

## **4: APPROPRIATION ACCOUNTS: COMMENTS ON ACCOUNTS**

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### **4.1 Introduction**

Constitutional provisions relating to Procedure in Financial Matters, Delegation of Financial Powers Rules (DFPRs) 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Article 114(3) of the Constitution stipulates that no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriation made by law.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 CFI 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 66<sup>th</sup> Report (15<sup>th</sup> 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 and refunds granted without recourse of 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the Committee reminded the Department that Article 114(3) of the Constitution clearly mandates that no money shall be withdrawn from the CFI except under 'Appropriation' made by the Legislature.

In their follow-up Report (96<sup>th</sup> Report of 15<sup>th</sup> 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

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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 2015-16 and an expenditure on interest on refunds amounting to ₹ 7,704 crore was incurred by the Department, in contravention of provisions of the Constitution. Expenditure of ₹ 55,939 crore on interest payments had been incurred over a period of last eight 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
2015-16	7,704
<b>Total</b>	<b>55,939</b>

The matter was referred to Department of Revenue in October 2015. The Department stated (November 2015) 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 Department reiterated its reply in March and April 2016.

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

### **4.3 Failure to obtain legislative approval for augmenting provisions**

#### **4.3.1 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 prior approval of the Parliament.

Scrutiny of Appropriation Accounts alongwith classified abstract/*e-lekha* data revealed that in five cases across five grants, expenditure aggregating ₹ 11.32 crore was incurred by various Departments during the financial year

2015-16 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 4.2.**

**Table 4.2: Augmentation of provision to object head '31-Grants-in-aid-General'**

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Excess expenditure over TA
(₹ in crore)							
<b>Grant No. 01- Department of Agriculture and Cooperation and Farmers Welfare</b>							
1.	3601.02.789.63.03.31 Parampragat Krishi Vikas Yojana	0.10	0.10 + 3.00 <sup>#</sup>	-	3.20	12.82	9.62
<p># Supplementary obtained under Major head 2552 (NER Head)</p> <p>The Department stated (August 2016) that the said expenditure was related to State Governments for ongoing schemes and hence did not attract limitations of NS/NIS in terms of Para 5 (ii) of Ministry of Finance O.M. dated 25 May 2006.</p> <p>The reply of the Department is not acceptable. Para 5(ii) of the O.M. ibid states that transfers to State and Union Territory Governments are exempt from these limits provided the scheme is not new. As per Part-III of Expenditure Budget (Vol. I) 2015-16, Paramparagat Krishi Vikas Yojna is a new scheme. Hence, prior approval of the Parliament should have been obtained for augmenting the provision under the said head of accounts.</p>							
<b>Grant No.20-Ministry of Culture</b>							
2.	2205.00.102.04.56.31 Development of Jallianwalabagh Memorial	0.01	-	-	0.01	0.02	0.01
<p>The Ministry stated (September 2016) that the booking of expenditure under this head was due to misclassification and due care would be taken in future to prevent such occurrence.</p>							
<b>Grant No. 21-Ministry of Defence (Civil)</b>							
3.	3054.02.800.02.00.31 Road Works	26.10	-	-	26.10	26.30	0.20
<p>While accepting the observation, the Ministry stated (September 2016) that the Border Roads Organisation (BRO) had intimated that there was an additional requirement of funds by Project Dantak due to revised enhanced maintenance rates. Further, it was mentioned that there was overall saving of ₹ 590.61 crore under revenue section of the Grant.</p> <p>The reply is not acceptable as any augmentation of provision under object head 'Grants-in-aid-General' requires prior approval of the Parliament before re-appropriation from overall savings.</p>							
<b>Grant No. 48- Department of Health and Family Welfare</b>							
4.	2210.06.107.03.03.31 National Institute of Biologicals, Noida, (Uttar Pradesh)	22.00	-	-	22.00	23.48	1.48
<p>The matter was referred to the Department in August 2016, their reply was awaited (October 2016).</p>							
<b>Grant No. 61-Ministry of Information &amp; Broadcasting</b>							
5.	2220.01.105.01.01.31 Films Division	0.03	-	-	0.03	0.04	0.01
<p>The Ministry stated (August 2016) that the excess booking under the said head of accounts was due to misclassification. They added (October 2016) that a Journal Entry to rectify the error was turned down by the O/o CGA in September 2016.</p> <p>The reply is not acceptable as augmentation of provision to the said object head required prior approval the Parliament.</p>							
<b>Total</b>							<b>11.32</b>

\* 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)

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**4.3.2 Augmentation of provision to object head ‘35-Grants for Creation of Capital Assets’**

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 two cases across two grants, funds aggregating to ₹ 10.15 crore were augmented to the object head ‘35-Grants for Creation of Capital Assets’, in violation of extant provision without prior approval of the Parliament attracting limitations of NS/NIS. **Table 4.3** gives details of heads where augmentation was made without approval of the Parliament.

**Table 4.3: Augmentation of provision to object head ‘Grants for Creation of Capital Assets’**

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Excess expenditure over TA
<b>Grant No.06-Ministry of Ayurveda, Yoga &amp; Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)</b>							
1.	2210.05.200.01.00.35 Grant to Central Council for Research in Yoga & Naturopathy	4.00	0.20	3.00	7.20	8.35	1.15
The Ministry stated (August 2016) that though the additional budget was provided at RE stage under object head ‘35-Grants for creation of capital assets’ but supplementary approval of the Parliament could not be obtained in the third batch of Supplementary Demand for Grants (SDG). In view of above, it is clear that the augmentation of provision under the object head ‘35-Grants for Creation of Capital Assets’ was done without the prior approval of the Parliament.							
<b>Grant No. 48- Department of Health and Family Welfare</b>							
2.	2210.05.105.43.00.35 Regional Institute of Medical Sciences, Imphal	0.00	60.92	-	60.92	69.92	9.00
The Ministry stated (October 2016) that Regional Institute of Medical Sciences, Imphal, had been instructed to be more careful in future in such matters and to ensure that no such instances of excess expenditure occur in future.							
<b>Total</b>							<b>10.15</b>

\* 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)

**4.3.3 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.

Examination of Grant No. 109 pertaining to Ministry of Youth Affairs and Sports for the year 2015-16 revealed that funds aggregating to ₹ 3.57 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 as detailed in the **Table 4.4**.

**Table 4.4: Augmentation of provision to object head ‘Grants-in-aid Salaries’**

Head of Account	BE*	NE*	SA*	TA*	TE*	Excess expenditure over TA
(₹ in crore)						
<b>Grant No.109- Ministry of Youth Affairs and Sports</b>						
2204.00.104.11.01.36 Sports Authority of India- Establishment and Programme	206.00	-	-	206.00	209.57	3.57
While accepting the audit observation, the Ministry stated (July 2016) that the Ministry of Finance had increased budget ceiling for staff salary at the Revised Estimate stage. A token supplementary was obtained from the Parliament for re-appropriation of funds to concerned head. However, MoF rejected the proposal for re-appropriation on 30 March 2016.						

\* 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)

#### **4.3.4 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. The Ministry of Finance had further clarified on 21 May 2012 that all cases for augmentation of funds (either through re-appropriation of funds or additionality) under the object head ‘Subsidies’ require prior approval of the Parliament through supplementary demands for grants, without any exemption.

