of Heavy Industry	672.56	467.00	69
Revenue (Charged)				
4.	20-Ministry of Defence	0.51	0.58	114
5.	21-Defence Pensions	0.70	9.30	1329
6.	67-Ministry of Mines	0.05	0.08	160
Capital (Voted)				
7.	11-Department of Commerce	304.50	160.00	53
8.	33-Department of Economic Affairs	6,271.15	6,244.71	100
9.	69-Ministry of New and Renewable Energy	95.00	200.00	211
10.	75-Ministry of Petroleum & Natural Gas	1.00	2,399.00	239900
11.	90-Ministry of Social Justice & Empowerment	462.00	200.00	43
12.	96-Ministry of Tourism	1.50	10.80	720
Defence Services				
Revenue (Charged)				
13.	22-Defence Services – Army	42.95	336.00	782

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Sl. No.	Description of grant/appropriation	Original Provision	Supplementary Provision	Percentage of Supplementary to Original Provision
14.	23-Defence Services – Navy	18.19	9.63	53
15.	24-Defence Services – Air Force	4.70	53.59	1140
Posts Revenue (Charged)				
16.	13-Department of Posts	0.20	3.64	1820

Large supplementary provisions indicate that the Ministries/Departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by the Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

Public Accounts Committee in their 92nd Report (15th Lok Sabha 2013-14), while regularising the excess expenditure incurred by the Ministries/Departments of the Union Government over voted grants and charged expenditure for the financial year 2011-12, despite obtaining large amount of supplementary grants, had observed that the Ministry of Finance, should initiate a study of the best international practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The practice of the supplementaries during the fiscal year in addition to the main budget undercuts the sanctity of budgetary provisions. In practice often even known expenditure outgoes are suppressed in the main budget to be provided for in subsequent supplementaries. The supplementary budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest. Based on other fiscal federal models, the Finance Ministry should evolve modalities and a framework which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes.

3.11 Unnecessary cash supplementary provision (grant-wise)

In five grants/appropriations, as detailed in **Table 3.9**, cash supplementary provisions aggregating to ₹ 546.48 crore were obtained during 2014-15 in anticipation of higher expenditure, but in four grants the final expenditure was even less than the original provisions. The unutilised cash supplementary provision was, therefore, unnecessary, indicative of deficient budgeting.

Instead of obtaining 'Cash Supplementary', the Ministries/Departments should have explored the possibility of utilising the savings available within the grant by obtaining 'Token' or 'Technical Supplementary', to avoid savings at the end of the year.

Table 3.9: Unnecessary cash supplementary leading to savings

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	Original Provision	Supplementary grant obtained	Cash Supplementary	Disbursements	Saving
Civil Grants						
1.	33-Department of Economic Affairs (Revenue voted)	15,719.27	438.25	0.58	15,271.98	885.54
2.	51-Department of Heavy Industry (Revenue voted)	672.56	467.00	41.38	968.12	171.44
3.	80-Rajya Sabha (Revenue voted)	317.56	1.60	1.60	287.28	31.88
4.	83-Ministry of Road Transport & Highways (Revenue voted)	19,603.37	500.02	500.00	18,672.70	1,430.69
5.	97-Ministry of Tribal Affairs (Revenue voted)	514.33	3.07	2.92	345.09	172.31
Total		36,827.09	1,409.94	546.48	35,545.17	2,691.86

Ministry of Finance should review such cases and consider issuing suitable guidelines to all Ministries and Departments in this regard.

3.12 Injudicious re-appropriation to minor/sub-heads (exceeding ₹ 5 crore)

Examination of the accounts revealed that in 16 cases across 11 grants/appropriations of Civil Ministries/Departments, Posts and Defence Services, re-appropriations aggregating ₹ 677.66 crore were injudicious, as the original provision under the minor/sub-heads to which augmentation was made by way of re-appropriation was more than adequate. As a result of injudicious re-appropriation, the final savings under the heads were more than the amount re-appropriated to these heads. The 16 cases, where injudicious re-appropriation exceeding ₹ 5 crore and more were made, are given in **Annexure 3.9**.

3.13 Injudicious re-appropriation from minor/sub-heads (exceeding ₹ 5 crore)

Similarly, scrutiny of the accounts revealed that in seven cases across five grants/appropriations of Civil Ministries/Departments, re-appropriations of funds, aggregating ₹ 985.25 crore, were injudiciously made to other heads, as the final disbursement under each of these four sub-heads was more than the original provision, even before re-appropriation. In each of these heads, the excess, over the available provision after re-appropriation, was more than the amount re-appropriated. The details of such injudicious re-appropriation exceeding ₹ 5 crore and more, are given in **Annexure 3.10**.

