



HIGHLIGHTS



Union Government Finances and Accounts: 2013-14

This Report discusses the comments of the Comptroller and Auditor General of India (CAG) on the accounts of the Union Government and analyses the finances of the Union Government for the year 2013-14. It also contains an analysis of the Appropriation Accounts and audit observations with regard to the accounts of the Union Government for the year 2013-14.

HIGHLIGHTS

CAG's comments on Union Government Accounts

- The financial position of the Union Government in 2013-14 was characterised by an increase of 14 *per cent* in gross revenue receipts primarily on account of a substantial increase in both tax revenue receipts (10 *per cent*) and non-tax revenue receipts (28 *per cent*) over previous year.
(Para 1.2, 1.2.3 and 1.2.4)
- Capital expenditure was 1.76 *per cent* of GDP, well below the 3.9 *per cent* level set out for the year in the fiscal consolidation path set out by the Thirteenth Finance Commission. Of the total capital expenditure, 40 *per cent* was accounted for by Defence.
(Para 1.1.2 and 1.3.3)
- Analysis of plan expenditure of civil ministries revealed that 75 *per cent* of the total plan expenditure was in the form of grants-in-aid payment. In five of the 10 Ministries/ Departments incurring the largest plan expenditure, over 98 *per cent* was in the form of disbursement as grants-in-aid.
(Para 1.3.5 and 1.3.7)
- Out of the total receipts of ₹ 7,896.39 crore towards Universal Access Levy during the year 2013-14, the Department of Telecommunications transferred ₹ 2,163.45 crore to the Universal Service Obligation Fund (USO Fund) which was further disbursed towards the stated objectives. Non-transfer of balance amount in USO Fund resulted in under-statement of the closing balance of the USO Fund by ₹ 5,732.94 crore for the financial year 2013-14. Overall understatement of the closing balance in the USO Fund was of the order of ₹ 33,682.86 crore during 2002-03 to 2013-14.
(Para 2.2.1)

- Research and Development Cess aggregating ₹ 4,876.71 crore was collected during the period 1996-97 to 2013-14. Out of this only ₹ 542.41 crore (11.12 *per cent*) was utilized towards the objectives of levying the said cess.

(Para 2.2.2)

- On account of expenditure from the Beedi Workers Welfare Fund (Fund) being far in excess of the receipts, the balance in the Fund over the years had become adverse. There was a continuous adverse balance in the fund during the period 2008-09 to 2013-14, which steadily increased from (-) ₹ 53.51 crore in 2008-09 to (-) ₹ 194.16 crore in 2013-14.

(Para 2.2.3)

- Against the total collection of ₹ 1,30,599 crore as primary education cess in the CFI, only ₹ 1,19,197 crore was transferred to the Parambhik Shiksha Kosh in Public Account for meeting expenditure on identified schemes during 2004-05 to 2013-14, leaving a balance amount of ₹ 11,402 crore in the Consolidated Fund of India.

(Para 2.2.4)

- Non-transfer of receipts of advance payments from assesseees amounting to ₹ 222.56 crore from the Public Account to the Consolidated Fund of India (CFI), resulted in understatement of the customs receipts of the Government of India by an identical amount in 2013-14. As customs receipts formed part of the divisible pool of taxes to be shared between the centre and the states, non-crediting of the amount to the CFI implied short devolution of shareable taxes to states during the year 2013-14.

(Para 2.1.4)

- Central Board of Excise and Customs incurred irregular expenditures of ₹ 15.89 crore out of ₹ 23.42 crore from Customs & Central Excise Welfare Fund and ₹ 13.80 crore out of ₹ 43.01 crore from Special Equipment Fund. Thus, the irregular expenditure of ₹ 29.69 crore out of total expenditure of ₹ 66.43 crore was against the purpose/objectives for which the respective funds were created and also against the instructions of Ministry of Finance issued from time to time.

(Para 2.2.9)

- In accordance with the provisions of Article 114(3) of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law. However, during 2013-14, there were excess disbursements of ₹ 3,493.06 crore over the authorisation from CFI (₹ 39.59 crore in three segments of three grants/appropriations in civil Ministries/Departments; ₹ 2,719.75 crore in 19 segments of 12 grants/appropriations of the Ministry of Railways; and ₹ 733.72 crore in four segments of three grants of the Defence Services), which require regularization under Article 115(1)(b) of the Constitution.

(Para 3.4)

- Saving in a grant or appropriation is indicative of deficient budgeting as well as shortfall in performance. Saving of more than ₹ 100 crore had occurred in 102 cases of 78 grants (including Civil, Posts, Railways and Defence Services), requiring submission of detailed explanatory notes to the Public Accounts Committee by the concerned Ministries/Departments. The aggregate savings in the 102 cases was of the order of ₹ 7,45,510 crore.