Scrutiny of Appropriation Accounts alongwith classified abstract of Grant No. 13 pertaining to Department of Industrial Policy and Promotion revealed that funds aggregating to ₹ 199.97 crore were incurred by the Department during the financial year 2015-16 by augmenting the provision under the object head ‘33-Subsidies’ without obtaining prior approval of the Parliament attracting limitations of NS/NIS as detailed in **Table 4.5**.

**Table 4.5: Augmentation of provision to object head 'Subsidies'**

Sl. No.	Head of Account	BE*	NE*	SA*	TA*	TE*	Excess expenditure over TA
		(₹ in crore)					
<b>Grant No.13-Department of Industrial Policy and Promotion (DIPP)</b>							
1.	2885.02.101.04.00.33 Central Interest Subsidy Scheme	0.01	-	-	0.01	0.41	0.40
2.	2885.02.101.05.00.33 Comprehensive Insurance Scheme for North East	0.01	-	-	0.01	0.23	0.22
3.	2885.02.101.10.00.33 Capital Investment Subsidy	0.01	-	-	0.01	199.36	199.35
<b>Total</b>							<b>199.97</b>

The Department stated (July 2016) that as per Ministry of Finance letter No. F.2(66)-B(CDN)/2001 dated 12 June 2001, powers to re-appropriate funds from lump sum provision for NE region to concerned Schemes have been delegated to the Secretary of the Ministry/Departments, who may exercise these powers in concurrence with their Financial Advisors. It further stated (September 2016) that DDG 2015-16 clearly provided a provision of ₹ 200 crore for various types of 'Subsidies' under the scheme 'North East Industrial and Investment Promotion Policy' (NEIIP) to industrial units located in the NE region. Token provision of ₹ 1 lakh each for three components of the subsidies was obtained and a lump sum provision of ₹ 199.97 crore was obtained under non-functional head which was intended to be apportioned among three components of NEIIP subsidies. The DDG did not show the break-up of the NEIIP subsidy provision but that is the essence of the budgetary scheme of lump sum provisions for the benefit of NE region. If the Departments know beforehand all the details at the budget stage itself, there would be no need to have lump sum provision. It is a beneficial budgetary practice to provide flexibility to the Department to disburse different types of subsidies to industrial units depending upon claims lodged, verified and found eligible under the scheme.

The reply is not acceptable as the Department had provided scheme wise break up under functional head in the DDG of 2015-16. However, the scheme-wise breakup was missing under the non-functional head, which was required in terms of Budget Division OM No. F.2 (66)-B(CDN)/2001 dated 14 September 2005. In this regard it may be mentioned that the scheme-wise breakup was being shown under non-functional head by the Department in the DDG for the year 2010-11 & 2011-12, which has been discontinued now. This matter was also pointed out in CAG's Report No. 1 of 2015 and 50 of 2015. However, no corrective measures have been taken by the Department.

\* 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).

### 4.3.5 Augmentation of provision to object head '53 - Major Works'

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) that in regard to the cases of NS/NIS on augmentation under the object head '53-Major Works' all cases relating to augmentation of funds above ₹ 2.5 crore or above 10 per cent of the appropriation already voted, 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 Grant No. 83 pertaining to Ministry of Road Transport & Highways, funds aggregating ₹ 116.48 crore were augmented by the Ministry during the financial year 2015-16 without obtaining prior approval of the Parliament, thereby attracting

the limitations of New Service/New Instrument of Service. **Table 4.6** gives details of head where augmentation was made without prior approval of the Parliament attracting limitations of NS/NIS.

**Table 4.6: Augmentation of provision to object head ‘Major Works’**

(₹ in crore)

Head of Account	BE*	NE*	SA*	TA*	TE*	Excess expenditure over TA
<b>Grant No. 83- Ministry of Road Transport &amp; Highways</b>						
5054.01.337.02.03.53 Special Accelerated Road Development Programme in North Eastern Areas “Works under Roads Wing/State PWDs”	-	3590.00	-	3590.00	3706.48	116.48
<p>The Ministry stated (September 2016) that there was a provision of ₹ 4000.00 crore under MH-4552 and ₹ 900 crore had been added by obtaining Parliament’s approval through 3<sup>rd</sup> Supplementary Demand for Grant. Hence the total under NER was ₹ 4900 crore against which the total expenditure was ₹ 4845.87 crore.</p> <p>Further, for utilizing the unspent balance of ₹ 90 crore under NER provision from Road development works under Road wing (BRDB)-Special Accelerated Road Development Programme in North Eastern Area (SARDP), the non-functional head ‘4552’ – allocations was changed by re-appropriating ₹ 90 crore from BRDB-SARDP to Works under Roads Wing-SARDP with the approval of Secretary.</p> <p>Reply of the Ministry is not acceptable since it is based on Major head 4552 under which there were two schemes i.e. BRDB and SARDP in North Eastern Area. Audit observation is only on the later scheme under the object head 53 Major works. Further, 3<sup>rd</sup> Supplementary for ₹ 900 crore was obtained under another scheme, SARDP Works under Road wing Schemes financed from Central Road Fund.</p> <p>Moreover, re-appropriation of funds from the object head ‘53- Major Works’ from the Road Development Works under Roads wing/BRDB to the object head ‘53 Major Works’ under Special Accelerated Road Development Programme in NER under the Major head 4552 also requires prior approval of Parliament.</p>						

\* 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)

#### **4.4 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, 2013-14 and Report No. 50 for the year 2014-15. 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.

#### **4.4.1 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 alongwith classified abstract/*e-lekha* data for the year 2015-16 revealed four cases pertaining to three Ministries/Departments where these object heads were used with revenue major heads as shown in **Table 4.7**, resulting in understatement of capital expenditure by ₹ 28.23 crore, if these expenditures were incurred towards acquisition of capital assets and other capital expenditure.

**Table 4.7: 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	10.71	Reply was awaited (October 2016).
2.		3401	51/52	11.26	
3.	60-Department of Higher Education	2202	53	2.99	Reply was awaited (October 2016).
4.	66- Ministry of Micro, Small and Medium Enterprises	2851	52	3.27	Reply was awaited (October 2016).
<b>Total</b>				<b>28.23</b>	

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

#### **4.4.2 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 six should ordinarily not correspond with the capital major heads.

Audit scrutiny of Head-wise Appropriation Accounts alongwith classified abstracts for the year 2015-16 revealed four cases pertaining to three 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 ₹ 3.61 crore as shown in **Table 4.8**, if these expenditures were not incurred towards acquisition of capital assets and other capital expenditure.

**Table 4.8: Misclassification of revenue expenditure as capital expenditure**

Sl. No.	Description of Grant	Major Head	Object Head	Expenditure (₹ in crore)	Reply of the Department/Ministry
1.	89-Ministry of Shipping	5051	50	0.64	Ministry stated (July 2016) that necessary provisions for Information Technology expenditure would be kept under revenue section from the year 2017-18 onwards.
2.		5052	50	0.35	
3.	97-Ministry of Tourism	5452	28	0.62	Ministry stated (September 2016) that in 2016-17, on the direction of Ministry of Finance, it has opened the said head under Revenue section under the new pattern of Rationalization of Plan and Non-plan. In future such type of expenditure would be booked under Revenue section.
4.	103-Lakshadweep	4810	35	2.00	Department stated (June/August 2016) that the matter was taken up with the Ministry/O/o the CGA for remedial action. This item has already been transferred to the revenue section under Major Head-2810 from FY 2016-17 onwards.
<b>Total</b>				<b>3.61</b>	

#### 4.4.3 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 alongwith *e-lekha* data for the year 2015-16 revealed that in 13 cases pertaining to three Ministries/Departments, expenditure of revenue nature was classified as capital expenditure or vice-versa resulting in net understatement of revenue expenditure by ₹ 1607.40 crore, as shown in **Table 4.9**.