3.14 Unnecessary supplementary provision obtained under sub-heads

While obtaining supplementary provision, the Ministries/Departments reported to Parliament large additional requirement for different purposes under various schemes/activities, but finally they were unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. The details of 11 minor/sub-heads across seven grants/appropriations where entire supplementary grant, together with part of original budget provision, remained unspent are given in **Annexure 3.11**.

3.15 Saving of entire provision (Sub-head wise)

In 66 sub-heads across 29 grants/appropriations, the entire provision (₹ 50 crore and above) aggregating to ₹ 20,565.40 crore, authorised by the Parliament could not be spent by the Ministries/Departments and remained unutilised. Out of above entire savings, ₹ 2,930 crore pertained to Subsidy on domestic LPG and PDS Kerosene and ₹ 2,400 crore for Indian Strategic Petroleum Reserves Limited.

Savings of entire provision is indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes. Major schemes which failed to take off or suffered due to non-utilisation of entire provision are:

- Appropriation – Interest Payment: ‘Interest/Discount paid on Market Stabilisation Scheme-Deposit of money in the bank’ (₹ 1,628.81 crore) and ‘Payment of premium on buyback of Government Securities’ (₹ 1,000 crore);
- Ministry of Water Resources: ‘National Ganga Plan’ (₹ 1,500 crore) and ‘Pradhan Mantri Krishi Sinchai Yojana’ (₹ 920 crore);
- Department of Economic Affairs: ‘Transfer to Social and Infrastructure Development Capital Fund’ (₹ 1,050.91 crore), ‘PPP Implementation (3P India)’ (₹ 500 crore) and ‘Interest Equalisation support to Exim Bank of India’ (₹ 450 crore);
- Department of Financial Services: ‘Assistance to National Credit Guarantee Trustee Company (NCGTC)’ (₹ 500 crore);
- Department of Social Justice and Empowerment: ‘Self-employment Scheme for Rehabilitation of Manual Scavengers’ (₹ 439.04 crore);
- Ministry of Power: ‘Financial Support for Debt restructuring of DISCOMs’ (₹ 400 crore).

The details of sub-heads where entire provision of ₹ 50 crore and above remained unutilised are given in **Annexure 3.12**.

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

Scrutiny of Appropriation Accounts revealed that in certain grants and appropriations large savings of ₹ 100 crore or more, under a sub-head, were noticed which are indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. Necessary steps need to be taken by the Ministries/Departments to make their budgetary exercise more realistic, not only to minimise large scale variations between estimates and actuals but also to gainfully utilise the scarce resources. These Ministries/Departments are required to review their system of budgetary assumption and/or efficiency of their programme management. **Annexure 3.13** gives the details of 209 such large savings of ₹ 100 crore or more and constituting more than 10 *per cent* of the budgeted provision under a sub-head along with reasons given by respective Ministries/Departments.

Major savings occurred under the following programmes/schemes:

- **Appropriation-Repayment of Debt:** ₹ 1,83,884 crore under 'Ways and Means Advances' (against the budgeted provision of ₹ 5,00,000 crore) due to less utilization of ways and means advances and overdraft owing to surplus in cash balance of Government of India; ₹ 90,000 crore under 'Cash Management Bills' (against the budget provision of ₹ 1,00,000 crore) due to less issuance owing to availability of surplus cash balance.
- **Department of Financial Services:** ₹ 9,947 crore under 'National Investment Fund' (against the budgeted provision of ₹ 11,200 crore) due to requirement of less funds towards recapitalization of Public Sector Banks through National Investment Fund owing to insufficient disinvestment receipts; ₹ 4,210 crore under 'Recapitalisation of Public Sector Banks' (against the budgeted provision of ₹ 11,200 crore) due to providing of less capital support to Public Sector Banks for maintaining a tier-1 Capital to Risk Assets Ratio at desired level.
- **Capital Outlay on Defence Services (Air Force):** ₹ 7,134 crore under 'Other Equipment' (against the budgeted provision of ₹ 15,352 crore) due to cut imposed by the Ministry of Finance at RE stage and non-achievement of some of the milestone.
- **Capital Outlay on Defence Services (Army):** ₹ 5,819 crore under 'Other Equipment' (against the budgeted provision of ₹ 15,592 crore) due to non-fructification of new scheme, under-utilisation by the Director General Ordnance Factory and slippages in committed liabilities case.