(Para 3.7 & Annexure 3.5)

- In 64 sections of 55 grants/appropriations, persistent savings of ₹ 100 crore and more were noticed during the last three years (2011-14). Some of the grants/appropriations with large persistent savings during the three year period were, Re-payment of Debt, Department of Economic Affairs, Department of Rural Development, Transfers to State and Union Territory Governments, Ministry of Power, Department of Revenue, Department of School Education & Literacy and Capital Outlay on Defence Services, etc.

(Para 3.7)

- Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. An expenditure on interest on refunds amounting to ₹ 6,598 crore was incurred by the Central Board of Direct Taxes (CBDT), without the authorisation of the Parliament during the year 2013-14. A total expenditure of ₹ 42,903 crore on interest payments had been incurred over the last six years without obtaining approval of the Parliament through necessary appropriations.

(Para 4.1)

- Augmentation of provision by way of re-appropriation to ‘grants-in-aid’ to any body or authority from the Consolidated Fund of India can only be made with the prior approval of the Parliament. In 12 cases, across five grants, ₹ 110.71 crore was incurred by various Ministries/Departments during 2013-14 by augmenting provision under object head ‘31 Grants-in-aid-General’ to various bodies/authorities without obtaining prior approval of the Parliament. Similarly, in five cases across three grants ₹ 171.99 crore was augmented in violation of extant provisions without prior approval of Parliament to the object head ‘35-Grants for creation of Capital Assets’. Further, in two cases across two grants, funds aggregating to ₹ 1.37 crore were augmented without prior approval of Parliament to the object head ‘36 Grants-in-aid Salaries’. All these excess expenditures attracted limitations of New Service/New Instrument of Service.

(Para 4.4.1, 4.4.2 and 4.4.3)

- For augmentation of provisions in existing appropriations under the object head ‘subsidies’ through re-appropriations, prior approval of the Parliament is required, if the additionality is more than 10 *per cent* of the appropriation already voted by the Parliament or ₹ 10 crore, whichever is less. In three cases in respect of Grant No. 12 pertaining to the Department of Industrial Policy and Promotion, ₹ 149.99 crore of excess expenditure was incurred during 2013-14 without obtaining prior approval of the Parliament. The excess expenditure attracted limitations of New Instrument of Service.

(Para 4.4.4)

- 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. In 60 cases across 11 grants, excess expenditure of ₹ 4863.57 crore was incurred by the Ministries/Departments during 2013-14 by augmenting the provision under these object heads without obtaining prior approval of the Parliament. These excess expenditures attracted limitations of New Service/New Instrument of Service.

(Para 4.4.5)

- As per Article 112(3)(f) of the Constitution of India any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal shall be charged upon the Consolidated Fund of India. In two cases across two grants, expenditure of ₹ 124.26 crore of the nature of charged was incorrectly classified and booked as voted expenditure in violation of the Constitutional directives.

(Para 4.5)

- Various departments/ministries incorrectly classified revenue expenditure as capital expenditure and vice versa. The misclassifications resulted in an overstatement of capital expenditure by ₹ 3174.40 crore and understatement of capital expenditure by ₹ 1504.69 crore. The overall impact on Government expenditure was an overstatement of capital expenditure of ₹ 1,669.71 crore. Correspondingly revenue deficit was understated by an equivalent amount of ₹ 1,669.71 crore during the financial year 2013-14.

(Para 4.6.1, 4.6.2, 4.6.3 and 4.6.4)

- 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 up to the sixth tier, i.e. object head. In 48 cases, across 23 grants/appropriations expenditure amounting to ₹ 3,873.43 crore were misclassified in a number of primary units of appropriation.

(Para 4.7.3)

- The shifting paradigm of public administration has entailed delivery of public goods through new and ever evolving methods. Grants-in-aid constituted, with the exception of debt repayment, as the single largest item of expenditure for the Union Government. Grants-in-aid constituted more than 28 *per cent* of the total revenue expenditure of the Union Government during 2013-14. For substantial amounts of plan grants-in-aid released to Societies, NGOs, Trusts, the audit remit of the CAG is fettered and restricted.

(Para 5.1, 5.2 and 5.3.2)

- For the year 2013-14, the Union Government transferred Central Plan assistance of ₹ 1,12,708 crore directly to State/district

level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of Centrally Sponsored Schemes outside the State Government Budget. The aggregate amount of unspent balances in their accounts maintained outside Government accounts was unascertainable. The Government expenditure as reflected in the accounts was, therefore, overstated to that extent.

(Para 5.3.1)

- Detailed analysis of expenditure on grants-in-aid released by the Ministry of Social Justice & Empowerment and the Ministry of Micro, Small and Medium Enterprises revealed deficient control mechanisms and inadequate assurance with regard to the quality of the expenditure incurred.

(Para 5.5)