**Table 4.9: Misclassification between different sections of the grant**

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/Ministry
<b>Misclassification of revenue expenditure as capital expenditure</b>				
1.	15-Department of Telecommunications	319.99	The Department paid an amount of ₹ 319.99 crore to Bharat Sanchar Nigam Limited (BSNL) as bandwidth hiring charges for AFNET( Air Force Network) which was incorrectly booked under object head '60- Other Capital Expenditure' under Capital heads of accounts 5275.00.800.03.00.60 and 4552.00.203.01.00.60. The expenditure on account of bandwidth hiring charges being of revenue nature should have been booked under object head '28-Professional Services' in the revenue section of the grant.	Reply was awaited (October 2016).

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Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/ Ministry
2.	21-Ministry of Defence (Civil)	1600.25	The Ministry incurred an expenditure of ₹ 1600.25 crore on account of maintenance of road other than Highways, Security Cover and Airlift Charges and booked the same in the Capital Section of the Grant under the object head 5054.02.337.03.00.53- 'Major Works'. The expenditure being revenue in nature should have been correctly classified under the revenue section of the Grant under the appropriate object head.	The Ministry stated (September 2016) that the booking has been done under this head for many years. Ministry added that the case has been taken up for correction in 'pamphlet of RDR (Revenue, Debt & Remittance) heads' as the provision exists under Major Head-3054 instead of 5054.
3.	93-Department of Space	0.11	An expenditure of ₹ 11.19 lakh towards payment to Bangalore Electricity Supply Company Limited (BESCOM) for shifting of overhead line was incorrectly booked by ISRO Satellite Centre (ISAC) under the object head '60-Other Capital Expenditure' under the Capital section whereas this electricity expenditure should have been correctly booked under '13-Office Expenses' under revenue section.	Reply was awaited (October 2016).
4.		0.76	An expenditure of ₹ 76.04 lakh towards Telemetry, Tracking and Command (TTC) network stations support for various missions of ISRO was booked incorrectly by PAO ISAC Project under the object head '60-Other Capital Expenditure' under the capital section whereas these tracking services availed by DOS should have been correctly booked under '30-Other Contractual Services' under revenue section as per the DOS Compendium on Booking of Expenditure	
5.		0.20	An expenditure of ₹ 20.38 lakh towards technical service charges for capacitors was booked incorrectly by PAO ISAC-Project under the object head '60-Other Capital Expenditure' under the capital section which should have been correctly booked under '30-Other Contractual Services' under revenue section.	
6.		1.54	An expenditure of ₹ 1.54 crore towards procurement of liquid nitrogen was booked incorrectly by PAO ISAC-Project under the object head '60-Other Capital Expenditure' under the capital section which should have been correctly booked under '21-Supplies & Materials' under revenue section.	
7.		0.33	An expenditure of ₹ 32.63 lakh towards procurement of Desktop computer and battery was booked incorrectly by PAO ISAC-Centre under the object head '53-Major Works' in 'capital section' which should have been correctly booked under '13-Office Expenses' under detailed head-99 in revenue section.	

Sl. No.	Grant	Amount (₹ in crore)	Audit Observation	Reply of the Department/ Ministry
8.		1.45	Expenditure of ₹1.45 crore was incurred towards procurement of Exide battery bank, connectors, electrolyte, mild steel stand & stand insulators, thermometer, etc., which was to be booked under object head '21- Supplies & Materials' in revenue section instead was booked under object head '52-Machinery and Equipment' in capital section.	
<b>Revenue expenditure understated by ₹ 1924.63 crore.</b>				
<b>Misclassification of capital expenditure as revenue expenditure</b>				
1.	93-Department of Space	306.31	The expenditure was booked incorrectly under the object head '21-Supplies and Materials' under the revenue section which should have been correctly booked under '60-Other Capital Expenditure' under capital section since these were mission/ space consumables of satellite and launch vehicle missions and have a life more than one year.	Reply was awaited (October 2016).
2.		7.10	The expenditure was booked incorrectly under the object head '50-Other Charges' under the revenue section which should have been correctly booked under '60-Other Capital Expenditure' under capital section since these were mission/ space consumables of satellite and launch vehicle missions and have a life more than one year.	
3.		3.13	An expenditure of ₹ 3.13 crore towards additional services rendered by M/s Arianespace, France during GSAT-15 & GSAT-16 Launch Campaign was incorrectly booked under the object head '50-Other Charges' under the revenue section which should have been correctly booked under '60-Other Capital Expenditure' under capital section under the extant order.	
4.		0.52	An amount of ₹ 51.83 lakhs incurred towards the procurement of Static Random Access Memory (SRAM) (which would be used in satellite) was incorrectly booked by PAO ISAC Centre under the object head '21-Supplies and Materials' under the revenue section which should have been correctly booked under '60-Other Capital Expenditure' under capital section.	
5.		0.17	An expenditure of ₹ 16.74 lakh towards procurement of RF diodes X ray detectors was booked incorrectly by PAO ISAC-Centre under the object head '21-Supplies & Materials' in the revenue section which should have been correctly booked under '52-Machinery & Equipment' under capital section.	
<b>Revenue expenditure overstated by ₹ 317.23 crore.</b>				
<b>Overall Impact: Understatement of revenue expenditure by ₹ 1607.40 crore.</b>				

The impact of incorrect classification of revenue expenditure as capital expenditure and vice-versa was overstatement of capital expenditure by ₹ 1928.24 crore and understatement of capital expenditure by ₹ 345.46 crore. The overall impact on Government expenditure was an overstatement of capital expenditure by ₹ 1582.78 crore. Correspondingly, revenue deficit for the financial year 2015-16 was understated by an equivalent amount of ₹ 1582.78 crore.

#### **4.5 Other cases of misclassification**

##### **4.5.1 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 the 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”. Besides the normal receipts and expenditure of that Government, which relate to the Consolidated Fund, certain other transactions enter 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 in respect of Grant No. 11 pertaining to Ministry of Coal for the year 2015-16 revealed that an expenditure of ₹ 1099.84 crore was incurred for acquisition of Coal bearing areas in the Capital head of account 4803.00.800.01.00.54 from the CFI and the expenditure was netted out with receipts of ₹ 1100 crore from Coal India Limited (CIL). Since the Coal bearing areas were acquired against specific deposit made by CIL, the transaction should not have routed through the CFI.

Controller General of Accounts in continuation of their opinion of August 2013 reiterated their views in June 2016 that the funds received in advance from bodies financially independent of Government for payment of compensation for land acquired for such bodies are required to be credited to Minor Head ‘117-Deposits for work done for Public Bodies or Private Individuals’ under MH ‘8443-Civil Deposits’. Likewise, all payments relating to compensation for land acquisition are also to be debited to this head of account.

The Ministry stated (August 2016) that a new head for accounting of receipt/payments relating to land acquisition on behalf of PSUs has been proposed for opening in the Public Account from the financial year 2017-18.

(b) Scrutiny of Appropriation accounts vis-à-vis consolidated abstract in respect of Grant No. 77 pertaining to Ministry of Power for the year 2015-16 revealed that an expenditure of ₹ 76.83 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 of ₹ 76.83 crore from NTPC. Since the coal bearing areas were acquired against specific deposit made by NTPC, the transaction should not have passed through the Consolidated Fund of India.