- **Department of Urban Development:** ₹ 5,498 crore under 'Jawaharlal Nehru National Urban Renewal Mission' (against the budgeted provision of ₹ 6,496 crore) due to receipt of less demands from the implementing agencies.
- **Department of School Education and Literacy:** ₹ 5,256 crore under 'Funds for transfer to Prarambhik Shiksha Kosh' (against the budgeted provision of ₹ 27,575 crore) due to reduction of provision at revised estimates stage owing to less collection of Education cess.
- **Ministry of Water Resources:** ₹ 4,368 crore under 'Accelerated Irrigation Benefit & Flood Management Programme' (against the budgeted provision of ₹ 7,569 crore) due to reduction of provision at revised estimates stage and receipt of less proposals from the State Governments.
- **Appropriation-Interest Payments:** ₹ 3,579 crore under '14 Days Treasury Bills' (against the budgeted provision of ₹ 7,250 crore) due to lower investment by the State Governments.
- **Transfer to State and Union Territory Governments:** ₹ 3,044 crore under 'Normal Central Assistance' (against the budgeted provision of ₹ 28,514 crore) due to non-submission of prescribed audited & anticipated expenditure statements by some of the State Governments.

3.17 Persistent savings (Sub-head wise)

Scrutiny of Appropriation Accounts revealed that during three years period 2012-13 to 2014-15, persistent savings under 27 sub-heads were noticed across 15 grants and appropriations, which is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. The details of 27 sub-heads are given in **Annexure 3.14**.

3.18 Rush of expenditure during March and last quarter of the financial year

In terms of Rule 56(3) of General Financial Rules, 2005, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided. The Ministry of Finance has also issued instructions to Ministries/Departments in September 2007 to restrict expenditure during the month of March and the last quarter of the financial year to 15 *per cent* and 33 *per cent*, respectively, of the budgeted estimates.

Some Ministries/Departments sought clarification from the Ministry of Finance about these expenditure ceilings, to which the Ministry of Finance reiterated (January 2013) that restriction of these ceilings in last quarter/month

were to be enforced both scheme-wise and demand-wise as a whole subject to revised estimates ceilings. Information regarding trend of expenditure for financial year 2014-15 was called for from Ministries/Departments by Audit.

Based on information provided by Ministries/Departments, in cases detailed in **Table 3.10** below, it has been noticed that major part of disbursement by some Ministries/Departments was made in the month of March 2015 and/or during last quarter of the financial year in contravention of the provisions of Rules and extant instructions.

Table 3.10: Rush of expenditure during March 2015 and/or last quarter of 2014-15

(₹ in crore)

Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/Departments
Civil							
1.	11-Department of Commerce	5857.00 (5687.40)	497.36	--	1987.69	33.94 (34.95)	Relaxation for exemption of 33% ceiling for the last quarter was obtained from Ministry of Finance.
2.	33-Department of Economic Affairs	21990.42 (26235.42)	5076.50	23.09 (19.35)	10319.15	46.93 (39.33)	Payment towards loan to International Monetary Fund, contribution towards International Development Association, and payment to National Skill Development Corporation for National Skill Certification and Monetary Reward scheme and payment towards IMF-Maintenance of value (MoV) obligation.
3.	34- Department of Financial Services	32836.10 (28853.51)	9149.75	27.87 (31.71)	10211.11	31.10 (35.39)	Department stated (September 2015) that relaxation was sought from Department of Expenditure.
4.	36-Transfer to State & Union Territory Government	148432.00 (143361.00)	32472.00	21.88 (22.65)	58042.00	39.10 (40.49)	--
5.	37-Loans to Government Servants, etc	200.00 (200.00)	31.98	15.99	49.58	--	Revised allocation of funds could be communicated to recipient Ministry/Departments only in mid-January 2015. Recipient Ministry/Departments further allocated the funds among various disbursal units. As a result, the pending applications could be cleared only during February and March.
6.	42-Department of Revenue	832.91 (11810.79)	10799.39	1296.59 (91.44)	10901.38	1308.83 (92.30)	Department stated (August 2015) that rush of expenditure was due to payment to states, on receipts of supplementary-II in March 2015, for revenue loss due to phasing out of CST.

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Sl. No.	Descriptions of the Grants	Budget Estimates (revised estimates)	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/Departments
7.	51- Department of Heavy Industry (Voted)	1243.62 (1694.69)	640.89	51.53 (37.82)	828.72	66.64 (48.90)	--
8.	57-Transfers to Union Territory Government	1726.50 (1700.50)	457.04	26.47 (26.88)	457.04	--	Ministry stated (August 2015) that the observation made by audit had been noted and would be complied strictly.

Figures in parenthesis indicate percent with respect to revised estimates.

-- Expenditure within the prescribed limits

Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.

3.19 Persistent savings in Defence Services grants

Scrutiny of the Appropriation accounts of Defence Services disclosed a persistent trend of savings (more than ₹ 5 crore) during the years 2012-13 to 2014-15 under charged/voted segment of six grants as detailed in **Table 3.11**.