The Ministry stated (July 2016) that office of CGA clarified in June 2016 that to account for a transaction of money deposited by a PSU in lieu of work to be done by Government Department for them, under the Consolidated Fund of India, is primarily incorrect and should have been credited to MH 8443-Civil Deposits. The Ministry, further, stated that the process of above accounting procedure would be operated from the next financial year.

Both matters were also pointed out in the CAG's Report No. 1 and Report No. 50 of 2015.

#### 4.5.2 Non-operation of object head 'Grants-in-aid-Salaries'

The 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 2015-16 revealed that this object head was not operated by the following Ministries/Departments, as detailed in **Table 4.10**.

**Table 4.10: Non-operation of object head 'Grants-in-aid-Salaries'**

Sl. No.	Grant No. & Name	Audit observation and reply of the Ministry/Department
1.	16-Department of Electronics and Information Technology	<p>Examination revealed that object head 36- Grants-in-aid-Salaries was not operated in respect of IT Research Academy (ITRA). Approval of DeitY for setting up of ITRA dated 4 November 2010 provided for phase wise release of funds to ITRA, which implied that all project components including salary were included in each release. An amount of ₹ 26 crore under Digital India Programme, (2852.07.202.85.04.31) was allotted as budget provision under the object head 31- Grants-in-aid-General. Out of the Grant received, ITRA incurred an expenditure of ₹ 1.30 crore under the salary head during the year 2015-16, which should have been separately budgeted for and classified as 36-Grants-in-aid-Salaries.</p> <p>Department stated (August 2016) that ITRA had been set up with a total outlay of ₹ 148.83 crore. There were no bifurcations of Grants-in-aid when the Project was approved and implemented.</p> <p>The reply is not acceptable since approval for setting up of ITRA provided for phase-wise release of funds to ITRA, which implied that all project components including salary were included in each release and salary component should have been budgeted for and classified as '36-Grants-in-aid-Salaries'.</p>

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Sl. No.	Grant No. & Name	Audit observation and reply of the Ministry/Department
2.	77-Ministry of Power	<p>The Ministry released a grant of ₹ 5.70 crore to Joint Electricity Regulatory Commission (JERC) for Goa and UTs (a grantee body), who utilized ₹ 1.15 crore to meet expenditure on salaries. However, the total amount of ₹ 5.70 crore released was booked under the object head 2801.80.800.23.00.31 'Grants-in-aid General', instead of classifying the expenditure of ₹ 1.15 crore correctly on salary component under the object head '36-Grants-in-aid Salaries'.</p> <p>Ministry stated (August 2016) that from the financial year 2016-17 allocation for meeting non-plan expenditure of JERC for Goa &amp; UTs has been made in separate object heads for Grants-in-aid-General and Grants-in-aid-salaries.</p>
3.	96-Ministry of Textiles	<p>The Ministry released Grants-in-aid of ₹ 1.00 crore to National Institute of Fashion Technology, New Delhi, for the payment of salaries of the employees of NIFT, Raebareli Centre, which was incorrectly booked in the accounts under the object head 2852.08.202.61.00.31 'Grants in aid General' instead of classifying this expenditure under the object head '36- Grants in aid Salaries'.</p> <p>Ministry stated (August 2016) that during financial year 2015-16 fund was available only in General head therefore the fund was sanctioned to NIFT under the head Grants-in-aid-General.</p> <p>The reply of the Ministry is not tenable since the object head '36-Grants-in-aid-Salaries' was opened with effect from 01 April 2011, the Ministry should have obtained supplementary provisions under object head Grants-in-aid-Salaries.</p>

**4.5.3 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 35 cases across 13 grants/appropriations, funds aggregating ₹ 387.32 crore were misclassified between the primary units of appropriation i.e. object heads, which are detailed in **Table 4.11**.

**Table 4.11: 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.	8-Department of Fertilizers	2.69	2852/50	An expenditure of ₹ 0.73 crore was incurred on payment for consultancy Service Charges for Mobile Fertilizer Management System (mFMS) project, for conducting audit of mFMS application etc. and ₹ 1.96 crore was incurred on procurement of computers, its accessories, consumables and maintenance of Fertilizers Management System, etc. However, the total expenditure of ₹ 2.69 crore was booked in accounts under the object head '50-Other Charges'. As per DFPRs the correct classification for expenditure on payments of outsourced personnel, engagement of consultants should have been '28-Professional services' and for expenditure on procurement of computers, etc., should have been '13-Office Expenses'.
<p>The Ministry stated (July 2016) that as per the instructions of Department of Expenditure, Ministry of Finance, the Plan and Non Plan schemes had to be rationalized and DDG for 2016-17 had to be prepared after merging them. The procurement of computers and its accessories, consumables for Department of Fertilizers (Secretariat) are to be booked under the head 3451.00.090.33.99.13 "Office Expenses" and procurement of computers and its accessories, consumables for FMS/mFMS are to be booked under the Head 3451.00.090.33.99.50 'Other Charges'. Payments of professional charges for FMS &amp; mFMS are to be booked under the head 3451.00.090.33.01.28 in current financial year i.e. 2016-17.</p>				
2.	15-Department of Telecommunications	0.07	3275/51, 52	Department incurred an expenditure of ₹ 0.07 crore and incorrectly booked under object heads 51-Motor vehicles and 52- Machinery and equipment in the Revenue Section Major head- 3275.
<p>Department stated (August 2016) that Rule 79 of the GFR 2005 stipulates that charges on maintenance, repair and upkeep and working expenses which are required to maintain the assets in running condition, shall be classified as revenue expenditure and hence the booking was done correctly.</p> <p>The reply is not acceptable as object head '51-Motor Vehicles' and '52-Machinery &amp; Equipment' pertain to object Class-6 meant for acquiring of Capital Assets and other Capital Expenditure, which should not be used with revenue major heads.</p>				
3.	17-Department of Consumer Affairs	4.95	3475/52	The Department made centralised purchase of machinery & equipment and supplied them directly to States/UTs and booked the expenditure amounting to ₹ 4.95 crore incorrectly under object head '52- Machinery and Equipment' in the revenue section of the Grant instead of object head-35 meant for Grants for creation of Capital Assets.
<p>The Department stated (August 2016) that prior to 2007-08 funds for infrastructure on Weights &amp; Measures of States/UTs were released as Grants-in-aid but later machinery and equipment were supplied to the States/UTs after making centralised purchases. Further, the Ministry of Finance had (November 2011) turned down a proposal of this department for obtaining provision under Capital heads and had instructed to book the said expenditure under the revenue accounts.</p> <p>The reply of the Department does not address the audit concern. The Department should have obtained provision and booked the expenditure under the appropriate object head under the revenue accounts major head.</p>				
4.	21-Ministry of Defence (Civil)	285.96	5054/53	An expenditure of ₹ 285.96 crore incurred on Category 'A' Stores/ Equipment by Border Roads Organisation (BRO) was incorrectly booked under object head '53-Major Works' instead of booking under object head-52 related to Machinery & Equipment.
<p>While accepting the audit observation, the Ministry stated (September 2016) that the object head-53 would be corrected from FY 2017-18 as object head-52 for booking of expenditure on account of procurement of Equipment.</p>				

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
5.	21-Ministry of Defence (Civil)	7.99	3053/31	Amount of ₹ 7.99 crore was paid to officials of the Ministry posted in Bhutan by Border Roads Organisation as “Bhutan Compensatory Allowance”. The same was incorrectly booked under object head ‘31-Grants-in-aid-General’ instead of booking the same under object head 01 related to Salaries.
While accepting the audit observation, the Ministry stated (September 2016) that this fund pertains to Bhutan Compensatory Allowances. BRO has intimated that a case would be taken up for budget provision under Major Head-2052 from FY 2017-18.				
6.	34- Department of Economic Affairs	7.75	3475/50	Payments of ₹ 7.75 crore made to various Training Institutes, were booked under the Object head 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.
Department of Economic Affairs, IES Division stated (July 2016) that the object head for expenses on training of IES officers has been changed to “20-Other Administration Expenses” with effect from the financial year 2016-17.				
7.	66- Ministry of Micro, Small and Medium Enterprises	1.25	2851/32	An expenditure of ₹ 1.25 crore incurred on International Co-operation Scheme was booked in accounts under the Object Head ‘32-Contributions’. The expenditure was incurred in the form of grants to organizations, registered societies etc. for general/specific purpose, which should have been correctly classified under the object head ‘31-Grants-in-aid-General’ instead of ‘32-Contributions’.
Ministry stated (July 2016) that it will be able to book the expenditure under International Cooperation Scheme from the year 2017-18 onwards under the object head ‘31-Grants-in-aid-General’.				
8.	70- Ministry of Overseas of Indian Affairs	0.65	2061/50	The Ministry obtained a provision of ₹ 0.85 crore for disbursing Grants-in-aid to ‘Indian Development Foundation-Overseas Indians’, an autonomous body, and incorrectly booked the expenditure of ₹ 0.65 crore under the object head ‘50- Other Charges’ instead of object heads meant for Grants-in-aid.
Reply was awaited (October 2016).				
9.	77- Ministry of Power	6.00	2801/31	Grants-in-aid of ₹ 6.00 crore released to National Power Training Institute (NPTI) for setting up of a new Power Training Institute under NPTI at Shivpuri, Madhya Pradesh 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’.
Ministry stated (July 2016) that the observation is noted for compliance from the financial year 2017-18.				
10.	82- Secretariat of the Vice-President	0.33	2012/13	An expenditure of ₹ 0.33 crore incurred on account of VVIPs entertainment and was incorrectly booked under head of accounts-2012.02.090.01.00.13-Office Expenses instead of appropriate object head-‘20-Other Administrative Expenses’ as per DFPRs.
While accepting the observation, the Secretariat stated (August 2016) that a note for operating the Object head-20 had been forwarded to the Ministry of Finance.				

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
11.	83- Ministry of Road Transport & Highways	28.24	3055/20	An expenditure of ₹ 28.24 crore incurred on account of Publicity measures and awareness campaigns which <i>inter alia</i> includes printing and supply of publicity materials, publicity campaigns and telecast/ broadcast of road safety messages through DAVP etc. was booked under object head '20-Other Administrative Expenses' instead of classifying them under the object head '26-Advertising and Publicity'.
The Ministry stated (September 2016) that the misclassification has been rectified and new Head 3055.00.004.20.02.26 has been opened from the financial year 2016-17 for booking expenditure on printing of publicity material, exhibition fares etc.				
12.	93-Department of Space	4.66	5402/60	Capital item [Large Area Swept Charge Devices (SCD) X-ray Detectors] procured at a cost of ₹ 4.66 crore was incorrectly booked under object head '60-Other Capital Expenditure' instead of object head '52-Machinery and Equipment'.
13.		0.49	5402/53	An amount of ₹ 49 lakh was paid towards procurement of indoor type transformers and was incorrectly booked under object head '53-Major Works' instead of object head '52-Machinery and Equipment'.
14.		0.27	5402/52	An amount of ₹ 27 lakh was paid towards procurement of integrated circuit/electronic components (space consumables) and was incorrectly booked under object head '52-Machinery and Equipment' instead of object head '60-Other Capital Expenditure'.
15.		0.51	3402/50	An expenditure of ₹ 51 lakh was incurred towards printing and supplying booklets and was incorrectly booked under '50 Other Charges' instead of object head '16-Publications'.
16.		0.45	3402/50	Advertisement charges amounting to ₹ 45.47 lakh were booked under '50 Other Charges' instead of object head '26-Advertising and Publicity'.
17.		0.57	3402/50	An amount of ₹ 56.63 lakh was released by PAO, ISRO Hqrs to International Space University towards tuition fees of Space Studies Programme-2015 which was to be booked under '20 Other Administrative Expenses' but the same was booked under '50-Other Charges'.
18.		0.43	3402/50	An amount of ₹ 43.38 lakh paid by PAO, ISRO HQ to BSNL for availing Contractual Services from BSNL were booked under '50-Other Charges' instead of object head '30-Other Contractual services'.
19.		0.68	3402/50	Grants-in-aid to the tune of ₹ 45.68 lakh was released under Planetary Science programme (PLANEX) to autonomous body PRL, Ahmedabad which was to be booked under object head '31 Grants-in-aid-General' but was booked under object head '50-Other Charges'. Further ₹ 22 lakh was released to NESAC under EOAM and was booked under object head '50-Other Charges' instead of object head '31-Grants-in-aid-General'.
20.		3.15	3402/50	Grants-in-aid to the tune of ₹ 3.15 crore released under ISRO Geosphere Biosphere programme (IGBP) to autonomous body PRL, Ahmedabad and incorrectly booked under object head '50-Other Charges' 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
21.	93-Department of Space	1.42	3402/30	PAO, ISRO HQ released an amount of ₹ 1.42 crore as half yearly installment to Kendriya Vidyalaya, National Aerospace Laboratories (NAL) which was incorrectly booked under the object head '30-Other Contractual Services' instead of object head '31-Grants in aid-General'.
22.		6.78	3402/50	PAO, ISRO HQ released an amount of ₹ 6.63 crore to National Atmospheric Research Laboratory (NARL) under Atmospheric Science Programme which was booked under the object head '50-Other Charges' instead of object head '31-Grants-in-aid-General'. Further, an amount of ₹ 0.15 crore was released to Semi-Conductor Laboratory (SCL), Chandigarh for production and supply of GPS radiosondes for Calibration-Validation (CAL-VAL) activities which was booked under the object head '50-Other Charges' instead of object head '35-Grants for creation of Capital Assets'.
23.		8.35	3402/50	ISAC (P) paid an amount of ₹ 8.35 crore to NASA, USA towards tracking, navigation and telecommunications support services of the Mars Orbiter Mission (MOM) which was booked under the object head '50-Other Charges' instead of object head '30-Other Contractual services'.
24.		3.78	3402/30	ISAC (C) incurred expenditure of ₹ 3.78 crore towards payment of Reprographic Assistants and Reprographic Supervisors and manpower charges and incorrectly booked it under '30-Other Contractual Services' instead of object head '28-Professional Services'.
25.		1.18	3402/21	ISAC(C) incurred expenditure of ₹ 1.18 crore towards payment of Reprographic Assistants, Reprographic Supervisors, Data Entry/Administrative services and manpower charges and incorrectly booked it under '21-Supplies and Materials' instead of object head '28-Professional Services'.
26.		1.37	3402/21	ISAC(C) incurred expenditure of ₹ 1.37 crore towards procurement of Chairs, TV, Desktop PC, laptop/notebook, Erasable Programmable Read Only Memory (EPROM), etc., and incorrectly booked it under object head '21-Supplies and Materials' instead of object head '13-Office Expenses'.
27.		0.33	3402/20	Expenditure of ₹ 32.86 lakh was made towards maintenance/care taking (manpower contract) of ISAC Guest house and incorrectly booked under object head '20-Other Administrative Expenses' instead of object head '28-Professional Services'.
28.		0.10	3402/50	Expenditure of ₹ 10.19 lakh was made towards maintenance/care taking (manpower) of ISAC Guest house and incorrectly booked under the object head '50-Other Charges' instead of object head '28-Professional Services'.
29.		0.48	3402/30	Expenditure of ₹ 48.43 lakh was made towards maintenance of canteen (manpower) at ISAC and incorrectly booked under the object head '30-Other Contractual Services' instead of object head '28-Professional Services'.