Table 3.11: Persistent savings during the years 2012-15

(₹ in crore)

Sl. No.	Description of Grant Sub Major/Minor Head	2012-13	2013-14	2014-15
22 – Defence Services – Army (Major Head 2076)				
1.	110 – Stores (Voted)	1197.52	750.98	670.69
2.	113 – NCC (Voted)	286.33	16.44	53.31
3.	800 – Other Expenditure (Voted)	490.67	462.22	458.88
23 – Defence Services – Navy (Major Head – 2077)				
4.	104 – Pay & Allowances of Civilians (Charged)	2.00	10.31	7.86
24 – Defence Services – Air Force (Major Head – 2078)				
5.	800 – Other Expenditure (Voted)	118.49	130.81	107.45
25 – Defence Ordnance Factories (Major Head – 2079)				
6.	001 – Direction & Administration (Voted)	6.09	8.56	8.93
7.	004 – Research & Development (Voted)	21.96	27.25	14.18
8.	053 – Maintenance – Machinery and Equipment (Voted)	2.69	7.33	6.95
9.	054 – Manufacture (Voted)	125.01	24.96	28.49
10.	105 – Transportation (Voted)	34.99	31.65	54.94
11.	106 – Renewal & Replacement (Voted)	84.15	2.99	58.13
12.	110 – Stores (Voted)	781.41	1130.47	920.47
26 – Defence Services – Research and Development (Major Head – 2080)				
13.	003 – Training (Voted)	0.42	6.88	7.74
14.	004 – Research/Research & Development (Voted)	632.89	85.28	162.50
15.	105 – Transportation (Voted)	26.74	51.04	53.89
27 – Capital Outlay on Defence Services (Major Head – 4076)				
01 – Army				
16.	050 – Land (Charged)	16.35	17.18	8.69
17.	050 – Land (Voted)	14.89	26.89	102.61
18.	103 – Other Expenditure(Voted)	1591.85	2033.47	5819.21

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19.	107 – Ex-Servicemen Contributory Health Scheme (Voted)	33.17	19.10	13.80
20.	202 – Construction Works (Voted)	1350.22	477.92	752.00
02 – Navy				
21.	102 – Heavy and Medium Vehicles (Voted)	12.55	48.37	21.46
22.	205 – Naval Dockyards (Voted)	287.66	1378.84	977.42
03 – Air Force				
23.	050 – Land (Charged)	7.67	9.58	5.30
24.	050 – Land (Voted)	70.22	46.21	64.63

The persisting trend of large savings in the aforesaid heads of grants are indicative of over-estimation of the requirement of funds and failure to take effective remedial measures to avoid persistent savings.

3.20 Surrender of savings in Defence Services grants

The savings in a grant or appropriation are required to be surrendered as soon as these are foreseen without waiting till the end of the year. Further, savings should also not be held in reserve for possible future excesses. During 2014-15 under charged segments, no amount was surrendered against a saving of ₹ 320.07 crore in five grants. Under voted segment of six grants, surrender of ₹ 13,394.05 crore was made in four grants against the total saving of ₹ 16,285.98 crore. Thus, overall ₹ 13,394.05 crore under four grants in Voted segment were surrendered on the last day of the financial year as detailed in **Table 3.12**.

Table 3.12: Details of savings and surrender

Grant/ Appropriation	Savings		Amount Surrendered on last day of the financial year		Amount not surrendered (Lapsed)	
	Charged	Voted	Charged	Voted	Charged	Voted
22-Army	116.83	1,496.71	--	6.83	116.83	1,379.88
23-Navy	6.45	177.34	--	--	6.45	177.34
24-Air Force	4.69	495.88	--	--	4.69	495.88
25-Defence Ordnance Factories	6.22	1478.32	--	699.59	6.22	778.73
26-Research & Development	--	122.62	--	64.90	--	57.72
27-Capital Outlay on Defence Services	185.88	12,515.11	--	12,622.73	185.88	(107.62)*
Total	320.07	16,285.98	--	13,394.05	320.07	2,889.55**

*Amount surrendered is more than the savings.

**Excess surrendered amount not included in 'Amount not surrendered'

In the case of Grant No. 27-Capital Outlay on Defence Services (Voted), the Ministry of Defence surrendered ₹ 12,622.73 crore against the available savings of ₹ 12,515.11 crore resulting in excess surrender of ₹ 107.62 crore, indicating deficient budgetary control mechanism.

3.21 Conclusion

Excess disbursement of ₹ 16,201.33 crore, in 13 sections of 11 Grants/Appropriations, was made by the various Ministries/Departments of the Union Government, over and above the authorisation made in the Appropriation Acts during the year 2014-15. These excess expenditure requires to be regularised in terms of Article 115(1)(b) of the Constitution. Grants/Appropriations of Defence Pensions, Railways and Posts are persistently incurring excess expenditure over and above the authorisation. Other deficiencies in the budget formulation process, viz., savings of large amount (over ₹100 crore) in a grant/appropriation, obtaining supplementary grants of large amount during the course of the year eventually remaining unutilised, surrender of savings on the last day of the financial year, etc., indicate that there is need to re-orient the initial budget formulation process by the Union Government.