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Sl. No.	Grant No. & Name	Amount (₹ in crore)	Major/ Object head debited	Audit Observation
30.	93-Department of Space	0.30	3402/21	Payment of ₹ 30.21 lakh was made towards operation and maintenance of Chambers & Shakers and was incorrectly booked under object head '21-Supplies & Materials' instead of object head '27-Minor Works'.
31.		0.13	3402/50	Expenditure of ₹ 13.19 lakh was incurred towards Security Services in ISAC Guest House and other places and was incorrectly booked under object head '50-Other Charges' instead of object head '28-Professional Services'.
32.		0.36	3402/30	An expenditure of ₹ 36.12 lakh towards procurement of connectors was booked incorrectly by PAO ISAC- Project under the object head '30-Other Contractual Services' which should have been correctly booked under object head '21-Supplies and Materials'.
Reply of the Department of Space was awaited (October 2016).				
33.	94-Ministry of Statistics & Programme Implementation	0.01	3454/52	An expenditure of ₹ 1.14 lakh was incurred on procurement of computer hardware and software and was incorrectly booked in the accounts under the object head '52-Machinery & Equipment', which falls under Class-6 meant for acquisition of Capital Assets and other Capital Expenditure. This expenditure, being of revenue nature, should have been booked under appropriate object head in the revenue section.
The Ministry accepted the audit observation and stated (September 2016) that necessary instructions had been issued for correct booking of expenditure.				
34.	105- Public Works	2.15	2059/53	An expenditure of ₹ 2.15 crore incurred on making arrangements for Republic day celebration and Independence Day celebration which primarily included fabrication and installation including structural designing and testing of retractable roof on design and construct basis for Presidential dias, temporary illumination of Udyog Bhawan providing/arrangements of tentage, seating arrangements camp office and other related works etc was booked in accounts under object head '53 Major works'. The item of works carried out had not resulted in creation of assets of permanent nature. Hence appropriate object head in this case should have been used from the revenue section of the grant.
Central Public Works Department stated (August 2016) that the provision for the above work has been made under the head '27-Minor Works' from the year 2016-17.				
35.	105- Public Works	3.49	2059/50	An expenditure of ₹ 3.49 crore, incurred on deployment of security force to the Samadhi Sthal Complex and for miscellaneous repair works related to maintenance and functions at various Samadhis was booked in accounts under the object head '50-Other Charges'. This expenditure should have been correctly booked under the Object Head 28-Professional Services.
Central Public Works Department stated (August 2016) that Ministry of Urban Development was being requested to operate new object head-Professional services under the sub-head 2059.80.800.06 Maintenance of Other Samadhis from next financial year 2017-18.				
<b>Total</b>		<b>387.32</b>		

#### **4.5.4 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. 98 pertaining to Ministry of Tribal Affairs revealed that out of the total provision of ₹ 1,250 crore, ₹ 1,132.17 crore were released by the Ministry as ‘Special Central Assistance for Tribal Sub Plan’ during the year 2015-16 and booked 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 the CAG’s Report No.1 on Union Government Accounts for the financial year 2012-13, 2013-14 and Report No. 50 for 2014-15.

The Ministry accepted and stated (July 2016) that the minor head ‘794’ would be opened in the DDG for the year 2017-18 for Special Central Assistance for Tribal Sub Plan.

#### **4.6 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.

- (a) Scrutiny of Appropriation accounts along with Consolidated Abstract of Grant No. 60-Department of Higher Education for the year 2015-16 revealed that the Department obtained (March 2016) a token supplementary for re-appropriation of ₹ 350 crore for University Grant Commission, Central University Scheme under Object head '31-Grants-in-aid-General' (2202.03.102.10.01.31) 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 ₹ 350 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 Department stated (September 2016) that the token supplementary grant for re-appropriation of ₹ 350 crore was obtained in the third batch of Supplementary Demand for Grants (SDG) notified in March 2016. This amount also included supplementary demands under SCSP and TSP components.

The reply is not acceptable as the amount-specific approval for SCSP and TSP components was not shown in Third batch of SDG issued by Budget Division of Ministry of Finance on 26 March 2016.

- (b) Similarly, in Grant No. 109 pertaining to Ministry of Youth Affairs and Sports, the Ministry obtained a token supplementary for re-appropriation of ₹ 20 crore for Urban Sports Infrastructure Scheme under object head '35-Grants for creation of Capital assets' (2204.00.104.50.00.35) without giving amount specific component wise break-up for General Component, Special Component Plan for Scheduled Caste and Tribal Area sub-plan in

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the supplementary Demand for grant. The Ministry stated (August 2016) that a token supplementary grant of ₹ 20.00 crore was obtained from the Parliament under object head '35-Grants for creation of Capital Assets'.

The reply of the Ministry is not acceptable as the supplementary grant was for Urban Sport Infrastructure in the general component only. Instead the Ministry should have obtained amount-specific approval for each component distinctly as all three components had separate budget lines in the DDG.

**4.7 Obtaining excess provision under the object head '42-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/organisation where the provision does not exceed ₹ 10 lakh. In all other cases break-up of expenditure must be given.

Examination of Appropriation Accounts of three grants for the year 2015-16 revealed that in following 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 4.12: Lump sum Provisions**

Sl. No.	Head of Account	Provision Expenditure		Reply of the Ministry/ Department
		(₹ in lakh)		
<b>Grant No.29-Ministry of Development of North Eastern Region</b>				
1.	2552.00.800.03.00.42 Setting up of Project Planning and Monitoring Cell in N.E.C Sectt.	30.00	7.10	While accepting the audit observation, the Ministry stated (August 2016) that the provision of ₹ 30.00 lakh was made for setting up of the Project Planning and Monitoring Cell in the North Eastern Council. Since the expenditure involved various types of individual expenses and hence all such expenses could not be separately classified under the prescribed object heads. However, a provision of ₹ 10.00 lakhs had been obtained under the said head for the year 2016-17.
<b>Grant No. 34-Department of Economic Affairs</b>				
2.	5475.00.800.12.00.42 Assistance for Infrastructure Development Viability Gap Funding	102850.00	62350.00	Reply of the Department was awaited (October 2016).
<b>Grant No.35-Department of Financial Services</b>				
3.	3475.00.105.04.00.42 Payment of lumpsum provision to Office of Court Liquidator, Kolkata	70.00	40.02	The Department of Financial Services stated (September 2016) that item wise budgetary requirement of the Office of Court Liquidator, Kolkata was obtained and provided for in the DDG of the Ministry of Finance for the year 2016-17.

#### 4.8 Issue of deficient sanction orders in Department of Space

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

Examination of the Appropriation Accounts of Grant No.93-Department of Space for the year 2015-16 revealed that the estimates or expenditure in the Detailed Demands for Grants were prepared with full accounts classification up to the object head level on revenue and capital accounts separately for plan and non-plan expenditure, as is the prevalent practice in other Ministries/ Departments of the Union Government. Audit scrutiny however revealed that:-

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

In the absence of the details of classification in the sanction orders, it was not clear how the accounts were prepared and compiled by showing classification up to the sixth tier in revenue and capital accounts. Illustrative cases of financial sanction orders issued are detailed in **Table 4.13**.

**Table 4.13: Illustrative cases of deficient financial sanction orders**

No.	Sanction No and date	Name of the Project (Head of Account)	Sanctioning Authority	Amount (₹ in crore)
1.	No.C.12012/1/2013.Sec.3 dated 5 June 2015	PSLV Continuation Programme Operational Flights PSLV C36 to C50 (3402.00.101.04, 5402.00.101.20)	Cabinet Secretariat	3090.00
2.	No.C.12011/4/2014.Sec.3 dated 29 May 2015	GSAT 18 communication Satellite (3252.00.053.17, 5252.00.203.13) and launch services (3252.00.053.18, 5252.00.203.14)	Cabinet Secretariat	1022.00
3.	No.C.12011/3/2014.Sec.3 dated 29 May 2015	GSAT 17 communication Satellite (3252.00.053.15, 5252.00.203.11) and launch services (3252.00.053.16, 5252.00.203.12)	Cabinet Secretariat	1013.20

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No.	Sanction No and date	Name of the Project (Head of Account)	Sanctioning Authority	Amount (₹ in crore)
4.	No.C.19013/81/2014.Se c.3 dated 20 May 2015	Cartosat-3 Remote Sensing Satellite (3402.00.101.51, 5402.00.101.44)	Member Finance, Space Commission	351.16
5.	No.C.12029/1/2015.Sec. 3 dated 6 Nov 2015	Oceansat-3/ 3A Remote Sensing Satellite (3402.00.101.54, 5402.00.101.47)	Space Commission	797.17
6.	No.C.19013/44/2014.Se c.3 dated 20 April 2015	GSAT 19 Spacecraft Project (3252.00.053.19, 5252.00.203.15)	DOS	94.00
7.	No.C.12034/2/2015.Sec. 3 dated 27 May 2015	NASA-ISRO Synthetic Aperture Radar Mission -NISAR (3402.00.101.61, 5402.00.101.54)	Space Commission	513.00
8.	No.C.12026/1/2015.Sec. 3 dated 23 Dec 2015	RISAT 1A Satellite Project (3402.00.101.53, 5402.00.101.46)	Member Finance, Space Commission	490.00
9.	No.C.12032/1/2009.Sec 3 (Part-II) 20 November 2015	Revised cost estimate for Aditya-L1 Space craft project (3402.00.103.14, 5402.00.103.07)	Member Finance, Space Commission	378.53
<b>Total</b>				<b>7749.06</b>

The matter was also commented upon in the CAG's Audit Report No.1 for the years 2010-11, 2011-12, 2012-13 and 2013-14 but no discernible action has been taken by the Department.

While accepting the observation, Department replied (July 2016) that it was taking necessary action to issue project sanction orders based on the unit of appropriation i.e. up to sixth tier classification in future.

**4.9 Misclassification within Major heads under the same section of the Grant**

Audit scrutiny of Head-wise appropriation Accounts and consolidated abstract of Grant No. 93 pertaining to Department of Space (DOS) for the year 2015-16 revealed the following cases of misclassification within Major heads under the same section of the grant.

**Table 4.14: Misclassification within Major heads under the same section of the grant**

Sl. No.	Major Head	Object Head	Expenditure (₹ in crore)	Audit observation
1.	3252	01/11/13/20 /27/28/50	1.70	The developmental missions of DOS (satellites and launch vehicles) are to demonstrate technologies and operational missions intended for price recovery. Keeping this principle in mind DOS launched developmental satellite in developmental launch vehicle and operational satellite in operational launch vehicles. DOS sanctioned GSAT 19 technology demonstration satellite in April 2015 and the expenditure incurred was booked under INSAT Operational Major Head 3252, instead of the Space Research Major Head 3402.

2.	5252	52/60	3.97	The developmental missions of DOS (satellites and launch vehicles) are to demonstrate technologies and operational missions intended for price recovery. Accordingly DOS launched developmental satellite in developmental launch vehicle and operational satellite in operational launch vehicles. DOS sanctioned GSAT-19 technology demonstration satellite in April 2015 and the expenditure incurred was booked under INSAT Operational Major Head 5252 instead of the Space Research Major Head 5402.
<b>Total</b>			<b>5.67</b>	

While accepting the audit observation DOS replied (July 2016) that budget provision for GSAT-19 satellite has been made under the Major Heads ‘3402’ and ‘5402’ in revenue and capital sections respectively in DDG 2016-17.

#### **4.10 Misclassification of expenditure due to non-operation of relevant sub-head**

According to DoPT instructions, booking of various expenditures pertaining to Departmental canteens are to be done under the appropriate object heads, as provided under Rule 8 of Delegation of Financial Power Rules, under a new sub-head ‘Departmental Canteens’ below minor head “800-Other Expenditure” under the major head of account to which the revenue expenditure of the related Ministry/Department is ordinarily debited, and exhibited as such in the detailed Demands for Grants.

Scrutiny of Grant No. 93-Department of Space for the year 2015-16 revealed that various units of the Department misclassified expenditure of ₹ 2.40 crore incurred on maintenance of departmental canteen during 2015-16, as given in the **Table 4.15**.

**Table 4.15: Misclassification of expenditure**

Sl. No.	Major Head	Minor Head	Sub Head	PAO	Expenditure (₹ in crore)	Audit observation
1	3402	001	01	ISRO Hqrs	0.95	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’.
2	3451	090	18	ISRO Hqrs	0.20	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’.
3	3402	101	10	ISAC centre	1.25	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.’
<b>Total</b>					<b>2.40</b>	

DOS replied (July 2016) that booking of expenditures on canteen under the object head ‘Other Administrative Expenses’ was done as per the

Compendium of Booking of Expenditure issued by DOS and is hence in order.

Reply is not acceptable since the provision obtained by Department was in contravention to the DoPT instructions.

### **Defence Grants**

#### **4.11 Unauthorized transfer of fund from Capital Grant to Revenue Grant amounting to ₹ 1976.72 crore**

Para 3.2 of the of the Budget Manual 2010 issued by the Ministry of Finance states that there are three occasions when a technical supplementary<sup>1</sup> is sought (a) surrender from one of the four sections viz. Revenue (Charged), Revenue (Voted), Capital (Charged) and Capital (Voted) and utilizing the same in other section within the Demand, (b) transfer of a scheme from one Demand to another Demand which will result 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 (c) waivers/write offs.

The Ministry of Defence has six Demands for Grants (Grant No.23 to 28), Grant No. 23 to 27 pertain to revenue section and Grant No. 28 pertains to capital section.

During the examination of Defence Grants for the year 2015-16, it emerged that an amount of ₹ 660.95 crore was transferred based on technical supplementary from Demand No. 28 to Demand No. 26-Defence Ordnance Factories. This technical supplementary was in violation of instructions contained in the Budget Manual.

This incorrect practice of obtaining technical supplementary and transferring funds from one Demand to another without transfer of any scheme, had been pointed out in the C&AG Audit Report No.1 of 2015 and 50 of 2015. However, no corrective measures have been taken by the Ministry.

Further scrutiny revealed that against the technical supplementary amount of ₹ 660.95 crore, the Ministry had transferred ₹ 1976.72 crore from Capital Demand to Revenue Demands (including Demand No. 26), which resulted in unauthorised transfer of funds to the extent not covered through technical supplementary.

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<sup>1</sup> When there is a saving in one of the Sections and the same is proposed to be utilized for another scheme under a different section, it can be done after obtaining approval of Parliament through 'Technical Supplementary'

The matter was referred to the Ministry in September 2016. In its reply the Ministry stated (October 2016) that the provision of BE 2015-16 and Supplementary Grants obtained during 2015-16 under each Grant was more than the final allocation at Modified Appropriation (MA) for 2015-16. Hence, technical supplementary from Parliament was not required for funds made available by MoF at MA 2015-16 stage.

The reply is not acceptable as any transfer of funds from Capital Demand to Revenue Demands requires to be covered through technical supplementary in terms of Para 3.2 of the Budget Manual 2010.

#### **4.12 Augmentation of provision to object head '53-Major Works'**

The Ministry of Finance in reference to OM dated 25 May 2006 regarding 'Guidelines on financial limits relating to New Service/New Instrument of Service' (NS/NIS) clarified (21 May 2012) that in regard to the cases of NS/NIS on augmentation under the object head '53-Major Works' all cases relating to augmentation of funds above ₹ 2.5 crore or above 10 per cent of the appropriation already voted, 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 the Appropriation Accounts pertaining to Demand No. 28- Capital Outlay on Defence Services for the year 2015-16 revealed that an amount of ₹ 2099.86 crore was re-appropriated to three sub-major heads against the authorisation of ₹ 1588.00 crore obtained from the Parliament through token supplementary under 4076.01-Army, as detailed in **Table 4.16**.

**Table 4.16: Augmentation of provision to object head 'Major Works'**

(₹ in crore)

Head of Accounts	Amount of Re-appropriation	Provisions obtained from Parliament through Token Supplementary grants (In the 2 <sup>nd</sup> SDG)	Excess expenditure
<b>Major Head-4076-Capital outlay (Grant-28)</b>			
<b>01-Army</b> 202-Construction works (Voted)	1774.20	1588.00	186.20
<b>02- Navy</b> 202- Construction Works	76.00	0	76.00
<b>03-Air Force</b> 202-Construction Works (Voted)	249.66	0	249.66
<b>Total</b>	<b>2099.86</b>	<b>1588.00</b>	<b>511.86</b>

This resulted in augmentation of ₹ 511.86 crore without obtaining prior approval of Parliament, thereby attracting the limitation of New Services/New Instrument Services.

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The Ministry in its reply (June 2016) quoted the MoF's OM dated 25 May 2006 and stated that the aforesaid limits including those relating to Works expenditure, will apply to these Departments subject to consideration of security in the case of Defence Services Estimates.

It, further, stated that re-appropriation of ₹ 1774.20 crore under 4076-01-202 (Army-Works) and ₹ 249.66 crore under 4076-03-202 (Air Force-Works) were proposed at Modified Appropriation(MA) stage (2015-16) and were duly approved by Secretary (Expenditure).

The reply is not acceptable in view of the fact as there were separate budget line for 'Construction Works' in Defence Service Estimates of 2015-16 under Army, Navy and Air Force, and the financial limits of augmentation apply separately for each budget line. Further, expenditure incurred under 'Construction Works' falls under the category of object head 'Major Works' as such the financial limits of augmentation prescribed in Ministry of Finance OM of 25 May 2006 equally applies to Defence, subject to considerations of security. Thus, excess expenditure of ₹ 511.86 crore incurred over the authorized provisions required the prior approval of the Parliament.

### **Department of Posts**

#### **4.13 Unauthorised distribution of cash supplementary grant of ₹ 51.26 crore**

Examination of Second Batch of Supplementary Demands for Grants obtained from Parliament under Grant No. 14 pertaining to Department of Posts for the year 2015-16 revealed that cash supplementary<sup>2</sup> grants of ₹ 40.0 crore and ₹ 11.26 crore were obtained under Revenue-voted and Capital-voted section respectively for plan schemes as detailed below:

- ₹ 40.0 crore was required towards setting up of Post Bank of India and Network Integration under Major Head '3201-Postal Services'.
- ₹ 11.26 crore was required towards making payment under "Development and Deployment of Banking and Postal Life Insurance Solutions" for settlement of pending claims, under Major Head '5201- Capital Outlay on Postal Services'.

Detailed scrutiny of head-wise appropriation accounts revealed that out of total supplementary grant of ₹ 40.00 crore, only ₹ 37.45 crore had been depicted under Major Head '3201-Postal Services' whereas the remaining amount of ₹ 2.55 crore had been depicted under Major Head 2552- Allocation for NE Region.

Similarly, out of total supplementary grant of ₹ 11.26 crore, ₹ 8.68 crore had been depicted under Major Head '5201- Capital Outlay on Postal Services'

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<sup>2</sup> Cash Supplementary is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant.

and the remaining amount of ₹ 2.58 crore had been depicted under Major Head 4552. The details are given in **Table 4.17**.

**Table 4.17: Unauthorised distribution of Supplementary grants**

Sl No.	Head of Account	Amount (₹ in crore)
<b>Revenue Voted Section (Plan)</b>		
1.	3201.02.104.01- Research and Development	30.20
2.	3201.03.101.12-Setting up of Post Bank of India	7.25
	<b>Supplementary depiction under MH-3201</b>	<b>37.45</b>
3.	2552.02.104.01-Research and Development	1.80
4.	2552.03.101.12-Setting up of Post Bank of India	0.75
	<b>Supplementary depiction under MH- 2552</b>	<b>2.55</b>
	<b>Total</b>	<b>40.00</b>
<b>Capital Voted Section (Plan)</b>		
5.	5201.00.104.62-Project Management Unit(PMU)	8.68
6.	4552.00.104.62- Project Management Unit(PMU)	2.58
	<b>Total</b>	<b>11.26</b>

This resulted in unauthorized distribution and depiction of Supplementary grant in the head-wise Appropriation Accounts in violation of the extant provisions.

The Department stated (November 2016) that the original allocations under the Plan segment were ₹468.61 crore, which were enhanced to ₹ 520 crore at Revised Estimate stage by providing additional allotment of ₹ 51.26 crore (Voted) and ₹ 0.13 crore (Charged) through Second Batch of the SDG for the year 2015-16.

It further stated that additional allocations were made keeping in view the mandatory 10 *per cent* for North East Region which included the amounts of ₹ 2.55 crore and ₹ 2.58 crore under Major Head 2552 and 4552 respectively.

The reply is not tenable as the Department cannot change the original destination of the Supplementary Grant sanctioned by the Parliament.

#### **4.14 Conclusion**

Deficiencies in Appropriation Accounts relating to violation of Constitutional provisions, non-observance of financial guidelines, etc. have been noticed in Audit, which impact the accuracy of the compiled accounts. Non-obtaining of budgetary provision from the Parliament for payment of interest on the refunds of taxes, non-observance of instructions relating to New Service/New Instrument of Service which have been issued with the approval of Public Accounts Committee, obtaining provisions under incorrect object heads leading to misclassifications of expenditure having impact on the revenue deficit, are some of the areas requiring attention of the Chief Accounting Authority. In addition, transactions were passed through Consolidated Fund of India which should have been accounted for in the Public Account, and lump sum supplementary provisions were obtained instead of amount specific provision. Further, in the Ministry of Defence funds were transferred from Capital Grant to Revenue Grants in unauthorised way.

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